KPMG

Corporation of the Municipality of Temagami

Audit Findings Report for the year ended December 31, 2022

KPMG LLP

Chartered Professional Accountants, Licenced Public Accountants

Prepared on July 7, 2023 for the Council meeting on July 13, 2023

kpmg.ca/audit

KPMG contacts

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The purpose of this report is to assist you, as a member of Council, in your review of the results of our audit of the consolidated financial statements as at and for the period ended December 31, 2022. This report is intended solely for the information and use of Management, and Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

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If you are reading in electronic form (e.g. In "Adobe Reader" or "Board Books"), clicking on the home symbol on the top right corner will bring you back to this slide.

Click on any item in the table of contents to navigate to that section.

Audit highlights

Scope of the audit

Our audit of the financial statements ("financial statements") of the Corporation of the Municipality of Temagami ("the Municipality") as of and for the year ending December 31, 2022, was performed in accordance with Canadian generally accepted auditing standards (CASs).

Status of the audit

We have completed the audit of the consolidated financial statements ("financial statements"), with the exception of certain remaining outstanding procedures, which are highlighted on slide 5 of this report.

Significant changes to our audit plan

There were no significant changes to our initial audit plan.

In response to the requirements of CAS 315, we have – in certain instances – increased our reliance on substantive auditing procedures, which has resulted in higher sample sizes.

Significant risks

Management override of controls is a significant risk that cannot be rebutted. See page 11 for additional information.

Rebuttable significant risks

The presumed fraud risk involving improper revenue recognition has been rebutted by us. We have done this primarily because no risk factors have been identified. Revenues are not complex and they do not involve elements of significant judgment. The majority of revenues are driven directly by government grants, municipal levy allocation and program-based funding or and there are no significant third-party expectations in relation to revenue.

Other areas of focus

Other areas of focus and KPMG's audit response are discussed on slides 12 -13.

There are no significant findings to report.

Audit risks and results – going concern assessment

No matters to report.

Uncorrected audit misstatements

No matters to report.

Corrected audit misstatements

All corrected audit misstatements have been included as part of the management representation letter.

Newly effective auditing standards

CAS 315 is effective for audits of financial statements for periods beginning on or after December 14, 2021. See Appendix : Newly effective auditing standards for details.

The most significant accounting pronouncement in the near term relates to Asset Retirement Obligations that will be applicable in fiscal 2023.

Significant unusual transactions

No matters to report.

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. See slide 16 for certain required communications regarding control deficiencies.

Accounting policies and practices

No matters to report.

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Other financial reporting matters

No matters to report.

Status of the audit

As of July 7, 2023, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completion of our audit quality control review and, subsequent event verification to date of audit report, as necessary
- Completion of our subsequent events procedures with management and Council
- Receipt of the signed management representation letter
- Completing our discussions with Council
- Obtaining evidence of the Council’s approval of the financial statements

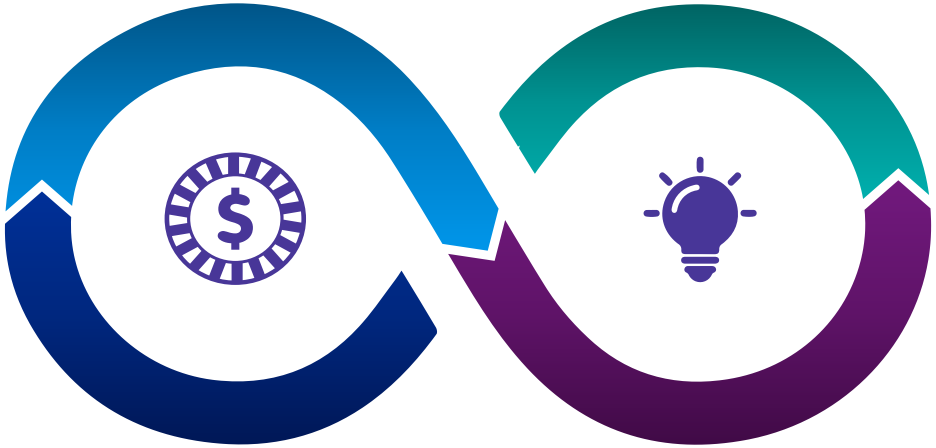
Our auditor’s report, a draft of which is provided in draft financial statements, will be dated upon the completion of any remaining procedures.

Significant changes to our audit plan

We have not made any significant changes to our audit plan which was communicated to you in the audit planning report, and note that:

Management and the KPMG audit team	There were no significant changes to Management and the KPMG audit team.
Materiality	Materiality was set at $194,000 which represented approximately 2.99% of the prior year expenses. Current year actual total expenses increased to $7.775 million, therefore, materiality represented 2.49% of current year expenses. As this falls within the acceptable range of our required benchmark of between 0.5% - 3.0%, no changes to materiality were required..
Fraud risk	We performed our required audit procedures in professional standards over fraud risk as communicated to management during the planning of our audit and did not identify any additional fraud risks from our audit work.
Other areas of audit focus	We did not identify any additional areas of audit focus requiring an audit response.
Newly effective auditing standards	CAS 315, *Identifying and Assessing the Risks of Material Misstatements,* was effective for the 2022 audit. We performed the required procedures to comply with this new auditing standard and have no findings to report.

Materiality



We ***initially determine materiality*** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of ***professional judgement,*** considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We ***reassess materiality*** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

Plan and perform the audit

We ***initially determine materiality*** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Evaluate the effect of misstatements

We also use materiality to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.

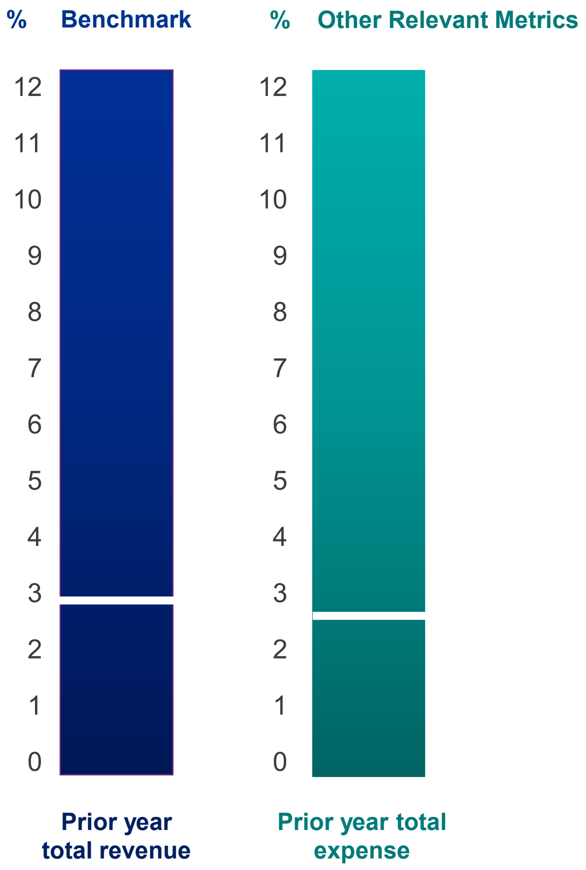
Materiality

Materiality

$194,000

(2021: $210,000)

Current year

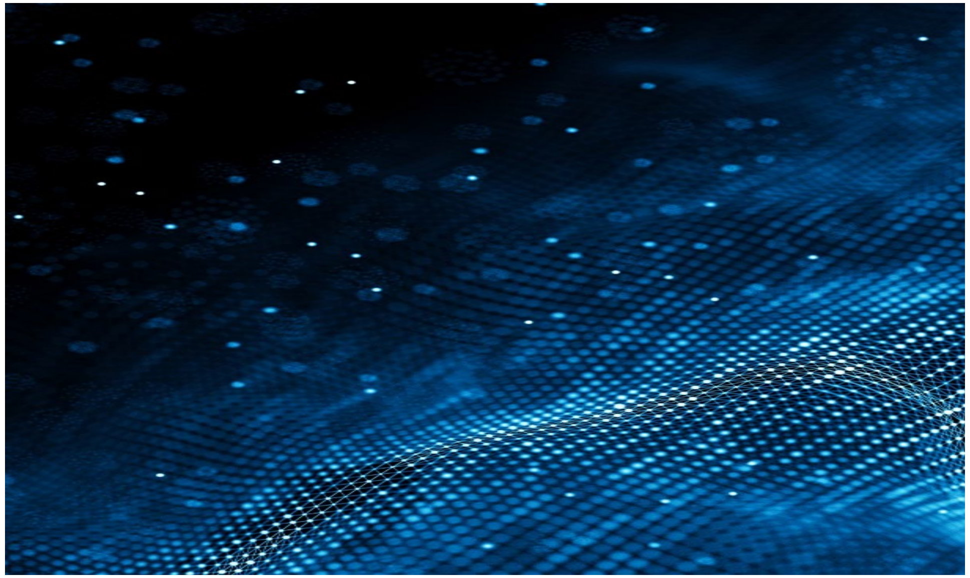


Consolidated prior year total expenses

$6.479 million

Consolidated prior year total revenue

$6.584 million



Audit misstatements

All misstatements that would have been identified during the audit greater than $9,700 (audit misstatement posting threshold) would have been recorded on our summary of adjustments and differences.

Materiality is established to identify risks of material misstatements, to develop an appropriate audit response to such risks, and to evaluate the level at which we think misstatements will reasonably influence users of the financial statements. It considers both quantitative and qualitative factors. Adjustments and differences identified during the audit are categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

Professional standards require that we request of management and the Audit Committee that all identified adjustments or differences be corrected, if any.

Corrected and uncorrected differences

All year end adjustments were based upon supporting information provided by management and have been incorporated into the consolidated financial statements presented at today's Council meeting .

There are no uncorrected audit differences to note.

Significant risks

Management Override of Controls

RISK OF FRAUD

Presumption of the risk of fraud resulting from management override of controls

Why is it significant?

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Audit approach

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures included:

- testing of journal entries and other adjustments,
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.

We also made inquiries of senior management and the Audit Committee related to their awareness of fraud risk factors of the Municipality and whether the Municipality is currently dealing with any suspected, alleged or known fraudulent activity.

We did not uncover any issues during the performance of the procedures described above

Other areas of focus

Areas	Risk due to error	Audit approach
Cash **Long-term debt**	Base	• Confirmation with third parties for cash balances • Review of bank reconciliations and vouch significant reconciling items to supporting documentation • Review of restrictions and disclosures • Confirmation of debt balances with third parties
Government grants **Accounts and grants payable**	Base	• Review the year-end reconciliation of closing grant balances, and obtain supporting documentation for significant reconciling items. • Confirm certain balances or review supporting documentation for significant grant funds received by the Town during the year. • Analytical procedures to ensure the appropriate recognition of revenue and related payables, deferrals and receivables, as required. • Substantive tests to ensure the appropriateness of revenue recognition.
Tangible Capital Assets	Base	• Vouch significant additions and disposals to supporting documentation. • Review the existence of the capital assets schedule with capital assets listing maintained by management. • Perform analytical audit procedures to ensure adequacy of amortization. • Enquire as to the impairment of any capital assets.

Other areas of focus

Areas	Risk due to error	Audit approach
Salaries and benefits	Base	• Significant payroll-related accruals recalculated and vouched to supporting documentation • Perform substantive analytical procedures over salaries and benefits, and related accounts
Accounts payable and accrued liabilities **Non-payroll expenses**	Base	• Substantive tests of details, including verification of subsequent payment of invoices • Combination of test of details (sampling) and analytical procedures.
Contingencies	Base	• Review of Town Council meeting minutes and legal correspondence • Significant findings review with management
Financial reporting and other	Base	• Review by the engagement team of the consolidated financial statements to ensure the disclosure is consistent with public sector accounting standards, disclosure requirements, as well as industry practice. • Review the conclusion of control for all components and the related consolidation in the financial statements.

We did not uncover any issues during the performance of the procedures described above.

Response to newly effective auditing standard

CAS 315 (Revised) Identifying and Assessing the Risks of Material Misstatement

Key changes to the audit approach in the current year

A risk of material misstatement exists when there is a reasonable possibility of a misstatement occurring and being material if it were to occur

- New requirement to take into account how, and the degree to which, 'inherent risk factors' affect the susceptibility of relevant assertions to misstatement
- New concept of significant classes of transactions, account balances and disclosures and relevant assertions to help us to identify and assess the risks of material misstatement
- New requirement to separately assess inherent risk and control risk for each risk of material misstatement
- Revised definition of significant risk for those risks which are close to the upper end of the spectrum of inherent risk
- Overall, a more robust risk identification and assessment process, including evaluating whether the audit evidence obtained from risk assessment procedures provides an appropriate basis to identify and assess the risks of material misstatement
- Overall, a more robust risk identification and assessment process, including performing a 'stand back' at the end of the risk assessment process
- Modernized to recognize the evolving environment, including in relation to IT
- Enhanced requirements relating to exercising professional skepticism
- Clarification of which controls need to be identified for the purpose of evaluating the design and implementation of a control

Results of procedures performed

We designed and performed risk assessment procedures to obtain an understanding of the:

- entity and its environment;
- applicable financial reporting framework; and
- entity's system of internal control.

The audit evidence obtained from this understanding provided a basis for:

- identifying and assessing the risks of material misstatement, whether due to fraud or error; and
- the design of audit procedures that are responsive to the assessed risks of material misstatement.

No significant, or other, issues were identified in responding to the newly effective auditing standard.

Control deficiencies

Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting

A significant deficiency in internal control over financial reporting is a deficiency, or combination of deficiencies, in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

No significant, or other, deficiencies in internal control over financial reporting were identified in the audit.

Significant accounting policies and practices

Future implementation

Accounting pronouncements issued but not yet effective have not been disclosed in the notes to the financial statements. The most significant pronouncements in the near term relate to Revenue, Asset Retirement Obligations and Public Private Partnerships. The implications of these new standards, particularly the asset retirement obligation standard may have a material impact on the Town’s financial statements. This new standard will be effective for the 2023 year end and will require audit work to commence in the fall of 2023 to ensure appropriate information is available for the adoption.

Other financial reporting matters

We also highlight the following:

Financial statement presentation - form, arrangement, and content	The form, arrangement, and content of the financial statements was found to be adequate. KPMG has provided feedback and sample note disclosures to management and are satisfied with the action and changes implemented by management.
Concerns regarding application of new accounting pronouncements	No concerns at this time regarding application of new accounting pronouncement. In 2023, the asset retirement obligation and revenue standards will become effective for the Municipality.
Significant qualitative aspects of financial statement presentation and disclosure	No significant issues with regards to qualitative aspects of financial statement presentation and disclosure.

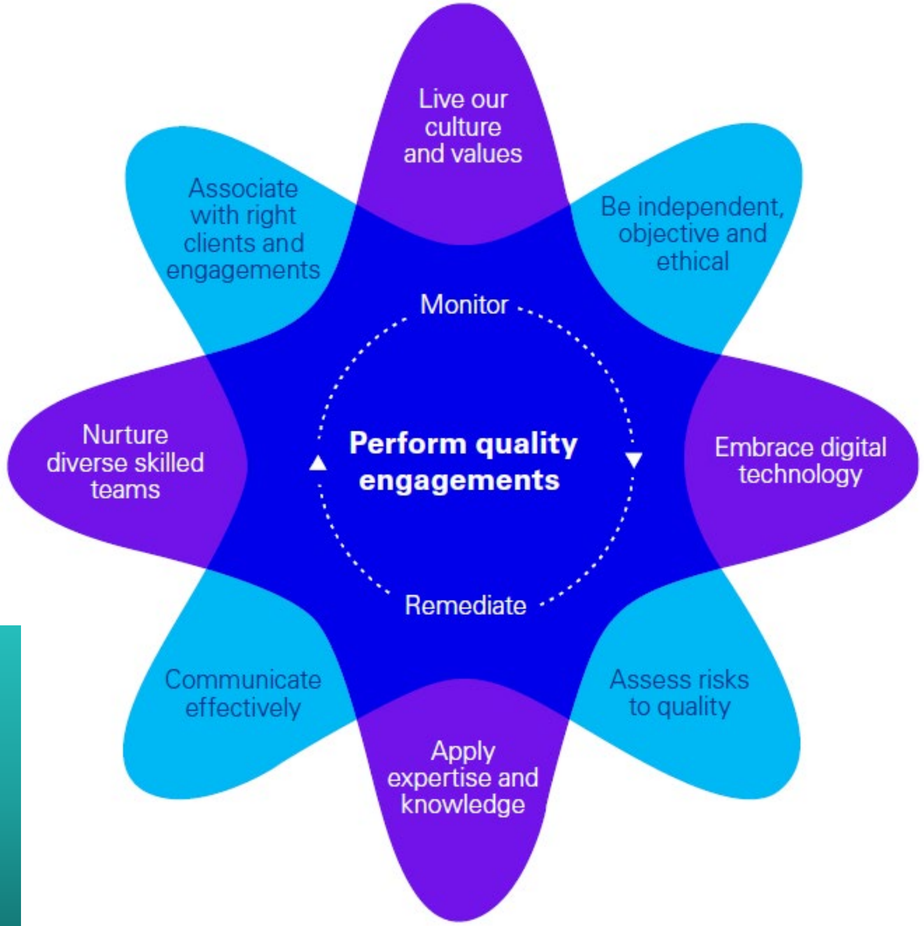
Audit quality: How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority. Our **Global Quality Framework** outlines how we deliver quality and how every partner and staff member contributes to its delivery.

Perform quality engagement sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

KPMG 2022 Audit Quality and Transparency Report



We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality controls;** and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics** and **integrity.**

Appendices

A Public Sector Accounting Update

A Newly effective auditing standards

A Other required communications

A Independence matters

A Audit and assurance insights

Appendix: Public Sector Accounting Update

Matter	Summary and implications

Asset Retirement Obligations	– The new standard is effective for fiscal years beginning on or after April 1, 2022. The effective date was deferred by one year due to COVID-19.
	– The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets. PSAB currently contains no specific guidance in this area.
	– The ARO standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life.
	– As a result of the new standard, the public sector entity will have to:
	    – Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;
	    – Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements;
	– Begin considering the potential effects on the organization as soon as possible to coordinate with resources

Revenue	– The new standard is effective for fiscal years beginning on or after April 1, 2023. The effective date was deferred by one year due to COVID-19. – The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. – The standard notes that in the case of revenues arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.
Employee Future Benefit Obligations	– PSAB has initiated a review of sections PS3250 Retirement Benefits and PS3255 Post-Employment Benefits, Compensated Absences and Termination Benefits. In July 2020, PSAB approved a revised project plan. – PSAB intends to use principles from International Public Sector Accounting Standard 39 Employee Benefits as a starting point to develop the Canadian standard. – Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, PSAB will implement a multi-release strategy for the new standards. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues.

Appendix: Public Sector Accounting Update

Matter	Summary and implications
Concepts Underlying Financial Performance	– PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards. – PSAB is proposing a revised, ten chapter conceptual framework intended to replace PS 1000 Financial Statement Concepts and PS 1100 Financial Statement Objectives. The revised conceptual framework would be defined and elaborate on the characteristics of public sector entities and their financial reporting objectives. Additional information would be provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts would be introduced. – In addition, PSAB is proposing: • Relocation of the net debt indicator to its own statement and the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained. • Separating liabilities into financial liabilities and non-financial liabilities. • Restructuring the statement of financial position to present non-financial assets before liabilities. • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).
Purchased Intangibles	– In October 2019, PSAB approved a proposal to allow public sector entities to recognize intangibles purchased through an exchange transaction. Practitioners are expected to use the definition of an asset, the general recognition criteria and the GAAP hierarchy to account for purchased intangibles. – PSAB has approved Public Sector Guideline 8 which allows recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to Section PS 1000 Financial statement concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial statement presentation to remove the requirement to disclose that purchased intangibles are not recognized. – The effective date is April 1, 2023 with early adoption permitted. Application may be retroactive or prospective.

Appendix: Newly effective auditing standards

CAS 315 (Revised) Identifying and Assessing the Risks of Material Misstatement has been revised, reorganized and modernized in response to challenges and issues with the previous standard. It aims to promote consistency in application, improve scalability, reduce complexity, support a more robust risk assessment and incorporate enhanced guidance material to respond to the evolving environment, including in relation to information technology. Conforming and consequential amendments have been made to other International Standards on Auditing.

A **risk of material misstatement** exists when there is a reasonable possibility of a misstatement occurring and being material if it were to occur

Affects both preparers of financial statements and auditors

Applies to audits of financial statements for periods beginning on or after 15 December 2021

See here for more information from CPA Canada

We design and perform risk assessment procedures to obtain an understanding of the:

- entity and its environment;
- applicable financial reporting framework; and
- entity's system of internal control.

The audit evidence obtained from this understanding provides a basis for:

- identifying and assessing the risks of material misstatement, whether due to fraud or error; and
- the design of audit procedures that are responsive to the assessed risks of material misstatement.

Appendix: Newly effective auditing standards

Key change	Impact on the audit team	Impact on management
Overall, a more robust risk identification and assessment process, including: • New requirement to take into account how, and the degree to which, 'inherent risk factors' affect the susceptibility of relevant assertions to misstatement • New concept of significant classes of transactions, account balances and disclosures and relevant assertions to help us to identify and assess the risks of material misstatement • New requirement to separately assess inherent risk and control risk for each risk of material misstatement • Revised definition of significant risk for those risks which are close to the upper end of the spectrum of inherent risk	When assessing inherent risk for identified risks of material misstatement, we consider the degree to which inherent risk factors (such as complexity, subjectivity, uncertainty, change, susceptibility to management bias) affect the susceptibility of assertions to misstatement. We use the concept of the spectrum of inherent risk to assist us in making a judgement, based on the likelihood and magnitude of a possible misstatement, on a range from higher to lower, when assessing risks of material misstatement The changes may affect our assessments of the risks of material misstatement and the design of our planned audit procedures to respond to identified risks of material misstatement. If we do not plan to test the operating effectiveness of controls, the risk of material misstatement is the same as the assessment of inherent risk.	If the effect of this consideration is that our assessment of the risks of material misstatement is higher, then our audit approach may increase the number of controls tested and/or the extent of that testing, and/or our substantive procedures will be designed to be responsive to the higher risk. We may perform different audit procedures and request different information compared to previous audits, as part of a more focused response to the effects identified inherent risk factors have on the assessed risks of material misstatement.

Appendix: Newly effective auditing standards

Key change	Impact on the audit team	Impact on management
Overall, a more robust risk identification and assessment process, including evaluating whether the audit evidence obtained from risk assessment procedures provides an appropriate basis to identify and assess the risks of material misstatement	When making this evaluation, we consider all audit evidence obtained, whether corroborative or contradictory to management assertions. If we conclude the audit evidence obtained does not provide an appropriate basis, then we perform additional risk assessment procedures until audit evidence has been obtained to provide such a basis.	In certain circumstances, we may perform additional risk assessment procedures, which may include further inquires of management, analytical procedures, inspection and/or observation.
Overall, a more robust risk identification and assessment process, including performing a 'stand back' at the end of the risk assessment process	We evaluate whether our determination that certain material classes of transactions, account balances or disclosures have no identified risks of material misstatement remains appropriate.	In certain circumstances, this evaluation may result in the identification of additional risks of material misstatement, which will require us to perform additional audit work to respond to these risks.

Appendix: Newly effective auditing standards

Key change	Impact on the audit team	Impact on management
Modernized to recognize the evolving environment, including in relation to IT	New requirement to understand the extent to which the business model integrates the use of IT. When obtaining an understanding of the IT environment, including IT applications and supporting IT infrastructure, it has been clarified that we also understand the IT processes and personnel involved in those processes relevant to the audit. Based on the identified controls we plan to evaluate, we are required to identify the: • IT applications and other aspects of the IT environment relevant to those controls • related risks arising from the use of IT and the entity's general IT controls that address them. Examples of risks that may arise from the use of IT include unauthorized access or program changes, inappropriate data changes, risks from the use of external or internal service providers for certain aspects of the entity's IT environment or cybersecurity risks.	We will expand our risk assessment procedures and are likely to engage more extensively with your IT and other relevant personnel when obtaining an understanding of the entity's use of IT, the IT environment and potential risks arising from IT. This might require increased involvement of IT audit professionals. Changes in the entity's use of IT and/or the IT environment may require increased audit effort to understand those changes and affect our assessment of the risks of material misstatement and audit response. Risks arising from the use of IT and our evaluation of general IT controls may affect our control risk assessments, and decisions about whether we test the operating effectiveness of controls for the purpose of placing reliance on them or obtain more audit evidence from substantive procedures. They may also affect our strategy for testing information that is produced by, or involves, the entity's IT applications.
Enhanced requirements relating to exercising professional skepticism	New requirement to design and perform risk assessment procedures in a manner that is not biased toward obtaining audit evidence that may be corroborative or toward excluding audit evidence that may be contradictory. Strengthened documentation requirements to demonstrate the exercise of professional scepticism.	We may make changes to the nature, timing and extent of our risk assessment procedures, such as our inquires of management, the activities we observe or the accounting records we inspect.

Appendix: Newly effective auditing standards

Key change	Impact on the audit team	Impact on management
Clarification of which controls need to be identified for the purpose of evaluating the design and implementation of a control	We will evaluate the design and implementation of controls that address risks of material misstatement at the assertion level as follows: • Controls that address a significant risk. • Controls over journal entries, including non-standard journal entries. • Other controls we consider appropriate to evaluate to enable us to identify and assess risks of material misstatement and design our audit procedures	We may identify new or different controls that we plan to evaluate the design and implementation of, and possibly test the operating effectiveness to determine if we can place reliance on them. We may also identify risks arising from IT relating to the controls we plan to evaluate, which may result in the identification of general IT controls that we also need to evaluate and possibly test whether they are operating effectively. This may require increased involvement of IT audit specialists.

Appendix: Other required communications

Engagement terms

A copy of the engagement letter and any subsequent amendments has been provided to management.

CPAB communication protocol

The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- CPAB Audit Quality Insights Report: 2021 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2022 Interim Inspections Results
- The 2022 Annual Inspection Results will be available in March 2023

Appendix: Independence matters

Professional standards specify that we communicate to you in writing all relationships between the Town and our firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, we consider relevant rules and related interpretations prescribed by the relevant professional bodies and any applicable legislation or regulation, covering such matters as provision of services in addition to the audit engagement.

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards. We are independent and have extensive quality control and conflict checking processes in place. We provide complete transparency on all services and follow Council approved protocols.

We have prepared the following comments to facilitate our discussion with you regarding independence matters.

Professional standards require that we communicate the related safeguards that have been applied to eliminate identified threats to independence or to reduce them to an acceptable level. Although we have policies and procedures to ensure that we did not provide any prohibited services and to ensure that we have not audited our own work, we have applied the following safeguards related to the threats to independence listed above:

- We instituted policies and procedures to prohibit us from making management decisions or assuming responsibility for such decisions;
- We obtained management’s acknowledgement of responsibility for the results of the work performed by us regarding non-audit services, and we have not made any management decisions or assumed responsibility for such decisions. This includes the preparation of the financial statements and the consolidation process;
- All KPMG audit engagements can be subject to regular and recurring quality control reviews performed by CPA Canada and KPMG’s Department of Professional Practice.

Appendix: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

KPMG Audit & Assurance Insights
Curated research and insights for audit committees and boards.

Accelerate 2023
The key issues driving the audit committee agenda in 2023.

Board Leadership Centre
Leading insights to help board members maximize boardroom opportunities

Momentum
A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

Current Developments
Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.

KPMG Climate Change Financial Reporting Resource Centre
Our climate change resource centre provides insights to help you identify the potential financial statement impacts to your business.

Audit Committee Guide – Canadian Edition
A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.

IFRS Breaking News
A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.

Financial Statement Presentation

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

		2022		2021
Financial assets				
Cash	$	2,555,161	$	3,440,945
Taxes receivable		894,005		838,294
Accounts receivable (note 3)		604,077		295,775
		4,053,243		4,575,014
Financial liabilities				
Accounts payable and accrued liabilities (note 4)		378,802		498,698
Long-term debt (note 5)		293,702		360,395
Landfill closure liabilities (note 6)		434,700		379,000
		1,107,204		1,238,093
Net financial assets		2,946,039		3,336,921
Non-financial assets				
Tangible capital assets (note 7)		15,226,498		14,785,631
Prepaid expenses		12,457		18,275
		15,238,955		14,803,906
Accumulated surplus (note 8)	$	18,184,994	$	18,140,827

Highlights

- Cash balance has decreased on a year over year basis. There was positive cash flows from operating activities in the amount of $828K which was used to fund capital asset purchases of $1.6 million and the debt repayments of $67K.
- Taxes receivables have increased on a year over year basis. The increase mainly relates to the current aging category along with the penalties and interest. No change has been noted to the allowance in the current year. Taxes as a percentage of the taxation revenue has increased to 21.3% in the current year.
- Accounts receivable has increased in the current year due to increased amounts owing from various government agencies which includes items such as grant receivables along with HST related receivables. The overall increase relates to an increased receivable from NOHFC (Walking Trail and Sports Complex), additional receivables from ICIP for the HVAC, Arena, Lighting and Boiler system work.
- Accounts payable have decreased in the year as a result of decreased employee related accruals and lower accrued liabilities as of the year end date.
- Long term debt has decreased as a result of the principal repayments made on the debt in the year (no new debt taken on in the year)
- The landfill closure liability has increased as a result of usage of the landfill in the year along with changes in assumptions utilized in the year (such as the inflation rate)

Financial Statement Presentation

	2022	2021
Current year	$307,514	$272,729
1 year arrears	$149,024	$160,604
2 years arrears	$96,453	$86,056
3+ years arrears	$277,242	$283,133
Penalties and interest	$213,772	185,772
Allowance for doubtful taxes	($150,000)	($150,000)
Total	**$894,005**	**$740,315**
As a percentage of levy	13.4%	18.38%

Financial Statement Presentation

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

		2022		2021
Financial assets				
Cash	$	2,555,161	$	3,440,945
Taxes receivable		894,005		838,294
Accounts receivable (note 3)		604,077		295,775
		4,053,243		4,575,014
Financial liabilities				
Accounts payable and accrued liabilities (note 4)		378,802		498,698
Long-term debt (note 5)		293,702		360,395
Landfill closure liabilities (note 6)		434,700		379,000
		1,107,204		1,238,093
Net financial assets		2,946,039		3,336,921
Non-financial assets				
Tangible capital assets (note 7)		15,226,498		14,785,631
Prepaid expenses		12,457		18,275
		15,238,955		14,803,906
Accumulated surplus (note 8)	$	18,184,994	$	18,140,827

Highlights

- The tangible capital assets balance has increased by $481,000 which is made up of $1.647 million of capital asset additions offset by amortization expense of $1.206 million. The capital asset purchases are described in the subsequent slide.

Financial Statement Presentation

• Road work (Fox Run Road upgrade)	$432,000
• Roadwork (Gravel resurfacing)	$63,000
• Roadwork (bridges and roads)	$145,000
• Drainage work	$177,000
• Field and track upgrades	$218,000
• Arena lighting upgrades	$47,000
• New server and IT related equipment	$127,000
• Sewer and manhole replacement work	$208,000
• OCWA repairs	$67,000
• Other miscellaneous additions (all immaterial amounts)	$163,000

Financial Statement Presentation

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

	Budget 2022 (note 11)	Actual 2022	Actual 2021
Revenues:			
Operating revenues:			
Municipal taxation	$ 4,179,869	$ 4,196,918	$ 4,027,011
User charges	1,043,326	948,653	865,064
Provincial grants	3,545,095	1,641,400	1,839,657
Federal grants	1,795,240	100,661	11,973
Investment income	116,000	100,217	19,642
Penalties and interest on taxes		103,942	109,181
Provincial Offences Act		31	10,158
Other	19,000	205,834	270,114
	10,698,530	7,297,656	7,152,800
Capital revenues:			
Provincial grants	-	428,656	53,168
Federal grants	-	93,179	99,775
	-	521,835	152,943
Total revenues	10,698,530	7,819,491	7,305,743
Expenses:			
General government	1,112,742	1,225,567	1,117,296
Protection to persons and property	761,230	771,084	774,208
Transportation services	969,050	1,444,069	1,199,151
Environmental services	958,466	1,356,702	1,367,329
Health services	802,912	854,279	796,246
Social and family services	1,438,262	1,438,262	1,357,607
Recreational and cultural services	388,165	459,870	346,919
Planning and development	229,975	225,491	262,177
Total expenses	6,660,802	7,775,324	7,220,933
Annual surplus	4,037,728	44,167	84,810
Accumulated surplus, beginning of year	18,140,827	18,140,827	18,056,017
Accumulated surplus, end of year	$ 22,178,555	$ 18,184,994	$ 18,140,827

Highlights

- On an overall basis, total revenue has increased to $7.819 million in 2022 compared with $7.305 million in 2021 which is an increase of $313K or 4.29% on a year over year basis. There were a few changes noted in the year as follows:
  - Increased capital revenues noted in the year as a result of additional spending resulting in the use of OCIF funding and NOHFC funding
  - Taxation revenues have increased as a result of the increase in taxation rates noted in 2022
  - User charges and fees have increased as a result of increased MTO recovery revenues noted in 2022
  - Provincial grant revenue has decreased by $200K as the prior year included certain one time revenue streams such as the modernization funding which was recognized in relation to expenditures incurred in 2021.
  - Federal grant revenue has increased as a result of additional revenue received for the Chalet project noted in 2022.
  - Other revenues include a number of miscellaneous revenue streams such as the community paramedicine funding (which is $110K of the $205K). The decrease noted in the year is as a result of decreased donations and recycling revenue noted in 2022.
  - Additional provincial capital grants noted in the year relate to additional NORDS funding recognized in the year along with additional OCIF funding utilized for capital projects in the year.

Financial Statement Presentation

THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

	Budget 2022 (note 11)	Actual 2022	Actual 2021
Revenues:			
Operating revenues:			
Municipal taxation	$ 4,179,869	$ 4,196,918	$ 4,027,011
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Provincial grants	3,545,095	1,641,400	1,839,657
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Investment income	116,000	100,217	19,642
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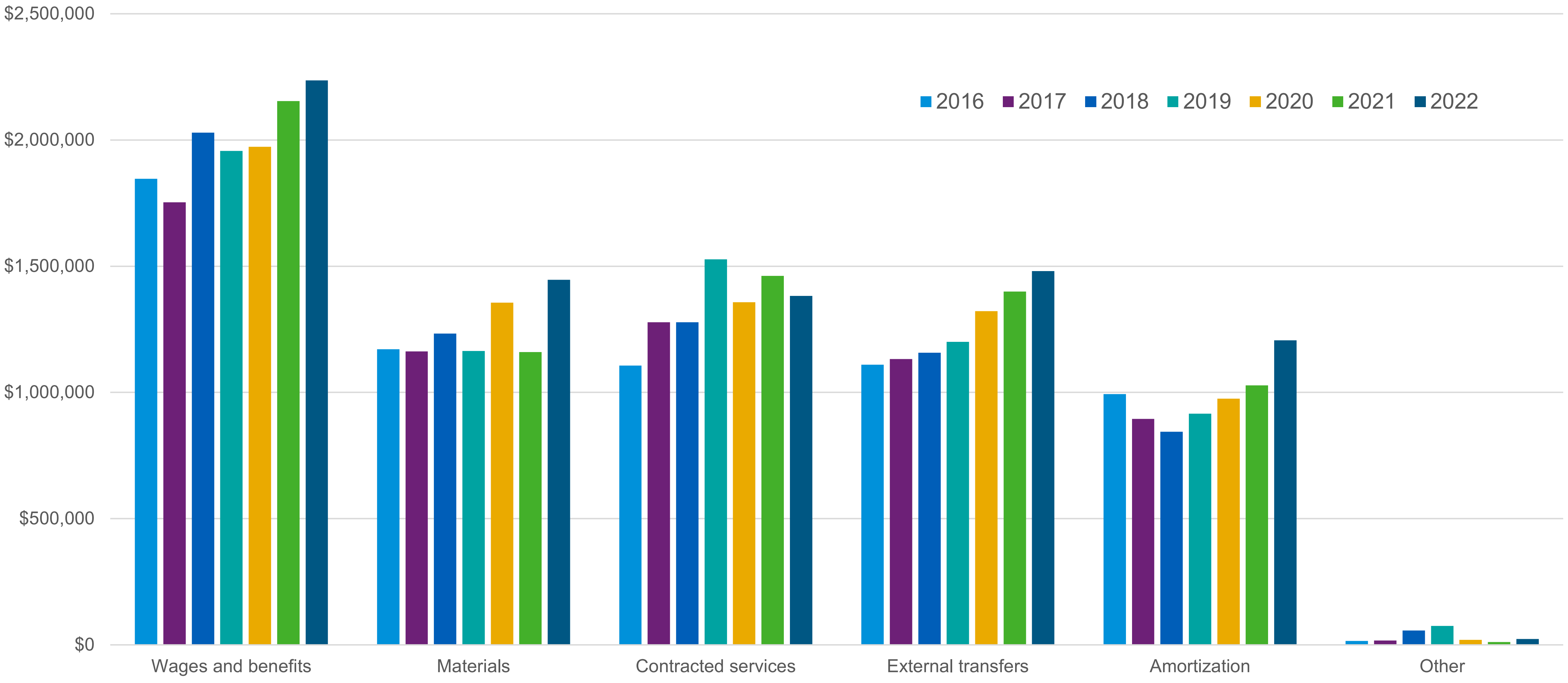
Total expenses	6,660,802	7,775,324	7,220,933
Annual surplus	4,037,728	44,167	84,810
Accumulated surplus, beginning of year	18,140,827	18,140,827	18,056,017
Accumulated surplus, end of year	$ 22,178,555	$ 18,184,994	$ 18,140,827

Highlights

- On an overall basis, total expenses have increased to $7.775 million in 2022 compared with $7.22 million in 2021 which is an increase of $554K or 7.68% on a year over year basis. There were a few changes noted in the year as follows:
  - General government expenses have increased as a result of additional legal fees and election expenses noted in 2022 along with additional insurance and depreciation expenses noted in 2022
  - Transportation services expenses have increased as depreciation expenses have increased given capital investments over the last number of years along with additional patching and gravel costs noted in the year.
  - Health services have increased as a result of increased wages noted (PT and FT for ambulance services)
  - Recreation ad cultural services expense have increased in the year as a result of the move to normal activity levels in 2022 as a result of the removal of the pandemic related restrictions noted in the year.
  - All other expense captions are comparable on a year over year basis.

Financial Statement Presentation



Financial Statement Presentation

8. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2022	2021
Surplus (deficit):		
Invested in tangible capital assets	$ 15,226,498	$ 14,785,631
Amounts to be recovered:		
Unfinanced municipal debt – grader and plow	(293,702)	(360,395)
Equity in tangible capital assets	14,932,796	14,425,236
Reserves set aside by Council for:		
Discretionary Capital Reserves:		
- Working capital	390,000	390,000
- Landfill closure costs	147,521	165,000
- Arena	42,474	80,474
- Public Works Complex	509,400	509,400
- Future Improvements Lake Temagami Access Road	180,000	200,000
- Marten River Fire	357,000	307,000
- Official Plan Review	29,884	47,230
- Temagami Fire	180,500	130,500
- Future IPM Town Road	81,095	76,095
- Welcome Centre – Generator Primary EOC	50,000	50,000
- Loan Reserve	–	112,981
- Cemetery Columbarium / Memory Wall	1,701	4,313
- Community Improvement Plan	10,000	10,000
- Library	48,208	48,369
- Ambulance Building	44,820	32,820
- Cannabis	10,000	10,000
- COVID Funding	69,950	96,652
- Big Canoe	9,926	10,754
	2,162,479	2,281,588
Other Reserves:		
- Discretionary Operating	468,854	846,387
- Tax Rate Stabilization	267,031	267,031
- Dedicated Water and Wastewater Capital	353,834	320,585
	1,089,719	1,434,003
Total reserves	3,252,198	3,715,591
Accumulated surplus	$ 18,184,994	$ 18,140,827

Highlights

- The Municipality’s total accumulated surplus amounted to $18.18 million, consisting of:
  - $15.226 million in tangible capital assets
  - $2.162 million in discretionary capital reserves
  - $1.089 million in other reserves
  - $293K in unfunded liabilities relating to the municipal debt

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