



# Corporation of the Municipality of Temagami

**Financial Statement Review and Year-End Audit Report**

**November 13, 2018**

# Auditors' Report

### INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of  
The Corporation of the Municipality of Temagami

We have audited the accompanying consolidated financial statements of The Corporation of the Municipality of Temagami, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of The Corporation of the Municipality of Temagami as at December 31, 2017, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

November 13, 2018

- Unqualified or clean audit opinion
- Highest level of financial assurance available under the Canadian Auditing Standards
- Materiality for the engagement was set at \$187,000 with a posting threshold of \$9,000
- Statements are in draft pending Council approval

# Statement of Financial Position

## THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Consolidated Statement of Financial Position

December 31, 2017, with comparative information for 2016

|   | 2017                 | 2016                 |
|---|----------------------|----------------------|
| <b>Financial assets</b>                           |                      |                      |
| Cash  | \$ 2,861,060         | \$ 2,456,585         |
| Taxes receivable                                  | 806,236              | 763,617              |
| Accounts receivable (note 2)                      | 467,185              | 947,230              |
|   | <u>4,134,481</u>     | <u>4,167,432</u>     |
| <b>Financial liabilities</b>                      |                      |                      |
| Accounts payable and accrued liabilities (note 3) | 676,047              | 1,017,379            |
| Deferred revenue                                  | 15,500               | -                    |
| Long-term debt (note 4)                           | 758,295              | 179,891              |
| Landfill closure liabilities (note 5)             | 112,900              | 111,100              |
|   | <u>1,562,742</u>     | <u>1,308,370</u>     |
| <b>Net financial assets</b>                       | <b>2,571,739</b>     | <b>2,859,062</b>     |
| <b>Non-financial assets</b>                       |                      |                      |
| Tangible capital assets (note 6)                  | 15,140,290           | 14,632,651           |
|   | <u>15,140,290</u>    | <u>14,632,651</u>    |
| <b>Accumulated surplus (note 7)</b>               | <b>\$ 17,712,029</b> | <b>\$ 17,491,713</b> |

### Highlights

- Cash increase given the operating surplus in 2017
- Taxes receivable increase relates to an increase in the prior year taxes receivable (no collectability issues at the current time). New arrears policy to be implemented in 2019.
- Account receivable decrease given the OCIF grant for Spruce Drive was outstanding at the end of 2016 (\$406K) No further grant receivables outstanding at the end of 2017
- Accounts payable decrease given completion of the Spruce Drive project (prior year accruals of \$200K for this project)
- Deferred revenue relates to LiveFit funding received to be spent in 2018
- Long-term debt increased as a result new debt financing for the purchase of road maintenance equipment

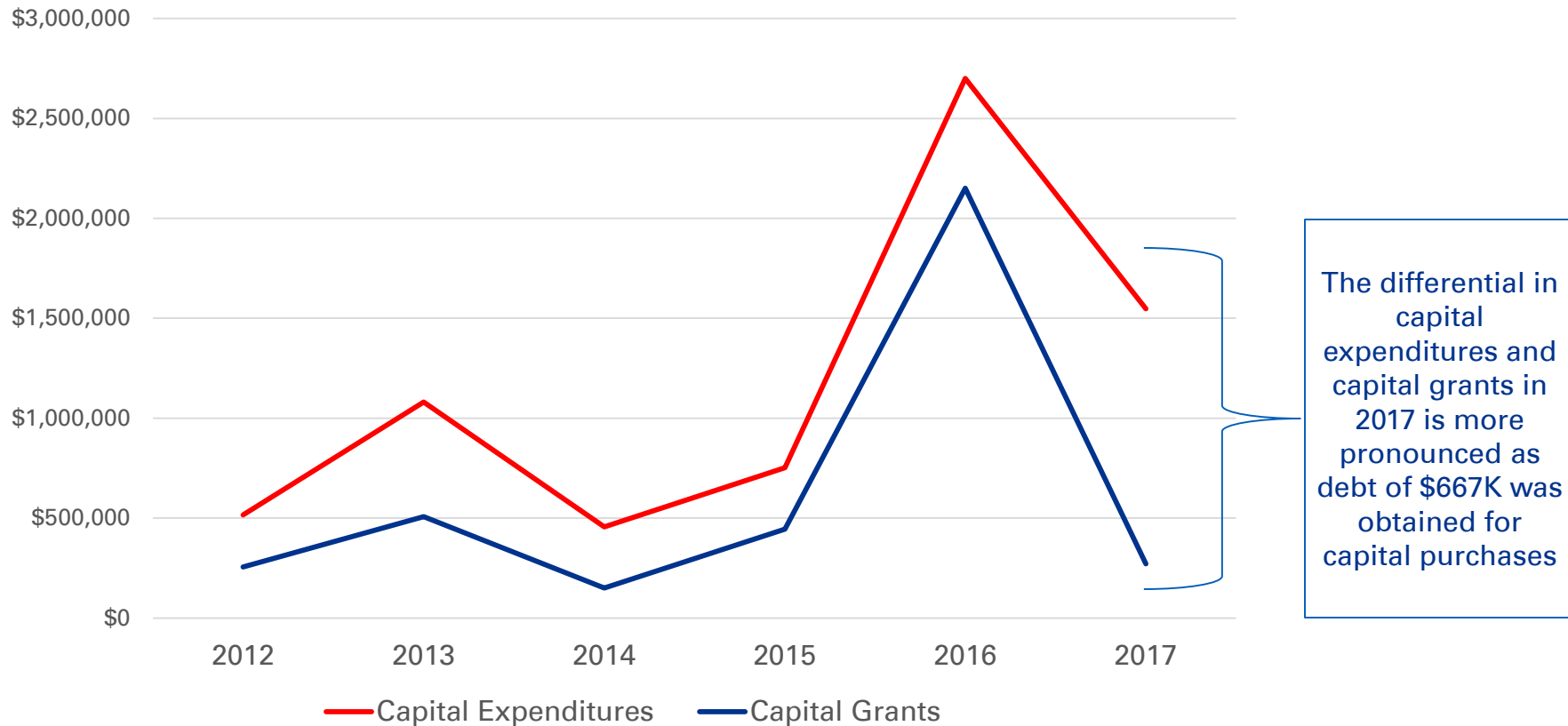
# Composition of Taxes Receivable

|                               | 2017             | 2017 % | 2016 % |
|-------------------------------|------------------|--------|--------|
| 2017 taxation year            | \$241,738        | 29.1%  | 31.4%  |
| 2016 taxation year            | \$132,454        | 15.9%  | 17.0%  |
| 2015 and prior taxation years | \$305,995        | 36.8%  | 34.9%  |
| Interest and penalties        | \$152,059        | 18.3%  | 16.7%  |
| <b>Total</b>                  | <b>\$832,246</b> |        |        |

# Significant Tangible Capital Asset Additions

|   |           |
|---|-----------|
| • Purchase of Truck (Fire)                                    | \$304,000 |
| • Purchase of Grader  | \$354,000 |
| • Purchase of Snow Plow                                       | \$254,000 |
| • Land improvements   | \$114,000 |
| • Building additions  | \$184,000 |
| • Other miscellaneous small additions (in various categories) | \$337,000 |

# Capital Additions and Grants



# Statement of Operations

|  | Budget<br>2017 | Actual<br>2017 | Actual<br>2016 |
|--|----------------|----------------|----------------|
|  | (note 11)      |                |                |
| Revenues:                              |                |                |                |
| Operating revenues:                    |                |                |                |
| Municipal taxation                     | \$ 3,735,430   | \$ 3,750,244   | \$ 3,645,708   |
| User charges                           | 715,535        | 726,019        | 731,552        |
| Provincial grants                      | 1,558,208      | 1,556,425      | 1,612,286      |
| Federal grants                         | 8,000          | 4,650          | 6,200          |
| Investment income                      | 14,500         | 17,322         | 19,812         |
| Penalties and interest on taxes        | 95,000         | 90,612         | 111,784        |
| Provincial Offences Act                | 13,000         | 13,556         | 19,535         |
| Other                                  | 127,134        | 182,981        | 181,126        |
|  | 6,266,807      | 6,341,809      | 6,328,003      |
| Capital revenues:                      |                |                |                |
| Provincial grants                      | 219,749        | 50,000         | 1,782,543      |
| Federal grants                         | 313,214        | 221,086        | 368,506        |
|  | 532,963        | 271,086        | 2,151,049      |
| Total revenues                         | 6,799,770      | 6,612,895      | 8,479,052      |
| Expenses:                              |                |                |                |
| Current operations:                    |                |                |                |
| General government                     | 1,047,399      | 1,274,778      | 1,094,892      |
| Protection to persons and property     | 755,825        | 764,990        | 735,903        |
| Transportation services                | 737,357        | 1,004,456      | 1,086,977      |
| Environmental services                 | 695,800        | 1,089,457      | 1,068,375      |
| Health services                        | 681,465        | 616,627        | 635,142        |
| Social and family services             | 1,097,447      | 1,105,388      | 1,071,892      |
| Recreational and cultural services     | 371,592        | 367,750        | 413,055        |
| Planning and development               | 192,958        | 169,133        | 136,568        |
| Total expenses                         | 5,579,843      | 6,392,579      | 6,242,804      |
| Annual surplus                         | 1,219,927      | 220,316        | 2,236,248      |
| Accumulated surplus, beginning of year | 17,491,713     | 17,491,713     | 15,255,465     |
| Accumulated surplus, end of year       | \$ 18,711,640  | \$ 17,712,029  | \$ 17,491,713  |

## Highlights

- Taxation increase of \$105K
  - No significant changes to note in the year
- User charges – consistent with the prior year
- Province of Ontario
  - OMPF \$890K
  - DSSAB Funding \$634K
  - Other small grants totaling \$32,300
- Capital revenues:
  - Federal Gas Tax - \$51K
  - Fednor / NOHFC Funding - \$146K (docks and waterfront)
  - Provincial OCIF Funding - \$50K
- Other revenue
  - Increase fees for recycling, interest and fines, donations and other miscellaneous items

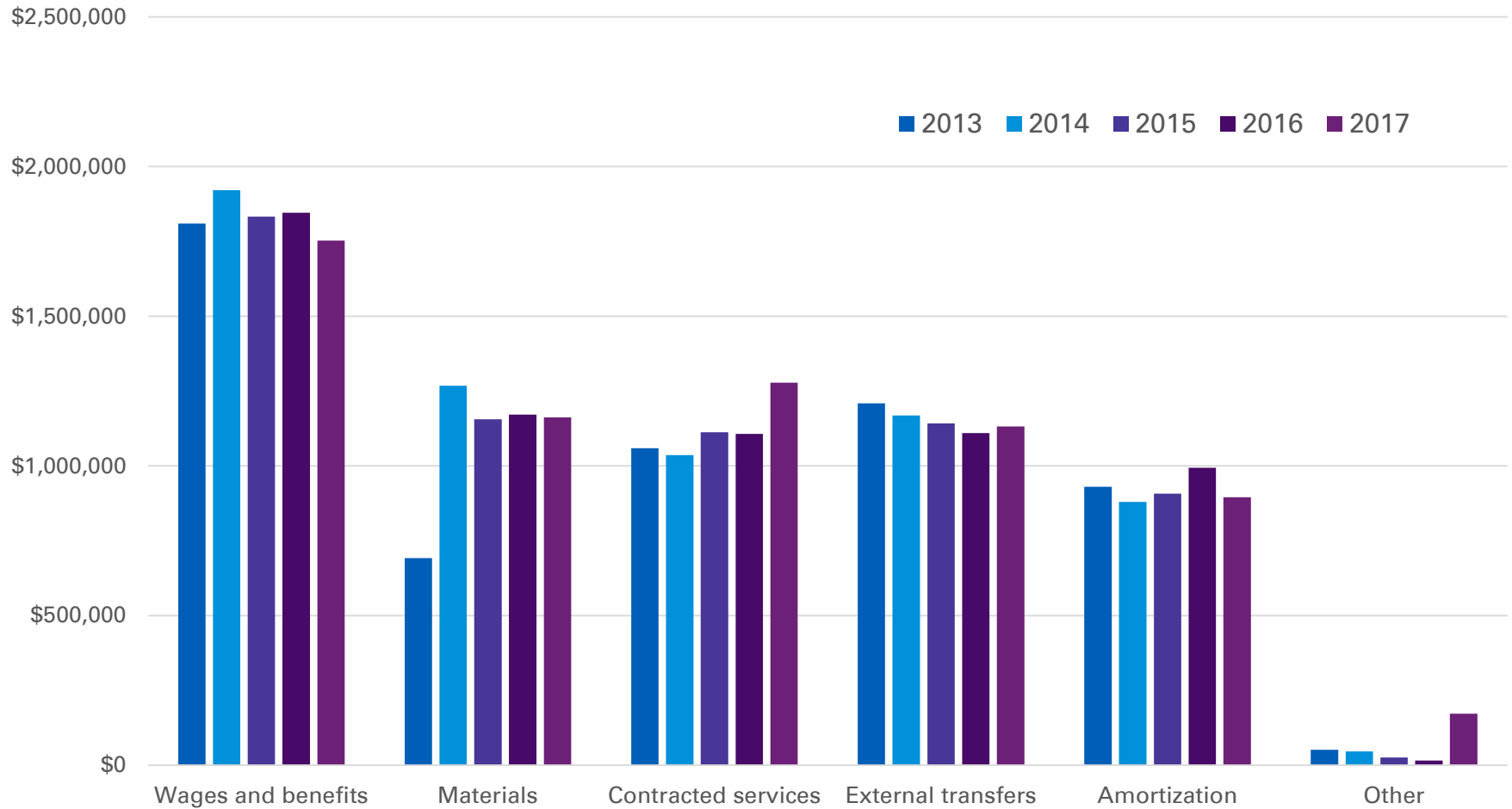
## Operating Expenses

|                          | Reported Expenses  |                    |                    | Budgeted Expenses  | Variance   |
|--------------------------|--------------------|--------------------|--------------------|--------------------|------------|
|                          | Reported           | Amortization       | Adjusted           |                    |            |
| General                  | \$1,274,778        | (\$117,375)        | \$1,157,403        | \$1,047,399        | \$110,004  |
| Protection               | \$764,990          | (\$46,479)         | \$718,511          | \$755,825          | (\$37,314) |
| Transportation           | \$1,004,456        | (\$261,578)        | \$742,878          | \$737,357          | \$5,521    |
| Environmental            | \$1,089,457        | (\$372,138)        | \$717,319          | \$685,800          | \$31,519   |
| Health                   | \$616,627          | (\$3,872)          | \$612,755          | \$681,465          | (\$68,710) |
| Social & Family          | \$1,105,388        | -                  | \$1,105,388        | \$1,097,447        | \$7,941    |
| Recreation & Culture     | \$367,750          | (\$91,158)         | \$276,592          | \$371,592          | (\$95,000) |
| Planning and Development | \$169,133          | (\$2,494)          | \$166,639          | \$192,958          | (\$26,319) |
| <b>Total</b>             | <b>\$6,392,579</b> | <b>(\$895,094)</b> | <b>\$5,497,485</b> | <b>\$5,569,843</b> |            |

- Variance in general government relates to a \$145K loss on disposition of capital assets included within 2017 operating expenses (without the loss variance would be \$34,996 under budget)
- Remaining expenses comparable or under budget compared to the prior year



# Operating Expenses



# Matters for Communication

## **Audit is complete pending:**

- Council approval of financial statements
- Receipt of signed representation letter

No significant difficulties encountered during the course of our audit procedures

- No changes to our planned audit approach
- No disagreements or difficulties with management

No unadjusted audit differences above our posting threshold

No significant internal control weaknesses noted



# Thank you



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