



MINUTES
SPECIAL COMMITTEE OF THE WHOLE
Tuesday, September 5, 2017
9:00 a.m.
City Hall Council Chambers

Present: Mayor D. Canfield
Councillor M. Goss
Councillor R. McMillan
Councillor D. Reynard
Councillor L. Roussin
Councillor S. Smith

Regrets: Councillor C. Wasacase

Staff: Karen Brown, CAO, Heather Kasprick, City Clerk, Charlotte Edie, Treasurer, Natalie Pearson, Deputy Treasurer, Jon Ranger, Budget/Special Projects Officer

Call Meeting to order – Mayor Canfield

Mayor Canfield called the meeting to order at 8:00 a.m.

Public Notices

Take Notice that as required under Notice By-law #144-2007, Council intends to adopt the following items at this Special Meeting of Council:

N/A

Declaration of Pecuniary Interest & General Nature thereof

- i) On Today's Agenda
- ii) From a Meeting at which a Member was not in Attendance

There were none declared.

Deputations

None.

1. Presentation by Municipal Auditors

Cathy Nelson and Marty Nelson were present to present the draft audited financial statements.

Mrs. Nelson explained Management's Responsibility for the financial statements that are being presented. The statements are draft and remain draft until Council approves them at the September 12, 2017 Council meeting.

The first statement is the consolidated statement of financial position. It includes the library and museum our share of POA and the LOWDC. Mrs. Nelson detailed the various areas of the consolidated statement of financial statement.

The Citizens Prosperity Trust Fund market value of the temporary investments is \$34,118,352 at the end of the year. 34% of the temporary investments are held in the One Fund – Public Sector Group of Funds. The investments are held in the bond funds with interest rates of 0.68% and 13.36%. The remaining investments are managed by Manulife Asset Management and held with RBC Dexia. The investments are held in various government and bank bonds and debentures. Investment rates range from 1.2% to 5.45%. These investments mature between 2017 and 2021. Debentures receivables in the amount of \$8,205,167 have been eliminated on consolidation. These debentures are due from the City of Kenora and were used to finance a number of capital projects. The interest rate on these debentures is 3%. They mature between 2020 and 2030.

The City pays certain health and dental benefits on behalf of its retired employees. Active employees are also eligible to receive non-vesting sick leave benefits. The City recognizes post-employment and non-vesting sick leave costs in the period in which the employees rendered the services. The recovery for the twelve months ended December 31, 2016 was \$45,919 and the resulting future employee benefit liability was \$2,439,742 at end of December. This amount fluctuates year to year based on the demographics year to year.

Under net financial assets the tangible capital assets there is accumulated amortization end of year of \$129,535,656.

Other major capital additions including fleet include several larger pieces of equipment such as zamboni, backhoe, excavator, rescue vehicle, for approximate change of \$1.6 M in fleet additions. There is \$337 in disposals of trade ins and we will retire those amounts. Other major capital additions are the Operations Centre and JM sportsplex roof. There are over \$9M in capital additions.

\$6.5M is the estimated value of our capital assets that were used up. In reserves we have about \$30M.

The consolidated statement of operations includes the City, Musuem, Library, our share of POA and LOWDC you will notice it is lower in budget, due to minutes of settlement city's portion was \$705,000.

Fees and user charges represent fees we charge to taxpayers, solid waste, water/wastewater, not out of line with increases to our user fees, tariff of fees. Canada Grants are \$2.7 M this year in which the federal gas tax is the lions share. The number fluctuates year to year depending on the grants applied for/capital projects. The Ontario grants including the OMPF funding is down.

Other income is down slightly down from previous year as it reflects the 2015 donation of the federal wharf which then reflects 2016 as lower. Other revenue of just over \$2M

Total revenue for the year - \$47,819,133

Mrs. Nelson then reviewed the schedule of consolidated segment disclosure and schedule of consolidated segment disclosure by entity.

The accumulated surplus consists of individual fund surplus, reserves and reserve funds and internally restricted entities. The budgeted surplus is adjusted for public sector accounting rules. The total reserves and reserve funds was \$30,084,781 at end of 2016.

The net change in net financial assets (debt) is \$98,367. This reconciles all of the purchases, the amortization of the assets, this schedule is designed to recognize the change in net financial assets.

Consolidated statement of cash flows, net change in cash and equivalents is \$34,670 and is very consistent from the prior year.

Mrs. Nelson advised that the consolidated financial statements of the municipality are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of Chartered Professional Accountants Canada. Page 5, 6 and 7 summarize your standard accounting policies. There have been no changes to accounting policies from the prior year and there are none expected next year.

There were details provided from the Kenora Hydro business statements and Council was encouraged to review.

Each year an independent actuary determines the pension plan's funded status by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. On December 31, 2016 the estimated accrued pension obligation for all members (including survivors) of the Plan was \$86.959 million. The plan had net assets available for benefits of \$85,360 million at the end of 2016. The resulting of the unfunded liability to individual employers. The City paid \$890,502 for employer contributions to the plan in 2016.

During 2016 taxation revenue of \$5,298,913 was raised and remitted to the school boards.

The trust funds administered by the municipality for the benefit of external parties have not been included in the statement of financial position nor have the operations been included in the statement of operations. At the end of 2016 the trust funds balances are: \$4,676 for the Lake of the Woods Cemetery land fund and \$590,569 perpetual care fund. The Langford estate is \$55,750 for a total of \$650,995 in trust funds.

As at December 31, 2016 the City has guaranteed bank indebtedness of the Kenora Golf and Country Club in the amount of \$303,344 with the maximum amount of the guarantee is \$650,000 and the Kenora Health Care Centre in the amount of \$6,448,179. Subsequent to year end the City approved the guarantee of bank indebtedness of the Kenora Airport Authority Inc. to a maximum of \$1,000,000.

The City's pro-rata share of the cumulative operating deficit of the District of Kenora Home for the Aged is \$1,677,578 for 2016. The Home's management expects to recover

this deficit from projected future operating surpluses. A billing to municipalities for their respective share of the deficit is not anticipated.

The City has several claims and possible claims pending against it. The outcome of these claims is not yet determined and no amounts have been recorded in the accounts relating to these claims and possible claims.

Councillor Reynard would like to see comparative from 2015 to see the difference in this area and Mrs. Nelson agreed that would be added in the final version of the report.

The City has one landfill site. It has previously incurred all costs relating to the closure and retains responsibility for all costs relating to post-closure care which are recorded annually as they are incurred. The City maintains one active landfill site which has an estimated remaining useful life of approximately 40 years. Based on an environmental assessment performed by consultants \$44,896 has been accrued relating to the closure and post-closure care for this landfill site at December 31, 2016.

Mrs. Nelson reviewed the independent auditors report and emphasizes that it remains draft at this time. In the opinion of the auditors, the consolidated financial statements present fairly, in all material respects, the financial position of the City at December 31, 2016 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The management's responsibility for the consolidated financial statements is 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The auditor's responsibility is to express an opinion on these consolidated financial statements based on their audit. They conducted their audit in accordance with Canadian generally accepted auditing standards. Those standards require that they 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.

Mrs. Nelson then reviewed the audit findings report. This report summarizes the audit process and discusses issues that are in relevance to Council. Final materiality used to assess the significance of misstatements or omissions identified during the audit and determine the level of audit testing performed was \$1,290,000. They encountered no significant limitations on the scope or timing of their audit.

Under significant deficiencies in internal control, they detected an area in which controls could be enhanced however they may not be aware of all the significant deficiencies in internal control that do in fact exist. They felt that there is a lack of segregation of duties within the cash receipts area. Accounting clerks who are responsible for maintaining the accounts receivable subledger and for reconciling various bank accounts are also handling and depositing cash receipts. During 2016, the accounting clerks began providing relief for the cashier position. It is the understanding of the auditors that this

weakness has been addressed by management and that the accounting clerks no longer provide relief to the cash receipts position.

There are no incidents of fraud, or suspected fraud and there were no changes or additions to significant accounting policies during the year.

A few significant differences were proposed to management with respect to the December 31, 2016 consolidated financial statements. A summary of the adjusted differences and unadjusted differences were included.

Mrs. Nelson confirmed they are independent of the City and concluded her presentation.

Council thanked Mr. & Mrs. Nelson for their presentation.

The meeting adjourned at 8:56 a.m.