



MINUTES
SPECIAL COMMITTEE OF THE WHOLE
Tuesday, August 7, 2018
8:00 a.m.
City Hall Council Chambers

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- Present:** Mayor D. Canfield
Councillor M. Goss
Councillor R. Lunny
Councillor R. McMillan
Councillor D. Reynard
Councillor S. Smith
- Regrets:** Councillor C. Wasacase
- Staff:** Karen Brown, CAO, Heather Kasprick, City Clerk, Jon Ranger, Deputy Treasurer
- Guests:** Cathy & Marty Nelson, MNP Auditors
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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 Cathy & Marty Nelson, MNP – Audited Financial Statements

Cathy Nelson from MNP opened the presentation and referenced the management's responsibility for the financial statements. These statements are draft until Council has approved and accepted them.

The consolidated statements include the operations of the City properties, Library, Museum, and the City's portion of Provincial Offences.

The financial assets which are cash or could be turned into cash. The first two components are cash and temporary investments, ONE Bond, also include some temporary investments such as GIC at Copperfin for Museum and Library. In total, between cash and temporary investments at December 2017, \$36M, mainly due to the receipt of federal and provincial funds as well as museum donations. The market value of the temporary investments is \$34,323,602 at the end of the year. 37% of the temporary investments are held in the One Fund – Public Sector Group of Funds. The investments are held in bond funds with interest rates of -0.14%, 2.47% and 9.72%. 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. Interest rates range from 1.58% to 4.5%. These investments mature between 2019 and 2022. Debentures receivable in the amount of \$8,169,071 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 2032.

Taxes receivable would be converted into cash presumably in the next year, \$289,469 people are taking advantage more of the pre-paid option.

Expenses are up 0.7% up from last year. Taxation is prorated based on your budgeted amounts. Annual surplus is \$1,423,106. The statement of financial position tells us the effect of the non-financial assets and under PSA rules, this is due to our capital plan. You converted cash and tangible assets converted into capital assets. An increase in deferred revenue is the driving force behind your increase in cash and temporary investments.

The investment in government business enterprise is the Kenora Hydro Electric Corporation Ltd. They are reported in the same manner as Kenora hydro reports. The subsequent event is the merger application. As of today, we have no information to suggest any decision has been made on the merger. This statement also reports admin charges to and from the City/Kenora Hydro.

The pension agreements reflects the OMERS pension which is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has approximately 470,000 active, deferred and retired members. One thing that is interesting, at the end of 2016, OMERS reported a deficit of over \$2 Billion and end of 2017 they reported a surplus. The City paid \$917,010 for employer contributions to the plan in 2017 (2016 \$890,502).

During the year, taxation revenue collected by the municipality of \$4,831,190M (2016 was \$5,298,913) was raised and remitted to school boards. This amount was not reflected as it is not ours.

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. The cemetery has two trust funds and these amounts are not recorded on the statements as they are not ours.

The City has guaranteed several bank loans including the Kenora Golf and Country Club in the amount of \$260,012, the Kenora Health Care Centre in the amount of \$6,271,453 and the Kenora Airport Authority to a maximum amount of \$1,000,000.

Mrs. Nelson noted that this is an independent auditors report and the goal is to provide an audit opinion on the financial statements. They have audited the financial statements which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. In their opinion, the statements present fairly in all material respects.

The audit findings report was presented to Council and there is nothing of significance to report which is a good thing. 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. This number helps to determine the numbers and they encountered no difficulties. No significant limitations in internal controls were determined. We look at internal control to understand the system, they don't evaluate internal control for purposes of finding weaknesses. Nothing came to the auditor's attention for fraud. Nothing came to our attention to non-compliance and there were no changes in accounting policies. They have not identified any material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

The significant management estimates made by management were reviewed for the current period and no material differences were noted. The following are a summary of significant management estimates and provisions: provision for legal contingencies, no provision deemed necessary; amortization period of tangible capital assets, amortized over the estimated useful life of the respective assets using the straight line method; employee future benefits payable based on an actuarial assessment which used various assumptions including future medical, dental and wage and salary costs and discount rates.

The auditors recognized the cooperation of City staff and the assistance received. The auditors confirmed they are independent from the City in fact and in appearance.

Mayor Canfield thanked the auditors for their presentation and staff for their work on the year end process.

The meeting adjourned at 8:56 a.m.