



Audit Committee Meeting Minutes

**Monday, July 16, 2012
11:30 a.m.
City Council Chambers**

ACTION

Present:

**Councillor L. Roussin, Committee Chair
Cindy Gasparini, Committee Member
Kathleen O'Flaherty, Committee Member**

Staff:

**Karen Brown, CAO, Resource
Charlotte Edie, Treasurer, Resource
Lisa Oakes, Budget/Audit General, Resource
Heather Kasprick, Deputy Clerk**

Also in Attendance:

**Mayor D. Canfield
Councillor R. Lunny
Councillor S. Smith
Claudine Cordeiro, BDO**

Regrets:

**Councillor R. McKay, Committee Vice-Chair
Councillor C. Drinkwalter
Councillor R. McMillan
Jennifer Pyzer-Whetter, BDO**

**A. Public information Notices as per By-law Number 144-2007
N/A**

**B. Declaration of Pecuniary Interest & the General Nature
Thereof**

- 1) On Today's Agenda**
- 2) From a Meeting at which a Member was not in Attendance**
There were none declared.

C. Confirmation of Minutes

Motion #1.

Moved by C. Gasparini, Seconded by K. O'Flaherty & Carried:-

That the minutes of the last Audit Committee held Friday, April 20, 2012 be confirmed as written and filed.

D. Deputations:-

N/A

E. Reports / Presentations:-

1. Terms of Office re-appoints

Lisa Oakes, Budget/Auditor General, reported that Kathleen O'Flaherty's appointment is until November 30, 2013 and Cindy Gasparini's appointment is to November 30, 2014.

2. Terms of Reference update

Lisa Oakes advised the committee that By-Law Number 60-2012 has now changed the Council membership on the Committee from 3 to 2 members appointing Louis Roussin and Rod McKay to the term November 30, 2012. The citizen appointment has been increased from 2 to 3 members with a current vacancy on the Committee. The City Clerk has been actively advertising for a third committee member, however, has been unsuccessful in recruiting any interest. The Committee agreed that we should advertise separately in an ad in the Thursday Enterprise (apart from the Municipal Memo) one more time to see if we can attract any interest. If no interest is received after the close date from the ad, we could approach qualified parties directly. Heather Kasprick will look after the independent ad.

3. 2011 City Annual Report & Audited Financial Statements Presentation of Financial Statements by BDO Dunwoody

Claudine Cordeiro from BDO reviewed the City's Audited Financial Statements and prepared Annual Report. City Council meets with management to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements. The financial statements have been audited by BDO Canada LLP, an independent external auditor that is appointed by Council.

Claudine reviewed the Independent Auditors Report which confirms that her firm has audited the financial statements of the City of Kenora which comprise the consolidated statement of financial position as of December 31, 2011 and the consolidated statement of operations, consolidated statement of changes in net financial assets and consolidated statement of cash flows for the year then ended along with a summary of significant accounting policies and other explanatory information. The auditors are to express an opinion on these consolidated financial statements based on their audit in accordance with Canadian generally accepted auditing standards. In draft format, which will remain draft until approved, the opinion of the Auditors is the consolidated financial statements present fairly, in all material respects, the financial position of the City at December 31, 2011 and the results of its operations, changes in its net financial assets and its cash flows for the year are in accordance with Canadian public sector accounting standards.

Under the consolidated statement of financial position, the total financial assets were \$73,156 million which was up from 2010 of \$72,360 million. Liabilities were down with 2011 being \$9,314 and 2010 being \$9,852. Net

financial assets were \$63,842 million and non-financial assets at \$143,342 million. Accumulated surplus is \$207,184 million which is up \$7 million from 2010. Claudine noted that financially the City is in a better position than we were in 2010.

In the Statement of Operations, taxation revenues were \$21,064 million, Fees and user charges at \$11,034 million, plus Canada and Ontario grants for total revenues of \$46,699 million. Total expenses \$39,507 which was under budget by \$287,000. Annual surplus for 2011 \$7,192 with an accumulated surplus at the end of December 31, 2011 of \$207,184.

There were no changes in accounting policies and therefore this area of the report was not reviewed.

Claudine then reviewed the notes to the financial statements which outlined the various aspects of the financial statements which included details to the cash, temporary investments, long term investments and Citizen's Prosperity Trust Fund. The deferred revenue includes federal gas tax funds which is used towards designated public transit, water, wastewater, solid waste, community energy systems, roads and capacity building projects as specified in the funding agreements. The Wharf maintenance revenue and dedicated gas tax funds also have specific funding parameters that these funds must be reserved for.

Of the Accumulated surplus, most is invested in capital and the investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

In 2011 there was a total of \$11,483 million added to capital. During the 2011 year, taxation revenue of \$5,147 million was raised and remitted to the School Boards. This is in comparison to 2010 where \$5,282 million was remitted.

The City pays certain health and dental benefits of its retired employees and recognizes post retirement costs in the period in which the employees rendered the services. The expense for the twelve months at December 31, 2011 was \$144,000 and the resulting future employee benefit liability was \$2,050.

In contingent liabilities and commitments the City has guaranteed bank indebtedness of the following: Kenora Gold and Country Club in the amount of \$520 and the Kenora Health Care Centre in the amount of \$7,587. The City's pro-rata share of the cumulative operating deficit of the District of Kenora Home for the Aged is \$2,400. 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 audited financial statements of the City include the activity of the Lake of the Woods Development Commission.

Committee members were questioned if they had any further questions of Claudine. Members present advised that there were no further questions on the consolidated statements or the Annual Report.

Motion #2:

Moved by K. O’Flaherty, Seconded by C. Gasparini & Carried:-

That the Audit Committee hereby approves the 2011 financial statements as presented at the July 16, 2012 meeting; and further

That the statements, as presented, be brought forward to the July 16, 2012 Council meeting for approval.

4. 2011 Management Letter

The purpose of the report is to summarize certain aspects of the audit that the Auditors believe would be of interest to the Audit Committee. There are a number of matters that arose during the audit that they are bringing to the attention of the Audit Committee.

In 2015 local governments will be required to account for all liabilities associated with contaminated sites. This new Public Sector Accounting Board establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of local governments. The standard states that the liability should be recognized when contamination exceeds an accepted environmental standard and the entity is directly responsible, or accepts responsibility for, the damage. This liability should be measured at the entity’s best estimate of the costs directly attributable to remediation of the contamination. This new accounting standard could be time consuming and require a need to use both internal and external specialists. It requires assessment of all properties and you will be required to document how you know that there are no issues with the property. The auditors strongly suggest that the City starts early on this project and do not leave it to 2015. Early planning will help identify the processes and resources that will be necessary to meet the requirements and Claudine suggested that there is an accommodation in the 2013 budget for an RFP to have a party to evaluate all the required sites. Claudine noted that she will get the City more information on this matter.

The Management letter suggests that the City record the liability of non-vesting sick leave and vacation pay in its 2012 financial statements as it was not recorded in 2011. Further, it was recommended that processes be put in place to capture capital assets as the transactions occur and large projects should be reconciled and recorded upon completion which will help prevent delays in reporting at year end.

Claudine thanked Charlotte Edie and her staff for her detailed work on the file and extended regrets for Jennifer Pyzer who could not make the meeting.

Motion #3

Moved by K. O’Flaherty, Seconded by C. Gasparini & Carried:-

That direction be given to the Budget/Auditor General to bring a report back to the Audit Committee with recommendations outlining the concerns addressed within the Management Letter from BDO Dunwoody Canada, LLP.

5. Other Business:

N/A

6. Next Meeting:

The next meeting will be at the call of the Chair.

7. Adjournment

Motion #2

Moved by K. O’Flaherty, Seconded by C. Gasparini & Carried:-

That this meeting be now declared closed at 12:35 p.m.