



MINUTES
SPECIAL
COMMITTEE OF THE WHOLE

August 5, 2015
9:00 a.m.
City Council Chambers

Action

Present: Mayor D. Canfield
Councillor M. Goss
Councillor R. McMillan
Councillor D. Reynard
Councillor S. Smith
Councillor C. Wasacase
K. Brown, CAO
L. D'Argis, Corporate Services Manager
C. Edie, Municipal Treasurer
H. Lajeunesse, Deputy Clerk

Regrets: Councillor L. Roussin

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1. Presentation of Financial Statements by MNP, LLP

Cathy Nelson and Marty Nelson presented the financial statements to Council on behalf of MNP, LLP, the accounting firm responsible for auditing the City of Kenora's 2014 consolidated financial statements. The financial statements are ultimately the City's responsibility and MNP, LLP provides an audit of the statements.

The consolidated financial statements and annual report draft were reviewed and highlights were touched on. Total Financial Assets at the end of 2014 were \$81.7 million. Cash flows totalled \$16.3 million, Temporary Investments \$14.6 million, Taxes Receivable were \$636,000 as compared to \$513,000 the previous year. Trade and Other Receivables was \$7.9 million which is up approximately \$2.5 from the previous year based on grants receivable for Downtown Revitalization (DTR). It was noted that utilities are up which could be due to the increase of rates and HST rebates being higher. Inventory for Resale was \$44,000 which includes the

Museum gift shop, City Hall tuck shop and Recreation Centre. Long Term Notes Receivable were \$85,000. The Citizens' Prosperity Trust Fund at the end of 2014 totalled \$32.5 million, not including the \$7.4 million in debentures to finance five capital projects in the city. Investment in Government Business Enterprise was \$9.5 million.

Total Liabilities at the end of 2014 were \$10.1 million. Accounts Payable and Accrued Liabilities are up for the year at \$5.4 million; this could be due to Downtown Revitalization. Deferred Revenue was \$2.1 million which are amounts previously received from government agencies that have not yet been spent on eligible costs. Federal gas tax is part of this and some of the funds have been used for DTR and the Winnipeg River West Branch Bridge. Employee Future Benefits Payable was \$2.5 million, which is an actuary assessment of a combination of vested sick leave for grandfathered employees, benefits and lieu time in future.

Net Financial Assets at the end of the 2014 totalled \$71.6 million. Non-Financial Assets include are assets that will not turn to cash in the near future or long term. These include \$149 million in Tangible Capital Assets and \$1 million of Inventories of Consumables and Prepays. Consumables include items that will be used up such as gravel, salt, electrical maintenance parts etc. and prepays include items such as insurance, where it sits until it is used up throughout the policy term.

The auditors referred to note 20 on page 38 of the Annual Report stressing this as important. It was determined that in 2009 when the assets were put on the City's balance sheet there were various roads that weren't included and have a net book value of \$0 in 2009. These roads were listed but didn't have the historical costs, which have now been added in to correct. Lauren indicated that these numbers don't really mean much as they are made up to determine roads values as assets to capitalize assets and the information is skewed by these calculations. The roads are fully amortized based on the information but are still being used and in practicality the older way of budgeting makes more sense. Charlotte confirmed that these new numbers are now included in the Financial Information Return (FIR) by the municipality to the Province.

The auditors clarified that the Accumulated Surplus shown of \$221.7 million does not mean this money is there as \$149 million is Tangible Capital Assets such as buildings, roads, etc., but effectively there is a surplus of approximately \$27.9 million in Reserve Funds. Note 7 on page 33 of the Annual Report explains this.

Revenues and Expenses for 2014 were reviewed, including actual amount and budgeted amounts. Total Revenues were \$51.1 million and Expenses were \$43.6 million. Taxation Revenue was up which could be due to several supplementary assessments issued in 2014. Fees and User Charges were also up due to sewer water revenue related to the rate increase. Canada and Ontario Grants amounts have been consistent year to year. Net Income from Government Business Enterprise was also the same. Other revenues include investments income, donations (eg. roads), this also includes gains on disposal or sale of properties. Under Expenses, General Government expenses were consistent. Protection Services are up

but on line with budget due to the OPP costs increase. Transportation and Environmental Services were higher than the prior year and budget due to the winter conditions of 2014. Health Services costs are driven by external organizations. Social and Recreational Services were consistent with budget. Planning and Development expenses were under budget due to projects not undertaken.

The auditors touched on several notes of the Annual Report to bring to Council's attention. Note 10 on page 36 regarding Pension Agreements, Omers has a current deficit of \$5.3 billion and the previous year it was \$8.3 billion, they are working towards reducing the deficit. Note 13 on page 37 regarding Collection of Taxes on Behalf of Other Taxation Authorities, the City could be out of pocket for amounts not yet received. Note 14 on page 37 regarding Trust Funds, these funds are not reported on the financial statements other than in the notes. Note 17 on page 38 regarding Contingent Liabilities and Commitments, the City is the guarantor of the Kenora Golf and Country Club loan and the Kenora Health Care Centre loan. Also, the District of Kenora Home for the Aged has not yet released their financial statements so the City's pro-rata share of the cumulative operating deficit is not available. There are claims and possible claims pending with no amounts recorded as of yet, if and when they are settled those amounts are reported in determinable year.

The auditors reminded Council of the new accounting issue of the year for the 2015 financial statements. There is a new requirement by municipalities to identify contaminated sites owned by the City which are not being used for other purposes. The City may have to accrue liability to rehabilitate contaminated sites. None have been identified so far, but this will be a requirement for the 2015 financial statements.

The Audit Findings Report outlines important points related to the audit. The cover letter from the report was reviewed. It indicates that MNP, LLP encountered no difficulties and no limitations in place during the scope of the audit. Nothing came to the auditors' attention through their systems of internal control relating to any fraud or non-compliance with laws. Overall the auditors feel there are no going concerns, matters arising or significant differences and commended staff on a job well done. A letter of independence was also provided by MNP, LLP which demonstrates they are completely independent of the City and there are no personal ties.

In the opinion of MNP, LLP, the consolidated financial statements present fairly, in all material aspects, the financial position of the City of Kenora as at December 31, 2014 and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The final Auditor's Report will not be signed until Council has formally approved the financial statements at its regular Council meeting on August 11, 2015.

Recommendation:

That Council approve the 2014 City of Kenora Annual Report, including the 2014 audited financial statements for the City; and further

That a copy of this report be made available for public viewing on the City's portal, as well as the front desk at City Hall.

Recommendation approved.

The meeting closed at 10:04 a.m.