



# The Corporation of the Municipality of St.-Charles

**Financial Statement Review and Year-End Audit Report  
December 31, 2021**

**June 29, 2022**

# Executive Summary

## Purpose of the report

- The purpose of this Audit Findings Report is to assist you, as a member of Council in your review of the results of our audit of the financial statements of the Municipality of St. Charles (“the Municipality”) as at and for the year ended December 31, 2021

## Finalizing the audit

As of today, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Receipt of the signed management representation letter (to be signed upon approval of the financial statements)
- Completing our discussions with Council
- Obtaining evidence of the approval of the financial statements

Our audit report will be dated as of the date Council approves the financial statements (anticipated to be today’s date)

## Audit Risks

- There were no significant audit risks identified

## Materiality and Audit Adjustments

- We determined materiality and the corresponding audit misstatement posting threshold to be \$101,000 and \$5,000 respectively. Materiality was calculated using prior year expenses as a benchmark which was consistent with the prior year.
- Throughout the course of the audit work, all adjustments were corrected by management. There were no differences that remain uncorrected in the financial statements.

# Independent Auditor's Report

## INDEPENDENT AUDITORS' REPORT

To the Members of Council, residents and ratepayers of the Corporation of the Municipality of St.-Charles

### **Opinion**

We have audited the consolidated financial statements of The Corporation of the Municipality of St.-Charles (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statements of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes and schedule to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

### **Responsibility of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.  
  
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Entity's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

# Independent Auditor's Report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Entity's internal control
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
  - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Unqualified or clean audit opinion
  - Highest level of financial assurance available under the Canadian Auditing Standards
  - Materiality for the engagement was set at \$101,000 with a posting threshold of \$5,000
  - Statements are in draft pending Council approval

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 29, 2022



# Statement of Management's Responsibilities

### Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of the Corporation of the Municipality of St.-Charles ("the Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 1 to these consolidated financial statements. The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

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Chief Administrator Officer

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Director of Finance

Date

# Audit Procedures

## Systems documentation

- Revenues
- Disbursements
- Payroll
- Capital

## Internal control testing

- Disbursements
- Payroll

## Substantive testing

- Sampling
- Analytical review
- Management estimates

# Statement of Financial Position

## THE CORPORATION OF THE MUNICIPALITY OF ST.-CHARLES

Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
<b>Financial Assets</b>		
Cash	\$ 2,871,947	\$ 2,129,210
Taxes receivable (note 3)	238,944	480,001
Accounts receivable (note 4)	109,934	119,788
Land held for sale	59,982	54,166
	<u>3,280,807</u>	<u>2,783,165</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	256,960	286,132
Deferred revenue (note 5)	15,492	137,476
Deferred revenue - obligatory reserve funds (note 6)	358,534	200,538
Municipal debt (note 7)	611,925	737,720
Landfill closure and post-closure liability (note 8)	321,000	335,000
	<u>1,563,911</u>	<u>1,696,866</u>
Net financial assets	1,716,896	1,086,299
<b>Non-financial Assets</b>		
Tangible capital assets (note 9)	3,567,226	3,586,089
Prepaid expenses	144,385	8,334
	<u>3,711,611</u>	<u>3,594,423</u>
Commitments (note 11)		
Contingencies (note 12)		
Accumulated surplus (note 10)	<u>\$ 5,428,507</u>	<u>\$ 4,680,722</u>

### Highlights

- Increase in the cash balance as a result of the current year surplus and a decrease in taxes receivable and increase in deferred revenue (obligatory reserves). This has been offset by the increase in prepaid expenses and a decrease in deferred revenue
- Total taxes receivable has decreased on a year over year basis (balance is made up of 55% current taxes vs. 65% current taxes in the prior year). Taxes as a percentage of the taxation levy has decreased as of the 2021 year end indicating good collection of accounts and reflects certain account write offs
- The decrease in accounts receivable relates to a lower trade accounts receivable balance offset by an increase in the HST receivable balance
- The amount included in the land held for sale relates to the amount to be recovered via tax sale for the recovery of taxes receivable and legal fees (appraised value is higher than cost)

# Composition of Taxes Receivable

	2021	2020
Current year	\$169,953	\$312,894
1 year arrears	\$107,015	\$85,894
2 years arrears	\$14,311	\$47,509
3+ years arrears	\$16,483	\$58,324
Interest and penalties	\$43,468	\$58,055
Overpayments / Payments to be applied	-	(\$82,675)
Allowance for doubtful accounts	(\$112,286)	-
<b>Total</b>	<b>\$238,944</b>	<b>\$480,001</b>
<b>As a percentage of levy</b>	<b>9.76%</b>	<b>19.9%</b>



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### Highlights

- Accounts payable has decreased as included in the prior year trade slightly given a decrease in accruals and other payables due to the timing of payments made
- Deferred revenue has decreased due to the use of OCIF funding in the current year (used for road resurfacing in the 2022 year end)
- Deferred revenue – obligatory reserves has increased due to the unused in gas tax dollars in the 2021 year end (carried over to use in 2022 which is acceptable per the funding agreement)
- Municipal debt has decreased as a result of the principal repayments made in the current year (no new debt in 2021)
- Landfill closure and post closure liabilities have decreased as a result of the changes in assumptions used in the calculations of the obligation. The majority of the obligation (\$285K) relates to the closed cell. These amounts will be funded by the Municipality in the year in which the expenditures are incurred.

# Statement of Financial Position

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### Highlights

- Change in tangible capital assets from various additions for capital projects totaling \$251K offset by the annual depreciation on the tangible capital assets of \$270K

# Significant Tangible Capital Asset Additions

# Statement of Operations

## THE CORPORATION OF THE MUNICIPALITY OF ST.-CHARLES

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021	Actual 2021	Actual 2020
	(note 16)		
Revenue:			
Taxation	\$ 2,430,432	\$ 2,449,172	\$ 2,416,928
Government grants and transfers	1,597,498	1,368,474	1,629,979
User charges	93,340	141,955	89,471
Other	195,914	379,344	290,885
Gain on sale of tangible capital assets	-	1,388	10,334
<b>Total revenue</b>	<b>4,317,184</b>	<b>4,340,333</b>	<b>4,437,597</b>
Expenses:			
General government	1,763,556	1,306,509	1,053,062
Protection to persons and property	531,881	526,684	493,520
Transportation services	819,234	726,802	752,462
Environmental services	287,216	309,032	307,728
Health services	335,097	331,216	318,986
Social and family services	142,402	150,950	141,694
Recreation and cultural services	351,934	207,266	264,005
Planning and development	40,260	34,089	40,344
<b>Total expenses</b>	<b>4,271,580</b>	<b>3,592,548</b>	<b>3,371,801</b>
Excess of revenue over expenses	45,604	747,785	1,065,796
Accumulated surplus, beginning of year	4,680,722	4,680,722	3,614,926
<b>Accumulated surplus, end of year</b>	<b>\$ 4,726,326</b>	<b>\$ 5,428,507</b>	<b>\$ 4,680,722</b>

### Revenue Highlights

- Taxation revenue has increased as a result of a slight increase in the tax rates in the 2021 year end
- Government grants and transfers have decreased as a result of the revenue recognized in the prior year for the modernization grant (\$349K), the seniors transportation (\$140K) and the Safe Restart Grant (\$120.5K). These decreases were offset by a higher offset OCIF grant (\$170K) in 2021
- User charges and other revenues include a number of charges from the municipality, library, arena, cemetery etc.) along with interest and penalties, rental revenue (municipal buildings and arena). The increases relate to increased cemetery revenue, increased sewer revenue and increased interest and penalties on taxes owing at the year end.

# Statement of Operations

## THE CORPORATION OF THE MUNICIPALITY OF ST.-CHARLES

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2021, with comparative information for 2020

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	(note 16)		
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Excess of revenue over expenses	45,604	747,785	1,065,796
Accumulated surplus, beginning of year	4,680,722	4,680,722	3,614,926
<b>Accumulated surplus, end of year</b>	<b>\$ 4,726,326</b>	<b>\$ 5,428,507</b>	<b>\$ 4,680,722</b>

### Expense Highlights

- Expenses are a percentage of revenue are 83% in 2021 compared with 76.0% in 2020 (overall expenses have increased slightly in 2021)
- General Government – Increase mainly as a result of an increase in salaries and benefits, increased costs associated with the accounting software conversion along with an increase in legal fees and write offs of taxes receivable noted in 2021
- Transportation services have decreased in 2021 as a result of a decrease in the salaries and benefits and lower material costs noted in 2021 offset by higher amortization expenses noted in 2021

# Statement of Operations

## THE CORPORATION OF THE MUNICIPALITY OF ST.-CHARLES

Consolidated Statement of Operations and Accumulated Surplus

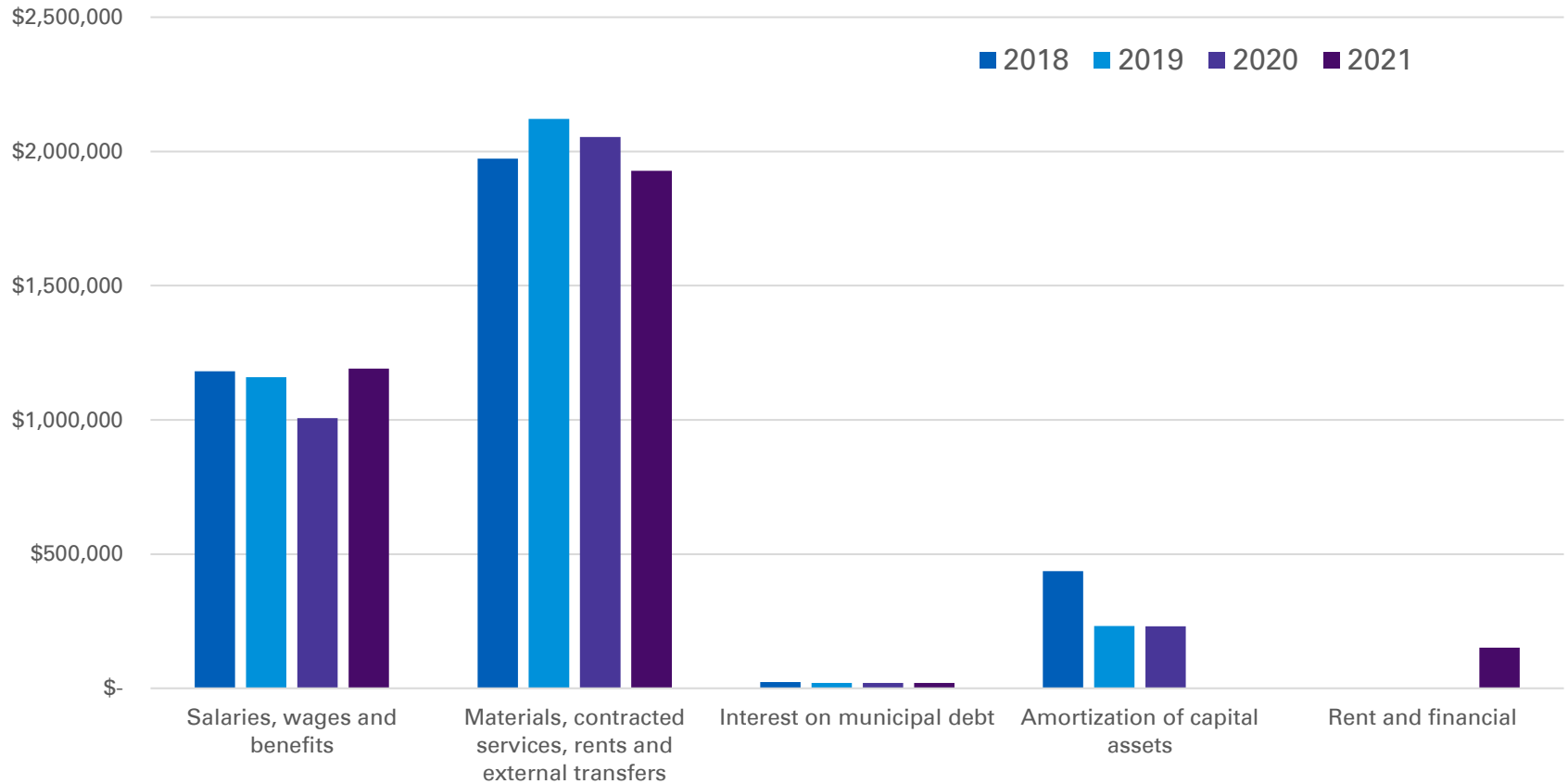
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Planning and development	40,260	34,089	40,344
<b>Total expenses</b>	<b>4,271,580</b>	<b>3,592,548</b>	<b>3,371,801</b>
Excess of revenue over expenses	45,604	747,785	1,065,796
Accumulated surplus, beginning of year	4,680,722	4,680,722	3,614,926
<b>Accumulated surplus, end of year</b>	<b>\$ 4,726,326</b>	<b>\$ 5,428,507</b>	<b>\$ 4,680,722</b>

### Expense Highlights (cont)

- Environmental services are consistent on a year over year basis
- Health services have increased given small increases in the levies to the DSSAB and the Health Unit and higher material costs noted in 2021
- Recreation and cultural services have decreased as a result of lower hydro and other costs when compared to the prior year for the arena
- Planning and development is consistent on a year over year basis

# Operating Expenses



# Reconciliation of Surplus

	2021
Surplus per financial statements	\$747,785
Add: Amortization of TCA	\$269,603
Less: TCA additions (not debt funded)	(250,740)
Less: Principal payments on debt	(\$125,795)
Less: Decrease in unfunded landfill liability	(\$14,000)
<b>Operating Surplus prior to reserve transfers</b>	<b>\$626,853</b>
Less: Net transfer to reserves	(\$517,979)
<b>Total Operating Surplus</b>	<b>\$108,874</b>

- Differences exist between Municipal budgeting and Public Sector Accounting Standards
- The surplus has been allocated to the general surplus in the current year which has increased the balance to \$800K at the end of 2021.
- Net Funds transferred to reserves totaled \$518K in 2021 with transfers of funds and expenses noted for most reserve accounts in 2021
- Landfill liability is in a deficit position which is typical for municipalities as the amounts will be funded when cash payments are required



# Statement of Changes in Net Financial Assets

## THE CORPORATION OF THE MUNICIPALITY OF ST.-CHARLES

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2021, with comparative information for 2020

	Budget 2021 ( note 16)	Actual 2021	Actual 2020
Annual surplus	\$ 45,604	\$ 747,785	\$ 1,065,796
Acquisition of tangible capital assets	(250,740)	(250,740)	(725,287)
Amortization of tangible capital assets	269,603	269,603	230,694
Gain on sale of tangible capital assets	(1,388)	(1,388)	(10,334)
Proceeds from sale of tangible capital assets	1,388	1,388	15,748
Change in prepaid expenses	(136,051)	(136,051)	(994)
Change in net financial assets	(71,584)	630,597	575,623
Net financial assets, beginning of year	1,086,299	1,086,299	510,676
Net financial assets, end of year	\$ 1,014,715	\$ 1,716,896	\$ 1,086,299

### Highlights

- The Municipality's net financial assets increased by \$694K
- Capital acquisitions mainly funded by capital grants noted in the year. The increase to cash in the current year was the main reason for the increase in the net financial assets

# Accumulated Surplus

### 10. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	2021	2020
<b>Surpluses:</b>		
Invested in tangible capital assets	\$ 2,955,301	\$ 2,848,369
General surplus	800,845	691,971
<b>Unfunded:</b>		
Landfill closure and post-closure costs	(321,000)	(335,000)
	3,435,146	3,205,340
<b>Reserves set aside for specific purposes:</b>		
Working capital	54,643	54,643
<b>Reserves set aside for specific purposes by Council:</b>		
Infrastructure renewal	911,672	554,971
Modernization	344,930	349,000
Contingences	179,054	178,935
Safe restart	123,951	104,683
Protection services	74,119	11,340
Environmental services	27,621	27,586
Parks and recreation	179,052	126,964
Youth outdoor playground	13,275	11,264
Landfill site closure	27,514	20,498
Election	15,323	10,205
Centaph	15,217	-
Chief building officer	2,869	1,172
Library	24,121	24,121
	1,938,718	1,420,739
<b>Total</b>	<b>\$ 5,428,507</b>	<b>\$ 4,680,722</b>

### Highlights

- Surplus of \$647K is included in the general surplus in the current year
- Municipal modernization funding for future Municipal sustainability included in a separate reserve (\$349K)
- Unused safe restart funding from the province included in a reserve for use in 2022 (\$139K)
- Investment in capital assets (in total) increased by \$107K (net of capital additions offset by amortization expense)

# 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 initial audit planned audit approach
- No disagreements or difficulties with management

**All audit adjustments have been recorded within the financial statements and no unadjusted audit differences above our posting threshold to note**

**No significant internal control weaknesses noted**



# Thank you



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