

 <b>COBOURG</b>	<b>THE CORPORATION OF THE TOWN OF COBOURG</b>	
	<b>STAFF REPORT</b>	
TO:	Mayor and Council	
FROM:	Jen Heslinga	
TITLE:	Senior Financial Analyst	
DATE OF MEETING:	October 5, 2020	
TITLE / SUBJECT:	Report from the Audit Committee	
REPORT DATE:	September 4, 2020	File #:

1.0 STRATEGIC PLAN  
N/A

2.0 PUBLIC ENGAGEMENT

Section 295 (1) of the Municipal Act, 2001 Requires that:

"Within 60 days after receiving the audited financial statements of the municipality for the previous year, the treasurer of the municipality,

(a) Shall publish in a newspaper having general circulation in the municipality,

(i) A copy of the audited financial statements, the notes to the financial statements, the auditor's report and the tax rate information for the current and previous year as contained in the financial review, or

(ii) A notice that the information described in the subclause (i) will be made available at no cost to any taxpayer or resident of the municipality upon request; and

(b) May provide the information described in subclause (a) (i) or (ii) to such persons and in such other manner as the treasurer considers appropriate."

3.0 RECOMMENDATION

(1) The draft audited financial statements for the year ended December 31, 2019 be presented to the Regular Council meeting of October 13th, 2020 and that a motion to approve the 2019 Consolidated Financial Statements of the Corporation of the Town of Cobourg be adopted.

(2) That a notice be published in the newspaper and on the municipal website advising that the Consolidated Financial Statements for the Corporation of the Town of Cobourg for the year ended December 31, 2019 have been posted to

the municipal website in accordance with Section 295 of the Municipal Act, 2001.

#### 4.0 ORIGIN

The Audit Committee of the Town of Cobourg consists of Mayor J. Henderson, Deputy-Mayor S. Seguin and Councillor B. Darling. Staff members include Ian Davey, Treasurer (interim CAO) and J. Heslinga, Senior Financial Analyst.

A meeting of the Audit Committee was held on September 28, 2020 for the purpose of reviewing the draft audited financial statements for the fiscal year ended December 31, 2019 and receiving the Audit Findings Report from the external audit firm.

L. Huber, CPA CA LPA, a partner with the audit firm of KPMG, was also in attendance to answer any questions from the committee related to the audit.

#### 5.0 BACKGROUND

The Audit Committee meets at least twice per year. The first meeting is to review the audit plan and to discuss with the Auditors any questions or concerns from members of the committee. The second meeting is to review the draft financial statements and the audit findings report. Additional meetings may be called should the need arise.

#### 6.0 ANALYSIS

##### **Draft Audited Financial Statements**

J. Heslinga presented the draft consolidated financial statements for 2019 and along with L. Huber and I. Davey, answered questions from the committee.

The consolidated entity of the Corporation of the Town of Cobourg includes the results of the 2019 operations of the Town of Cobourg, the Cobourg Public Library, the Cobourg Downtown Business Improvement Area and the Waterworks of the Town of Cobourg. These financial statements also include the assets, liabilities, revenue, and expenses of the Northam Industrial Park which is owned by the municipality. The investment in the Town of Cobourg Holdings and its subsidiaries is accounted for on a modified equity basis.

There are two reports at the start of the package. The first being a statement of Management's Responsibility for the Consolidated Financial Statements (pg 1) and the second being the Independent Auditors' Report (pg 2 to 4). This report is addresses to "Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Cobourg".

The body of the audited financial statements includes:

(1) Consolidated Statement of Financial Position (pg 5)

- a snapshot of the assets, liabilities, and accumulated surplus as at December 31, 2019.

(2) Consolidated Statement of Operations and Accumulated Surplus (pg 6)

- a summary of revenue and expenditures, both operating and capital for the combined consolidated entity for the year ended December 31, 2019 with comparatives to 2019 budget and 2018 actual results.

(3) Consolidated Statement of Changes in Net Debt (pg 7)

- a reconciliation of the change in the net debt from the beginning of the year to the end of the year. Net debt is defined as the difference between financial assets and liabilities as reported on the Statement of Financial Position. Net debt improved from \$2,008,209 in 2018 to net assets of \$2,866,324 in 2019.

(4) Consolidated Statement of Cash Flows (pg 8)

- a reconciliation of the change in cash from the beginning of the year to the end of the reporting year. The report breaks out cash provided by or used by: operations, capital activities, investing activities and financing activities. The cash balance increased by \$4,395,266, to \$6,220,120 at year end. The fluctuation in cash at year end is mainly attributable to cash tied up in capital projects ongoing, and more long-term debt being funded.

(5) Notes to the Consolidated Financial Statements (pg 9 to 31)

- these notes provide the reader with additional information required by them to have a full and complete understanding of the financial position and results of operations of the consolidated entity of the Corporation of the Town of Cobourg for the year ended December 31, 2019.

### **Audit Findings Report**

L. Huber presented the Audit Findings report to the Audit Committee which builds on the Audit plan that was presented to the Audit committee on January 23, 2020.

The report includes a review of the audit risks and results, critical accounting estimates, areas of focus, the use of data and analytics as well as significant audit, accounting and reporting matters. The auditors were able to conduct their audit in accordance with their audit plan as outlined prior to the commencement of the audit.

The audit firm is independent with respect to the Corporation of the Town of Cobourg.

There was a general review of the concept of materiality and how it relates to the performance of the audit. There were no corrected or uncorrected differences communicated to the management during the performance of the

audit nor did the auditors identify any control deficiencies considered to be significant.

The report included a copy of the draft Management Representation Letter so that the committee would be aware of the representations that management will be making to the Auditors as part of their work.

The Independent Auditors' Report will be dated October 13, 2020, being the date that the financial statements receive final approval by Council.

7.0 FINANCIAL IMPLICATIONS/BUDGET IMPACT

N/A

8.0 CONCLUSION

That a motion be presented at the October 13, 2020 Council meeting to approve the 2019 Consolidated Financial Statements for the Corporation of the Town of Cobourg.

9.0 POLICIES AFFECTING THE PROPOSAL

N/A

10.0 COMMUNICATION RESULTS

Current and prior year audited financial statements are available on the municipal website.

12.0 AUTHORIZATION/SIGNATURES

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Jennifer Heslinga, BCom CPA CA  
Senior Financial Analyst



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Ian D. Davey, BBA CPA CA  
Treasurer / Director of Corporate Services