

Township of Nipissing Year-end Audit Report

Presentation to Township Council

—
April 2, 2024



01 Audit Highlights

- Our audit procedures were executed in accordance with Canadian Auditing Standards and are based on a materiality of \$116,000
 - Calculated as 3.0% of prior year's expenses
 - Results in a posting threshold of \$5,800 (0.12% of current year's revenues)
- We are prepared to issue an unqualified audit opinion on the Township's financial statements pending:
 - Council approval of the financial statements
 - Receipt of the management representation letter
 - Finalization of our file documentation
- Our audit opinion refers to the adoption of new accounting standards for asset retirement obligations
 - Prior year comparative figures have been restated as a result of the new standard

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, residents, and ratepayers of the Corporation of the Township of Nipissing

Opinion

We have audited the financial statements of The Corporation of the Township of Nipissing (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial debt for the year then ended
- the statement of cash flows for the year then ended
- and the notes to the 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 financial position of the Entity as at December 31, 2023, and its results of operations and accumulated surplus, its changes in net financial debt and its 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 "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's 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.

Emphasis of Matter – Comparative Information

We draw attention to Note 2 to the financial statements ("Note 2"), which explains that certain comparative information presented for the year ended December 31, 2022 has been restated as a result of the modified retroactive adoption of the asset retirement obligation standard. Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

02 New Accounting Standards

- The Public Sector Accounting Board has introduced new accounting standards for the 2023 fiscal year:
 - PS1201 Financial Statement Presentation
 - PS2601 Foreign Currency Translation
 - PS3041 Portfolio Investments
 - PS3450 Financial Instruments
 - PS3280 Asset Retirement Obligations
- } No impact on the Township’s financial statements
- The new accounting standard for asset retirement obligations (AROs) changes the Township’s approach to accounting for tangible capital assets

Old Standards	New Standards
<ul style="list-style-type: none"> • Assets that are in productive use do not require a provision for remediation • Landfill closure and post-closure costs were reported based on the percentage of landfill capacity utilized 	<ul style="list-style-type: none"> • Exemption for productive use no longer applies, requiring AROs that were not previously recognized • Landfill AROs are recorded at the full amount

02 New Accounting Standards

- The 2023 financial statements reflect asset retirement obligations for two categories of assets:
 - Asbestos abatement for buildings constructed prior to 1995 \$110,000
 - Landfill sites (portion was previously recognized under the former standards) \$3,423,609
- The ARO has been recognized on a retrospective basis, resulting in a reduction in the Township's reported accumulated surplus at January 1, 2022
- For Council's information, we suggest the following perspectives with respect to AROs
 - The realization of these liabilities is expected to occur in the future as assets are retired from useful life
 - For landfill liabilities, closure is expected between six and 15 years in the future, with the costs to be paid over 25 years from closure
 - AROs are accounting related estimates and are not typically included in the municipal levy
 - The Township may wish to consider continuing the accumulation of reserve funds to pay for the eventual closure of its landfills and/or replacement of its facilities

03 Financial Statement Overview

THE CORPORATION OF THE TOWNSHIP OF NIPISSING

Statement of Financial Position

December 31, 2023, with comparative information for 2022

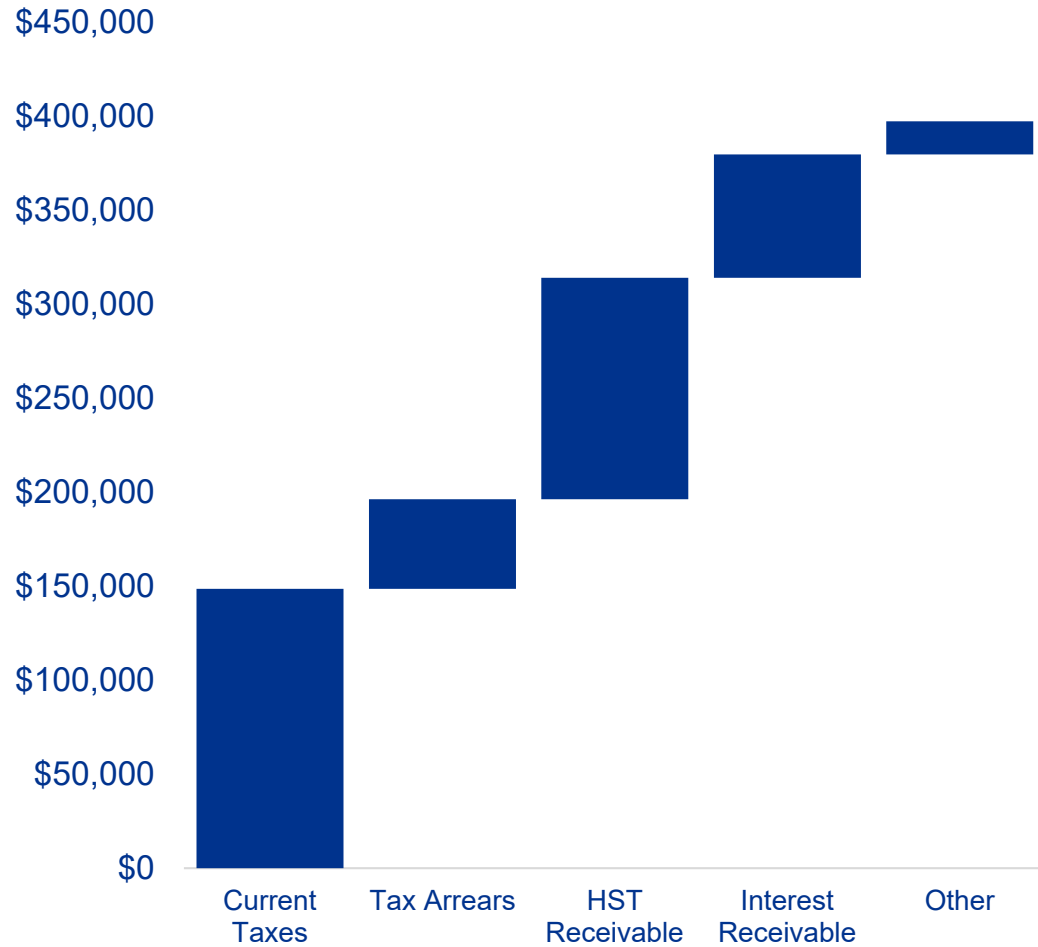
	2023	2022 (Restated - noted 2)
Financial assets		
Cash	\$ 1,631,827	\$ 2,121,156
Short-term investments (note 4)	2,510,288	2,010,156
Taxes receivable	197,535	154,334
Accounts receivable (note 5)	200,952	181,508
	<u>4,540,602</u>	<u>4,467,154</u>
Financial liabilities		
Accounts payable and accrued liabilities	249,426	256,140
Deferred revenue (note 6)	202,935	229,076
Municipal debt (note 7)	914,428	679,656
Asset retirement obligation (note 8)	3,679,639	3,605,867
	<u>5,046,428</u>	<u>4,770,739</u>
Net financial debt	(505,826)	(303,585)
Non-financial assets		
Tangible capital assets (note 9)	18,994,313	18,319,924
Prepaid expenses	60,314	53,196
Inventories	130,083	169,555
	<u>19,184,710</u>	<u>18,542,675</u>
Commitments (note 18)		
Accumulated surplus (note 10)	<u>\$ 18,678,884</u>	<u>\$ 18,239,090</u>

- Total cash and investments remained constant at \$4.1 million, reflecting:
 - Cash adjusted operating surplus +\$1.17 million
 - Proceeds on debt issuance +\$0.46 million
 - Principal debt repayments -\$0.22 million
 - Capital additions, net of proceeds -\$1.40 million
- Taxes and accounts receivable increased by \$62K, reflecting:
 - Increase in taxes receivable (+\$43K)
 - Increase in interest receivable (+\$30K)
 - Decrease in HST receivable (-\$23K)

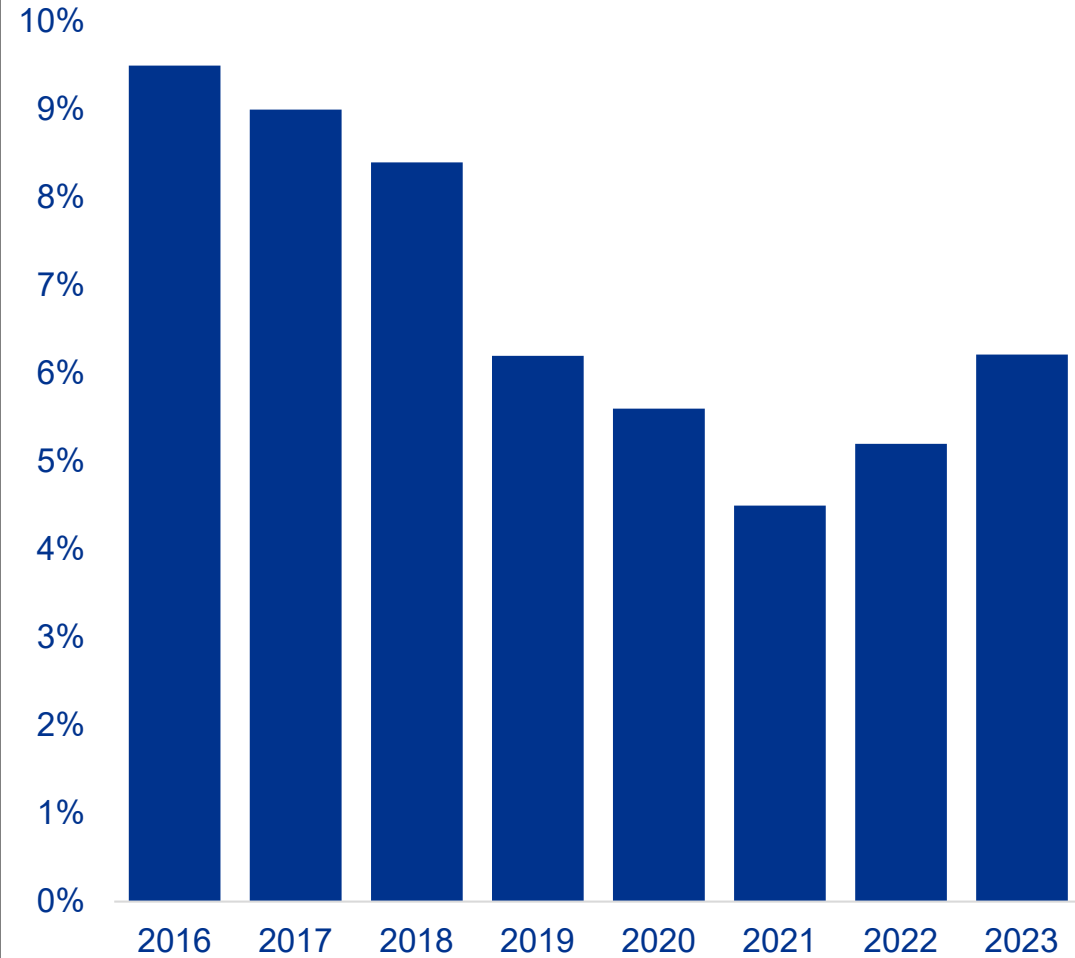


03 Financial Statement Overview

Taxes and Accounts Receivable



Taxes Receivable as a Percentage of Tax Levy



03 Financial Statement Overview

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- Current liabilities (accounts payable and accrued liabilities and deferred revenue) were relatively consistent with the prior years
 - 2023 \$452K
 - 2022 \$485K
 - 2021 \$491K
- Municipal debt increased by \$235K, reflecting:
 - New debt issued for Freightliner (\$307K)
 - New debt issued for landfill compactor (\$150K)
 - Principal payments made (\$222K)
- Long-term debt bears interest at rates ranging from 2.68% to 6.29%, with total interest payments of \$43K during the year



03 Financial Statement Overview

Accounts payable and accrued liabilities	2022	2023
Advanced property tax payments	\$88,992	\$85,213
Deposits	\$49,653	\$35,109
OPP December invoice	\$26,609	\$25,988
Accrued vacation, wages and overtime	\$71,999	\$73,436
Audit accrual	\$14,000	\$16,000
Fire station repairs payable at year-end	–	\$11,752
Other amounts	\$4,887	\$1,928
Total	\$256,140	\$249,426

Deferred revenue	Gas Tax	Parkland
Balance, beginning of year	\$108,396	\$120,680
Funding received	\$114,772	\$20,756
Interest	\$5,227	\$6,310
Amounts recognized as revenue	(\$173,206)	–
Balance, end of year	\$55,189	\$147,746



03 Financial Statement Overview

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- Asset retirement obligation reflects estimated cost of remediation for asbestos and landfills
 - Buildings \$110K
 - Landfills \$3,569K
- Tangible capital assets increased by \$675K, reflecting \$1.454 million of capital additions offset by \$766K in amortization expense
 - Alsace Road improvements \$463K
 - Birchgrove Drive reconstruction \$351K
 - Freightliner truck \$307K
 - Landfill compactor \$242K
 - Fire station and community centre roof \$69K
 - AVL upgrades \$10K
 - Sander unit \$10K



03 Financial Statement Overview

THE CORPORATION OF THE TOWNSHIP OF NIPISSING

Statement of Operations and Accumulated Surplus

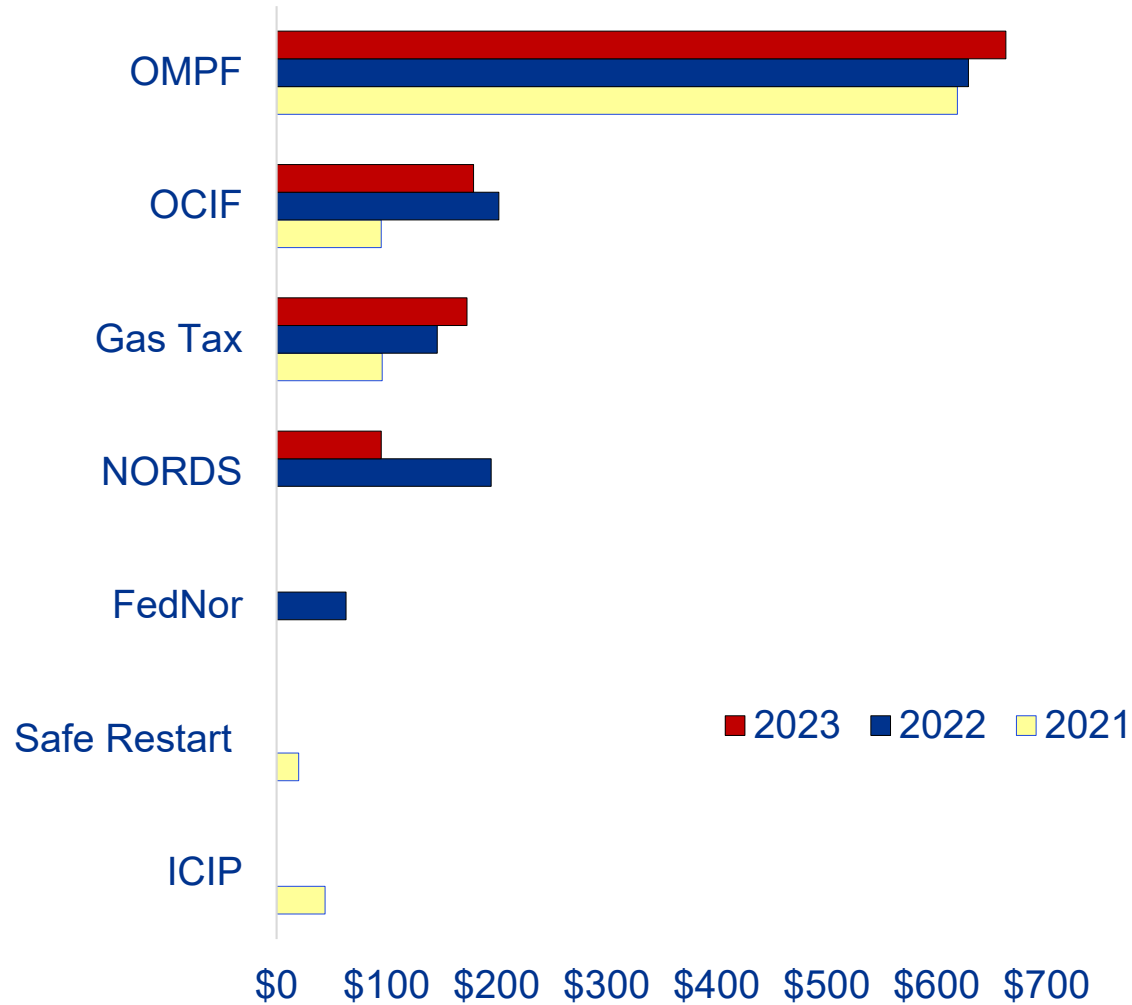
Year ended December 31, 2023, with comparative information for 2022

	Budget 2023 (note 15)	Actual 2023	Actual 2022 (Restated - noted 2)
Revenues:			
Municipal taxation	\$ 3,164,249	\$ 3,178,436	\$ 2,970,218
Government transfers and grants (note 12)	1,026,141	990,134	1,091,775
Transfer from obligatory gas tax reserve fund	112,983	173,206	124,795
Other	204,122	358,154	285,152
User fees	168,984	153,904	151,747
	<u>4,676,479</u>	<u>4,853,834</u>	<u>4,623,687</u>
Expenses:			
General government	622,540	723,076	630,786
Protection to persons and property	824,524	871,359	859,442
Transportation services	1,346,465	1,724,611	1,365,339
Environmental services	482,184	425,083	408,270
Health, social and family services	529,513	528,893	511,249
Recreational and cultural services	208,344	169,303	187,096
Planning and development	15,000	16,347	6,028
	<u>4,028,570</u>	<u>4,458,672</u>	<u>3,968,210</u>
Annual surplus before the undernoted	647,909	395,162	655,477
Gain on disposal of tangible capital assets	-	44,632	-
Annual surplus	647,909	439,794	655,477
Accumulated surplus, beginning of year	18,239,090	18,239,090	19,785,351
Adjustment on adoption of the asset retirement obligation standard (note 2)	-	-	(2,201,738)
Accumulated surplus, beginning of year, as restated	-	18,239,090	17,583,613
Accumulated surplus, end of year	\$ 647,909	\$ 18,678,884	\$ 18,239,090

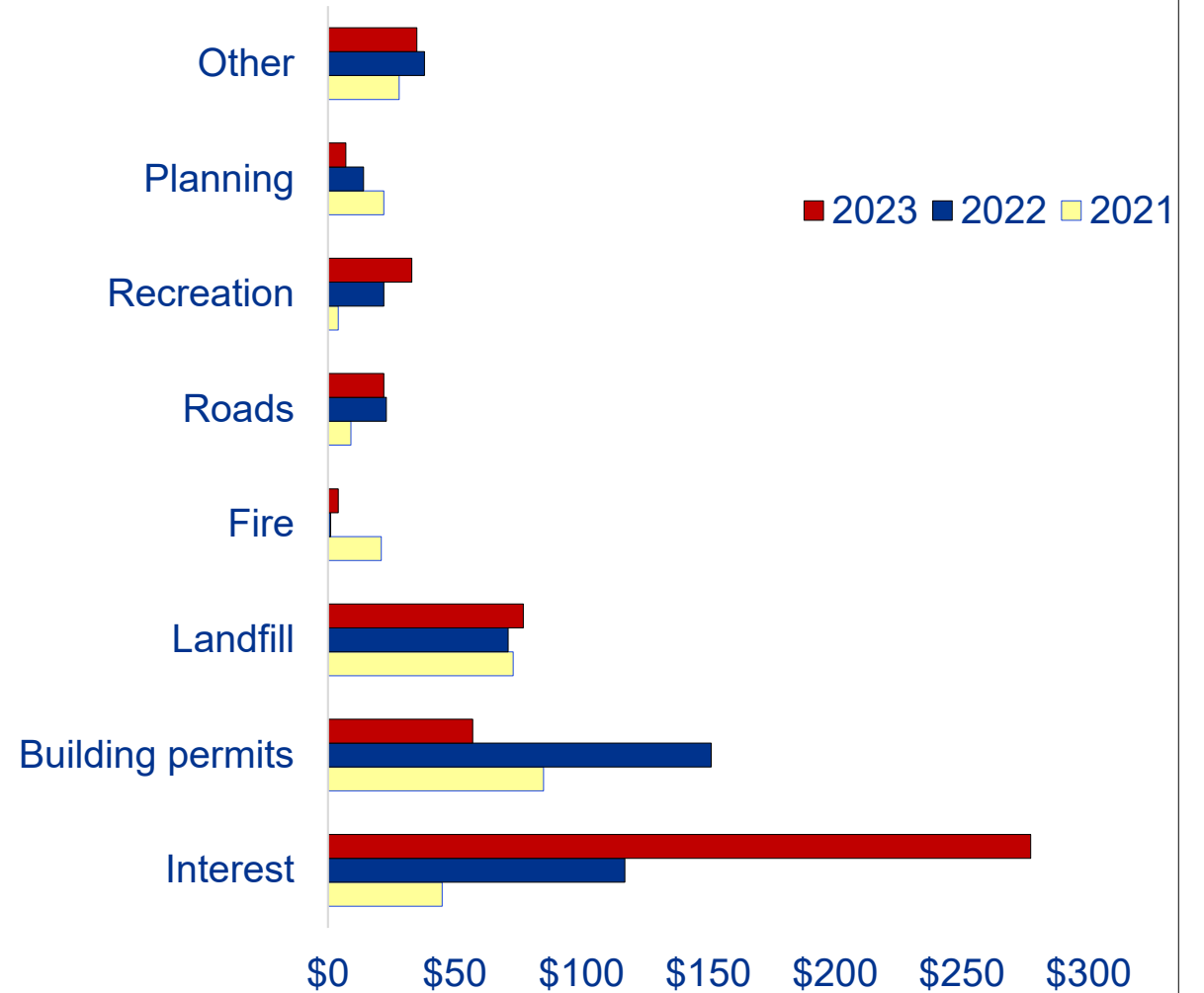
- Total revenues increased by \$230K (+5%) reflecting:
 - Increased taxation revenue (+\$208K)
 - Lower level of government grants (-\$54K)
 - Increased interest revenue (+\$163K)
 - Lower building permit fees (-\$94K)

03 Financial Statement Overview

Grant Revenue (in thousands)



User Fees and Other Revenue (in thousands)



03 Financial Statement Overview

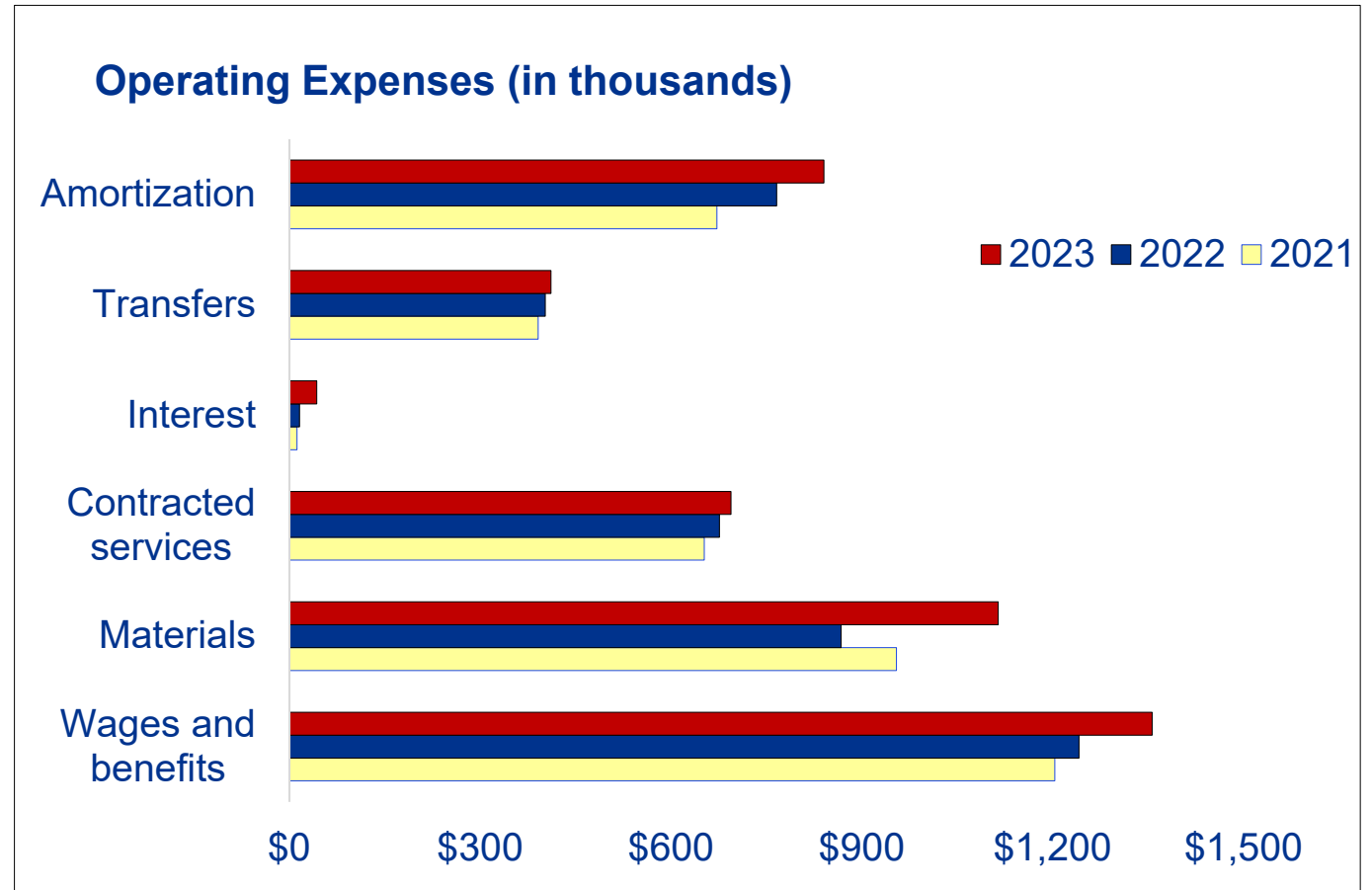
THE CORPORATION OF THE TOWNSHIP OF NIPISSING

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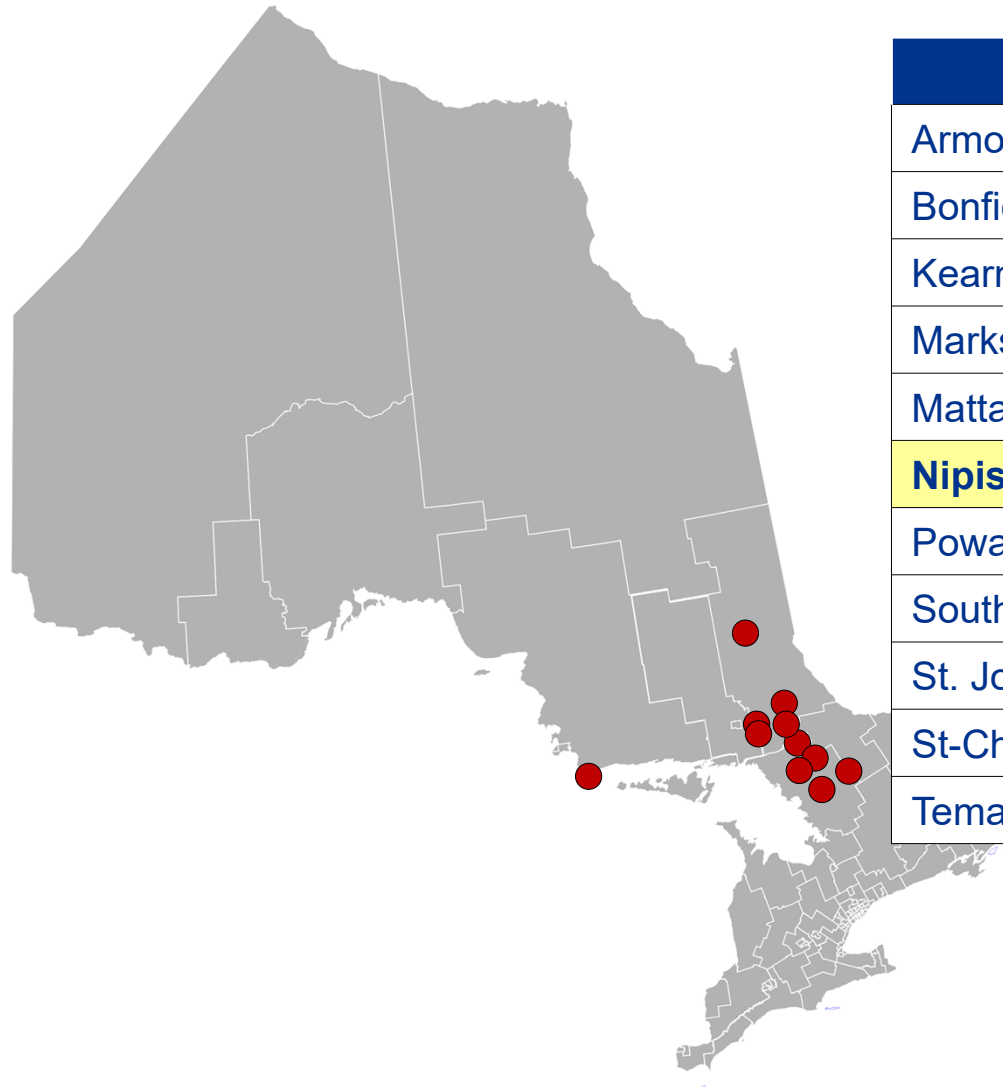
- Total expenses increased by \$491K (+12%), reflecting increased wages and benefits (+\$116K) and materials costs (+\$247K)



03 Financial Statement Overview

(in thousands)	2023	2022
Total reported surplus (deficit) per Statement of Operations	\$440	\$655
Add (less): Non-cash items included in Statement of Operations:		
• Amortization expense	\$766	\$694
• Gain on sale of capital assets	(\$45)	—
• Change in asset retirement obligation costs	\$74	\$72
Less: Cash items not included in Statement of Operations:		
• Capital expenditures	(\$1,454)	(\$976)
• Proceeds on long-term debt	\$457	\$332
• Proceeds on sale of capital assets	\$58	—
• Principal repayment of long-term debt	(\$222)	(\$115)
• Net reserve transfers	\$132	(\$397)
Cash adjusted surplus	\$206	\$265

04 Financial Indicators (2022 Fiscal Year)



Municipality	Households	Population
Armour	1,087	1,459
Bonfield	1,080	2,146
Kearney	1,195	974
Markstay-Warren	1,199	2,708
Mattawa	929	1,881
Nipissing	1,012	1,769
Powassan	1,381	3,346
South Algonquin	894	1,055
St. Joseph	909	1,426
St-Charles	788	1,357
Temagami	928	862

04 Financial Indicators (2022 Fiscal Year)

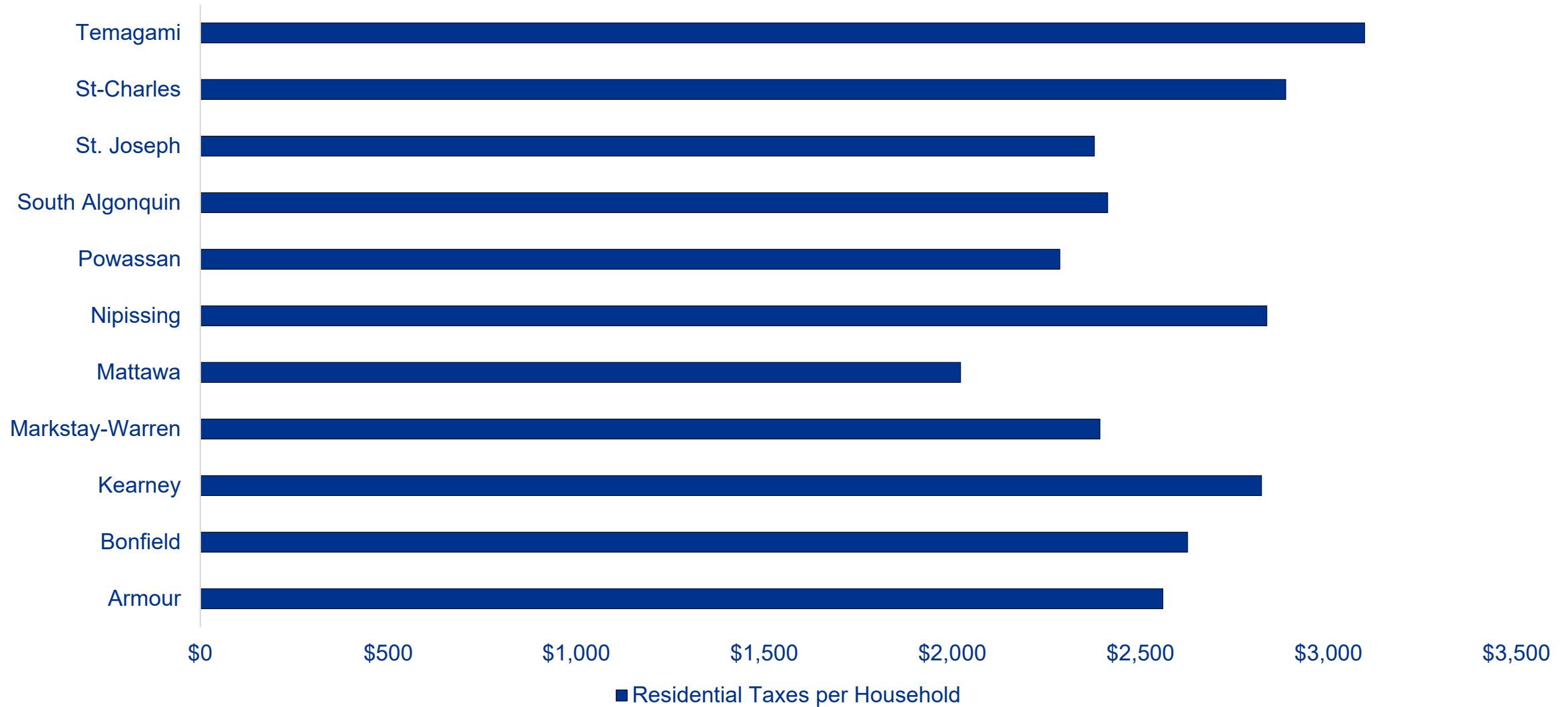
Financial Indicators	Nipissing Indicator	Comparator Municipalities		
		Low	High	Average
Total reserves and reserve funds per household	\$3,700	\$1,016	\$4,943	\$2,798
Total long-term debt per household	\$671	\$Nil	\$6,963	\$1,218
Residential taxes per household	\$2,835	\$2,021	\$3,096	\$2,547
Residential taxes as a percentage of household income	2.88%	2.23%	3.65%	3.02%
Compound annual growth rate in operating costs (2017 to 2022)	+3.32%	+2.59%	+7.09%	+4.81%
Compound annual growth rate in residential tax levy (2017 to 2022)	+3.84%	+0.63%	+5.20%	+3.20%
Net book value of capital assets as a percentage of historical cost	56.88%	38.24%	58.13%	48.45%

Annual rate of increase in the consumer price index (2017 to 2022)	+3.19%
Annual rate of increase in the non-residential building price index – Canada (2017 to 2022)	+7.18%
Annual rate of increase in the non-residential building index – Toronto (2017 to 2022)	+9.57%

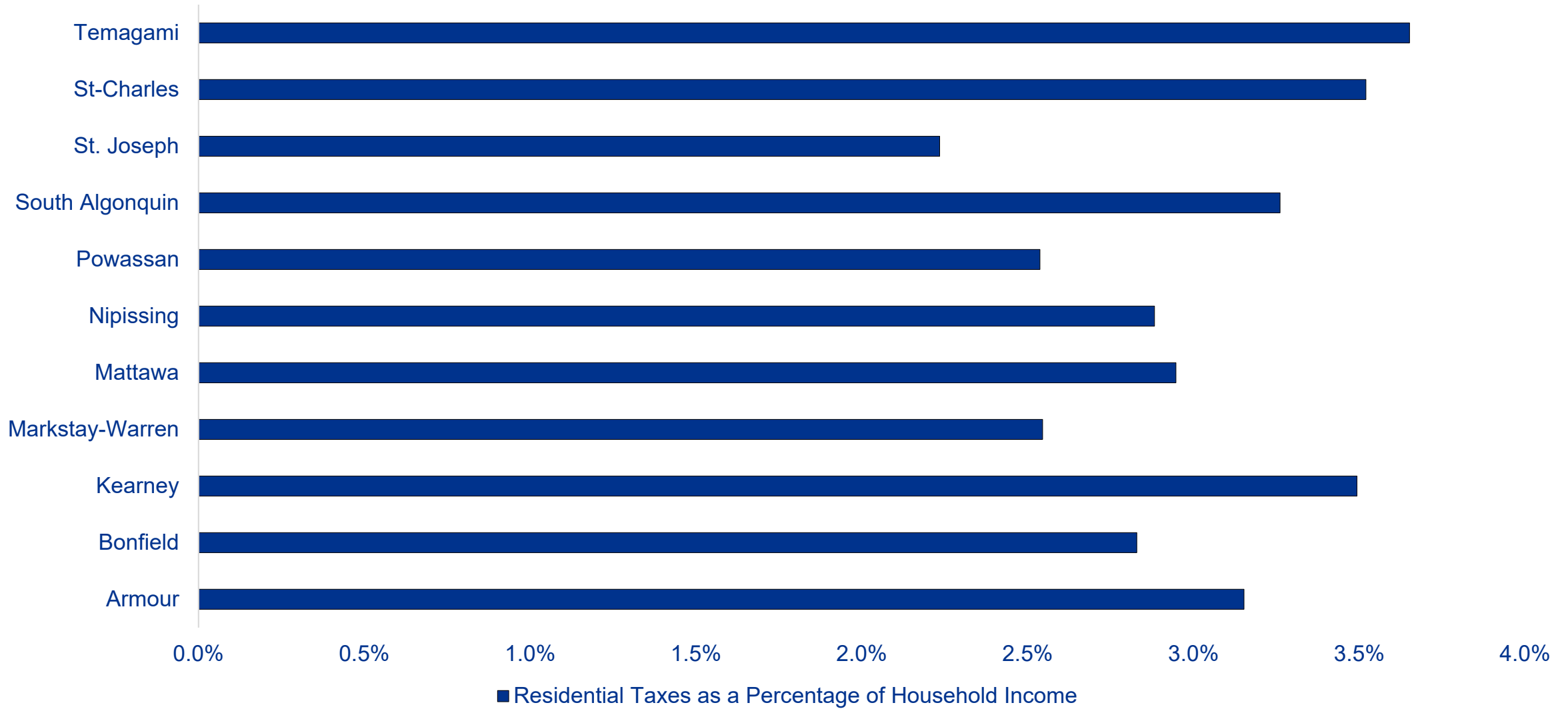
04 Financial Indicators (2022 Fiscal Year)



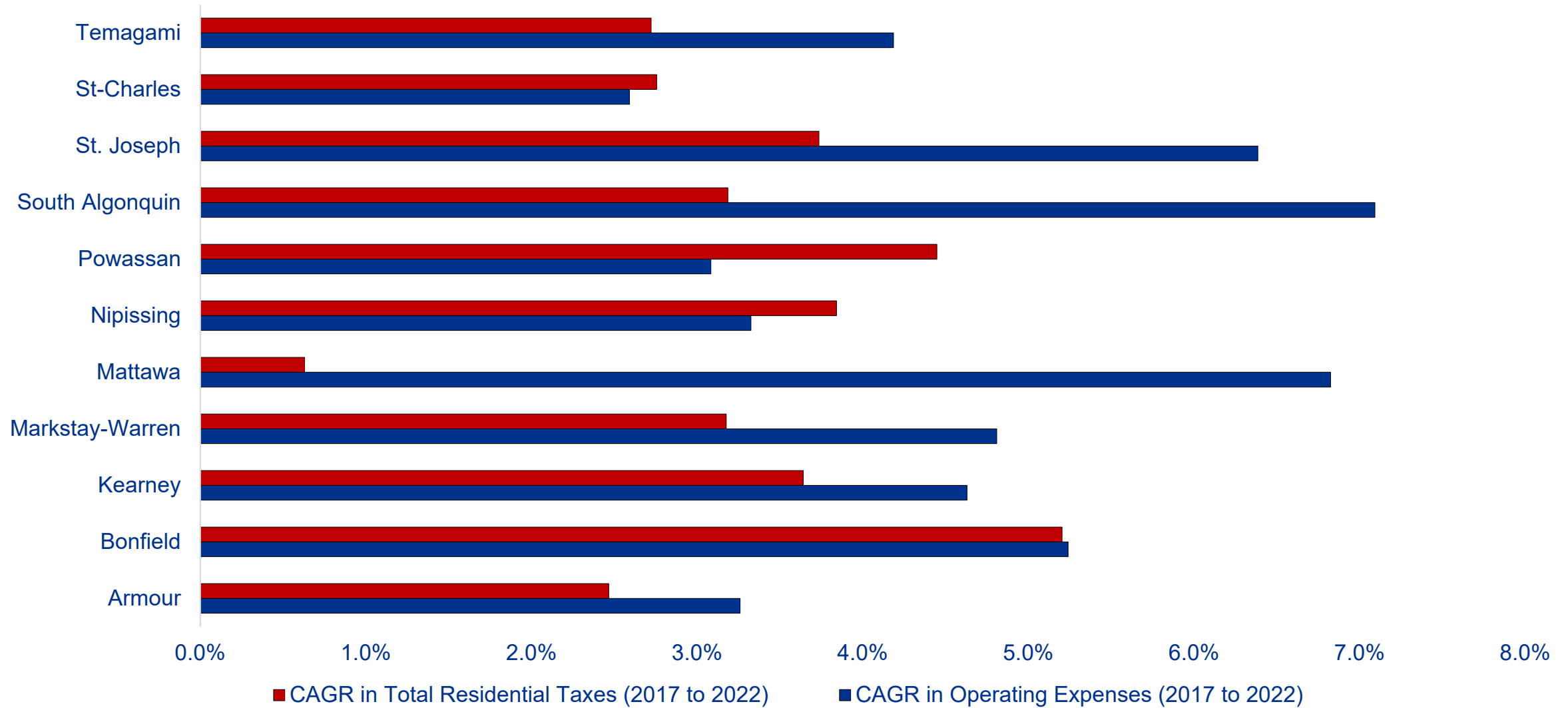
04 Financial Indicators (2022 Fiscal Year)



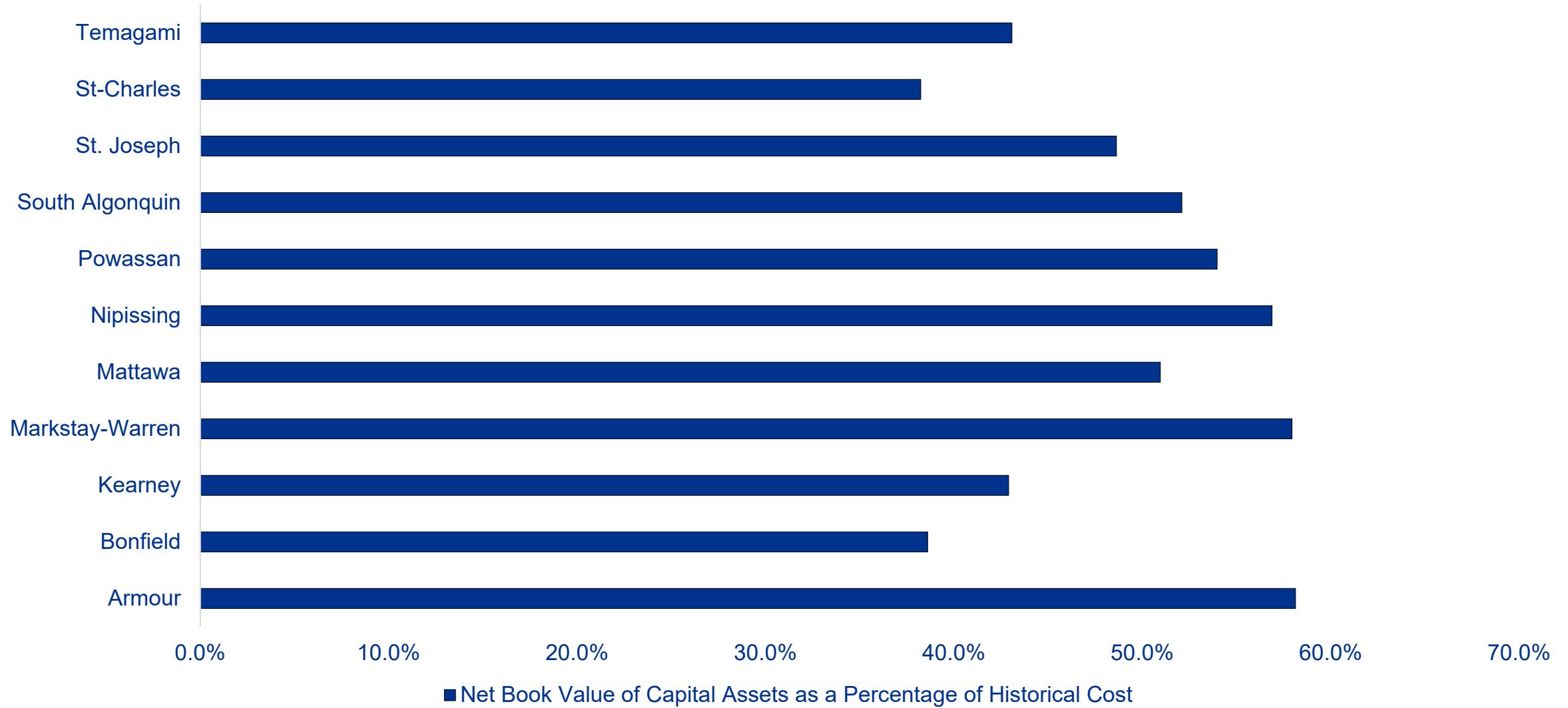
04 Financial Indicators (2022 Fiscal Year)



04 Financial Indicators (2022 Fiscal Year)



04 Financial Indicators (2022 Fiscal Year)





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