

AUDITOR'S REPORT

109 Cuthbertson Block  
Fort William, Ontario  
April 14th, 1965

The Reeve and Members of Council,  
The Township of Terrace Bay,  
Terrace Bay, Ontario.

We have examined the books and records of the Township of Terrace Bay and the related Boards for the year ended December 31st, 1964, and statements relative thereto are attached.

REVENUE FUND:

Requests for verification of tax arrears were sent to all taxpayers shown on the roll as being in arrears at April 10th, 1965. The operation of the Recreation Snack Bar was taken over by the Township from an independent operator on April 21, 1964. The deficit on operation of the Snack Bar for the remainder of the year is included in municipal expenditures on recreation and community services. The portion of the deficit not paid over to the Snack Bar account during the year is set out in the attached balance sheet as due to other funds. A separate balance sheet and statement of revenue and expenditure for this operation is attached.

It would appear that additional funds must be levied in 1965 to provide working funds to carry the Snack Bar inventories, and to provide for any further losses in 1965.

Excess High School debenture funds which were returned to the municipality in 1963 were not used in 1964 to reduce the 1964 levy for high school debentures. These funds should be used for this purpose in 1965.

It is our understanding that receipts from swimming pool donations and memberships are to be taken into the Township revenue fund until such time as the amounts expended in past years on the construction and maintenance of the pool have been fully recovered. The unrecovered balance of such payments at December 31, 1964 was \$32,577.92, as follows:

|                                   |                     |
|-----------------------------------|---------------------|
| Balance December 31, 1963         | 39,518.26           |
| 1964 Improvements and maintenance | 935.85              |
|                                   | <u>40,454.11</u>    |
| 1964 Receipts                     | 7,876.19            |
| Balance December 31, 1964         | <u>\$ 32,577.92</u> |

PUBLIC SCHOOL BOARD:

Expenditure for teachers' salaries include the gross salaries earned by teachers during the year. Since the teaching staff is now paid on a twelve-month basis, from September to August inclusive, whereas the services are rendered over a ten-month period from September to June, there is a resultant liability to teachers for deferred salary payments as at December 31, 1964. This accrued liability is included in the statements.

ROMAN CATHOLIC SEPARATE SCHOOL:

Expenditure for teachers' salaries include the gross salaries earned by teachers during the year. Since the teaching staff is now paid on a twelve-month basis, from September to August inclusive, whereas the services are rendered over a ten-month period from September to June, there is a resultant liability to teachers for deferred salary payments as at December 31, 1964. This accrued liability is included in the statements.

A house was purchased during the year in the name of the School Board, and a mortgage in the amount of \$14,300.00, without interest, payable on demand, was given by the Board in return. We have been advised that this transaction was in the nature of an accommodation measure only, on behalf of the Parish. Accordingly, neither the asset nor the liability for the demand mortgage are included in the statement.

HIGH SCHOOL BOARD:

Capital expenditures out of current funds, including the purchase of an additional teacher's residence, exceeded two mills, without the prior approval of the Ontario Municipal Board, contrary to Section 34 of the Secondary Schools and Boards of Education Act.

RECREATION COMMITTEE:

There is no effective internal control on sales from vending machines. Revenues from this source have, therefore, been verified only at the amounts for which receipts have been issued by the secretary-treasurer of the Committee.

As at December 31, 1964, the Committee had incurred a bank overdraft. In our opinion, there is no statutory authority for the incurring of an overdraft, and cheques should not be issued unless there are funds on hand to cover them.

RECREATION SNACK BAR:

The inventory of merchandise on hand is recorded at the amount certified by the manager, but has been verified in no other way by us. The inventory includes only consumable food products and merchandise for resale. The value of unused supplies on hand at December 31, 1964, is not included in the merchandise inventory.

There is no effective internal control on Snack Bar receipts.

AUDITOR'S OPINION

We report that, in our opinion, subject to the applicable comments above, the financial transactions which have come under our notice have been within the powers of the municipality, the audit has been conducted in accordance with the instructions of the Department of Municipal Affairs, and the attached statements present fairly the financial position of the Municipality and its related Boards and Commissions as at December 31, 1964, and the results of their operations for the year ended on that date.

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Crawford, Reedhead & Company,  
Chartered Accountants.