

Staff Report

Report To: Corporate Services Committee
Report From: Christine Gilbert, Deputy Treasurer
Meeting Date: November 14, 2024
Report Code: CR-24-126
Subject: 2023 Audited Financial Statements

Recommendations:

THAT in consideration of Staff Report CR-24-126 respecting 2023 Audited Financial Statements, the Corporate Services Committee recommends that City Council approve the audited 2023 financial statements as presented.

Highlights:

- Municipalities are required to have audited financial statements under the Municipal Act.
- BDO Canada has provided a clean audit opinion for the 2023 year-end.
- The audited financial statements include the consolidated results of the City, the North Grey Union Public Library and the River District Board of Management.

Strategic Plan Alignment:

[Strategic Plan](#) Priority: This report supports the delivery of Core Service.

Climate and Environmental Implications:

There are no anticipated climate or environmental impacts.

Previous Report/Authority:

[CR-24-030 2023 Year End Financial Report](#)

[CR-23-099 PS 3280 Asset Retirement Obligations](#)

Background:

The Municipal Act requires that municipalities prepare annual financial statements in accordance with generally accepted accounting principles (GAAP) for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada). PSAB standard 3150 requires recording the cost of tangible capital assets and related annual amortization expenses on municipal financial statements.

The budget (municipal levy) is prepared on the cash basis of accounting, which differs from PSAB in that revenue and expenses are recorded when received or spent rather than being accrued in the year they are earned or measurable. The budget accounts for liabilities in whole or in part by setting aside funds for future use in reserves. There is no amortization or depreciation of assets, or deferral of development charges or other fees. These are recorded when received. Reserves may be increased or decreased through transfers between funds and not accounted for as a revenue or expense.

The difference between accounting practices applied to PSAB financial statements and the Municipal levy budget accounts for the variances between budget and actual year-end figures in the financial statements, as well as most items on the summary of misstatements.

Analysis:

The City's overall Public Sector Accounting Board (PSAB) accumulated surplus has increased in 2023. This occurs when there is a greater increase in financial/non-financial assets compared to the increase in liabilities. Some of the key drivers for changes in the balance sheet are as follows:

- Cash balances increased by \$8.9 million over 2022. This is primarily driven by government transfers that are committed to capital projects in 2024 as well as increased investment income due to a more favourable interest rate environment.

- Investments increased by \$1.5 million. This represents the investment of cash balances held within the GBE reserve.
- Taxes receivable increased by \$0.5 million. While this increased balance will generate high penalties and interest revenue, the increase is an indication of a decreased ability to pay property taxes in the current economic climate. The overall ratio of receivables to total tax revenue is in line with historical averages.
- Tangible capital assets increased by \$8.4 million in 2023. The net change of \$400,00 includes amortization, proceeds on the sale of disposed assets and accounting losses on the disposal of assets where no proceeds were received.

Note 9 summarized the accumulated surplus balance, which is similar to equity balances in a traditional corporate financial statement. Assets such as capital assets and reserve balances increase the surplus, while liabilities such as post-employment benefits, long-term debt and future liabilities (including asset retirement obligations and the general landfill) decrease the surplus.

Note 11 confirms that the operating surplus of \$207,914 was transferred to the tax stabilization reserve and is consistent the year end report provided by the Treasurer earlier in 2024.

Effective Jan 1, 2023, the City adopted the new PSAB 3280: Asset Retirement Obligations standard using the modified retrospective approach. The City used an external consultant to assist with meeting this standard in order to avoid a qualified opinion based on the non-adoption of the standard. CR-23-099 approved a budget of \$35,000 for this initiative. The final cost to the City for meeting this standard (not including internal staff time) was \$25,043. As increasingly complex accounting standards are implemented, external support may be required to comply with such standards.

Financial Implications:

The audited financial statements are consistent with previous reports provided to Committee and Council. All reserve balances were audited by BDO and agreed to internal financial reporting.

Communication Strategy:

Once approved, the 2022 Financial Statements will be posted to the City's website.

Consultation:

BDO Canada

Attachments:

1. 2023 DRAFT Financial Statements

Recommended by:

Christine Gilbert, Deputy Treasurer

Kate Allan, Director of Corporate Services

Submission approved by:

Tim Simmonds, City Manager

For more information on this report, please contact Christine Gilbert, Deputy Treasurer at cgilbert@owensound.ca or 519-376-4440 ext. 1223.