

Staff Report

Report To: Corporate Services Committee
Report From: Christine Gilbert, Deputy Treasurer
Meeting Date: November 13, 2025
Report Code: CR-25-134
Subject: 2024 Audited Financial Statements

Recommendations:

THAT in consideration of Staff Report CR-24-126 respecting the 2024 Audited Financial Statements, the Corporate Services Committee recommends that City Council approve the 2024 audited financial statements as presented.

Highlights:

- Municipalities are required under the *Municipal Act, 2001* to prepare annual audited financial statements.
- The City's 2024 audit was conducted by MNP LLP, following the acquisition of BDO Canada's Owen Sound office. The engagement team remains consistent with prior years, providing continuity in audit service.
- MNP has provided a clean (unqualified) audit opinion for the 2024 fiscal year.
- The audited financial statements include the consolidated results of the City of Owen Sound, 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-25-024 - 2024 Year End](#)

Background:

Under Section 294.1 of the *Municipal Act, 2001*, municipalities must prepare annual financial statements in accordance with Public Sector Accounting Standards (PSAS) as issued by the Public Sector Accounting Board (PSAB).

The City's budget (municipal levy) is prepared on a cash-basis of accounting, whereas PSAB financial statements follow an accrual-basis. As a result, the two reporting frameworks differ in several key ways:

- **Timing of transactions:** The budget records revenues and expenses when cash is received or paid, while PSAB financial statements record them when they are earned or incurred.
- **Treatment of liabilities and reserves:** The budget accounts for future obligations by setting aside funds in reserves. Under PSAB, reserves are treated as balance sheet items—transfers to or from reserves adjust financial position but are not recognized as revenues or expenses.
- **Capitalization of assets:** Tangible capital assets are recorded as long-term assets and amortized over their useful lives under PSAB, rather than being expensed at the time of purchase.

These differences in accounting treatment explain the variances between the City's PSAB-based financial statements and the levy-based operating budget presented to Council throughout the year.

Analysis:

The City's accumulated surplus increased by \$15,790,995, from \$244,791,875 in 2023 to \$260,582,870 in 2024.

This figure reflects the change in the City's overall financial position under Public Sector Accounting Standards (PSAB) and differs from the operating surplus reported through the City's budget process.

In the 2024 Year-End Report (CR-25-024) presented to Council on March 6, 2025, staff reported an unaudited operating surplus of \$335,000. Following completion of the year-end audit, an inventory adjustment increased the surplus by approximately \$85,000, resulting in a final audited operating surplus of \$420,407. This amount was transferred to the Tax Stabilization Reserve in accordance with the City's Reserve and Reserve Fund Policy.

While the operating surplus reflects the difference between annual revenues and expenditures on a cash or near-cash basis, the PSAB surplus incorporates non-cash accounting adjustments and measures the City's total change in net assets and liabilities.

The principal factors contributing to the 2024 increase in accumulated surplus were:

1. **Increase in the net amount invested in tangible capital assets** – Continued investment in roads, facilities, fleet, and equipment resulted in an increase of approximately \$12.6 million in the City's net investment in capital assets, after accounting for amortization, additions, and debt reduction.
2. **Decrease in long-term liabilities and asset retirement obligations (ARO)** – The City's outstanding long-term debt related to capital assets decreased by approximately \$2.6 million, and the ARO liability decreased by \$161,000, reflecting updated estimates of future remediation obligations.

These changes strengthen the City's overall financial position but do not represent additional cash resources available for operational purposes.

In summary, while the operating surplus of \$420,407 represents the variance between budget and actual net spending, the PSAB surplus of \$15.79 million captures broader, non-cash changes associated with the City's long-term capital investment and liability management.

Audit Transition:

For 2024, the City's audit engagement transitioned from BDO Canada LLP to MNP LLP following MNP's acquisition of BDO's Owen Sound office. The audit team, including the engagement partner and senior manager, remained unchanged, ensuring continuity of audit quality and institutional knowledge.

MNP provided an unqualified opinion, confirming that the City's financial statements present fairly, in all material respects, the financial position and results of operations for the year ended December 31, 2024.

Financial Implications:

All financial results and reserve balances reported are consistent with internal year-end financial reports previously presented to Council. Audit testing by MNP confirmed that all reserve, reserve fund, and deferred revenue balances reconciled with City records and supporting documentation.

Communication Strategy:

Once approved by Council, the 2024 Audited Financial Statements will be posted on the City's website

Consultation:

MNP LLP

Attachments:

1. 2024 Draft Financial Statements
2. 2024 Audit Letter to Committee – City of Owen Sound

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.