

Staff Report 2024-0356

Meeting Date: September 3, 2024

Subject: 2023 Audited Financial Statements

Submitted By: September Muller, Supervisor Accounting, Finance

RECOMMENDATION

That the 2023 Draft Consolidated Corporation of the Town of Caledon Financial Statements, Caledon Public Library Board Financial Statements, Provincial Offences Office, Business Improvement Area (BIA) and the Trust Fund Financial Statements be approved.

REPORT HIGHLIGHTS

- The statutory financial statements are a requirement prescribed by the *Municipal Act, 2001* that shows the results of operations for the fiscal year and the financial position at the end of the fiscal year.
- These statements have been prepared in accordance with Generally Accepted Accounting Principles for governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.
- The Town has received an “unqualified” audit opinion from Millard LLP Chartered Professional Accountants on all of the statutory financial statements with the exception of the BIA and the qualification for the Provincial Offences Office. This means that the Town is in compliance with Generally Accepted Accounting Principles for governments as recommended by the Public Sector Accounts Board (PSAB).

DISCUSSION

The Town’s Draft Consolidated Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) for governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The Town’s Draft Consolidated Financial Statements incorporate the financial results of:

- The Corporation of the Town of Caledon
- Caledon Public Library Board
- Business Improvement Area
- Provincial Offences Office

The Town’s Trust Financial Statements are separate and are not included in the Town’s consolidated financial results. These statements are not part of the Consolidated Statements because they include assets held in trust by the Town for other uses (ie: cemetery perpetual care).

The BIA financial information is included in the consolidated statements. Separate financial statements have not been prepared and therefore no opinion has been issued by Millard LLP Chartered Professional Accountants.

Included are separate Financial Statements for the Caledon Public Library Board and the Provincial Offences Office.

Unqualified Audit Opinion

The Town has received an “unqualified” audit opinion from Millard LLP Chartered Professional Accountants on all of the statutory financial statements with the exception of qualification of the Provincial Offences Office. This is consistent with treatment in prior years and due to the following, which was not in scope of the audit; financial records that are maintained by the Province of Ontario, and revenue collected from other courts in the province not serviced by the Town of Caledon Provincial Offences Office.

This means that the Town is in compliance with Generally Accepted Accounting Principles for governments as recommended by the Public Sector Accounts Board (PSAB). The financial statements present fairly, in all material respects, the financial position of the entity audited as at December 31, 2023 and its results of operations and accumulated surplus, its change in net financial assets and its cash flows for 2023 in accordance with public sector accounting standards.

2023 Draft Consolidated Statement of Financial Position Overview

The Town of Caledon’s 2023 Consolidated Statement of Financial Position demonstrates a continued strong position, as the Town is in a net financial asset position of \$686.4 million (2022 - \$632.3 million).

Financial Statement Presentation Differences from Budget Presentation

The Town’s statutory financial statements are presented in a different manner from the 2023 Budget.

The statutory financial statements must comply with Provincial Statutory Reporting and use an accrual basis of accounting whereas, the tax supported, and Capital Budgets approved by Council are intended to set tax rates and are prepared on a cash basis of accounting.

Statements	Budget Approved By Council	Statutory Financial Statements
Purpose	To set the tax rate in accordance with the Municipal Act	To comply with Provincial Statutory Reporting
Basis	Cash basis of accounting	Accrual basis of accounting
Differences	Presents a partial financial picture	Presents full financial picture
	Expense tangible capital assets	Capitalize tangible capital assets
	Reserve contributions / No amortization	Amortization over the useful life of tangible capital assets
	Excludes unfunded liabilities	Includes unfunded liabilities

The major differences between the two presentations are:

1. Amortization

The Town’s 2023 Budget is developed excluding amortization on tangible capital assets. The statutory financial statements present the net book value of the Town’s tangible capital assets on the Statement of Financial Position and includes annual amortization to recognize the use of tangible capital assets in the current year in the Statement of Operations and Accumulated Surplus. Council has chosen not to include amortization expense in the tax levy requirements in accordance with Regulation 284/09 of the *Municipal Act, 2001*.

2. Contributed Tangible Capital Assets

The majority of the Town’s assets are initially funded by the development industry and treated as contributed assets on the Town’s statutory financial statements. Contributed assets are valued based on construction costs and are recognized in the financial statements as revenue in the year assumption occurs.

3. Post Employment Benefits – Caledon Firefighters

The Town’s 2023 budget excludes future post-employment costs for Caledon Firefighters except for actual post-employment benefit payments as they are funded from taxation. However, post-employment benefits on the statutory financial statements represent the retirement benefits that have accrued over the service life of the Town’s employees to date but not yet paid. These are expensed over the life of the employees as they render the service. The result is a difference between the budget and the statutory statements due to the gap between the current funding and the liability for post-employment benefits.

A reconciliation of the major differences between the Operating Budget Variance Report for the year ending December 31, 2023 (to be presented to Council in September) and the Consolidated Statement of Operations and Accumulated Surplus is provided below:

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	\$ Millions
2023 Fund Accounting Operating Budget Surplus	2.1
2023 Tangible Capital Asset Amortization	(\$23.7)
2023 Budget Tax Levy Funded Capital Program	\$21.2
2023 Capital Budget Items not considered TCA	(\$11.7)
2023 Budget Transfer from Reserves considered Deferred Revenue & Other external Funding (e.g. grants)	\$63.4
	<u>\$49.2</u>
Revised surplus after accounting for TCA	\$51.3
Other Full Accrual Adjustments	
Net 2023 Budget Transfers to Reserves not considered as Expenses	\$0.0
Long Term debt Principal Payment (External)	\$2.8
	<u>\$2.8</u>
Estimated Impact on the ending 2023 Accumulated Surplus	<u><u>\$54.1</u></u>

The Town of Caledon's 2023 Consolidated Financial Statements, the Financial Statements of the Caledon Public Library Board, the Trust Fund present fairly, in all material respects, the financial position of each entity as at December 31, 2023 and the results of operations and accumulated surplus, the change in net financial assets and the cash flows for each entity for the year ended December 31, 2023 in accordance with public sector accounting standards.

FINANCIAL IMPLICATIONS

The financial implications are included in other sections of this report.

NEXT STEPS

- A copy of the 2023 Audited Financial Statements will be forwarded to the Ministry of Municipal Affairs.
- Post the annual financial report on the Town's website
- Follow-up with the BIA regarding audited financial statements

COUNCIL WORK PLAN

Good Governance

ATTACHMENTS

- Schedule A: The Corporation of the Town of Caledon Draft Consolidated Financial Statements For the year ended December 31, 2023
- Schedule B: Report to the Members of Council from the Town's external auditor
- Schedule C: The Corporation of the Town of Caledon Provincial Offences Office Financial Statements For the year ended December 31, 2023
- Schedule D: The Corporation of the Town of Caledon Trust Funds Financial Statements For the year ended December 31, 2023
- Schedule E: The Corporation of the Town of Caledon Caledon Public Library Financial Statements For the year ended December 31, 2023