

DATE: June 26, 2023

REPORT NO: T-16-2023

SUBJECT: **Draft Audited Financial Statements and Audit Findings for Year-End 2022**

CONTACT: Katelyn Hall, CPA, CA, Deputy Treasurer/Manager of Finance
Donna DeFilippis, CPA, CA Treasurer/Director of Finance

OVERVIEW:

- Presentation of the 2022 Draft Financial Statements
- Presentation of the 2022 Audit Findings Report

RECOMMENDATION:

1. That, Recommendation Report T-16-2023 regarding the “Draft Financial Statements and Audit Findings for Year-End 2022”, dated June 26, 2023, be received; and,
2. That, the 2022 Draft Audited Financial Statements, attached as Appendix A to this report, be approved; and,
3. That, the 2022 Audit Findings Report, attached as Appendix B to this report, be received.

ALIGNMENT TO STRATEGIC PLAN:

Theme # 6

The presentation of this report to Council is best aligned with the theme of Efficient, Fiscally Responsible Operations, under our Corporate Strategic Plan.

The 2022 financial statements provide residents and other interested parties a transparent summary of the Township’s financial position and operations, allowing the Township to remain accountable to its various stakeholders. In addition, our Township is demonstrating good governance in meeting the requirements of Sections 294 & 295 of the Municipal Act regarding the preparation and publication of the financial statements.

BACKGROUND:

The 2022 draft consolidated financial statements, including the accompanying notes, attached as Appendix A, have been prepared by the Treasury Department in accordance with Canadian Public Sector Accounting Standards (PSAS).

This is the second year that the Township has implemented Caseware software to automate a large portion of the financial statements. Staff continued to experience increased efficiency, a reduction of trivial tasks, and savings of valuable staff time in preparation of the financial statements.

The statements reflect the assets, liabilities, revenues and expenditures of the Township, including the Library Board. The statements were audited by the firm, KPMG LLP, in accordance with Canadian Generally Accepted Auditing Standards. This is the first year that the Township's financial statements were audited by KPMG LLP, as they were approved for a five-year term appointment through staff report T-01-2023.

Appendix B to this report contains the Audit Findings Report, which includes comments on audit results and other reportable matters. It is important to note that the Township Budget is prepared on a cash basis, not on a PSAS basis. This is common practice among municipalities.

FINANCIAL STATEMENT SYNOPSIS:

Some areas of the financial statements to highlight are below:

- Tangible capital asset net additions in 2022 totalled approximately \$3.4 million, compared to \$2.6 million in 2021. Total net book value of tangible capital assets is approximately \$93.7 million. This represents the historical cost less accumulated depreciation and is not reflective of actual replacement costs.
- Long term debt experienced a decrease of approximately \$0.7 million in 2022, which represents scheduled debenture principal repayments.
- The statements present a 2022 surplus of approximately \$1.6 million; it should be noted that this is based on PSAS accounting rules. However, the Township budget is prepared on a cash basis. Therefore, these two reporting approaches have significant differences and result in the reported surplus not being indicative of the actual "cash basis" surplus. Staff will bring a report to the July 17, 2023 Council meeting to make recommendations regarding the 2022 actual accumulated surplus of approximately \$0.7 million.
 - For example, the change in equity of the Township's subsidiary, Peninsula West Power Inc., for which 2022 totalled \$0.1 million is considered revenue under PSAS accounting. However, for cash basis reporting, this does not contribute to an actual surplus.
 - Another example is amortization expense of \$3.5 million in 2022 is not accounted for under the "cash basis" of accounting, but is included in PSAS accounting.

CURRENT SITUATION:

The approval by Council of these 2022 draft financial statements is one of the final steps required before issuance of the finalized 2022 Audited Financial Statements. Canadian Auditing Standard 700, as issued by the Chartered Professional Accountants of Canada, requires that the date of the auditor's report can be no earlier than the date of approval of the financial statements in final form by the directors. We anticipate that the finalized 2022 Audited Financial Statements will be presented at the July 17, 2023 Council Meeting.

As an item of information for Council, new Canadian Public Sector Accounting Standards related to asset retirement obligations (PSAS 3280) and financial instruments (PS 3450) come into effect for the Township's fiscal period ending December 31, 2023.

These standards represent significant and complex changes to the existing standards, which will result in changes to the financial statements and accompanying notes. Treasury staff will be working through the implementation of these standards this year.

CONCLUSION:

It is concluded that Council approve the 2022 Draft Audited Financial Statements, attached as **Appendix A**, and acknowledge receipt of the Audit Findings Report document, attached as **Appendix B**.

Prepared by:



Katelyn Hall, CPA, CA
Deputy Treasurer/Manager of Finance

Approved by:



Bev Hendry
CAO

Reviewed & Submitted by:



Donna DeFilippis, CPA, CA
Treasurer/Director of Finance