

**DATE:** July 15, 2024

**REPORT NO:** T-14-2024

**SUBJECT:** **Draft Audited Financial Statements and Audit Findings for Year-End 2023**

**CONTACT:** Katelyn Repovs, CPA, CA, Acting Director of Finance  
Donna DeFilippis, CPA, CA Interim CAO/Treasurer

**OVERVIEW:**

- Presentation of the 2023 Draft Financial Statements
- Presentation of the 2023 Audit Findings Report

**RECOMMENDATION:**

1. That, Recommendation Report T-14-2024 regarding the “Draft Financial Statements and Audit Findings for Year-End 2023”, dated July 15, 2024, be received; and,
2. That, the 2023 Draft Audited Financial Statements, attached as Appendix A to this report, be approved; and,
3. That, the 2023 Audit Findings Report, attached as Appendix B to this report, be received.

**ALIGNMENT TO STRATEGIC PLAN:**

**Theme #4 – Advance Organizational Capacity and Effectiveness**

The 2023 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 2023 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).

Staff utilize Caseware software to automate a large portion of the financial statements, resulting in increased efficiency, a reduction of trivial tasks, and savings of valuable staff time and resources.

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 second 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 "Appointment of Township Auditors".

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 2023 totalled approximately \$9.9 million, compared to \$3.4 million in 2022. In 2023, the Township assumed approximately \$2.9 million in subdivision infrastructure assets. Total net book value of tangible capital assets is approximately \$101.6 million. This represents the historical cost less accumulated depreciation and is not reflective of actual replacement costs.
- Long term debt experienced a net increase of approximately \$1.95 million in 2023, which consists of the debenture issued for the Fire Station 2 and Vaughan Road projects, reduced by the scheduled debenture principal repayments made.
- The statements present a 2023 surplus of approximately \$6.1 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. Some examples of these differences are noted below:
  - The change in equity of the Township's subsidiary, Peninsula West Power Inc., for which 2023 totalled \$0.2 million, is considered revenue under PSAS accounting. However, for cash basis reporting, this does not contribute to an actual surplus.
  - The contributed tangible capital assets, resulting from the Township's assumption of subdivision infrastructure, totalled \$2.9 million and is considered revenue under PSAS accounting. However, for cash basis reporting, this does not contribute to the actual surplus.
  - Another example is amortization expense of \$3.4 million in 2023 is not accounted for under the cash basis of accounting, but is included in PSAS accounting.
- Through Staff Report T-15-2024 "2023 Accumulated Surplus" being presented at the July 15, 2024 Council meeting, staff provide recommendations to Council regarding the 2023 actual accumulated surplus of approximately \$0.6 million.

### **CURRENT SITUATION:**

Appendix A presents the 2023 Draft Audited Financial Statements, for both the Consolidated Township and the Trust Funds, as prepared by Treasury Staff, along with the draft Independent Auditor's Report for both sets of statements. The Independent Auditor's Reports provide an unqualified opinion (or a clean opinion), which indicates that the auditors did not find any material misstatements, either quantitatively or qualitatively.

The approval by Council of these 2023 draft financial statements is one of the final steps required before issuance of the finalized 2023 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 2023 Audited Financial Statements will be presented at the August 12, 2024 Council Meeting.

Appendix B presents the 2023 Audit Findings Report, prepared by KPMG LLP. This document is prepared for Council and provides an overview of the 2023 audit results and audit risks. It indicates that there were no corrected or uncorrected misstatements noted by the auditor within the course of the 2023 audit, and no other matters to report on or bring to Council's attention.

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) were implemented and came into effect for the Township's fiscal period ending December 31, 2023. Through Staff's extensive work on this project, there were no significant implementation impacts to the Township, other than changes to the financial statements and accompanying note disclosures.

**CONCLUSION:**

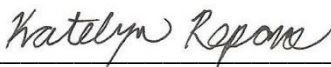
It is recommended that Council approve the 2023 Draft Audited Financial Statements, attached as Appendix A, and acknowledge receipt of the Audit Findings Report document, attached as Appendix B.

**ATTACHMENTS:**

**Appendix A** – 2023 Draft Audited Financial Statements

**Appendix B** – 2023 Audit Findings Report

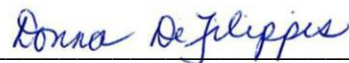
**Prepared by:**



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**Katelyn Repovs, CPA, CA**  
**Acting Director of Finance**

**Approved by:**



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**Donna DeFilippis, CPA, CA**  
**Interim CAO/Treasurer**