

THE CORPORATION OF THE TOWN OF GEORGINA

REPORT NO. DCAO-2024-0007

**FOR THE CONSIDERATION OF
COUNCIL**

June 19, 2024

**SUBJECT: CONSOLIDATED FINANCIAL STATEMENTS 2023 – TOWN OF
GEORGINA**

1. RECOMMENDATION:

- 1. That Council receive Report No. DCAO-2024-0007 prepared by the Financial Controllershship and Reporting Division of the Office of the Deputy CAO dated June 19, 2024 respecting the 2023 Audited Consolidated Financial Statements of the Corporation of the Town of Georgina.**
- 2. That Council adopt the Audited Consolidated Financial Statements of the Corporation of the Town of Georgina for the 2023 fiscal year (Attachment #1).**

2. PURPOSE:

The 2023 Audited Consolidated Financial Statements of the Corporation of the Town of Georgina are attached to this report for Council's approval.

3. BACKGROUND:

Town management is responsible for the preparation and fair presentation of the financial statements in accordance with the *Municipal Act, 2001* and the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada standards. PSAB determines the standards for financial and other performance information reported by the public sector. Town management is also responsible for internal controls as necessary to enable the preparation of consolidated financial statements that are free from material misstatement.

In accordance with the *Municipal Act, 2001* and PSAB standards, the financial statements for the Town of Georgina are prepared on a 'consolidated' basis, including the financial position and operations of the Georgina Public Library, Boards of Management for the Business Improvement Areas, as well as trust funds and boards and committees of Council.

The *Municipal Act, 2001* states that a municipality shall appoint an auditor licensed under the *Public Accounting Act* who is responsible for,

- (a) annually auditing the accounts and transactions of the municipality and its local boards and expressing an opinion on the financial statements of these bodies based on the audit; and
- (b) performing duties required by the municipality or local board.

The Town of Georgina's appointed independent auditor is KPMG LLP (Canada) and the auditors have presented their opinion on the consolidated financial statements of the Town of Georgina in the *Independent Auditor's Report* (Attachment #1).

4. **ANALYSIS:**

Consolidated Statement of Financial Position

The Town's financial position reflects its financial value and is defined by its net assets in excess of liabilities. This net value is referred to as the accumulated surplus/(deficit).

The Town's consolidated accumulated surplus represents the Town's net assets, being the sum of net financial and non-financial assets. The *Consolidated Statement of Financial Position* at the end of the year 2023 reports that the Town's accumulated surplus totals \$423,294,953 as compared to a restated balance of \$397,386,132 at the end of the year 2022. A restatement of \$385,311 was necessary to the opening balance due to the adoption of Public Accounting Standard PS 3280 – *Asset Retirement Obligations* and the Town's choice of the modified retroactive basis at the date of adoption.

The favourable increase in the year-over-year accumulated surplus for the 2023 fiscal year is primarily due to an increase in the building component of the tangible capital assets register due to the MURC project being completed and capital assets being assumed by the Town.

The components of the accumulated surplus are summarized in Table 1 below.

Table 1 – 2023 Accumulated Surplus

	2023 Year End Balance	2022 Year End Balance
	\$	\$
Current operating budget variance	0	0
Capital budget	(5,693,315)	(7,026,872)
Streetlight Payable	759,908	1,021,990
Sub-total	(4,933,407)	(6,004,882)
Tangible capital assets	433,805,272	387,440,979
Reserves set aside by Council	60,027,033	62,669,855
Employee future benefits	(4,004,266)	(4,249,958)
Net debt	(61,171,742)	(42,041,925)
Asset retirement obligation	(427,937)	(427,937)
Sub-total	428,228,360	403,391,014
Total Accumulated Surplus	423,294,953	397,386,132

The year over year change of \$25,908,821 in the accumulated surplus reflects the consolidated **annual** surplus, as reported on the *Consolidated Statement of Operations and Accumulated Surplus*. This increase is summarized in Table 2 below.

Table 2 – 2023 Annual Budget Surplus / (Deficit)

	<u>Change in Fund and Debt Balances</u>
	\$
Operating budget variance	0
Capital budget	1,333,555
Streetlight Payable	(262,080)
Sub-total	1,071,475
Net investment in tangible capital assets	61,842,419
Amortization of tangible capital assets	(15,478,126)
Reserve funds	(2,642,822)
Employee future benefits payable	245,692
Principal paid on long term debt	2,370,183
New long-term debt issued	Nil
New letter of credit issued	(21,500,000)
Sub-total	24,837,346
Total Annual Surplus / (Deficit)	25,908,821

The 2023 annual operating surplus arising through budget variances is \$41,060; which represents 0.06% net variance from gross operating tax levy budget.

The 2023 Capital funding balance reflects a deficit of \$5,693,317. This deficit includes internal borrowings from reserves, and projects to be debentured once completed.

In the Procurement Policy, the Treasurer was given authority to fund and close completed capital projects that were underfunded by a maximum of \$10,000 and the CAO can approve amounts up to \$15,000. The Deputy CAO/Treasurer approved ten projects amounting to \$33,466 and the CAO approved three projects amounting to \$42,592.

In 2023, 17 projects were completed below the budgeted amount. The total savings realized on these 17 projects was \$252,720 which were allocated back to the reserves.

Allocation of the 2023 Annual Budget Operating Surplus

In December 2017 Council approved recommendations outlined in report CAO-2017-0016 where the current year surplus would be allocated to reserves in order to mitigate any major fluctuations in the annual municipal operating budget.

Specifically:

- a) An amount equivalent to a maximum of 1% of the current year tax levy be transferred to the Rate Stabilization Reserve until the balance of the reserve reaches 10% of the total approved operating budget;
- b) An amount equivalent to a maximum of 1% of the current tax levy be transferred to Working Capital Reserve until the balance of the reserve reaches 10% of the total approved operating budget;
- c) Any operating deficit shall be funded from the Rate Stabilization Reserve.
- d) Any remainder of the annual surplus after the transfer of funds as described in steps a and b, shall be transferred to Corporate Capital Reserve or respective Lifecycle Replacement Reserves.

The Working Capital Reserve was reallocated to the Tax Rate Stabilization Reserve and closed per the 2023 council approved budget. Therefore, the first 2% of an annual surplus will now be contributed to the Tax Rate Stabilization Reserve.

In accordance with the Corporate Surplus Policy, the \$41,060 surplus in 2023 was allocated to the Tax rate stabilization reserve.

Budget Variances

The *Consolidated Statement of Operations and Accumulated Surplus* contains the actual revenues and expenditures for the fiscal year and the budgeted amounts.

It is important to note that the “budgeted” amounts are stated in accordance with PSAB and do not include inter-fund transfers, such as contributions to and draws from reserves. Note 3 to the Financial Statements provides a reconciliation of the Council’s approved 2023 Budget to the budget as stated in the *Consolidated Statement of Operations and Accumulated Surplus*.

The most significant budget variances reported on the *Consolidated Statement of Operations and Accumulated Surplus* relate to revenue as listed in Table 4 below. Budget variances related to expenses are primarily due to capital investments that have been expensed rather than capitalized, since they are not “tangible” capital assets, such as studies and minor capital items. Many of these amounts will be offset by equivalent revenues or transfers from reserve funds. Further, the Town does not budget for amortization expenses.

Table 4 – Revenue Budget Variances

Revenue	2023 Budget	2023 Actual	Variance	Explanation
User fees and service charges	11,881,400	14,890,292	(3,008,892)	Cost recovered receivable not budgeted
Government Grants	4,867,715	3,688,798	1,178,917	OCIF grant less than anticipated
Licenses and Permits	1,717,000	2,754,800	(1,037,800)	Construction permit revenue higher than anticipated
Investment income	1,030,890	3,139,533	(2,108,643)	Higher than expected amount for reinvested capital gains
Canada Community Building Fund	4,827,630	2,244,705	2,582,925	CCBF funding is not recognized as revenue until the work is performed
Developer contributions earned	2,729,770	8,777,515	(6,047,745)	Developer contributions recognized as work is completed
Contributed tangible capital assets	39,300	12,924,459	(12,885,159)	Assumed assets are not included in the budget

5. RELATIONSHIP TO STRATEGIC PLAN:

Delivering service excellence:

Proactively manage our finances and assets.

6. FINANCIAL AND BUDGETARY IMPACT:

There are no direct financial or budgetary impacts associated with the approval of the 2023 Audited Financial Statements.

7. PUBLIC CONSULTATION AND NOTICE REQUIREMENTS:

The Consolidated Financial Statements of the Corporation of the Town of Georgina and the Independent Auditor's Report will be posted to the Town's web site at www.georgina.ca and may be downloaded in PDF format.

8. CONCLUSION:

This report presents the Audited Consolidated Financial Statements of the Corporation of the Town of Georgina for the 2023 fiscal year to Council for adoption.

KPMG LLP (Canada) Chartered Accountants, appointed by Council as independent auditors on September 14, 2022, have audited the Town's 2023 Consolidated Financial Statements and expressed their opinion within the *Independent Auditor's Report* that preface the financial statements. KPMG LLP (Canada) has also reported to Council regarding the audit through correspondence that has been attached to this report.

APPROVALS

Prepared By: Tamara Edmunds, CPA, Capital Asset Accountant

Reviewed By: Harry Sidhu, CPA, CGA, Manager of Financial
Controllershship and Reporting / Deputy Treasurer

Recommended By: Rob Wheeler, CPA, CA, Deputy Chief Administrative Officer
/ Treasurer

Approved By: Ryan Cronsberry, Chief Administrative Officer

Attachments:

Attachment 1: Audited Consolidated Financial Statement of the Corporation of the Town of Georgina for the 2023 Fiscal Year

Attachment 2: Audit Findings Report for the Year ended December 31, 2023