



Town of Niagara-on-the-Lake

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REPORT #: CS-24-014 **COMMITTEE DATE:** 2024-07-31
REPORT TO: Council **DUE IN COUNCIL:** 2024-07-31
SUBJECT: 2023 Financial Statements and Audit Findings Report

1. RECOMMENDATION

It is respectfully recommended that:

- 1.1 Council approves the proposed consolidated financial statements for the year ended December 31, 2023, for The Corporation of the Town of Niagara-on-the-Lake (the "Town"), attached as **Appendix I**; and
- 1.2 Council approves the attached Audit Findings Report for the year ended December 31, 2023, for The Corporation of the Town of Niagara-on-the-Lake, attached as **Appendix II**.

2. EXECUTIVE SUMMARY

- The *Municipal Act, 2001* states that a municipality shall prepare financial statements for each fiscal period.
- The Town's auditor, KPMG, has completed an audit and compilation of the Town's 2023 financial statements and has expressed an unqualified audit opinion.
- The consolidated financial statement for the year ended December 31, 2023, is attached as **Appendix I**.
- The Audit Findings Report for the year ended December 31, 2023, is attached as **Appendix II**.

3. PURPOSE

The purpose of this report is to seek the Council's approval of the consolidated financial statements for the year ended December 31, 2023, for the Town.

4. BACKGROUND

The Municipal Act, 2001 states that a municipality shall prepare financial statements for each fiscal year. The consolidated financial statements for the Town are prepared by management in accordance with Canadian Public Sector Accounting Standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB"). PSAB serves the public interest by establishing standards and other guidance for financial reporting by all Canadian entities in the public sector and by contributing to developing internationally accepted public sector financial reporting standards. Management is responsible for the preparation and fair presentation of

the consolidated financial statements in accordance with PSAB and for such internal control as management determines necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Town's auditor, KPMG, has completed an audit and compilation of the Town's financial statements. The auditor's responsibility is to express an opinion on the consolidated financial statements based on their audit fieldwork. Following the completion of the audit fieldwork, KPMG stated that, in their opinion, the accompanying financial statements present fairly in all material respects.

5. DISCUSSION / ANALYSIS

5.1 Draft Consolidated Financial Statements and Financial Information Return

A draft copy of the consolidated financial statements for the year ended December 31, 2023, is attached to this report (Appendix I). The Financial Information Return ("FIR") is also complete. The FIR is the primary data collection tool used by the Ministry of Municipal Affairs and Housing (MMAH) to collect financial and statistical information on municipalities. The FIR is a standard document comprising numerous schedules updated yearly to comply with current legislation and reporting requirements. Corporate Services Staff will submit the FIR upon approval of the 2023 Financial Statements.

5.2 Reconciliation of the Financial Statement's Annual Surplus to the Operating Budget Surplus

Financial statements are intended to report on the financial condition of an organization, ensure accountability and transparency, and assist with long-term strategic planning. Financial statements are a vital tool to report to taxpayers the municipal services provided and the resources available. The requirements for municipal financial reporting are standardized across Canada and based on the Public Sector Accounting Handbook. As of 2009, municipal financial statements are to be prepared using the net financial assets model and must now include tangible capital assets, amortization, and post-employment benefit costs. This approach provides a more complete picture of a municipality's financial condition. The Town's operating budget is not prepared on the same basis as its financial statements. The operating budget looks at the total cash requirements for different programs and how they will be funded. This leads to different treatment of revenue and expense items between the Town's operating budget and financial statements.

The chart below reconciles the difference between the 2023 operating surplus of \$234,613 and its annual surplus of \$6,589,015 contained in the Consolidated Statement of Operations.

\$6,589,015	Financial Statement Annual Surplus - See Financial Statements
(773,795)	Hydro Surplus: The investment in Niagara-on-the-Lake Energy Inc. is consolidated for financial statement purposes but is not part of the Town's Operating Budget.
(3,561,592)	Deferred Revenue Recognized - Deferred revenue, such as development charges used to fund capital projects, are not included in the operating budget process but must be included as revenue for financial statement purposes when the funds are used/spent.
(541,502)	Debt Principal Payments - The Town budgets for debt charges to ensure there is enough cash to cover principal payments. For statement purposes, principal debt payments decrease liabilities and cash; no expense is recognized.
2,284,069	Reserves Utilized for Operations - The Town utilizes reserves to support operations. These amounts must be added back to calculate the operating surplus/(deficit) amount.
(11,588,826)	Revenues Allocated to Reserves - The Town Operating Budget includes transfer to reserves to support future capital projects.
(28,443)	Investment Income Earned on Discretionary Reserves and Reserve Funds - Investment income earned on these reserves are added to the reserve but must be included as revenue for financial statement purposes
914,941	Hydro Receipts - For statement purposes, these amounts reduce NOTL Hydro's receivables to the Town and increase cash but are treated as revenue when preparing the operating budget.
6,619,134	Amortization - Amortization related to Tangible Capital Assets (TCA) is a non-cash expense and is not considered during the operating budget process.
284,464	Net Book Value of Disposal of Tangible Capital Assets – This is an Accounting Entry to remove a non-cash item.
(1,196)	Employee Benefits and Other Liabilities - Accounting standards require the Town to estimate future benefit costs and expense them.
38,343	Niagara District Airport Commission (NDAC) - The NDAC is consolidated on a 6% basis into the Town's financial statements but is not part of the operating budget.
234,613	Operating Budget Surplus - As stated in report CS-24-012

5.3 PS3280 – Asset Retirement Obligations

PS3280 is a new accounting standard dealing with Asset Retirement Obligations (ARO) and was implemented for the 2023 fiscal year end in consultation with KPMG. The new standard requires municipalities to estimate and record liabilities related to legal obligations associated with the retirement of Tangible Capital Assets. Following a review of Town assets, solely the buildings category remained in scope for the purposes of the ARO calculation and reported a liability of \$1,390,086. The Town is currently in compliance with the adoption of this new standard.

6. STRATEGIC PLAN

N/A

7. OPTIONS

7.1 **Option 1:** Council approves the 2023 Financial Statements (**As Recommended**).

7.2 **Option 2:** Council rejects the 2023 Financial Statements (*Not Recommended*)

8. FINANCIAL IMPLICATIONS

The attached financial statements report the previous year's financial activity. Audit fees for preparing the Town's financial statements have been included in the 2023 operating budget and are consistent with industry standards. There are no other financial implications associated with the approval of the financial statements.

9. ENVIRONMENTAL IMPLICATIONS

N/A; there are no direct environmental impacts as a result of this report.

10. COMMUNICATIONS

Upon Council's approval, the 2023 consolidated financial statements will be made available on the Town's website. A notice will be placed in the local newspapers advising that the 2023 consolidated financial statements are ready and available upon request at no cost to any local taxpayer or resident of the Town. A copy will also be forwarded to the Ministry of Municipal Affairs and Housing per reporting requirements.

11. CONCLUSION

Corporate Services Staff prepared diligently for the 2023 audit and are pleased to present the Town's 2023 consolidated financial statements to Council.

12. APPENDICES

- Appendix I – 2023 NOTL Financial Statements and Trust
- Appendix II – Town of NOTL Audit Findings Report 2023

Respectfully submitted:

Prepared by:



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Recommended by:



Kyle Freeborn, CPA, CMA
Director of Corporate Services/Treasurer

Submitted by:



Bruce Zvaniga
Chief Administrative Officer (Interim)