

Staff Report to Council

Title: 2023 Financial Statements

Report Number: Financial Services-2024-12

Director: Corporate Services

Manager: Manager.

Meeting Date:

Wednesday, June 12, 2024

Date to be considered by Council:

Wednesday, June 12, 2024

Recommendation:

That Council approve the 2023 Consolidated Financial Statements as presented.

Executive Summary:

The Municipal Act, 2001 requires that every municipality prepare annual audited financial statements. Kincardine's 2023 external audit has been completed by KPMG LLP. Audit fieldwork was primarily conducted in March 2024 with the financial statement preparation and consolidation performed thereafter. Finance staff ensured all deliverables and timelines were achieved as planned. The 2023 draft consolidated financial statements are attached and require Council approval in order to proceed in finalized the statements. Once finalized the financial statements will be posted on the municipal website and will be made available to the public by hardcopy upon request and at no cost.

Strategic Priorities:

D.16-Ensure the Municipality provides value for money and long-term sustainability

Financial Considerations:

The 2023 budget includes the cost of the audit fee of \$46,000.

Policy:

Municipal Act, 2001

Context and Background Information:

The Municipality of Kincardine's 2023 consolidated financial statements have been audited by KPMG LLP and are to be finalized upon Council's acceptance of the draft statements. The

financial statements are consolidated with Saugeen Mobility and Regional Transit (SMART) and Bruce Area Solid Waste Recycling (BASWR) on a proportionate basis. Bruce Telecom Holdings Inc. is recorded as an equity investment, and Westario Power Inc. is recorded as a long-term investment.

A detailed variance analysis has been provided as an attachment to this report, both with budget-to-actuals and 2023 actuals compared to prior year. As per the Budget Policy, the operating surplus will be transferred to the Contingency/Capital Reserve.

Consultation Overview:

The audit requires input and consultation with several external stakeholders including related parties (BASWR, SMART, Westario Power, Bruce Telecom), law firms, financial institutions, regulatory agencies, the BIA, and the auditors. Internal stakeholders that were consulted include department heads and management, and finance staff.

Origin:

Staff report

Implementation Considerations:

The audit process and financial statement preparation requires significant resources by finance staff, primarily during the months of December through May for year-end work, as well as October – November for interim work.

Risk Analysis:

The risks associated with the audit and financial statement preparation include incorrect assumptions made by staff in determining estimates, and unintentional omissions or errors. This may require the auditors to undertake additional field work to satisfy themselves that the financial statements are free from material misstatement. Alternatively, an audit adjustment may be required.

The 2023 audit was the first year of adoption for the new accounting standard PS 3280 Asset Retirement Obligations (ARO) for the Municipality. The implementation of this new accounting standard required consultation with staff internally, as well as externally through working groups with the County and lower-tiers as well as through the MFOA (Municipal Finance Officers' Association). The risks of inaccurate estimates and assumptions in determining the ARO are higher in an adoption year due to the steep learning curve.

Attachments: Draft 2023 Consolidated Financial Statements
KPMG 2023 Audit Findings Report
2023 Variance Analysis

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