



Subject: 2021 Consolidated Financial Statements and Annual Report

To: Council

From: Corporate Services Department

Report Number: 2022-218

Meeting Date: April 26, 2022

Recommendation:

That Corporate Services Department – Financial Services Division Report 2022-218 be received;

That the reserve transfers proposed in this report and included in the consolidated financial statements, be approved; and

That the consolidated financial statements attached as Appendix A to Corporate Services Department Report 2022-218, be approved.

Purpose:

The purpose of this report is to seek Council's approval of the consolidated financial statements for the year ended December 31, 2021, for the Corporation of the City of Port Colborne (the City).

Background:

The *Municipal Act, 2001*, states that a municipality shall prepare financial statements each fiscal year. Management, in accordance with Canadian public sector accounting standards (PSAS) as recommended by the Public Sector Accounting Board (PSAB), prepares the consolidated financial statements for the City. 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 the development of internationally accepted public sector financial reporting standards.

The Consolidated statement of financial position; the consolidated statement of operations; the consolidated statement of changes in debt; the consolidated statement of cash flows; and notes to the consolidated financial statements, comprising a summary of significant accounting policies, have been audited by the City's auditor, Grant Thornton.

Management is responsible for the preparation and fair presentation of the 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 Auditor's responsibility is to express an opinion on the consolidated financial statements based on their audit fieldwork. Following completion of the audit, Grant Thornton has stated, in their opinion, that "the accompanying consolidated financial statements present fairly in all material respects, the financial position of the Corporation of the City of Port Colborne as at December 31, 2021, and its results of operations, its changes in its net financial assets, and its cash flows for the year ended in accordance with Canadian public sector accounting standards".

Discussion:

Consolidated Financial Statements (Appendix A)

A draft copy of the consolidated financial statements for the year ended December 31, 2021, is attached to this report as Appendix A – 2021 Consolidated Financial Statements.

As a reminder the consolidated financial statements, including the attached segmented disclosure follow full accrual accounting whereas the 2021 Year End Surplus and Project Closeout Report, Report 2022-73 follows a modified cash model for budget and cash flow purposes. Further, there may be certain presentation differences between the two as a result of PSAB vs managerial accounting. In reconciling, staff recommend users of this report and Report 2022-73 compare the reserve balances. Users of both reports will find the reserve balances agree with the proposed adjustments below to account for a library capital lease transaction finalized after Report 2022-73 was issued and to account for pre-funded 2022 capital and related projects through WIP.

Total Reserve Balances by Type	Reserve Balances in Report 2022-73	Adjustments	Reclassification	New Reserve Balances
Boards and Committees	453,804	(1,517)		452,287
Programs, Grants and Activities	1,395,992		(56,543)	1,339,449
Self Sustaining Entities	530,538			530,538
General Government	9,082,701		56,543	9,139,244
Capital	4,746,043			4,746,043
Total Reserves before WIP	16,209,078	(1,517)	-	16,207,561
Work-in-progress (WIP)	8,231,910	(407,990)		7,823,920
Total Reserves	24,440,988	(409,507)	-	24,031,481

Readers of this report should also note that prior period adjustments related to land transactions have changed both the prior period tangible capital assets and accumulated surplus balances for 2020 – details of these adjustments are noted in Note 2 of the Consolidated Financial Statements.

Financial Services staff continue to move financial reporting practices to meet leading practices set out through the Government Finance Officers Association (GFOA). This process will take time as comparative year data is compiled. Some of the activities that have occurred in the past year include:

- The results of the Niagara South Coast Tourism Association (NSCTA) are now being consolidated as part of the City's consolidated financial statements. To facilitate this, two years of financial statements were prepared with the current years being audited. This process was new for the NSCTA and was the primary reason for the delayed issuance of the City's consolidated financial statements this year. Having audited financial statements for the NSCTA will make it easier for the organization to apply for grants going forward.
- General ledger account coding was updated to better align with the Province of Ontario requirements for the Province's Financial Information Return (FIR).
- Allocation models have been developed to gain better understandings of the true costs of operating the City's main lines of business.

Auditors Audit Strategy and Results (Appendix B)

Financial Services, in preparing the financial statements, has historically, and in the current year, utilized Grant Thornton to balance reserve transaction accounting as well as the consolidation of certain boards and committees. The summation of these entries is recorded on page 10 of Appendix B – Audit Strategy and Results. Staff highlights the largest entry relates to a reclassification entry related to City owned land.

Staff highlight Appendix B – Audit Strategy and Results also provides Council with:

- the auditors; approach to the audit and how they treated certain risks;

- comments on the auditors' independence;
- the management representation letter that staff are required to sign upon approval of the consolidated financial statements;
- a letter of internal control with management's plan to address; and
- upcoming audit and accounting developments.

The Financial Information Return (FIR) is being prepared at the time of writing this report.

The FIR is the main data collection tool used by the Ministry of Municipal Affairs to collect financial and statistical information from municipalities. The FIR is a standard document comprised of a number of schedules that are updated each year to comply with current legislation and reporting requirements. It is possible when completing the FIR that certain account groupings may change and, because financial statements and FIR need to match, the account groupings of revenue and expense on the financial statements may change. There will be no change in the net financial results of the City should and adjustment be required.

Financial Services would like to thank staff, boards, and committees across the City and associated with the City for their efforts in the completion of the Audited Financial Statements.

Internal Consultations:

Provide comments from other departments as necessary.

Financial Implications:

As stated within this report, the auditors have identified "the accompanying consolidated financial statements presents fairly in all material respects".

Strategic Plan Alignment:

The initiative contained within this report supports the following pillar(s) of the strategic plan:

- Service and Simplicity - Quality and Innovative Delivery of Customer Services
- Attracting Business Investment and Tourists to Port Colborne
- City-Wide Investments in Infrastructure and Recreational/Cultural Spaces
- Value: Financial Management to Achieve Financial Sustainability
- People: Supporting and Investing in Human Capital
- Governance: Communications, Engagement, and Decision-Making

Conclusion:

That Council approve the recommendations as presented above.

Appendices:

- a. Appendix A – 2021 Consolidated Financial Statements
- b. Appendix B – Audit Strategy & Results

Respectfully submitted,

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Report Approval:

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final review and approval by the Chief Administrative Officer.