



Subject: 2022 Consolidated Financial Statements

To: Council

From: Corporate Services Department

Report Number: 2023-132

Meeting Date: July 18, 2023

Recommendation:

That Corporate Services Department – Financial Services Division Report 2023-132 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 – Financial Services Division Report 2023-132 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, 2022, 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, 2022, 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, 2022, is attached to this report as Appendix A – 2022 Consolidated Financial Statements.

As a reminder the consolidated financial statements, including the attached segmented disclosure follow full accrual accounting whereas the 2022 Year End Surplus and Project Closeout Report, Report 2023-87 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. To support comparison, staff recommend users of this report and Report 2023-87 compare the reserve balances. Users of both reports will find the reserve balances agree with the proposed adjustments below to account for library audit fee and capital lease transactions finalized after Report 2022-73 was issued as well as entries required to account for capital close-out funding requirements.

Total Reserve Balances by Type	Reserve Balances in Report 2023-73	Adjustments	Reclassification	Airport Consolidation	New Reserve Balances
Boards and Committees	549,112	(6,550)	(2,279)		540,283
Programs, Grants and Activities	910,030				910,030
Self Sustaining Entities	(395,059)				(395,059)
General Government	8,799,534			29,932	8,829,466
Capital	11,384,766	1	2,279		11,387,046 *
Total Reserves before WIP	21,248,383	(6,549)	-	29,932	21,271,766
Work-in-progress (WIP)	9,103,812	(124,188)			8,979,624
Total Reserves	30,352,195	(130,737)	-	29,932	30,251,390

* This balance includes deferred revenue amounts (\$3,406,337) reported in Note 5 of the Consolidated Financial

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.

As communicated to Council in the past, the City's financial reporting will no longer be supported in the future. Financial Services in collaboration with Human Resources will be investigating enterprise resource planning solutions to meet the City's needs from a financial and people planning and reporting perspective. In addition, the City has been in communication with other municipalities with similar needs and may have the opportunity to leverage collaborative procurement processes that are underway. Financial Services and Human Resources will report back to Council on this topic following the investigation/review.

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 finalize reserve transaction accounting as well as the consolidation of certain boards and committees. The summation of these entries is recorded on page 7 of Appendix B – Audit Strategy and Results.

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.

Staff identify that in Appendix B – Audit Strategy and Results, the Auditors have recommended the Port Colborne Downtown Development Board, which is consolidated into the City's financial statements, should engage a qualified bookkeeper or accountant. The Auditors noted significant additional work required in their audit this year.

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.

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:

Financial Services would like to thank all departments for their assistance and cooperation.

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
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Conclusion:

That Council approve the recommendations as presented above.

Appendices:

- a. Appendix A – 2022 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.