

STAFF REPORT

THE CORPORATION OF THE TOWN OF COBOURG



Report to:	Mayor and Council Members	Priority:	<input checked="" type="checkbox"/> High <input type="checkbox"/> Low
Submitted by:	Jennifer Heslinga, Senior Financial Analyst, Finance Department, jheslinga@cobourg.ca	Meeting Type:	Open Session <input checked="" type="checkbox"/> Closed Session <input type="checkbox"/>
Meeting Date:	September 5, 2023		
Report No.:	Corporate Services-202-23		
Submit comments to Council			

Subject/Title: Report from the Audit Committee – 2022 Financial Statements

RECOMMENDATION:

THAT the draft audited financial statements for the year ended December 31, 2022 be presented to the Committee of the Whole meeting of September 5, 2023 and

FURTHER THAT a motion to approve the 2022 Consolidated Financial Statements of the Corporation of the Town of Cobourg be adopted and approved at the regular council meeting on September 11th, 2023; and

FURTHER THAT a notice be published on the municipal website advising that the Consolidated Financial Statements for the Corporation of the Town of Cobourg for the year ended December 31, 2022 have been posted to the municipal website in accordance with Section 295 of the *Municipal Act, 2001*.

1. STRATEGIC PLAN

N/A

2. PUBLIC ENGAGEMENT

Section 295 (1) of the Municipal Act, 2001 Requires that:

"Within 60 days after receiving the audited financial statements of the municipality for the previous year, the treasurer of the municipality,

(a) Shall publish in a newspaper/website having general circulation in the municipality,

- (i) A copy of the audited financial statements, the notes to the financial statements, the auditor's report and the tax rate information for the current and previous year as contained in the financial review, or
 - (ii) A notice that the information described in the subclause (i) will be made available at no cost to any taxpayer or resident of the municipality upon request; and
- (b) May provide the information described in subclause (a) (i) or (ii) to such persons and in such other manner as the treasurer considers appropriate."

3. PURPOSE

To report on the results from the audit committee meeting that occurred on August 30th, 2023, and to review the detailed Financial Statements for fiscal year ending December 31, 2022.

4. ORIGIN AND LEGISLATION

The Audit Committee of the Town of Cobourg consists of Mayor Lucas Cleveland, Deputy-Mayor Nicole Beatty and Councilor Brian Darling. Staff members include Ian Davey (Treasurer), Tracey Vaughan (CAO) and Jennifer Heslinga (Senior Financial Analyst).

A meeting of the Audit Committee was held on August 30th, 2023 for the purpose of reviewing the draft audited financial statements for the fiscal year ended December 31, 2022 and receiving the Audit Findings Report from the external audit firm.

Lori Huber, CPA CA LPA, a partner with the audit firm of KPMG, and Caitlyn Cox (manager) were also in attendance to answer any questions from the committee related to the audit.

5. BACKGROUND

The Audit Committee meets at least twice per year. The first meeting is to review the audit plan and to discuss with the Auditors any questions or concerns from members of the committee. The second meeting is to review the draft financial statements and the audit findings report. Additional meetings may be called should the need arise.

6. ANALYSIS

Draft Audited Financial Statements

Jen Heslinga presented the draft consolidated financial statements for 2022 and along with Lori Huber and Ian Davey, answered questions from the committee.

The consolidated entity of the Corporation of the Town of Cobourg includes the results of the 2022 operations of the Town of Cobourg, the Cobourg Public Library, the Cobourg Downtown Business Improvement Area and the Waterworks of the Town of Cobourg. These financial statements also include the assets, liabilities, revenue, and expenses of the Northam Industrial Park which is owned by the municipality. The investment in the Town of Cobourg Holdings and its subsidiaries is accounted for on a modified equity basis.

There are two reports at the start of the package. The first being a statement of Management's Responsibility for the Consolidated Financial Statements (pg. 1) and the second being the Independent Auditors' Report (pg. 2 to 4). This report is addressed to "Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Cobourg".

The body of the audited financial statements includes:

(1) Consolidated Statement of Financial Position (pg. 7)

- A snapshot of the assets, liabilities, and accumulated surplus as at December 31, 2022.

(2) Consolidated Statement of Operations and Accumulated Surplus (pg. 8)

- A summary of revenue and expenditures, both operating and capital for the combined consolidated entity for the year ended December 31, 2022 with comparatives to 2022 budget and 2021 actual results.

(3) Consolidated Statement of Change in Net Assets (pg. 9)

- A reconciliation of the change in the net assets from the beginning of the year to the end of the year. Net debt is defined as the difference between financial assets and liabilities as reported on the Statement of Financial Position. Net Assets improved from \$13,016,278 in 2021 to net assets of \$15,018,657 in 2022.

- Over the course of the last five years, the Town has shifted from a Net Debt position to a Net Asset position on our statement of financial position.

2018: Net Debt of (\$2,424,174)

2019: Net Assets of \$2,866,324

2020: Net Assets of \$6,486,415

2021: Net Assets of \$13,016,278

2022: Net Assets of \$15,018,657

(4) Consolidated Statement of Cash Flows (pg. 10)

- A reconciliation of the change in cash from the beginning of the year to the end of the reporting year. The report breaks out cash provided by or used by: operations, capital activities, investing activities and financing activities. The cash balance decreased slightly from \$11,991,311 in 2021 to \$10,632,402 at year end December 31st, 2022.

- The decrease in cash is offset by the increase in investments that Town holds in the form of GICs.

(5) Notes to the Consolidated Financial Statements (pg. 11 to 32)

- These notes provide the reader with additional information required by them to have a full and complete understanding of the financial position and results of operations of the consolidated entity of the Corporation of the Town of Cobourg for the year ended December 31, 2022.

Audit Findings Report

Lori Huber presented the Audit Findings report to the Audit Committee on August 30th, 2023. The Audit Findings Report builds on the Audit Plan that was presented to the Audit Committee back on March 1st, 2023.

The report includes a review of the audit risks and results, critical accounting estimates, areas of focus, the use of data and analytics as well as significant audit, accounting and reporting matters. The auditors were able to conduct their audit in accordance with their audit plan as outlined prior to the commencement of the audit.

The audit firm is independent with respect to the Corporation of the Town of Cobourg.

There was a general review of the concept of materiality and how it relates to the performance of the audit. There were no corrected or uncorrected differences communicated to the management during

the performance of the audit nor did the auditors identify any control deficiencies considered to be significant.

The report included a copy of the draft Management Representation Letter so that the committee would be aware of the representations that management will be making to the Auditors as part of their work.

The Independent Auditors' Report will be dated September 11th, 2023, being the date that the financial statements receive final approval by Council.

7. FINANCIAL IMPLICATIONS/BUDGET IMPACTS

N/A

8. CONCLUSION

That a motion be presented at the September 11th, 2023 Council meeting to approve the 2022 Consolidated Financial Statements for the Corporation of the Town of Cobourg.

Report Approval Details

Document Title:	Report from the Audit Committee - 2022 Financial Statements - Corporate Services
Attachments:	
Final Approval Date:	

This report and all of its attachments were approved and signed as outlined below: