



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: May 29, 2023

Report No: CORS-030-23

Subject: 2022 Annual Report and Financial Statements

Recommendation: **THAT the draft audited Financial Statements for the Town of Milton and Boards be approved.**

EXECUTIVE SUMMARY

- The financial audit of the Town has been completed for the year ended December 31, 2022 and the results are presented in the attached financial report.
- Staff are pleased to report that the Town has received an unqualified audit opinion, meaning that in the auditor's opinion the statements are fairly and appropriately presented and in accordance with Public Sector Accounting Board (PSAB) standards.
- Following Council approval of the statements, the Town's auditor expects to issue their independent auditor's report on the statements for the Town and Boards.

REPORT

Background

The 2022 draft financial report is being presented to Council for approval. Representatives from the Town's auditor, Deloitte LLP, will be making a brief presentation to Council to highlight the audit findings for the year ended December 31, 2022 and will be available to answer any questions. Under Canadian Auditing Standards, the Auditors' Report can only be signed by Deloitte upon the approval of the financial statements by Town Council.

Discussion

The financial statements have been prepared in accordance with Canadian public sector accounting standards. The Public Sector Accounting Board of the Chartered Professional Accountants (CPA) Canada issues recommendations and reporting requirements that the Town is obligated to adhere to in preparation of the audited financial statements.

Discussion

Under Canadian public sector accounting standards, municipal reporting requirements include the following:

- Consolidated Statement of Financial Position
- Consolidated Statement of Operations
- Consolidated Statement of Change in Net Financial Assets
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements

These statements and notes provide information on the cost of all Town activities, how they were financed, investing activities, as well as the assets and liabilities of the Town.

Included in the Town's annual report is a Financial Statement Discussion and Analysis (FSDA) section that explains in details key figures, changes and trends from the Town's financial statements. Highlights of the FSDA and statements include:

Consolidated Statement of Financial Position

The Town ended the year with a net financial asset position (financial assets less financial liabilities) of \$179.4 million, a 24.7% increase of \$35.5 million from the prior year. The increase in financial assets of \$65.4 million was partially offset by an increase in financial liabilities of \$29.9 million, which included an increase in deferred revenue balances of \$23.0 million and developer obligations of \$6.5 million.

Non-financial assets increased by \$25.5 million to \$1.18 billion, reflecting the Town's investment in new capital infrastructure and the value of new assets that were built by developers and assumed by the Town.

The Town ended the year with an accumulated surplus of \$1,357.2 million, an increase of 4.76% from the prior year. This change is largely related to the infrastructure assumed from or funded by development. It is critical for readers of the financial statements to understand that the term "accumulated surplus" cannot be construed as "cash or funds" available for spending, as the bulk of the value represents non-financial assets and reflects the Town's investment in infrastructure which is used to deliver programs and services. They are not assets which are surplus to operations and available to be liquidated.

Consolidated Statement of Operations

The total revenue reported for the year 2022 was \$201.4 million, an increase of \$27.6 million from 2021. Taxation revenue and an increase in the Town's equity in the income of Milton Hydro contributed to the revenue growth, as did an improvement in the Ontario Lottery and Gaming proceeds as well as User Fees that the Town receives as the restrictions that are associated with the pandemic were lifted.



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Discussion

Total expenses increased by \$3.5 million to \$139.7 million for the year. Several items contributed to this increase, including the restoration of services as restrictions were lifted and additional winter maintenance activities.

Consolidated Statement of Change in Net Financial Assets

Financial assets increased during 2022 by \$35.5 million. This change is primarily attributable to increases in the Town's investments.

Consolidated Statement of Cash Flows

The consolidated cash position of the municipality increased by \$3.7 million from \$66.9 million in 2021 to \$70.6 million in 2022. The Town's operating activities resulted in a \$117.0 million increase, which was partially offset by a cash outflow of \$51.6 million for capital activities, as well as the net impact of the Town's investing and financing activities of \$61.6 million.

Financial Impact

In addition to being a requirement under section 294.1 of the Municipal Act, 2001, the production of audited financial statements on an annual basis is an integral part of Town's financial management. The financial impacts of the transactions that occurred in 2022 as well as the Town's 2022 year end position are outlined in detail in the attached statements.

Through report CORS-010-23, Council approved the year end accounting entries and reserve transfers based on the estimated year end position. The resulting estimated surplus of \$0.45 million was transferred to the WSIB Reserve to bring the balance in that reserve closer to the target balance. Through the process of finalizing the 2022 financial statements, an adjustment was made to reverse \$3.5 million of accrued dividend revenue from Milton Hydro, as well as the offsetting transfer to reserve. Although timing of cash flow remains the same, revenue recognition for this dividend payment will be in 2023 as opposed to 2022, reflecting the timing of Milton Hydro Board approval of the payment.

Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

For questions, please contact: Alyona Malyavskaya

Phone: Ext. 2127



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Attachments

The Corporation of the Town of Milton Financial Report for the Fiscal Year Ended
December 31, 2022

Approved by CAO
Andrew M. Siltala
Chief Administrative Officer

Recognition of Traditional Lands

The Town of Milton resides on the Treaty Lands and Territory of the Mississaugas of the Credit First Nation. We also recognize the traditional territory of the Huron-Wendat and Haudenosaunee people. The Town of Milton shares this land and the responsibility for the water, food and resources. We stand as allies with the First Nations as stewards of these lands.