

February 4, 2025

Municipality of West Grey
402813 Grey Road 4, RR#2
Durham, Ontario
N0G 1R0

Attention: Mayor Kevin Eccles, Council Members

Dear Mayor Eccles, Council Members:

Re: **2023 Audited Financial Statements**

We are pleased to report to you regarding 2023 year-end financial results. Enclosed is the year-end package of financial statements for your review as well as other important documents that we will review with you at the Council meeting. We will be meeting with you on January 24th.

Auditor's Report

For 2023, we have issued a qualified auditor's report.

Financial Highlights

The financial statements are "consolidated", which means that they include West Grey's share of the boards that are controlled by Council (Police, Cemetery, Library, and BIA) as well as the boards that are jointly controlled by West Grey with one or more other municipalities (Elmwood Fire, Elmwood Community Centre, S.M.A.R.T., S.M.A.).

The ***Statement of Financial Position*** is on page 6 of the package. This statement illustrates the financial position of West Grey as at December 31, 2023, and identifies Financial Assets and Liabilities separate from Non-Financial Assets as you can see from the statement.

Amounts referred to below are rounded for ease of reporting to you.

West Grey has financial assets of \$9.8 million (M) at December 31, 2023, about \$1.5M less than the prior year. There are some fluctuations year-over-year to note.

- ◆ Cash decreased \$639 thousand (K).
- ◆ Taxes receivable is still a significant balance; The balance had been decreasing over the past number years because of your efforts to collect taxes in arrears. However, in this year, there was an increase in this balance of about \$407K.
- ◆ Grants and subsidies receivable decreased \$498K from 2022.
- ◆ Trade receivables decreased by \$888k from 2022. Majority of this relates to \$943K owing from Grey County for work done on a shared project being received during the current year.
- ◆ West Grey's liabilities decreased in 2023, by \$590K, to \$6M.

- ◆ General accounts payable increased \$235K from prior year.
- ◆ Deferred revenue decreased \$275K from prior year. At the end of prior year, there was \$2.2M deferred.

That leaves West Grey with Net Financial Assets of \$3.7M compared to \$4.7M last year, a decrease of \$1.1M.

Non-financial assets reflect primarily Tangible Capital Assets (TCA) of \$84.6M, an increase of \$2.1M from last year. This includes capital additions of \$5.7M less disposals of \$128K and amortization of \$3.5M.

Finally, the Statement of Financial Position reflects an Accumulated Surplus for West Grey of \$88.7M, an increase of \$1.2M over the prior year. The accumulated surplus includes the recognition of the investment that West Grey has in its infrastructure, making up \$84.6M of the \$88.7M.

The **Consolidated Statement of Operations** is on page 7. Revenue totaled \$22.4M vs. \$24.3M last year. Revenue includes operating revenue plus funding received for the financing of TCA's.

Taxation revenue is up \$1.3M or 11% from prior year. This increase is roughly in line with the budgeted increase.

Government transfers decreased \$1.2M from prior year to \$3.7M. Grants will vary year to year depending on successful grant applications.

Other income decreased by \$1.9M. Majority of this decrease relates to the tangible capital assets for the new subdivisions assumed by the Municipality during the prior year totaling almost \$1M.

2023 actual revenue exceeded budgeted revenue by \$1.1M.

Government transfers is under budget due to grant funding not being received for planned capital projects.

User fees and service charges is over budget by \$500K. This includes additional homes being connected for water and sewer services about \$275,000 of development charges monies being used.

Investment income is over budget by \$270K due to the increasing of interest rates earning more interest income.

2023 expenses total \$21.2M, about \$200K less than the prior year and \$1.3M over budget. Transportation services make up the majority of this increase.

That leaves West Grey with an annual surplus of \$1.2M.

The 2023 annual surplus increases West Grey's accumulated surplus to \$88.7M, as noted on page 6 of the financial statements. Note 10 to the financial statements breaks out the consolidated accumulated surplus and indicates that the Municipality has a general consolidated accumulated deficit of \$418,000.

Included in the appendix to this letter are several charts for your information. They show the West Grey's revenue by source and its expenses by segment and by object, with comparative amounts for the prior year.

The ***Consolidated Statement of Change in Net Assets*** on page 8 illustrates the change in net financial assets for the year. It begins with the annual surplus and adjusts for transactions related to your tangible capital assets and other non-financial assets. West Grey has a net financial asset position of \$3.7M.

Page 9 is the ***Consolidated Statement of Cash Flows***. The statement indicates that operating activities of West Grey generated \$5M in cash flow during the year, that capital activities (purchasing capital assets) required cash of \$5.5M, and that West Grey received new debt of \$50,000 and made payments reducing the debt by \$155,000 during the year.

Pages 10 to 13 are the ***Summary of Significant Accounting Policies*** which are unchanged from 2022 other than the addition of “Financial Instruments”.

Pages 14 to 32 are the ***Notes to Consolidated Financial Statements***. To highlight a few of the notes:

Note 4 on page 14 of the package reflects the amounts owing by 2485400 Ontario Inc. and the details on the mortgage held on the former RONA property. This was repaid in February 2024.

Note 6 on page 16 provides detail on the West Grey’s long-term debt. There was one new loan for Tile Drainage for \$50,000, of which \$6,793 had been paid off in the year. All loans were reduced by the scheduled payments during the year.

Note 7 on page 17 outlines details about the landfill closure and post closure care liability. Note that this has not been updated from 2022 as the new accounting standard “Asset Retirement Obligations” has not been adopted.

Note 8 on pages 17/18 provides information on the employee future benefits provided by West Grey to its employees. Note 7 also discloses the amount contributed by West Grey in 2022 to the OMERS pension plan, and also indicates that the OMERS plan has an actuarial deficit of \$6.68 billion at December 31, 2022.

Note 9 on pages 19 to 21 provides detail on the tangible capital assets of West Grey.

Note 10 on page 22 discloses additional information regarding the West Grey’s accumulated surplus. The consolidated general deficit was \$418,000 for 2023.

Note 11 on page 23 lists the reserves and discretionary reserve funds of West Grey. They total \$8.38 in 2023 vs. \$9.08M in 2022. These reserves/reserve funds are restricted in use to specific areas or have been allocated by council’s decisions.

Note 12 on page 24 discloses the liabilities reflected in your accumulated surplus that are not required to be recovered in the 2023 budget. Note that the liability for the landfill site closure and post-closure care is not financed, and future costs will be levied as paid.

Note 18 on page 32 discloses the amount of taxes raised by West Grey for the county and school boards. These amounts are not reported in West Grey’s consolidated operations (page 7 of the financial statement package).

Closing remarks

West Grey has net financial assets of \$3.71M, reserves and reserve funds of \$8.38M, an annual surplus for 2023 of \$1.21M, and an accumulated surplus at December 31, 2023 of \$88.7M.

We would like to thank West Grey's staff, particularly Kerri and her staff for their co-operation during the audit. Your staff is excellent to work with and we greatly appreciate their efforts.

If you have any questions prior to, during, or following the meeting, please do not hesitate to ask.

Yours truly,

A handwritten signature in cursive script that reads "Barry Heaney".

Barry Heaney, CPA, CA, CBV
Partner through a corporation

MNP LLP

Chartered Professional Accountants, Licensed Public Accountants

c.c. Michele Harris, Kerri Mighton

Appendix

West Grey's 2023 Statistical Analysis

Figure 1 Revenue by Source

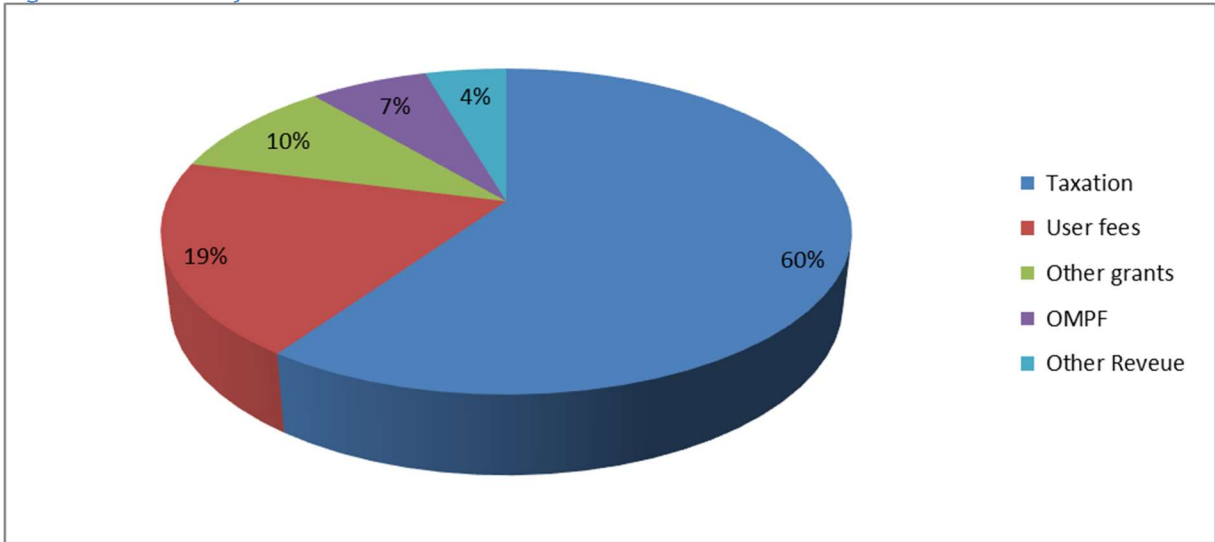


Figure 2 Expenses by Segment

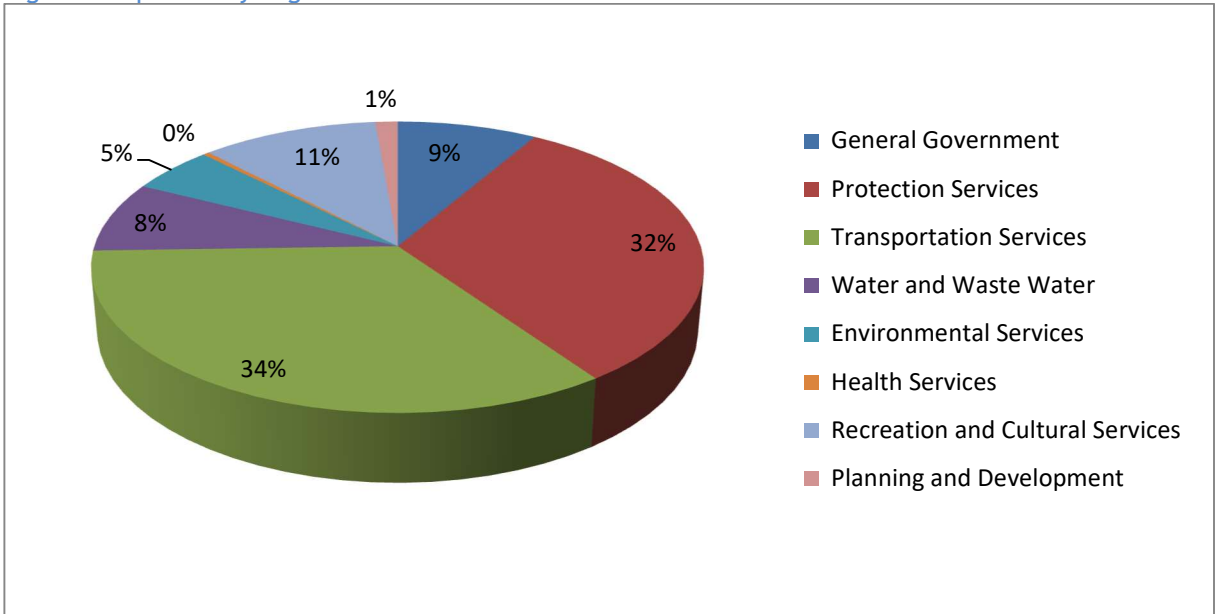
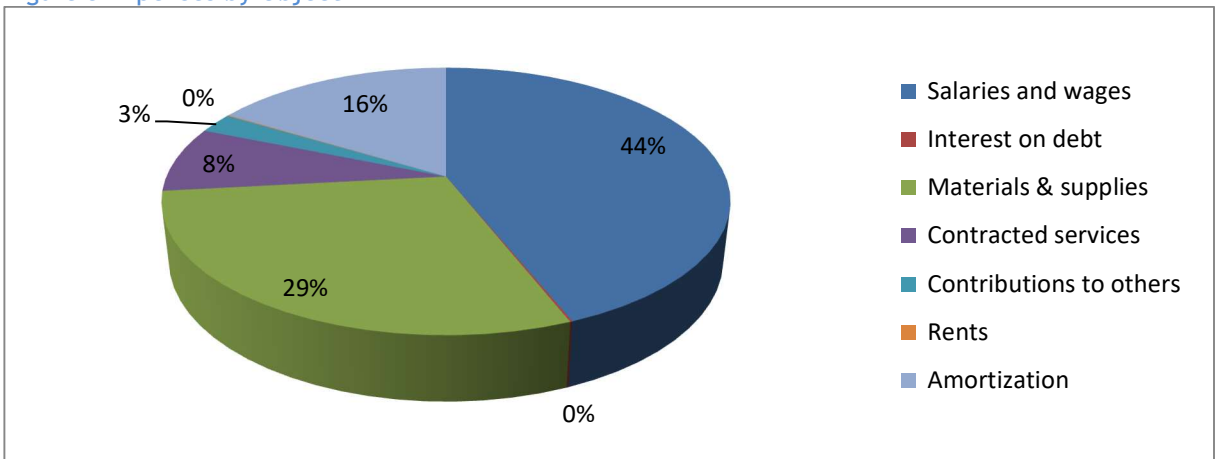


Figure 3 Expenses by Object



West Grey's
2022 Statistical Analysis
Figure 1 Revenue by Source

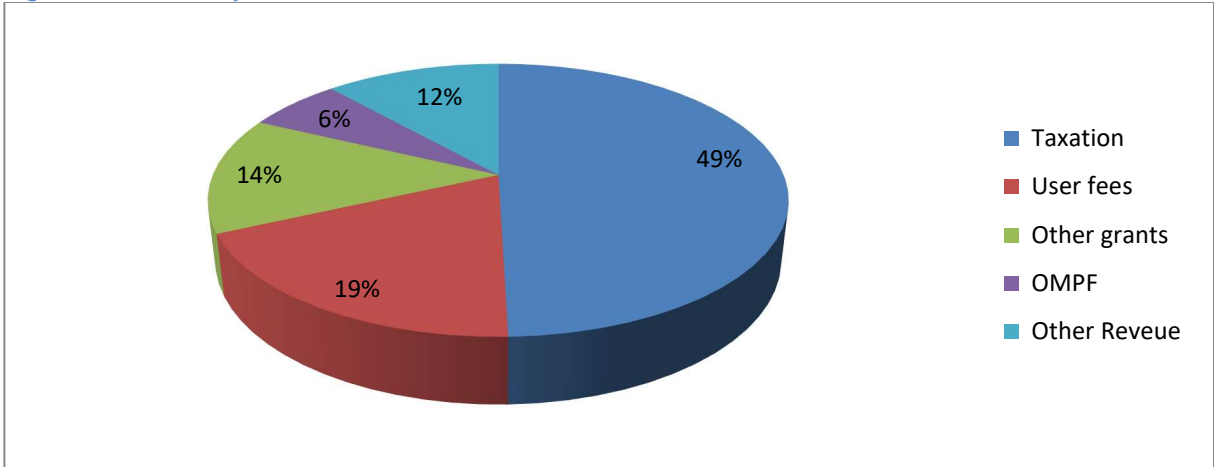


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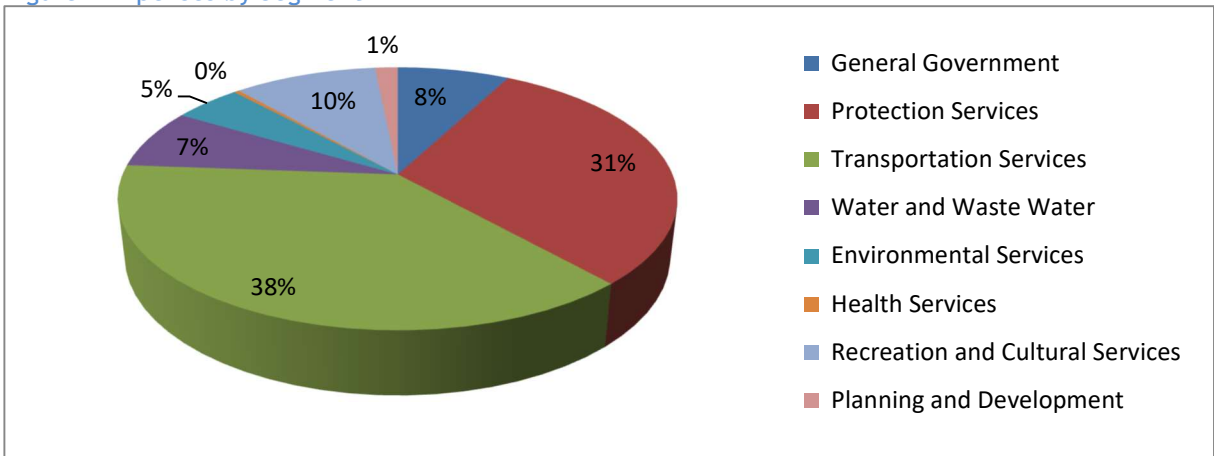


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