



Staff Report

Corporate & Financial Services – Finance

Report To: Council Meeting
Meeting Date: June 23, 2025
Report Number: CFS.25.038
Title: 2024 Financial Statements
Prepared by: Michael Switzer, Deputy Treasurer/Manager of Budgets and Accounting
Monica Quinlan, Director of Corporate & Financial Services

A. Recommendations

THAT Council receive Staff Report CFS.25.038, entitled “2024 Financial Statements”;

AND THAT Council approve the 2024 Financial Statements as presented by KPMG.

B. Overview

As part of the annual audit KPMG will present their Auditor’s Findings Report and the resulting Financial Statements for the Town.

In addition, this report provides a comparative review of The Blue Mountains’ key financial indicators over an 8-year period (2017–2024), benchmarked against provincial median and average values published by the Ministry of Municipal Affairs and Housing through its annual Financial Indicator Review (FIR) reports.

The FIR includes a standardized set of supplementary indicators of sustainability and flexibility, which provide insight into a municipality’s ability to:

- Maintain its existing financial and service commitments over time (sustainability);
- Respond effectively to emerging challenges or fiscal pressures (flexibility); and
- Manage debt and taxation levels without placing an undue burden on the local economy.

These indicators help explain a municipality’s financial condition beyond basic accounting statements, and they support broader discussions about long-term fiscal health, service delivery, and strategic planning. They are based on formulas drawn from each municipality’s FIR, and results are classified using province-wide risk thresholds: Low, Moderate, or High.

However, it is important to note that the Financial Indicator Review **represents only one lens through which to assess municipal financial health. While these indicators are useful, they should be interpreted alongside other internal financial reporting, reserve and debt strategies, asset management data, infrastructure needs, and service level expectations.**

Financial condition is inherently complex and requires a comprehensive and context-specific approach that cannot be captured by a standardized template alone.

C. Background

Annually, the municipality undergoes an external audit, culminating in the production of audited financial statements. These statements are integral for municipal staff to complete the FIR, mandated annually by the Province of Ontario.

[Staff Report CFS.25.033](#) provides a comprehensive overview of the operating results for 2024, highlighting the primary elements contributing to the Town's overall taxation deficit. Key drivers of this deficit include:

- the 2023 surplus estimate not-materializing and the incorporation of prior period unfunded deficits;
- the increase to the Asset Management transfers in 2024; and
- unfavourable operating variances.

These factors contribute to the 2024 taxation deficit of \$1,985,199. To address this deficit, Council approved reducing the 2024 Asset Management transfers to the 2023 budgeted levels and funding the remaining \$369,718 deficit from the Town's Working Capital Reserve.

The 2024 Draft Financial Statements show a surplus of \$19,117,818 which is a significant contrast to the deficit noted above. This discrepancy arises from differences in financial reporting and budgeting for municipalities.

- The taxation deficit reflects a cash-based or fund accounting view, where budgeted expenditures surpass revenues from taxation and other sources, focusing on cash flows.
- Conversely, financial statements prepared under the Public Sector Accounting Standards (PSAB) use an accrual basis, accounting for non-cash items such as amortization and all capital asset-related income and expenses, typically excluded from taxation unless funded specifically through it.

Consequently, a PSAB surplus can exist alongside a taxation deficit because PSAB encompasses all revenue earned and expenses incurred over the period, irrespective of cash flow implications or fund accounting considerations.

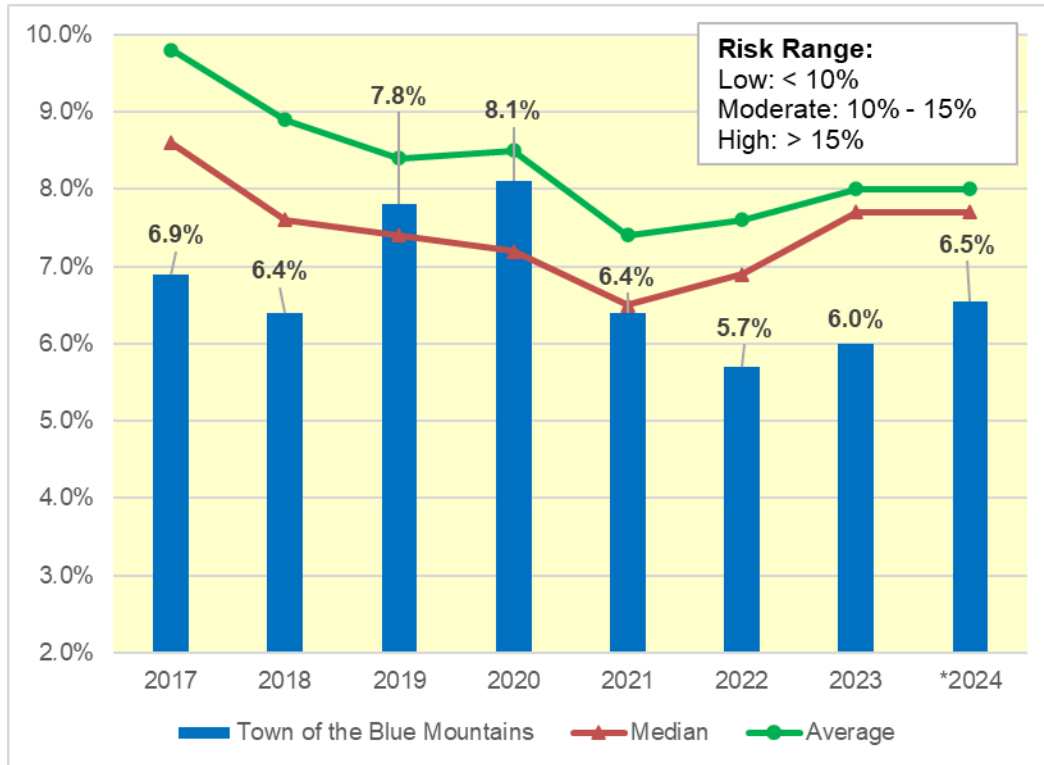
D. Analysis

As part of this year's financial review, staff have laid out the full set of financial indicators for 2024 **using preliminary internal data**. These figures are currently estimated and will be confirmed and refined following completion of the 2024 Financial Information Return (FIR). Including these early projections provides an opportunity for proactive trend analysis and supports continued monitoring of the Town's fiscal condition in real time. These will also help to build out a long-term financial strategy that will be coming over the next year.

Additionally, the 2023 Provincial Median and Average figures have been used as comparators in this analysis, as the Ministry's updated 2024 benchmarks are not expected to be available until all FIRs are received by the Province (late 2025/early 2026). This approach provides a consistent reference point while acknowledging that the full provincial dataset for 2024 is forthcoming.

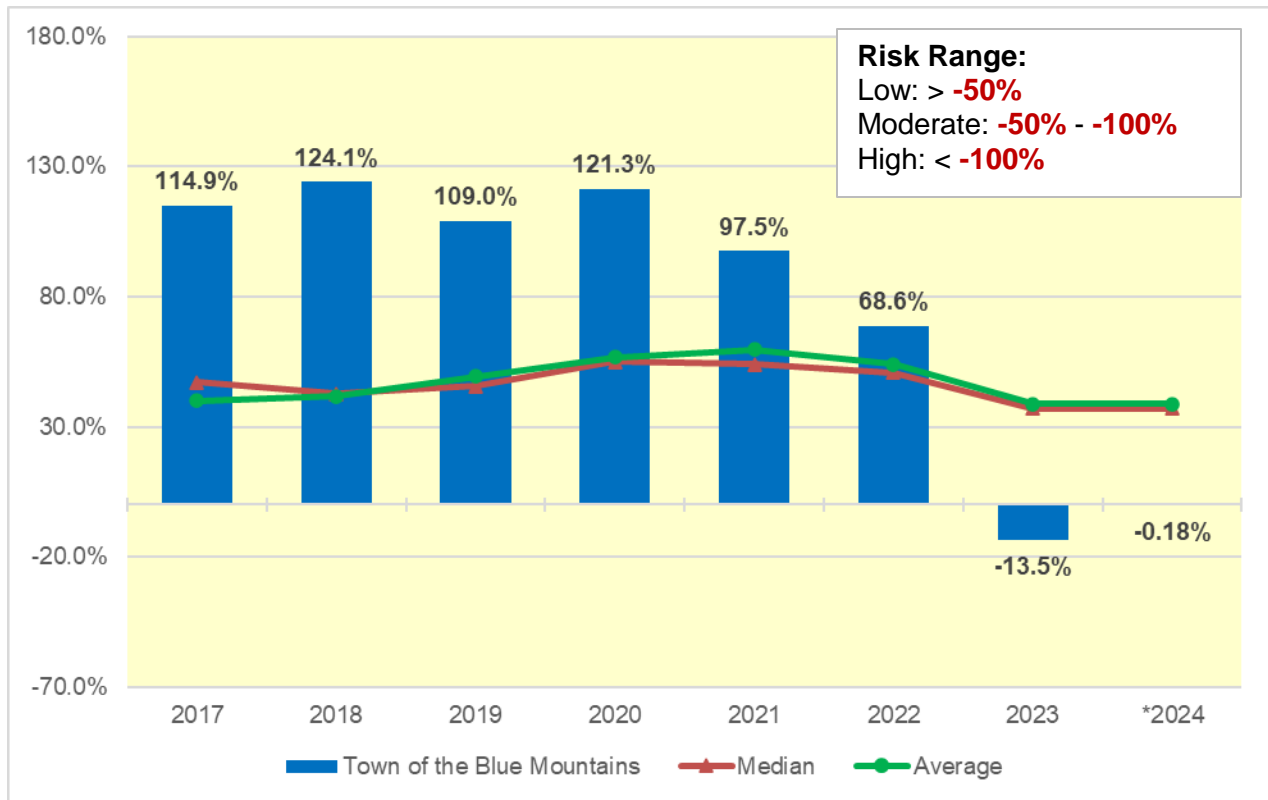
Sustainability Indicators:

1) Total Taxes Receivable as a % of Total Taxes Levied – **LOW RISK:**



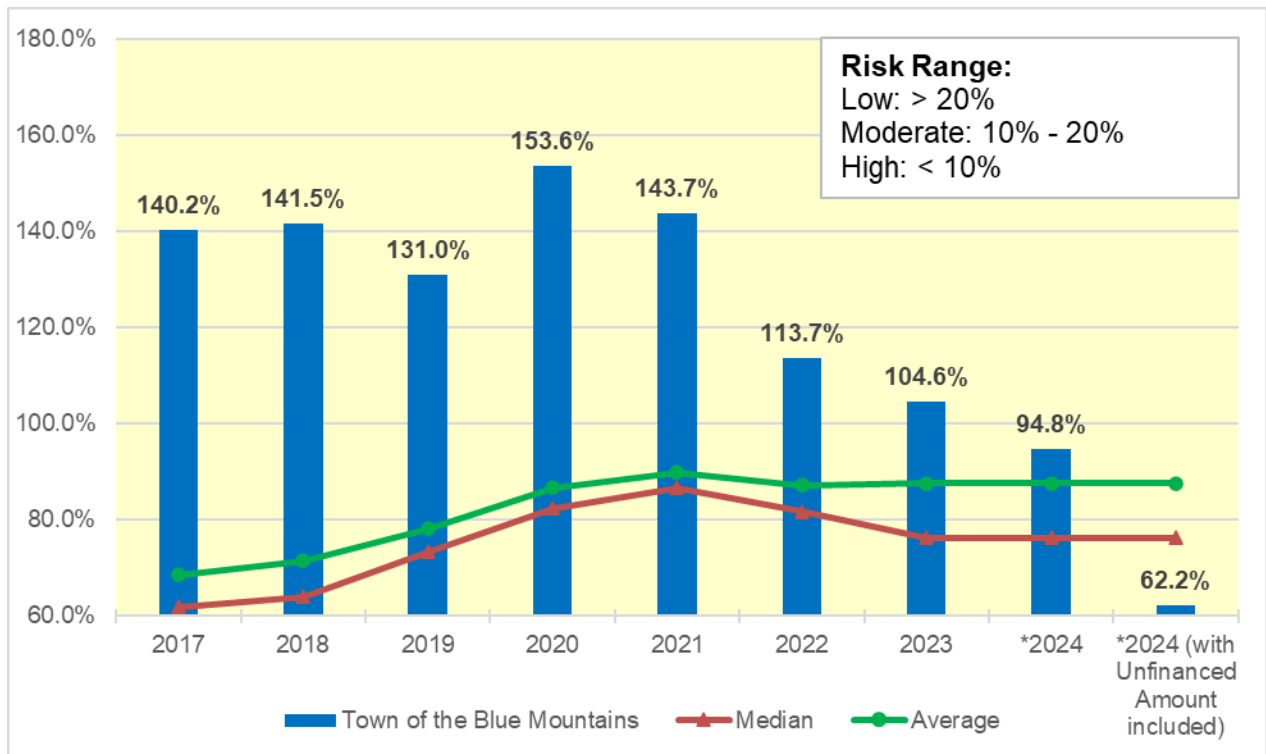
This indicator illustrates how much of the taxes billed are not collected. These have remained below the 10% low-risk threshold, demonstrating effective revenue collection and low exposure to uncollected tax liabilities.

2) Net Financial Assets as % of own source revenues – (LOW RISK):



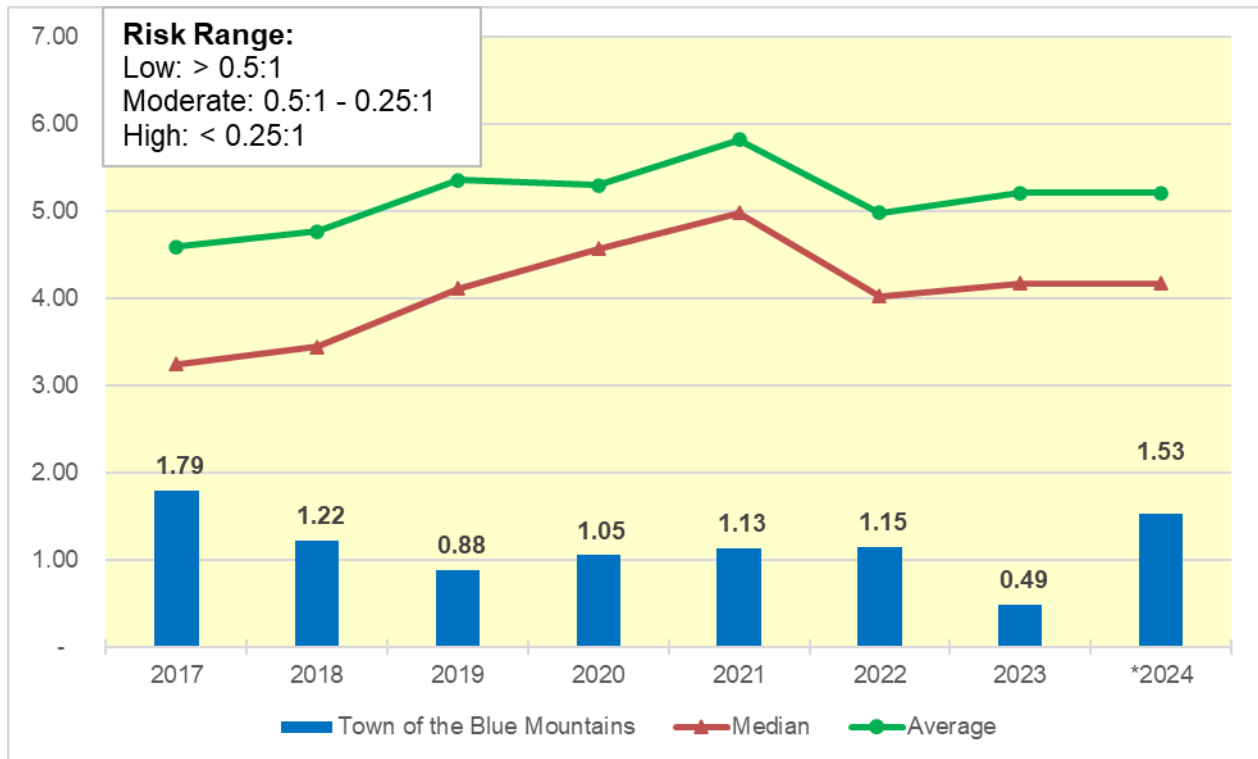
This indicates how much property tax and user fee revenue is servicing debt. This indicator reflects a shift into negative territory in 2023 and 2024, which may indicate higher reliance on debt or reduced working capital. The main contributor to the shift noted in 2023 and 2024 is the issuance of PSAB 3280 – Asset Retirement Obligations which resulted in a significant increase to liabilities relating to the Town’s obligation for closure and post-closure costs for the Landfill. As a result this moved the Town into a net debt position where liabilities exceeded financial assets.

3) Total Reserves and Discretionary Reserve Funds as a % of Municipal Expense (**LOW RISK**):



This indicates how much money is set aside for future needs and contingencies. You will note staff have included two amounts for 2024, one that includes the unfinanced amounts (see Note 10 of the Financial Statements) and one that does not. Including these unfinanced amounts offers a more accurate reflection of the Town’s available Reserve and Reserve Fund balances and shifts the Town’s indicator below the Provincial Average and Median. This reinforces the need for ongoing reserve strategy and funding decisions that account for existing liabilities, so that the Town’s reserves remain aligned with long-term service and infrastructure needs.

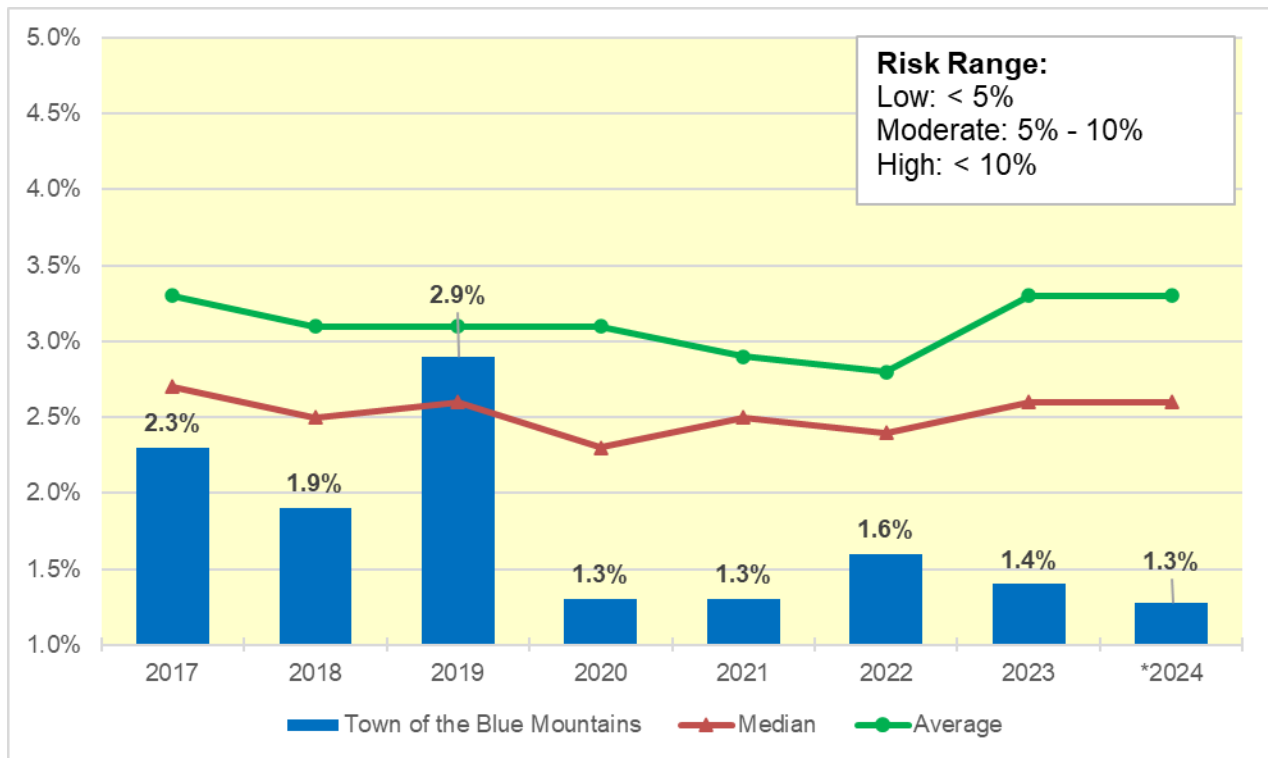
4) Cash Ratio (Total Cash and Cash Equivalents as a % of Current Liabilities) (**LOW RISK**):



This indicates how much cash and liquid investments could be available to cover current obligations. It should be noted that the Town is below the Provincial Median/Average, however the Town is still well within the low risk category.

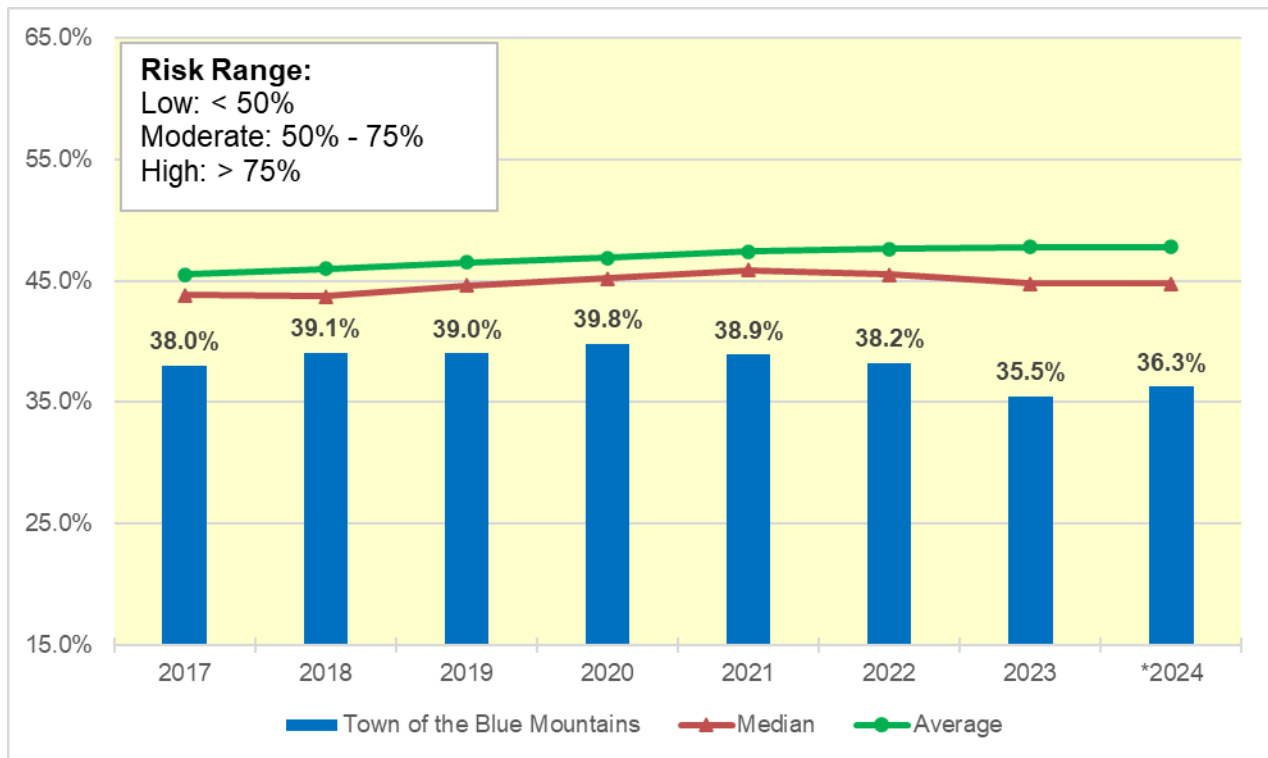
Flexibility Indicators:

1) Debt Servicing Cost as a % of Total Revenues (Less Donated TCAs) (**LOW RISK**):



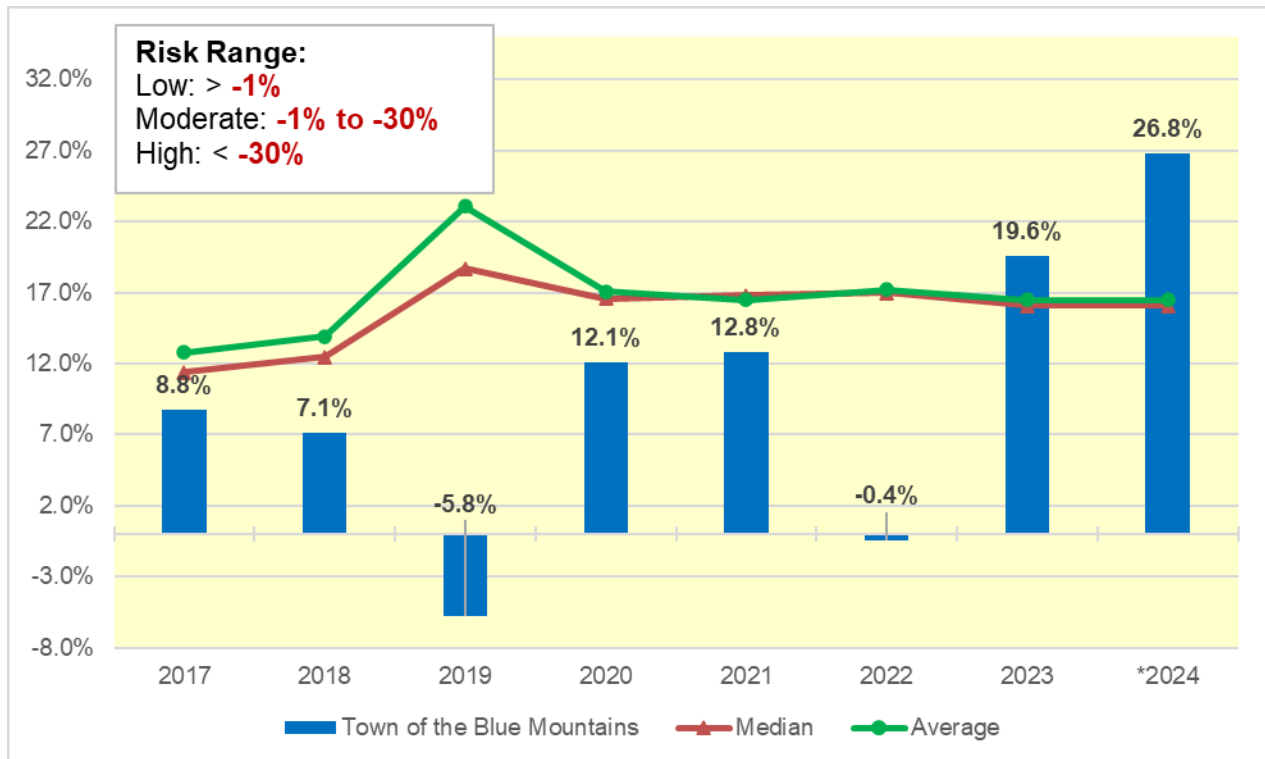
This indicates how much of each dollar raised in revenue is spent on paying down existing debt. The Town remains well below the 5% threshold, highlighting minimal pressure from long-term debt on current revenues.

2) Closing Amortization Balance as a % of Total Cost of Capital Assets(Asset Consumption Ratio) (**LOW RISK**):



This indicates how much of the assets' life expectancy has been consumed. The Town remains in the low-risk range, although gradually decreasing, the Asset Management Plan update that will be coming in September 2025 will help to further assess and identify areas for improvement.

3) Annual Surplus / (Deficit) as a % of Own Source Revenues (**LOW RISK**):



This indicates the Town’s ability to cover its operational costs and have funds available for other purposes (e.g. reserves, debt repayment, etc.). The Town’s Annual Surplus/(Deficit) remains positive and stable, supporting operational flexibility and contributions to reserves. It is important to note in municipal financial reporting, the Annual Surplus shown in the Town’s audited financial statements is not the same as the actual working surplus that Council typically considers during budgeting or year-end analysis.

The Annual Surplus in the financial statements under Public Sector Accounting Standards (PSAB) reflects several **non-cash items** and **accounting adjustments**, such as:

- Amortization of tangible capital assets
- Changes in post-employment benefits liabilities
- Deferred revenue recognition (e.g., grants recognized when spent)
- Donated assets or developer-contributed infrastructure
- Proceeds from long-term debt (excluded from revenue)
- Capital asset acquisitions (excluded from expenses)

Although this surplus is an important **accounting measure** of sustainability, it doesn’t reflect cash on hand or available funds for spending.

The **working surplus**, often referenced in budget or reserve reports, is a **cash-based measure** and typically represents:

- The difference between budgeted revenues and expenses in the **operating fund** (excluding capital and reserve activity)
- Actual unspent funds or excess revenues at year-end
- Adjusted for transfers to/from reserves and reserve funds
- Excludes amortization and other PSAB non-cash items

This is the amount that can be used to fund reserves, reduce the following year's tax levy, or address unforeseen financial needs. This is why in the background of this report you see a difference in what is considered to be the annual surplus.

The comparative analysis demonstrates that the Town consistently remains within the "Low Risk" category across most financial indicators, suggesting a strong and stable financial position. Overall, the Town's financial health remains strong, with indicators pointing to good sustainability and flexibility. Continued monitoring of areas such as net financial assets and infrastructure renewal will support informed decision-making through the Town's long-term financial and asset management strategies.

E. Strategic Priorities

1. Communication and Engagement

We will enhance communications and engagement between Town Staff, Town residents and stakeholders

2. Organizational Excellence

We will continually seek out ways to improve the internal organization of Town Staff and the management of Town assets.

3. Community

We will protect and enhance the community feel and the character of the Town, while ensuring the responsible use of resources and restoration of nature.

4. Quality of Life

We will foster a high quality of life for full-time and part-time residents of all ages and stages, while welcoming visitors.

F. Environmental Impacts

N/A

G. Financial Impacts

N/A

H. In Consultation With

N/A

I. Public Engagement

The topic of this Staff Report has not been the subject of a Public Meeting and/or a Public Information Centre as neither a Public Meeting nor a Public Information Centre are required. However, any comments regarding this report should be submitted to Michael Switzer, Deputy Treasurer/Manager of Budgets and Accounting budgetteam@thebluemountains.ca.

J. Attached

1. 2024 Audited Draft Financial Statements

Respectfully submitted,

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For more information, please contact:
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