

Baker Tilly provides audit presentation to Limerick council



By Mike Riley

Local Journalism Initiative Reporter

Veronica Mason, a CPA, CA with Baker Tilly KDN LLP gave an audit presentation to Limerick Township council at their Sept. 18 meeting. After going over the audit numbers and getting council's approval of the financial statements, receipt of the signed representation letter and the receipt of legal letters, the audit was deemed complete. Mayor Kim Carson comments on this audit presentation. Mason started the audit presentation by saying the most important paragraph of the auditors' report states that in their opinion "the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Limerick Township as of Dec. 31, 2022, and the results of its operations and cash flows for the year then ended, in accordance with the Canadian Public Sector Accounting Standards." As part of their audit as required, Mason said that Baker Tilly looks at council minutes, open and closed, to make sure that any financial decisions in the minutes are reflected in the financial records. They also do substantive testing, sampling, analytic review, they look at management estimates and they delve into the township's normal systems; revenues, disbursements, payroll, journal entries, controls that are in place, and if they have any recommendations, they bring them to the township. Mason said the audit was complete, and that they'd gotten all the documents they needed. All that was needed was council's approval of the financial statements, receipt of the signed representation letter and the receipt of legal letters, the latter Mason confirmed had been taken in. She said there had been no significant difficulties encountered during the audit and no changes to the initial audit plan. There were no disagreements or difficulties with management and excellent cooperation from them. There were no uncorrected audit differences noted. Municipalities like Limerick are required under the Municipal Act, 2001, to prepare audited financial statements yearly and submit them to the Ministry of Municipal Affairs and Housing, when the municipality submits its annual financial information return to the ministry. Baker Tilly is one of Canada's largest associations of chartered professional accounting firms, providing audit, tax and advisory solutions to their clients. They are also an independent member of Baker Tilly International, a network that stretches across the globe. Mason has more than 20 years of public accounting experience providing audit and consulting services to public sector and non-profit organizations. Joining Baker Tilly in 2003 as a senior accountant, she became manager of the firm's municipal non-profit team in 2005. Mason's first presentation slide to council showed the township's financial assets. These were; cash in the amount of \$1,216,350, taxes receivable in the amount of \$161,647, accounts receivable in the amount of \$874,869, for a grand total of \$2,252,866. She said that this slide and all forthcoming slides would show the last five years results to compare this year's results to the previous years. "So, this kind of gives you a sense of what the trends have been," she says. Mason's next slide showed financial liabilities with a grand total of \$525,928. These were; accounts payable and accrued liabilities in the amount of \$238,906, landfill closure and post-closure liability in the amount of \$201,400, deferred revenue-other in the amount of \$32,501, deferred revenue-obligatory reserve funds in the amount of \$53,121. The next slide showed non-financial assets that came in at a grand total of \$6,992,547. This came under the category of net financial assets at \$1,726,938 and non-financial assets-tangible capital assets at \$5,224,118, and prepaid expenses (like the township's insurance) at

\$41,491. The next slide showed consolidated statement of operations, with total revenues at \$2,431,784, while the total expenses were \$2,612,405. The accumulated surplus was \$7,173,168 at the beginning of the year and \$6,992,947 at the end. She said that the amount invested in capital assets differed from municipality to municipality, depending upon their debt level. The Public Sector Accounting Board, was created to serve the public interest by establishing accounting standards for the public sector. The PSAB annual deficit was \$180,621 for the 2022 year. There was a closing operating deficit of \$195,220 due mainly to purchase of tangible capital assets, change in landfill and transfer to reserves. Financial activities-revenues were shown with the next slide, with property taxation at \$1,204,938, user charges at \$56,749, Government of Canada grants at \$63,441, Province of Ontario grants at \$914,723, other municipalities at \$114,099, penalties and interest on taxes at \$20,988, gain on disposal of tangible capital assets at \$5,162 and other at \$51,684, for a grant total of \$2,431,784 in 2022 actual revenues. The next slide Mason showed was financial activities-expenses, with general government at \$668,729, protection services at \$737,938, transportation services at \$1,221,329, environmental services at \$91,410, health services at \$1,635, recreation and cultural services at \$28,062, planning and development at \$1,503, change in landfill closure and post-closure liability at -\$138,200 (for unfunded portion of landfill closure to be funded at a later date), for total 2022 actual expenses at \$2,612,405. Mason revealed that public sector accounting standards required them to show the expenses two ways, so she showed the segmented information on these expenses, which were as follows; salaries and benefits at \$691,392, materials at \$1,127,158, contracted services at \$253,941, rents and financial at \$12,651, external transfers at \$43,261, amortization at \$622,202, loss (gain) on disposal of tangible capital assets at zero and change in landfill liability at \$138,200 for as indicated above, 2021 actual expenses of \$2,612,405. Mason's next slide showed Limerick's accumulated surplus; under surplus (deficit) \$5,224,118 was invested in capital assets, \$201,400 was put toward unfunded landfill closure and post closure liability, and \$143,613 was put toward operations, for a total of \$5,166,331. Under reserves, \$265,205 was put toward working funds reserve, \$350,833 was put toward capital asset acquisition reserve, \$220,183 was put toward the waste disposal reserve fund, \$225,512 was put toward the fire capital reserve fund, \$764,483 was put toward the roads reserve fund, and \$1,826,216 was put toward reserves and reserve funds, for a grand total accumulated surplus amount of \$6,992,547. The next slide showed the township's tangible capital assets, which are non-financial assets having a physical substance that are held for continuous use in the supply of goods and services, have economic life beyond the accounting period and are not sold in the ordinary course of operations, like a snow plow. There had been \$365,432 in additions to the township's tangible capital assets; \$154,346 of that in roads and the balance, \$79,302 in buildings, \$26,994 in vehicles, and \$104,790 in machinery and equipment, which is offset by \$622,202 in amortizations. Mason talked about additions versus amortization, and explained that amortization was expensing these assets over the useful life and its historical cost. If the blue (being Amortizations) is always exceeding the orange (tangible capital assets additions) by a significant amount, that probably means you have some tangible capital assets additions coming in the near future as they reach the end of their useful life. It varies from year to year. You might have a big project one year and then have a few years you don't have as many projects on the go, she says. The final slide Mason presented to council showed the net financial assets over the past five years. The net financial assets are the amount equal to the total financial assets less the total liabilities. She said it demonstrated an increase over last year's amount of \$1,646,446, with an increase to \$1,726,398 for 2022. It's been very stable sort of, an overall increase over the past five years, she says. The entire audit presentation from Baker Tilly can be found on the Limerick website at www.limerick.ca within the Sept. 18 council meeting agenda. Carson told Bancroft This Week that they were pleased with the overall audit. [We were also pleased] with the enormous amount of work our employees have gone to, ensuring that everything is transparent and conforms to accepted standards, she says. We appreciate working with Baker Tilly and their in-depth knowledge of municipal accounting systems.