

# Staff Report



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To	<b>City Council</b>
Service Area	Office of the Chief Administrative Officer
Date	Tuesday, June 24, 2025
Subject	<b>2024 Consolidated Financial Statements and External Audit Findings Report</b>

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## Recommendation

1. That the City of Guelph 2024 Consolidated Financial Statements and External Audit Findings Report, dated June 24, 2025, be approved.
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## Executive Summary

### Purpose of Report

To present and provide an overview of the City's 2024 Consolidated Financial Statements, including related entities' financial statements; and to provide Council with the City's external audit results as reported in KPMG LLP's 2024 Audit Findings Report.

### Key Findings

The 2024 consolidated financial statements reflect a stable yet evolving financial landscape for the City. While the City continues to maintain a strong net financial position, this year saw the smallest increase in net financial assets in recent years at \$359 thousand (2023 – \$1.5 million), while capital asset additions increased by \$59.5 million compared to 2023. The changes in the financial statements align with expectations and are the direct result of the City's ongoing capital plan strategies. As noted in the 2023 Treasurer's report, the City anticipates a gradual reduction in financial assets (cash and investments) alongside an increase in non-financial assets (tangible capital assets). This shift reflects continued progress on the City's capital plan and efforts to address the infrastructure backlog. The 2024 financial statements demonstrate this movement with a modest increase in net financial assets, decrease in cash and investments, and a significant increase in tangible capital assets.

The City adopted two new accounting standards prospectively in 2024: PS 3400 – Revenue and PS 3160 – Public Private Partnerships. PS 3400 enhances revenue recognition principles and specifically distinguishes between revenues associated with performance obligations. The adoption of PS 3400 resulted in additional revenues of \$1.7 million being recognized in 2024. PS 3160 establishes the accounting framework for infrastructure acquired by public sector entities and defines specific requirements for the recognition and measurement of the infrastructure. The adoption of this standard had no impact on the City's financial statements. The City also adopted PSG-8 – Purchased Intangibles guideline in 2024. This guideline allows for the recognition of intangible assets providing they

meet certain criteria. The adoption of this guideline had no impact on the City's financial statements. New note disclosures are included in the financial statements for both standards and the guideline.

A detailed analysis of revenues and expenses for 2024 are discussed in detail in the Treasurer's Report.

## **Strategic Plan Alignment**

Maintaining the City's healthy financial position is an objective of the Foundations theme. Reporting on the audited financial statements of the City provides continued transparency and understandability of City finances.

## **Future Guelph Theme**

Foundations

## **Future Guelph Objectives**

Foundations: Maintain the City's healthy financial position

## **Financial Implications**

There are no direct financial implications associated with this report. An unqualified audit opinion on the 2024 Consolidated Financial Statements will assist the City in maintaining its AAA credit rating, which has the potential to lower borrowing costs as well as support grant funding requests from other levels of government and philanthropic organizations.

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## **Report**

The Treasurer's Report, appended to this report as Attachment-1, includes introductory information about the community, Council, the Leadership Team, financial information, including the Consolidated Financial Statements and discussion and analysis thereon, as well as statistical information calculated from the Consolidated Financial Statements.

The objective of providing this information in this way is to promote transparency and understandability of the financial information by providing contextual information together with the consolidated financial statements in one package that will be posted on the City website. This presentation approach is consistent with the best practices in financial reporting as promoted by the Government Financial Officers Association.

The audited financial statements for The Elliott Community (The Elliott) (Attachment-2), Downtown Guelph Business Association (DGBA) (Attachment-3) and Wellington-Dufferin-Guelph Public Health (Public Health) (Attachment-4), as well as KPMG's Audit Findings Report (Attachment-5), have been attached to this report for information.

## **Review of Consolidated Entities Financial Statements**

Staff reviewed the audited financial statements for each of the consolidated entities and consulted with the financial management teams of The Elliott, the DGBA, and Public Health to understand their 2024 fiscal results. The impacts of the consolidated entities' financial statements on the City's Consolidated Financial Statements are embedded in the financial statement discussion and analysis in the

2024 Treasurer's Report. A summary of each of the consolidated entities' statements is provided for further information.

### **The Elliott (Attachment-2)**

The Elliott is required to be consolidated into the City's financial statements due to elements of control the City maintains over The Elliott. The Elliott received an unqualified audit opinion by KPMG on their financial statements for the year end December 31, 2024.

The Elliott had a deficit of \$336 thousand (2023 - \$167 thousand surplus) in 2024, increasing the net deficit to \$2.5 million in 2023. The key driver of the net deficit position stems from an initial aggressive depreciation term of 20 years for a building constructed in 2023. The depreciation policy has since been amended to a 40-year term, but the change was made on a prospective basis. The net difference as of December 31, 2024, is approximately \$6.5 million of the asset value, which more than eliminates the accumulated deficit. Total expenses increased by \$1.7 million. The driver of the increase was in salary and wages which increased by \$1.2 million.

Operating revenue increased by \$1.3 million (2023 - \$1.3 million) in 2024, with the driver of the increase being provincial subsidies which increased by \$910 thousand.

The City has a mortgage loan receivable from The Elliott of \$11.1 million (2023 - \$11.9 million) relating to debentures issued on behalf of The Elliott by the City. New in 2024, the City advanced The Elliott \$3.5 million for the financing of their 29-bed expansion project. The advance was converted to a 25-year loan payable in 2025. Both loans have been eliminated upon consolidation but are highlighted here because they appear on The Elliott's financial statements. The City guarantees The Elliott's operating line of credit of up to \$1.0 million and lease line of credit of up to \$4.0 million. During the year \$0 (2023 - \$0) of the operating line was drawn upon and \$1.2 million (2023 - \$1.4 million) of the lease line of credit was outstanding as at December 31, 2024 year end.

In 2024, The Elliott adopted accounting standards PS 3400 - Revenue and PS 3160 - Public Private Partnerships as well as public standard guideline PSG-8 - Purchased Intangibles. The adoption of the new standards and guideline had no impact on The Elliott's financial statements.

### **Downtown Guelph Business Association (DGBA) (Attachment-3)**

The DGBA is a business improvement area in the City and is consolidated because of the legislative relationship between the City and the DGBA defined in the Municipal Act. The DGBA received an unqualified audit opinion by KPMG on their financial statements for the year end December 31, 2024.

The DGBA reported a 2024 excess of revenues over expenses of \$119 thousand compared to excess of revenues over expenses of \$648 thousand in 2023. Revenues decreased by \$391 thousand compared to 2023. The decrease is related to a large grant that was received in 2023 for lighting. Expenses increased by \$138 thousand, which includes nominal increases across several expense categories.

The DGBA implemented the Asset Retirement Obligations standard on a prospective basis in 2023 for the present value of the estimated cost of removing lights owned by the DGBA on buildings in downtown Guelph. The asset retirement obligation

liability increased by \$4,450 due to accretion expense for a total liability of \$93,450 at the end of 2024.

### **Wellington-Dufferin-Guelph Public Health (Public Health) (Attachment-4)**

The City proportionately consolidates the assets, liabilities, revenues and expenses of Public Health based on the percentage of municipal funding contributed during the year. The 2024 percentage is 46.7 which is the same as 2023. This percentage is based on the 2021 population census. Public Health received an unqualified audit opinion by KPMG on their financial statements for the year end December 31, 2024.

Public Health reported an excess of revenues over expenses of \$1.1 million (2023 - \$1.1 million) and an increase in the accumulated surplus from \$22.8 million in 2023 to \$23.9 million as at December 31, 2024. Overall, revenues decreased by \$541 thousand compared to 2023. A decrease in Ministry of Health one-time funding of \$1.3 million was offset with revenue increases in Ministry of Health base funding (\$605 thousand) and various other revenue sources. Expenses decreased by \$592 thousand compared to 2023 with decreases across several expense categories. Public Health increased reserves by \$1.1 million to \$5.6 million in 2024.

In 2024, Public Health completed repayment in full of the loan for the financing arrangement that was entered into in 2012 for the Guelph and Orangeville facilities.

### **Guelph Municipal Holdings Inc. and Guelph Junction Railway Limited**

Guelph Municipal Holdings Inc. and Guelph Junction Railway both have a formal process for reporting their Financial Statements to Council in accordance with each entity's Shareholder Declaration; for this reason, their Financial Statements have not been included as attachments. Commentary is provided in the Council reports that accompany these statements which Council will receive at each company's Annual General Meeting on June 24, 2025.

### **Guelph Police Services Board**

The Guelph Police Services Board is fully consolidated into the City's Consolidated Financial Statements and a supplementary schedule (Schedule 6) within the Consolidated Financial Statements outlines the activity throughout the year. The Police Board's variance is included in [2024 Year-end Operating Budget Monitoring Report and Surplus Allocation and Deficit Funding 2025-212](#) so further analysis is not provided in this report.

### **Guelph Public Library Board**

The Guelph Public Library Board is fully consolidated into the City of Guelph's Consolidated Financial Statements and a supplementary schedule (Schedule 5) within the Consolidated Financial Statements outlines the activity throughout the year. The Library Board's variance is included in [2024 Year-end Operating Budget Monitoring Report and Surplus Allocation and Deficit Funding 2025-212](#) so further analysis is not provided in this report.

### **External Audit Findings Report (Attachment-5)**

The external audit results, as prepared by KPMG, are included in Attachment-5. Highlights from KPMG's report include:

- There were no significant changes from the Audit Planning Report previously presented to Council.
- The PS 3400 – Revenue and PS 3160 – Public Private Partnerships accounting standards were appropriately analyzed and adopted as required.
- No significant control deficiencies in internal control over financial reporting were identified.
- No audit differences were identified by KPMG.

## **Financial Implications**

There are no direct financial implications associated with this report. An unqualified audit opinion on the 2024 Consolidated Financial Statements will assist the City in maintaining its AAA credit rating, which has the potential to lower borrowing costs as well as support grant funding requests from other levels of government and philanthropic organizations.

## **Consultations and Engagement**

Finance teams at Public Health, The Elliott and the DGBA were consulted while preparing the summaries of the financial results for their organizations.

## **Attachments**

Attachment-1 Consolidated Financial Statements and Treasurer's Report for the Year Ended December 31, 2024

Attachment-2 The Elliott Community 2024 Audited Financial Statements

Attachment-3 Downtown Guelph Business Association 2024 Audited Financial Statements

Attachment-4 Wellington-Dufferin-Guelph Public Health 2024 Audited Financial Statements

Attachment-5 City of Guelph 2024 External Audit Findings Report

Attachment-6 Staff Presentation

## **Departmental Approval**

Justin Wei, Deputy Treasurer, Manager Financial Strategy and Reporting

## **Report Author**

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**This report was approved by:**

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**This report was recommended by:**

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