

Subject: 2024 Audited Financial Statements

Staff Report No. FI-012-25

**Department/
Commission:** Finance Services Commission

Date: June 18, 2025

Recommendation:

- 1) That Council receive the Audit Findings Report and presentation for information, presented as Attachment 1;
- 2) That Council approve the 2024 Draft Audited Consolidated Financial Statements of the Corporation of the Town of Whitchurch-Stouffville, presented as Attachment 2;
- 3) That Council approve the 2024 Draft Audited Financial Statements of the town of Whitchurch-Stouffville Trust Funds, presented as Attachment 3;
- 4) That Council receive the 2024 Statement of Reserves and Reserve Funds, presented as Attachment 5;
- 5) That Council receive the 2024 Treasurer's Statement of Development Charges, presented as Attachment 6; and
- 6) That Council receive the 2024 Report on Building Fees, presented as Attachment 7.

Report Highlights

- The 2024 Auditor's Report highlights that the financial statements present fairly, in all material respects, the consolidated financial position of the Town of Whitchurch-Stouffville (Town) in accordance with Canadian public sector accounting standards
- The attached financial statements are considered draft until approved by Council
- KPMG has indicated there were no control deficiencies and no misstatements to report
- The Town saw strong financial performance in 2024, generating an annual surplus of \$14.1 million and an increase in net financial assets and positive cash flows.
- Continued commitment to effective long term planning and strong reserve balances will help sustain the Town for future growth.

1. Purpose:

The purpose of this report is to seek Council approval of the draft 2024 audited financial statements for the Town Consolidated and the Trust Funds.

In addition, the Statement of Reserve and Reserve Funds, Treasurer's Statement of Development Charges and Report on Building Fees are provided for information purposes.

2. Background:

In accordance with Section 296 (1) of the Municipal Act, all municipalities are required to prepare financial statements and to appoint an external auditor licensed under the Public Accounting Act, 2004 who is responsible for annually auditing the accounts and transactions of the municipality and its local boards and express an opinion on the financial statements of these bodies based on the audit.

KPMG LLP Chartered Accountants were appointed in September 2022. They have audited the Town's 2024 Consolidated Financial Statements and expressed their opinion within the Independent Auditor's report that precedes the financial statements.

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards, as issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Management is responsible for ensuring the accuracy, completeness, and fairness of the financial statements, including all required disclosures. This includes maintaining a system of internal controls that safeguards assets, ensures transactions are properly authorized and recorded in compliance with applicable legislation, and provides timely and reliable financial information.

The external auditors are responsible for expressing an opinion based on their audit findings. Their audit procedures are designed to provide reasonable assurance that the financial statements are free from material misstatement.

3. Analysis:

The auditors have issued an unqualified audit opinion on the draft 2024 Consolidated Financial Statements.

The annual audit was performed by KPMG LLP. The Auditor's Report is issued without reservation and reflects their unqualified opinion that the financial statements present fairly, in all material respects, the financial position of the Town in accordance with Canadian public sector accounting standards.

The financial statements include the five statements listed below, each offering insight into different aspects of the Town's financial activities and position. These statements are consolidated to reflect the combined operations of the Town, the Whitchurch-Stouffville Public Library, and the Latcham Art Centre. Together, they provide a comprehensive view of the Town's financial health, including costs of services, funding sources, investment activities, and the status of assets and liabilities.

Consolidated Statement of Financial Position – This statement presents a snapshot of the Town's financial position as of December 31, 2024. It outlines the Town's assets, liabilities, and accumulated surplus. The remaining statements provide further detail on how these balances are derived, as summarized in Figure 1.

Consolidated Statement of Operations and Accumulated Surplus – This statement details the Town's revenues, expenses, and resulting surplus or deficit for the twelve-month period ending December 31, 2024. It also outlines how these results have affected the Town's accumulated surplus over the year.

Consolidated Statement of Change in Net Financial Assets – This statement explains the difference between the annual surplus reported in the Statement of Operations and the change in net financial assets shown in the Statement of Financial Position. A positive net financial asset position indicates that the Town's financial assets exceed its liabilities, meaning it is well-positioned to meet its obligations.

Consolidated Statement of Remeasurement Gains and Losses – This statement captures unrealized gains or losses in the value of financial instruments, such as investments, that are measured at fair market value in the Statement of Financial Position.

Consolidated Statement of Cash Flows – This statement tracks the movement of cash throughout the year. It highlights the sources and uses of cash, changes in the cash balance since the previous reporting period, and significant cash transactions not captured in the Statement of Operations.

Figure 1 – Relationship between the Financial Statements

Figure 1 Relationship between the Financial Statements

Statement of Financial Position (millions)			
	2024	2023	
Financial Assets			
Cash and cash equivalents	\$ 19.546	\$ 11.638	
All other financial assets	143.978	133.656	
	163.524	145.294	
Liabilities	123.949	115.251	
Net Financial Assets	39.575	30.043	
Non-financial Assets			
Inventory and prepaid	0.912	0.711	
Tangible capital assets	338.954	332.750	
	339.866	333.461	
Accumulated surplus	\$ 379.440	\$ 363.504	

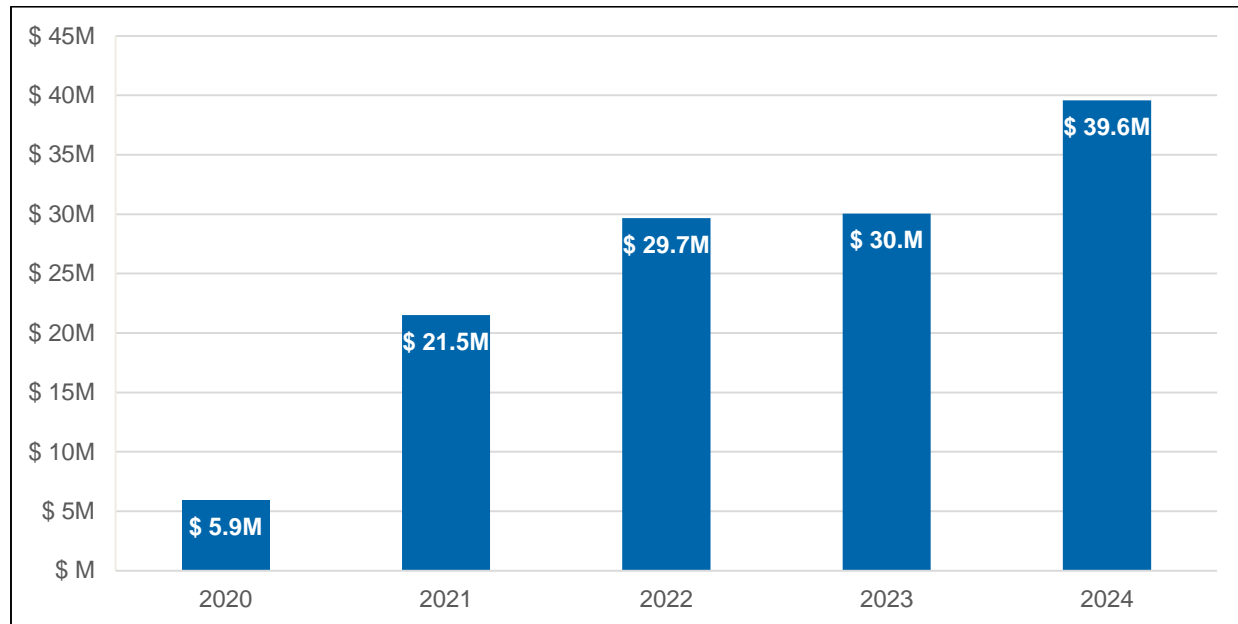
Statement of Cash Flow (millions)		
	2024	2023
Operating transactions	\$ 28.870	\$ 15.002
Capital transactions	(11.278)	(21.370)
Investing transactions	(8.006)	(17.694)
Financing transactions	(1.678)	(1.905)
Increase in cash & cash equivalents	7.908	(25.967)
Cash and cash equivalents, beginning of year	11.638	37.606
Cash and cash equivalents, end of year	\$ 19.545	\$ 11.638

Statement of Net Financial Assets (millions)		
	2024	2023
Annual surplus	\$ 14.096	\$ 12.311
Change in TCA	(6.204)	(11.848)
Change in other non-financial assets	(0.201)	(0.213)
Increase in net financial assets	7.691	0.250
Net assets, beginning of year	30.043	29.668
Remeasurement gain on investments (PPN)	1.841	0.146
PSAS Adjustment - ARO Liability	-	(0.022)
Net financial assets, end of year	\$ 39.575	\$ 30.043

Statement of Operations (millions)		
	2024	2023
Revenues	\$ 107.763	\$ 97.358
Expenses	93.667	85.047
Annual surplus	14.096	12.311
Accumulated surplus, beginning of year	363.504	351.048
Remeasurement gain on investments (PPN)	1.841	0.146
Accumulated surplus PSAS adjustments	-	
Accumulated surplus, end of year	\$ 379.440	\$ 363.504

Statement of Remeasurement Gains and Losses (millions)		
	2024	2023
Accumulated remeasurement gains, beg of year	\$ 0.146	\$ -
Unrealized gains (losses) attributable to investments	1.841	0.146
Accumulated remeasurement gains, beg of year	\$ 1.987	\$ 0.146

Statements describing the change in financial position

Figure 2 – Net Financial Assets 5-Year Trend

3.1.1 Financial Assets

The Town's financial assets increased by \$18.2 million compared to 2023. Table 3 below shows the detailed increase by financial statement line item.

Table 3 - Financial Assets Detail

	2024	2023	Difference
Cash and cash equivalents	\$ 19,545,457	\$ 11,638,386	\$ 7,907,071
Portfolio investments	109,934,556	101,928,192	8,006,364
Taxes receivable	19,989,788	18,222,450	1,767,338
Accounts receivable	13,008,204	13,504,494	(496,290)
Asset held for sale	1,045,627	-	1,045,627
Financial Assets	\$ 163,523,632	\$ 145,293,522	\$ 18,230,110

The increases in financial assets were attributable to the following:

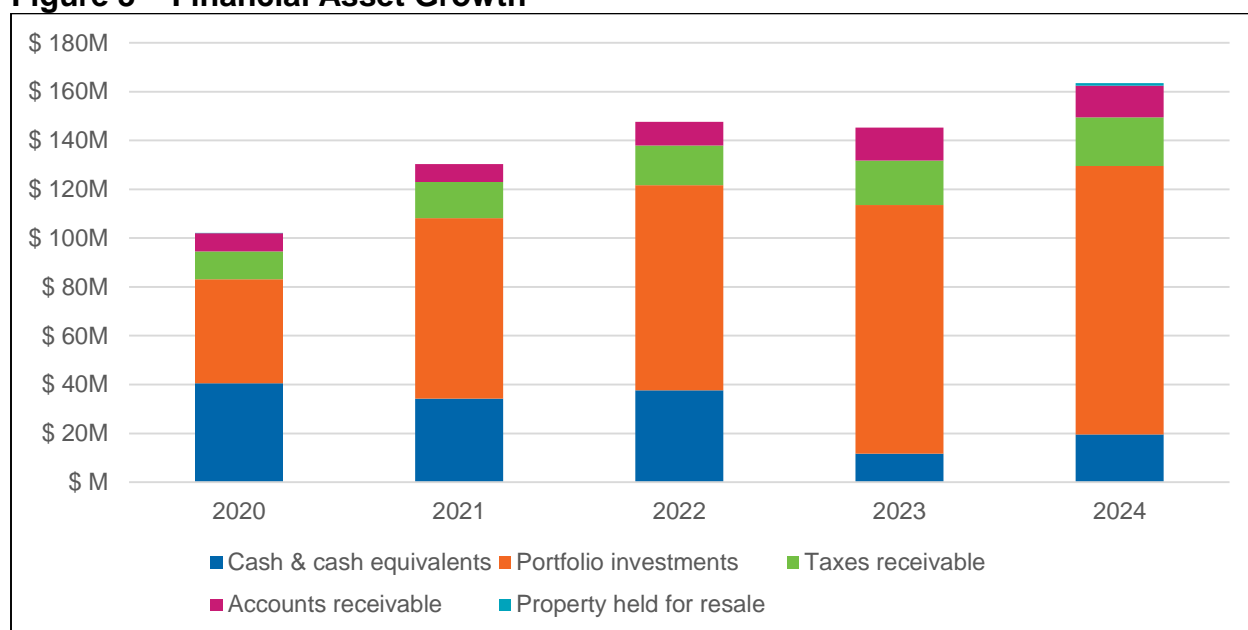
- Cash and cash equivalents balances increased by \$7.9 million compared to the previous year. More details on this increase can be found in section 3.3 Statement of Cash Flows.
- Portfolio investments also increased by \$8.0 million. The Town has consistently benefited from a robust and diverse investment portfolio, maintained in accordance with the Investment Policy. The matured principal and interest were successfully reinvested throughout the year. Further details regarding the investment performance for 2024 are available in Report No. FI-004-25 Investment Report, presented April 16, 2025. The increase is also consistent with the results on the

statement of remeasurement gains and losses, which show favourable unrealized gains on the portion of the portfolio held in principal protected notes.

- The balance of taxes receivable has increased by approximately \$1.8 million, mainly due to the increase in tax levy for 2024. It is also noteworthy that, as indicated in Table 7 of section 3.2.1, revenue from interest and penalties on taxes has decreased compared to the previous year. This suggests that while the overall receivables balance has risen, the efforts for collection are proving to be effective.
- An asset held for sale amounting to \$1.05 million was also recognized this year as council declared the existing Station 5-2 firehall property surplus to the operational needs of the Town in 2024.

Figure 3 below provides a five-year visual representation of financial asset growth.

Figure 3 – Financial Asset Growth



3.1.2 Financial Liabilities

The Town's financial assets also increased by \$8.7 million compared to 2023. Table 4 shows the detailed increase by financial statement line item.

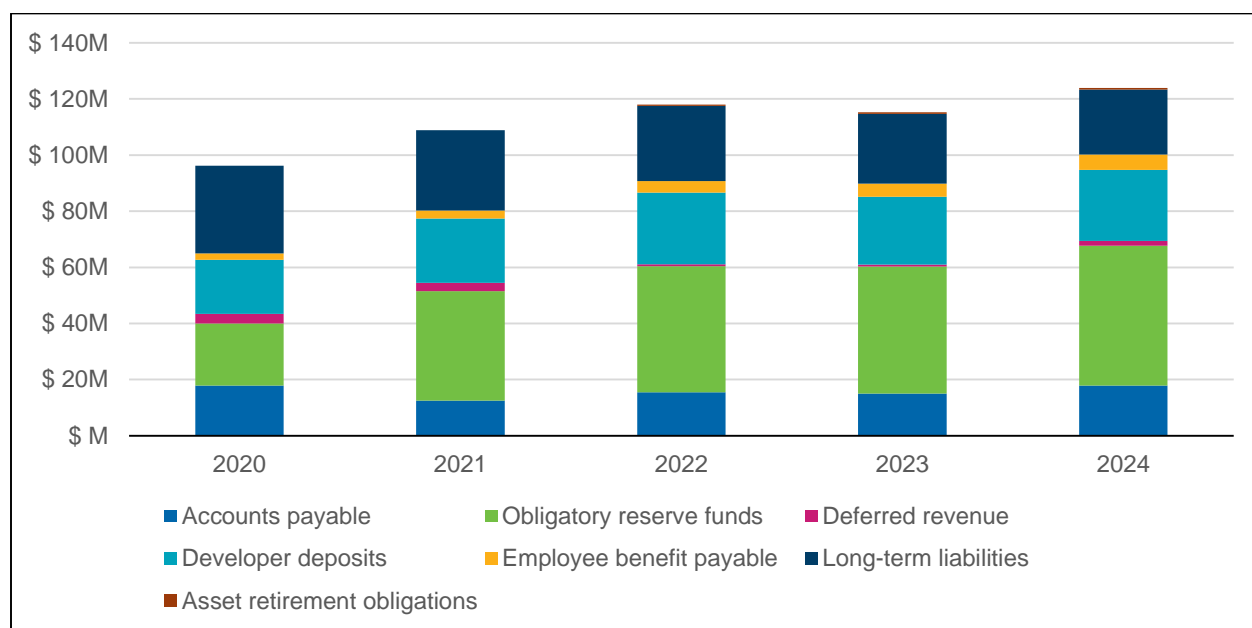
Table 4 – Financial Liabilities Detail

	2024	2023	Difference
Accounts payable	17,885,064	\$ 15,003,203	\$ 2,881,861
Asset retirement obligation	559,150	536,767	22,383
Deferred revenue - obligatory	49,794,483	45,351,129	4,443,354
Other deferred revenue	1,696,465	637,828	1,058,637
Developer & other deposits	25,415,807	24,154,195	1,261,612
Employee benefits payable	5,449,493	4,740,488	709,005
Long-term liabilities	23,148,657	24,827,138	(1,678,481)
Financial Liabilities	\$ 123,949,119	\$ 115,250,748	\$ 8,698,371

Financial liabilities increased overall by \$8.7 million compared to the prior year. The changes were due to the following:

- Accounts payable increased by \$2.9 million. This balance can vary annually based on the timing of vendor invoices and the remittance of final tax balances to York Region and the school boards. The increase this year reflects that variation.
- Obligatory deferred revenue increased by \$4.4 million, driven by grants received such as the Building Faster Fund and the Ontario Community Infrastructure Fund. These funds are allocated for future capital projects.
- Long-term liabilities represent the Town's debenture obligations, which have decreased as one debenture was fully repaid as of the end of 2023, and no new debt was acquired during 2024.

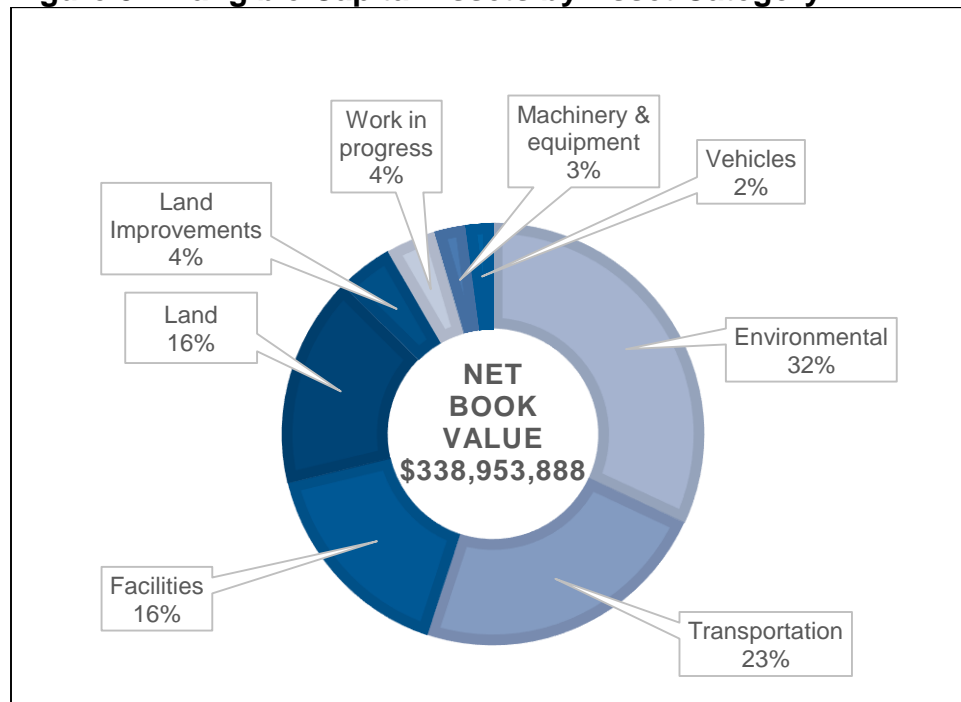
Overall, the Town is well positioned to meet its financial liabilities. Figure 4 provides a five-year visual representation of the growth in financial liabilities.

Figure 4 – Financial Liability Growth

3.1.3 Non-Financial Liabilities

Non-financial assets include tangible capital assets (TCAs), prepaid expenses, and inventories of salt, sand, and fuel. TCAs are the Town's largest asset, recorded at net book value—actual cost minus accumulated amortization. In 2024, the net book value of TCAs increased by \$6.2 million. Figure 5 shows the percentage of net book value for each asset category at year end.

Figure 5 – Tangible Capital Assets by Asset Category



Tangible capital assets (TCAs) represent the Town's infrastructure investments. Amortization spreads the cost of an asset over its useful life, representing its usage as an annual expense. In 2024, the Town invested \$12.8 million into TCAs (2023 - \$21.6 million), which did not exceed the total amortization costs of \$14.0 million (2023 - \$13.7 million).

The Town is experiencing a spending shortfall where assets are depleting faster than they can be repaired or replaced. Investment is crucial to maintaining infrastructure as the Town grows. If not addressed, this could lead to deteriorated infrastructure, more borrowing, and urgent repairs driven by safety concerns.

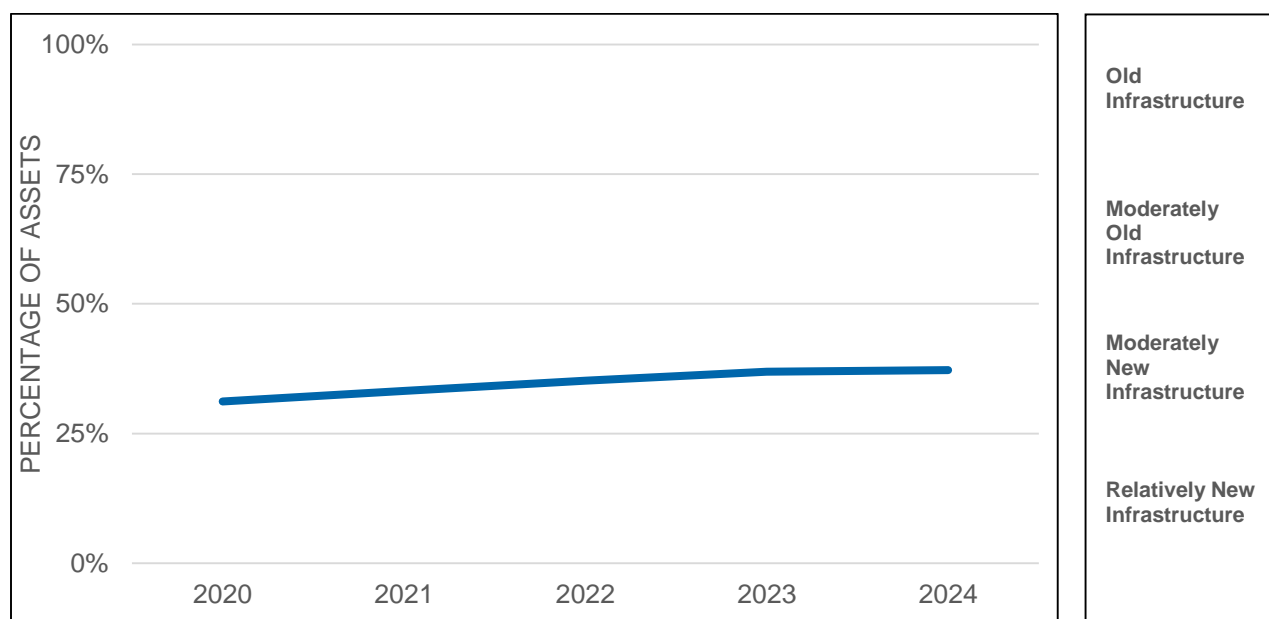
The asset consumption ratio measures the value of used TCAs against their original cost, indicating replacement needs. A higher ratio signals significant replacement requirements, while a lower one suggests better maintenance. Table 5 indicates that while the Town's assets are still in the moderately new category, the ratio is steadily declining year over year. Figure 6 visualizes this trend over five years. The Town's 10-year capital plan focuses on maintaining and renewing assets to ensure longevity.

For more details on capital project progress, refer to Year-end Financial Results, FI-005-25, April 16, 2025.

Table 5 – Asset Consumption Ratio

	Target	2024	2023	2022	Trend
Asset Consumption Ratio	<50%	37.2%	36.9%	35.2%	Declining

Figure 6 – Asset Consumption Ratio: Five Year Trend



Further information is provided in the benchmarking section 3.5 of this report, and the Town is also legislated to provide updated asset management plans for both core and non-core assets.

3.2 Consolidated Statement of Operations and Accumulated Surplus

The Town ended the year with an annual surplus of **\$14.1 million**. An analysis of revenue and expenses is provided below.

Table 6 – Annual Surplus

	2024 Actual		2023 Actual		Difference
Revenues	\$	107,762,834	\$	97,357,943	\$ 10,404,891
Expenses		93,667,270		85,047,412	8,619,858
Annual Surplus	\$	14,095,564	\$	12,310,531	\$ 1,785,033

3.2.1 Revenues

The Town reported total revenues of **\$107.8 million** in 2024, an increase of \$10.4 million from 2023. Table 7 summarizes 2024 revenue by type compared to 2023.

Table 7 – Total Revenues

Revenue	2024 Actual	2023 Actual	Difference
Property taxation	\$ 46,216,368	\$ 43,063,980	\$ 3,152,388
User fees, licences and fines	34,352,841	31,955,999	2,396,842
Government grants	2,878,374	7,608,172	(4,729,798)
Investment income	4,976,083	3,017,711	1,958,372
Penalties and interest on taxes	2,495,562	2,504,854	(9,292)
Developer contributions	6,736,093	4,432,662	2,303,431
Contributed tangible capital assets	8,536,714	3,981,859	4,554,855
Donations and other	1,570,799	792,706	778,093
Total Revenues	\$ 107,762,834	\$ 97,357,943	\$ 10,404,891

Notable variances from prior year include:

- The increase in property taxation of \$3.1 million due to the tax levy increase as adopted November 29, 2023 and new assessment recognized.
- User fees, licenses and fines increased by \$2.4 million as a result of a variety of factors, including recreational rental, programming, and membership revenues which have increased due to expanded program offerings and higher community engagement.
- Investment income increased by approximately \$2.0 million, attributable to the robust performance of investments. The Town successfully expanded its portfolio at an economically opportune time in 2023, resulting in continued strong performance in 2024. It is important to note that this value may begin to normalize in the coming years due to economic uncertainty and other market conditions.
- Developer contribution revenue increased by \$2.3 million, reflecting the recognition of revenue associated with capital projects funded through development charges and grants such as the Canada Community Building Fund (CCBF), Park Trust, and Building Faster Fund (BFF). This increase corresponds to activity on eligible projects tied to these funding sources.
- An increase in contributed tangible capital assets of \$4.6 million due to a higher volume of infrastructure assumed from developers compared to the prior year.
- These increases were partially offset by a decrease in government grant revenue of \$4.7 million from the prior year. 2023 was a particularly high year for grant revenue received, as the Town was awarded the ICIP grant for the skating trail.

3.2.2 Expenses

The 2024 operating position of the Town resulted in actual expenses totalling **\$93.7 million**, \$8.6 million greater than 2023. Expenses are reported in the audited financial statements by functional segment, as summarized in Table 8, and by object type as displayed in Table 9.

Table 8 – 2024 Operating Expenses by Functional Segment

Expenses	2024 Actual	2023 Actual	Variance \$	Variance %
General Government	\$ 15,807,451	\$ 13,888,116	\$ 1,919,335	13.8%
Protection	11,158,473	10,047,676	1,110,797	11.1%
Transportation	14,847,251	15,037,760	(190,509)	-1.3%
Environment	20,701,716	17,902,579	2,799,137	15.6%
Recreation & Culture	25,495,889	22,797,070	2,698,819	11.8%
Planning & Development	5,656,490	5,374,211	282,279	5.3%
Total Expenses	\$ 93,667,270	\$ 85,047,412	\$ 8,619,858	10.1%

Table 9 – 2024 Operating Expenses by Object

Expenses	2024 Actual	2023 Actual	Variance \$	Variance %
Salaries	\$ 42,104,847	\$ 38,024,254	\$ 4,080,593	10.7%
Materials	16,692,713	15,179,984	1,512,729	10.0%
Contracted services	5,057,254	4,855,454	201,800	4.2%
Rent/Financial	1,904,773	1,101,685	803,088	72.9%
Transfers	13,836,875	12,160,100	1,676,775	13.8%
Amortization	14,070,808	13,725,935	344,873	2.5%
Total Expenses	\$ 93,667,270	\$ 85,047,412	\$ 8,619,858	10.1%

The most significant driver of the increase in expenses were salaries and wages, which increased by \$4.1 million compared to 2023. This value is impacted by several factors, including step increases, additional approved full time equivalent (FTE) positions, cost of living adjustments and vacation and lieu accruals. Wages related to part time staffing also increased, as positions were required to support expanded facility usage and program offerings, corresponding to the increase in user fee revenues.

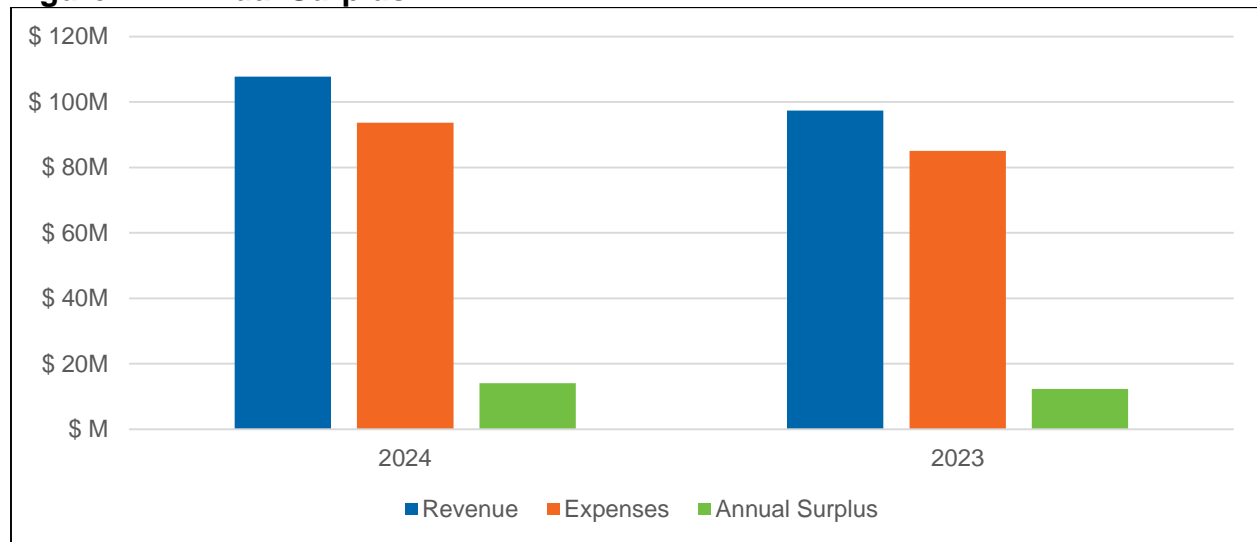
For more details regarding the remaining variances, refer to report No. FI-005-25 2024 Year-End Financial Results, presented on April 16, 2025.

3.2.3 Annual Surplus

The Town's reported annual surplus reflects an increase in its net resources, which may include both cash and investments, as well as non-cash assets such as taxes receivable and tangible capital assets that support the continued delivery of municipal services. In 2024, the annual surplus was **\$14.1 million**, up from \$12.3 million in 2023. This surplus indicates that revenues raised during the year were sufficient to cover operating expenses, serving as a key measure of the Town's overall financial performance. Ending

the year in a surplus position demonstrates prudent financial management in areas where the Town has authority over revenues and expenditures.

Figure 7 – Annual Surplus



See section 3.6 for the reconciliation of the annual surplus to the operating budget surplus.

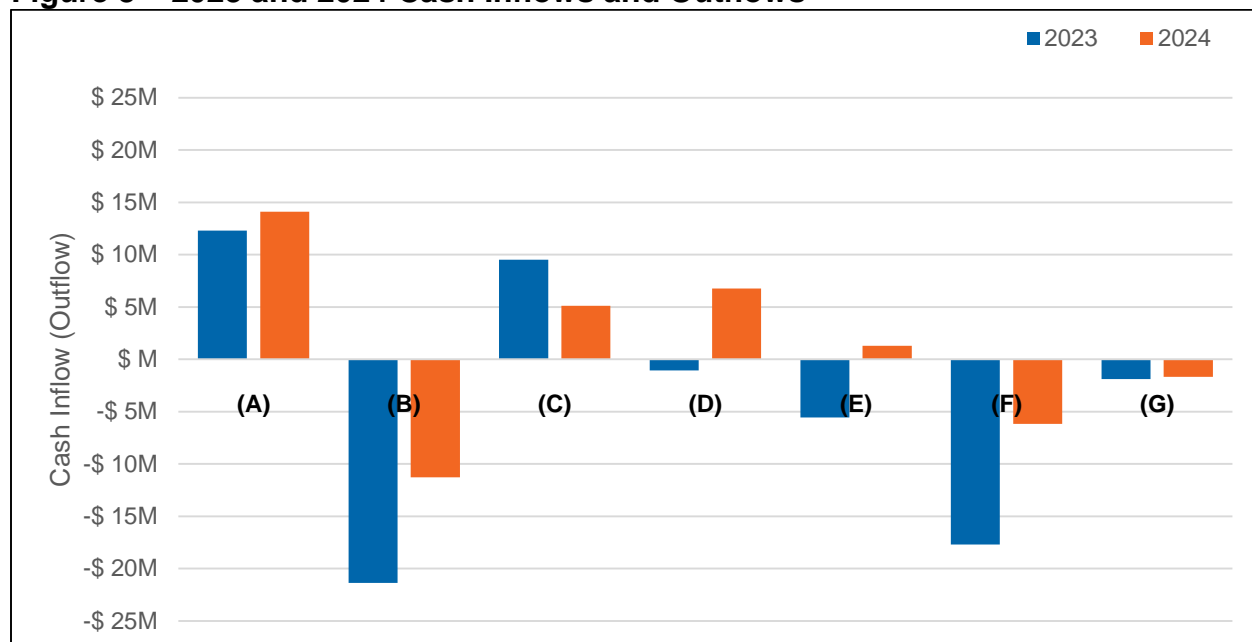
3.3 Statement of Cash Flows

During the year, cash increased by **\$7.9 million**. The statement of cash flows reconciles the change in cash and cash equivalents from one year to another. The positive change is an indicator that the Town is generating enough cash to pay for services, invest in infrastructure, and manage debt. A summary of this change is displayed in Table 10.

Table 10 – Cash and Cash Equivalents

	2024 Actual	2023 Actual	Difference
Balance, beginning of year	\$ 11,638,386	\$ 37,605,639	\$ (25,967,253)
Net Increase (Decrease)	7,907,071	(25,967,253)	33,874,324
Balance, end of year	\$ 19,545,457	\$ 11,638,386	\$ 7,907,071

Beginning with the annual surplus, the statement details the composition of the \$7.9 million net increase in cash and cash equivalents, explaining how the Town financed its activities and met its cash requirements. It also details items not involving cash such as annual amortization and contributed tangible capital assets, that are included in the Town's annual surplus. These inflows and outflows are displayed in Figure 8 with 2023 comparatives.

Figure 8 – 2023 and 2024 Cash Inflows and Outflows

(A)	Annual Surplus	(E)	Add increase in deferred revenue
(B)	Less acquisition of TCAs net of proceeds on disposal	(F)	Less net purchase of portfolio investments
(C)	Add non-cash TCA transactions	(G)	Less repayment of long-term debt
(D)	Add other operating transactions		

The cash inflow from operations amounted to \$28.9 million in 2024 (2023 – \$15.1 million). This signifies that the Town's regular operations generated more cash than was expended, reflecting an improvement relative to 2023.

Other factors included:

- There was a decrease in the acquisition of tangible capital assets compared to 2023.
 - The reduction in purchases of tangible capital assets is partially attributed to the acquisition of the new Station 5-2 property in 2023.
 - The balance of work in progress also diminished as more projects initiated in previous years reached substantial completion in 2024.
- Regarding portfolio investments, there was also a decrease as the Town made significant acquisitions in 2023 to expand the investment portfolio.
 - In 2024, this line item reflects the ongoing growth of the portfolio as principal and interest are reinvested.

3.4 Statement of Change in Net Financial Assets

The Town has net financial assets of **\$39.6 million** as of December 31, 2024.

The statement of changes in net financial assets explains the differences between the annual surplus and the change in net financial assets, summarized in Table 11.

Table 11 – Net Financial Assets

	2024 Actual	2023 Actual	Difference
Balance, beginning of year	\$ 30,042,774	\$ 29,667,892	\$ 374,882
Annual Surplus	14,095,564	12,310,531	1,785,033
Net accumulation of TCAs	(6,203,666)	(11,847,970)	5,644,304
PSAS Adjustment - ARO Liability	-	(21,487)	21,487
Remeasurement gain on investments (PPN)	1,840,680	146,300	1,694,380
Change in other non-financial assets	(200,839)	(212,492)	11,653
Balance, end of year	\$ 39,574,513	\$ 30,042,774	\$ 9,531,739

3.5 Benchmarking

The Town conducts an annual benchmarking analysis of key financial indicators to evaluate its financial condition relative to a benchmark group of municipalities and to assess progress toward established targets. This analysis supports long-term fiscal sustainability by monitoring performance in three critical areas: flexibility, sustainability, and affordability.

This report includes updated 2024 financial indicators, with a dashboard summary (Attachment 4). Final comparative data will be available following the release of the 2025 BMA Study.

3.5.1 Flexibility Indicators

Tax reserves as a percentage of own-source revenue measures fiscal flexibility and risk preparedness. While maintaining stable reserve levels shows good fiscal discipline, the Town may have less flexibility to manage unforeseen costs, emergencies, or infrastructure investments. This lower ratio compared to the target could signal that reserves are not keeping pace with the growing demands or risks faced by the community.

Table 12 – Reserves

Indicator	Target	2024	2023*	2022*	Trend
Tax Reserves as % Own Source Revenue	93%	65%	65%	73%	Stable
Tax Reserves per Capita	\$1,018	\$750	\$711	\$811	Improving

* Source: BMA Municipal Study

While it is encouraging to see tax reserves per capita showing positive momentum improving from \$711 to \$750, it could also indicate a delay or deferral in capital investments. The goal should be strategic reserve growth tied to a fully funded asset management plan.

Table 13 – Debt & Debt Servicing Costs

Indicator	Target	2024	2023*	2022*	Trend
Total Debt Servicing Cost	<3.7%	3.0%	3.7%	3.8%	Improving
Tax Supported Debt Servicing Cost	<2.2%	1.3%	1.5%	1.5%	Improving
Total Debt Outstanding per Capita	\$400	\$396	\$441	\$494	Improving
Debt to Reserve Ratio	<1.0	0.37	0.44	0.46	Improving

* Source: BMA Municipal Study

Debt indicators are moving in the right direction:

- Servicing costs are declining, indicating less of the annual budget is going to repay debt leaving more room for services/investments.
- Tax supported debt servicing costs are improving meaning there is a lower burden on property taxes.
- Debt per capita is trending downward, a sign that long term obligations are being managed
- A low debt to reserve ratio can indicate fiscal responsibility or could signal deferred/under capital investment.

Improving ratios create room for strategic borrowing for future needs while staying within safe limits. The Town's debt policy limits debt servicing costs to 12.5% of revenues and is significantly more stringent than the Province's upper limit of 25%.

3.5.2 Sustainability Indicators

Table 14 – Sustainability indicators

Indicator	Target	2024	2023*	2022*	Trend
Taxes Receivable *	<6.0%	13.9%	13.5%	13.1%	Declining
Capital Reserves Contributions as a % of Amortization **	>100%	87.2%	80.2%	71.3%	Improving
Tax Capital Reserve Contributions as a % of Amortization **	>100%	64.5%	51.9%	40.3%	Improving

* Source: BMA Municipal Study

** Source: Finance Services Commission

The total taxes receivable balance increased to 13.9% of total taxes levied. A new collection policy was approved by Council on May 21, 2025, refer to report FI-008-25. It is anticipated the new measures, including issuing end of year notices and the use of a bailiff company will result in higher collections in 2025.

Contributions to capital reserves, both total and tax-supported, have improved over the prior year, reaching 87.2% and 64.5% of amortization, respectively. This is a positive trend, but still below the 100% threshold that signals long-term financial sustainability. It is vital to achieve and surpass the 100% target threshold to align asset consumption with financial planning, and to account for inflation and increased future replacement costs. Increasing capital contributions, especially the tax-supported share, to meet or exceed amortization will help ensure infrastructure stays safe, reliable, and sustainable for future generations.

3.5.3 Affordability Indicators

Table 15 – Cost and Affordability

Indicator	Target	2025**	2024*	2023*	Trend
Net Municipal Levy per capita	Below Average	\$1,827	\$1,784	\$1,791	Mid

* Source: BMA Municipal Study

** Source: Finance Services Commission

Levy per Capita tracks changes in levies relative to changes in population. While the overall trend is increasing, the Town's levy per capita remains relatively stable and falls within the mid-range of municipal rankings.

It is important to recognize there are many factors that impact this indicator and why an increasing levy per capita should not necessarily be viewed as unfavourable. Strategic and steady levy increases are fiscally responsible, service-focused and fair to current and future residents.

3.6 Operating Surplus Reconciliation to Annual Surplus

The Town reported an **operating surplus of \$29,500** which has been allocated to the Tax Rate Stabilization Reserve. Refer to 3.9.2 for further analysis of this reserve.

The operating surplus for budgeting differs from the annual surplus in the statement of operations. Municipal budgets are forward-looking fiscal plans outlining cash needs and providing a framework for performance monitoring. The operating budget, prepared on a modified accrual basis, sets tax rates for a balanced budget without planned surpluses or deficits. The year-end surplus or deficit indicates how closely financial performance matched the approved budget.

In contrast, audited financial statements use full accrual accounting, including non-cash items like amortization, post-retirement benefits, and developer-contributed assets. This method shows the change in the Town's net worth over the year.

The following table provides a reconciliation between the operating budget surplus and the annual surplus reported in the financial statements.

Table 16 – Annual Surplus Reconciliation

Annual Surplus per Operating fund	\$ 29,500
Add:	
Principal repayment on long-term debt	1,678,481
TCA Assumptions	8,536,714
Capital funding	6,975,972
Contribution to reserves	17,600,095
PSAB accruals	77,311
	34,868,574
Deduct:	
Amortization expense	14,070,808
Capital expense	2,028,529
PSAB accruals	309,965
Contribution from reserves	4,393,208
	20,802,510
Annual Surplus per Consolidated Statement of Operations	\$ 14,095,564

3.7 Water & Wastewater – Rate Supported

Water and wastewater operations are rate supported. This means the rate structure is developed to ensure the rates remain fair to all customers, promote water conservation and provide financially sustainable revenue that ensures ongoing water and wastewater services and infrastructure reinvestment. The Town undertakes a Water/Wastewater Financial Plan and Rate Study every five years. The last plan was completed in 2022. The plan analyzes future operating expenses and capital needs for growth and asset maintenance and determines rates that will meet those objectives. The town sets minimum and target levels for stabilization reserves and repair and rehabilitation (R&R) reserves to support operations and sustainability of the water/wastewater system.

The annual results for the water division showed a deficit of \$0.4 million, and the wastewater division also ended with a deficit of \$0.4 million. The deficits can be primarily attributed to increased payments to the Region while revenue from water and wastewater bills within the Town did not rise proportionately.

The Reserve & Reserve Fund Policy sets minimum and target levels for water and wastewater stabilization such that surpluses can be attributed to R&R reserves to support the sustainability of the water/wastewater system, provided the respective Stabilization Reserve is within the target zone. The impact on reserves is explained in the following sections.

See 2024 Year-End Financial Results FI-005-25 for further information.

3.7.1 Water & Wastewater Stabilization Reserves

Target balance for stabilization reserves is two (2) months of operating expenditures. With operations ending the year in a deficit position, there is a draw on rate stabilization. Funds were transferred to operations from the respective reserves to support the shortfall. Refer to Table 17 below for the trend in stabilization reserve balances.

Table 17 – Water & Wastewater Stabilization Reserves

Stabilization	Range		2024	2023	2022	2021	Trend
	Min	Target					
Water	835,426	1,670,852	723,914	1,088,076	1,460,622	1,337,762	Declining
Wastewater	848,385	1,696,770	404,451	776,042	975,304	1,271,550	Declining

Both water and wastewater are below the minimum target as of the end of 2024. For wastewater, this is the second consecutive year where the minimum target has not been met. Any resulting surplus in 2025 will be transferred to the Stabilization Reserve first to bring the balances closer to target levels before any remaining surpluses can be attributed to R&R. An additional contribution to the water and wastewater reserves may need to be considered during the 2026 budget process.

3.7.2 Water & Wastewater Repair and Rehabilitation Reserves

Minimum levels for R&R, as established in the Reserve & Reserve Fund Policy, indicate the balance should be maintained at a level sufficient to provide for the 5-year average capital requirement included in the 10-year capital plan. R&R levels are above the minimum balances.

Table 18: Water & Wastewater Repair & Rehabilitation (Capital) Reserves

R&R	Range		2024	2023	2022	2021	Trend
	Min	Target					
Water	2,414,290	25,730,381	9,543,351	8,168,132	6,364,363	4,606,477	Improving
Wastewater	1,111,370	11,642,691	7,329,735	6,446,949	5,155,010	3,099,192	Improving

3.8 2024 Financial Statements of Whitchurch-Stouffville Trust Funds

Trust funds administered by the Town amounting to \$1,295,757 (2023 - \$1,249,996), have not been included in the consolidated financial statements. Table 19 provides details regarding the funds held.

Table 19 – Trust Fund Continuity

Fund	Beginning Balance	Receipts	Transfer/ Expenses	Ending Balance
Alex Grubin	\$ 2,120	\$ 191	\$ 191	\$ 2,120
Thomas Williamson	60,553	2,640	2,640	60,553
Cemetery Perpetual Care & Maintenance	1,014,713	93,018	47,257	1,060,474
Museum	172,610	8,216	8,216	172,610
	\$ 1,249,996	\$ 104,065	\$ 58,304	\$ 1,295,757

Trust funds are held in perpetuity to maintain the conditions of bequests, endowments, and capital fees. The capital investment remains intact, and the investment income is distributed as intended.

The capital investment portfolio is managed by the Town with the same level of care as the Town's own investment portfolio, focusing on adherence to statutory requirements, preservation of capital, and earning a competitive rate of return. Liquidity is less relevant for Trust investments as only income earned is distributed annually. To meet these objectives and ensure effective management of the funds, Trust investments are held separately in their own accounts.

3.9 Reserve and Reserve Funds

Reserves and reserve funds ensure the Town's ongoing long-term financial health, stability and flexibility. Reserves and reserve funds must be maintained at an adequate level to ensure the Town has sufficient cashflow to meet its future needs, mitigate the impact of unexpected financial or economic changes and manage risk.

The Reserve and Reserve Fund Policy, established in July 2019, categorizes reserves into four categories: obligatory, stability and flexibility, capital, and special purpose. The 2024 Statement of Reserves and Reserve Funds, Attachment 5, details the reserve and reserve fund balances by category as summarized below.

Table 20 – Reserve and Reserve Fund Balance by Category

Reserve & Reserve Funds	Beginning Balance	2024 Activity	Ending Balance
Obligatory	45,351,129	4,443,354	49,794,483
Stability and flexibility	19,484,658	(1,021,930)	18,462,728
Capital	35,434,784	6,387,245	41,822,029
Special purpose	1,540,968	15,985	1,556,953
	\$ 101,811,539	\$ 9,824,654	\$ 111,636,193

3.9.1 Obligatory Reserve Funds

Obligatory reserve funds are established by statute or agreement where revenues received are designated for specific purposes. These are segregated from general reserves and can only be used for the prescribed purpose. Refer to Table 21 below for the activity in each fund.

Table 21 – Obligatory Reserve Fund Balances

Obligatory Reserve Funds	Beginning Balance	2024 Activity	Ending Balance
Development Charges	26,108,563	1,460,770	27,569,333
Canada Community Building Fund	11,258,557	(369,123)	10,889,434
Planning Act	7,984,009	98,206	8,082,215
Community Benefit Charge	-	4,104	4,104
Building Faster Fund	-	1,368,281	1,368,281
Ontario Community Infrastructure Fund	-	1,881,116	1,881,116
	\$ 45,351,129	\$ 4,443,354	\$ 49,794,483

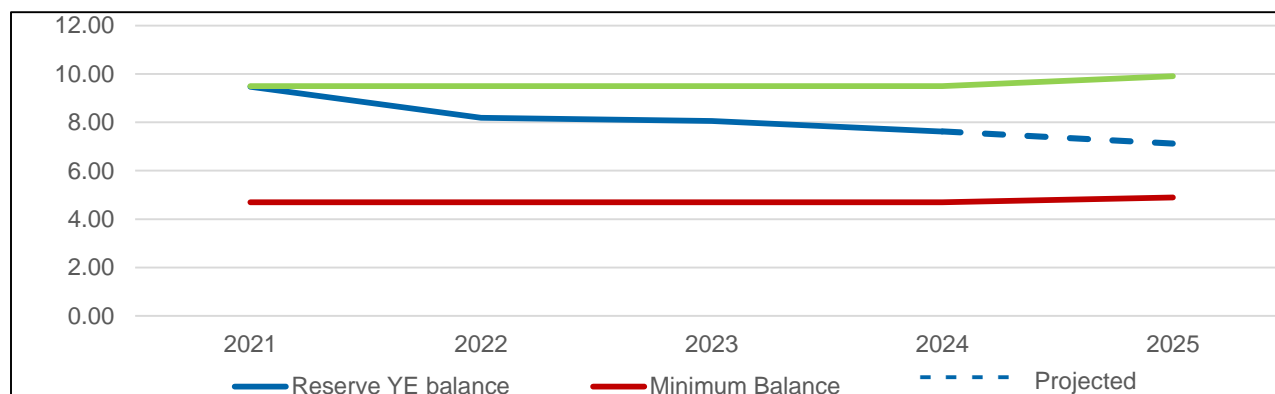
3.9.2 Stability and Flexibility Reserves

Stability and flexibility reserves, including stabilization reserves for tax, water, wastewater, building, cemetery and library as well as the election and WSIB reserves, are established to ensure the Town has sufficient cash flow to meet its operational obligations, provide stability to rates in the event of unforeseen economic events and provide funding for one-time requirements.

Target levels are set for stabilization reserves at a minimum of one (1) month of operational expenses to a target of two (2) months. Similar to last year, stability and flexibility reserves saw decreases due to operating deficits for Building and Water/Wastewater. The 2024 operating budget also approved \$0.5 million in transfers from Tax Rate Stabilization to fund operations.

Tax Rate Stabilization, being the largest stabilization reserve, remained below the targeted balance in 2024. Figure 9 highlights the current balance against the target.

Figure 9 – Tax Rate Stabilization Reserve Year End Balances



The target range is \$4.9 million to \$9.9 million based on the approved 2025 budget. A surplus of \$2.3 million would be required to attain the target balance in 2025 before further surplus could be directed to fund capital reserves.

3.9.3 Capital Reserves

Capital reserves are established to fund the rehabilitation and replacement of assets as set out in the Asset Management Plan and to support the Town's share of growth projects and other strategic initiatives. They are intended to provide flexibility to manage debt levels and make provisions to sustain the acquisition, rehabilitation, repair and replacement of core infrastructure through their lifecycle. Capital reserves should maintain a minimum balance at levels sufficient to provide for the 5-year average capital requirement and while there is no target, the goal is to achieve a fully funded capital program based on projected replacement costs of the underlying assets.

As previously discussed in section 3.1.3, with Tangible Capital Assets being the Town's largest collection of assets, contributions to capital reserve funds are imperative to safely continue Town operations and exceed resident expectations regarding services and programming. Although the reserve balances have increased, this may indicate that the Town is not investing in the repair and replacement of aging assets at a rate consistent with their usage. To illustrate, refer to Table 22, highlighting a net increase in reserves however there is a shortfall actual investment over budget.

Contributions also need to keep pace with the future needs of the Town when considering growth expectations and inflationary pressures.

Table 22 – Planned vs. Actual Capital Spending

Capital Reserves	Rehab & Replacement	Fleet & Equipment
2024 Opening Balance	5,458,000	4,319,000
2024 Closing Balance	7,561,000	4,956,000
Net Increase	2,103,000	637,000
Actual Capital Spending	2,019,000	1,663,000
Budgeted Spending - 2024 Projects	3,059,000	1,855,000
Budgeted Spending - 2023 & prior CFWD	2,457,000	3,356,000
Total Budgeted Spending	5,516,000	5,211,000
Spending Shortfall for 2024	\$ (3,497,000)	\$ (3,548,000)

Although the reserves' balance grew in 2024, actual investments made were lower than the budgeted spending for 2024 projects and those carried over from previous years. This indicates a spending shortfall of approximately \$3.5 million for R&R and \$3.5 million for fleet and equipment.

The Town's Asset Management Plan (AMP) is a valuable tool to evaluate the actions required to manage the Town's portfolio of assets in a way that supports established service levels, while managing risk and costs. The 2022 AMP on core assets including roads, bridges & culverts, sidewalks, stormwater, water and wastewater assets, identifies an estimated annual funding gap of \$2.9 million and makes recommendations to close the gap. This includes deferring capital projects, increasing reserves and/or increasing rates. An updated AMP will be available June 18, 2025.

While current reserve and reserve fund balances appear within target, long-term financial sustainability relies on sound reserve management. Reserve planning allows the Town to accumulate funds needed to support large-scale infrastructure projects and support asset management. The use of reserves supports the development of realistic and achievable capital plans and ensures sufficient contingency funding in the event of unforeseen economic instability, that may impact taxation revenue.

3.10 Development Charge Reserve Funds

Pursuant to Subsection 43 of the Development Charges Act, 1997, S.O. c. 27 (DCA), the Treasurer shall provide Council with a Statement of Development Charge Reserve Funds. The Treasurer's statement must include, for the preceding year:

- a) Statements of the opening and closing balances and of the transactions relating to the funds;
- b) Statements identifying,
 - i. All assets whose capital costs were funded under the development charge by-law during the year,
 - ii. For each asset mentioned in subclause (i), the manner in which any capital costs not funded under the by-law was or will be funded;
- c) Statement of Future Allocations;
- d) A statement as to compliance with subsection 59.1 (v)

The Treasurer's statement is provided in Attachment 6 and provides greater detail.

3.11 Report on Building Fees

In accordance with Subsection 7 (4) of the Building Code Act S.O. 1992, c23 as amended, the municipality is required to prepare an annual report on the results of the Building Services division to administer and enforce the Building Code Act in its area of jurisdiction. As prescribed by the Building Code Act, if fees collected exceed expenditures to administer and enforce the Act, then the Municipality shall create/maintain a reserve balance. The reserve would be available to manage risk in a construction downturn. The balance in the building reserve at December 31, 2024 is \$6.3 million. Further detail is provided in Attachment 7.

4. Summary of Results:

4.1 Confidence in Financial Oversight

KPMG's unqualified audit opinion, with no deficiencies or misstatements, highlights the Town's commitment to sound financial governance and transparent reporting. The audit results reflect a high standard of financial oversight and accountability.

4.2 Strong Performance and Sustainable Financial Position

The Town concluded the year 2024 with an annual surplus of \$14.1 million and a net financial asset position of \$39.6 million, both of which are indicative of strong financial health. Positive cash flows were also generated from the Town's operating activities. Additionally, the Town continues to reduce its debt load, having fully paid off one of its debentures by the end of 2023 and acquiring no new debt in 2024.

These outcomes demonstrate that the Town is not only meeting its current obligations but is also improving its financial performance year over year and is well-positioned to address future needs and unexpected challenges.

4.3 Strategic Investment and Long-Term Planning

The financial results for 2024 reflect the Town's position as a growing community. Increased community engagement and expanded program offerings in 2024 resulted in higher revenue from recreational rentals, programming, and memberships. Correspondingly, increased expenditures on staffing and materials were also required in order to maintain these services.

The Town is well equipped to meet its ongoing obligations; however, this growth highlights the necessity for effective fiscal planning to ensure sufficient reserve funding is available to sustain future services and facilities. Revenue streams such as grants and investment income can fluctuate. Maintaining a strong reserve balance protects the Town against unexpected economic circumstances and ensures funds are accessible to support infrastructure and services without incurring additional debt or compromising other essential services. Commitment to long-term planning and investments in capital infrastructure in the budgetary process will support the Town in meeting the needs of its expanding community.

5. Financial Implications:

There are no immediate financial implications arising from this report. The financial statements and supplementary statements appended to the report provide a detailed overview of the financial performance for the fiscal year ending December 31, 2024.

6. Broader Intergovernmental Impacts and/or Considerations:

There are no broader intergovernmental impacts and/or considerations arising from this report.

7. Communication:

There are no communication implications resulting from this report.

8. Alignment with Strategic

1. Good Governance
Provide Good Governance

9. Attachments:

Attachment No. 1 – Audit Findings Report
Attachment No. 2 – 2024 Draft Consolidated Financial Statements
Attachment No. 3 – 2024 Draft Trust Fund Financial Statements
Attachment No. 4 – Financial Dashboard
Attachment No. 5 – 2024 Statement of Reserve and Reserve Funds
Attachment No. 6 – 2024 Treasurer's Statement of Development Charges
Attachment No. 7 – 2024 Report on Building Fees
Attachment No. 8 – Financial Statement Glossary of Terms

10. Related Reports:

June 18, 2025 – FI-011-25 Asset Management Plan – Levels of Service
May 21, 2025 – FI-008-25 Strategy for Initiating Tax Sales for Eligible Properties
April 16, 2025 – FI 004-25 Investment Report
April 16, 2025 – FI-005-25 2024 Year-End Financial Results
June 15, 2022 – FTS-011-22 2022 Asset Management Plan – Core Assets
July 16, 2019 – FTS-024-19 Reserve and Reserve Funds Strategy (F20) Report

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