



THE CORPORATION OF THE TOWN OF AMHERSTBURG

OFFICE OF CORPORATE SERVICES

Mission Statement: As stewards of the Town of Amherstburg, we strive to improve the quality of life of all residents through the delivery of effective, efficient, and affordable services.

Author's Name: Tracy Prince	Report Date: October 18, 2024
Author's Phone: 519 736-0012 ext. 2254	Date to Council: November 25, 2024
Author's E-mail: tprince@amherstburg.ca	Resolution #:

To: Mayor and Members of Town Council

Subject: 2023 Year End Reporting: Audited Consolidated Financial Statements, Financial Indicators, Building Services Annual Statement, Development Charge Reserve Funds Statement, and 2023 Parkland Dedication Reserve Statement

1. RECOMMENDATION:

1. The report from the Treasurer dated October 18, 2024 regarding 2023 Year End Reporting: Audited Consolidated Financial Statements, Building Services Annual Statement and Amended Development Charge Reserve Funds Statement **BE RECEIVED**;
2. The Audited Consolidated Financial Statements for the year ended December 31, 2023 **BE APPROVED**;
3. The Audit Findings Report of KPMG for the year ended December 31, 2023 **BE RECEIVED**;
4. Administration **BE AUTHORIZED** to post the 2023 Consolidated Financial Statements on the Town of Amherstburg website;
5. The Financial Indicators for the year ending December 31, 2023 **BE RECEIVED**;
6. The Statement of Revenue and Expenses and Accumulated Net Expense for Building Services for the year ended December 31, 2023 **BE RECEIVED**;
7. The Development Charges Reserve Funds Statement, for the year ended December 31, 2023 **BE RECEIVED**; and,

8. The Parkland Dedication Reserve Statement, for the year ended December 31, 2023 **BE RECEIVED**.

2. BACKGROUND:

The *Municipal Act* requires that all municipalities undertake an annual audit of their accounts and that the external auditors express an opinion on the Consolidated Financial Statements (Statements) based on the audit (Section 296); and that the audited financial statements of the municipality for the previous year be published (Section 294).

The *Development Charges (DC) Act*, section 43(1), requires the Treasurer of the municipality to annually provide Council with a statement about each Reserve Fund established under the Act. Ontario Regulation 82/98, paragraphs 12 and 13 indicate the information to be included in the report.

The *Ontario Building Code Act*, subsection 7(4) requires that an annual Statement of Revenue and Expenses and Accumulated Net Revenue (Expense) be completed. Ontario Regulation 332/12 (Building Code) Division C, Section 1.9.1.1 Annual Report, outlines the information to be included in the report.

The *Planning Act* has annual report provisions for disclosure of Parkland Dedications. This is a requirement under Section 42 of the *Planning Act*, resulting from the proclamation of the *Smart Growth for Our Communities Act* (Bill 73).

Under Section 42 of the *Planning Act* a municipality may require, as a condition of development, that land be conveyed to the municipality for park or other public recreational purposes. Alternatively, the Council may require a payment-in-lieu to the value of the land otherwise required to be conveyed. Those funds must be held in a special account (reserve fund), allocated interest income and spent only for the acquisition of land to be used for park or other recreational purposes including the erection, improvement or repair of buildings and the acquisition of machinery.

3. DISCUSSION:

In accordance with these legislative requirements outlined above, this report transmits the following statements for the year ended December 31, 2023:

1. 2023 Consolidated Financial Statements (audited) (Attachment A),
2. Development Charge Reserve Funds Statement (Attachment B), and
3. Statement of Revenue and Expenses and Accumulated Net Expense for Building Services (Attachment C)
4. Parkland Dedication Reserve Statement (Chart Below)

In addition, it transmits KPMG's Audit Findings Report (AFR) (Attachment D).

The 2023 Consolidated Financial Statements (attached in draft) are prepared in accordance with Canadian generally accepted accounting principles for governments, as recommended by the Public Sector Accounting Board (PSAB), and are a snapshot of the

Town's financial position and performance that provides important information to financial institutions and the public.

These Statements are prepared on an accrual basis of accounting; as such they differ from the figures presented in the cash-based budget for the determination of the municipal tax levy. The main reasons they differ include accounting treatment of amortization, inter-company transfers, principal and interest (P&I) payments and capital financing.

Together with management reporting on actual performance against budget (variance reports), these Statements provide a good picture of the financial state of affairs of the Town of Amherstburg. 2023 4th Quarter Variance was provided to Council for their September 23rd, 2024 meeting followed by the 2024 2nd Quarter Variance Reporting at Council's October 28, 2024 meeting.

KPMG's Audit Findings Report provides an overview of the 2023 year-end audit process, and assists in the review of the results of the audit of the Consolidated Financial Statements of the Town.

It should be noted that there are no material misstatements of note in the audit finding report, however, one observation was made and is noted in the Control deficiencies – Other deficiencies page 11 of KPMG report. Also noted is a change in accounting standards adopted by the Town under Public Accounting Standards PS 3280 – Asset Retirement Obligations. For the 2025 year-end further changes to Public Accounting Standards are expected to impact the Reporting of the Town's Financial Statements which may take significant work to meet the new PSAB reporting model which will introduce new reports and change current reports.

During 2021 the staff turnover and lack of ability for cross-training resulted in a lack of transfer of knowledge. This factor was also indicated in the report provided by KPMG regarding the review of processes presented July 11, 2023. Administration has reviewed current processes and has developed workflows and documentation to provide the future transfer of knowledge. In addition, Administration is reviewing options to improve succession planning and develop opportunities to provide advancement and transfer of knowledge.

The Development Charge (DC) Reserve Fund Statement is part of the year-end financial accounting process, resulting in the statement as outlined in Attachment B.

The Statement of Revenue and Expenses and Accumulated Net Expense for Building Services for the year ended December 31, 2023 (Attachment C) outlines the fiscal results as well as continuity for the building operations and capital reserve funds. The 2023 actual figures include allocated overhead costs (indirect) for building services and exclude costs not related to Building Code Act operations.

4. RISK ANALYSIS:

The Municipal Act requires publication of Consolidated Financial Statements for the benefit of users who rely on and or wish to review the Town's financial position and operations, such as ratepayers and banks. The risk of publishing a material misstatement,

which may affect users of the Statements, is mitigated by the independent external audit and the Town's internal control structure.

5. FINANCIAL MATTERS:

Highlights of the **2023 Consolidated Financial Statements** (Attachment A) include the following:

i) Overview of the Consolidated Statement of Financial Position compared with the prior year:

- Cash has increased \$4.4 million (7%) due to positive swings in cash flow management and less reliance on line of credit as well as increases in OCIF funding holding. Increased holding in development charge funds, and water and wastewater reserves have also been experienced; all of which are held in reserves and reserve funds. As the cash balance grows an updated investment policy will become important to ensure cash held is invested prudently to provide returns to improve reserve fund balances.
- Taxes receivable increased by \$0.6 million (47.5%). The increase could be a result of inflation and increased interest rates on mortgages affecting individual personal finances as well as a result of an increase in tax balances being experienced during the pandemic. As well there are a few larger balances outstanding on specific properties that are in the tax sale registration process, and continued to be outstanding at year end.
- Administration regularly reviews the tax arrears status of properties and continues to work with residents to reduce their arrears and to avoid future arrears through registration in the pre-authorized payment program.
- Trade and other receivables increased by \$1.09 million (27%). The increase is largely due to grants associated with infrastructure project completion stages. Receipt of the Grant money is expected in 2024. Administration is reviewing all grant claims and payment receipts to ensure all monies are received from granting agencies.
- Drainage receivables increased by \$0.9 million (49%) reflecting amounts due from landowners for new drainage construction projects in progress at year end, as well as increased costs and drain maintenance works during the year.
- Investment in Government Business Enterprise (GBE) reflects the Town's ownership share in Essex Power Corporation. The investment asset remained stable for the Town's share (14.256%) of the accumulated surplus of Essex Power as at the end of 2023; this increase does not represent cash collected. A breakdown of the investment is provided in Note 4 to the Consolidated Financial Statements.

- Bank indebtedness remained stable from 2022. There is no use of the operating line of credit in use at the end of 2023. The only balance is for the line of credit to fund drainage projects while awaiting payment from landowners.
- Accounts payable and accrued liabilities have decreased by \$0.06 million (7.4%) and have remained relatively stable from 2022.
- Accrued interest on long-term debt remains stable due to a reduction of loan holdings that require accrued interest calculations in 2022.
- Municipal debt decreased by \$2.0 million (7%) to \$25.9 million. The decrease resulted from annual loan repayments. A breakdown of long-term debt is provided in Note 6 to the Consolidated Financial Statements. Full retirement of outstanding debt funded by taxation, wastewater rates and water rates will occur in 2041, 2034 and 2037 respectively.
- Employee future benefit obligations have decreased by \$0.3 million as a result of an increase in the amortization of actuarial gains for 2023 based on actuarial assumptions from 2022. The Town contributes to the actuarial liability on a cash basis as the actual payments are required. The actuarial valuation/projection considers post-retirement life insurance for members of the former Hydro Electric group, and corporate obligations for post-retirement health insurance and post-retirement dental insurance. A breakdown of the various components of the employee future benefit obligations is provided in Note 7 to the Consolidated Financial Statements.
- The balance of deferred revenue increased \$2.88 million (13%) to \$25.67 million. These funds are held as obligatory reserve funds, for a prescribed purpose, and consist of the Development Charges Reserve Funds, Federal Gas Tax Reserve Fund, Provincial Grant (OCIF) Reserve Fund and Other. Schedule 2 to the Consolidated Financial Statements provides a summary of the transactions during the year.
- Tangible Capital Assets (TCA) at the end of the year have a net book value of \$276,368 million, an increase of \$15.343 million (5.9%). Schedule 1 of the Consolidated Financial Statements details the activity during the year.
- Prepaid expenses remained relatively stable.
- The Accumulated Surplus summarizes the Town's consolidated equity which identifies the financial position, including TCAs and financial resources of the Town. Included in determining the surplus are a number of expenses mandated by PSAB for financial reporting purposes, for example employee future benefits, accrued interest on long-term debt, TCA amortization and accrued receivables and payables. Schedule 4 of the Consolidated Financial Statements details the components of the Accumulated Surplus, which indicates the Town's assets outweigh the Town's liabilities by \$278.7 million, an increase of \$22.6 million (8.8%).

- Reserves and Reserve Funds balances have Increased \$5.5 million (16%), largely from increases in general capital reserves of \$4.6 Million comprised of the lifecycle reserves and the capital and reserve levy funds. Schedule 3 to the Consolidated Financial Statements, is the schedule that provides Reserves and Reserve Funds continuity and balances at year end. These balances are the actual balances remaining in the reserves at year end and do not reflect amounts committed by Council for the completion of projects outlined in the Capital Budget.

ii) Review of Statement of Financial Activities compared with the prior year:

As noted above, the figures disclosed in the Consolidated Financial Statements are based on the accrual basis of accounting, in accordance with PSAB reporting requirements. As such the revenue and expense amounts reported do not reflect the results reported in relation to the Town's annual cash-based budget.

Revenues:

- Taxation, which includes property taxes and user fees, increased by \$1.7 million (5.8%) based on the fiscal levy increase, net impact of in-year assessment changes, increased supplementary tax revenue from new housing and inflation adjustment to user fees.
- Water charges remained stable, which is reflective of council holding a 0% increase in 2023 on water rates.
- Wastewater charges decreased by \$0.3 million (4.7%), resulting from lower Local-sewer charges in 2023.
- Government transfers increased by \$2.4 million (42.6%) a result of capital projects funded from deferred revenue increasing.
- Other Revenue increased \$8.9 million as a result of a large assumption of infrastructure from development during 2023 of 10.7 million.
- Interest income is up \$1.3 million (81.9%) as inflation had impacts on the rate of return on cash holdings. As BOC policies take affect to slow inflation and interest rates are reduced we will not see this trend continue.
- Income from Government Business Enterprises (GBE) results from the Town's ownership share in Essex Power Corporation and consists of:
 - The Town's share of Essex Power Corporation's net income of \$0.3 million, based on 14% of the Town's total investment.
- Gain on disposal of tangible capital assets of \$0.72 million is the calculated accounting gain from the sale of land holdings, full-expired fleet and equipment.

Expenses:

In accordance with PSAS (PSAB) reporting requirements, capital expenditures and principal repayments for long-term debt are removed and amortization expenses are included in the total expenses reported in the Consolidated Financial Statements.

- General government expenses decreased \$1.4 million (16%) primarily due to a PSAB adjustment to the Tangible Capital Assets (TCA).
- Protection to persons & property expenses increased \$0.4 million, increase in contractual services and agreements
- Transportation services expenses increased by \$1.8 million (29%) resulting from an increase to the amortization expense allocated to Transportation Services.
- Environmental Services expenses increased by \$0.39 million (2.8%) due to increases in contracted maintenance costs in 2023 vs 2022.
- Recreation and Cultural Services expenses increased by \$0.06 million (0.9%) resulting from a return to regular business with Covid restrictions removed.
- Planning and Development expenses increased by \$0.74 million (35.7%) primarily resulting from a return to regular business, increased demand on services from provincial regulation changes, and OLT hearings.

The Annual Surplus of \$22.6 million in 2023 (\$10.8 million in 2022) resulted from the items outlined above; the surplus includes adjustments based on the consolidation of equity in Essex Power and mandatory PSAB reporting requirements which include the recognition of grants revenue as received in the year. As a result of these adjustments, the accrual-based annual surplus reported in the Statements is not comparable to the cash-based budget surplus/deficit reported to the Council in the Year-end (Q4) Variance reporting.

Highlights of the **2023 Development Charge Reserve Funds Statement** (Attachment B):

- Development Charges of \$2.47 million were collected in 2023.
- Interest income of \$1.15 million was earned on the investment in the reserve fund.
- A withdrawal of \$0.5 million was made to cover the cost of the DC eligible loan payment for the wastewater treatment plant.
- A withdrawal of 1.31 million was made to cover the cost for the Boblo Island Forcemain and Pumping Station.
- A withdrawal of 250,000 was made to cover expenses for the development of the new fire station.
- A withdrawal of \$147,434 was made to cover Amherstburg Water Treatment Plant Upgrades and SCADA Installation
- A withdrawal of \$.006 million was made to cover the 57% of eligible expenses for Texas Road DC eligible debt financing.

- A withdrawal of \$49,000 was made to cover the DC eligible expenses for renovation for the community and seniors centre at 179 Victoria Ave.
- A withdrawal of \$48,051 was made to cover the DC eligible expenses for the Major Planning Policy Studies - OP&ZBR.

Highlights of the **2023 Statement of Revenue and Expenses and Accumulated Net Expense for Building Services** (Attachment C) include the following:

This statement outlines the fiscal results as well as continuity of building operations and capital reserve funds.

The 2023 actual figures include allocated overhead costs (indirect) and actual costs for delivery of building services under the Building Code Act.

The statement shows that 2023 resulted in a net deficit of \$62,313, reducing the accumulated balance reflected in the Building Services – Operations reserve fund. The net balance of the Building Services reserve funds, equal to the accumulated net expense, totals \$0.82 million at the end of 2023. It is expected that accumulated surpluses or accumulated expenses will occur over time based on fluctuations in development activity. Any future surpluses from building services will be transferred to draw down on the accumulated expense, and Administration will continue to monitor and provide recommendations with respect to building services fee adjustments and expense containment, as appropriate.

2023 Parkland Dedication Reporting

Chart 1 - 2023 Treasurer’s Statement - Parkland Dedication Reserve Fund, shown below, outlines the Parkland Dedication activity for the year ended December 31, 2023. Total collections were a result of \$194,255 in fees and the sale of parkland of \$379,360 for a storm water retention pond.

Parkland Dedication Reserve Funds spent on capital projects totaled \$66,170 in 2023.

**Town of Amherstburg
Treasurer Statement under Section 42 of the Planning Act
For the Year Ended December 31, 2023**

Parkland Dedication		
Opening Balance		\$389,859
Contributions	\$573,615	
Interest	\$25,437	
Total Funds Available		\$988,911
Less: Capital Projects	\$66,170	
Closing Balance		\$922,741

6. CONSULTATIONS:

KPMG, LLP audited the financial statements and prepared the Audit Findings Report transmitted with this report.
 Manager of Financial Services, Deputy Treasurer

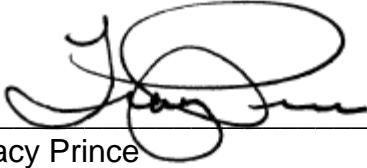
7. CORPORATE STRATEGIC ALIGNMENT:

Vision: Preserving our past while forging our future.

<i>Amherstburg Community Strategic Plan 2023 - 2026</i>	
<p style="text-align: center;">PILLAR 1 Deliver Trusted & Accountable Local Government</p> <ul style="list-style-type: none"> ✓ Improve trust between council and staff, and residents, by strengthening governance and internal accountability structures. ✓ Deliver transparent and efficient financial management. <input type="checkbox"/> Increase effective communication and engagement with residents. <input type="checkbox"/> Develop our staff team, resources, and workplace culture. <input type="checkbox"/> Continue to deliver strong core municipal services. <input type="checkbox"/> Ensure Amherstburg is an inclusive accessible and welcoming community committed to reconciliation. 	<p style="text-align: center;">PILLAR 3 Encourage Local Economic Prosperity</p> <ul style="list-style-type: none"> <input type="checkbox"/> Encourage development of commercial and industrial lands. <input type="checkbox"/> Continue to promote local tourism industry, especially overnight accommodation. <input type="checkbox"/> Continue to facilitate downtown development for residents and visitors. <input type="checkbox"/> Continue to leverage partnership opportunities with other provincial, federal, and local governments, agencies, and organizations.
<p style="text-align: center;">PILLAR 2 Invest in Community Amenities and Infrastructure</p> <ul style="list-style-type: none"> <input type="checkbox"/> Maintain safe, reliable and accessible municipal infrastructure and facilities. <input type="checkbox"/> Increase access to recreation opportunities for all ages. <input type="checkbox"/> Finalize and execute plans for town-owned lands (e.g. Duffy’s site, Belle Vue) <input type="checkbox"/> Create public access to water and waterfront <input type="checkbox"/> Prioritize opportunities to reduce environmental impacts of Town operations and increase Town resilience to climate change. 	<p style="text-align: center;">PILLAR 4 Shape Growth Aligned with Local Identity</p> <ul style="list-style-type: none"> <input type="checkbox"/> Define and communicate a vision for the Town’s future and identity. <input type="checkbox"/> Promote and plan for green and “climate change ready” development. <input type="checkbox"/> Review and implement policies that promote greater access to diverse housing. <input type="checkbox"/> Protect the Town’s historic sites and heritage. <input type="checkbox"/> Preserve the Town’s greenspaces, agricultural lands, and natural environment.

8. CONCLUSION:

The 2023 Year End Reporting reflects the position of the municipality as at December 31, 2023.

A handwritten signature in black ink, appearing to read 'Tracy Prince', is written over a horizontal line.

Tracy Prince

Director Corporate Services/Chief Financial Officer/Treasurer

Report Approval Details

Document Title:	2023 Financial Statements.docx
Attachments:	- Attachment C 2023 Building Services Statement.pdf - Attachment A 2023-12-31 Amherstburg FS draft Oct11.pdf - Attachment D Town of Aburg AFR 2023-1.pdf - Attachment B 2023 - DC Reserve Fund Reporting.pdf
Final Approval Date:	Nov 13, 2024

This report and all of its attachments were approved and signed as outlined below:



Valerie Critchley



Kevin Fox