



## THE CORPORATION OF THE TOWN OF AMHERSTBURG

### OFFICE OF CORPORATE SERVICES

**MISSION STATEMENT:** *Committed to delivering cost-effective and efficient services for the residents of the Town of Amherstburg with a view to improve and enhance their quality of life.*

<b>Author's Name:</b> Tracy Prince	<b>Report Date:</b> June 9, 2022
<b>Author's Phone:</b> 519 736-0012 ext. 2254	<b>Date to Council:</b> June 27, 2022
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**To:** Mayor and Members of Town Council

**Subject:** 2021 Year End Reporting: Audited Consolidated Financial Statements, Building Services Annual Statement, Development Charge Reserve Funds Statement, and 2021 Parkland Dedication Reserve Statement

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#### 1. **RECOMMENDATION:**

It is recommended that:

1. The report from the Treasurer and the Director of Corporate Services dated July 29, 2022 regarding 2021 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, 2021 **BE APPROVED**;
3. The Audit Findings Report of KPMG for the year ended December 31, 2021 **BE RECEIVED**;
4. Administration **BE AUTHORIZED** to post the 2021 Consolidated Financial Statements on the Town of Amherstburg website;
5. The Statement of Revenue and Expenses and Accumulated Net Expense for Building Services for the year ended December 31, 2021 **BE RECEIVED**;
6. The Development Charges Reserve Funds Statement, for the year ended December 31, 2021 **BE RECEIVED**; and,
7. The Parkland Dedication Reserve Statement, for the year ended December 31, 2021 **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, 2021:

1. 2021 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 2021 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.

KPMG's Audit Findings Report provides an overview of the 2021 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 Audit Findings Report on page 10 of KPMG report.

During 2021 there was a number of staff turnovers and lack of ability for cross training which has resulted in a lack of transfer of knowledge. This fact was also indicated in the report provided by KPMG regarding the review of processes presented July 25, 2022. The administration is planning to review current processes and develop 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, 2021 (Attachment C) outlines the fiscal results as well as continuity for the building operations and capital reserve funds. The 2021 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 rate payers 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 **2021 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 \$13.8 million (38%) 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.
- Taxes receivable decreased by \$0.1 million (42%). The decrease is minor and reflects a relatively stable amount outstanding from prior year. Which is a result of an increase in tax balances being experienced during the pandemic and a few larger balances properties outstanding at year end that are in tax sale registration process, continuing to be outstanding.

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. An increased review of outstanding property taxes in 2022 has been put in place with many of the finance positions filled. Resulting in 46% increase in eligible tax sales registration.

- Trade and other receivables decreased by \$0.5 million (12%). The decrease is a result of a payment of a large accrual in 2020 for the county portion of the paved shoulders along Alma, as well as accruals for grant receivable for the completion of the Green Municipal Fund Grant for the Duffy property.
- Drainage receivables increased by \$0.5 million (63%) reflecting amounts due from landowners for new drainage construction projects in progress at yearend 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 increased by \$0.3 million to \$6.053 million for the Town's share (14.256%) of the accumulated surplus of Essex Power as at the end of 2021; this increase does not represent cash collected. A breakdown of the investment is provided in Note 3 to the Consolidated Financial Statements.
- Bank indebtedness remained stable from 2020. There is also no use of the operating line of credit in use at the end of 2021. The only balance is for the line of credit to fund drainage projects.
- Accounts payable and accrued liabilities have increased by \$2.6 million (45%) primarily due to significant planning development agreement security deposits made towards the end of the year.
- Accrued interest on long-term debt remains stable due to a reduction of loans holdings that require accrued interest calculations in 2020.

- Municipal debt decreased by \$2.3 million (7%) to \$30.25 million. The decrease resulted from annual loan. A breakdown of long-term debt is provided in Note 5 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 increased by \$0.1 million this was because of an increase in cost escalation of \$0.1 million for the Town's total employee future benefit costs in 2021, based on actuarial assumptions. The Town contributes to the actuarial liability on a cash basis as actual payments are required. The actuarial valuation/projection takes into account 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 6 to the Consolidated Financial Statements.
- The balance of deferred revenue increased \$3.5 million (26%) to \$17.1 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 \$261,148 million, an increase of \$6.51 million (2.6%). The Town and developers made a net investment of \$16.8 million in capital assets during the year which largely consisted of asset renewals and improvements for roads, water and wastewater infrastructure. The change to the net book value of TCA includes the annual amortization of the capital assets in the amount of \$10.2 million. The amortization represents the proportionate cost of the assets used up as during 2021, based on their estimated useful life. 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 \$246.85 million, an increase of \$16.4 million (7%).
- Reserves and Reserve Funds balances have Increased \$4.82 million (25%), as disclosed within the Accumulated Surplus position, largely from increases in Water and wastewater capital reserves 1.2 Million and increases in the reserve fund

general of 0.7 million which has comprises of the lifecycle reserves and the capital and reserve levy funds and sale of land of \$0.87 million allocated to Parks Reserve. An additional disclosure change has been made to reflect the Accumulated Net Expense for Building Services in the Reserves and Reserve Funds Schedule 3 to the Consolidated Financial Statements, which is the schedule that provides Reserves and Reserve Funds continuity and balances at year end.

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 \$0.18 million (.06%) based on the fiscal levy increase, net impact of in-year assessment changes and increased supplementary tax revenue from new housing, which all account for \$.23 million.
- Water charges increased by \$0.13 million (2%) resulting from applying 2021 water rates against increased water usage volume, and fees based on an increase in demand for new water service connections.
- Wastewater charges decreased by \$0.78 million (8%). The decrease reflects the net impact of 2019 deferred revenue for a capital project completed in 2020.
- Government transfers and Other Revenue increased \$3.8 million (30%), due to an assumption of infrastructure.
- Other Revenue increase of \$7.7 million is a result of a large assumption of infrastructure from development during 2021.
- Interest income is up \$0.23 million as the pandemic had impacts on the rate of return on cash holdings and fluctuations in interest based on GIC holdings.
- 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 \$0.16 million, based on 14% of the Town's total investment.
- Drainage revenue and expense have been reclassified to be shown as total revenue and expenses vs a net change as done in prior years.
- Gain on disposal of tangible capital assets of \$1.16 million is the calculated accounting gain from the sale of a full-expired fleet and equipment.

## Expenses:

In accordance with 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 increase of approximately \$2.264 million (44%) primarily due to increase in the actual cost of salaries and benefits and insurance premiums cost charged to the taxations budget centre, as well as increase in drainage expenses in 2021
- Protection to persons & property expenses is relatively stable. This variance is mainly related to the 2019 having police transitional cost, which were a one-time expenditure.
- Transportation services expenses increased by \$.45 million (6%) resulting from increases in transportation expenditures in 2021 over 2020 amounts.
- Environmental Services expenses increased by \$0.62 million (5%) as due to increases in maintenance costs in 2021 vs 2020 as well as some savings due to staffing vacancies in the water budget centre.
- Recreation and Cultural Services expenses remained stable resulting from a decrease in wages and benefit costs in 2020. Which was a result of COVID-19 Pandemic.
- Planning and Development expenses increased by \$0.34 million (23%) primarily due to filling the vacancy in the director position.

The Annual Surplus of \$16.4 million in 2021 (\$15.5 million in 2020) 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.

## Highlights of the **2021 Development Charge Reserve Funds Statement** (Attachment B):

- Development Charges of \$3.69 million were collected in 2021.
- Interest income of \$0.2 million was earned on the investment in the reserve fund.
- A withdrawal of \$.5 million was made to cover the cost of the DC eligible loan payment for the wastewater treatment plant.
- A withdrawal of \$.84 million was made to cover previous years payments not recorded for the wastewater treatment plant and Texas road.
- A withdrawal of \$.006 million was made to cover the 57% of eligible expenses for Texas Road DC debt financing.

Highlights of the **2021 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 2021 actual figures include allocated overhead costs (indirect) and actual costs for delivery of building services under the Building Code Act.

The statement shows that 2021 resulted in a net surplus of \$482,182, decreasing the accumulated expense reflected in the Building Services – Operations reserve fund. The net balance of the Building Services reserve funds, equal to the accumulated net expense, totals \$0.10 million at the end of 2021. 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.

## **2021 Parkland Dedication Reporting**

**Chart 1 - 2021 Treasurer's Statement - Parkland Dedication Reserve Fund**, shown below, outlines the Parkland Dedication activity for the year ended December 31, 2021. Total cash-in-lieu collections were \$10,933 in 2021.

Parkland Dedication Reserve Funds spent on capital projects totaled \$Nil for 2021.

**Town of Amherstburg  
Treasurer Statement under Section 42 of the Planning Act  
For the Year Ended December 31, 2021**

<b>Parkland Dedication</b>		
<b>Opening Balance</b>		<b>\$298,306</b>
Contributions	<b>\$10,933</b>	
Interest	<b>\$ 0</b>	
<b>Total Funds Available</b>		<b>\$309,239</b>
Less: Capital Projects	<b>\$Nil</b>	
<b>Closing Balance</b>		<b>\$309,239</b>

## **6. CONSULTATIONS:**

KPMG, LLP audited the financial statements and prepared the Audit Findings Report transmitted with this report.



7. **CONCLUSION:**

The 2021 Year End Reporting reflects the position of the municipality as at December 31, 2021.

A handwritten signature in blue ink, appearing to read 'Tracy Prince', is positioned above a horizontal line.

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Tracy Prince  
**Director of Corporate Services/CFO/Treasurer**

## Report Approval Details

Document Title:	2022 07 30 - 2021 Financial Statements.docx
Attachments:	- 2021-12-31 Town of Amherstburg DRAFT FS.pdf
Final Approval Date:	Aug 3, 2022

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

A handwritten signature in black ink, appearing to read "Valerie Critchley". The signature is fluid and cursive, with the first name "Valerie" and last name "Critchley" clearly distinguishable.

Valerie Critchley – CAO/Clerk