

**AUDIT COMMITTEE MEETING
NOVEMBER 17, 2022**

Location: Council Chambers

Present: Councillor Shawn Samson, Councillor Michael Diggdon, Councillor Melanie Sampson (via Zoom), Warden Amanda Mombourquette, Deputy Warden Brent Sampson. Also present: Troy MacCulloch (CAO), Jason Martell (Chief Financial Officer), Ms. Kim Livingston (Grant Thornton), Ms. Alisha Mombourquette (Grant Thornton) Member at Large, Paula Jesty.

Call to Order

Deputy Warden Brent Sampson called the meeting to order at 6:03 p.m.

Review of Minutes: May 16, 2022

Moved by Paula Jesty, seconded by Councillor Shawn Samson that the minutes of May 16, 2022 Audit Committee meeting be approved as presented. Motion carried.

Presentation of Financial Statements – Chief Financial Officer – CFO's Review

General Operating Non-Consolidated:

- 1) We will start with the Statement of financial position (Balance Sheet) on Page 2 – This year we have a cash balance of \$2,223,201 up by \$1,306,321 compared to last year's amount of \$916,880. The cash account will build as we post a surplus for the year as well as timing and will fluctuate from year to year. Also the two tax sales generated quite a bit of cash and our deed transfer tax was way up so this would have also caused a large part of the increase.
- 2) Taxes Receivables are down \$234,168 from prior year, Interest AR is also down \$60,612. Allowance for doubtful accounts has gone down \$42,112, and net AR is down \$252,668 which is pretty good. We seem to be making some progress and rebounding from the increase in AR due to Covid and are now seeing the effects of having two tax sales per year. We continue to work on collecting taxes and try to clean off some of the old properties that have been on the listing for many years. We also try to force these properties to tax sale upon recommendation from our lawyer to sell pending no title or other issues. Sewer AR remains fairly consistent at \$250,453.
- 3) The variance in due from provincial government and agencies (up \$14,578) is simply due to timing of receipts from provincial claims. The \$65,778 can be made of up a few receivables like Recreation revenue, Deed Transfer Tax, Attorney General Fines, and funding for the WWMP. The Federal government AR has gone down \$67,985. The balance of \$58,078 is our HST AR at year end.

- 4) The decrease of \$104,016 in due from own funds and agencies is due to a decrease in funds owed from the Water Utility as well as a reduction in the amount in temporary financing for the WWMP.
- 5) Due from other local organizations has gone up \$241,852, and is mainly due to a new Loan on the books for the SPVFD. The other receivables of \$134,411 are mainly made up of Construction Debris, Arena, and Recycling sales that were receivable at year end.
- 6) Employee loans and advances of \$3,926 is our computer purchase program and then we arrive at total financial assets of \$5,072,135.
- 7) Page 3 - Term loan is two loans for SPVFD & District 10 with the bank (\$425,714) that basically offsets the receivable we spoke about on page 2.
- 8) There was an increase of funds owed to our own funds and agencies of \$389,343. This is money owed to our Reserve funds and the CB Housing Authority as well as the JD Commission and the increase is mainly due to increases in amounts owed to capital reserve. (CCBF) Due to other local organizations is up \$72,661 and is because one of the fire departments hadn't submitted their reporting on time. The whole balance is generally small amounts of money owed/receivable to the fire departments at year end.
- 9) Trade and other payables are up \$121,115 and this is likely due to timing. Prepayment of taxes is up \$40,642 and is simply timing.
- 10) Tax Sale Surplus has gone up \$329,515 due to the overage we've had in our last two tax sales net of the transfer of the 21st year to reserve. The balance of \$1,034,337 is the total of 20 years' worth of overage as we must hold these funds for a period of 20 years in trust at which time they must be transferred to Capital Reserves.
- 11) That brings us to total Net financial liabilities of (\$413,601), a change of only \$7,045 from the prior year. Land acquired for special assessments has not changed. Prepaid expenses have gone up \$7,045 and is simply due to timing. If you skip down now to the bottom of the page we see Net assets and fund balance of \$0, which is because every year we transfer our operating surplus to operating reserve.
- 12) Moving on to Page 4 which is the Operating fund statement of financial activities also known as the income statement to some. We posted a surplus of \$817,625 this year compared to a surplus of \$638,037 last year. As mentioned earlier, this amount gets transferred to operating reserve each year.

- 13) Tax Revenues section overall has increased \$457,173 from prior year which is mainly due to assessment increases, the \$0.01 tax increase, and the large influx of deed transfer tax. Revenues are over budget by \$327,918 which is mainly due to deed transfer tax.
- 14) Grants in Lieu are down \$19,636 from prior year. These are just standard fluctuations and general increases/decreases in assessment and the bigger part of it is the decrease in the NSPI Grant in Lieu. Revenues are pretty much on to budget.
- 15) Other revenue from own sources is down \$84,280 from prior year. This is due to a decrease in penalties and interest of \$48,945 because of our collection efforts and Miscellaneous is down \$36,228 because of the safe restart money from the prior year that was brought into revenue as well as an increase in landfill metal revenue over the prior year. Revenues are less than budget because of the issues just mentioned as well as a reduction in Return on Investments which is interest revenue.
- 16) Conditional transfers from federal and provincial governments are up \$930 over last year and less than budget by \$20,633. These numbers will generally fluctuate up and down year to year depending on grants available and recycling revenue received.
- 17) Recreation and cultural services went up \$17,110 and was still way lower than budget by \$83,995 because of loss in arena revenue due to Covid.
- 18) VSA increased by \$2,902 over last year, this is just assessment increases; it's pretty much on to budget.
- 19) Moving on to the expenditures, General government services are down \$112,760 over last year and are under budget \$206,639. Just a few notes, Councillor Stipends are down because of the change in policy and a double payment to former vs new councillors for the months of November/December in last fiscal; there was a swing of \$51,353 for the better in the valuation allowances because of the removal of some properties off the doubtful list and sent to tax sale, no election in this fiscal; legal costs were up because of the cba negotiations. Other areas of this category seem to be fairly consistent with general fluctuations up or down over the prior year's numbers.
- 20) Protective Services are up \$100,062 mainly because of policing cost increases, increase in assessment due to area rate levies. The total costs of this section are still within budget.
- 21) Transportation Services are up \$83,134 over last year mainly due to an increase in costs of street lighting which was a significant bill we received (\$45,232) to close out the LED program. The increase over budget is due to the reason I just mentioned and amortization because we do not

budget for amortization. The amortization is up quite a bit because we added the Arichat sidewalks to our Capital Asset Schedule.

- 22) Environmental health Services are down only \$13,793 over last year and are just under budget when considering amortization (\$344,441). We are seeing an increase in sewage collection and disposal costs of \$88,834 which is due to a few factors such as increases in materials and supplies Louisdale/Evanston sewer, vehicle insurance/expenses higher than normal, more sewer service costs due to new installations; and a decrease in amount put into landfill closure reserve. (\$66,726 less) on the Municipal dumps section.
- 23) Public health and Welfare Services is the Deficit of the Housing Authority, which was up \$30,675 from the prior year. It is over budget slightly because we only get an estimation of what the costs might be. These costs have been climbing in recent years.
- 24) Environmental development services are up \$115,524 and are below budget by \$11,619. The reason they are up is mainly because of an increase in funding contributions year over year and the VIC operated in this fiscal which it was closed the prior year.
- 25) Recreation and cultural services are up \$140,215 from the prior year but still well below budget. Canada Day funding was paid out this fiscal but none the prior year; Ice rentals remained consistent over prior year but the operating costs were higher due to new allocations we made for the arena; (employee benefits, snow removal, and water/sewer costs).
- 26) The VSA is \$154,953 and offsets the same number in the Revenue section above, and is on to budget. No Extraordinary and special items in the current year.
- 27) So if you continue to follow down the page you will see some financing and transfers for principal payments on debt and between our own funds and then where you see “transfer from operating reserve – safe restart funding (\$186,881), those are the remaining funds that we transferred from operating reserve to our operating fund. Also, we see “transfer to operating reserve -current years surplus” is where you can see the surplus for the year of \$817,625. So that’s why it’s showing a change in fund balance of \$0 because we transfer the surplus out to operating reserve each year. The surplus number for the year is made up of several factors when compared to budget and is much larger than we anticipated and had in our projections but some of the larger reasons for this are: increases in deed transfer tax (\$370,611); a much lower than anticipated valuation allowance (\$172,111); the safe restart funding (\$186,881); lower recreational and cultural services costs (\$125,036); pension liability gain (\$175,200)and general lower than budgeted operating costs in general government services.
- 28) Skipping to page 6, under financial liabilities, due to general operating fund from the capital fund, you will note that the temporary financing – other amount is \$445,181. This balance is made up of

the WWMD project unfinanced portion and we anticipate this amount will continue to reduce over time.

- 29) Our long term debt has decreased \$237,595 throughout the year due to payments made. Our plant and equipment assets are currently \$13,245,465. Our larger additions were a new truck, new trailer, Innovation Drive and the Arichat Sidewalks. Work in progress is down \$1,352,524 mainly due to some of the projects just mentioned that were transferred to our capital asset schedule. If you look at the bottom of the page our net assets and Investment in capital assets sits at \$15,245,242 which implies our debt is very low compared to our assets.
- 30) So from here we will be Moving on to page 15, capital reserve section, we have a balance of CCBF (gas tax) at yearend of \$2,753,764. This is up \$857,161 from prior year. The annual allocation was \$971,629 compared to \$475,057 last year, which is over double because of the top up.
- 31) We have \$499,872 in our landfill closure reserve which is up \$15,000. This is the amount we had budgeted to transfer in the fiscal year.
- 32) We have \$381,337 in our capital reserve which is up \$1,932 from prior year which is the transfer of the 21st year of tax sale overage and the sale of two older assets.
- 33) Total capital reserves of \$3,634,973.
- 34) So if we flip to page 16 now, it shows on top half of the page we have \$3,733,847 in our general operating reserve and \$2,737,387 in our Tax rate stabilization operating reserve for a total operating reserve of \$6,471,234. This is up overall by \$630,744 because we transferred current year surplus from the general operating fund to the operating reserve at yearend of \$817,625 and the safe restart unused portion of \$186,881 was also transferred back to the operating fund as revenue.

Water Utility:

- 1) We will start with Page 2, our cash balance has decreased by \$54,406 from \$769,266 to \$714,860 which is likely due to timing and because we had a deficit this fiscal.
- 2) Receivables are down \$15,791 from \$136,566 to \$120,755, most likely due to timing and collection efforts.
- 3) Other receivables are up \$1,574, due to timing, this is HST AR.
- 4) Payables and accruals are up \$16,165 from \$37,767 to \$53,932, likely due to timing.

- 5) Due to General Operating Fund is down \$36,337 from \$141,158 to \$104,821. These numbers will fluctuate up and down depending on what allocations are being made to the water utility and what capital projects we have on the go from year to year.
- 6) Due to Water Utility Capital Fund is up \$22,884 from \$75,468 to \$98,352. These would be entries for things like annual depreciation or any capital related work. Finally on that page our Net assets and Fund Balance is down \$71,335 from \$661,007 to \$589,672 which is the amount of the deficit for the year. We had planned for a deficit this year higher than this amount so we faired out a little better than we had thought.
- 7) If you will turn to Page 3, Operating revenues are down \$24,650 from \$714,092 to \$689,442. Base rate revenues are up a bit but metered sales are down a bit as well. Fire protection remained consistent. Other revenue is down \$18,834 and is down because of water connections and no unidentified deposits this fiscal.
- 8) Operating expenditures are up overall \$44,367 from \$659,180 to \$703,547. Pumping is up \$43,436, Water Treatment is up \$9,436, Transmission and Distribution is down \$3,810 and Administrative and general is down \$5,638, and depreciation is up \$943. For the most part, these are all normal operational increases/decreases. The larger variances of pumping is up because we were up in power/fuel costs for both facilities and we had facility upgrades including chlorine analyzer for Evanston water tower, SCADA software upgrades and lab upgrades. These amounts were budgeted for and were very close to budget. The water treatment increase was an increase in chemical treatment costs.
- 9) We then arrive at Net operating revenue of (\$14,105) which is down \$69,017 and is mainly due to the large increase in pumping expenses and the decreases in other revenue just mentioned. Capital from operations of \$57,230 which is the Arichat water treatment plant roof replacement we had budgeted for \$60,000. This brings us to an excess of revenues over expenditures or deficit of (\$71,335) for the year which was noted earlier.
- 10) The Water Utility currently has an accumulated surplus of \$589,672.
- 11) Turning to page 4 we currently have \$75,468 in our bank depreciation reserve, this is up from \$0 last year and is last year's depreciation amount. The due from water utility operating fund is showing a balance of \$98,352 which is the depreciation for this fiscal.
- 12) In the liability section, deferred government contributions is down \$45,046 which is any government assistance we received on capital projects net of any amortization for the year. This is solely related to the Louisdale WTP from a few years back.

- 13) Net utility plant in service currently sits at \$8,619,070 which is a decrease of \$86,168 from the prior year and is due to the Arichat water treatment plant roof replacement net of depreciation for the year.

Joint Development Commission:

- 1) The commission is virtually inactive; however, on page 3 it shows revenue of 788 with professional fees of \$300 (accounting), which would imply a small surplus of \$488 which is then transferred half to PH and half to Richmond. This is the reason the change in fund balance is 0.
- 2) On page 4 - The commission is carrying land at a value of \$298,574 on the books.

Consolidated Statements:

- 1) We will start on page 4, total financial assets of \$17,199,063; an increase of \$3,333,418 over last year.
- 2) Total financial liabilities are \$18,016,049; an increase of \$1,096,651 over last year.
- 3) This brings the net debt to (\$816,986) down \$2,236,767 from prior year which is certainly positive trending.
- 4) Tangible Capital Assets sit at \$32,753,867 and a total Accumulated Surplus of \$32,475,622, up \$2,941,180 from the prior year which is the surplus for the year.
- 5) Turning to page 5, total revenues are \$23,184,559; up \$1,402,133 over last year which is mainly due to tax revenue increases; increases in the housing corporation operations; and net of decreases in capital contributions.
- 6) Total expenses are \$20,243,379; up \$608,391 from last year which is due to increases in all categories except for a reduction in General Government Services.
- 7) Annual Surplus of \$2,941,180 compared to \$2,147,438 from last year which is an increase of \$793,742.
- 8) The Richmond Villa had a surplus of \$1,554,963 as compared to \$546,862 last year and the Villa is now in an accumulated surplus position at the end of the year of \$1,202,522.

The Landrie Lake Water Utility had a surplus of \$5,046 as compared to a deficit of (\$13,591) last year.

Grant Thornton Audit Report:

Kim Livingston and Alisha Mombourquette provided a review of the Audit Report Results.

Recommendation to Council:

Moved by Councillor Michael Diggdon, seconded by Councillor Shawn Samson that the Audit Committee recommend to Council that the financial statements of the Municipality for the year ended March 31, 2022 be accepted as presented by the Auditors and the Chief Financial Officer. Motion carried.

Adjournment:

There being no further business the meeting was adjourned at 7:25 p.m.

CHAIRPERSON

MUNICIPAL CLERK