

AUDIT COMMITTEE MEETING

OCTOBER 27, 2021

Location: Videoconference

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

Call to Order

Warden Mombourquette called the meeting to order at 6:02 p.m.

Moved by Deputy Warden Sampson, seconded by Councillor Samson that the agenda be approved as presented. Motion carried.

Review of Minutes: March 5, 2021

Moved by Councillor Diggdon, seconded by Paula Jesty that the minutes of March 5, 2021 Audit Committee meeting be approved with the location correction. 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 \$916,880 down by \$187,468 compared to last year. This is due to timing and fluctuates from year to year.
- 2) Taxes Receivables are up \$184,449 from prior year, Interest AR is also up \$104,802. Allowance for doubtful accounts has gone up \$5,918. 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. We believe Covid has played a significant role in the increase and unfortunately had to cancel our 2020 tax sale. The good news is we are ramping up our collection efforts and have allocated more time to this area of the department and are on track to have two tax sales

in the current fiscal and hope to have two tax sales a year going forward. Sewer AR remains fairly consistent at \$254,731.

3) The variance in due from provincial government and agencies (down \$154,387) is simply due to timing of receipts from provincial claims. The \$51,200 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 up \$7,324. The balance of \$126,063 is our HST AR at year end and a Federal funding receipt of \$50,000 for Asset Management Planning.

4) The increase of \$98,133 in due from own funds and agencies is due to a receivable from the water utility in regards to the Arichat Water Treatment Plant upgrades. We typically flow the project expenses and funding through the general operating fund. This amount also includes the temporary financing of the WWMP which is now starting to decrease.

5) Due from other local organizations has gone down \$108,796. This balance is mainly made up of the loan receivable from SPVFD (\$117,938) and a new loan receivable on the books from District 10 of \$38,478. The receivable from last year from the St. Peter's Sampsonville & Area Water Utility/VSA of \$92,181 on the French Cove/Toulouse projects is now paid and is \$0. The other receivables of \$74,472 are mainly made up of Construction Debris, Arena, and Recycling sales.

6) Employee loans and advances of \$6,557 is our computer purchase program.

7) Page 3 - Term loan is two loans for SPVFD & District 10 with the bank (\$180,833) 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 \$307,264. 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 the unused safe restart funds owed to operating reserve as well as increases owed to capital reserve. Due to other local organizations is up \$57,484 and is because the levy was held back for a fire department who hadn't submitted their reporting on time. The whole balance is small amounts of money owed to the fire departments at year end.

9) Trade payables are down \$605,015 and this is likely due to general timing as well as timing of our cut off for yearend transactions. Prepayment of taxes remains fairly consistent year over year at \$286,681.

10) Tax Sale Surplus has gone down \$27,178 due to the transfer of the 21st year to reserve and no tax sale in 2020. The balance of \$704,822 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 (\$406,566), change of \$155,593 from the prior year. Land acquired for special assessments has gone down by \$16,000 which was because of the sale of a piece of land throughout the year. Prepaid expenses have gone down \$139,603 because we use to prepay the Councillor stipends and pension

because they use to get paid once per year, now it's monthly. 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. We posted a surplus of \$638,037 this year compared to a surplus of \$640,452 last year. As mentioned earlier, this amount gets transferred to operating reserve each year.

13) Tax Revenues section overall has increased \$29,046 from prior year which although we see a significant reduction in commercial revenue (381,361) due to the exomobil shut down, residential and deed transfer tax have increased quite a bit. Revenues are over budget by \$193,810 which is mainly due to deed transfer tax.

14) Grants in Lieu are up \$83,495 from prior year. These are just standard fluctuations and general increases in assessment and the bigger part of it is the increase in the NSPI Grant in Lieu. Revenues are pretty much on to budget.

15) Other revenue from own sources is down \$274,930 from prior year. This is largely due to last year's increases in attorney general fines (back pay) as well as interest revenue decreases on our cash due to Covid, and decrease in sundry income which last year we had brought in the \$135,000 Courthouse Improvement accrual into revenue as we had sold the Courthouse. Revenues are a little higher than budget.

16) Conditional transfers from federal and provincial governments are down \$402 over last year and only less than budget by \$5,963. These numbers will generally fluctuate up and down year to year.

17) Recreation and cultural services went down \$37,286 and was still lower than budget by \$50,605. User fees for both general rec programs as well as the arena were down due to Covid.

18) VSA increased by \$19,617 over last year as the rate was increased by \$0.02/\$100. It's higher than budget because we received confirmation of the increase after the budget was approved.

19) Moving on to the expenditures, General government services are up only \$667 over last year and are under budget \$212,749. Just a few notes, Councillor Stipends are over budget because of the change in policy and a double payment to former vs new councillors for the months of November/December; Municipal election was under budget by just under \$10,000. 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 \$30,486 mainly because of policing cost increases, increase in assessment due to fire departments and increase in EMO costs. The total costs of this section are still within budget.

21) Transportation Services are up only \$3,870 over last year mainly due to an increase in costs of street lighting and our roads contribution to the Province. The

increase over budget is simply due to amortization because we do not budget for amortization.

22) Environmental health Services are up \$169,568 over last year and are under budget when considering amortization (\$367,945). We are seeing the addition of a full time operator in this section, some capital work in PDG and Arichat sewer systems; some general increases in garbage collection, and increase in amount put into landfill closure reserve.

23) Public health and Welfare Services is the Deficit of the Housing Authority, which was up \$10,654 from the prior year. It is over budget because we only get an estimation of what the costs might be and are using the prior year's figures for budgeting purposes.

24) Environmental development services are down \$16,090 and are below budget by \$10,291. The EDPC actual is down because they approved a budget less than the prior year and it's below budget because a revised budget didn't make it to me before our budget was approved. The ED and Tourism section is down because the VIC didn't operate in this fiscal but did the prior year. The funding contributions were up \$3,850 from the prior year.

25) Recreation and cultural services are down \$94,117 from the prior year but still well below budget. This is largely due to a reduction in arena operating costs because of Covid; we closed early and opened late during the fiscal year. We did not have Canada Day because of Covid, and we had less summer students also because of Covid.

26) The VSA is there of \$152,051 and offsets the same number in the Revenue section above. 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 to operating reserve – current year surplus" is where you can see the surplus for the year of \$638,037. 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 but some of the larger ones are: increases in deed transfer tax (\$154,128); a much lower than anticipated valuation allowance (\$120,758); lower recreational and cultural services costs (\$61,724) and general lower than budgeted operating costs in general government services and in other areas.

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 \$512,860. This balance is made up of the WWMD project unfinanced portion and we anticipate this amount will continue to reduce over time because of the change in the by law that we are not financing systems and once the project is complete, we will come to council for a decision on how to fund the remaining unfinanced portion.

29) Our long term debt has decreased \$235,534 throughout the year due to payments made. Our plant and equipment assets are currently \$11,623,228. Work in progress is up \$786,165 mainly due to the Arichat sidewalk project and WWMP. If you look at the

bottom of the page our net assets and Investment in capital assets sits at \$14,670,544 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 gas tax at yearend of \$1,896,603. This is up \$212,443 from prior year. The annual allocation was \$475,057.

31) We have \$484,872 in our landfill closure reserve which is up \$81,726. This is the amount we had budgeted to transfer in the fiscal year.

32) We have \$379,405 in our capital reserve which is up \$27,178 from prior year which is the transfer of the 21st year of tax sale overage.

33) Total capital reserves of \$2,760,880.

34) So if we flip to page 16 now, it shows on top half of the page we have \$3,103,103 in our general operating reserve and \$2,737,387 in our Tax rate stabilization operating reserve for a total operating reserve of \$5,840,490. This is up overall by \$824,918 because we transferred current year surplus from the general operating fund to the operating reserve at yearend of \$638,037 and the safe restart unused portion of \$186,881 was also transferred to operating reserves.

Water Utility:

1) We will start with Page 2; our cash balance has increased by \$173,000 from \$596,266 to \$769,266 which is likely just due to timing.

2) Receivables are down \$8,119 from \$144,685 to \$136,566, most likely due to timing and collection efforts.

3) Due from water utility capital fund is down \$21,941 because of the LWTP project, this was basically the final expenses of that project at year end last year that were owed. Other receivables are down \$4,207 likely due to timing, this is HST AR.

4) Payables and accruals are down \$38,439 from \$76,206 to \$37,767, due to timing. Our cut off usually also impacts these amounts.

5) Due to General Operating Fund is up \$134,281. 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.

6) Due to Water Utility Capital Fund is up \$75,468. 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 \$32,577 from \$693,584 to \$661,007 which is the amount of the deficit for the year.

7) If you will turn to Page 3, Operating revenues are up \$41,557 from \$672,535 to \$714,092. Base rate has remained consistent at \$183,511; however, metered sales are up (\$12,620) because water consumption was up. Fire protection remained consistent. Other revenue is up \$27,548 and is up because of water connections and unidentified deposits.

8) Operating expenditures are up overall \$23,226 from \$635,954 to \$659,180. Pumping is up \$5,475, Water Treatment is down \$5,444, Transmission and Distribution is up \$9,094 and Administrative and general is up \$2,645, and depreciation is up \$11,456. These are all normal operational increases/decreases.

9) We then arrive at Net operating revenue of \$54,912 which is up \$18,331 and is mainly due to an increase in consumption revenue/water connections and the net increases in expenses just mentioned above. Capital from operations of \$87,489 which is the Arichat water treatment plant upgrades. This brings us to an excess of revenues over expenditures or deficit of \$32,577 for the year which was noted above.

10) The Water Utility currently has an accumulated surplus of \$661,077.

11) Turning to page 4 we currently have \$0 in our bank depreciation reserve, because we used all of these funds for the Louisdale WTP project. We will see this number start to build back up going forward and we will transfer the amount receivable of \$75,468 in the current fiscal.

12) In the liability section, Due to Water Utility operating fund is down \$21,941, last year we seen the final flow through of the LWTP project. Deferred government contributions up \$139,196 which is any government assistance we received on capital projects net of any amortization for the year.

13) Net utility plant in service currently sits at \$8,705,238 which is an increase of \$129,546 mainly due to the Arichat water treatment plant upgrades mentioned above.

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 \$13,865,645; an increase of \$1,378,636 over last year.

2) Total financial liabilities are \$16,919,398; a decrease of \$835,189 over last year. Point out landfill liability and Read Note 20.

3) This brings the net debt to (\$3,053,753) down \$2,213,825 from prior year which is certainly positive trending.

- 4) Tangible Capital Assets sit at \$32,056,210 and a total Accumulated Surplus of \$29,534,442.
- 5) Turning to page 5, total revenues are \$21,782,426; down \$745,105 over last year which is mainly due to tax revenue losses, decreases in capital contributions, and reductions in other revenue from own sources.
- 6) Total expenses are \$19,634,988; up \$229,526 from last year which appears to be a general small increase in all categories except for Health and Development Services and Recreation and Cultural Services.
- 7) Annual Surplus of \$2,147,438 compared to \$3,122,069 from last year which is a decrease of \$974,631 which is for the reasons just mentioned.
- 8) The Richmond Villa had a surplus of \$546,862 as compared to \$199,348 last year.
- 9) The Landrie Lake Water Utility had a deficit of \$13,691 as compared to \$83,880 surplus last year.

Grant Thornton Audit Report

Kim Livingston and Alishia MacLeod provided a review of the Audit Report Results.

Recommendation to Council:

Moved by Deputy Warden Sampson, seconded by Councillor Sampson that the Audit Committee recommend to Council that the financial statements of the Municipality for the year ended March 31, 2021 be accepted as presented by the Auditors and the Chief Financial Officer. Motion carried.

Adjournment

Moved by Councillor Samson, seconded by Paula Jesty that the meeting be adjourned. Motion carried.

There being no further business the meeting was adjourned at 7:51 p.m.

CHAIRPERSON

MUNICIPAL CLERK