



Subject: *2020/2021 Year End Adjustments*
To: Corporate & Residential Services Committee
Date Prepared: June 9th, 2021
Related Motions: C11(126), C20(48), C20(354), C21(8), C21(61), C21(126), C21(132)
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Summary

Part of the year end preparations for audit is the analysis of the Municipality of East Hants' operating and capital funds. Several year-end entries are required to prepare the financial statements - these are unpredictable and/or the exact amounts are unknown at budget time. This report will outline those entries for Council information and approval. On the capital side, funding source amounts do not require adjustment for any projects. All adjustments being recommended are either unavoidable or prudent to make and can be considered by Council to be un-substantive in nature.

Financial Impact Statement

By their very nature, each year-end entry affects the financial position of the Municipality. The entries identified in this report will be reflected in the financial statements for fiscal year ended March 31st, 2021.

Recommendation

Recommend to Council that the year-end adjustments to the operating funds as presented in the staff report dated June 9th and presented on June 15th, 2021 be accepted and approved.

Recommended Motion

Move that Corporate and Residential Services Committee recommend to Council that the year-end adjustments to the operating funds as presented in the staff report dated June 9th and presented on June 15th, 2021 be accepted and approved.

Background

The operating budget is passed with estimates on various expenses and revenues. By year-end, actuals become known and the entries required by the Public Sector Accounting Standards and by existing policies/motions of Council, are made by staff. This report does not include:

- those over-expenditures for which the CAO has authority by policy to approve;
- minor variances from budgeted revenues;
- over-expenditures will be posted to "What's New" for Councillors to review and year-end variances in revenue and expenditures are outlined in the Treasurer's Report (to be presented at July 2021 Executive Committee);
- operating expenditures or over-expenditures that were slated to come from reserves but that could be reasonably covered from operating surplus while keeping within the spirit of the approved budget;
- projects where monies were budgeted to come from reserves but where no money has been spent on the project.

Part of the year-end preparations for audit is the analysis of the Municipality of East Hants' capital fund. Finance staff analyse all capital purchases, compare them against approved budgets for amounts and sources of funding and reconcile the amounts with the budget document and related motions of Council.

Discussion

OPERATING FUND

Staff have made the following year-end adjustments and entries:

DEED TRANSFER TAX ALLOCATION TO THE URBAN SERVICE RATE - The original 2020/2021 budget for deed transfer tax (DTT) revenue was \$1,350,000; the actual revenues were \$2,172,194 (difference of \$822,194). Based on Council motion C11(126), 40% of \$1M deed transfer or \$400,000 was eligible for transfer to the urban service rate this year. Staff recommend that the 2020/2021 surplus from deed transfer revenue be allocated as follows; \$275,000 be set aside to mitigate the risk of potential deed transfer tax shortfall in 2021/2022 as per budget discussion and \$545,000 to be transferred to fund the new RCMP model for future years.

PENSION EXPENSE - Council included a planned surplus in the pension expense in the 2020/2021 budget. These funds, along with any unspent health premiums, have been set aside in order to build a reserve to fund plan upgrades and pension payments required by legislation. These savings were offset by pension plan upgrades for retirees in 2020/2021, resulting in an amount of \$31,500 being funded from the pension reserve. An additional \$87,685 was used to pay the pension special payments as approved by Council for the 2019 Actuarial Review; this was budgeted at \$114,366 based on the 2018 Actuarial Review. The pension reserve balance at March 31st is \$999,651.

PENSION - Under the Public Sector Accounting Board Standards, the unamortized actuarial loss on the Municipality's pension plan must be recorded in the financial statements. This is a book entry with an offset on the balance sheet and therefore does not affect the municipal budget or amounts to be raised through taxation. The unamortized actuarial loss recorded for 2020/2021 is \$434,769.

LANDFILL CLOSURE/POST CLOSURE COSTS - This entry is a Public Sector Accounting Board Standard reporting requirement and is based on the estimate of closure/post closure costs related to the landfill site. The 2020/2021 entry required an increase in the liability of \$114. This entry is not typically included in the budget. These funds were transferred from the Landfill operating reserve to increase the Landfill Closure/Post Closure reserve and the balance remaining is \$182,480.

SICK LEAVE ACCRUAL - The tri-annual sick leave actuarial report for March 31st, 2020 indicated that the Municipality should be accruing \$28,922 each year until the next valuation - at which time the liability required may be reduced or increased. Therefore, in 2020/2021 \$28,922 was expensed under the cost center HRGENERAL in the full-time wages general ledger account.

RESERVES - Council has a practice of placing unspent budgets into a reserve for use in future years for the following expenses:

Expenses	Amount	Reserve Balance
Professional Fees/Contracts - GTR	\$92,717	\$753,932
Council FCM/NSFM Conferences and Dues - GTR	\$20,411	\$30,948
Snow Removal/Contracts - USR Sidewalks	\$19,586	\$264,603
Contracts - USR Wastewater	\$35,376	\$96,046

GRANTS - Each year Council’s budget includes grants whose balances, if left unspent, will be transferred to reserve (and vice versa - if overspent, will be transferred in from reserves). The following are entries for 2020/2021 year:

Grant	Amount (from)/to	Reserve Balance
Fire Emergency Grant	\$(12,514)	\$115,142
Walton Fire -RCAF	\$70,000	\$74,281
Fire Fighter Training	\$6,250	\$61,684
Beautification	\$1,675	\$30,887
District Recreation Funds	\$27,567	\$263,407
District Recreation Special Fund - Mt Uniacke	\$25,438	\$95,582
Heritage Grant	\$4,650	\$15,747
Tourism Grant	\$12,952	\$59,801

SHUBENACADIE WATER DEFICIT - Council passed a motion in March 2009 (motion C09(109)) to amalgamate the two water utilities; the accumulated deficit of the Shubenacadie Water Utility is to be recovered through an area rate charged to the Shubenacadie residents (this rate was reduced from 10 cents to 9 cents per \$100 of assessment in the 2020/2021 budget). In 2020/2021, a total of \$36,550 was transferred to the reserve as a repayment leaving the accumulated deficit at \$46,124.

SPORTSPLEX TRANSFER TO RESERVES - Commencing in 2015/2016, Council approved the stabilization of the Sportsplex Area rate at 3 cents per \$100 of assessment to establish a Sportsplex reserve. This reserve was established in 2015/2016 to be used for balloon payments on the debt, grants to the organization for major repairs and other purposes as determined by Council. In 2020/2021, \$302,690 was provided in grants to the East Hants Sportsplex as per motions C20(354) and C21(126) resulting in a deficit in the Sportsplex reserve of \$73,610.

WASTE MANAGEMENT FEE (WMF) - Commencing in 2015/2016, Council approved keeping the WMF rate at \$220 and transferring the surplus to reserves. The amount transferred in 2020/2021 to fund the future balloon payments in Waste Management is \$367,417 (budgeted to be \$179,979) with a balance in reserves of \$1,451,661. The additional amount transferred was primarily an increase in tipping fee, diversion, RRFB revenues and reduced solid waste administration costs.

SALARIES & BENEFITS - Council passed a motion C21(132) to fund a planner position for a two-year period in the amount of \$140,000 and additional payroll expenses that were omitted in the budget of \$20,147 (pension expense and payroll processing fees for 2021/2022) is required for a total of \$160,147. This amount has been transferred from the 2020/2021 general tax rate surplus and set aside in a special operating reserve.

RECREATION FACILITIES GRANTS - Council passed a motion C21(61) to fund recreation facilities up to \$50,000 for assisting the recreation facilities/community halls negatively impacted by COVID-19. This amount has been transferred from the 2020/2021 general tax rate surplus and set aside in a special operating reserve.

DEBT SAVINGS - In 2020/2021 there were savings in debt related to the LEMC building of \$49,987 and the Uniacke Business Park of \$49,763. These amounts have been transferred from the 2020/2021 general tax rate surplus and transferred to the related reserve.

ACTIVE TRANSPORTATION - HWY 214 - Council passed a motion C21(122) approving a temporary borrowing resolution to borrow \$400,000 for this project. Staff recommend funding this project by setting aside \$400,000 from the 2020/2021 general tax rate surplus in order to reduce long-term debt.

PROJECTS TO CARRY FORWARD- During year-end discussions or subsequent reports to Council, staff identified projects that were not completed by March 31st and are requesting Council carry this forward to 2021/2022. Funding for the following projects have been transferred to reserves as follows:

Project	Amount	Source of Funding
Admin - Front Counter Shutters	\$5,215	2020/2021 Surplus
Admin - Host Server	\$20,000	2020/2021 Surplus
Admin - Communication Kiosk for EHSP	\$2,100	2020/2021 Surplus

SURPLUS (DEFICIT) TRANSFER TO (FROM) RESERVE - For financial statement presentation, the following general surplus (deficit) amounts have been transferred to reserve:

Fund	Amount	Variance
General Operating Fund	\$882,743	2.9% of budget
Lights (other)	\$11,777	
Urban Service Rate	\$194,444	6.3% of budget

Note: A complete explanation of the surplus amounts above will be in the Treasurer's Report for 2020/2021.

CAPITAL FUND

The capital budget reflects sources of funding for each project. Following a review of the capital spending and the available sources of funding, staff are able to (by motion of Council) adjust funding sources to benefit the Municipality financially. This often involves using reserve money instead of debenture, using available capital out of revenue instead of special reserves, etc.

There are no capital projects for which staff are seeking approval to alter the source of funding from one source to another.

Alternatives

Committee has latitude with some of these decisions however others are prescribed by the Public Sector Accounting Board standards and should not be altered without consideration being given to these accounting standards. Staff can provide guidance where necessary to assist committee members to differentiate.

Conclusion

Staff require a motion of Corporate and Residential Services Committee to be forwarded to Council should the Committee approve of these entries for the fiscal year ended March 31st, 2021.

Recommendation

Recommend to Council that the year-end adjustments to the operating funds as presented in the staff report dated June 9th and presented on June 15th, 2021 be accepted and approved.