



Subject: *2022/2023 Year End Adjustments*
To: Corporate & Residential Services Committee
Date Prepared: June 13th, 2023
Related Motions: C09(109), C11(126), C22(341), C22(388), C22(389), C22(422), C23(112), C23(140)
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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, 2023.

Recommendation

Recommend to Council that the year-end adjustments to the operating funds as presented in the staff report dated June 13th and presented on June 20th, 2023 be accepted and approved.

Recommended Motion

Move that the Corporate and Residential Services Committee recommend that Council approve the year-end adjustments to the operating funds as presented in the 2022/2023 Year End Adjustments Report dated June 13th, 2023 and presented on June 20th, 2023 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 2023 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

In December 2022, staff presented a report including a new Special Reserve Policy which Council adopted C22(422). The report outlined specific direction to staff which included savings from specific functions within the General Tax Rate or Area Rates to be moved to reserves as part of the year end accounting. Historically these were included in the June year end memo however, after establishing the policy, would be done as a matter of course and reviewed as part of the year-end audit. These transfers include the following and are no longer included in the year-end memo:

1. Contracts & Agreements including Snow Removal
2. Council FCM/ NSFM Conference Dues
3. Fire Department Training funds
4. Grants
5. Legal fees
6. Pension/health benefits
7. Power/Maintenance
8. Professional fees
9. Sportsplex
10. Waste Management

OPERATING FUND

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

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 2022/2023 is \$452,293 (2021/2022 \$532,374 loss).

ASSET RETIREMENT OBLIGATION - In 2022/2023, Public Sector Accounting Board Standard section 3280 Asset Retirement Obligation (ARO) was implemented and per Council's policy staff have recorded the liability of \$426,509. Staff have set aside \$360,475 from the year-end surplus to fund this liability which is the difference between the landfill liability reserve and the ARO liability.

SICK LEAVE ACCRUAL - The tri-annual sick leave actuarial report for March 31st, 2023 indicated that the Municipality should be accruing \$27,033 each year until the next valuation - at which time the liability required may be reduced or increased. In 2022/2023 \$27,859 was expensed under the cost center HRGENERAL in the full-time wages' general ledger account and the slight difference is to account for upcoming retirements.

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 at 2.3 cents per \$100 of assessment. In 2022/2023, a total of \$9,163 was transferred to the reserve and the accumulated deficit has now been fully recovered.

SPORTSPLEX TRANSFER TO RESERVES - In 2022/2023, Council approved the condition facility assessment of the Sportsplex performed by Dillon Consultants. Costs incurred in 2022/2023 Operating was \$56,718 and was funded from the Sportsplex area rate reserve. The budget for this was set aside in Capital which now will be spent on revitalizing the Sportsplex capital based on the findings from the report. In 2022/2023, an amount of \$158,456 was transferred to the Sportsplex reserve from savings in debt and additional area rate funds leaving a balance of \$319,062 in the Sportsplex Area Rate Reserve.

SPORTSPLEX OPERATING RESERVES - In 2022/2023 the East Hants Sportsplex facility had an operating deficit of \$115,183. The deficit has been recorded as a reduction to the separate operating reserve set up in 2021/2022 leaving a balance of \$123,266 as at March 31st, 2023.

SALARIES & BENEFITS - Based on 2023/2024 budget presentation, staff recommend setting aside \$74,781 from additional development revenue to fund salaries in 2023/2024 if needed. Asset Management Co-ordinator salary & benefits for 2022/2023 has also been set aside in the amount of \$97,936 to complete the funding of professional services related to same in 2023/2024. An additional amount of \$160,000 has also been set aside to fund the 2023/2024 salaries based on the market review.

DEBT SAVINGS - In 2022/2023 there were savings for interest expense related to the Elmsdale Business Park totalling \$64,288 and this amount has been reallocated to the related reserve.

PROJECTS TO CARRY FORWARD - During year-end discussions or subsequent reports to Council, staff identified projects that were not completed by March 31st and/or additional funds required, and are recommending to Council to carry this forward to 2023/2024. Funding for the following projects have been transferred to reserves as follows:

Project	Amount	Source of Funding
Office Equipment	\$3,120	2022/2023 GTR Surplus
PRC - RCMP Building HVAC Repairs	\$9,390	2022/2023 GTR Surplus
PRC - Shubie Ballfield Electrical Repairs	\$3,130	2022/2023 GTR Surplus
CAO's Office - Service Excellence -Strategy Rollout	\$1,500	2022/2023 GTR Surplus
CAO's Office - Website Development	\$47,550	2022/2023 GTR Surplus
Grant - NS Library Association C23(140)	\$2,000	2022/2023 GTR Surplus
Active Transportation Initiatives	\$300,000	2022/2023 GTR Surplus
Traffic Calming Signs C22(389)	\$235,000	2022/2023 GTR Surplus
Traffic Calming Tables C22(388)	\$150,000	2022/2023 GTR Surplus
Traffic Lights	\$100,000	2022/2023 GTR Surplus
Transportation - Gravel	\$100,000	2022/2023 GTR Surplus
Hospital Balloon Payment	\$108,895	2022/2023 GTR Surplus
RCMP Costs (2023/2024 additional % increase)	\$126,270	2022/2023 GTR 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	\$382,165	1.11% of budget
Lights (other)	\$22,452	
Urban Service Rate	\$999	.03% of budget

Note: A complete explanation of the surplus amounts above will be in the Treasurer's Report for 2022/2023.

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.
