



Subject: *2023/2024 Year End Adjustments*
To: Corporate & Residential Services Committee
Date Prepared: June 12th, 2024
Related Motions: C11(126), C22(341), C22(421), C23(142), C24(178)
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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, 2024.

Recommendation

Recommend to Council that the year-end adjustments to the operating funds as presented in the staff report dated June 11th and presented on June 18th, 2024 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 2023/2024 Year End Adjustments Report dated June 12th, 2024 and presented on June 18th, 2024 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 2024 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

The Special Reserve Policy outlines direction to staff to include savings from specific functions within the General Tax Rate or Area Rates to be moved to reserves as part of the year-end accounting. 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 2023/2024 is \$266,752 (2022/2023 \$452,293 loss).

ASSET RETIREMENT OBLIGATION - In 2022/2023, Public Sector Accounting Board Standard section 3280 Asset Retirement Obligation (ARO) was implemented as per Council's policy and the liability of \$426,509 was recorded. In 2023/2024, the EH Horne School Community Centre was disposed of totalling \$57,789 resulting in a reduction of the ARO liability. Another entry was done to record \$16,631 for the accretion expense that increased the liability. The ARO liability at March 31st, 2024 is \$385,351 and no additional funds were required to fund this 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 2023/2024 \$27,033 was expensed under the cost center HRGENERAL in the full-time wages' general ledger account.

SPORTSPLEX TRANSFER TO RESERVES - In 2023/2024, an amount of \$234,339 was transferred to the Sportsplex reserve from additional area rate funds. As per Council Motion C24(178) an amount of \$350,000 was set aside from 2023/2024 year-end surplus to fund the Sportsplex Revitalization capital project. The balance in the Sportsplex Area Rate Reserve fund at March 31st, 2024 is \$921,844. In addition, \$119,000 and \$80,000 was transferred from 2023/2024 year-end surplus for the Mount Uniacke recreation and Rural Fire Department Capital funds respectively.

SPORTSPLEX OPERATING RESERVES - In 2023/2024, the East Hants Sportsplex facility had an operating deficit of \$95,360 under the management of the East Hants Arena Association. The deficit has been recorded as a reduction to the separate operating reserve leaving a balance of \$27,906.

SALARIES & BENEFITS - In 2023/2024, \$75,095 has been set aside from savings in salaries & benefits related to sustainability and a separate reserve has been recorded.

HOSPITAL BALLOON PAYMENTS - Recommendation to transfer \$228,315, which is equivalent to the last two payments for the hospital 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/or additional funds required, and are recommending to Council to carry this forward to 2024/2025. Funding for the following projects have been transferred to reserves as follows:

Project	Amount	Source of Funding
Office Equipment	\$15,092	2023/2024 GTR Surplus
PRC - Aquatics Centre signage	\$7,846	2023/2024 GTR Surplus
CAO's Office - Accessibility aids	\$6,000	2023/2024 GTR Surplus
Computer Support (surplus from ADP payroll fees)	\$23,425	2023/2024 GTR Surplus
Fire Training Facility - Noel C22(421)	\$47,782	Common Fire Training Facility Reserve

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

Fund	Amount	Variance
General Operating Fund	\$1,028,602	2.7% of budget
Lights (other)	\$21,789	
Urban Service Rate	\$49,009	1.5% of budget

Note: A complete explanation of the surplus amounts above will be in the Treasurer's Report for 2023/2024.

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.
