

To: Warden and Members of County Council

From: Director of Corporate Services

2022 Audited Financial Statements

RECOMMENDATIONS

1. That County Council hereby authorizes a departure from Section 4.2 of the County Reserve Policy No. 6.20 – Annual Allocation of Operation Surpluses to allocate \$2 million of the 2022 year-end General operating surplus to the Affordable Housing Reserve in the amount of \$1 million; and to establish a new Long-term Care Expansion Capital Reserve in the amount of \$1 million; prior to the prescribed allocations as set out in subsection 4.2.10 as described in Report No. CS 2023-17 entitled “2022 Audited Financial Statements”;
2. And further, that the Oxford County Consolidated Financial Statements and the County of Oxford Trust Funds Statements for the year ended December 31, 2022 be accepted.

REPORT HIGHLIGHTS

- Auditor to present the 2022 consolidated financial statements
- Long Term Financial Sustainability Plan sustainability measures for 2018 to 2022 continue to trend positively
- 2022 year-end County operating budget surplus is \$3,544,393

Implementation Points

Following Council’s acceptance of the Audited Financial Statements they will be posted on the County’s website for public information.

Financial Impact

The County Reserve Policy No. 6.20 prescribes how annual operating surpluses are allocated to reserves and is subject to review on an annual basis. Council’s most review of the policy occurred on November 9, 2022 at which time they approved recommendations contained in Report No. CS 2022-35 to “Allocate up to \$1,000,000 of the forecasted 2022 general operating surplus to the Affordable Housing Reserve for future affordable housing projects (as described in CS 2022-34)”. With that approval, the 2022 year-end forecast balance for the Affordable Housing Reserve was \$1.5 million, other sources of funding for this reserve include disposal of

land in accordance with the Housing First Policy and year-end surpluses from the Housing budget.







In addition to the foregoing direction from County Council and considering the 2022 year-end General operating budget was more substantial than originally forecasted, staff are proposing that \$2 million of the 2022 year-end General operating budget surplus be invested to support County Council’s identified priority needs for affordable housing and long term care beds in our community. More specifically, this report has been prepared on the basis of an additional \$2 million investment of the General operating surplus allocated to the Affordable Housing Reserve and to establish a new Long-term Care Expansion Capital Reserve, shared equally with \$1 million each. The remaining General operating surplus of \$544,393 has been transferred to the appropriate reserves in accordance with Reserve Policy No. 6.20, as outlined in Table 4 in this report.

This report has been prepared on the basis of the audited 2022 consolidated financial statements – refer to Attachment 1.

Communications

The consolidated financial statements will be posted on the County’s website for public information and submitted to the province with the Financial Information Return (FIR). A copy of the statements will also be provided to the County’s banking institution and Standard & Poor’s for their respective annual credit rating reviews.

Strategic Plan (2020-2022)

					
<i>WORKS WELL TOGETHER</i>	<i>WELL CONNECTED</i>	<i>SHAPES THE FUTURE</i>	<i>INFORMS & ENGAGES</i>	<i>PERFORMS & DELIVERS</i>	<i>POSITIVE IMPACT</i>
			4.ii.		

DISCUSSION

Background

For the 2022 fiscal year, Council appointed Scrimgeour & Company, Chartered Accountant, as auditor for the financial statements for the County of Oxford including its local boards.

Attached as Attachments 1 and 2 are copies of the County of Oxford Consolidated Audited Financial Statements and Audited Woodingford Lodge Resident Trust Fund Statements for the year ended December 31, 2022.

Comments

In September 2011, County Council adopted a Long Term Financial Sustainability Plan that sets out sustainability measures based on “Indicators of Government Financial Condition”, defined and approved by the Public Sector Accounting Board. They include a core set of indicators for assessing financial condition of the government entity based on financial statements prepared on the full accrual basis of accounting. Financial condition is health measured in terms of ability to meet obligations in respect of service commitments and financial commitments, using elements of sustainability, flexibility and vulnerability and provides an overall assessment of the municipality’s financial condition.

Performance regarding 2022 achievements with respect to projects and advancement of the County’s strategic plan will form part of the 2022 Annual Report which is expected to be available by the end of June.

Sustainability indicators measures the degree to which a government can maintain its existing service and financial commitment. Table 1 provides a list of sustainability measures based on the County’s 2018 - 2022 financial statements.

Table 1 – Sustainability Indicators

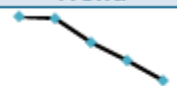

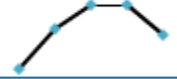

	2018	2019	2020	2021	2022	Trend
Financial assets to liabilities	2.07	2.25	2.41	2.44	2.21	
Total cash and temporary investments to operating expenses	1.17	1.23	1.31	1.35	1.32	
Net working capital to operating expenses	1.03	1.10	1.13	1.14	1.03	
Net debt to total operating revenue	0.26	0.23	0.20	0.18	0.15	
Net debt to taxable assessment	0.0031	0.0026	0.0022	0.0020	0.0018	
Accumulated surplus to taxable assessment	0.038	0.037	0.036	0.037	0.038	
Total debt per household	\$1,116	\$970	\$868	\$831	\$729	
Current ratio ¹	5.09	4.96	4.81	4.56	3.63	
Taxation rates coverage ²	0.36	0.37	0.37	0.35	0.36	
Interest coverage ³	16.45	15.86	18.57	19.83	25.07	
Sustainability ratio ⁴	2.83	1.72	1.62	1.53	2.08	

Notes:

- ¹ current assets/current liabilities - ability to meet short term debt obligations
- ² total tax revenue/total expenses - ability to cover its costs through tax revenue
- ³ earnings before interest/borrowing costs - ability to pay interest on outstanding debt
- ⁴ capital expenditures/amortization - net increase or decrease in the asset base


Flexibility Indicators measure the degree to which a municipality can change its debt or tax burden to meet its existing service and financial commitments. Table 2 presents flexibility indicators based on the County's 2018 - 2022 financial statements.

Table 2 – Flexibility Indicators

	2018	2019	2020	2021	2022	Trend
Debt charges to total revenues	0.011	0.010	0.009	0.008	0.006	
Net book value of capital assets to cost of capital assets	0.63	0.63	0.62	0.64	0.61	
Total reserves to operating expenses	1.01	1.09	1.13	1.13	1.08	
Total revenue to taxable assessment	0.0119	0.0112	0.0110	0.0112	0.0118	

Vulnerability indicators measure the degree to which a government is dependent on sources of funding from outside its control or influence the extent to which it is exposed to risks that could impair its existing ability to meet service and financial obligations. Table 3 exhibits a vulnerability indicator based on the County's 2018 - 2022 financial statements.

Table 3 – Vulnerability Indicators

	2018	2019	2020	2021	2022	Trend
Government transfers to total revenues	0.31	0.29	0.29	0.33	0.32	

Budget Surplus

The Financial Statements include a Consolidated Statement of Financial Position which identifies the assets, liabilities and accumulated surplus as of December 31, 2022. Note 10 to the Financial Statements provides a breakdown of the components of the accumulated surplus which includes investment in tangible capital assets; the Library surplus (budget to actual); the County's proportionate share of the Oxford Elgin St. Thomas Health Unit surplus; and, discretionary and special purpose reserves. The accumulated surplus at December 31, 2022 totals \$775,558,384 (\$740,442,361 – 2021).

The overall 2022 budget surplus was \$6,153,898 (2021-\$7,285,538) which was transferred to reserves in accordance with Reserve Policy 6.20 with adjustments explained in the Financial section of this report, and further explained in Table 4.

Table 4 – Summary of Surplus

Description		Reserve	2022
General operating	See Table 5	Corporate General	\$136,097
		Roads	272,197
		Bridges	108,879
		Facilities-Housing	27,220
		Total Per 6.20 Reserve Policy	544,393
		Long-term Care Expansion Capital	1,000,000
		Affordable Housing Reserve ¹	2,000,000
General Operating Levy Surplus			3,544,393
Library operating	See Table 5	General-Library	301,315
Library Operating Levy Surplus			301,315
Wastewater and Water Rates	See Table 6	Respective water and wastewater system reserves	2,395,768
Rates Surplus			2,395,768
Waste collection	Higher bag tag sales and reduced tipping fee costs	Waste collection	(142,319)
Fleet	Lower vehicle sales and higher fleet administration costs	Fleet	(104,035)
Facilities (Rented buildings)	Savings in salaries & benefits due to vacancies and other minor operating variances	Facilities	158,776
Special Program surplus (deficit)			(87,578)
Total Budget Surplus			\$6,153,898

¹ \$1,000,000 surplus allocated committed to Affordable housing reserve as part of the 2023 Approved Budget

As explained in the Financial Impact section of this report, the 2022 General operating surplus has been allocated as follows:

- 1) **\$2,000,000** to Affordable Housing Reserve: This includes an additional \$1M over the \$1M previously committed as part of the 2023 Budget Process.
- 2) **\$1,000,000** to Long-term Care Expansion Capital Reserve: staff are recommending a new reserve be created to set aside funds for a future long-term expansion capital project. Council committed to apply for funding to assist with long-term care home development project under Report No. WDFL 2023-01. These funds would be used exclusively to support the future municipal capital contribution required, offsetting future debt requirements for the submitted application if approved or any other future applications. Future year-end surplus allocations will be considered for further commitments to this reserve.
- 3) **\$544,393** representing the remaining surplus has been allocated in accordance with Reserve Policy No. 6.20 subsection 4.2.10 which prescribes the following:

“The resulting consolidated County operating surplus after all the above allocations have been accounted for allocated as follows:

- i. 25% allocated to the Corporate General Reserve;
- ii. 50% allocated to the Roads Reserve;
- iii. 20% allocated to the Bridges Reserve;
- iv. 5% allocated to the Social Housing Reserve.”

The 2022 General budget operating surplus and Library budget operating surplus is explained in Table 5.

Table 5 – County and Library Levy Budget Surplus

Description		2022
		\$
Council	Training expenses	7,400
CAO Office	Multiple staff vacancies and gapping; Savings in consultant fees	177,900
Tourism	Purchased services	30,600
Communications	Staff vacancy	27,700
Future Oxford	Savings in support costs and advertising	65,000
Human Resources	Staff vacancies, scheduling software savings	110,600
Clerks	Software savings	33,000
Customer Service	Increased banked time costs; lower legal fees	(12,200)
Finance	Staff vacancy	89,100
Information Technology	Lower expenses - computer software & purchased services	132,700
Information Services	Staff vacancy and savings in software	109,020
Assessment Management	Savings in the tax consulting costs for analyzing the Current Value Assessment update that was postponed	49,500
Provincial Offences Administration	Savings due to Court Closure, higher provincial revenues for County Court Security and fine revenues	289,000
General	Property tax - in year supplementary tax	1,180,000
	Interest income - due to lower interest rates	370,000
	Higher income from land royalties	45,000
	Savings in grants to community events that did not proceed	40,300
Conservation Authorities	Savings from reduced Approved CA budgets (approved subsequent to County's budget)	81,400
Southwestern Public Health	Increased Approved Budget subsequent to the County's Budget	(125,675)
Engineering	Savings due to staff vacancies offset by lower fee recoveries	220,800
Facilities	Solar and electric vehicle charging stations; vacant buildings	(75,700)
Roads	Higher pavement painting costs & insurance claim costs offset by savings in salt & sand costs	(239,600)
	Increase in Roads DC exemptions over budget	(567,700)

Description		2022
		\$
Waste Management	Higher revenues – Stewardship Ontario, Tipping fees and processing revenues	702,000
Woodingford Lodge	Savings in salaries and benefits for management staff vacancies and sick leaves related to COVID covered under provincial funding; Budget savings in WSIB costs.	1,433,200
Child Care	Change in cost-share ministry formula	175,500
Housing	Bad debt and move-out repair & maintenance expenses	(480,000)
Paramedic Services	Revenue from vaccine and assessments clinics offset by higher costs in salaries and benefits, repairs and maintenance for vehicles and legal costs.	198,100
Community Planning	Increase in planning fee revenues; savings due to staff vacancy, training and legal expenses	14,300
General	Budget Salary Gapping – (savings are actually recognized in each division)	(550,000)
Various	Miscellaneous other savings	13,148
County Levy Budget Surplus		\$3,544,393
Library	Recoveries from copying, lost items and higher interest rates	17,100
	Staff vacancies	272,200
	Savings in building rent and cultural programs	29,400
	Other expenses	(17,385)
Library Levy Budget Surplus		301,315
Overall Levy Budget Surplus		\$3,845,708

Note 1 – The County’s operating budget surplus does not include surplus retained by Oxford Elgin St. Thomas Health Unit. The County’s portion of the surplus as at December 31, 2022 is \$1,351,806 (\$1,379,152 – 2021). The total accumulated surplus for Oxford Elgin St. Thomas Health Unit is \$2,436,767 (\$2,486,061 – 2021).

There are four water systems and eleven wastewater systems that are self-funded from user fees. Surpluses (or deficits) are allocated to each system’s respective reserves. The year-end variances from budget contributions to reserves for each respective system are presented in Table 6.

Table 6 – Water and Wastewater Reserve Contribution Variance

Description		Reserve	2022
Water Systems	Higher rate revenues	Woodstock	\$525,051
		Tillsonburg	360,915
		Ingersoll	(15,949)
		Township	243,357

Description		Reserve	2022
		Total Water	1,113,374
Wastewater system	All systems saw higher rate revenues Woodstock system had higher dumping fee revenues Increased costs for development charge exemption costs in Tillsonburg, Norwich, Ingersoll and Plattsville Tavistock system saw higher Sewer By-Law revenues Ingersoll reduced commercial revenues than expected Thamesford experienced higher hydro cost due to back billing for a billing error	Woodstock	708,912
		Tillsonburg	79,213
		Ingersoll	13,395
		Norwich	(59,244)
		Tavistock	623,391
		Plattsville	(81,243)
		Thamesford	(72,657)
		Drumbo	(26,657)
		Mt Elgin	69,679
		Embros	15,586
		Innerkip	12,019
			Total Wastewater
Total Rates Surplus			\$2,395,768

Oxford Elgin St. Thomas Health Unit

On May 1, 2018, Oxford Public Health and Elgin St Thomas Public Health merged to form Oxford Elgin St. Thomas Health Unit, operating as Southwestern Public Health (SWPH). In accordance with the Public Sector Accounting Board (PSAB) standards, the assets, liabilities and operations of SWPH are proportionately consolidated in the financial statements of the County of Oxford. The consolidated County financial statements include 55.48% (55.48% in 2021) proportionate consolidation of SWPH operations from January 1, 2022 to December 31, 2022 (Attachment 3). The County's share of SWPH's Accumulated Surplus is reflected in Note 10 in the County's Consolidated Financial Statements.

Waste Management Year-end Financial Report

Attached to this report as Attachment 4 is the detailed year-end financial report for the County's Waste Management program for the year ended December 31, 2022 illustrating a budget surplus of \$720,766.

Safe Restart Agreement and Provincial COVID-19 Recovery Funding

The County's COVID related costs were fully funded for years 2020 to 2022. The County received \$3.5 million as part of the Federal-Provincial Safe Restart grant, and \$1.2 million as part of the Provincial COVID-19 Recovery Funding for Municipalities in 2021. The County has utilized \$714,696 to offset COVID related operating costs from 2020 to 2022. In accordance with

direction from the Ministry, since funding exceeded the 2020 to 2022 COVID-19 related costs, the \$4.0 million in residual funding has been allocated to a dedicated reserve for use in 2023.

Table 7 – Safe Restart Agreement Fund and Provincial COVID-19 Recovery Funding Continuity

	Opening Balance	Revenue	Expenses	Closing Balance
2020	\$-	\$3,502,100	\$169,504	\$3,332,596
2021	3,332,596	1,244,656	281,788	4,295,464
2022	4,295,464	-	263,404	4,032,060
		4,746,756	714,696	
2023 Forecast	4,032,060	-	2,813,029	1,219,031
		\$4,746,756	\$3,527,725	

Conclusions

The five years of financial indicator comparatives as illustrated in this report suggest that the County is well positioned in the short and mid-term to meet its service and financial obligations.

Overall the 2022 financial statements, supported by an unqualified Auditor’s Reports and stable financial indicators, reaffirms the County’s ability to continue to maintain its strong liquidity position with a moderate debt burden – key strengths necessary for financial sustainability.

SIGNATURES

Report Author:

Original signed by

Carolyn King, CPA, CA
 Manager of Finance

Departmental Approval:

Original signed by

Lynn S. Buchner, CPA, CGA
 Director of Corporate Services

Approved for submission:

Original signed by

Benjamin R. Addley
 Chief Administrative Officer

ATTACHMENTS

Attachment 1 – Consolidated Financial Statements – December 31, 2022

Attachment 2 – Woodingford Lodge Resident Trust Fund Statements – December 31, 2022

Attachment 3 – Oxford Elgin St. Thomas Health Unit Financial Statements – December 31, 2022

Attachment 4 – Waste Management Year-end Financial Report – December 31, 2022