

To: Warden and Members of County Council

From: Director of Corporate Services

2021 Audited Financial Statements

RECOMMENDATION

1. That the Oxford County Consolidated Financial Statements and the County of Oxford Trust Funds Statements for the year ended December 31, 2021 be accepted.

REPORT HIGHLIGHTS

- Auditor to present the 2021 consolidated financial statements
- Long Term Financial Sustainability Plan sustainability measures for 2017 to 2021 continue to trend positively
- 2021 year end County operating budget surplus is \$4,574,798

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

2021 year end budget surpluses have 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 2021 consolidated financial statements.

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 2021 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, 2021.

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 2021 achievements with respect to projects and advancement of the County’s strategic plan will form part of the 2021 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 2017 - 2021 financial statements.

Table 1 – Sustainability Indicators

	2017	2018	2019	2020	2021	Trend
Financial assets to liabilities	1.98	2.07	2.25	2.41	2.44	
Total cash and temporary investments to operating expenses	1.18	1.17	1.23	1.31	1.35	
Net working capital to operating expenses	1.01	1.03	1.10	1.13	1.14	
Net debt to total operating revenue	0.25	0.26	0.23	0.20	0.18	
Net debt to taxable assessment	0.0030	0.0031	0.0026	0.0022	0.0020	
Accumulated surplus to taxable assessment	0.039	0.038	0.037	0.036	0.037	
Total debt per household	\$1,007	\$1,116	\$970	\$868	\$831	
Current ratio ¹	4.37	5.09	4.96	4.81	4.56	
Taxation rates coverage ²	0.38	0.36	0.37	0.37	0.35	
Interest coverage ³	15.15	16.45	15.86	18.57	19.83	
Sustainability ratio ⁴	1.59	2.83	1.72	1.62	1.53	

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 2017 - 2021 financial statements.

Table 2 – Flexibility Indicators

	2017	2018	2019	2020	2021	Trend
Debt charges to total revenues	0.012	0.011	0.010	0.009	0.008	
Net book value of capital assets to cost of capital assets	0.63	0.63	0.63	0.62	0.64	
Total reserves to operating expenses	1.04	1.01	1.09	1.13	1.13	
Total revenue to taxable assessment	0.0121	0.0119	0.0112	0.0110	0.0112	

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 2017 - 2021 financial statements.

Table 3 – Vulnerability Indicators

	2017	2018	2019	2020	2021	Trend
Government transfers to total revenues	0.29	0.31	0.29	0.29	0.33	

Budget Surplus

The Financial Statements include a Consolidated Statement of Financial Position which identifies the assets, liabilities and accumulated surplus as of December 31, 2021. 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, 2021 totals \$740,442,361 (\$709,410,239 – 2020 restated).

The overall 2021 budget surplus was \$7,285,538 (2020-\$9,046,920) and was transferred to reserves in accordance with Reserve Policy 6.20, as further explained in Table 4.

Table 4 – Summary of Surplus

Description		Reserve	2021
General operating	See Table 5	Corporate General	\$1,143,699
		Roads	2,287,399
		Bridges	914,960
		Facilities-Housing	228,740

Description		Reserve	2021
General Operating Levy Surplus			4,574,798
Library operating	See Table 5	General-Library	335,326
Library Operating Levy Surplus			335,326
Wastewater and Water Rates	See Table 6	Respective water and wastewater system reserves	1,034,660
Rates Surplus			1,304,660
Waste collection surplus	Higher bag tag sales and reduced tipping fee costs	Waste collection	730,736
Training	Excess training surplus to bring reserve to target per reserve policy	Training	37,469
Fleet	No significant variances	Fleet	(3,871)
Facilities (Rented buildings)	Savings due to decreased office building activity – utilities, janitorial, office supplies	Facilities	306,420
Special Program surplus (deficit)			1,070,754
Total Budget Surplus			\$7,285,538

The 2021 General budget operating surplus and Library budget operating surplus is explained in Table 5.

Table 5 – County and Library Levy Budget Surplus

Description		2020
		\$
Council	Meeting, training and travel expenses	9,100
CAO Office	Meeting, training and travel expenses; Savings in legal and consultant fees	111,900
Tourism	Meeting, training and travel expenses	6,400
Communications	Training; staff vacancy	22,700
Future Oxford	Savings in support costs and advertising	53,200
Human Resources	Higher costs due to market review adjustments offset by savings in software, training and supplies	(8,100)
Clerks	Revenue from Federal-Provincial Safe Restart Funding for communication support related to COVID	36,400
Customer Service	Higher credit card costs and usage for payment	(18,700)
Finance	Staff vacancy, savings from software upgrade	40,200
Information Technology	Lower expenses - computer software, supplies, photocopier, phone system, training and insurance	207,500
Information Services	Staff vacancy and savings in training, software and consultant fees	206,300
Assessment Management	Savings in the tax consulting costs for analyzing the Current Value Assessment update that was postponed	22,200

Description		2020
		\$
Provincial Offences Administration	Savings due to Court Closure, higher provincial revenues for County Court Security and fine revenues	286,600
General	Property tax - in year supplementary tax	898,300
	Interest income - due to lower interest rates	(207,100)
	Higher income from land royalties	83,000
	Savings in grants to community events that did not proceed	26,800
Conservation Authorities	Savings from reduced Approved CA budgets (approved subsequent to County's budget)	44,300
Engineering	Higher development review revenues and salaries charged to capital. Savings due to staff vacancies	280,600
Facilities	Solar Projects delayed - debt repayment	69,300
Roads	Savings in staff vacancies, winter control supplies, trails operating cost billing and area municipal drainage assessments	677,600
	Roads DC exemptions not budgeted for	(492,500)
Waste Management	Higher diversion revenues – Stewardship Ontario, Steel and Recycling	455,700
Woodingford Lodge	Global Level of Care increase in funding and staff supplement funding	581,100
	Tools/equipment purchases - many tools purchased through COVID funding	162,200
	Savings in salaries and benefits for management staff vacancies and sick leaves related to COVID covered under provincial funding; Budget savings in WSIB costs.	543,900
Human Services	Administration cost savings and cost shared program changes	94,800
Paramedic Services	Revenue from vaccine and assessments clinics offset by higher costs in salaries and benefits, repairs and maintenance for vehicles and legal costs.	129,100
Community Planning	Increase in planning fee revenues; savings due to staff vacancy, training and legal expenses	189,600
Overall	Training surplus allocation to reserve	(37,469)
Various	Miscellaneous other savings	99,867
County Levy Budget Surplus		\$4,574,798
Library	Staff vacancies, savings generated from reduced services due COVID-19	288,054
	Savings in software, advertising, programming, training and travel	53,666
	Other expenses	(6,394)
Library Levy Budget Surplus		335,326
Overall Levy Budget Surplus		\$4,910,124

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, 2021 is \$1,379,152 (\$1,130,999 – 2020 Restated). The total accumulated surplus for Oxford Elgin St. Thomas Health Unit is \$2,486,061 (\$2,038,740 – 2020 Restated).

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	2021
Water Systems	Higher rate revenues offset by Development charge exemptions not budgeted.	Woodstock	\$21,807
		Tillsonburg	418,385
	Ingersoll reduced commercial revenues than expected.	Ingersoll	(98,410)
		Township	417,898
	Total Water	759,680	
Wastewater system	Higher rate revenues offset by Development charge exemptions not budgeted.	Woodstock	141,413
		Tillsonburg	573,884
		Ingersoll	(191,065)
	Ingersoll reduced commercial revenues than expected.	Norwich	74,592
		Tavistock	390,913
		Plattsville	(122,208)
		Thamesford	(321,047)
		Drumbo	(1,277)
		Mt Elgin	18,895
	Thamesford experienced higher hydro cost due to back billing for a billing error.	Embro	34,285
		Innerkip	(53,405)
		Total Wastewater	544,980
Total Rates Surplus			\$1,304,660

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 2020) proportionate consolidation of SWPH operations from January 1, 2021 to December 31, 2021 (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, 2021 illustrating a budget surplus of \$312,374.

Safe Restart Agreement and 2021 Provincial COVID-19 Recovery Funding

In 2020 and 2021, the County's COVID related costs were fully funded. The County received \$3.5 million as part of the Federal-Provincial Safe Restart grant, and utilized \$169,504 and \$281,788 in 2020 and 2021 respectively to offset COVID related operating costs. Additionally, in 2021, the County received \$1.2 million as part of the Provincial COVID-19 Recovery Funding for Municipalities. In accordance with direction from the Ministry, since funding exceeded the 2020 and 2021 COVID-19 related costs, the \$4.3 million in residual funding has been allocated to a dedicated reserve for use in 2022.

Table 7 – Safe Restart Agreement Fund and 2021 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
		\$4,746,756	\$451,292	

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 2021 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

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Departmental Approval:

Original signed by

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

Approved for submission:

Original signed by

Michael Duben, B.A., LL.B.
Chief Administrative Officer

ATTACHMENTS

- Attachment 1 – Consolidated Financial Statements – December 31, 2021
- Attachment 2 – Woodingford Lodge Resident Trust Fund Statements – December 31, 2021
- Attachment 3 – Oxford Elgin St. Thomas Health Unit Financial Statements – December 31, 2021
- Attachment 4 – Waste Management Year-end Financial Report – December 31, 2021