

Consolidated Statement of Operations - Variance Analysis

	2022	2021 (Restated)	\$ Change	% Change	Note
Revenue:					
Taxation	\$ 20,546,226	\$ 19,497,547	\$ 1,048,679	5%	1
Water and sewer charges	\$ 5,584,657	\$ 5,395,435	\$ 189,222	4%	
Fees and user charges	\$ 3,276,452	\$ 2,899,241	\$ 377,211	13%	2
Grants	\$ 4,269,459	\$ 2,825,201	\$ 1,444,258	51%	3
Other income	\$ 5,313,396	\$ 2,567,085	\$ 2,746,311	107%	4
Obligatory reserve fund revenue recognized	\$ 971,263	\$ 1,114,553	-\$ 143,290	-13%	5
Dividend earned from Westario Power Inc.	\$ 108,000	\$ 108,000	\$ -	0%	
Equity earnings from Bruce Telecom Holdings Inc.	\$ 2,654,223	\$ 1,869,230	\$ 784,993	42%	6
Total Revenue	\$ 42,723,676	\$ 36,276,292	\$ 6,447,384	18%	
Expenses:					
General government	\$ 4,078,749	\$ 3,952,711	\$ 126,038	3%	
Protection services	\$ 4,786,250	\$ 4,831,575	-\$ 45,325	-1%	
Transportation services	\$ 8,073,987	\$ 7,117,266	\$ 956,721	13%	7
Environmental services	\$ 7,544,917	\$ 8,375,405	-\$ 830,488	-10%	8
Health services	\$ 1,071,434	\$ 750,867	\$ 320,567	43%	9
Recreation and cultural services	\$ 6,166,581	\$ 4,723,179	\$ 1,443,402	31%	10
Planning and development	\$ 1,364,340	\$ 1,207,049	\$ 157,291	13%	11
Total Expenses	\$ 33,086,258	\$ 30,958,052	\$ 2,128,206	7%	
Annual Surplus (Deficit)	\$ 9,637,418	\$ 5,318,240	\$ 4,319,178	81%	

Notes:

Note 1 - Taxation revenue has increased by \$1.049 million, or 5%, since the prior year. This is a result of the increase in the municipal tax rate of 4.63%, as well as higher than budgeted supplementals and lower write-offs.

Note 2 - Fees and User Charges have increased by \$377K, or 13%, since the prior year. The Covid-19 pandemic is the primary reason for the lower user fees in 2021. Swimming registration fees and pool admission represent 40% of the overall increase, summer day camp represents 15%, and health club memberships represent 10%. With the easing of pandemic restrictions, building permit activity and related fees also increased and accounts for 27% of the total variance. Higher cemetery lot sales and interments account for 10% of the increase. Offsetting revenue decreases include a \$52K decrease in cost recovery charges for a significant fire response call in 2021, as well as landfill tipping fees and bag tag sales which were lower than prior year by \$51K.

Note 3 - Grant revenues have increased by \$1.4M (51%) over the prior year. The majority of the increase is due to OCIF Formula-Based Funding which increased from \$585K in 2021 to \$1.258M in 2022 (\$700K increase). The Province has committed to increase OCIF funding by \$200M each year over the next 5 years, beginning in 2022. Successful applications for funding has increased grant revenue, including Provincial and Federal grant funding allocated to the KIPP Trail project in the amount of \$800K for 2022. In addition, grant funding received for the in-ground garbage receptacles amounted to \$82K, and the Municipal Modernization Funding of \$61K applied towards the records management project.

Note 4 - Other income has increased by \$2.75M (107%) since the prior year. The increase is primarily attributed to a contribution from the County of Bruce for \$686K for the Bruce Road 15 servicing project, as the County is responsible for 36% of the overall costs. There was also a non-cash contribution of \$476K for 'donated' storm sewer assets (new infrastructure) required for the St. Anthony's school expansion. Other increases include \$352K in donation revenue and county contribution for the KIPP trail, and bank interest income of \$824K.

Note 5 - In 2022, obligatory reserve fund revenue of \$971K was recognized, which is \$143K lower than in 2021. Federal Gas Tax funds of \$725K were applied to the Bruce Road 15 servicing project. There were also wastewater development charges of \$225K collected and applied to the Sewer Reserve Fund to offset the internal loan for the Connaught Park Sewage Pumping Station project.

Note 6 - The Municipality's investment in Bruce Telecom Holdings is recorded as a government business enterprise. The amount of \$2.654M represents Bruce Telecom's net income as reported in its financial statements. Actual dividends received in 2022 amounted to \$500K as per the terms of the Shareholder Declaration.

Note 7 - Transportation Services expenses have increased by \$957K (13%) since the prior year. The increase is due to several factors including wages and benefits which represent \$202K of this increase, fuel cost spending increase of \$154K, salt purchases and snow removal costs account for \$94K, interest payments of \$41K, hydro and propane costs of \$29K, and increased insurance costs of \$27K. An additional \$20K was incurred for airport consulting costs in order to conduct a mandated Automated Weather Observing System (AWOS) inspection and regulatory review.

Note 8 - Environmental Services expenses have decreased by \$830K (10%) over 2021. The majority of this decrease represents the adjustment recorded in 2021 for the calculation of the solid waste landfill closure liability due to inflation. Post-closure care costs are expected to continue for at least 25 years after the closure of the landfill, and therefore these future costs must be recorded as a liability in the financial statements and adjusted for inflation. The inflation rate used in 2021 was 5.2% compared to 0.7% in 2020, resulting in a significant increase in the liability calculation by \$1.795 M. The adjustment required in 2022 amounted to a credit of only \$143K. This is a non-cash item and represents 233% of the overall increase in expenses. Excluding the landfill liability, Environmental Services expenses have increased by \$964K (15%). Of this increase, \$260K is due to the purchase of water from Huron-Kinloss during the KWTP reservoir repairs. Other factors include salaries and benefits expenses of \$204K, and higher amortization expenses of \$187K due to acquisition of new water and sewer assets.

Note 9 - Health Services expenses have increased by \$320K (43%) over 2021. Of this increase, \$225K (70%) is attributed to the enhancement of the Physician Recruitment program. This includes \$145K for physician incentive payments for 2 new physicians in Kincardine, as well as \$80K in program costs and the full-time Physician Recruiter position which was implemented part-way through the year in 2021. There was also additional maintenance costs of \$21K for the locum house due to flooding and required repairs associated with this incident.

Note 10 - Recreation and Cultural Services expenses have increased by \$1.443M (31%) since 2021. The majority of this increase is attributed wages and benefits, which account for \$703K (49%) of the overall increase. This is largely due to the re-opening of all recreational programming with easing of pandemic restrictions and includes part-time wages for the summer day camp, pool programming, etc. In 2020, these wages were significantly lower than in pre-pandemic years by \$578K, and since then have been gradually returning to norm. The 2022 wages also reflect the Manager of Parks & Facilities position which was filled mid-year. A further \$263K is for an accounting adjustment that reallocated engineering costs for the proposed new Whitney Crawford facility from capital to an operating expense in 2022. Building maintenance costs were higher in 2022 by \$89K for several facilities including the Tiverton S.C., DC pool, and the health club. Insurance costs accounted for \$22K of the overall increase.

Note 11 - Planning and Development Services expenses have increased by \$157K (13%) over 2021. Of this increase, \$92K (56%) is attributed to higher wages and benefits. In addition, \$87K is attributed to drainage maintenance and engineering costs incurred for several municipal drains. There were also higher legal fees of \$17K incurred for several planning matters, as well as cost of appeals dealt with at Ontario Land Tribunal (OLT) of \$40K.

Consolidated Statement of Operations - Budget Variance Analysis

	2022 Actual*	2022 Budget	\$ Change	% Change	Note
Revenue:					
Taxation	\$ 20,546,226	\$ 20,460,832	\$ 85,394	0%	
Water and sewer charges	\$ 5,584,657	\$ 5,471,044	\$ 113,613	2%	
Fees and user charges	\$ 3,276,452	\$ 2,942,836	\$ 333,616	11%	1
Grants	\$ 4,269,459	\$ 4,234,548	\$ 34,911	1%	
Other income	\$ 5,313,396	\$ 3,673,551	\$ 1,639,845	45%	2
Obligatory reserve fund revenue recognized	\$ 971,263	\$ -	\$ 971,263	100%	3
Equity earnings from Westario Power	\$ 108,000	\$ 60,000	\$ 48,000	80%	
Equity earnings from Bruce Telecom Holdings Inc.	\$ 2,654,223	\$ 500,000	\$ 2,154,223	431%	4
Total Revenue	\$ 42,723,676	\$ 37,342,811	\$ 5,380,865	13%	
Expenses:					
General government	\$ 3,762,662	\$ 4,118,677	-\$ 356,015	-9%	5
Protection services	\$ 4,573,908	\$ 4,551,378	\$ 22,530	0%	
Transportation services	\$ 5,690,374	\$ 5,385,489	\$ 304,885	6%	6
Environmental services	\$ 5,013,218	\$ 4,888,550	\$ 124,668	3%	
Health services	\$ 838,084	\$ 751,937	\$ 86,147	11%	
Recreation and cultural services	\$ 5,167,681	\$ 4,993,800	\$ 173,881	3%	
Planning and development	\$ 1,347,497	\$ 1,230,504	\$ 116,993	10%	7
Total Expenses	\$ 26,393,424	\$ 25,920,335	\$ 473,089	2%	
Annual surplus (deficit)	\$ 16,330,252	\$ 11,422,476	\$ 4,907,776	30%	

* Amounts have been adjusted for amortization expense, which is not budgeted.

Notes:

Note 1 - Fees and user charges are \$334K (11%) over budget. The majority of this favourable variance is due to building permit revenues which exceeded budget by \$109K and represents 33% of the overall variance. An additional \$79K is for cost recovery charges for the management of the WE Thompson facility contract on behalf of Bruce Power. The pool admissions and swim lesson revenues also exceeded budget by \$79K in total, as budgetary estimates were conservative emerging out of the Covid pandemic. Cemetery activity, including lot sales, interments, and cremations also exceeded budget by \$67K. Offsetting unfavourable variances include lower than budgeted health club membership income by \$54K, lower summer daycamp revenues of \$39K, and lower bag tag sales by \$18K.

Note 2 - Other income is \$1.64M (45%) over budget. This is primarily due to several factors, including \$476K in contributed storm sewer assets (non-cash) associated with the St. Anthony's school expansion. Also, interest income earned on reserve funds exceeded budget by \$1.1M, as the Municipality does not include reserve fund interest income in the operating budget. The interest earned on reserve funds remains in respective fund and is available for future use.

Note 3 - In 2022, obligatory reserve fund revenue of \$971K was recognized. Federal Gas Tax funds of \$725K were applied to the Bruce Road 15 servicing project. There were also wastewater development charges of \$225K collected and applied to the Sewer Reserve Fund to offset the internal loan for the Connaught Park Sewage Pumping Station project.

Note 4 - The Municipality's investment in Bruce Telecom is recorded as a government business enterprise. The amount of \$2.654M represents Bruce Telecom's net income as reported in its financial statements. Actual dividends received in 2022 amounted to \$500K as per the terms of the Shareholder Declaration.

Note 5 - General Government expenses are below budget by \$356K (9%). This is primarily due to the continuation of the records digitization project that was under budget by \$151K in 2022. This project is funded by the Municipal Modernization grant which has been extended until December 2023. In addition, legal fees were below budget by \$81K (62%). The expenses for the Communications department were under budget by \$67K (45%) due to staff vacancies and training. An additional \$36K is attributed to the timing of filling the CAO position, as this vacancy was not filled until September 2022.

Note 6 - Transportation Services expenses exceed budget by \$305K (6%). The majority of this unfavourable variance is a result of higher diesel and gasoline expenses by \$152K (55%). Also, fleet maintenance and parts exceeded budget by \$25K (8%) due to aging fleet and higher maintenance requirements, as well as supply shortages and increased costs for parts. The expenses also include \$69K for the Streetscan Road and Sidewalk Assessment project work that was included in the capital budget, but reallocated to operating given the non-capital nature of this project. Salt purchases for winter maintenance also exceeded budget by \$44K (63%).

Note 7 - Planning and Development expenses exceed budget by \$117K (10%). The majority of this variance is due to municipal drain maintenance costs and engineering costs which exceeded budget estimates by \$162K. Drain maintenance work is difficult to estimate and is dependent on the volume of maintenance requests submitted in the year. The OMFRA grants are applied for in the year following completion of the maintenance work, and therefore cost recovery from benefiting landowners does not occur in the same year. The majority of these costs will be recovered in future years. Also, legal costs associated with Ontario Land Tribunal (OLT) appeals exceeded budget by \$77K. Of the total costs incurred of \$87K, \$47K will be recovered from the developer. Offsetting favourable variances include \$113K in consulting fees that were below budget for the ongoing Zoning By-law Amendment work. This budget has been extended into 2023 and work continues.

Consolidated Statement of Financial Position - Variance Analysis

	2022	2021 (Restated)	\$ Change	% Change	Note
Financial assets					
Cash	\$ 45,852,748	\$ 46,714,037	-\$ 861,289	-2%	1
Taxes receivable	\$ 1,165,508	\$ 1,379,335	-\$ 213,827	-16%	2
Trade and other A/R	\$ 4,691,123	\$ 2,983,131	\$ 1,707,992	57%	3
Inventory held for resale	\$ 67,758	\$ 53,730	\$ 14,028	26%	
Long-term investments - other	\$ 5,193,131	\$ 5,096,970	\$ 96,161	2%	
Investment in Westario Power	\$ 2,462,224	\$ 2,462,224	\$ -	0%	
Investment in BT Holdings	\$ 33,744,918	\$ 29,071,222	\$ 4,673,696	16%	4
Loans receivable	\$ 44,139	\$ 68,199	-\$ 24,060	-35%	
	\$ 93,221,549	\$ 87,828,848	\$ 5,392,701	6%	
Financial Liabilities					
A/P and accrued liabilities	\$ 8,000,086	\$ 6,476,505	\$ 1,523,581	24%	5
Deferred revenue	\$ 6,679,930	\$ 6,396,956	\$ 282,974	4%	
Long-term liabilities	\$ 13,753,874	\$ 11,881,253	\$ 1,872,621	16%	6
Post-employment benefits	\$ 557,365	\$ 455,567	\$ 101,798	22%	7
Solid waste landfill closure and post closure liability	\$ 2,275,383	\$ 2,418,521	-\$ 143,138	-6%	
	\$ 31,266,638	\$ 27,628,802	\$ 3,637,836	13%	
Non-financial assets					
Inventory of supplies	\$ 537,543	\$ 438,267	\$ 99,276	23%	8
Prepaid expenses	\$ 301,103	\$ 260,217	\$ 40,886	16%	
Tangible capital assets	\$ 163,834,084	\$ 156,091,689	\$ 7,742,395	5%	
	\$ 164,672,730	\$ 156,790,173	\$ 7,882,557	5%	
Accumulated Surplus	\$ 226,627,641	\$ 216,990,219	\$ 9,637,422	4%	

Notes:

Note 1 - Cash has decreased by \$861K (2%) since the prior year. The decline in cash is attributed to a significant number of capital projects that were undertaken in 2021-2022 and were carried forward from prior years. The total 2022 capital budget amounted to \$21.7 million, with the majority being funded from reserve funds. As contributions into reserve funds are less than transfers out of reserve funds, it is reasonable that the cash balance has declined.

Note 2 - Taxes Receivable have decreased by \$214K or 16%. This is primarily due to a higher number of supplemental billings that took place at the end of 2021 in comparison to 2022, resulting in a higher balance of taxes outstanding in the prior year.

Note 3 - Trade and other receivables have increased by \$1.7M (57%) over prior year. Of this increase, \$756K (44%) is attributed to a significant billing at year-end to the County of Bruce for their proportionate share of capital works (i.e. Bruce Rd 15 servicing project). Also, \$814K represents Provincial and Federal grants receivable outstanding at year-end relating to the KIPP Trail project and the Sunset Drive shoreline erosion project.

Note 4 - Investment in Bruce Telecom has increased by \$4.67M (16%) since the prior year. In 2022, the Municipality contributed land and buildings to Bruce Telecom with a carrying value of \$2.519M in exchange for 1,000 common shares. This contribution, along with the Municipality's 100% share of Bruce Telecom's net income for the year of \$2.654M less the \$500K dividend distribution, represents the total increase in investment.

Note 5 - A/P and Accrued Liabilities has increased by \$1.5M (24%) over 2021. The increase is attributed primarily to trade payables, which have increased by \$939K (47%). This is due to the large number of ongoing capital projects undertaken in 2021-2022 and the timing of the related invoices received at year-end. The remaining increase is due to holdbacks, which have increased by \$605K (47%) over the prior year. This is a direct result of the increased capital budget and additional construction projects that have been taken on, many of which require holdbacks in accordance with the *Construction Act*. These amounts will become due upon final completion of the project(s).

Note 6 - Long-term liabilities have increased by \$1.87M or 16% since 2021. The increase is due to the addition of \$2.25M in new debt for the Huron Terrace Forcemain project. This is partially offset by one year of loan repayments for several loans including \$185K for the MAC renovation loan, \$115K for the Queen St. Bridge, \$24K for tile drain loans, \$119K for the LED streetlights, and \$33K for the Fire Rescue vehicle.

Note 7 - The liability for post-employment benefits has increased by \$102K (22%) over 2021. The PSAB liability represents the present value of retirement, health, and sick leave benefits that have been earned by employees based on service as at year end, adjusted for unamortized gains/losses. The valuation of the liability is determined based on assumptions and estimates including membership data, usage rates, premium rates, and discount rates.

Note 8 - Inventory of supplies has increased by \$99K (23%) over the prior year. Of this increase, \$27K (27%) represents sand inventory and \$25K (25%) represents dyed diesel inventory which remained on hand at year-end.