

## Consolidated Statement of Operations - Variance Analysis

	2023	2022 (Restated)	\$ Change	% Change	Note
<b>Revenue:</b>					
Taxation	\$ 22,077,316	\$ 20,546,226	\$ 1,531,090	7%	1
Water and sewer charges	\$ 6,194,031	\$ 5,584,657	\$ 609,374	11%	2
Fees and user charges	\$ 3,377,927	\$ 3,276,452	\$ 101,475	3%	
Grants	\$ 3,594,746	\$ 4,269,459	-\$ 674,713	-16%	3
Other income	\$ 5,391,997	\$ 5,313,396	\$ 78,601	1%	
Obligatory reserve fund revenue recognized	\$ 1,250,323	\$ 971,263	\$ 279,060	29%	4
Dividend earned from Westario Power Inc.	\$ 53,907	\$ 108,000	-\$ 54,093	-50%	
Equity earnings from Bruce Telecom Holdings Inc.	\$ 1,598,173	\$ 2,654,223	-\$ 1,056,050	-40%	5
<b>Total Revenue</b>	<b>\$ 43,538,420</b>	<b>\$ 42,723,676</b>	<b>\$ 814,744</b>	<b>2%</b>	
<b>Expenses:</b>					
General government	\$ 4,484,097	\$ 4,078,749	\$ 405,348	10%	6
Protection services	\$ 4,889,753	\$ 4,788,108	\$ 101,645	2%	7
Transportation services	\$ 8,414,917	\$ 8,084,177	\$ 330,740	4%	8
Environmental services	\$ 8,441,095	\$ 7,652,469	\$ 788,626	10%	9
Health services	\$ 1,117,381	\$ 1,072,060	\$ 45,321	4%	
Recreation and cultural services	\$ 6,688,737	\$ 6,210,699	\$ 478,038	8%	10
Planning and development	\$ 1,299,219	\$ 1,364,340	-\$ 65,121	-5%	
<b>Total Expenses</b>	<b>\$ 35,335,199</b>	<b>\$ 33,250,602</b>	<b>\$ 2,084,597</b>	<b>6%</b>	
<b>Annual Surplus (Deficit)</b>	<b>\$ 8,203,221</b>	<b>\$ 9,473,074</b>	<b>-\$ 1,269,853</b>	<b>-13%</b>	

### Notes:

**Note 1** - Taxation revenue has increased by \$1.531 million, or 7%, since the prior year. This is a result of the increase in the municipal tax rate of 6.3% and tax levy increase of 7.8%.

**Note 2** - Water and sewer revenue has increased by \$609K, or 11% since the prior year. Sewer rates have increased by 8.8% over prior year, while water rates have increased by 6.9% in accordance with the recommendations of the Asset Management financial strategy. In addition, there was a billing adjustment for a sewer customer at the Bruce Energy Centre which resulted in an additional billing of \$68K in 2023 which pertained to 2022 consumption.

**Note 3** - Grant revenue is \$675K, or 16% lower than prior year. In 2022, Federal and Provincial grant funding of \$798K was awarded for the KIPP Trail, which results in higher grant revenue for the prior year. In addition, in 2022 the Municipality received \$82K in grant funding for the purchase of in-ground garbage receptacles and \$61K in Municipal Modernization Funding for the records management project. This is offset by an increase in OMPF Funding in 2023 of \$91K (8%). OCIF Formula Funding has also increased in 2023 by \$197K (7.5%) over prior year. The Province has committed to increase OCIF funding by \$200M each year over 5 years, beginning in 2022.

**Note 4** - In 2023, obligatory reserve fund revenue of \$1.25 million was recognized, compared to \$971K in the prior year. Federal Gas Tax (CCBF) funds of \$191K were applied to several capital projects both at the Tiverton Sports Centre and the Davidson Centre. Wastewater development charges of \$611K (compared to \$225K in 2022) were collected and applied to the Sewer Reserve Fund to offset the internal loan for the Connaught Park Sewage Pumping Station project. Also, \$165K was transferred out of the Building Permit Reserve Fund to the Building Department operating budget in order to offset operating expenses, as Building Permit revenues were less than prior year by \$150K (39%) and below budgetary estimates by \$91K (28%).

**Note 5** - The Municipality's investment in Bruce Telecom Holdings is recorded as a government business enterprise. The amount of \$1.598 million represents Bruce Telecom's net income as reported in its financial statements. Actual dividends received in 2023 amounted to \$500K as per the terms of the Shareholder Declaration. A note disclosure has been included in the Financial Statements for the sale of Bruce Telecom which closed after the 2023 year-end.

**Note 6** - General Government expenses are \$405K (10%) higher than prior year expenses. The majority of this increase is attributed to legal and consulting fees incurred in 2023 of \$403K relating to the sale of Bruce Telecom. Other expense increases include wages, which have increased by \$280K (12%) over 2022. This is primarily due to several position vacancies in 2022 (CAO, Communications), with 2023 being a full calendar year of wages. There were also additional wages incurred in 2023 for the implementation of the Records Management project that was funded by provincial MMP Intake 3 grant funding.

**Note 7** - Protection Services expenses are \$102K (2%) higher than prior year expenses. Wages are higher in 2023 by \$82K (6%) however this is largely due to a reallocation of wages within the departments, specifically Community Services. The Saugeen Valley Conservation Authority levy also increased by \$30K (9%) and is contributing to the overall increase.

**Note 8** - Transportation Services expenses have increased by \$331K (4%) since the prior year. Of this increase, \$240K is attributed to higher amortization expenses for the road network due to the acquisition of new infrastructure. Interest on outstanding debt is also higher in 2023 by \$89K due to the Huron Terrace Forcemain debenture that was executed in December 2022, with 2023 being the first year for debt repayments. Other expense increases include emergency road surface repairs for Bruce Ave which had to be pulverized and returned to gravel, \$42K for the Sunset Drive Shoreline Erosion remediation work that was reallocated from a capital project to an operating expense due to cancellation of the project, and \$25K for the Bridge Inspection Report in 2023.

**Note 9** - Environmental Services expenses have increased by \$789K (10%) over 2022. Of this increase, \$143K represents an adjustment recorded for the landfill Asset Retirement Obligation (ARO) which is a non-cash expense. The new accounting standard PS 3280 was adopted in 2023 and replaced *PS 3270 Solid Waste Closure and Post-Closure Liability*. The new accounting standard recognizes the liability of landfill sites as incurred rather than incrementally with use. Amortization expense, also non-cash, accounts for \$127K of the increase in expenses due to acquisition of new infrastructure.

Excluding these non-cash items, the other significant increase in expenses is primarily due to engineering costs associated with the Bruce Power water supply project. Engineering fees amounted to ~ \$420K in 2023 compared to only \$66K in 2022. All costs have been fully recovered from Bruce Power. A further \$197K of the increase is due interest payments on the Huron Terrace Forcemain debenture, as explained above.

**Note 10** - Recreation and Cultural Services expenses have increased by \$478K (8%) since 2022. The majority of this increase is attributed wages and benefits, which account for \$255K (53%) of the overall increase. Building maintenance costs were higher in 2023 by \$230K for the Davidson Centre (DC) and Tiverton S.C. (TSC) due to aging infrastructure and required repairs. The following expenses incurred at the DC totalled \$62K and include unplanned electrical panel upgrades, appliance repair and replacement, door replacement, fire alarm repairs, new interior garbage cans, heat exchanger replacement, LED lighting, and repairs to remediate H&S concerns over falling ice at the entrance of the facility. Similarly, repairs at the TSC amounted to \$107K and included emergency brine piping repairs, external wall repairs, compressor repair work, ammonia leak emergency, and emergency electrical repairs.

For Parks, additional funds were added to the 2023 budget to ensure staff were meeting maintenance standards across our fields and parks. Further, several accounts were migrated into this account for 2023, accounting for the majority of the increase from 2022. Unexpected expenses were incurred related to ash tree removal, installation of the crane for inground garbage collection and garbage bags for the new above ground parks garbage cans.

## Consolidated Statement of Operations - Budget Variance Analysis

	2023 Actual*	2023 Budget	\$ Change	% Change	Note
<b>Revenue:</b>					
Taxation	\$ 22,077,316	\$ 22,055,825	\$ 21,491	0%	
Water and sewer charges	\$ 6,194,031	\$ 5,701,289	\$ 492,742	9%	1
Fees and user charges	\$ 3,377,927	\$ 3,391,042	-\$ 13,115	0%	
Grants	\$ 3,594,746	\$ 3,405,472	\$ 189,274	6%	2
Other income	\$ 5,391,997	\$ 6,467,946	-\$ 1,075,949	-17%	3
Obligatory reserve fund revenue recognized	\$ 1,250,323	\$ -	\$ 1,250,323	100%	4
Equity earnings from Westario Power	\$ 53,907	\$ -	\$ 53,907	100%	5
Equity earnings from Bruce Telecom Holdings Inc.	\$ 1,598,173	\$ 500,000	\$ 1,098,173	220%	5
<b>Total Revenue</b>	<b>\$ 43,538,420</b>	<b>\$ 41,521,574</b>	<b>\$ 2,016,846</b>	<b>5%</b>	
<b>Expenses:</b>					
General government	\$ 4,307,464	\$ 4,030,029	\$ 277,435	7%	6
Protection services	\$ 4,670,595	\$ 4,781,168	-\$ 110,573	-2%	7
Transportation services	\$ 5,790,402	\$ 5,910,434	-\$ 120,032	-2%	8
Environmental services	\$ 5,783,441	\$ 5,672,806	\$ 110,635	2%	9
Health services	\$ 921,185	\$ 929,609	-\$ 8,424	-1%	
Recreation and cultural services	\$ 5,613,385	\$ 5,675,406	-\$ 62,021	-1%	
Planning and development	\$ 1,283,867	\$ 1,246,283	\$ 37,584	3%	
<b>Total Expenses</b>	<b>\$ 28,370,339</b>	<b>\$ 28,245,735</b>	<b>\$ 124,604</b>	<b>0%</b>	
<b>Annual surplus (deficit)</b>	<b>\$ 15,168,081</b>	<b>\$ 13,275,839</b>	<b>\$ 1,892,242</b>	<b>12%</b>	

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

### **Notes:**

**Note 1** - Water and sewer revenues exceeded budget by \$493K or 9%, primarily due to conservative estimates for residential water and sewer consumption. In addition, there was a billing adjustment for a sewer customer at the Bruce Energy Centre which resulted in an additional billing of \$68K in 2023 which pertained to 2022 consumption. Under the full-cost recovery model, all revenues collected in excess of operating expenses are transferred to reserve funds for future capital/infrastructure replacement.

**Note 2** - Grant revenue exceeded budget by \$189K or 6%, primarily due to recording grants receivable for 2 significant municipal drains (#21 and MacDonald) undertaken under the Drainage Act. There is often a significant time lapse between completion of works, grant payments, and billings to property owners. The process can take 2-3 years, leaving the Municipality with substantial carrying costs until funds are recovered from property owners serviced by the Municipal Drain.

**Note 3** - Other Income was below budget by \$1.076 million, or 17%. This is due primarily to 3 significant servicing projects: Kincardine Ave, Hwy 21/Russel St, and Mount Forest Ave. These projects are intended to be funded through developer contributions and have been budgeted for as such with a combined receivable of \$3.6 million. Actual costs incurred on these projects in 2023 amounted to \$129K, with budgeted costs amounting to \$4.487 million. The majority of the construction works for these projects will take place in 2024, with cost recovery from developers extending well beyond 2024, leaving the Municipality with substantial carrying costs until development materializes. While \$535K has been received in deposits for the Mount Forest project, these funds are held in Deferred Revenue until project completion.

**Note 4** - In 2023, obligatory reserve fund revenue of \$1.25 million was recognized. Federal Gas Tax (CCBF) funds of \$191K were applied to several capital projects both at the Tiverton Sports Centre and the Davidson Centre. Wastewater development charges of \$611K were collected and applied to the Sewer Reserve Fund to offset the internal loan for the Connaught Park Sewage Pumping Station project. Also, \$165K was transferred out of the Building Permit Reserve Fund to the Building Department operating budget in order to offset operating expenses, as Building Permit revenues were below budgetary estimates by \$91K (28%).

**Note 5** - The Municipality's earns annual dividends from its investment in Westario Power. The 2023 budget did not include a dividend distribution from Westario Power, however actual dividends were received in the amount of \$54K.

The Municipality's investment in Bruce Telecom Holdings is recorded as a government business enterprise. The amount of \$1.598 million represents Bruce Telecom's net income as reported in its financial statements. Actual dividends received in 2023 amounted to \$500K as per the terms of the Shareholder Declaration. A note disclosure has been included in the Financial Statements for the sale of Bruce Telecom which closed after the 2023 year-end.

**Note 6** - General Government expenses exceeded budget by \$277K (7%). This is primarily due to legal and consulting fees associated with the sale of Bruce Telecom, which were unbudgeted. These costs exceeded budget by \$318K in 2023. There was also a cost overage of \$48K for building maintenance expenses for the WE Thompson facility, however this is fully recoverable from Bruce Power as the tenant of the building.

**Note 7** - Protection Services expenses are below budget by \$111K (2%). The cost savings were primarily realized in the Fire Department's budget for purchases of materials including firefighting uniforms and turn-out gear, training, pagers, and other supplies. Due to the vacancy of the Fire Chief position and staff turnover, purchases that were budgeted for were not able to be made. The remaining difference is due to internal wage allocations, including Emerald Ash Borer removal which amounts to \$60K of the overall variance.

**Note 8** - Transportation Services expenses are below budget by \$120K (2%). The majority of this favourable variance is a result of lower diesel and gasoline expenses by \$140K, including aircraft fuel. Vehicle maintenance expenses and part purchases were also below budget by \$49K. Overall, the expenses are comparable to budget.

**Note 9** - Environmental Services expenses exceeded budget by \$111K (2%). The cost overage is primarily due to engineering costs associated with the Bruce Power water supply project, which amounted to \$420K and are fully recoverable from Bruce Power. Offsetting favourable variances include lower expenses for watermain maintenance and repairs of \$29K, and lower building and equipment maintenance costs of \$53K.

## Consolidated Statement of Financial Position - Variance Analysis

	2023	2022 (Restated)	\$ Change	% Change	Note
<b>Financial assets</b>					
Cash	\$ 52,096,072	\$ 45,852,748	\$ 6,243,324	14%	1
Taxes receivable	\$ 1,852,765	\$ 1,165,508	\$ 687,257	59%	2
Trade and other A/R	\$ 4,928,364	\$ 4,691,123	\$ 237,241	5%	3
Inventory held for resale	\$ 63,736	\$ 67,758	-\$ 4,022	-6%	
Long-term investments - other	\$ 4,769,213	\$ 5,193,131	-\$ 423,918	-8%	4
Investment in Westario Power	\$ 2,462,224	\$ 2,462,224	\$ -	0%	
Investment in BT Holdings	\$ 34,843,091	\$ 33,744,918	\$ 1,098,173	3%	5
Loans receivable	\$ 268,636	\$ 44,139	\$ 224,497	509%	6
	<b>\$ 101,284,101</b>	<b>\$ 93,221,549</b>	<b>\$ 8,062,552</b>	<b>9%</b>	
<b>Financial Liabilities</b>					
A/P and accrued liabilities	\$ 6,759,305	\$ 8,000,086	-\$ 1,240,781	-16%	7
Deferred revenue	\$ 10,276,640	\$ 6,679,930	\$ 3,596,710	54%	8
Long-term liabilities	\$ 17,389,527	\$ 13,753,874	\$ 3,635,653	26%	9
Post-employment benefits	\$ 628,737	\$ 557,365	\$ 71,372	13%	
Asset Retirement Obligation	\$ 5,696,983	\$ 5,535,160	\$ 161,823	3%	10
	<b>\$ 40,751,192</b>	<b>\$ 34,526,415</b>	<b>\$ 6,224,777</b>	<b>18%</b>	
<b>Non-financial assets</b>					
Inventory of supplies	\$ 472,671	\$ 537,543	-\$ 64,872	-12%	
Prepaid expenses	\$ 343,205	\$ 301,103	\$ 42,102	14%	
Tangible capital assets	\$ 170,871,172	\$ 164,482,956	\$ 6,388,216	4%	11
	<b>\$ 171,687,048</b>	<b>\$ 165,321,602</b>	<b>\$ 6,365,446</b>	<b>4%</b>	
<b>Accumulated Surplus</b>	<b>\$ 232,219,957</b>	<b>\$ 224,016,736</b>	<b>\$ 8,203,221</b>	<b>4%</b>	

### Notes:

**Note 1** - Cash has increased by \$6.243 million (14%) since the prior year. A portion of this amount (\$1.056 million) is being held as securities for an ongoing development, and an offsetting liability (Deferred Revenue) is recorded in the financial statements as the funds will be returned to the developer upon completion of the project. There was also a \$564K investment that has matured and transferred to the cash account. In addition, the Municipality is holding ~\$285K in donations for the splash pad and all wheel park community projects. The balance in the Lifecycle Reserve Fund has also increased by \$2.526 million over prior year due to increase in contributions, as well as the timing of capital projects and related invoices and cash outlays.

**Note 2** - Taxes Receivable have increased by \$688K or 59%. Of this increase, \$436K (63%) is for current year taxes and \$169K (25%) is due to supplemental billings. The increase in supplemental billings is a result of newly constructed developments that had an increase in assessment. The increase in current taxes receivable is due to a combination of factors including higher taxes and slower collection.

**Note 3** - Trade and other receivables have increased by \$237K (5%) over prior year. There was a significant receivable recorded at year-end relating to the Bruce Power water supply project in the amount of \$998K, which was billed in 2023 and collected in 2024.

**Note 4** - Long-term investments have decreased by \$424K (8%) which is primarily due to the \$564K investment that has matured and was deposited into the cash account as described in Note 1 above.

**Note 5** - Investment in Bruce Telecom has increased by \$1.098M (3%) since the prior year. A note disclosure has been included in the Financial Statements for the sale of Bruce Telecom which closed after the 2023 year-end.

**Note 6** - Loans Receivable have increased by \$224K (509%) since the prior year. This increase primarily represents the interest-free home purchase loan that was provided as an incentive to attract a new physician to this community.

**Note 7** - A/P and Accrued Liabilities has decreased by \$1.24M (16%) over 2022. The decrease is primarily attributed to holdbacks, which have decreased by \$891K (47%) and trade payables which have decreased by \$646K (22%). This is a direct result of the capital budget and construction projects that require holdbacks in accordance with the Construction Act. These amounts become due upon final completion of the project(s). There were several significant invoices outstanding at the end of 2022 for the Huron Terrace Forcemain project and for the Durham/Saugeen and Lambton project totalling \$1.075 million.

**Note 8** - Deferred revenue has increased by \$3.597M or 54% since the prior year. Of this increase, \$1.056M relates to securities held for a development as described in Note 1. Other significant amounts include \$495K held for Mount Forest servicing work, \$216K in donations held for the Tiverton Splash Pad, and OCIF funding received in 2023 but not yet spent.

**Note 9** - Long-term liabilities have increased by \$3.636M or 26% since 2022. The increase is due to the addition of \$4.546M in external debt for the Queen St. Sewer reconstruction project. Offsetting decreases are due to annual repayments totalling \$910K for existing loans including the Fire Rescue Vehicle, municipal office renovations, LED streetlights, Queen St. Bridge, Huron Terrace Forcemain, and tile drain loans.

**Note 10** - The new accounting standard PS 3280 Asset Retirement Obligations (ARO) has been adopted by the Municipality and the liability has been recorded in the financial statements. PS 3280 requires all government entities to account for any Asset Retirement costs at the time of construction/acquisition of the asset and to add those costs to the value of the asset. The ARO must be accounted for retroactively, thereby resulting in a restatement of 2022 figures.

**Note 11** - Tangible Capital Assets (TCA) have increased by \$6.388M (4%) over prior year. This is reasonable considering the 2023 capital budget included \$20.8 million in new projects, and an additional \$5.5 million in carryforward projects. New assets and infrastructure are being acquired at a faster rate than they are being amortized.