



Administrative Report

To: Warden MacDonald and Members of Essex County Council

From: Melissa Ryan, CPA, Director, Financial Services/Treasurer

Date: Wednesday, June 18, 2025

Subject: 2024 County of Essex Consolidated Financial Statements Report

Report #: 2025-0618-FIN-R15-MR

Purpose

To present the 2024 County of Essex Consolidated Financial Report detailing the consolidated results of operations for the year ended December 31, 2024 and the financial position of the Corporation as at December 31, 2024.

Background

The 2024 County of Essex Consolidated Financial Report includes the operations of the following entities:

- Essex County Library Board
- Essex Windsor Solid Waste Authority

The agreement between the County of Essex and the City of Windsor establishing the Essex-Windsor Solid Waste Authority (EWSWA) requires that an audit of the accounts of the Authority be conducted. In accordance with the Public Sector Accounting Board (PSAB) reporting standards, the Corporation's financial statements include fifty percent (50%) of EWSWA's financial statements, representing the proportionate share the Corporation has control over EWSWA operations.

The Sun Parlor Home Residents' Trust Fund is not consolidated. The operations of the Fund are reported separately in the Financial Report on the Trust Fund Statement of Financial Position and Statement of Continuity.

The 2024 audit was conducted by KPMG LLP. The auditor's opinion is attached to the Consolidated Financial Report.

Attached as Appendix D is the 2024 Year in Review for each department. As you may recall, this year's budget process removed this section from the budget book to place greater focus on the upcoming year. This also provided an opportunity to include the Year in Review as part of the financial statement report, ensuring a complete picture of the past year—highlighting both the opportunities and challenges encountered, alongside the final financial results.

Discussion

Audit Opinion

KPMG has expressed a **clean** (unqualified) audit opinion following its examination of the accounts of the Corporation.

An unqualified audit opinion is an auditor's judgement that the Corporation's results of operations for the year ended December 31, 2024, and its financial position as at December 31, 2024 are **fairly** and **appropriately** represented in accordance with Generally Accepted Accounting Principles (GAAP) in the Consolidated Financial Report.

KPMG Audit Findings Report: 2024 Financial Statements

Professional standards require KPMG to communicate to County Council, as the Corporation's governing body, on financial controls and accounting policies such as: unusual transactions, illegal and fraudulent activities, audit discrepancies, Auditor independence, etc. Attached as Appendix A is KPMG's correspondence to Council.

In summary, KPMG did not identify any significant deficiencies in internal controls or material audit discrepancies. Their report outlines key matters such as materiality thresholds, corrected and uncorrected misstatements, the application of new Public Sector Accounting Standards (PSAS), and other audit highlights. No concerns were raised regarding the adoption of new accounting policies or practices, and the audit opinion remains unmodified.

2024 County of Essex Consolidated Financial Report

Attached for Council's review and approval are the 2024 County of Essex Consolidated Financial Statements. The following elements of the statements are highlighted for Council's consideration:

Changes in Accounting Policy

The Corporation of the County of Essex has adopted several new Public Sector Accounting Standards (PSAS) for the year ended December 31, 2024.

These include PS 3160 Public Private Partnerships (P3s), which provides specific guidance on the accounting and reporting for arrangements where infrastructure is procured using a private sector partner. The standard sets out the criteria for recognizing infrastructure assets and related liabilities under such partnerships.

The County has also implemented PS 3400 Revenue, which establishes standards for the recognition and reporting of revenue. This standard distinguishes between exchange transactions, where the County provides goods or services in return for payment, and non-exchange transactions, such as grants or taxes, where no direct performance obligation exists. Under PS 3400, revenue from exchange transactions is recognized when performance obligations are met, while non-exchange revenue is recognized when there is both authority to retain the inflow of resources and a past event that gives rise to an asset.

Additionally, PSG-8 Purchased Intangibles has been adopted, providing guidance on accounting for intangible assets acquired through arm's length transactions between informed and willing parties under no compulsion to act.

The adoption of these new standards did not result in any material impact to the County's consolidated financial statements for 2024.

Operating Results

Highlighted in the chart on the next page is a summary comparison of the Corporation's consolidated Accumulated Surplus for 2024 in relation to its 2024 operations (detailed in Note 10). The accumulated surplus represents the municipality's equity or retained earnings, totaling \$571,375,855 as at December 31, 2024 (2023 - \$511,421,479). The term "accumulated surplus" has a much different meaning than the term "surplus" or "deficit" used in describing the Corporation's current year performance against budget. As highlighted in [Table 1](#), the Annual Surplus is a function of the net investment in capital coupled with operating results, incorporating a net increase in unfunded liabilities (re: EWSWA Landfill Post Closure costs), net of a reduction in debt and increase in net reserves.

Table 1: 2024 Accumulated Surplus

Accumulated Surplus	2024 Accumulated Surplus	2023 Accumulated Surplus	2022 Accumulated Surplus
Invested in tangible capital assets	286,634,590	250,858,503	224,624,994
Long term debt	-22,351,899	-24,379,583	-26,244,038
Unfunded liabilities	-32,533,755	-32,048,727	-22,661,805
Corporate reserves	316,420,723	292,291,361	268,002,144
EWSWA reserves	23,206,196	24,699,925	24,543,960
Total	571,375,855	511,421,479	468,265,255

Included within the annual surplus is the Corporation's overall 2024 Budget surplus of approximately \$561,670 (2023 - \$884,373), exclusive of EWSWA operations, which, in accordance with the Corporation's Reserve Strategy, was contributed to the Rate Stabilization Reserve. The 2024 operating surplus was approximately \$635,860 lower than the projected surplus used in the preparation of the 2025 Budget. The difference between the projected and actual year-end surplus can be attributed to a combination of factors. One key reason is that the year-end reserve transfers anticipated during the budget projection, such as a \$403,000 draw from the Rate Stabilization Reserve and a \$399,000 allocation for one-time social housing costs, were ultimately not required. These changes, along with final reconciliations across various service areas, contributed to the variance between projected and actual results.

Reserve Fund Balance (Note 10)

Although reserves are not formally reported under PSAB prepared financial statements, they are a key component of financial management and operations for the Corporation. Reserve balances are consolidated within the accumulated surplus position on the Consolidated Statement of Financial Position and Consolidated Statement of Operations and Accumulated Surplus. Highlighted in [Table 2](#) is a summary of the Corporation's reserves held for its own purposes, totaling \$316,420,723 as at December 31, 2024 (2023 - \$292,291,361), an increase from prior year of approximately \$24.1 million. The positive change in reserve balances is a function of timing in infrastructure expansion work, including roadways, facilities and active transportation as well as the continued commitment to managing the

County's capital assets and the funding of the New Windsor Essex Hospital System.

Table 2: 2024 Reserve Detail

Reserves	2024	2023	2022	2021
Capital – Corporate	115,289,028	84,617,536	67,247,227	72,330,408
Capital – EMS	17,499,286	13,445,455	15,546,160	11,719,860
Capital – Library	1,269,196	1,444,800	1,446,338	1,400,938
Total Capital Acquisition/Replacement	134,057,511	99,507,791	84,239,725	85,451,206
W.S.I.B. – Corporate (schedule 2)	552,000	4,425,310	1,919,422	2,029,411
W.S.I.B. – Sun Parlor Home (schedule 1)	0	0	976,039	821,907
W.S.I.B. – EMS (schedule 1 and 2)	0	0	1,417,140	535,073
W.S.I.B. – Library (schedule 2)	134,790	134,734	124,284	119,743
Total W.S.I.B.	686,790	4,560,044	4,436,885	3,506,134
Rate Stabilization – Corporate	17,053,820	17,506,030	15,814,947	13,458,308
Rate Stabilization – Corporate (Lib. Surplus)	451,640	451,640	451,640	451,640
Rate Stabilization – Sun Parlor Home	76,757	79,803	84,933	86,193
Rate Stabilization – County Official Plan	485,965	567,933	676,826	694,730
Rate Stabilization – Library	289,003	283,658	980,898	516,737
Total Rate Stabilization	18,357,185	18,889,063	18,009,243	15,207,608
Roadway Expansion	110,619,286	118,283,900	117,812,799	101,583,456
Working Funds	0	4,500,000	4,500,000	4,500,000
Insurance and Health Benefits	1,626,250	3,910,410	3,848,339	3,545,823
EMS Severance	0	330,153	330,153	330,153
New Windsor Essex Hospital	51,073,701	42,310,000	34,825,000	27,305,000
Total Reserves	316,420,723	292,291,361	268,002,144	241,429,380

The reserve allocation (50%) held by the Essex-Windsor Solid Waste Authority and reflected on the consolidated statement of financial position amounts to \$23,206,196 (2023 - \$24,699,925).

In accordance with the Reserve Management Policy approved by Council in 2024, a review of all reserve balances will be undertaken by the County Treasurer as part of the year-end audit process. As detailed in Appendix E, all reserve balances, except for the capital reserve, are currently within target. However, there are no material surpluses in the other reserves that could be reallocated to address the capital reserve shortfall. As such, the funding gap in the capital reserve will be addressed through the annual budget process rather than through reallocations at this time.

Indicators of Government Financial Condition

The Ministry of Municipal Affairs and Housing produces a Financial Indicator Threshold Results (FIT Results) Report for every municipality in the province. The objective, through standard measures of sustainability and flexibility, is to assess the municipality's financial health in the context of the overall economic and financial environment. Provided in the following pages is a discussion of the Corporation's various measures of sustainability, flexibility and vulnerability and an analysis of the Corporation's performance over the past five-year period.

Sustainability – degree to which the municipality can maintain its existing service and financial obligations and debt burden. [Table 3](#) illustrates some sustainability measures based on the County's 2024 financial statements and prior years' data.

Table 3: Financial Condition Indicator – Sustainability

Sustainability	Consolidated / Without EWSWA	2024	2023	2022	2021
Financial Assets/Liabilities	Consolidated	4.4938	3.9981	4.2070	4.0525
	Without EWSWA	9.1333	7.6947	7.755397	8.4909
Debt/Total Revenue	Consolidated	8.56%	10.46%	11.64%	12.62%
	Without EWSWA	0.00%	0.00%	0.00%	0.00%
Debt/Household	Consolidated	\$293.64	\$320.28	\$344.77	\$366.10
	Without EWSWA	\$0.00	\$0.00	\$0.00	\$0.00

Inclusive of EWSWA’s debt, which is fee supported, the Corporation’s Sustainability Indicators remain extremely positive, with more than sufficient financial assets to support its liabilities. Debt levels continue to decline. This trend indicates the Corporation’s future revenue is not burdened by its past debt. **Exclusive of EWSWA’s financial data, the Corporation’s indicators of sustainability improve dramatically, with financial assets significantly greater than its liabilities and zero (\$0) debt load per household.**

Flexibility – degree to which the municipality can change its debt or tax burden to meet its existing service and financial commitments. A government that increases its current borrowing reduces its future flexibility to respond to adverse economic conditions as future increases are necessary to support that debt. [Table 4](#) illustrates some flexibility measures based on the County’s 2024 financial statements and prior years’ data.

Table 4: Financial Condition Indicator – Flexibility

Flexibility	2024	2023	2022	2021
Debt Service/Total Revenue	0.78%	0.80%	0.81%	0.82%
Net book value of capital/cost of capital assets	53.14%	51.32%	51.18%	49.09%

Debt service costs as a percentage of total revenue measures the extent that past borrowing decisions constrain an entity’s ability to meet its financial and service commitments for the current period. At less than 1% of total revenue, the County is not constrained by its debt service obligations.

The “net book value of capital assets-to-cost of capital assets” measures the extent to which the estimated useful lives of the County’s assets are available to provide its products and services. This indicator should be reviewed/analyzed in concert with the Corporation’s reserve balances and capital replacement program to ensure that assets are repaired and/or replaced without undue pressure on the County’s future annual levy. In 2022, the Ministry of Municipal Affairs and Housing identified the 2021 indicator as representing a moderate risk, highlighting it as an area requiring improvement by the Corporation. Since then, the year-over-year trend shows positive progress. An increasing percentage indicates that our assets are newer, better maintained, and/or reflect greater investment in capital renewal and replacement.

Vulnerability – degree to which the municipality is dependent on sources of funding outside its control or influence or is exposed to risks that could impair its ability to meet its existing financial obligations. The following measure illustrates the degree to which the County is dependent on government transfers. A municipality whose vulnerability is relatively low has greater control over its financial condition. In 2024, (see [Table 5](#)) one-time government transfers continue to remain very low and the Corporation’s measure for government transfers remains consistently at or below 25% of total revenue. Our percentage indicates that the Corporation has a reasonable level of control over its financial condition.

Table 5: Financial Condition Indicator - Vulnerability

Vulnerability	2024	2023	2022	2021
Government Transfers/Total Revenue	22.21%	21.61%	23.10%	25.48%

As highlighted in these measures and reported previously to Council as part of its credit rating by Standard and Poor’s, **the Corporation’s financial health can be measured as sustainable, flexible and well positioned to meet its service and financial obligations.**

Long-Term Debt (Note 8)

The net long term liabilities of the Corporation amount to \$22,351,899 representing 50% of the EWSWA obligation for the mediated and Court approved settlement between the County, City of Windsor, EWSWA and MFP Technology Services Ltd./Leasing-Infrastructure Financing Trust I (LIFTI). The settlement relates to the financing of expenditures related to the locating, approval and construction of the Regional Landfill.

Commitments (Note 16)

The Corporation’s long-term commitments at December 31, 2024 include the following:

- A \$90-\$100 million New Windsor Essex Hospital System future commitment to be paid no sooner than 2026 (\$51,073,701 currently in reserve to support this initiative);
- A \$2 million, ten-year commitment that commenced in 2024 to Erie Shores Healthcare, at \$200,000 per year (\$1.8 million remaining); and
- A \$960,000, twenty-year commitment that commenced in 2023, to The Bridge, at \$48,000 per year (\$864,000 remaining).

Financial Implications

The 2024 Consolidated Financial Statements illustrate the Corporation's continued commitment to sound financial planning and long-term fiscal sustainability.

Consultations

Heidi McLeod, Manager of Accounting - Administration / Deputy Treasurer
Kevin Macchio, Partner, KPMG LLP

Strategic Plan Alignment

Working as Team Essex County	Growing as Leaders in Public Service Excellence	Building a Regional Powerhouse
<ul style="list-style-type: none"><input type="checkbox"/> Scaling Sustainable Services through Innovation<input type="checkbox"/> Focusing "Team Essex County" for Results<input type="checkbox"/> Advocating for Essex County's Fair Share	<ul style="list-style-type: none"><input type="checkbox"/> Being an Employer with Impact<input checked="" type="checkbox"/> A Government Working for the People<input checked="" type="checkbox"/> Promoting Transparency and Awareness	<ul style="list-style-type: none"><input checked="" type="checkbox"/> Providing Reliable Infrastructure for Partners<input checked="" type="checkbox"/> Supporting Dynamic and Thriving Communities Across the County<input type="checkbox"/> Harmonizing Action for Growth<input type="checkbox"/> Advancing Truth and Reconciliation

Recommendation

That Essex County Council receive report number 2025-0618-FIN-R15-MR, 2024 County of Essex Consolidated Financial Statements Report as information and

That Essex County Council approve the 2024 County of Essex Consolidated Financial Statements; and

That Essex County Council approve the 2024 Sun Parlor Home Residents' Trust Fund Statements.

Approvals

Respectfully Submitted,

Melissa Ryan

Melissa Ryan, CPA, Director, Financial Services/Treasurer

Concurred With,

Sandra Zwiers

Sandra Zwiers, MAcc, CPA, CA, Chief Administrative Officer

Appendix	Title
A	KPMG Audit Findings Report for the year ended December 31, 2024
B	2024 Draft County of Essex Consolidated Financial Statements
C	2024 Draft Sun Parlor Home Residents' Trust Fund Statements
D	Departmental Overview-2024 Year in Review
E	2024 Year End Reserve Schedule