

**TOWN OF MINTO**

DATE: August 30, 2016
REPORT TO: Mayor and Council
FROM: Gordon Duff, Treasurer
SUBJECT: 2015 Audited Financial Statements

STRATEGIC PLAN:

Manage Town finances in a transparent and fiscally responsible manner using a wide variety of accepted methods such as maintaining healthy reserves, investing conservatively, sensible user fees, property tax control, and responsible borrowing.

BACKGROUND:

The 2015 Financial Statements and Financial Information Return (FIR) are prepared according to Canadian Generally Accepted Accounting Principles as set by the Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting Standards Board (PSAB). These statements have been audited by David A Richenback, Chartered Accountant.

This is the seventh year the statements were prepared under the PSAB regulations which require the use of full accrual accounting and the recording of tangible capital assets (TCAs) at historical cost assets and amortized over their estimated useful lives.

COMMENTS:

Financial highlights are included in the accompanying PowerPoint presentation. Since the annual the budget and financial records are primarily prepared on a cash-basis, the annual surplus contained in the records of the municipality differ greatly from that calculated using the accounting concepts prescribed by PSAB. Under the old fund-accounting format, the Town had a nil surplus. To complete the budget in a timely manner, any surplus or deficit in excess of this planned surplus was balanced by transfers to or from reserves. This will continue for the foreseeable future. The Town had a very active year with an ambitious capital infrastructure program. The winter period had an above average amount of challenging road conditions. An enhanced tree-cutting program continued to deal with wind and ice storm damage in 2015.

The conversion to full-accrual accounting and the adjustments necessary to record TCAs have resulted in an annual surplus under the PSAB rules of \$2,093,262. The Consolidated Statement of Financial Position shows the municipality's historical cost of TCAs as \$127,738,564 less accumulated amortization of \$57,127,198, plus work-in-process of \$624,676 for a net book value of \$71,236,042. In order to address the infrastructure deficit, Council has continued to invest in capital replacements and additions. The annual depreciation on the tangible capital assets is about \$2.7 million, while the Asset Management Plan identifies an annual funding allocation figure of \$6.9 million just for roads, bridges and culverts, water and wastewater infrastructure. Depreciation or

maintenance provides guidance to set capital budgeting targets. Council allocated the following amounts to capital the last five years:

2011	\$2,560,788
2012	\$3,443,218
2013	\$4,346,315
2014	\$4,697,141
2015	\$5,236,729
2016 planned	\$7,300,700

The Town's capital plan for 2017 to 2021 proposes between \$3.2 million and \$5.3 million spending on infrastructure. This level will be challenging to achieve as financial resources are limited. Minto will continue to be alert to funding opportunities provided by the Provincial and Federal Government to assist with funding critical infrastructure investments.

The Consolidated Statement of Operations includes the activity of the former operating, capital and reserve funds. All operating and capital revenues and expenses are shown on this statement. The Net Financial Assets (or Net Debt if in a deficit) is the amount of cash available if all cashable assets were liquidated and all liabilities paid off. The Town's Net Financial Assets at December 31, 2015 was \$950,164. The Accumulated Surplus of \$72,278,742 does not represent available liquid funds. The bulk of this figure is comprised of assets which are capital investments used to deliver municipal services such as roads, buildings, water towers, sanitary sewer pipes and fire trucks. The replacement value of these assets is much higher than the historical cost, as was reflected in Asset Management Plan (AMP) which was adopted by Council on December 17, 2013. It should be kept in mind that the AMP only included roads, bridges & culverts, stormwater structures, water and wastewater assets. Minto is working on an expanded AMP to include all Tangible Capital Assets (TCAs) which have a historical Net Book Value of over \$13 million such as recreation, fire protection, vehicles and other equipment and land holdings are not included in the AMP. Under the terms of the new Federal Gas Tax Agreement, these assets must be integrated with the Town's AMP by the end of 2016.

The Consolidated Statement of Cash Flows shows how the Town financed its activities and met its cash requirements. It is divided into four sections: operating activities, capital activities, investing activities and financing activities. During the year, cash increased by \$2,582,432 from a balance of \$2,541,609 on December 31, 2014 to \$5,124,041 on December 31, 2015. During the year, as taxes are collected and large County and school board remittances are made, as well as paying for capital expenditures, this cash balance greatly fluctuates. The high year-end cash balance was quickly drawn down in early 2016.

The Municipal Act, 2001, S.O. 2001, c.25, as amended, states that each Municipality will annually report on its financial affairs, accounts and transactions in the form of the annual Financial Information Return (FIR). The FIR includes many non-financial pieces of

information which are used to compile statistics and submit data under the Municipal Performance Measurement Program (MPMP).

The format of the 2015 FIR is basically unchanged from that of 2014. Section 3260 of the PSAB manual requires an estimate of the cost of remediation of contaminated sites. A review of possible municipally-owned sites which could fall under this section produced no sites which met all the criteria outlined in this section. Therefore, no amount has been set aside for this purpose in these financial statements. In general the numbers contained in the FIR tie in very closely to those reflected in the financial statements, but with much more detailed breakdowns.

The auditor has not identified any accounting or reporting issues in the audit that require changes to current practices. Budgeted figures which more closely follow PSAB regulations have been added to the Consolidated Statements of Operations and Accumulated Surplus and Change in Net Financial Assets for 2015.

FINANCIAL CONSIDERATIONS:

There is no financial impact directly associated with this report, although there are financial penalties levied if these documents are not filed when required. The information contained here should be part of 2017 budget deliberations, along with the useful qualitative and quantitative information contained in the Asset Management Plan.

RECOMMENDATION:

THAT this Report dated August 30, 2016 regarding the 2015 Financial Statements and Financial Information Return be received:

AND FURTHER THAT the 2015 audited Financial Statements and Financial Information Return be approved as presented.

Gordon Duff
Treasurer