



**TOWN OF MINTO**

**DATE:** June 12, 2017  
**REPORT TO:** Mayor and Council  
**FROM:** Gordon Duff, Treasurer  
**SUBJECT:** 2016 Audited Financial Statements

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**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 2016 Financial Statements and Financial Information Return (FIR) have been prepared in accordance with 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 Professional Accountant.

This is the eighth year that the statements have been 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:**

The 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 differs greatly from that calculated using the accounting concepts prescribed by PSAB.

Under the old fund-accounting format, the Town has a nil surplus. To complete the budget in a timely manner, any surplus or deficit was balanced by transfers to or from reserves. This practice will continue for the foreseeable future. Once again, the Town had a very active year with an ambitious capital infrastructure program. Increased services in the form of enhanced trails and parks and extension of water and wastewater connections contributed to a busy time for all staff.

The conversion to full-accrual accounting and the adjustments necessary to record TCAs have resulted in an annual surplus under the PSAB rules of \$982,476. The Consolidated Statement of Financial Position shows the municipality's historical cost of TCAs as

\$131,590,292 less accumulated amortization of \$60,200,293, plus work-in-process of \$1,900,073 for a net book value of \$73,290,072.

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 \$3.3 million. This figure is higher than previous years as the investments in new capital infrastructure in the last few years has increased the annual amortization on a straight-line basis. Updates to financial strategies contained in the Asset Management Plan to be presented in late 2017 will no doubt recommend a higher amount to replace existing infrastructure. Depreciation or maintenance provides guidance to set capital budgeting targets. Council has allocated the following amounts to capital the last five years:

2012	\$3,443,218
2013	\$4,346,315
2014	\$4,697,141
2015	\$5,236,729
2016	\$5,590,087
2017 planned	\$6,081,500

The Town’s capital plan for 2018 to 2022 proposes approximately \$4 million in annual spending on infrastructure. Despite increased grant funding and some debenture retirement, this level of funding will be difficult to achieve as financial resources and debt capacity are limited. Minto continues to be alert to grant opportunities provided by the Province and the federal Government to assist with the funding of these critical infrastructure investments. The Town’s Fiscal Accountability Policy approved in 2016 requires reserve levels to remain above borrowing levels where possible, unless borrowing is needed to fulfill matching grant opportunities. If the Province allows some grant “stacking” this may provide some relief on borrowing.

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 of Minto’s Net Debt Assets at December 31, 2016 was \$93,768.

The Accumulated Surplus of \$73,261,218 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 December 17, 2013.

Council will recall this AMP only includes roads, bridges & culverts, stormwater structures, water and wastewater assets. As required by legislation, Minto is now working on an expanded AMP to include all Tangible Capital Assets (TCAs) which have a historical Net Book Value of over \$13 million. This includes recreation, fire protection, vehicles and other equipment, and land holdings are not currently in the AMP. The preliminary report shows a replacement cost of approximately \$41 million for these assets. Under the terms of the new Federal Gas Tax Agreement, these assets must be integrated with the Town's AMP in accordance with new regulations. As of December 31, 2016, the citywide software shows an approximate replacement cost of all municipal capital assets of \$307,000,000.

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 decreased by \$1,246,268 from a balance of \$5,124,041 on December 31, 2015 to \$3,877,773 on December 31, 2016. During the year this cash balance greatly fluctuates, as taxes are collected, large County and school board remittances are made, and capital expenditures are paid. The 2015 figure was abnormally high as several payables were paid in 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 2016 FIR is basically unchanged from that of 2015. 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 are shown in the Consolidated Statements of Operations and Accumulated Surplus and Change in Net Financial Assets for 2016.

#### **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 in the

audit will be part of 2018 budget deliberations, along with the useful qualitative and quantitative information contained in the updated Asset Management Plan.

**RECOMMENDATION:**

THAT this Report dated June 12, 2017 regarding the 2016 Financial Statements and Financial Information Return be received:

AND FURTHER THAT the 2016 audited Financial Statements and Financial Information Return be approved as presented.

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Gordon Duff  
Treasurer