

**TOWN OF MINTO**

**DATE:** July 27, 2018  
**REPORT TO:** Mayor and Council  
**FROM:** Gordon Duff, Treasurer  
**SUBJECT:** 2017 Audited Financial Statements

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**STRATEGIC PLAN:**

Fiscal responsibility - Establish sustainable financing mechanisms and sources and act in a fiscally responsible manner.

**BACKGROUND:**

The 2017 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 Ward & Uptigrove, Chartered Professional Accountants.

This is the ninth 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 differ greatly from that calculated using the accounting concepts prescribed by PSAB. Under the old fund-accounting format, the Town of Minto had a nil surplus. In order 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. 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 \$2,180,114. The Consolidated Statement of Financial Position shows the municipality's historical cost of TCAs as \$135,480,900 less accumulated amortization of \$62,938,394, plus work-in-process of \$2,287,557 for a net book value of \$7,492,827. 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 similar to that

recorded in 2016. The updates to the financial strategies contained in the Asset Management Plan which is currently in draft form will reflect balances as at December 31, 2017. It is hoped that the final revisions will be completed in the next few months. It will contain higher amounts 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:

2014	\$4,697,141
2015	\$5,236,729
2016	\$5,590,087
2017	\$5,102,872
2018	\$7,890,000

The Town's capital plan for 2019 to 2023 proposes approximately \$4 million in annual spending on infrastructure. This figure may be adjusted in consideration of the updated Asset Management Plan and available resources and funding from other levels of government.

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 Assets at December 31, 2017 was \$893,504. The Accumulated Surplus of \$75,821,332 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 the Council of the Town of Minto on December 17, 2013. It should be kept in mind that this AMP only included roads, bridges & culverts, stormwater structures, water and wastewater assets. The revised 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. The recently passed Ontario Regulation 588/17 and proposed amendments to the Federal Gas Tax Agreement, will require these assets must be integrated with the Town's AMP as well as prescribe certain policies and community consultations. Staff is working with the County of wellington and other lower tier municipalities to develop a common approach to the meeting the requirements of the new regulations.

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 \$1,244,161 from a balance of \$3,877,773 on December 31, 2016 to \$5,121,934 on December 31, 2017. 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 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 2017 FIR is basically unchanged from that of 2016. Section 3260 of the PSAB manual came into effect earlier and 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 2017.

**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 2019 budget deliberations, along with the useful qualitative and quantitative information contained in the updated Asset Management Plan.

**RECOMMENDATION:**

THAT this Report dated July 27, 2018 regarding the 2017 Financial Statements and Financial Information Return be received:  
AND FURTHER THAT the 2017 audited Financial Statements and Financial Information Return be approved as presented.

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Gordon Duff  
Treasurer