



Understanding Municipal Financial Statements

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Firm Profile

Baker Tilly KDN LLP

- 4 Offices – Peterborough, Lindsay, Courtice and Cobourg
- 19 Partners and over 120 staff
- Member of Baker Tilly Canada
 - 8th largest accounting network in Canada
- Member of Baker Tilly International
- Over 70 years of experience
- Previously Collins Barrow Kawarthas LLP
 - Change effective January 10, 2019



Firm Profile

Baker Tilly KDN LLP, con't

- Full service firm and can provide following services:
 - Auditing
 - Commercial
 - Public Sector
 - Non-Profits
 - Business valuations
 - Tax department
 - Compliance services
 - Re-organizations
 - Estate planning
 - Other tax services, etc.
 - Small business
 - Consulting
 - Cyber security
 - HR consulting (including dispute resolution, recruitment, training, performance management, etc.)
 - Strategic planning
 - Organizational Effectiveness
 - HST reviews



Relevant Experience

Experience

- Large municipal department out of the Peterborough office – 2 of the 19 partners and 3 managers specialize in municipalities
- Long term relationships with our clients
- Our current public sector clients include:
 - 4 Counties
 - 1 City
 - 31 lower-tier municipalities
 - 4 First Nations
 - 3 School Boards
 - 2 Health Units
 - 1 Conservation Authority

Agenda

- Municipal Act Requirements
- Audit Approach
- Auditor's Responsibilities
- Council Members' Responsibilities
- Public Sector Accounting Standards
- Financial Statement Components
- Key Concepts
- Questions?





Municipal Act Requirements

Municipal Act Requirements

296. (1) A municipality shall appoint an auditor licensed under the *Public Accounting Act, 2004* who is responsible for:

- (a) annually auditing the accounts and transactions of the municipality and its local boards and expressing an opinion on the financial statements of these bodies based on the audit; and
- (b) Performing duties required by the municipality or local board.

297. (1) The auditor of a municipality has right of access at all reasonable hours to all records of the municipality or any of its local boards.





Audit Approach



Audit Approach

- Municipal Act required audit under section 296 is a general purpose financial statement audit
- Purpose of the audit is to determine if the financial statements present fairly in all material respects in accordance with Public Sector Accounting Standards (PSAS)
- Audit is conducted in accordance with Canadian Auditing Standards (CASs)
- Basic premise of an audit is that the Municipality will prepare the financial statements and the auditor will report on them



Auditor's Responsibilities

Auditor's Responsibilities

- Assessing the risk that the financial statements may contain material misstatements that, individually or in the aggregate, are material to the financial statements taken as a whole
- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- Assessing the accounting principles used, and their application
- Assessing the significant estimates made by management
- As part of an audit, an auditor will obtain sufficient understanding of the business and internal control structure of the Municipality to plan the audit. This will include management's assessment of:
 - The risk that the financial statements may be materially misstated as a result of fraud and error
 - The internal controls put in place by management to address such risks



Council Members' Responsibilities

Council Members' Responsibilities

- Being available to assist and provide direction in the audit planning process when and where appropriate
- Meeting with the auditors as necessary and prior to release and approval of financial statements to review audit, disclosure and compliance issues
- Where necessary, reviewing matters raised by the auditor with appropriate levels of management, and reporting back to the auditors their findings
- Making known to the auditor any issues of disclosure, corporate governance, fraud or illegal acts, non-compliance with laws or regulatory requirements that are known to them, where such matters may impact the financial statements or the Independent Auditor's Report
- Providing guidance and direction to the auditor on any additional work the auditor feels should be undertaken in response to issues raised or concerns expressed.



Council Members' Responsibilities, con't

- Making such enquiries as appropriate into the findings of the auditor with respect to corporate governance, management conduct, cooperation, information flow and systems of internal controls
- Reviewing the draft financial statements prepared by management, including the presentation, disclosures and supporting notes and schedules, for accuracy, completeness and appropriateness, and approve same





Public Sector Accounting Standards

Public Sector Accounting Standards

- All Ontario municipalities must follow the accounting and presentation recommendations of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants (CPA) Canada
- PSAS is for all levels of governments, school boards, First Nations, health units and conservation authorities



Public Sector Accounting Standards, con't

- PSAS requires full accrual accounting
- PSAS not only requires recording of capital assets but liabilities such as landfill closure and post-closure liability and contaminated sites liability
- These liabilities need to be recorded for the financial statements but they are only included in the tax rate budget to the extent of the expected cash flow in that budget year
- New sections that became effective in 2018 included:
 - 3320 Contingent Assets
 - 3380 Contractual Rights
 - 2200 Related Party Disclosures
 - 3420 Inter-Entity Transactions
- New section for 2022 is 3280 Asset Retirement Obligations





Financial Statement Components



Financial Statement Components

Financial Statements consist of:

- Management's Responsibility for the Financial Statements
- Independent Auditor's Report
- Statement of Financial Position
- Statement of Operations and Accumulated Surplus
- Statement of Change in Net Assets/Debt
- Statement Cash Flow
- Notes to the Financial Statements



Management's Responsibility for the Financial Statements

CORPORATION OF THE MUNICIPALITY OF BAKERTILLYVILLE

For The Year Ended December 31, 2018

MANAGEMENT REPORT

The accompanying consolidated financial statements of the Corporation of the Municipality of Bakertillyville are the responsibility of management and have been approved by Council.

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Municipality maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Municipality's assets are appropriately accounted for and adequately safeguarded.

The Municipality's Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving financial statements.

Council reviews and approves the Municipality's financial statements for issuance to the members of Council, inhabitants and ratepayers of the Corporation of the Municipality of Bakertillyville. Council meets periodically with management, as well as the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the financial statements and the independent auditor's report.

The consolidated financial statements have been audited by Baker Tilly KDN LLP in accordance with Canadian generally accepted auditing standards on behalf of the Municipality. Baker Tilly KDN LLP has full and free access to Council.

Mayor _____ Date _____

Treasurer _____ Date _____

For presentation purposes only.



Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the Municipality of Bakertillyville

Opinion

We have audited the consolidated financial statements of the Corporation of the Municipality of Bakertillyville and its local boards (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of operations and accumulated surplus, change in net financial assets/(liabilities) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2018, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

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Independent Auditor's Report, con't

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For presentation purposes only.

Statement of Financial Position

CORPORATION OF THE MUNICIPALITY OF BAKERTILLYVILLE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION At December 31, 2018

	2018 \$	2017 \$
FINANCIAL ASSETS		
Cash	11,566,266	9,940,538
Accounts receivable (note 5)	1,082,816	1,527,090
Taxes receivable	2,636,470	2,301,172
TOTAL FINANCIAL ASSETS	15,285,552	13,768,800
LIABILITIES		
Bank overdraft (note 6)	-	219,337
Accounts payable and accrued liabilities	2,477,024	2,580,739
Deferred revenue - obligatory reserve funds (note 7)	2,058,683	1,818,264
Deferred revenue - other	246,052	98,133
Long term debt (note 8)	6,000,000	6,300,000
Landfill closure and post-closure liability (note 9)	2,697,010	3,078,314
Employee future benefits payable (note 10)	444,312	442,261
TOTAL LIABILITIES	13,923,081	14,537,048
NET FINANCIAL ASSETS/(LIABILITIES)	1,362,471	(768,248)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 11)	46,253,639	45,631,435
Prepaid expenses	186,565	212,589
TOTAL NON-FINANCIAL ASSETS	46,440,204	45,844,024
ACCUMULATED SURPLUS (note 12)	47,802,675	45,075,776

For presentation purposes only.

Statement of Operations and Accumulated Surplus

CORPORATION OF THE MUNICIPALITY OF BAKERTILLYVILLE

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended December 31, 2018

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
REVENUES			
Property taxation	14,308,918	14,404,199	13,885,082
User charges	3,254,998	3,380,632	3,318,660
Government of Canada	170,252	112,296	121,513
Province of Ontario	3,234,001	3,347,396	3,059,852
Other municipalities	266,013	266,013	242,201
Penalties and interest on taxes	301,000	338,101	317,577
Investment income	106,800	197,367	128,191
Donations	24,164	89,583	91,518
Development contributions earned	67,665	67,665	65,655
Parkland fees earned	-	-	28,516
Federal gas tax earned	609,763	272,186	332,400
Provincial gas tax earned	93,595	93,595	51,116
TOTAL REVENUES	22,437,169	22,569,033	21,642,281
EXPENSES			
General government	3,085,416	2,793,497	2,388,629
Protection services	5,606,342	5,309,393	5,093,193
Transportation services	6,418,339	6,151,768	6,097,074
Environmental services	3,638,133	3,313,072	4,993,125
Health services	152,377	131,153	139,111
Recreation and cultural services	1,691,343	1,690,840	1,452,812
Planning and development	465,062	452,411	312,997
TOTAL EXPENSES	21,057,012	19,842,134	20,476,941
ANNUAL SURPLUS	<u>1,380,157</u>	2,726,899	1,165,340
ACCUMULATED SURPLUS - beginning of year		45,075,776	43,910,436
ACCUMULATED SURPLUS - end of year		47,802,675	45,075,776

For presentation purposes only.

CORPORATION OF THE MUNICIPALITY OF BAKERTILLYVILLE

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS/(LIABILITIES) For the Year Ended December 31, 2018

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
ANNUAL SURPLUS	1,380,157	2,726,899	1,165,340
Amortization of tangible capital assets	2,842,249	2,854,774	2,842,249
Purchase of tangible capital assets	(4,772,747)	(3,882,990)	(4,218,477)
Loss on disposal of tangible capital assets	-	206,012	-
Proceeds on sale of tangible capital assets	-	200,000	-
Change in prepaid expenses	-	26,024	(1,533)
CHANGE IN NET FINANCIAL ASSETS/(LIABILITIES)	(550,341)	2,130,719	(212,421)
NET FINANCIAL ASSETS/(LIABILITIES) - beginning of year	(768,248)	(768,248)	(555,827)
NET FINANCIAL ASSETS/(LIABILITIES) - end of year	(1,318,589)	1,362,471	(768,248)

For presentation purposes only.

Statement of Cash Flows

CORPORATION OF THE MUNICIPALITY OF BAKERTILLYVILLE

CONSOLIDATED STATEMENT OF CASH FLOWS For the Year Ended December 31, 2018

	2018 \$	2017 \$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus	2,726,899	1,165,340
Items not involving cash		
Amortization of tangible capital assets	2,854,774	2,842,249
Loss on disposal of tangible capital assets	206,012	-
Landfill closure and post-closure liability	(381,304)	1,169,387
Employee future benefits payable	2,051	11,174
Change in non-cash assets and liabilities		
Accounts receivable	444,274	(383,474)
Taxes receivable	(335,298)	96,280
Prepaid expenses	26,024	(1,533)
Accounts payable and accrued liabilities	(103,715)	209,607
Deferred revenue - obligatory reserve funds	240,419	104,231
Deferred revenue - other	147,919	(52,688)
Net change in cash from operating activities	5,828,055	5,160,573
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(3,882,990)	(4,218,477)
Proceeds on disposal of tangible capital assets	200,000	-
Net change in cash from capital activities	(3,682,990)	(4,218,477)
FINANCING ACTIVITIES		
Long term debt issued	-	410,000
Debt principal repayments	(300,000)	(473,596)
Net change in cash from financing activities	(300,000)	(63,596)
NET CHANGE IN CASH	1,845,065	878,500
CASH - beginning of year	9,721,201	8,842,701
CASH - end of year	11,566,266	9,721,201

For presentation purposes only.

Key Financial Concepts for Municipalities



Key Financial Concepts

Consolidated Financial Statements

- Municipality's statements are consolidated
 - All funds (operating, capital, reserves, and reserve funds)
 - All local boards
 - Government business enterprises (modified basis)
- Consolidated statements do not include Trusts

Key Financial Concepts, con't

CORPORATION OF THE MUNICIPALITY OF BAKERTILLYVILLE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION At December 31, 2018

	2018 \$	2017 \$
FINANCIAL ASSETS		
Cash	11,566,266	9,940,538
Accounts receivable (note 5)	1,082,816	1,527,090
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Prepaid expenses	186,565	212,589
TOTAL NON-FINANCIAL ASSETS	46,440,204	45,844,024
ACCUMULATED SURPLUS (note 12)	47,802,675	45,075,776

For presentation purposes only.



Key Financial Concepts, con't

Statement of Financial Position

- Financial Assets are assets that are cash or are converted into cash in the regular course of operations
- Non-Financial Assets, on the other hand, are assets used to provide services and are not converted to cash in the normal course of operations



Key Financial Concepts, con't

Statement of Financial Position

- Net Financial Assets (Liabilities) is an item unique to public sector financial reporting
- Calculated as total Financial Assets less Financial Liabilities
- It can be considered the Municipality's requirement to generate future revenues to fund past services and transactions
- Demonstrates ability to settle existing liabilities
- Excludes non-financial assets
 - This is because Municipalities are not in business to sell tangible capital assets, for example



Key Financial Concepts, con't

Statement of Financial Position

- **What to look for & questions to ask**
 - Trending upward or downward?
 - WHY is it trending up or down?
- **What could be increasing net debt**
 - TCA acquired through long-term financing
 - Debt financing used to fund operations
- **What could be increasing net financial assets**
 - Consumed TCA not being replaced
 - Generating net surpluses



Key Financial Concepts, con't

Statement of Financial Position

Is Net Financial Liabilities (Net Debt) a bad thing?

Significant infrastructure requirements would likely result in net debt positions.

Long term debt acquired to finance the construction of tangible capital assets would put Net Financial Assets potentially into a Net Financial Liability position as the liability is included in the calculation but the asset associated to it is considered a Non-Financial Asset (tangible capital asset).



Key Financial Concepts, con't

Statement of Financial Position

- Deferred revenues are revenues, generally grants, that have been collected before the end of the year but the related program costs have not yet been incurred. These revenues are set aside for the year in which the program costs are incurred and therefore show as a deferred revenue.
- Deferred revenue – obligatory reserve funds are reserve funds created when a provincial statute requires that the revenue received for special purposes be segregated from the general revenues of the Municipality. The Municipality's obligatory reserve funds can include development charges, parkland fees and federal gas tax.



Key Financial Concepts, con't

Statement of Financial Position

- Landfill closure and post-closure costs is an estimate of the costs to close and monitor the landfills the Municipality is held responsible for in order to meet necessary regulatory requirements.
- Estimates are made as to how much it would cost to close the open site and then the annual costs of monitoring sites once closed for, usually, 25 years (though some municipalities may have extended monitoring requirements).
- Once the estimates are made, the total costs are reduced by the portion of the landfill capacity not yet used.
- Concept is that at this moment, the Municipality is only responsible for the used percentage of the total estimated liability as there is still remaining capacity.



Key Financial Concepts, con't

Statement of Financial Position

- There are two types of employee future benefit liabilities
 - Defined contribution plans
 - Defined benefit plans
- Defined contribution plans:
 - Risk borne by employees
 - No liability on the Statement of Financial Position
 - Will not require actuarial report
 - Examples: RRSP contributions, OMERS (multi-employer plan not sponsored by the municipality)
- Defined benefit plans:
 - Risk borne by employer
 - Liability incurred on Statement of Financial Position
 - May require actuarial report
 - Examples: retirement benefits, post-employment benefits, multi-employer plan sponsored by the Municipality



Key Financial Concepts, con't

Statement of Financial Position

- Tangible capital assets (TCA) are recorded at historical cost.
- These are amortized based on a straight-line basis over the remaining estimated useful life of the assets.
- These amounts will differ from the asset management plan (AMP) as the AMP looks forward to when assets need to be replaced and the estimated replacement cost.



Key Financial Concepts, con't

Statement of Financial Position

- Accumulated Surplus is total assets less total liabilities and can also be defined as the total net surpluses or net deficits from year 1 of operations up until today
- It is important to remember that accumulated surplus is the consolidated amounts of all funds, local boards and amounts invested in tangible capital assets

Key Financial Concepts, con't

CORPORATION OF THE MUNICIPALITY OF BAKERTILLYVILLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

12. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2018	2017
	\$	\$
Surplus/(Deficit)		
Municipality	86,234	75,861
Unfunded employee future benefits	(444,312)	(442,261)
Unfunded landfill closure and post-closure costs	(2,697,010)	(3,078,314)
Library board	21,068	18,937
	(3,034,020)	(3,425,777)
Invested In Capital Assets		
Tangible capital assets - net book value	46,253,639	45,631,435
Long term debt	(6,038,476)	(6,328,618)
Unfunded capital	(650,000)	(700,000)
	39,565,163	38,602,817
Surplus	36,531,143	35,177,040
Reserves		
Working funds	3,106,282	3,158,928
Future acquisition of capital assets	5,500,000	5,000,000
Contingencies	730,000	500,000
Operations	1,550,000	1,000,000
Total Reserves	10,886,282	9,658,928
Reserve Funds		
Water system services	385,250	239,808
	47,802,675	45,075,776

For presentation purposes only.



Key Financial Concepts, con't

Statement of Financial Position

- The most commonly used sections of accumulated surplus for assessing the financial health of a Municipality are the surplus area at the top and the reserves and reserve funds at the bottom
- The negative accumulated surplus for the landfill closure and post-closure liability and the unfunded employee future benefits is due to these amounts not needed to be funded until the Municipality needs to actually incur the costs in future years



Key Financial Concepts, con't

Statement of Financial Position

- Reserves and reserve funds are a way for the Municipality to earmark revenue to finance future expenditures for which the Municipality has the authority to spend the money
- A reserve is simply an allocation of the surplus to specific purposes
- A reserve fund is an allocation but also has an asset connected with it, most commonly cash or investments
- The province assesses the risk of a Municipality by looking at reserves and reserve funds to see how much money has been set aside for future needs and contingencies (total reserves as a % of municipal expenses) and considers low risk anything higher than 20%



Key Financial Concepts, con't

Statement of Financial Position

Questions you should be asking:

1. Surplus in line with budget?
 - a. Why or why not?
2. Sufficient reserves put aside for future events/plans?
 - a. Can we survive a significant contingency?
 - b. How old are our tangible capital assets and how will we finance their replacements?



Key Financial Concepts, con't

Statement of Financial Position

- The largest portion of most municipality's accumulated surplus is the amounts invested in tangible capital assets (TCA)
- The total net book value of assets (portion not yet amortized) is reduced by the amount of long term debt acquired to fund these assets and capital amounts not yet funded (unfunded capital)



Key Financial Concepts, con't

Statement of Financial Position

- Unfunded capital is a concept somewhat unique to public sector financial reporting
- This relates to tangible capital assets projects that were completed with no defined funding plan or with a future funding plan – whether from taxation, reserves, debt or other funding sources
- When unfunded capital exists, it is important to establish and approve a funding plan as those costs will need to eventually be funded
- Can be a useful tool if you have the cashflow instead of going to external debt

Key Financial Concepts, con't

CORPORATION OF THE MUNICIPALITY OF BAKERTILLYVILLE

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended December 31, 2018

	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Actual 2017 \$
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Property taxation	14,308,918	14,404,199	13,885,082
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ACCUMULATED SURPLUS - end of year		47,802,675	45,075,776

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Key Financial Concepts, con't

Statement of Operations and Accumulated Surplus

- Revenues include all funding, including funding for capital projects
- Expenses, however, include operating costs and amortization but not the capital project totals
- Revenues are grouped by source while expenses are grouped by the function they are used for
- There are segmented schedules at the end of the statements, before the trust statements, that detail both revenues and expenses by both function and source or type



**Key Financial
Concepts,
con't**

Statement of Operations and Accumulated Surplus

- Taxation revenues include the Municipality's share of taxation plus payments in lieu from other governments owning property within the Municipality
- These revenues do not include any amounts billed and collected from tax payers for upper tiers and School Board requisitions
- The requisitions are not considered to be the Municipality's funds as there is no control by the Municipality as to the amount collected



Statement of Operations and Accumulated Surplus

- The surplus amount shown is the current year consolidated surplus only
 - This means that it includes surplus changes to amounts invested in tangible capital assets as well as amounts added to reserves and reserve funds
- Results of local boards controlled by the Municipality will also be included

**Key Financial
Concepts,
con't**



Key Financial Concepts, con't

Statement of Operations and Accumulated Surplus

- Budget amounts reported on the Statement of Operations and Accumulated Surplus have been adjusted from the approved format into a full accrual format
- When budgeting, it is necessary and correct to budget for items as you expect to incur them – including capital purchases in the year expected to be made
- However, in accrual accounting capital purchases and other items budgeted for are not actual revenues or expenses and need to be eliminated
- There are also other items that should be included that are not a part of the standard budgeting process including amortization and landfill closure cost adjustments



Key Financial Concepts, con't

Statement of Operations and Accumulated Surplus

- Budgeted amounts are not subject to audit, however, auditors will work with management to help convert them from the approved budgeted format into full accrual format for financial statement purposes
- There is generally a note to the statements that shows the details of how the approved balanced tax budget was adjusted to the full accrual format
- It is correct to budget in the way that Council has been
- These adjustments are technically budgeted for as part of the Ontario Regulation 284/09 requirement

15. BUDGET FIGURES

The budget, approved by the Municipality, for 2018 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Assets/(Liabilities). The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

The following is a reconciliation of the Council approved budget amounts to the PSA amounts:

	(Unaudited) Revenue \$	(Unaudited) Expenses \$
Council approved budget:		
Operating	21,298,368	19,397,600
Capital	2,871,979	4,772,747
Total Council approved budget	24,170,347	24,170,347
Less: Tangible capital assets capitalized	-	(4,772,747)
Add: Amortization of tangible capital assets	-	2,842,249
Less: Principal repayment of long term debt	-	(300,000)
Less: Transfers to/from reserves and reserve funds	(1,733,178)	(832,837)
Less: Change in unfinanced capital	-	(50,000)
Adjusted budget per Consolidated Statement of Operations	22,437,169	21,057,012

For presentation purposes only.



Questions?



Presenter

Veronica Mason, CPA, CA, Manager

Chartered professional accountant, Veronica Mason is a public sector audit manager from Baker Tilly KDN LLP and started with the firm in 2003.

Duane Potter, CPA, CA, Manager

Chartered professional accountant, Duane Potter is a public sector audit manager from Baker Tilly KDN LLP and started with the firm in 2007.

Gloria Raybone, CPA, CA, Manager

Chartered professional accountant, Gloria Raybone is a public sector audit manager from Baker Tilly KDN LLP and started with the firm in 2007.

The background of the slide features a series of concentric circles in various shades of gray, creating a tunnel-like or ripple effect that draws the eye towards the center.

Thank you for your time.

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