

The regular meeting of the Town of Mahone Bay Audit Committee was held on Thursday, August 2, 2018 at 7:06 p.m.

Present:

Mayor D. Devenne
Councillor J. Bain
Councillor P. Carver
Councillor R. Nowe
Councillor C. O'Neill
J. Moriarty
Acting CAO M. Hughes
Manager of Finance L. Wentzell

Regrets: K. Wilson
Councillor Feeney
Deputy Mayor Nauss

Gallery: 0

Minutes

A motion by Councillor Carver, seconded by Councillor Bain, **“THAT the minutes of the May 3, 2018 Audit Committee meeting be accepted as presented.”**

Motion carried.

1st Quarter Financial Statements (Town)

The Audit Committee Members received the 2018/19 First Quarter Town Financial Statements. Luke Wentzell, Manager of Finance, reviewed the statements and highlighted the aspects of the Revenue and Expenses that are different than the 25% that would be expected at the end of the first quarter.

Notable differences in the revenue side included some large increases in some of the revenue sources that the Town cannot control or predict such as the income from Bell Aliant from connections in the Town, sale of compostainers and an increase in licenses and permits which is largely due to one particular green-space fee as part of a subdivision application.

Notable differences in the expenditures included points such as: Mayor's expenses are at 90% of budget, primarily due to the high cost of participation in the FCM Conference; budgets have been spent for Sidewalk/Line Painting and the Swimming Pool Operation Grant; and expenses are still at 0% for Bylaw Enforcement, Tax Rebates and IT Services, though those expenses are expected to come into the office soon. Members of the Committee were also advised that all insurance premiums for the year had been paid, barring any unforeseen circumstances.

There was discussion among committee members regarding decreasing commercial assessments and the potential impact on Town and the percentage of tax revenue that is being paid by commercial and residential assessments. Staff were asked to schedule a meeting with PVSC for the community to be able to ask about how assessment is determined, the CAP program and other questions that residents may have.

At the end of the first quarter, the Town is at 40% of budgeted revenue and 23% of budgeted expenses.

1st Quarter Financial Statements (Water Utility)

The Audit Committee received the 2018/19 First Quarter Financial Statements for the Town of Mahone Bay Water Utility. Mr. Wentzell noted that the water utility is performing as expected. The revenue is currently at about 20-23% of budget target and expenses are at 23% of the target for this time in the year.

Mr. Wentzell advised that metered sales are showing at 12% on the financial statements but that is due to the billing cycle. In the future, Mr. Wentzell will be working on the development of an accrual to be able to demonstrate a true depiction of metered sales. Mr. Wentzell also noted the large increase in interest paid for long-term debt, an increase that is due to the infrastructure projects completed in 2017 on Pleasant and Clairmont Streets.

At the end of the first quarter, expenses and revenue are both at 23% which is on target for the budget.

1st Quarter Financial Statements (Electric Utility)

The Audit Committee received the first quarter financial statements for the Electric Utility. Mr. Wentzell noted that computer maintenance budget has been spent for the year as expenses have been paid and further expenses are not expected.

At the end of the first quarter, the electric utility revenue is at 14%, which is on the low side, and expenses are at 24% of budget.

Best Practices (Reserve Funds)

At the May 3, 2018 meeting of the Audit Committee, staff were asked to research financial Best Practices for municipalities. Mr. Wentzell advised that according to the MGA, municipalities are required to have an operating reserve, though the MGA does not indicate a required or recommended amount for the reserve. The Town's capital reserve is currently sitting at \$157,000 which Mr. Wentzell believes is low for the financial commitments of the Town.

The Town equipment reserve is currently sitting at approximately \$550,000, a number with which Mr. Wentzell is comfortable, but that reserve includes Town and Fire Department equipment and he would like to break out those numbers to have a clear distinction between the Town equipment reserve and the fire department equipment reserve.

Mr. Wentzell noted that while there are no recommendations about a capital reserve, the reserve is currently at \$157,000 and he feels that number is low. He will continue to research capital reserves. There is a financial indicator that is related to capital reserve which is influenced by percentage of income and Mr. Wentzell will continue this discussion as he prepares the necessary reports for the province.

Mr. Wentzell will be meeting with provincial staff as part of the submission of the Financial Indicator Return (FIR) and then again after the Financial Condition Indicators (FCI) are released to discuss which indicators can be improved. There is an indicator for capital reserve which is influenced by contribution as a percentage of income.

The committee was advised that there is not a requirement in the MGA for an operating reserve, but Mr. Wentzell noted that it is advisable. The committee was advised that the operating reserve should be at about 5 – 15% of operating costs. It was suggested that after the third quarter audit committee meeting, the committee may want to recommend to Council to discuss a financial amount that would be contributed to reserves, for discussion as part of budget deliberations. Mr. Wentzell noted that many municipalities have a policy regarding reserve funds to establish a threshold amount.

Upcoming Audit/Provincial Reporting/Financial Condition Indicators

The audit committee was advised that the annual audit is scheduled for August 20 -31st this year and that staff are in the final stages of creating trial balances and the final documents are being sent to the auditors to compile their workplans. Audited statements are necessary for the completion of the FIR, which are due at the end of September, so we expect that we will not make the deadline for FIR submission. Mr. Wentzell advised the committee that an early audit is a priority for next year and he hopes to schedule the audit for mid-June next year but this year the auditors had prescheduled the Town of Mahone Bay for August based on previous years.

Mr. Wentzell advised the committee that provincial reporting requirements and deadlines have been met, some submitted well in advance of the deadlines. Additional deadlines are approaching in September, but staff are well on course to meet those deadlines, though the FIR may be an issue due to the late audit.

Maureen Hughes, Acting CAO, advised the Committee that in the short time that Mr. Wentzell has been with the Town of Mahone Bay, he has done an excellent job in respect to getting reports completed and submitted on time.

The meeting adjourned upon motion at 8:24 pm.

TOWN OF MAHONE BAY

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Acting CAO, M. Hughes

Mayor, David Devenne