

THE MUNICIPALITY OF THE COUNTY OF KINGS  
**AUDIT COMMITTEE AGENDA**  
**Thursday, September 26, 2019**  
**6:00 p.m. Tides Room, New Municipal Complex, 181**  
Coldbrook Village Park Dr. Coldbrook

Item	Description	Required Action	Responsible
1.	Roll Call		Chair
2.	Additions to the Agenda	Decision	All
3.	Approval of Agenda	Decision	All
4.	Disclosure of Conflict of Interest Issues	Decision	Chair
5.	Approval of Minutes: Pg. 2 <ul style="list-style-type: none"> <li>July 22, 2019</li> </ul>	Decision	Chair
6.	Business Arising from Minutes	Discussion	All
<b>New Business</b>			
7.	Work plan update Pg. 5	Discussion	Staff
8.	Management Report on Compliance Pg. 11	Presentation	Katrina Roefs, Manager of Financial Reporting
9.	2018/19 Business Expense Summary Pg. 14	Decision	Katrina Roefs, Manager of Financial Reporting
10.	2018/19 Hospitality Report Pg. 18	Decision	Katrina Roefs, Manager of Financial Reporting
11.	Audit Committee Training Pg. 23 a) Module #1: Budget Process b) Module #2: Financial Reporting & Fund Accounting	Training Presentation	Katrina Roefs, Manager of Financial Reporting
12.	Other Business		All
13.	Public Comments		
14.	Next Meeting – <ul style="list-style-type: none"> <li>Holding October 24, 2019 6pm Tides Room</li> <li>Holding November 28, 2019 6pm Fields Room (room will change if possible)</li> <li>Holding December 19, 2019 6pm Tides Room</li> </ul>	Decision	All
15.	Adjournment	Decision	

## **Municipality of the County of Kings Audit Committee**

**Meeting, Date and Time**                      Audit Committee Meeting was held on Monday July 22, 2019 at 6:00 pm in the Tides Room, Coldbrook Municipal Complex.

**(1) Roll Call:**                              In attendance were:

*Committee Members:* Councillor Spicer – Chair  
Councillor Winsor  
Councillor Hodges  
Mayor Muttart

*Staff:* Scott Conrod, CAO  
Greg Barr, Director of Finance & IT Services  
Scott MacKay, Revenue Manager  
Amie Johnstone, Recording Secretary

*Absent with Regrets:* Councillor Armstrong – Vice Chair  
Quentin Hill - Citizen Member  
Macaoel Baxter - Citizen Member

*Absent:* None

**Meeting Called to order:**              Councillor Armstrong, acting Chair for this, meeting called the meeting to order at 6:00pm.

**(2) Additions to the Agenda:**                                      None.

**(3) Approval of the Agenda:**                                      **On the motion of Mayor Muttart and seconded by Councillor Hodges, the agenda be approved.  
Motion carried.**

**(4) Disclosure of Conflict of Interest Issues:**                                      None.

**(5) Approval of the Minutes from April 25, 2019:**                                      **On the motion of Mayor Muttart and seconded by Councillor Hodges, the Minutes from April 25, 2019 be approved.  
Motion carried.**

**(6) Business arising from the previous minutes:**                                      None.

## **New Business:**

### **(7) Internal Controls Review (Draft Report)**

Representatives from Grant Thornton presented the completed Internal Controls Review for the Payroll Process and Tax Sale process, as engaged by the Municipality to do. The report noted that there is nothing unusual or anything that would cause a high level of concern; primarily the observations included will improve processes and further reduce risk.

There was some committee discussion related to Ref # 6 of the report related to setting a threshold or policy related to smaller value arrears being removed from the tax sale list. It was asked that staff look at this item closely and potentially bring options for a recommendation after weighing all options and consideration points including best practices.

Staff advised the committee that the next steps are;

- Management will complete a review of the draft report
- Grant Thornton will then complete the final report as a narrative and it will go before the Audit Committee
- Audit Committee would bring information of this report to Council within a committee report; should there be any recommendations that come from this report, they would go to Council for approval.

### **(8) Work Plan Update**

Staff presented the updated work plan as attached to the Agenda package and a brief discussion was had.

Staff noted the Audit for Kings is very going well and on time with completion of on site and field work done now, all information has been received from the IMSA organizations with the exception of Valley Waste. Everyone is committed to doing their best to meet the deadlines in place of September 30.

### **(9) Audit Committee Training**

The province is in the draft format stage of the process and has indicated they are developing be 5 modules for training in both in-person and on-line. The modules are as follows;

1. Audit Committee Roles (general)
2. External Auditor Role
3. Financial Reporting Role
4. Internal Controls and Risk Management Role
5. Information on Alleged Wrongdoing and Fraud Awareness

Finance Staff have created 4 modules of training specific to Kings County and will begin training the committee at future meetings. The modules are as follows;

1. Municipal Budget Process (citizen members required)
2. Fund Accounting
3. Audit Process
4. Financial Reporting for the Province

**(10) Future Meeting  
Dates Schedule**

Due to 3 members missing from today's meeting the committee opted to defer this discussion until the next meeting but will likely continue with the evening meetings on the 3<sup>rd</sup> or 4<sup>th</sup> Thursday of each month or as needed.

The CAO advised that there are time sensitive items which need to be handled by September 30. Staff will review all information, poll the committee members and set a date based on when the completed Audit information is available.

**(11) Other Business:**

None.

**(12) Public Comments**

None.

**(13) Next Meeting:**

TBD

**Adjournment:**

**On the motion of Councillor Hodges and seconded by Councillor Winsor the meeting be adjourned 7:08 pm.  
Motion Carried.**

**Approvals:**

Audit Committee

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Municipality of the County of Kings  
Audit Committee Work Plan - Update

Item	Description	Summarized Approach	Target Date	Responsibility	Update September 26, 2019
1	Detailed Review of the Municipality's Financial Statements and audit management letters	Financial statements will be presented annually to the committee by our municipal auditors at the conclusion of the annual audit. Items discussed will include annual financial results, any management letter points, and any internal control weaknesses identified.	Annually on or before September 30 (which is the Provincial deadline for filing financial statements with the Province.)	- Finance Dept. will organize external auditors to make required presentation	<p><b>Issues arising from several of the consolidating entities has resulted in the delay of approved audited financial statements for these entities. This has resulted in the delay of the Municipalities final consolidation.</b></p> <p><b>Audit fieldwork and draft non-consolidated statements were prepared and completed during July at the municipal level.</b></p> <p><b>We have been monitoring the other entities and have informed the Province in the likely delay with regard to filing of approved financial statements.</b></p>
2	Review of annual Hospitality Summary Report <a href="#">Link to approved Hospitality Policy</a> FIN-05-020	<p>Municipalities are required to submit an annual summary report of hospitality expenditures which must first be reviewed by the audit committee.</p> <p>Staff will present the summary annually for review by the committee</p>	Annually on or before September 30 (which is the Provincial filing deadline)	- Finance Dept. will provide the summary report	<b>Attached as an agenda item to the September 26, 2019 Audit Committee Agenda.</b>

Municipality of the County of Kings  
Audit Committee Work Plan - Update

Item	Description	Summarized Approach	Target Date	Responsibility	Update September 26, 2019
3	Review of annual Business Expense Summary Report <a href="#">Link to approved Business Expense Policy FIN-05-008</a>	<p>The Financial Reporting and Accounting Manual (FRAM) which are regulations under the Municipal Government Act has new provisions regarding expense requirements.</p> <ul style="list-style-type: none"> <li>• Municipalities are required to adopt an expense policy</li> <li>• Quarterly summaries of expenses for Reportable Individuals (Mayor, Councilors, and CAO) must be posted to the municipal website.</li> <li>• An annual summary report must be filed with the Province – this report must be reviewed by the Audit Committee</li> </ul> <p>Staff will present the summary annually for review by the committee</p>	Annually on or before September 30 (which is the Provincial filing deadline)	- Finance Dept. will provide the summary report	<b>Attached as an agenda item to the September 26, 2019 Audit Committee Agenda.</b>
4	Audit Committee Training <a href="#">Link to FRAM</a>	<p>FRAM requires that committee members receive training on their roles.</p> <p>The Province is developing training modules which will be available to the committee to do either individually or a representative from the Province may be available.</p> <p>In addition to the Provincial Training a presentation on the annual audit process will be performed by our Municipal Auditor.</p>	<p>January 2019 for presentation by municipal auditor</p> <p>Provincial training to be determined</p>	- Finance Dept. under management of Director of Finance	<p><b>Two internal training modules have been developed and will be delivered as part of this September 26, 2019 Audit Committee meeting.</b></p> <p><b>The Provincial training has been developed; in-person training is available now upon request. Currently scheduling of province wide in-person or webinar training is being looked into. The Province believes they are still on track for the October release date.</b></p>

Municipality of the County of Kings  
Audit Committee Work Plan - Update

Item	Description	Summarized Approach	Target Date	Responsibility	Update September 26, 2019
5	Review of Processes and Controls/ development of documented standard operating procedures.	<p>Procedures and controls are currently in place for finance activities and are reviewed annually as part of the financial statement audit. However a more detailed examination has not taken place in recent years. Having the processes reviewed in detail by an external party will provide assurance over existing controls and also provide recommendations for areas of improvement while identifying any potential weaknesses.</p> <p>Grant Thornton, a firm that specializes in this type of engagement and are familiar with the current operations are to be engaged to provide a detailed external review of each process. Deliverables will include recommendations for any areas of improvement and documentation of current and/or suggested processes with standard operating procedures. Having these processes documented will ensure procedures are properly followed and will also assist in times of staff transition.</p> <p>Once the engagement is complete Grant Thornton will present their findings including any areas of weakness and recommended improvements, along with the updated standard operating procedures and flow charts to the audit committee.</p>	<p>Proposed areas of focus for 2019-20:</p> <ul style="list-style-type: none"> <li>Payroll</li> <li>Tax Sale</li> </ul> <p>(Contingent on Council/Budget approval – see RFD; Update- approved at February 5, 2019 Council meeting)</p>	- Payroll clerk under management of Revenue Manager and Director of Finance	<p><b>Grant Thornton presented their draft report at the July 22, 2019 Audit Committee meeting.</b></p> <p><b>Management and staff are reviewing the report and will provide recommendations to the Audit Committee for review and approval.</b></p>

Municipality of the County of Kings  
Audit Committee Work Plan - Update

Item	Description	Summarized Approach	Target Date	Responsibility	Update September 26, 2019
6	Development of a Cyclical Audit Program for various programs of the County	<p>This item has been assigned to the Audit Committee for their consideration from the Budget &amp; Finance Committee work plan.</p> <p>Items included:</p> <ul style="list-style-type: none"> <li>• Examination of internal controls (see point 5 above).</li> <li>• Performance based audits to examine different aspects of the organization with regard to the efficiency and effectiveness of operations.</li> </ul>	<p>Proposed areas of focus for 2019:</p> <p>The Municipality has a sizable annual insurance expense - this is an area where performance should be examined.</p> <p>The insurance contract is up for renewal which requires a tender.</p> <p>As part of this process a risk consultant should be engaged in order to determine the proper insurance needs of the Municipality and to also review tender proposals to determine value (price per coverage).</p> <p>Other local municipalities have done this in the past in order to ensure that the proper coverage is being obtained.</p> <p>This could potentially reduce our annual insurance expense and would help ensure we have the proper coverage in all areas.</p>	- Finance Dept. under management of Director of Finance	



Municipality of the County of Kings  
Audit Committee Work Plan - Update

Item	Description	Summarized Approach	Target Date	Responsibility	Update September 26, 2019
7	Compliance audit or specified program review of the County's Procurement Process	<p>This item has been assigned to the Audit Committee for their consideration from the Budget &amp; Finance Committee work plan.</p> <p>A strong procurement policy and process helps to ensure funds are spent in an efficient manner and regulatory compliant manner.</p> <p>There are two parts to this review:</p> <ol style="list-style-type: none"> <li>1) Review of procedures and controls around the procurement process – this has been identified as an area of focus for item 5</li> <li>2) Review of policy FIN-05-006 Procurement Policy – last reviewed in 2011.</li> </ol> <p>The policy must ensure we are in compliance with requirements set out under various procurement acts such as:</p> <ul style="list-style-type: none"> <li>• NS Procurement Act,</li> <li>• Atlantic Procurement Policy,</li> <li>• World Trade Organization Agreement on Government Procurement</li> <li>• Canadian Free Trade Agreement</li> </ul> <p>Spending levels and authority levels should also be reviewed</p> <p>Fin-05-016 Procurement Card will need to be updated for any changes made to the Procurement Policy.</p>	<p>Review of procedures and controls is an area of focus for item 5 with a target date of 2019-20</p> <p>The Procurement Policy has a large impact on the organization and has many different components. In addition there are compliance requirements set out by different levels of governments. It will be important to give this review the time and resources required to do a thorough job. – proposed target date December 31, 2020</p>	TBD	<b>Proposed target date continues to be December 31, 2020</b>

Municipality of the County of Kings  
Audit Committee Work Plan - Update

Item	Description	Summarized Approach	Target Date	Responsibility	Update September 26, 2019
8	Review of annual Financial Condition Indicators (FCIs)	Financial Condition Indicators will be presented annually to the committee by municipal staff. (Actual and forecasted impact to be included)	Annually Actual – after completion of audited financial statements and before September 30 <sup>th</sup> Forecast – prior to completion of budget	- Finance Dept. staff to schedule presentation to committee annually	
9	Assessment of Auditors	Annual review of auditors reporting noting any items to be added to future reports. Recommendation of auditor appointment in discussions with management.	Annually after completion of financial audit and presentation of auditors' report	- Committee to schedule a review after auditors' reports have been received. - Finance Dept. staff	
10	Management report on Compliance	Review a report from management confirming compliance and reporting requirements.	Annually on or before September 30th	- Finance Dept. staff to provide report. - Committee to ensure report is provided annually	<b>Report attached to September 26, 2019 Audit Committee Agenda</b>
11	Review of approved Municipal Budget	Once Council has approved the annual Municipal budget, the committee will review the document to familiarize themselves with the details.	Annually at the committee meeting following Council approving the budget.	- Finance Dept. staff present a review of approved Municipal Budget at a committee meeting following the approval.	<b>2019/20 Approved Budget books provided to the citizen members of the Audit Committee July 22, 2019. Brief overview of the 2020/21 approved budget to be provided once approved.</b>



# Municipality of the County of Kings

## Briefing

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**TO** Audit Committee

**PREPARED BY** Katrina Roefs, CPA, CA, Financial Analyst

**MEETING DATE** September 26, 2019

**SUBJECT** Management Report on Compliance

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### **ORIGIN**

- Audit Committee work plan

### **RECOMMENDATION**

That the Audit Committee accept the briefing as an information item.

### **INTENT**

To provide an update on compliance with mandated filing deadlines.

### **DISCUSSION**

Annually the Municipality is required to file the following reports:

Report Title	Description	Filing Deadline	Status
Workers Compensation annual subcontractor report	Summary of all payments to subcontractors made during the previous calendar year.	March 31, 2019	Submitted March 29, 2019
Gas Tax Pre Construction Report	Summary of gas tax projects that are expected to be implemented during the current fiscal year. Providing an initial forecast of what your gas tax projects will be for that fiscal year. Includes the Municipality and the seven villages.	April 26, 2019	April 25, 2019
Annual Report – Gas Tax Report	Summary of gas tax expenditures for the previous fiscal year for the Municipality and seven villages.	Draft due May 31, 2019 Final due July 31, 2019	Draft submitted to the Province May 31, 2019  Final submitted July 25, 2019
Capital Investment Plan	Five year Capital Investment Plan providing details of the	September 1 <sup>st</sup> , 2019	Submitted to the Province August 29 <sup>th</sup> , 2019



# Municipality of the County of Kings

## Briefing

	capital budgets for the coming year and capital plans for the four subsequent years for the Municipality and seven villages.		
Statement of Estimates	Filing of annual approved budget with the Province  Filing request for Provincial Property Tax in Lieu	September 30 <sup>th</sup> , 2019	Submitted to the Province September 3 <sup>rd</sup> , 2019
Financial Information Return & Audited Financial Statements	Summary in prescribed form of the audited financial statements	September 30 <sup>th</sup> , 2019	FIR can only be completed once consolidated audited statements are complete. These items are delayed due to delays at partner organizations. The Province has been informed of the delay.

### **FINANCIAL IMPLICATIONS**

- Failure to meet filing deadlines can result in delays in receiving related funding.

### **STRATEGIC PLAN ALIGNMENT**

Check Applicable	Strategic Priority	If Checked, Provide Brief Explanation
	Good Governance	
	Environmental Stewardship	
	Economic Development	
	Strong Communities	
	Financial Sustainability	
	Supports a Strategic Project	
	Supports a Core Program Enhancement	
X	Not Applicable (explain why project should be considered)	Audit Committee work plan item to monitor filing compliance of financial related reports.

### **ALTERNATIVES**

- No Alternatives

### **IMPLEMENTATION**

- Finance staff will continue to file reports to meet the related deadlines, with any deviations being reported to the committee. Annually a compliance report will be prepared for the Audit Committee.



# Municipality of the County of Kings

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### **COMMUNITY ENGAGEMENT**

- No community engagement was undertaken these reports are mandated by the Province in a prescribed format.

### **APPENDICES**

- No Appendix

### **APPROVALS**

Greg Barr, Director of Finance & IT

September 5, 2019



# Municipality of the County of Kings

## Briefing

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<b>TO</b>	Audit Committee
<b>PREPARED BY</b>	Katrina Roefs, CPA, CA, Financial Analyst
<b>MEETING DATE</b>	September 26, 2019
<b>SUBJECT</b>	2018/19 Summary of Remuneration and Expenses for Reportable Individuals

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### **ORIGIN**

- Nova Scotia Financial Reporting and Accounting Manual (FRAM) Section 3(3)(b);
- FIN-05-008 Business Expense

### **RECOMMENDATION**

That the Audit Committee accept the briefing on the 2018/19 Summary of Remuneration and Expenses for Reportable Individuals, as attached to the agenda as an information item.

### **INTENT**

That a summary of remuneration and expenses for reportable individuals for the fiscal year 2018/19 be reviewed by the Audit Committee.

### **DISCUSSION**

FRAM section 3(3) (b) vi requires Municipal audit committees to review the annual Summary of Remuneration and Expenses for Reportable Individuals. This report is required to be prepared as part of the annual Financial Information Return which is filed with the Province on or before September 30<sup>th</sup> of each year. This summary has been prepared for the fiscal year ending March 31, 2019 and is attached as appendix A to this report.

An annual review of the Summary of Remuneration and Expenses for Reportable Individuals is an annual item included in the Audit Committee approved work plan.

A Reportable Individual refers to an individual who holds one of the following positions: Mayor or Warden, Councillor or Chief Administrative Officer. In addition to the annual summary reporting the FRAM also requires each municipality to have an expense policy in place that in part is to include the publication of quarterly summary reports on the respective municipal websites. The Municipality of the County of Kings has policy FIN-05-008 regarding business expenses. This policy was reviewed in January and March of 2019 to ensure that the new requirements under FRAM are supported by policy.

The expenses reported quarterly and published to the website are shown at their gross amounts, the actual expense to the Municipality will vary slightly due to the portion of non-refundable HST which is applicable on certain expense items. A reconciliation has been provided in appendix B to this report.

The following amounts were incurred during the 2018/19 fiscal year.

Reportable Individual	Remuneration	Expense	Total
Chief Administrative Officer	\$146,800	\$16,696	\$163,496



# Municipality of the County of Kings

## Briefing

Mayor	\$52,500	\$3,636	\$56,136
Councillors	\$299,400	\$39,232	\$338,632
Total	\$498,700	\$59,564	\$558,264

### **FINANCIAL IMPLICATIONS**

- No Financial Implications

### **STRATEGIC PLAN ALIGNMENT**

Check Applicable	Strategic Priority	If Checked, Provide Brief Explanation
X	Good Governance	Compliance with Provincial reporting requirements.
	Environmental Stewardship	
	Economic Development	
	Strong Communities	
	Financial Sustainability	
	Supports a Strategic Project	
	Supports a Core Program Enhancement	
	Not Applicable - explain why project should still be considered	

### **ALTERNATIVES**

- No alternatives are recommended

### **IMPLEMENTATION**

- 2018/19 Summary of Remuneration and Expenses for Reportable Individuals will be filed with the Province as part of the Financial Information Return

### **COMMUNITY ENGAGEMENT**

- Expense summaries for reportable individuals are published quarterly on the municipal website which can be reviewed by the public.

### **APPENDICES**

- Appendix A - 2018/19 Summary of Remuneration and Expenses for Reportable Individuals
- Appendix B – Reconciliation of quarterly expense summaries

### **APPROVALS**

Greg Barr, Director of Finance and IT

Date: August 8, 2019

Scott Conrod, Chief Administrative Officer

Date: August 8, 2019

Appendix A  
Financial Information Return  
Schedule of Remuneration and Expenses for Reportable Individuals  
Municipality of the County of Kings

Column A		
	2018-19	Line Comment
<b>CAO/Clerk</b>		
Salary/Remuneration	146,800	
Travel and Travel related Expenses	1,500	
Meals Expenses	-	
Professional Development and Training	4,524	
Other Expenses	10,673	Includes relocation
<b>Total CAO/Clerk Salary/Remuneration</b>	<b>146,800</b>	
<b>Total CAO/Clerk Expenses Reimbursed</b>	<b>16,696</b>	
Number of elected officials	10	
<b>Mayor/Warden</b>		
Salary/Remuneration	52,500	Muttart
Travel and Travel related Expenses	1,738	
Meals Expenses	907	
Professional Development and Training	991	Includes Telephone & Incidentals
<b>Total Mayor/Warden Salary/Remuneration</b>	<b>52,500</b>	
<b>Total Mayor/Warden Expenses Reimbursed</b>	<b>3,636</b>	
<b>Councillor/Commissioner</b>		
Salary/Remuneration	32,600	Best
Travel and Travel related Expenses	719	
Meals Expenses	63	
Professional Development and Training	292	
Other Expenses	612	Includes Telephone & Incidentals
<b>Total Salary/Remuneration</b>	<b>32,600</b>	
<b>Total Expenses Reimbursed</b>	<b>1,686</b>	
<b>Councillor/Commissioner</b>		
Salary/Remuneration	32,600	Hirtle
Travel and Travel related Expenses	4,674	
Meals Expenses	463	
Professional Development and Training	1,532	
Other Expenses	690	Includes Telephone & Incidentals
<b>Total Salary/Remuneration</b>	<b>32,600</b>	
<b>Total Expenses Reimbursed</b>	<b>7,358</b>	
<b>Councillor/Commissioner</b>		
Salary/Remuneration	32,600	Raven
Travel and Travel related Expenses	1,853	
Meals Expenses	15	
Professional Development and Training	229	
Other Expenses	961	Includes Telephone & Incidentals
<b>Total Salary/Remuneration</b>	<b>32,600</b>	
<b>Total Expenses Reimbursed</b>	<b>3,057</b>	
<b>Councillor/Commissioner</b>		
Salary/Remuneration	32,600	Winsor
Travel and Travel related Expenses	1,199	
Meals Expenses	99	
Professional Development and Training	750	
Other Expenses	996	Includes Telephone & Incidentals
<b>Total Salary/Remuneration</b>	<b>32,600</b>	
<b>Total Expenses Reimbursed</b>	<b>3,044</b>	
<b>Councillor/Commissioner</b>		
Salary/Remuneration	32,600	Hodges
Travel and Travel related Expenses	1,486	
Meals Expenses	58	
Professional Development and Training	558	
Other Expenses	952	Includes Telephone & Incidentals
<b>Total Salary/Remuneration</b>	<b>32,600</b>	
<b>Total Expenses Reimbursed</b>	<b>3,054</b>	
<b>Councillor/Commissioner</b>		
Salary/Remuneration	38,600	Lutz
Travel and Travel related Expenses	4,718	
Meals Expenses	396	
Professional Development and Training	1,114	
Other Expenses	1,421	Includes Telephone, Incidentals, and Child Care
<b>Total Salary/Remuneration</b>	<b>38,600</b>	
<b>Total Expenses Reimbursed</b>	<b>7,648</b>	
<b>Councillor/Commissioner</b>		
Salary/Remuneration	32,600	Spicer
Travel and Travel related Expenses	2,531.58	
Meals Expenses		
Professional Development and Training		
Other Expenses	1,115	Includes Telephone & Incidentals
<b>Total Salary/Remuneration</b>	<b>32,600</b>	
<b>Total Expenses Reimbursed</b>	<b>3,647</b>	
<b>Councillor/Commissioner</b>		
Salary/Remuneration	32,600	Allen
Travel and Travel related Expenses	2,678	
Meals Expenses	258	
Professional Development and Training	1,349	
Other Expenses	1,023	Includes Telephone & Incidentals
<b>Total Salary/Remuneration</b>	<b>32,600</b>	
<b>Total Expenses Reimbursed</b>	<b>5,308</b>	
<b>Councillor/Commissioner</b>		
Salary/Remuneration	32,600	Armstrong
Travel and Travel related Expenses	2,879	
Meals Expenses	83	
Professional Development and Training	506	
Other Expenses	962	Includes Telephone & Incidentals
<b>Total Salary/Remuneration</b>	<b>32,600</b>	
<b>Total Expenses Reimbursed</b>	<b>4,430</b>	
<b>Total Councillor Salary/Remuneration</b>	<b>299,400</b>	
<b>Total Councillor Expenses Reimbursed</b>	<b>30,500</b>	
<b>Total Remuneration and Reportable Expenses</b>	<b>549,533</b>	



**Appendix B - Reconciliation of quarterly expense summaries**

						Per Financial Statement Disclosure and Provincial Reporting 2019	Per Financial Statement Disclosure and Provincial Reporting 2018
	Expense GL	GL Balance	YTD Claimed - see summary on website	Refundable HST	Net Expense to County		
Allen, Peter	01-2-211-184	5,308	5,827	(519)	5,308	5.30	8.20
Armstrong, M	01-2-211-185	4,430	4,865	(436)	4,430	4.40	6.80
Best, B	01-2-211-177	1,686	1,858	(173)	1,686	1.70	0.90
Hirtle, B	01-2-211-176	7,358	7,930	(572)	7,358	7.40	8.50
Hodges, M	01-2-211-181	3,054	3,346	(292)	3,054	3.10	3.80
Lutz, E	01-2-211-182	7,648	8,376	(728)	7,648	7.60	7.70
Muttart, P (Mayor)	01-2-211-180	3,636	3,882	(246)	3,636	3.60	6.50
Spicer, P	01-2-211-183	3,647	3,749	(103)	3,647	3.60	4.90
Raven, P	01-2-211-175	3,057	3,249	(192)	3,057	3.10	6.10
Winsor, J	01-2-211-179	3,044	3,167	(123)	3,044	3.00	3.70
		<b>42,866.82</b>	<b>46,250.06</b>	<b>(3,383.24)</b>	<b>42,866.82</b>	<b>42.80</b>	<b>57.10</b>



# Municipality of the County of Kings

## Briefing

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<b>TO</b>	Audit Committee
<b>PREPARED BY</b>	Katrina Roefs, CPA, CA, Financial Analyst
<b>MEETING DATE</b>	September 26, 2019
<b>SUBJECT</b>	2018/19 Hospitality Report

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### **ORIGIN**

- Nova Scotia Financial Reporting and Accounting Manual (FRAM) Section 3(3)(c);
- *Municipal Government Act* section 23(3)
- FIN-05-020 Hospitality Policy

### **RECOMMENDATION**

That the Audit Committee accept the briefing on the 2018/19 Hospitality Report, as attached to the agenda as an information item.

### **INTENT**

That Hospitality Report for fiscal 2018/19 be reviewed by the Audit Committee.

### **DISCUSSION**

FRAM section 3(3) (c) vi requires that Municipal audit committees review the Hospitality Annual Summary Schedule. This report is required to be prepared as part of the annual Financial Information Return which is filed with the Province on or before September 30<sup>th</sup> of each year. This summary has been prepared for the fiscal year ending March 31, 2019 and is attached as appendix A to this report.

The FRAM was updated to include requirements for reporting on hospitality expenses incurred by Municipalities. As part of these updates Municipalities were required to adopt a Hospitality Policy which must provide provisions and guidelines for expenditures incurred while hosting individuals from outside of a municipality or village for conducting business activities which would include receptions, ceremonies, conferences, or other group events. The Municipality approved FIN-05-020 on January 8, 2019 in order to comply with the new provincial requirements.

An annual review of the Hospitality Summary is an annual item included in the Audit Committee approved work plan.

Since the policy became effective there has been one Hospitality Form submitted for fiscal 2018/19. This form is attached as appendix B and was in relation to the purchase of a bottle of wine that was presented as a gift.

Only the final quarter of fiscal 2018/19 is being included in the summary as the policy and FRAM requirements came into effect for this quarter. The amounts reported match those that were posted to the Municipal website under the requirements of the Hospitality Policy. Staff have confirmed with the Province that this is the correct treatment in this initial year. Subsequent years will have hospitality reports posted each quarter and the yearend summary will include all quarters.

### **FINANCIAL IMPLICATIONS**



# Municipality of the County of Kings

## Briefing

- No Financial Implications

### **STRATEGIC PLAN ALIGNMENT**

Check Applicable	Strategic Priority	If Checked, Provide Brief Explanation
X	Good Governance	Compliance with Provincial reporting requirements.
	Environmental Stewardship	
	Economic Development	
	Strong Communities	
	Financial Sustainability	
	Supports a Strategic Project	
	Supports a Core Program Enhancement	
	Not Applicable - explain why project should still be considered	

### **ALTERNATIVES**

- No alternatives are recommended

### **IMPLEMENTATION**

- 2018/19 Hospitality Report will be filed with the Province as part of the Financial Information Return

### **COMMUNITY ENGAGEMENT**

- Hospitality Reports are posted quarterly on the municipal website which can be reviewed by the public.

### **APPENDICES**

- Appendix A - 2018/19 Hospitality Report
- Appendix B – Submitted Hospitality Form

### **APPROVALS**

Greg Barr, Director of Finance and IT

Date: August 8, 2019

Scott Conrod, Chief Administrative Officer

Date: August 8, 2019

**Financial Information Return**  
**Schedule of Hospitality Expenses**  
**Municipality of the County of Kings**

**Hospitality Includes:**

Expenses incurred while hosting individuals from outside government for reasons of diplomacy, protocol, business or other group events. Examples include: receptions, ceremonies, conferences, performances or other group events. Allowable expenses: Note that this is meant to be a summary of the schedules you report on a quarterly basis.

		Expenses
	Line Number	2018-19
<b>First Quarter</b>		
Meal and Beverage Expenses	HE1009	
Gifts	HE1011	
Meeting Space	HE1013	
Other	HE1015	
<b>First Quarter Total</b>	HE1019	-
<b>Second Quarter</b>		
Meal and Beverage Expenses	HE1031	
Gifts	HE1035	
Meeting Space	HE1033	
Other	HE1037	
<b>Second Quarter Total</b>	HE1039	-
<b>Third Quarter</b>		
Meal and Beverage Expenses	HE1051	
Gifts	HE1055	
Meeting Space	HE1053	
Other	HE1057	
<b>Third Quarter Total</b>	HE1059	-
<b>Fourth Quarter</b>		
Meal and Beverage Expenses	HE1071	
Gifts	HE1075	20
Meeting Space	HE1073	
Other	HE1077	
<b>Fourth Quarter Total</b>	HE1079	20
<b>Total Hospitality Expenses</b>	HE1999	20



## Hospitality Policy

[illegible]

If second related expenses were incurred please provide justification why those expenses are necessary.

GIFT FOR MAYOR OF VITORIA, SPAIN, HOST OF  
INTERNATIONAL MICHELIN CONFERENCE,  
TO BE ATTENDED BY MAYOR + DEPUTY MAYOR.

Proof of the approval for export is attached



(see attached email chain)

RF Hospitality Experiences are governed by policy #H0-05 XXXX Hospitality Policy. Please refer to this policy for full regulations and requirements.

I hereby certify that the information contained in this claim form is accurate and complete.

JANUARY 10, 2019, MUNICIPAL CLERK June 6, 2019

1000

Gray Barr, Director of Finance March 29, 2019



Mulheir Conference

01-2-211-200

J Postma Visor



2595 Wolfville  
122 Front Street  
Wolfville, NS B4P 1A4  
Phone: (902) 542-3433  
SALE TRANSACTION

1016071  
BENJAMIN BRIDGE TIDAL  
Container Deposit \$18.95 H  
\$0.20  
Total Pre Tax Savings: \$0.00  
Sub Total: \$19.15  
HST: \$18.95 @ 15.0% \$2.84  
Total Container Deposit: \$0.20  
Items in Transaction: 1  
Total: \$21.99  
VISA \$21.99

Air Miles Collector Number: \*\*\* \*\*\*\* 4724

Mar 21 2019 03:49 pm Trans# 173734

TRANSACTION RECORD

Card: \*\*\*\*\*2811  
A0000000031010 Card Type: 1  
SCOTIABANK VISA  
Trans Type: PURCHASE  
Card Entry: C  
Auth #: 097174  
Sequence #: 001001793  
Merchant ID: 20469924  
Terminal #: NS0259500004  
Date: 03-21-2019  
Time: 15:49:26  
Amount: \$21.99

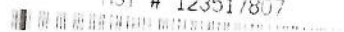
00 APPROVED - THANK YOU

Retain this copy for your records

\*\*\* CUSTOMER COPY \*\*\*

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apply for a card, visit: airmiles.ca  
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or visit our website,  
myNSLC.com/Return-Policy  
STORE TILL OP NO. TRANS. DATE TIME  
2595 4 010201 148482 03-21-19 3:49 PM

HST # 123517807





# AUDIT COMMITTEE TRAINING

# Internal Training

- Financial Reporting / Fund Accounting
  - *Accounting Standards*
  - *Fund Accounting*
  - *Municipal Funds*
  - *Key Concepts*
  - *Financial Statement Presentation*
  - *Consolidation Principles*
- Municipal Budget Process
  - *Overview*
  - *Timelines*
  - *Inputs*
  - *Presentation & Deliberation*
  - *Budget Implementation*
- Audit Process
  - *Timeline*
  - *Year end working papers*
  - *Interaction with Auditors*
- Financial Reporting for the Province
  - *Financial Information Return*
  - *Statement of Estimates*
  - *Capital Investment Plan*
  - *Annual Expenditure Report*



# Provincial Training

- Audit Committee Roles
- External Auditor Role
- Financial Reporting Role
- Internal Controls and Risk Management
- Information on Alleged Wrongdoing and Fraud Awareness

*Modules will be available online and in-person*

*Currently the modules are in draft format yet to be released*

# Budget Process



Budget Overview

Timelines

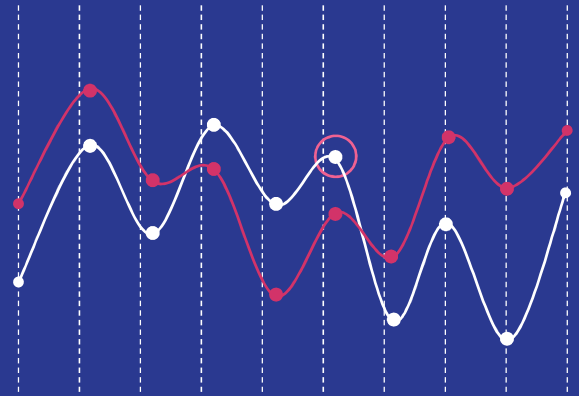
Budget Inputs

Presentation and Deliberation

Budget Implementation

# Budget Overview

- The Municipality is required to prepare and approve annual budgets
- The Budget and Finance Committee provides oversight to the budget process
- Budgets are prepared for each fund:
  - General Operating
  - General Capital
  - Regional Sewer
  - Greenwood Water
  - Capital and Operating Reserves



## November

- Internal Budget Working Papers
- Departmental Budget Templates
- Communication with service providers and external parties
- Budget process and timelines reviewed with Budget & Finance and recommended to Council

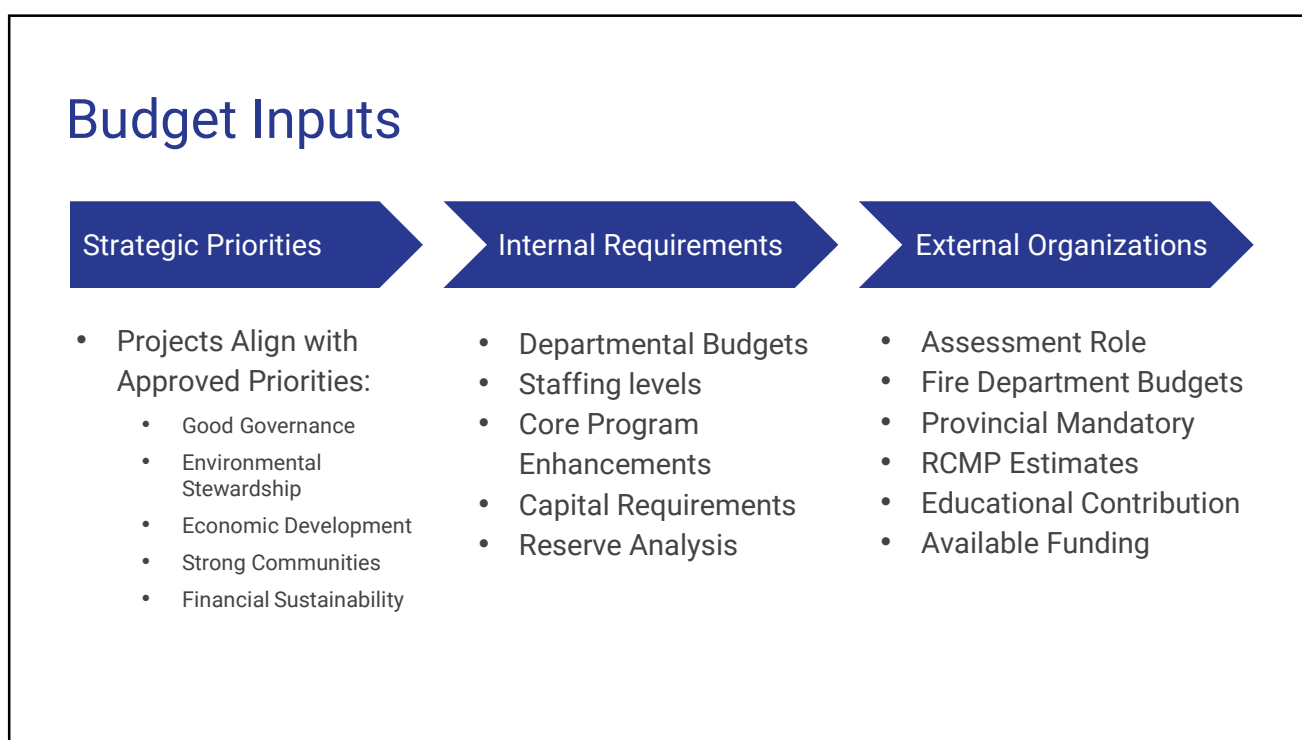
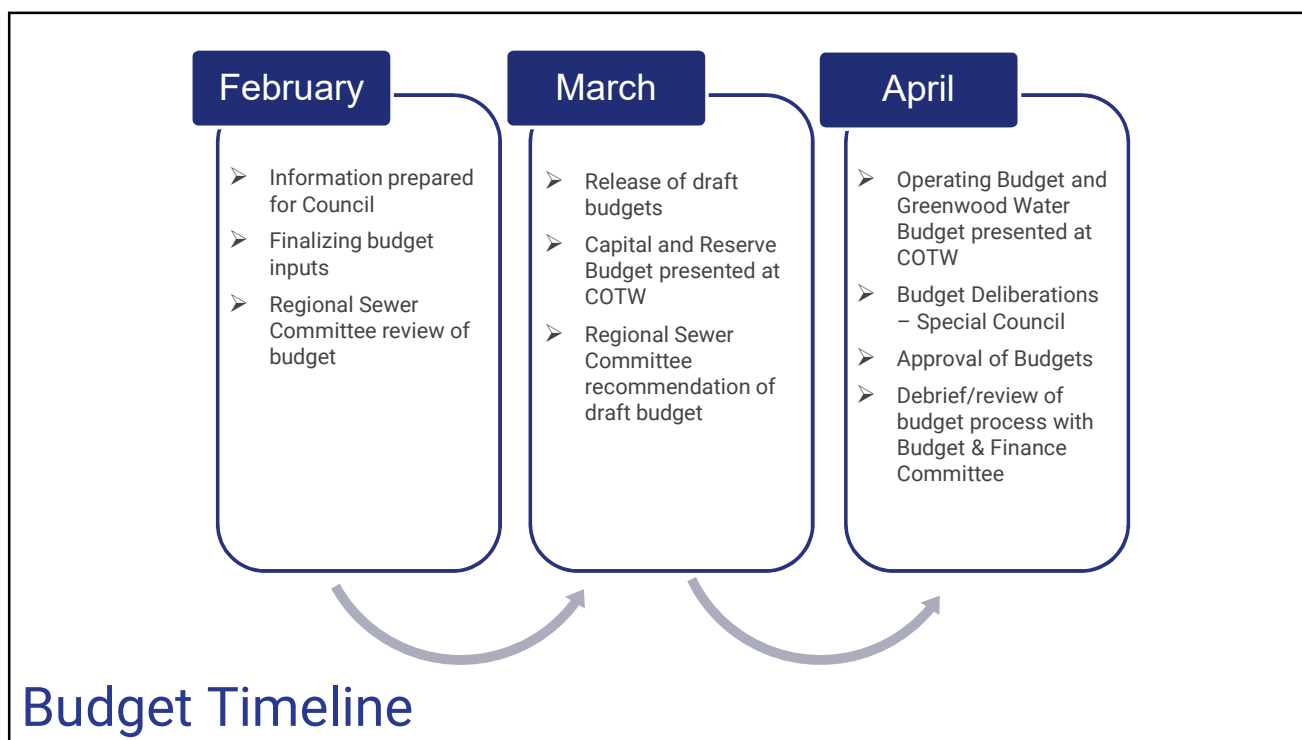
## December

- Draft Departmental Budgets
- Account analysis
- Projects and initiatives identified
- Departmental Budget Meetings
- Analysis of reserves

## January

- Assessment Role received from PVSC
- Third quarter Accountability Report and year end forecast prepared
- Submission deadline - external parties & department budgets
- Draft Greenwood Water Budget
- Draft Regional Sewer Budget

## Budget Timeline



## Strategic Priorities

**Good Governance:** The review and evaluation of processes, agreements, and partnerships to improve efficiencies and effectiveness.

**Environmental Stewardship:** The Municipality will advance environmental stewardship through a heightened awareness and incorporation of sustainability elements within core operations and capital projects.

**Economic Development:** The Municipality will undertake or facilitate development beneficial to our community.

**Strong Communities:** The Municipality will support well-planned environments to create vibrant, resilient, and sustainable communities through investments in infrastructure, active living, and land use planning.

**Financial Sustainability:** The Municipality will continue its sound fiscal management by efficiently managing assets, and investigating and planning for new revenue streams and growth opportunities.

Governance



Environmental  
Stewardship



Economic  
Development



Strong  
Communities



Financial  
Sustainability



Budget Inputs

## Strategic Priority Projects

	Carryover	New Funds	Total Budget	Governance	Environmental Stewardship	Economic Development	Strong Communities	Financial Sustainability
Green Initiatives		50,000	50,000		✓			
Broadband	77,000		77,000	✓		✓	✓	✓
Soalr - Municipal Buildings		12,000	12,000		✓	✓	✓	✓
Wind		91,350	91,350		✓	✓		✓
Solar - Meadowview	45,000		45,000		✓	✓	✓	✓
J-Class Road Study		20,000	20,000				✓	
Village of Kingston Water	30,000	50,000	80,000		✓	✓		
Strengthening Regional Services	105,065	11,740	116,805	✓				
Records Management	80,000		80,000	✓				
VNM Secondary Planning Strategy	84,215	41,575	125,790				✓	
Internal Control Review		13,000	13,000	✓				
J-Class Paving		325,000	325,000				✓	
	421,280	614,665	1,035,945					

Budget Inputs

## Internal Requirements

### Departmental Budgets:

- Templates along with historical account analysis are provided to department Directors and Managers in November.
- Meetings are held in December between each department and finance staff to draft budgets
- Draft budgets are substantially completed by end of January

### Core Program Enhancements:

- Additional resources which are identified as a requirement to enhance existing programs are separately identified and highlighted in budget presentations
- Where required separate Requests for Decisions (RFD) are prepared

### Staffing Levels:

- Council must approve any new positions
- Separate RFD are presented which document the need for the requested new position

Budget Inputs

## Internal Requirements

### Capital Requirements

- Departmental meetings are held to identify required capital projects
- Capital Investment Plan (CIP) is reviewed for carryover projects
- Departments prepare budget information concerning estimated cost and submit to Finance
- Funding sources are reviewed and recommended

### Reserve Analysis:

- Continuity schedules prepared for reserve funds to forecast ending balances
- Used to determine required reserve contributions
- Capital reserves used to fund capital projects are identified

Budget Inputs

## External Organizations

### Assessment Role:

- Provided by Property Valuation Services Corporation (PVSC)
- Assessment information on all properties within the County
- Used to budget property tax revenue

### Fire Department Budgets:

- Deadline Submission – mid January
- Guidance from Fire Services Advisory Committee

### RCMP Estimate

- Estimate provided by RCMP contract division in December or January (confirmed in April/May)
- Officer compliment remains unchanged
- Amount fluctuates based on RCMP budget requirements
- County funds 45 officers plus a portion of shared costs

### Budget Inputs

## External Organizations

### Provincial Mandatory:

- Funding provided for the following:
  - Municipal Highway Contribution
  - Corrections
  - Property Valuation Services Corporation
  - Western Regional Housing Authority
  - Regional Library
- Budgets are based on historic average funding levels (actual confirmed in April/May/June)

### Educational Contribution:

- Funding based on Uniform Assessment and Student Enrollment
- Preliminary calculation completed in January amongst Finance Staff of the Municipality and Towns (Wolfville, Kentville, Berwick, former Hantsport)
- Actual amount normally confirmed in May

### Budget Inputs

## External Organizations

### Inter Municipal Service Providers:

- Budgets are required to be submitted to the Municipality on an annual basis typically within 90 days of year end
- Municipal Council must approve these organizations annual budgets
- Submitted budgets are incorporated into the Municipalities Operating Budget

### External Options for Available Funding:

- Funding for capital projects sometimes involves Grants from Provincial/Federal Governments
- These are confirmed or estimated as part of the Capital Budget
- Funding details are included on project justification sheets

Budget Inputs

## Budget Presentation



- Budget information provided to Councillors in February
- Draft Budgets are presented in March and April
- Capital and Reserve Budgets including project justification sheets are presented during COTW
- General Operating and Greenwood Water presented during another session of COTW
- Draft Budget Book released
- Regional Sewer Budget presented to Regional Sewer Committee



## Budget Deliberations

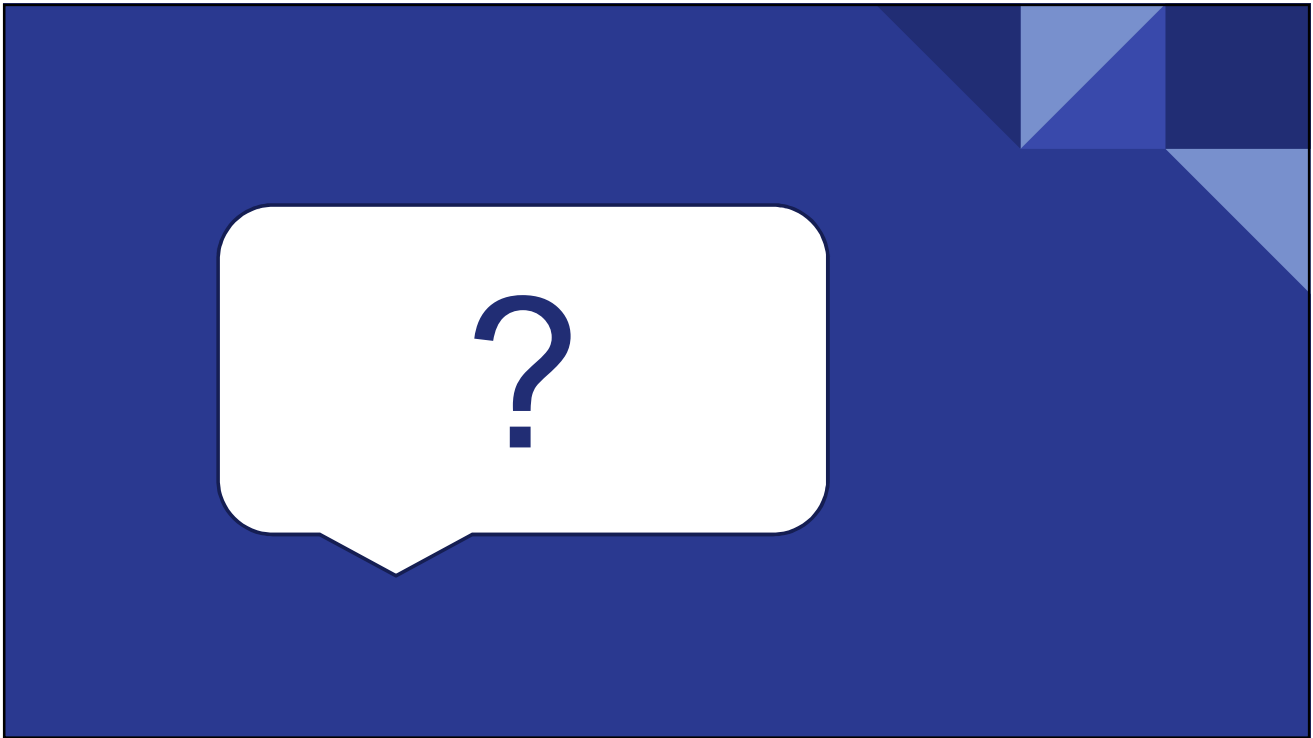


- Once presentations have been made responses to any questions of clarification are provided
- Special Council is held to deliberate the budget
  - Finance summarizes what has been presented thus far
  - Required motions are presented
  - Council asks questions and can request changes
  - Budgets are approved by formal motion

## Budget Implementation



- Approved budgets are provided to departments to be followed for the new fiscal year
- Tax rates and other fees are updated on the County website and the fee policy
- A debrief is held with Budget & Finance Committee
- Approved Budget Book is finalized and posted to County Website
- External organizations funded through the budget are notified
- Budgets are filed as required:
  - General Operating Fund is submitted to Province on the Statement of Estimates
  - Capital Fund – Capital Investment Plan submitted to Province
  - Greenwood Water Utility is submitted to UARB
  - Regional Sewer Budget – reported on SOE



# Financial Reporting

Municipality of the County of Kings  
Katrina Roefs, CPA, CA, Financial Analyst  
Audit Committee

## Financial Reporting

- ▶ Required Accounting Standards
- ▶ Fund Accounting Definition and Overview
- ▶ Municipal Funds
- ▶ Key Concepts
  - ▶ Terminology
  - ▶ Accrual Accounting
- ▶ Financial Statement Presentation
- ▶ Consolidation Principles
  - ▶ Transactions among funds
  - ▶ Eliminations
  - ▶ Government Partnerships

## Accounting Standards

### Public Sector Accounting Standards

Public Sector Accounting Standards (PSAS) as developed by CPA Canada are required to be followed by all government organizations within Canada.

These standards are comprehensive and provide rules around how to account for specific types of transactions, assets, and liabilities, and also guides financial statement presentation and required note disclosure.

The Municipality follows these standards when preparing financial statements and these are the standards that the auditor confirms compliance with when issuing their audit opinion.

## Accounting Standards

### Financial Reporting Accounting Manual

The Financial Reporting and Accounting Manual (FRAM) developed by the Province of Nova Scotia provides municipalities financial reporting and audit requirements, along with specific accounting policies. FRAM is a regulation prescribed pursuant to Sections 451 and 520 of the *Municipal Government Act* as the system for accounting to be used by municipalities and villages within the Province of Nova Scotia.

FRAM provides guidance beyond the PSAS standards, and focuses more on accounting policies and reporting requirements specifically:

- The system for accounting to be used
- The information that is to be provided to the Minister,
- The Minimum requirements for expense and hospitality policies
- The manner in which accounts are to be audited and the reports provided by municipal auditors
- The procedures for calculating the municipalities requirements for the purposes of establishing tax rates
- The information required for calculating standard expenditures



## Fund Accounting Overview

Fund Accounting is used by Not For Profit Organizations and Government Entities. The basis is that individual funds are created and segregated for accounting purposes.

Fund accounting groups together transactions and accounts related to similar activities. Each fund has its own revenues, expenditures, assets, liabilities, and its own net asset balance.

Within a government organization typical funds include: Operating; Capital; Utility; and Reserve.

Each fund has a self balancing set of accounts and non consolidated statements of operations and financial position can be prepared for each.

## Municipal Funds

The Municipality of Kings currently has eight funds:

- General Operating Fund
- General Capital Fund
- Greenwood Water Operating Fund
- Greenwood Water Capital Fund
- Regional Sewer Operating Fund
- Regional Sewer Capital Fund
- Operating Reserves
- Capital Reserves

## Municipal Funds - General Operating

The General Operating Fund records the activities associated with the operations of the municipality. The following items are examples of what would be recorded in this fund:

- Property tax revenues and related receivables
- Operating grants from other levels of governments
- Permit and license revenue
- Programming revenue specifically recreation
- Salary expenses of municipal staff
- Departmental expenses
- Corporate expenses (insurance, legal & audit fees, interest on long term debt)
- Grants to organizations
- General cash balance
- Receivables and payables resulting from operating activities

The General Operating Fund budget is deliberated and approved annually by Municipal Council, for the 2019/20 fiscal year the total operating budget is \$48,038,144 which represents the largest budget among the different municipal funds.

## Municipal Funds - General Capital

The General Capital Fund records the activities associated with the capital needs of the municipality. The following items are examples of what would be recorded in this fund:

- Capital related grants for municipal projects( Gas Tax, PCAP, Build Canada)
- Capital Assets used in the operation of the municipality (examples include: municipal complex, vehicles, furniture, and IT related equipment)
- Annual depreciation expense and related accumulated depreciation of municipal capital assets
- Long term debt
- Transfers from other funds and amounts owing to/from other funds

The General Capital Fund budget is deliberated and approved annually by Municipal Council, for the 2019/20 fiscal year the total capital budget is \$21,348,602.

## Municipal Funds - Greenwood Water

The Municipality owns and operates the Greenwood Water Utility. This utility has two funds an operating fund and a capital fund. The following items are examples of what would be recorded in the operating fund:

- Revenue generated through the supply of water
- Expenses related to the production of the water supply
- Consumer receivables related to water billings

In addition to the operating fund the water utility also has a capital fund. The following are examples of the items that would be recorded in the capital fund:

- Capital related grants for water related projects
- Capital Assets used in the operation of the utility (wells, water treatment, pipes)
- Depreciation expense and related accumulated depreciation of the utilities assets
- Long term debt associated with the utilities assets
- Transfers from other funds and amounts owing to/from other funds

The Greenwood Water Utility budget is approved annually by Council. Specific financial information is required to be submitted annually to the UARB. Any rate changes must also be approved through the UARB by way of a rate hearing.

## Municipal Funds - Regional Sewer

The Municipality owns and operates the Regional Sewer System. This system has two funds an operating fund and a capital fund. The following items are examples of what would be recorded in the operating fund:

- Revenue generated through the supply of sewage collection and disposal
- Expenses related to sewage collection and disposal
- Receivables and payables related to the provision of sewer services

In addition to the operating fund the system also has a capital fund. The following are examples of the items that would be recorded in the capital fund:

- Capital related grants for sewer related projects
- Capital Assets used in the operation of the sewer (Sewer treatment plant, lagoons)
- Depreciation expense and related accumulated depreciation of the systems capital assets
- Long term debt associated with the systems assets
- Transfers from other funds and amounts owing to/from other funds

The Regional Sewer Committee provides oversight of the Regional Sewer System and approves the annual operating and capital budgets.

## Municipal Funds - Reserves

The Municipality of Kings, like most Municipal Units has two categories of reserve funds:

Operating Reserves are funds set aside at the discretion of Council to provide for future expenses. Operating Reserves are generally used in conjunction with general operations, but they may be used for both operating and capital expenditures.

Capital Reserves are funds set aside as a result of budget deliberations, legislation, agreement or Council bylaw for the funding of future capital projects, including the replacement of capital assets. The MGA Sec 99(1) requires municipalities to maintain a Capital Reserve Fund. Capital Reserves may only be used to fund capital expenditures for which a municipality may borrow.



## Municipal Funds - Reserves cont.

Reserve funds can be thought of similar to a savings account. Funds are set aside for future projects and also in case of unforeseen events which require funding.

Annually as part of budget deliberations the reserves are assessed using various measures such as comparing the balance of capital reserves to related accumulated depreciation accounts, or comparing the operating reserves to the total budgeted operating expenditures.

Reserves are funded through:

- Transfer of funds from the General Operating Fund as approved by Council or as allocated by the Surplus Allocation Policy.
- All proceeds of sale of capital assets must be placed in Capital Reserve Funds
- All insurance proceeds related to capital assets must be placed in Capital Reserve Funds

Reserve funds may be withdrawn:

- Must be approved by Council through the budget process or by specific resolution
- Capital Reserves may only be used to fund capital expenditures for which a municipality may borrow



## Key Concepts - Terminology

Revenue and expenditures represent transactions occurring during a specific period of time, and provide the basis for the statement of operations.

Revenues are increases in economic resources, either by way of inflows or enhancements of assets or reductions of liabilities, examples include:

- Property Taxes
- Permit and Licenses
- Grant funds
- Utility billings

Expenditures are decreases in economic resources, either by way of outflows or reductions of assets or incurrences of liabilities, examples include:

- Salaries and benefits
- Office Supplies
- Insurance

## Key Concepts - Terminology

Assets, Liabilities, and Net Assets are all measures of financial figures at a specific point in time, and are the basis for the Statement of Financial Position.

### Assets:

Assets are economic resources controlled by an entity as a result of past transactions or events and from which future economic benefits may be obtained, examples include cash balances, accounts receivable, and capital assets.

Assets are broken down into three categories:

Financial Assets: are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations (Cash, Receivables)

Non-Financial Assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities (Pre-Paid's, Inventory)

Tangible Capital Assets are non-financial assets having physical substance having economic lives extending beyond an accounting period

## Key Concepts - Terminology

### Liabilities:

Liabilities are obligations of an entity arising from past transactions or events, the settlement of which may result in the transfer or use of assets, provision of services or other yielding of economic benefits in the future, examples include trade payables, long term debt, and deferred revenue.

On the financial statements assets and liabilities are shown in two categories, Current and Long Term, current items are expected to be realized within one year.

### Equity:

Net Assets or accumulated surplus is the terminology typically used for operating funds. This measures the total surplus that has accumulated over the years of operations. Within the General Fund of the Municipality the Accumulated Surplus is always zero as we have a surplus allocation policy whereby any surplus at year end is transferred to reserves.

Investment in Capital Assets is the typical terminology used for capital funds and represents capital fund assets less accumulated depreciation and outstanding long term debt and other liabilities.

## Key Concepts - Accrual Accounting

Assets, liabilities, and net assets/investment in capital assets are shown on the statement of financial position and represent the balances of those items at a specific point in time (typically at fiscal year end)

Revenues and expenditures are cumulative amounts during a specific period of time (typically a fiscal year)

Accrual accounting records transactions when they occur, regardless of when money actually changes hands. An example would be buying office supplies on a credit card you record a supplies expense and a trade payable when the transaction occurs, not when the credit card balance is paid. Accrual accounting is a requirement under the applicable accounting standards.

This is the reason why, at the end of the year much care must be taken to ensure all transactions are recorded in the proper period.



## Financial Statement Presentation

The Consolidated Financial Statements include the following statements:

- Statement of Operations
- Statement of Financial Position
- Statement of Cash Flows
- Statement of Net Assets

Along with the four financial statements note disclosure is also required. PSAS sets out rules surrounding minimum levels of disclosure required for specific items.

Note disclosure typically provides a more detailed breakdown of the asset and liability balances and also discloses any significant transactions or events that have taken place during the year. With the goal being to provide the user of the financial statements enough relevant information to make informed financial decisions.

## Financial Statement Presentation

### Statement of Operations

The Statement of Operations summarizes revenues and expenditures over a specific period of time. It also shows the net balance between the two, the excess (or deficiency) of revenue over expenditures for the period, which flows into the ending accumulated surplus. This ending accumulated surplus must match the amount shown on the other financial statements in order to ensure everything is balanced.

Revenues and expenditures are grouped together into larger more general categories based on their nature.

Comparative information is provided both in prior year actual figures, and current year budget figures.

In Private Sector Accounting this is known as the Income Statement

## Financial Statement Presentation

### Statement of Financial Position

The Statement of Financial Position is taken at a point in time and records the assets, liabilities, and equity of an organization.

The statement must balance in that  $\text{Assets} = \text{Liabilities} + \text{Equity (net Assets/Accumulated Surplus)}$ .

In Private Sector Accounting this is known as the Balance Sheet.

## Financial Statement Presentation

### Statement of Changes in Net Financial Assets

The Statement of Changes in Net Financial Assets provides details about what has happened to the balance of net assets over a period of time (usually the fiscal year).

It explains the difference between the annual surplus or deficit and the change in net financial assets by tracking what the Municipality has spent on tangible capital assets and depreciation, and non financial assets (inventory, prepaid's).

## Financial Statement Presentation

### Statement of Cash Flow

The Statement of Cash Flow focuses on cash, how the organization generates cash and uses it. The purpose is to reconcile the annual surplus or deficit to the change in the overall cash balance by identifying changes to assets and liabilities.

There are three major categories to the cash flow statement:

**Operating Activities:** Primarily driven from the revenue generating activities of the organization examples include changes in customer receivables, trade payables, inventory, and other operating assets and liabilities.

**Capital Activities:** The activity involved with tangible capital assets including acquisition and disposal of assets, depreciation expense and any write downs.

**Financing Activities:** Involves changes in long term debt so principle payments, or new debt

**Investing Activities:** changes in investments, or loans and advances



## Consolidation Principles

### Transactions among funds

Each Fund is a stand alone entity however during the year there are transactions occurring between the funds. Examples include:

- Utilities pay administrative fees to the Municipalities General Operating Fund in order to fund things like a portion of supervisors salaries, accounting support functions, administrative support functions etc.
- Utilities pay property taxes to the Municipality
- A portion of interest earned on the Municipalities bank accounts is allocated to each of the funds based on their bank balances
- Budgeted or approved contributions or withdrawals to reserves

These transactions are tracked and monitored throughout the year by using due to/from accounts within each fund.

## Consolidation Principles

### Transactions among funds

These transactions are tracked and monitored throughout the year by using due to/from accounts within each fund.

Example - Payment of \$25,000 Administration Fees Water Utility to General Operations:

Water Utility - Expenditure	\$25,000	
Water Utility - Due to General Operating		\$25,000
General Operating Fund - Due from Water Utility	\$25,000	
General Operating Fund - Revenue		\$25,000

The net effect of this transaction being an expense in the water utility and a revenue in the general fund.

## Consolidation Principles

### Transactions among funds

Example - Budgeted Transfer of \$100,000 from General Operating to an Operating Reserve

General Operating Fund - Expenditure	\$100,000	
General Operating Fund- Due to Operating Reserves		\$100,000
Operating Reserves- Due from General Operating Fund	\$100,000	
Operating Reserves- Revenue		\$100,000

The net effect of this transaction being an expense in the General Operating Fund and a revenue in the Operating Reserve.



## Consolidation Principles

### Eliminations

Transactions among funds flow directly onto the individual financial statements of each fund, the non consolidated statements.

For the consolidation these transaction are all eliminated, this is done in order to present the total of the funds as one entity.

By combining the funds the revenue recognized in one fund is cancelled out by the expense recognized in the other fund when the funds are added together.

## Consolidation Principles

### Eliminations

For example the admin fees paid by the water utility resulted in a revenue in the general operating fund and an expense in the water utility at the non consolidated level. When those funds are consolidated, the net impact of that transaction would be zero.

General Operating Fund Revenue:	\$25,000
Water Utility Expense:	<u>(\$25,000)</u>
Net impact:	\$0



## Consolidation Principles Government Partnerships

The Municipality of Kings Consolidated Financial Statements consist of all of the Municipality's eight funds along with six government partnerships:

- Kings Transit Authority
- Valley Regional Solid Waste Resource Management Authority
- Valley Community Fibre Network Authority
- Valley Regional Enterprise Network
- Kings County Senior Citizens Home (2019 will be last year)
- Kings Regional Rehabilitation Centre

## Consolidation Principles Government Partnerships

PSAS provides criteria to use when determining if an entity should be consolidated into the group. These rules can be complicated and require professional judgement.

Depending on the level of control an entity is either fully consolidated or the proportionate consolidation method is used.

Under Proportionate Consolidation the non controlling interest is excluded from the consolidated amount. Example:

The Municipality of Kings contributes 60% of total core funding to Kings Transit Authority. Upon Consolidation the 40% non controlling interest is excluded.

Example:

Kings Transit Bank Balance -	\$100
Amount controlled by other parties	<u>(\$ 40)</u>
Amount to be consolidated with the Municipality:	\$ 60

## Consolidation Principles Government Partnerships

The net result of consolidating is that the other entities revenues, expenditures, assets, and liabilities (based on the Municipalities level of control) are combined with the municipalities own funds to present consolidated financial statements as though it was all one large organization.

The consolidation is done on a line by line basis so that for example the cash balance represents the cash of all the municipal funds and the proportionate share of cash of all the partner organizations combined into one total.

The same consolidation method is used when consolidating these organizations in that any transactions which have occurred between the municipality and the organization are eliminated on consolidation.

