



**MUNICIPALITY OF THE DISTRICT OF WEST HANTS
Audit Committee Agenda
July 31, 2019 6:00 p.m.
Sanford Council Chambers**

1. Call to Order
2. Announcements
3. Approval of Agenda, including additions or deletions
4. Approval of the Audit Committee Minutes of April 24, 2019
5. Reports
 - a. Information Report - Budget to Actual Report – Ending March 31, 2019
 - b. Information Report - 2017-18 Municipal Report Results
6. Update from Director of Finance
7. Date of Next Meeting – September 4th, 2019
8. Adjournment



**MUNICIPALITY OF THE DISTRICT OF WEST HANTS
INFORMATION REPORT**

To: **Members of the Audit Committee**

Submitted by: _____
Carlee Rochon, Director of Finance

Date: July 26, 2019

Subject: Quarterly budget report – Month ending March 31, 2019

Origin:

2018-19 Fiscal Budget

Legislative Authority:

MGA, Part II, Administration, 31 (c)

Background:

The 2018-19 Municipal budget was passed April 24, 2018. Council provides overall governance of Municipal funds while the Chief Administrative Officer (CAO) is responsible for the administration of the budget after adoption.

Discussion:

Please refer to the attached Actual Budget Variance reports for the period ending March 31, 2019.

This reporting includes general fund operations impacting on the Tax Rate and the TMP Falmouth, and Hantsport Sewer operations that are funded through their respective user

rates. The overall projected surplus based on the variance analysis for the general fund is \$199,039.

Selection of accounts for variance review is based on a variance threshold of 5% +/- between budget and March 31, 2019 actuals. With the possibility of fluctuations within these actuals until the conclusion of the audit.

Revenue

The municipal revenues net variance was within 0.01% from what was budgeted. Within the breakdown we received more revenue than budgeted on several categories, including Deed Transfer Tax, Grants-In-Lieu, Licenses, Permits, Fines, Return on Investment, etc.

We received less revenue than we anticipated on Sewer Rates, and Local Government services. Each of the sewer utilities brought in slightly less revenue than was anticipated. TMP and Falmouth are budgeted with projected growth, and their growth targets weren't met. There was also less variable consumption in Hantsport. Each of the sewer utilities are reporting a deficit apart from Hantsport Sewer.

- Three Mile Plain Sewer projected deficit at March 31, 2019 is \$26,251
- Falmouth Sewer projected deficit at March 31, 2019 is \$5,929
- Hantsport Sewer projected surplus at March 31, 2019 is \$45,600

Our local government services are below what was budgeted by 9.3%. This category is made up of multiple items, but these expenses have zero impact on the over all surplus. As they are budgeted contributions, or are revenues transferred or billed out based on expenses incurred.

Expenses

The municipal expenses net variance was within 1.18% from what was budgeted. The General Administration was 7.01% higher than budget, this is due to salary and contractual employee accruals, Occupational Health and Safety costs for purchasing the AED, and more grants being awarded through administration versus recreation.

The long-term debt combined was 10.8% lower than budgeted, this is due to expenses not occurring that were anticipated to be funded, as well interest expenses being lower than budgeted.

Financial Implications:

The overall projected surplus based on the variance analysis for the general fund is \$199,039, which upon conclusion and approval of the audited financial statements for fiscal 2018-19 will be moved to the Operating Reserve as per the Reserves policy. The above sewer deficits/surpluses are included in the projected general fund surplus.

Attachments:

- Actual vs Budget Q4 2018-19
 - Actual vs Budget Q4 2018-19 Sewer
-

Report Prepared by: _____
Carlee Rochon, Director of Finance

Report Reviewed by: _____
Martin Laycock, Chief Administrative Officer

*Municipality of West Hants
Income Statement - Actual vs. Budget
For the Year Ending March 31, 2019*

	<u>YTD</u> <i>Actual</i>	<i>Budget</i>	<u>Remaining</u> <i>Funds</i>	Percentage
TOTAL REVENUES				
ASSESSABLE PROPERTIES				
RESIDENTIAL	10,090,737.00	10,126,620.00	35,883.00	0.35%
COMMERCIAL	1,200,696.00	1,205,063.00	4,367.00	0.36%
SPECIAL TAX AGREEMENT	137,332.00	141,972.00	4,640.00	3.27%
RESOURCE	590,340.13	599,941.00	9,600.87	1.60%
HANTSPORT AREA RATES	692,632.00	699,816.00	7,184.00	1.03%
TOTAL	12,711,737.13	12,773,412.00	61,674.87	0.48%
SPECIAL ASSESSMENT				
TMP SEWER	281,280.00	296,530.00	15,250.00	5.14%
FAL SEWER OPERATIONS	426,750.00	437,850.00	11,100.00	2.54%
FAL SEWER CAPITAL	118,275.00	124,720.00	6,445.00	5.17%
HANTSPORT SEWER RATES	134,230.00	153,000.00	18,770.00	12.27%
TOTAL	960,535.00	1,012,100.00	51,565.00	5.09%
BUSINESS PROPERTY				
MT&T	69,920.00	61,141.00	(8,779.00)	(14.36%)
NS POWER	192,906.00	192,906.00	-	0.00%
TOTAL	262,826.00	254,047.00	(8,779.00)	(3.46%)
OTHER				
DEED TRANSFER TAX	738,423.00	639,375.00	(99,048.00)	(15.49%)
5% SUBDIVISION	10,843.00	20,000.00	9,157.00	45.79%
TOTAL	749,266.00	659,375.00	(89,891.00)	(13.63%)
GRANTS-IN-LIEU				
FEDERAL	69,094.00	61,199.00	(7,895.00)	(12.90%)
PROVINCIAL	58,226.00	58,092.00	(134.00)	(0.23%)
TOTAL	127,320.00	119,291.00	(8,029.00)	(6.73%)
LOCAL GOVERNMENT				
STREET LIGHTS	1,698.00	-	(1,698.00)	
REMO	21,389.00	24,297.00	2,908.00	11.97%
RECYCLING/ENFORCEMENT	19,848.00	70,100.00	50,252.00	71.69%
HOST COMMUNITY FEES	358,056.00	371,700.00	13,644.00	3.67%
COURTHOUSE	73,550.00	73,550.00	-	0.00%
RESERVE TFR - TIPPING FEES	65,078.00	76,560.00	11,482.00	15.00%
ADMINISTRATION FEES	219,551.00	219,649.00	98.00	0.04%
KINGS COUNTY FIRE GRANT	57,578.00	57,578.00	-	0.00%
GLOOSCAP FIRE GRANT	7,064.00	7,064.00	-	0.00%
CAPITAL FIRE GRANT - KINGS	21,540.00	21,540.00	-	0.00%
MISC GLOOSCAP	18,110.00	30,000.00	11,890.00	39.63%
TOTAL	863,462.00	952,038.00	88,576.00	9.30%
LICENSES & PERMITS				
LICENCES	6,750.00	4,000.00	(2,750.00)	(68.75%)
WH BUILDING	39,172.00	36,000.00	(3,172.00)	(8.81%)
TOTAL	45,922.00	40,000.00	(5,922.00)	(14.81%)
FINES	22,671.00	21,000.00	(1,671.00)	(7.96%)
RENTALS	3,600.00	3,600.00	-	0.00%
RETURN ON INTESTMENT	72,628.00	50,000.00	(22,628.00)	(45.26%)
INTEREST & PENALTIES				
INTEREST & PENALTIES	279,381.00	243,000.00	(36,381.00)	(14.97%)
INTEREST ON ACCOUNTS	1,090.00	-	(1,090.00)	
TOTAL	280,471.00	243,000.00	(37,471.00)	(15.42%)

*Municipality of West Hants
Income Statement - Actual vs. Budget
For the Year Ending March 31, 2019*

	<u>YTD</u> <i>Actual</i>	<i>Budget</i>	<u>Remaining</u> <i>Funds</i>	Percentage
OTHER				
TAX CERTIFICATES	12,030.00	10,000.00	(2,030.00)	(20.30%)
SUBDIVISION FEE	2,137.00	4,500.00	2,363.00	52.51%
ADM FEES ROAD MAINTENANCE	14,087.00	13,000.00	(1,087.00)	(8.36%)
WATER SALES	28,191.00	13,000.00	(15,191.00)	(116.85%)
MISC	17,905.00	23,000.00	5,095.00	22.15%
TOTAL	<u>74,350.00</u>	<u>63,500.00</u>	<u>(10,850.00)</u>	<u>(17.09%)</u>
RECREATION	85,906.00	88,937.00	3,031.00	3.41%
SERVICE NS & MUN RELATIONS				
EQUALIZATION GRANTS	132,305.00	132,305.00	-	0.00%
FARM PROPERTY ACREAGE	84,494.00	84,494.00	-	0.00%
HST OFFSET GRANT	71,846.00	50,000.00	(21,846.00)	(43.69%)
911 COST RECOVERY	5,119.00	5,101.00	(18.00)	(0.35%)
TOTAL	<u>293,764.00</u>	<u>271,900.00</u>	<u>(21,864.00)</u>	<u>(8.04%)</u>
FEDERAL GOVERNMENT GRANTS	10,577.00	10,000.00	(577.00)	(5.77%)
OWN VALUATION ALLOW & EQUITY				
TRANSFER FROM CAPITAL	412,695.00	415,505.00	2,810.00	0.68%
TOTAL	<u>412,695.00</u>	<u>415,505.00</u>	<u>2,810.00</u>	<u>0.68%</u>
OTHER FUNDS GENERAL	60,002.00	62,000.00	1,998.00	3.22%
TOTAL REVENUE	<u>17,037,732.13</u>	<u>17,039,705.00</u>	<u>845,954.00</u>	<u>0.01%</u>

*Municipality of West Hants
Income Statement - Actual vs. Budget
For the Year Ending March 31, 2019*

	<u>YTD</u> <u>Actual</u>	<u>Budget</u>	<u>Remaining</u> <u>Funds</u>	Percentage
LEGISLATIVE				
WARDEN	44,422.00	43,393.00	1,029.00	(2.37%)
COUNCIL	199,222.00	193,114.00	6,108.00	(3.16%)
OTHER LEGISLATIVE	17,476.00	14,600.00	2,876.00	(19.70%)
TOTAL	261,120.00	251,107.00	10,013.00	(3.99%)
GENERAL ADMINISTRATION				
ADMINISTRATIVE MANAGEMENT	514,018.00	484,230.00	29,788.00	(6.15%)
FINANCIAL MANAGEMENT	423,584.00	461,495.00	(37,911.00)	8.21%
LEGAL/AUDITOR	93,188.00	67,500.00	25,688.00	(38.06%)
TAXATION	45,855.00	54,100.00	(8,245.00)	15.24%
COMMON SERVICES	2,275.00	800.00	1,475.00	(184.38%)
OTHER GENERAL ADMIN			-	
OFFICE ADMIN	91,333.00	83,286.00	8,047.00	(9.66%)
OFFICE MAINTENANCE	65,565.00	66,391.00	(826.00)	1.24%
DATA	215,909.00	179,089.00	36,820.00	(20.56%)
FUEL & POWER	35,652.00	26,000.00	9,652.00	(37.12%)
INSURANCE	94,320.00	97,000.00	(2,680.00)	2.76%
GRANTS TO ORGANIZATIONS	44,460.00	31,500.00	12,960.00	(41.14%)
OTHER	117,817.00	78,325.00	39,492.00	(50.42%)
TOTAL	1,743,976.00	1,629,716.00	114,260.00	(7.01%)
PROTECTIVE SERVICES				
POLICE	2,359,447.00	2,397,743.00	(38,296.00)	1.60%
LAW ENFORCEMENT	85,342.00	85,054.00	288.00	(0.34%)
FIRE FIGHTING	1,619,139.00	1,633,974.00	(14,835.00)	0.91%
HANTSPORT FIRE DEPARTMENT	194,337.00	212,700.00	(18,363.00)	8.63%
EMERGENCY	66,851.00	73,828.00	(6,977.00)	9.45%
BUILDING INSPECTION	194,213.00	262,520.00	(68,307.00)	26.02%
FOOD BANK	7,707.00	7,000.00	707.00	(10.10%)
TOTAL	4,527,036.00	4,672,819.00	(145,783.00)	3.12%
TRANSPORTATION				
ROADS & STREETS	475,750.00	446,085.00	29,665.00	(6.65%)
ROADS & STREETS - HANTSPORT	175,733.00	182,600.00	(6,867.00)	3.76%
TOTAL	651,483.00	628,685.00	22,798.00	(3.63%)
ENVIRONMENTAL HEALTH SERVICES				
<i>SEWERS</i>				
ADMINISTRATION	557,014.00	582,426.00	(25,412.00)	4.36%
SEWAGE COLLECTION	13,503.00	23,500.00	(9,997.00)	42.54%
LIFT STATIONS	80,041.00	58,100.00	21,941.00	(37.76%)
TREATMENT & DISPOSAL	199,558.00	224,200.00	(24,642.00)	10.99%
LONG TERM DEBT	112,676.00	121,308.00	(8,632.00)	7.12%
SUB-TOTAL	962,792.00	1,009,534.00	(46,742.00)	4.63%
<i>GARBAGE & RECYCLING</i>				
GARBAGE & WASTE	1,434,331.00	1,415,458.00	18,873.00	(1.33%)
GARBAGE & WASTE - HANTSPORT	78,767.00	42,500.00	36,267.00	(85.33%)
CLOSED LANDFILL	66,645.00	76,560.00	(9,915.00)	12.95%
RECYCLING/ENFORCEMENT	15,227.00	70,100.00	(54,873.00)	78.28%
SUB-TOTAL	1,594,970.00	1,604,618.00	(9,648.00)	0.60%
TOTAL ENVIRO HEALTH SERVICES	2,557,762.00	2,614,152.00	(56,390.00)	2.16%
ENVIRONMENTAL DEVELOPMENT SERVICES				
PLANNING	510,517.00	524,828.00	(14,311.00)	2.73%
MCAPP/CFN/REN/TOURISM	166,143.00	132,617.00	33,526.00	(25.28%)
INDUSTRIAL PARK	2,328.00	6,800.00	(4,472.00)	65.76%
TOTAL	678,988.00	664,245.00	14,743.00	(2.22%)
RECREATION & CULTURAL SERVICES				

*Municipality of West Hants
Income Statement - Actual vs. Budget
For the Year Ending March 31, 2019*

	<u>YTD</u>		<u>Remaining</u>	
	<u>Actual</u>	<u>Budget</u>	<u>Funds</u>	Percentage
ADMINISTRATION & ACTIVE LIVING	182,957.00	188,255.00	(5,298.00)	2.81%
RECREATION SITES	168,246.00	133,661.00	34,585.00	(25.88%)
MAINTENANCE	159,768.00	160,204.00	(436.00)	0.27%
DAY CAMP & AFTER SCHOOL PROGRAMS	108,059.00	111,893.00	(3,834.00)	3.43%
5% GRANTS	94,664.00	123,500.00	(28,836.00)	23.35%
HMCC	56,801.00	54,560.00	2,241.00	(4.11%)
CEMETERY	30,174.00	35,794.00	(5,620.00)	15.70%
TOTAL	800,669.00	807,867.00	(7,198.00)	0.89%
FISCAL SERVICES				
VALUATION ALLOWANCE & BAD DEBTS				
HOUSING AUTHORITY	53,799.00	63,000.00	(9,201.00)	14.60%
RESERVE 5% SUBDIVISION BY LAW	-	20,000.00	(20,000.00)	100.00%
INDUSTRIAL COMMISSION	126,993.00	132,855.00	(5,862.00)	4.41%
ASSESSMENT	279,847.00	279,847.00	-	0.00%
CORRECTIONAL	202,996.00	202,996.00	-	0.00%
HERITAGE SITE-CEMETERY	-	-	-	
REGIONAL LIBRARY	95,764.00	95,764.00	-	0.00%
WINDSOR LIBRARY	9,474.00	12,000.00	(2,526.00)	21.05%
HANTSPORT LIBRARY	9,284.00	9,500.00	(216.00)	2.27%
EDUCATION	3,422,694.00	3,432,598.00	(9,904.00)	0.29%
TOTAL	4,200,851.00	4,248,560.00	(47,709.00)	1.12%
COURTHOUSE	72,251.00	73,550.00	(1,299.00)	1.77%
LONG TERM DEBT	680,661.00	751,642.00	(70,981.00)	9.44%
LONG TERM DEBT - HANTSPORT	134,023.00	161,342.00	(27,319.00)	16.93%
TRANSFER TO RESERVES	529,873.00	536,020.00	(6,147.00)	1.15%
TOTAL EXPENDTURES	16,838,693.00	17,039,705.00	(201,012.00)	1.18%
SURPLUS/(DEFICIT)	199,039.13	-	1,046,966.00	

MUNICIPALITY OF THE DISTRICT OF WEST HANTS
WEST HANTS SEWERS
For the Twelve Months Ending Sunday, March 31, 2019

	<u>YTD</u>		<u>Remaining</u>	
	<u>Actual</u>	<u>Budget</u>	<u>Funds</u>	Percentage
TMP SEWER				
REVENUE				
SEWER REVENUE	\$ 281,280	\$ 296,530	\$ 15,250	5.14%
<i>TOTAL TMP SEWER REVENUE</i>	<i>\$ 281,280</i>	<i>\$ 296,530</i>	<i>\$ 15,250</i>	<i>5.14%</i>
EXPENSES				
ADMINISTRATION	\$ 197,777	\$ 201,260	\$ (42,925)	(21.33%)
SEWAGE COLLECTION	\$ 5,489	\$ 2,500	\$ (2,989)	(119.55%)
LIFT STATIONS	\$ 49,988	\$ 30,600	\$ (19,388)	(63.36%)
TREATMENT & DISPOSAL	\$ 54,277	\$ 61,200	\$ 6,923	11.31%
<i>TOTAL TMP SEWER EXPENSES</i>	<i>\$ 307,531</i>	<i>\$ 295,560</i>	<i>\$ (58,379)</i>	<i>(19.75%)</i>
TMP SEWER SURPLUS/(DEFICIT)	\$ (26,251)	\$ 970	\$ 73,629	7590.64%
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FALMOUTH SEWER				
REVENUE				
SEWER REVENUE	\$ 426,750	\$ 437,850	\$ 11,100	2.54%
SEWER CAPITAL PHASE 1	\$ 69,028	\$ 73,270	\$ 4,242	5.79%
SEWER CAPITAL PHASE 2	\$ 49,247	\$ 51,450	\$ 2,203	4.28%
<i>TOTAL FALMOUTH SEWER REVENUE</i>	<i>\$ 545,025</i>	<i>\$ 562,570</i>	<i>\$ 17,545</i>	<i>3.12%</i>
EXPENSES				
ADMINISTRATION	\$ 301,002	\$ 315,771	\$ (209,238)	(66.26%)
SEWAGE COLLECTION	\$ 6,288	\$ 17,500	\$ 11,212	64.07%
LIFT STATIONS	\$ 26,931	\$ 24,000	\$ (2,931)	(12.21%)
TREATMENT & DISPOSAL	\$ 104,058	\$ 83,000	\$ (21,058)	(25.37%)
LONG TERM DEBT	\$ 112,676	\$ 121,308	\$ 8,632	7.12%
<i>TOTAL FALMOUTH SEWER EXPENSES</i>	<i>\$ 550,954</i>	<i>\$ 561,579</i>	<i>\$ (213,382)</i>	<i>(38.00%)</i>
FALMOUTH SEWER SURPLUS/(DEFICIT)	\$ (5,929)	\$ 991	\$ 230,927	23302.42%
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HANTSPORT SEWER				
REVENUE				
SEWER REVENUE	\$ 134,230	\$ 153,000	\$ 18,770	12.27%
<i>TOTAL HANTSPORT SEWER REVENUE</i>	<i>\$ 134,230</i>	<i>\$ 153,000</i>	<i>\$ 18,770</i>	<i>12.27%</i>
EXPENSES				
ADMINISTRATION	\$ 42,558	\$ 52,395	\$ (38,180)	(72.87%)
SEWAGE COLLECTION	\$ 1,727	\$ 3,500	\$ 1,773	50.66%
LIFT STATIONS	\$ 3,121	\$ 3,500	\$ 379	10.82%
TREATMENT & DISPOSAL	\$ 41,224	\$ 80,000	\$ 38,776	48.47%
<i>TOTAL HANTSPORT SEWER EXPENSES</i>	<i>\$ 88,629</i>	<i>\$ 139,395</i>	<i>\$ 2,749</i>	<i>1.97%</i>
HANTSPORT SEWER SURPLUS/(DEFICIT)	\$ 45,600	\$ 13,605	\$ 16,022	117.76%



**MUNICIPALITY OF THE DISTRICT OF WEST HANTS
INFORMATION REPORT**

To: **Members Audit Committee**

Submitted by: _____
Carlee Rochon, Director of Finance

Date: July 26, 2019

Subject: 2017-18 Financial Condition Index

Origin:

Release of the annual Financial Condition Index (FCI) summary

Legislative Authority:

Municipal Government Act 44 (f)

Background:

The FCI helps Municipal Councils and Nova Scotians make sense of municipal financial information by providing various forms of analysis in a single document. The Index is organized into three financial dimensions:

1. Roof – Assesses the overall health of the municipality
2. Structure – Factors that impact the overall health of the municipality
3. Base – Factors that the municipality does not have control over but impacts the financial health of the municipality.

The index was developed jointly by the Province of Nova Scotia, the Nova Scotia Federation of Municipalities (formally the UNSM), and the Association of Municipal Administrators.

Thresholds have been established which compare individual municipal performances against the performance of other Nova Scotian municipalities.

Financial data used to create the FCI results for West Hants come from the 2017-18 Financial Information Return, which is based on the audited statements.

Discussion:

The 2017-18 FCI summary for West Hants has three "Yellow" indicators. Since the 2016-17 FCI summary, we have improved on the Combined Reserve indicator by 12.7% (30.3% - 17.6%) moving this item from "Red" indicator to a "Yellow" indicator. The Combined Reserves indicator is at moderate risk. In a scenario for this to be moderate we would need to have no operating income and complete reliance on our Operating and Capital Reserves. It has been recognized by staff that the contributions to reserve funds as dictated by the Reserves Policy may not be enough to support capital expenditures going forward. As part of the regional consolidation this will be examined to ensure healthy reserve balances are maintained. But expenditures will influence this ratio, and there are a large number of major capital expenditures in the 2019-20 budget that will be drawing from the reserve balances. So, the committee should expect this factor to remain moderate to high going forward.

The next "Yellow" indicator relates to the 5-year budget accuracy. Based on the FCI the operating expenses were 6.4% below what was budgeted. This is a result of a few items that were unintentionally excluded on the Financial Indicator Report sent to the Province. In the 2017-18 income statement the operating expenses are off by 1.3%, correcting this would result in a green indicator.

The last "Yellow" indicator relates to tax collection. This is the second year this indicator has been at a moderate risk. Every effort is made to ensure effective tax collection is carried out, including annual tax bills, reminder letters, and the tax sale process. This item was also discussed with the auditor as part of our management letter for the annual audit for 2017-18. Late in 2018-19 the Municipality hired a Customer and Revenue Services Clerk; this individual is assisting with the monitoring and collection of outstanding accounts. Though the full benefit may not be seen in the 2018-19 FCI, we hope to continually improve our collections of all outstanding receivables. In 2018-19 we also started setting minimum bids for tax sale tenders for large uncollectable tax accounts that have not sold at our annual municipal tax sale. This resulted in a cleanup of significant outstanding balances with any uncollectable portion of taxes being written off.

The overall FCI assessment for the Municipality is green and low risk.

Financial Implications:

There are no financial implications.

Attachments:

- FCI Municipal Report – Municipality of the District of West Hants
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Report Prepared by: _____
Carlee Rochon, Director of Finance

Report Reviewed by: _____
Martin Laycock, Chief Administrative Officer



Municipal Report



Municipality of the District of West Hants

Department of Municipal Affairs

Municipal Profile and
Financial Condition Indicators Results

2018

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1 – INTRODUCTION

The Department of Municipal Affairs, on behalf of the Nova Scotia Government and Association of Municipal Administrators of Nova Scotia (AMANS), compiles municipal indicators that focus on financial matters, administration of the municipality and characteristics of the community.

Prior to 2017, this information was structured into two separate reports – the Financial Condition Indicator and the Municipal Profile reports. This report brings together both sets of statistics (financial and demographic) to give an overall snapshot for each municipality.

You can use this report to:

- help community members better understand the municipality in which they live
- better understand the key characteristics about the municipality
- better understand financial risks, and
- help inform the decision-making process

For example

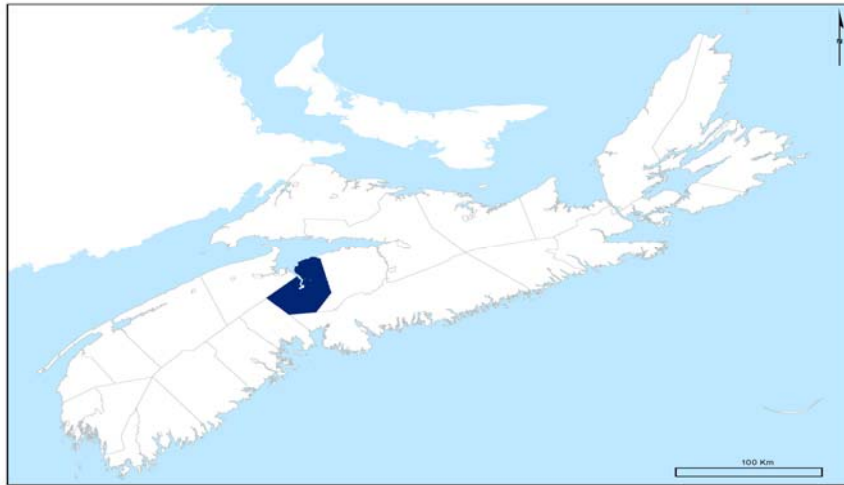
Council and Community members can:

- compare the Three-Year Change in Tax Base indicator to understand the municipality's revenue growth in comparison to cost of living, and
- use the change in population to understand whether their community's population is growing or declining and potential impact on municipal revenues and expenses.

2 – MUNICIPAL HIGHLIGHTS

2.1 General Information About the Municipality

The District of West Hants (“the Municipality”) is a rural municipality located in Hants County. It is approximately 1,240 km² with 7,582 dwellings.



2.2 Population Highlights

From 2011 to 2016, the population of Hants County increased by 0.6%. Similarly, the population of the District of West Hants increased by 0.3%. The Municipality’s population is aging: currently, 51% of residents are between 20 and 59 years of age.

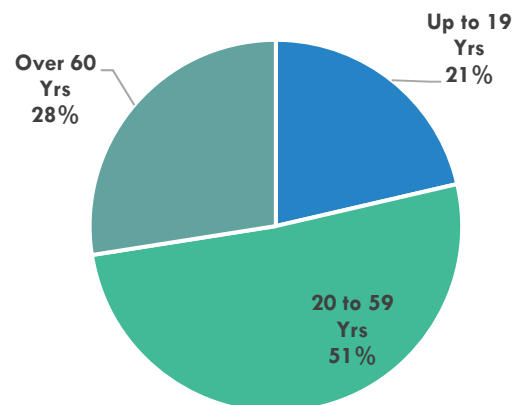


15,370

Population

+0.3%

5 Year Change in
Population

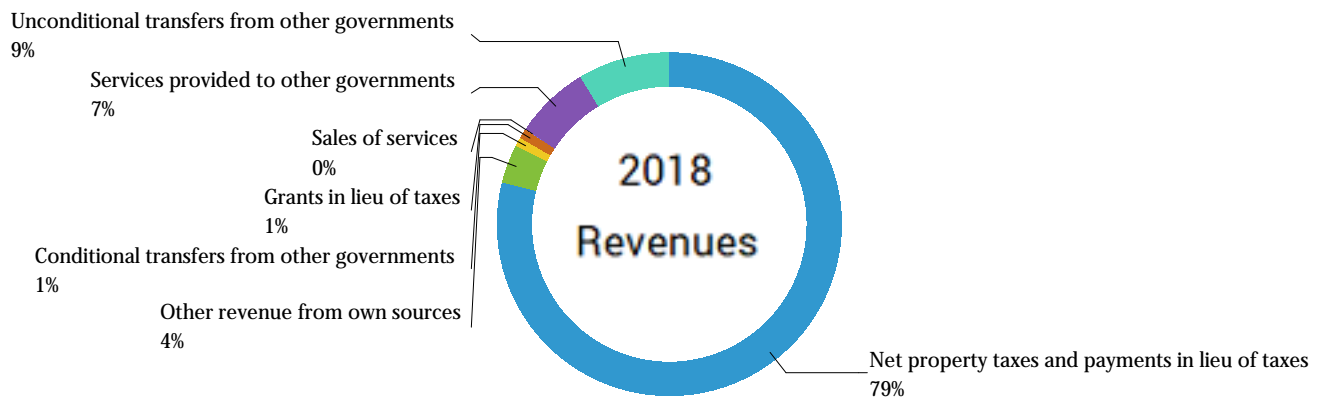


2.3 Financial Highlights

\$13.1 M

2018 General Operating Budget

General Operating Revenue Sources per 2018 Financial Information Return ¹

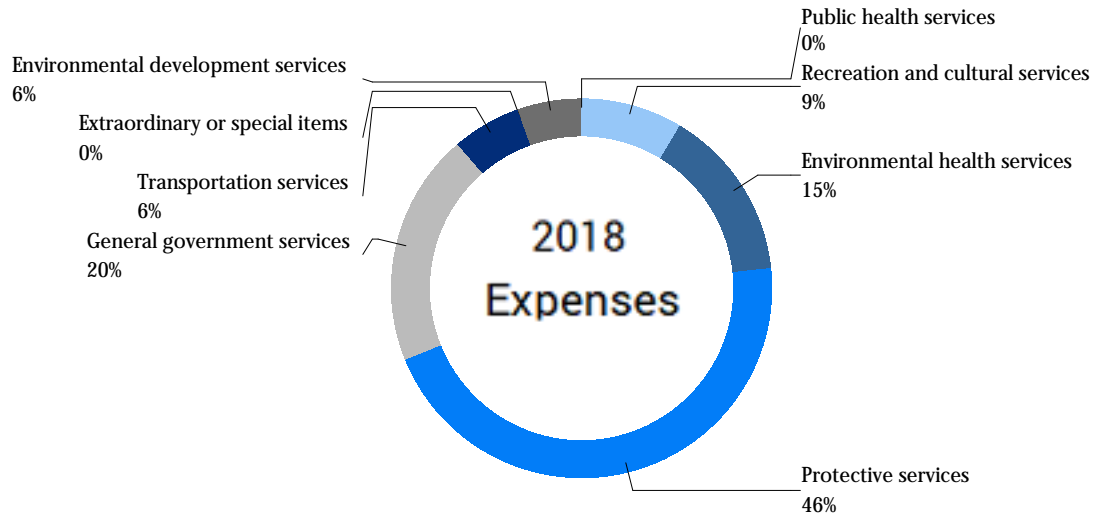


The total generating operating revenue for 2017-18 was \$13.1 million. The District of West Hants is self-financing, deriving most of their revenue from own source revenue instruments. As shown in the pie chart above, revenue sources for West Hants are comprised of:

- ◆ 10.3 million (79%) Net property taxes and payments in lieu of taxes
- ◆ 1.1 million (9%) Unconditional transfers from other governments
- ◆ 0.9 million (7%) Services provided to other governments
- ◆ 0.5 million (4%) Other revenue from own sources
- ◆ 0.1 million (1%) Grants in lieu of taxes
- ◆ 0.1 million (1%) Conditional transfers from other governments
- ◆ 0.0 million (0%) Sales of services

¹ Municipalities submit the Financial Information Return (FIR) to the Department of Municipal Affairs annually and this report contains financial information for the year ended March 31, 2018.

General Operating Expense Categories per 2018 Financial Information Return



The total generating operating expenses for 2017-18 was \$10.5 million. As shown in the pie chart above, expenses for West Hants are comprised of:

- ◆ 4.8 million (46%) Protective services
- ◆ 2.1 million (20%) General government services
- ◆ 1.5 million (15%) Environmental health services
- ◆ 0.9 million (9%) Recreation and cultural services
- ◆ 0.6 million (6%) Transportation services
- ◆ 0.6 million (6%) Environmental development services
- ◆ 0.0 million (0%) Extraordinary or special items
- ◆ 0.0 million (0%) Public health services

2.4 Financial Condition Indicators

The Financial Condition Indicators (FCIs) were developed to help present a sense of municipal financial information by condensing multiple sources of information into a single 'House Format' graph. This visual focuses on key performance indicators, leading financial indicators and potential internal and external factors that could have an impact on a municipality's financial results. The House Model on the next page presents 13 indicators organized into three dimensions: base, structure and roof.

Each of a municipality's indicators is assessed against risk thresholds: low risk (green), moderate risk (yellow) and high risk (red). This provides a quick visual of a municipality's strengths and possible areas where a municipality may want to focus its attention.

The District of West Hants has 10 indicators assessed as low risk (well within the recommended threshold), and three indicators assessed as moderate risk.

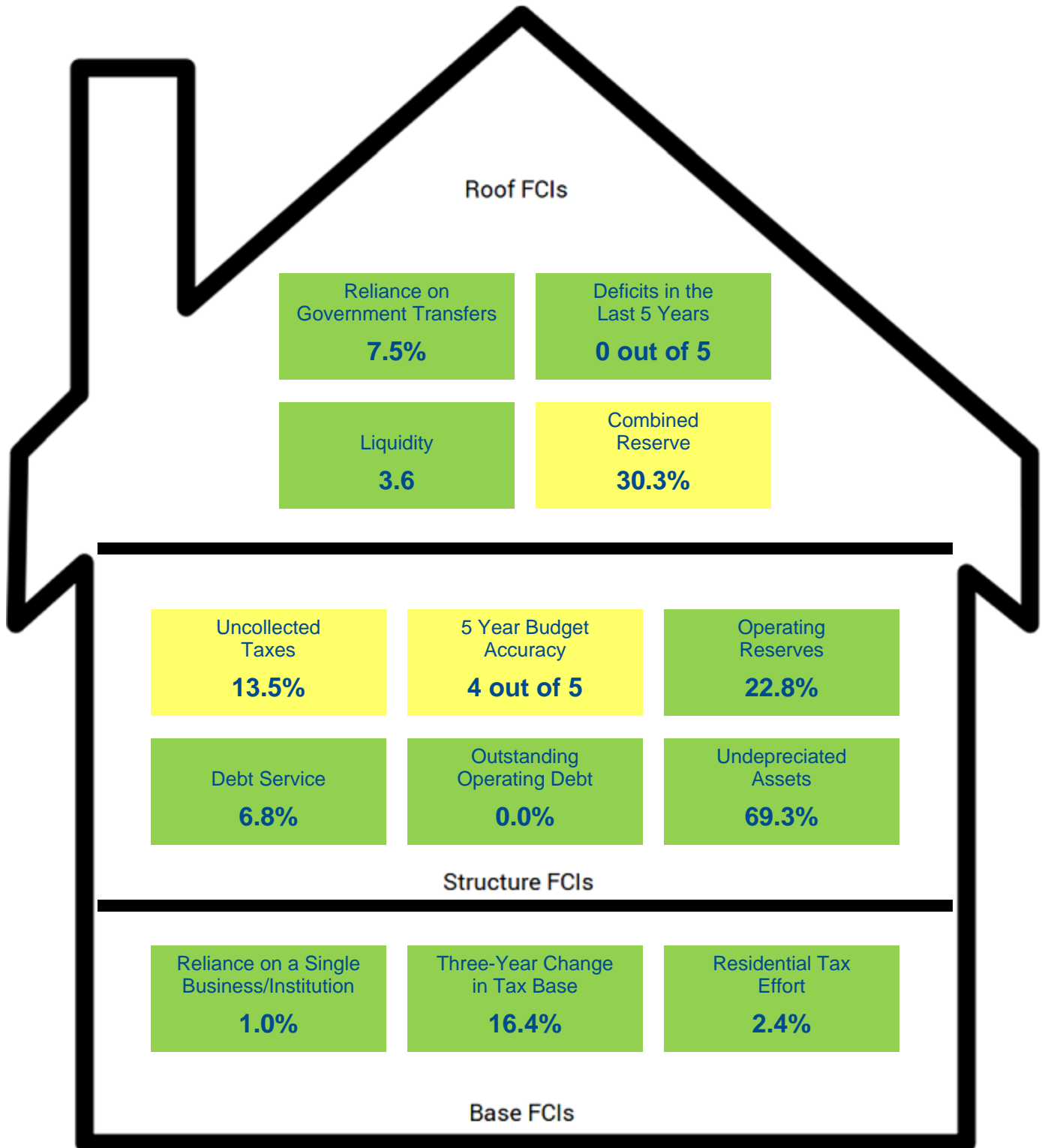
Reviewing the combined FCIs, the Department calculates an overall assessment for fiscal instability:

- High-risk (7 or less FCIs meets threshold)
- Moderate-risk (8-9 FCIs meets threshold)
- Low-risk (10-13 FCIs meets threshold)

The overall Financial Conditions Index assessment for the District of West Hants is green (low risk). This means that, although the Municipality has a few challenges, it is considered low risk for fiscal instability.

The following pages provide details on the individual FCI assessments and the Municipality's specific challenges. For more in-depth information on the FCIs, please refer to Section 5.

2.4.1 Financial Condition Indicators in House Format



2.4.2 Two-Year Comparison of Financial Condition Indicators

BASE	2018	2017	+/-	2018 Rural Avg.
3-year Change in Tax Base	● 16.4%	● 10.0%	6.4%	6.4%
Reliance on a Single Business or Institution	● 1.0%	● 0.9%	0.1%	3.6%
Residential Tax Effort	● 2.4%	● 2.3%	0.1%	2.1%
STRUCTURE				
Uncollected Taxes	● 13.5%	● 10.1%	3.4%	8.9%
5 Year Budget Accuracy	● 4/5	● 5/5	-1	3.7/5
Operating Reserves	● 22.8%	● 7.8%	15.0%	46.2%
Debt Service	● 6.8%	● 6.2%	0.6%	4.5%
Outstanding Operating Debt	● 0.0%	● 0.0%	0.0%	4.3%
Undepreciated Assets	● 69.3%	● 68.8%	0.5%	61.7%
ROOF				
Deficits in the Last 5 Years	● 0/5	● 0/5	0	0.4/5
Liquidity	● 3.6	● 2.3	1.3	3.3
Reliance on Government Transfers	● 7.5%	● 2.0%	5.6%	3.9%
Combined Reserve	● 30.3%	● 17.6%	12.7%	75.1%

3 – MUNICIPAL PROFILE INFORMATION

Municipalities are diverse and operate within unique demographic and economic characteristics. These characteristics have a significant impact on municipal performance and subsequent strategies required to ensure a sustainable environment. This chapter outlines the unique demographic and economic characteristics of the Municipality, specifically its composition, population trends, demographics, median household income levels, employment rates, and educational attainment.

3.1 Municipal Composition

Located in Hants County, the District of West Hants is a rural municipality² with 10 elected councillors, including the Warden.

In geographic area, the Municipality is approximately 1,240 km² with 7,582 dwellings.

3.2 Population Trends

The District of West Hants's population is 15,370, which makes up 1.7% of the provincial population. The graph below shows West Hants's 20-year trend compared to the rural average. Please note the Town of Hantsport became part of the District of West Hants as of April 1st, 2015. For comparison purposes, the population of the Town of Hantsport is included for all 20 years. The population has been increasing.

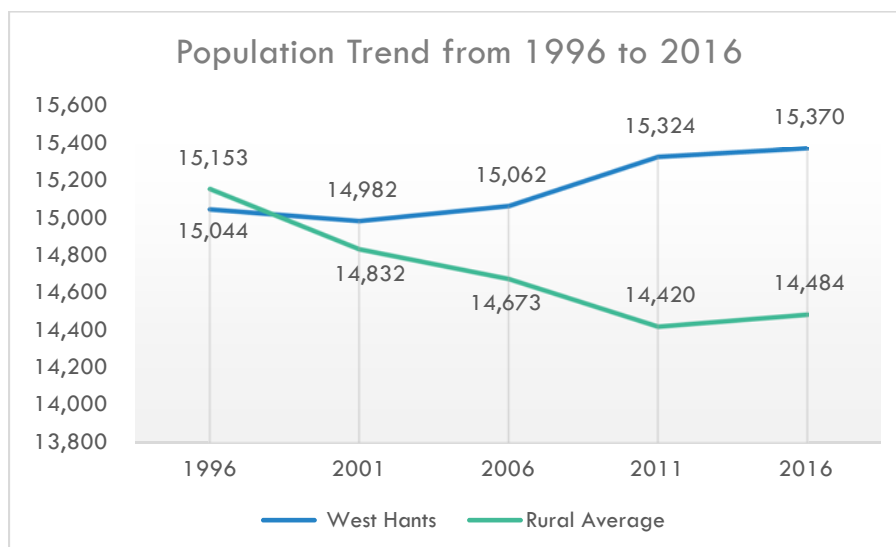


Figure 1 - Population from 1996-2016. Source: Statistics Canada.

² There are three categories of municipalities: regionals, towns and rurals. Rural municipalities are counties or districts.

Figure 2 shows West Hants’s population is aging.

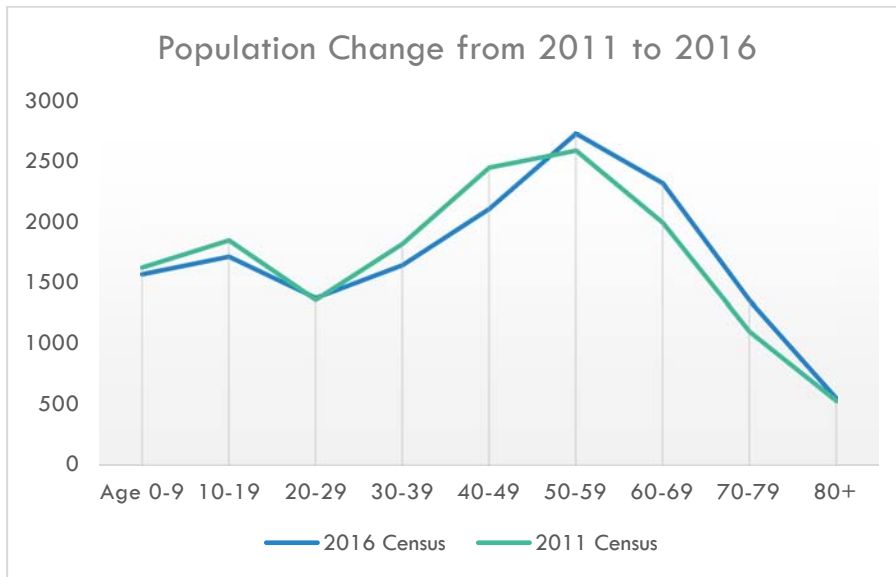


Figure 2 - Comparison of Population by Age for 2011 and 2016. Source: Statistics Canada.

According to the 2016 Census, West Hants has more children than the rest of the Province.

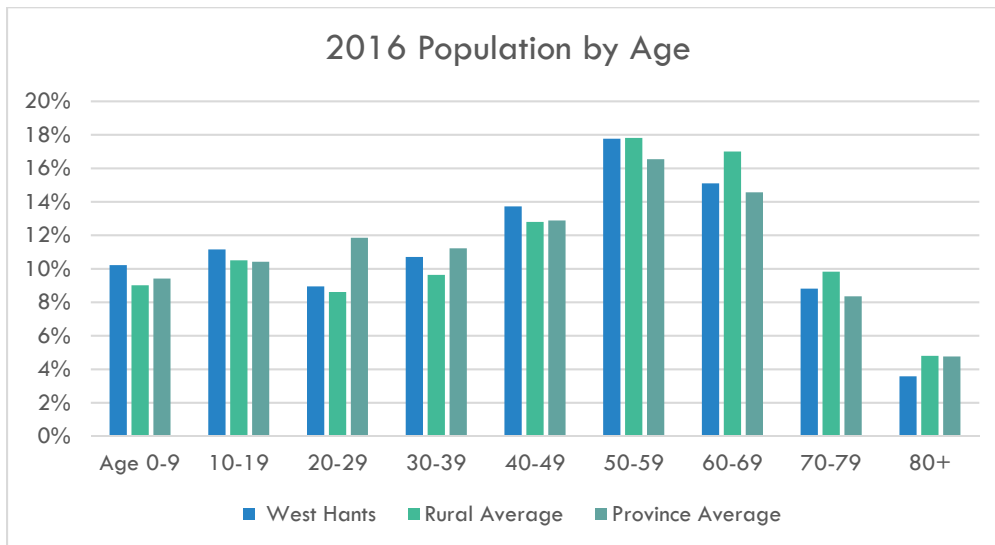


Figure 3 - 2016 Population by Age. Source: Statistics Canada.

These population trends could have impacts on the current and potential future tax base for the District of West Hants, as 79% of West Hants’s General Operating Revenue is derived from property taxes.

3.3 Economic Indicators

Along with population trends, it is important to understand employment rates and median household income. Education levels can also play a crucial role in economic and social progress and can help improve income distribution. These factors can provide an indication of the well-being of the economy and labour force.

	2016 Census	2011 Census	+/-	2016 Rural Avg.
Median Household Income	\$62,087	\$58,182	\$3,905	\$57,294
Employment Rate	53.9%	56.5%	-2.6%	50.1%
Education Beyond High School	52.5%	50.0%	2.5%	49.4%

Source: 2011 and 2016 Statistics Canada Census

In a healthy economy, the unemployment rate is between 3% and 5%. The District of West Hants's employment rate is above the rural average, although it has declined since 2011.

West Hants's education level is higher than the rural average and it has increased since 2011.

West Hants's median household income is higher than the rural average and has increased since 2011.

4 – FINANCIAL INFORMATION

4.1 Revenue

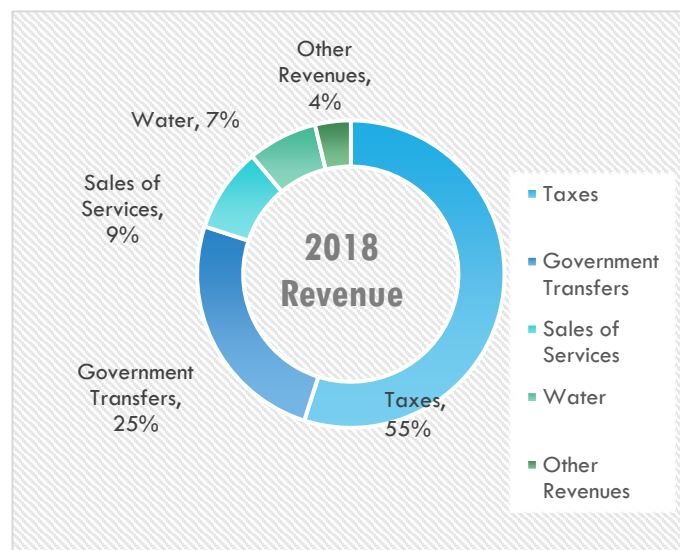
Audited financial statements are presented on a consolidated basis. Consolidated financial statements are comprised of all the individual funds managed by the municipality and any organization or enterprise the municipality owns or controls. Consolidated financial statements reflect all these entities as one single reporting entity.

The municipality's non-consolidated financial statements³ present only the individual funds managed by the municipality such as the General Operating Fund, General Capital Fund, Water Operating Fund, Water Capital Fund, Non-operating Reserve Fund, and the Operating Reserve Fund.

As per the Consolidated Financial Statements of the District of West Hants, the Municipality is accountable for the following entities, as well as general municipal operations:

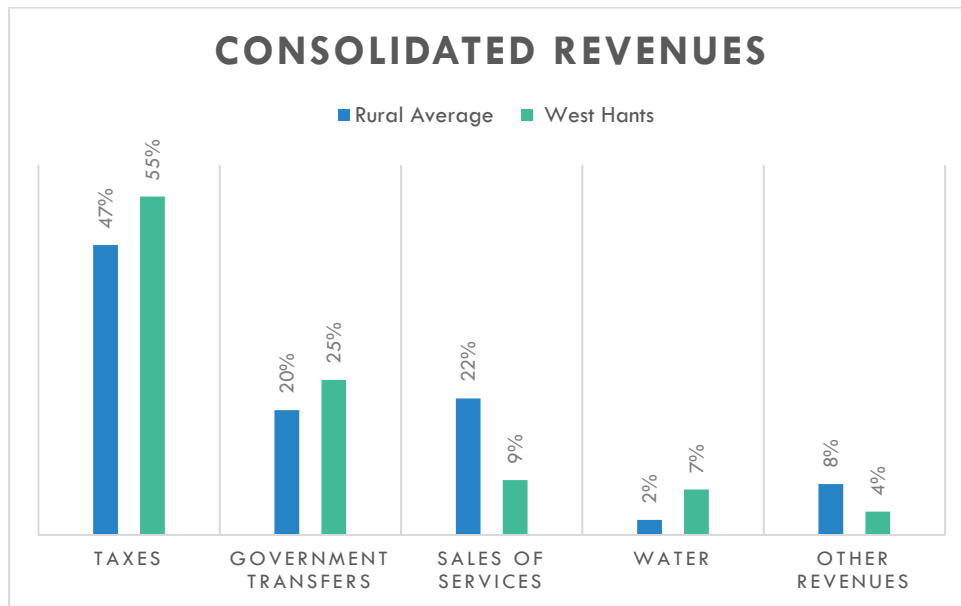
- Water Utility

West Hants's total consolidated revenue including those entities for 2017-18 was \$19 million.



³ Please be advised that, although the Department reconciles, at a high level, a municipality's non-consolidated financial statements to the consolidated financial statements, the non-consolidated financial statements are usually not audited nor presented in full accordance with Canadian public sector accounting standards.

As shown in graph below, the Municipality's revenue is divided into five categories on a consolidated basis and is compared to the rural average.

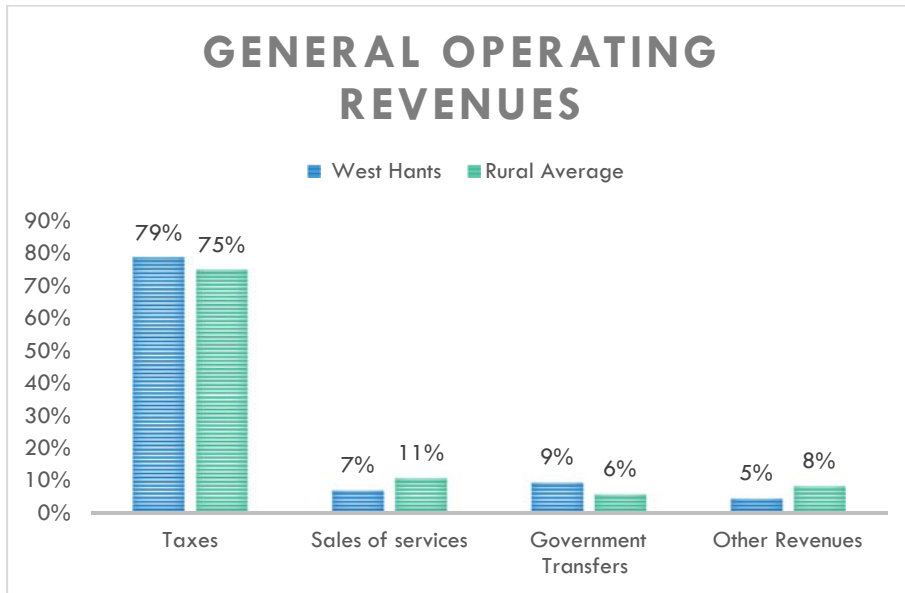


To fund its expenditure responsibilities, the District of West Hants relies on taxes for 55% of its revenue. In 2018, 75%⁴ of municipal revenues was generated from West Hants's own sources, while 25%⁵ was dependent on transfers from other levels of government.

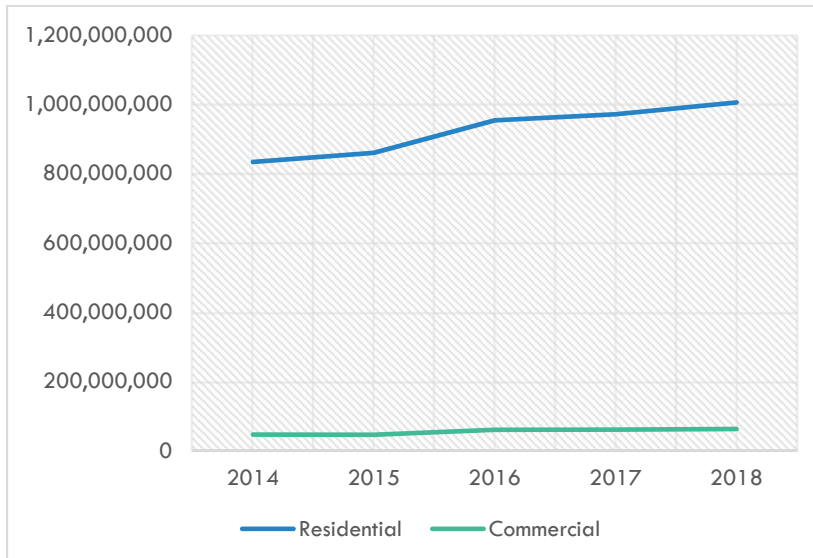
⁴ Including Taxes, Sales of Services, Water (if applicable), and Other Revenues. Sales of Services include all sales of services provided to individuals, businesses and other governments. Other Revenues include grants in lieu of taxes, other revenues from own sources and net income from government business enterprises.

⁵ Including unconditional and conditional transfers from federal, provincial and other local governments for municipal operations and capital infrastructure projects.

The graph below shows the Municipality’s revenue from municipal operations only or from the Municipal General Operating Fund.



A municipality's ability to raise revenue through property tax is dependent on its taxable assessment base. Since property taxes are a primary source of revenue for most municipalities, special emphasis has been placed on reviewing assessment trends. The line graph below shows residential and commercial trends for the last five years.



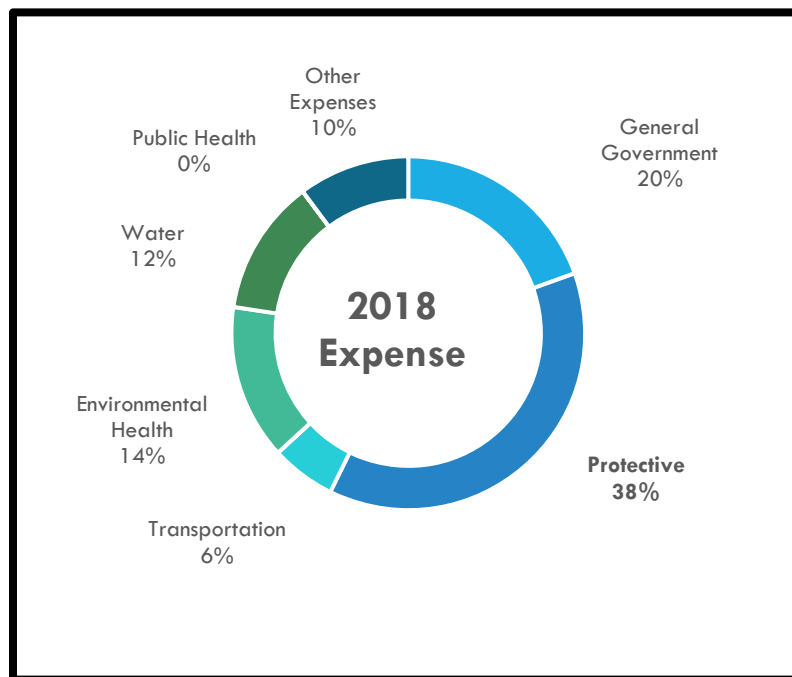
Based on 2018 Financial Condition Indicators related to municipal revenues, the Municipality's general operating revenue is stable. The District of West Hants's tax assessment growth is above the Consumer Price Index (CPI). This indicates that the Municipality's tax base was able to cover the increasing cost of municipal services and programs.



- Since the Municipality's tax base is not dependent on one single business or institution, it is not showing a vulnerability in this area.
- The Residential Tax Effort Indicator, which can assess the affordability of the Municipality's taxes in relation to the current service levels, indicates that the Municipality has some flexibility to increase the taxes if required.
- The Municipality is experiencing challenges managing tax revenue collection.

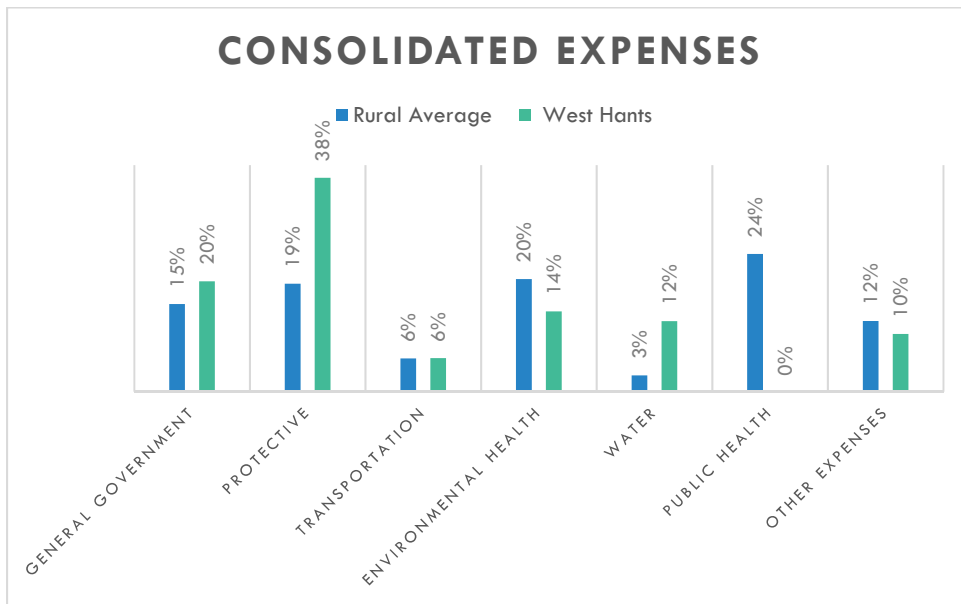
4.2 Expenses

Total consolidated expenses were \$13.3 million. Protective service expenses make up 38% of total expenses. Protective service expenses consist of Police Protection and Fire Protection services provided by the Municipality.

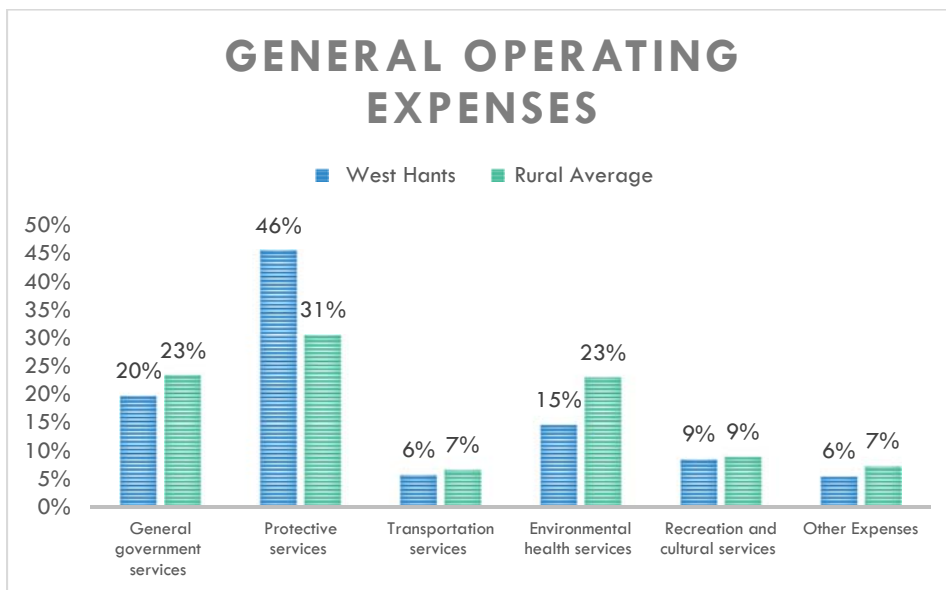


Please note Other Expenses include Environmental Development Services, Recreation and Cultural Services, Electric Expenses (if applicable) and Extraordinary or Special Items.

The graph below shows the District of West Hants's expense by function on a consolidated basis compared to the rural average.



The graph below shows the expenses by function for the municipal operations or General Operating Fund expenses compared to the rural average.



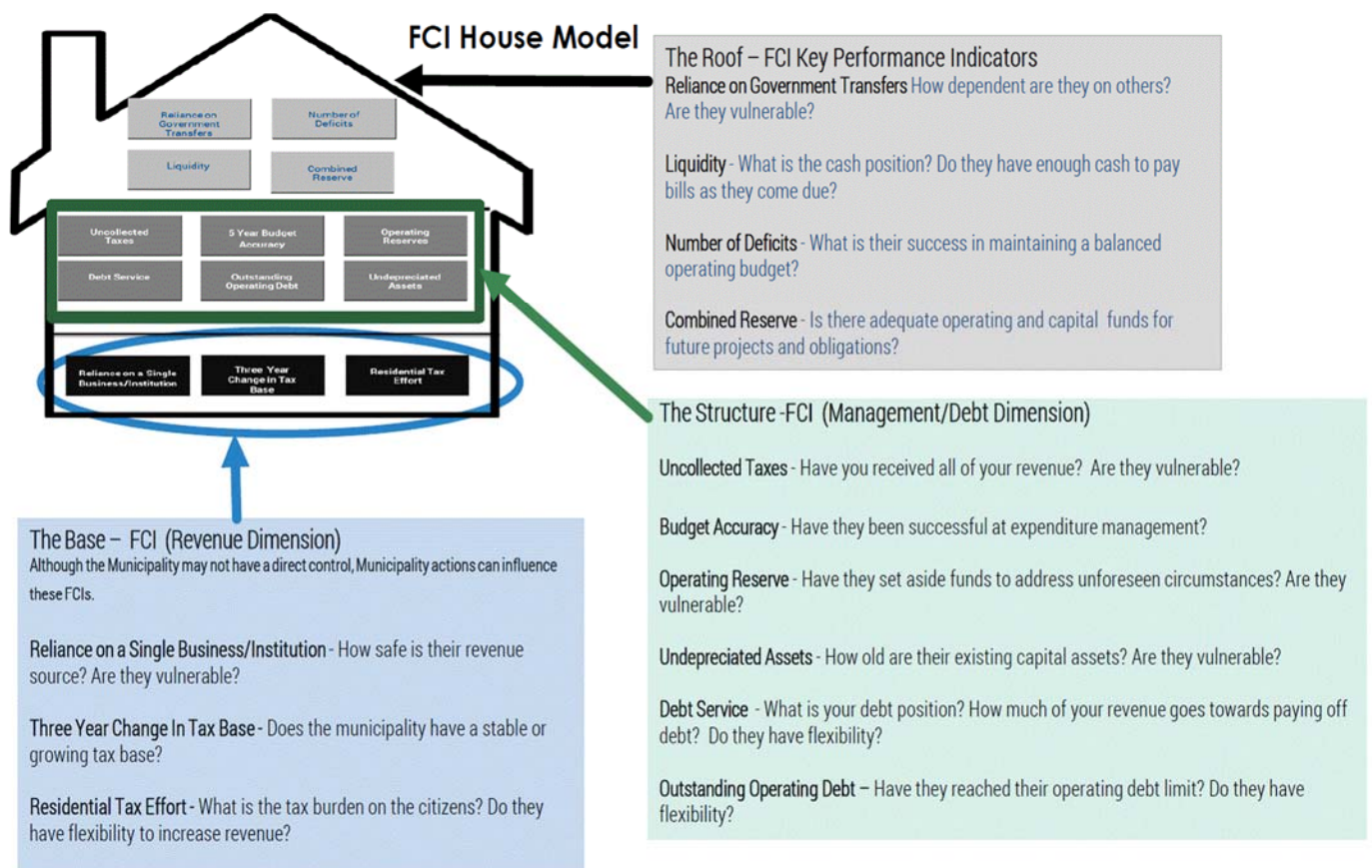
Based on the indicators related to municipal general operating expenses, the results show:



- For the last five years, the Municipality has been able to meet its needs in a balanced manner and has maintained a balanced budget.
- The Municipality has preserved prudent debt and reserve levels while maintaining capital assets with 69.3% of useful life remaining.

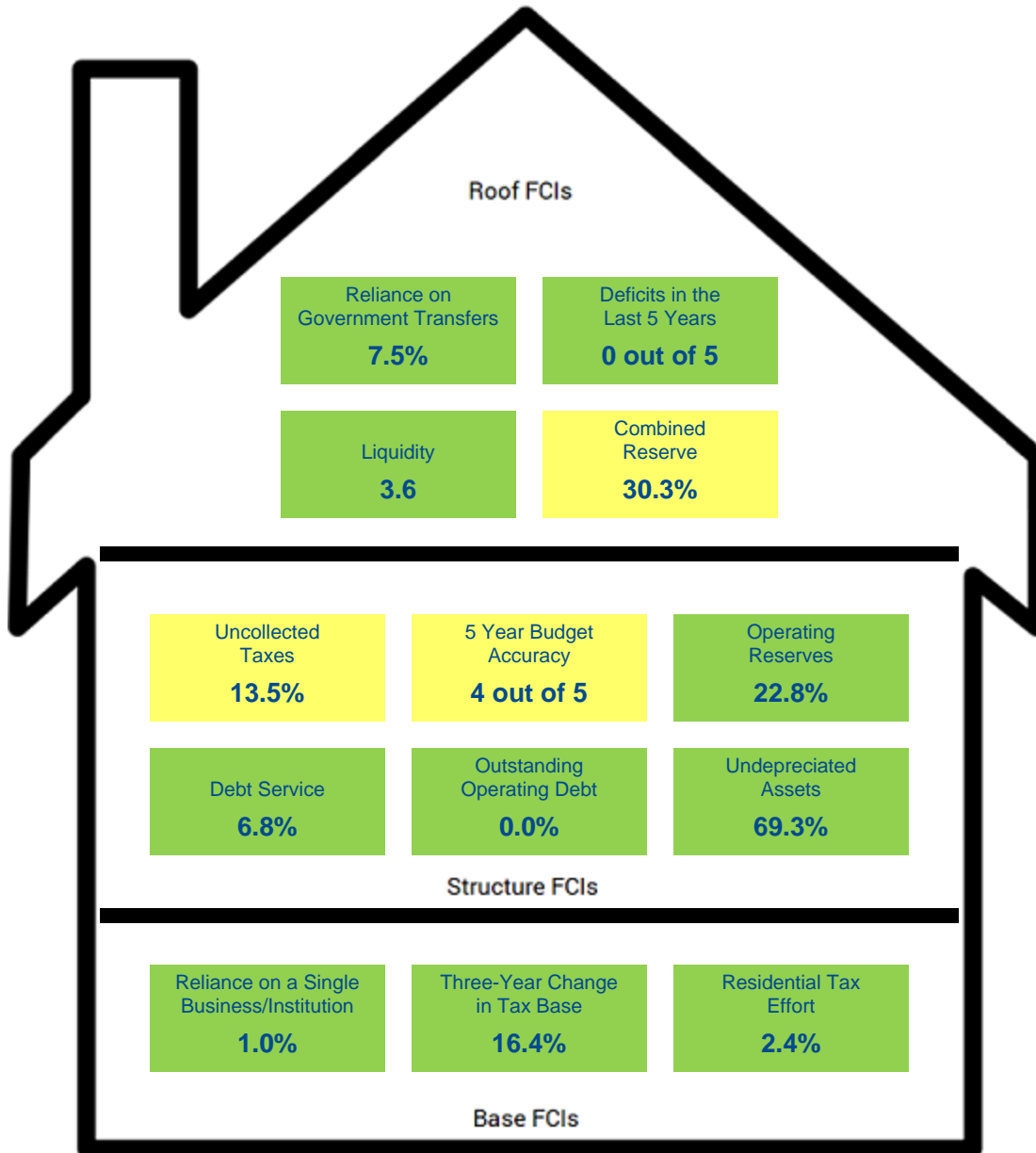
5 – FINANCIAL CONDITION INDICATORS

The Financial Condition Indicators (FCIs)⁶ were developed jointly by the Province of Nova Scotia, the Nova Scotia Federation of Municipalities (NSFM), and the Association of Municipal Administrators (AMA) to help present municipal financial information by condensing multiple sources of information into a single visual graph. This visual focuses on key performance indicators, leading financial indicators and potential internal and external factors that could have an impact on a municipality's financial results. The House Model below presents 13 Indicators organized into three dimensions: base, structure and roof.



⁶ FCIs are based on non-consolidated data.

Each of a municipality's indicators is assessed against risk thresholds: low risk (green), moderate risk (yellow) and high risk (red). This provides a quick visual of a municipality's strengths and possible areas where a municipality may want to focus its attention. The District of West Hants has 10 indicators assessed at low risk (well within the recommended threshold) and three indicators assessed at moderate risk.



Before you can understand a municipality's situation, it is important to understand what the indicator is measuring and the potential risks identified. For example: for a municipality with a three-year change in tax base lower than the threshold, this could indicate that assessments are growing slower than inflation. A negative percentage for this indicator indicates a decrease in assessment value, which could indicate serious economic concerns in the region.

Please note that FCI results serve as an analytical tool to help identify the need for additional inquiry and/or action. Reviewing the direction, the FCI is moving can serve as an early warning. Assessing the results in relation to strategic decisions can also help an individual understand risk tolerance and potential mitigating factors.

It is important to understand that reaching or exceeding a threshold does not necessarily mean a municipality is in danger. The red colour indicates that a high risk has been identified. When this occurs, it is critical that this indicator is reviewed, along with additional inquiry or analysis. The additional analysis needs to consider mitigating factors that are causing the trend or other factors that could help neutralize the risk.

The next section provides more in-depth information.

The Base FCI Indicators

Reliance on a Single Business/Institution

Calculation	Risk Thresholds	
<u>Taxable assessment value of the largest business or institution</u> Uniform Assessment	Low	Less than 10%
	Moderate	10% to 15%
	High	Greater than 15%

2018 Results: The largest single commercial or institutional account is only 1.0% of the Municipality's total Uniform Assessment. Assessed as a low risk.

What does it mean? The Municipality's tax base is not dependent on one single business or institution. The Municipality is not showing vulnerability in this area.

Three Year Change in Tax Base

Calculation	Risk Thresholds	
<u>Current Uniform Assessment-Uniform Assessment 3 Years Prior</u> Uniform Assessment 3 Years Prior	Low	Equal or above CPI % Change
	Moderate	Below CPI % Change, but not negative growth
	High	Negative growth

2018 Results: 16.4% growth which is well above the CPI % change (4.4%). Assessed as a low risk.

What does it mean? Growth is above the CPI % change. The Municipality's tax base is strong to cover the cost of municipal services and programs.

Residential Tax Effort

Calculation	Risk Thresholds	
<u>Total residential tax revenue per dwelling unit</u> Median Household Income	Low	Less than 4%
	Moderate	4% to 6%
	High	Greater than 6%

2018 Results: 2.4% of median household income is required to pay the average tax bill. Assessed at a low risk.

What does it mean? This Indicator enables the Council to assess the affordability of the Municipality's taxes in relation to the current service levels. This result shows the Municipality has some flexibility to increase the taxes if required.

The Structure FCI Indicators –Management Dimension

Uncollected Taxes

Calculation	Risk Thresholds	
$\frac{\text{Total Cumulative Uncollected Taxes}}{\text{Total Taxes Billed in Current Fiscal Year}}$	Low	Less than 10%
	Moderate	10% to 15%
	High	Greater than 15%

2018 Results: 13.5% Assessed as a moderate risk.

What does it mean? The Municipality is experiencing some challenges in their tax revenue collection. Failure to effectively collect taxes could significantly impact cash flow and hinder the Municipality's ability to provide services.

Undepreciated Assets

Calculation	Risk Thresholds	
$\frac{\text{Total Net Book Value of Capital Assets}}{\text{Gross Costs of Capital Assets}}$	Low	Greater than 50%
	Moderate	35% to 50%
	High	Less than 35%

2018 Results: 69.3% Assessed as a low risk.

What does it mean? Municipalities across Canada are facing sufficient infrastructure challenges. This indicator estimate 69.3% of useful life is remaining in the municipality's capital assets. The Municipality is experiencing less of an infrastructure challenge than other municipalities.

5 Year Budget Accuracy

Calculation	Risk Thresholds	
$\frac{\text{Total budget expenditures}-\text{Total actual expenditures}}{\text{Total budget expenditures}}$	Low	5 out of 5 years, expenditures within +/- 5% or expenditure and revenue variances within +/- 5% of each other
	Moderate	4 out of 5 years, expenditures within +/- 5%
	High	Less than 4 out of 5 years, expenditures within +/- 5%

2018 Results: For four of the last 5 years, the Municipality's actual expenditures were within +/- 5% of budget. Assessed at a moderate risk.

What does it mean? For four of the last five years, the Municipality consistently maintained their expenditure spending within the budget limits. In 2018, the Municipality's expenses were 6.4% less than the budget.

The Structure FCI Indicators – Debt and Reserves

Debt Service

Calculation	Risk Thresholds	
$\frac{\text{Principal and Interest Paid on Long-term Debt}}{\text{Total Own Source Operating Revenue}}$	Low	Less than 10%
	Moderate	10% to 15%
	High	Greater than 15%

2018 Results: 6.8% Assessed as a low risk.

What does it mean? 6.8% of the Municipality's revenue is spent on principal and interest payments. Provided the municipality has adequate cash flow, it appears the Municipality has flexibility to increase borrowing levels to help finance future capital expenditures.

Outstanding Operating Debt

Calculation	Risk Thresholds	
$\frac{\text{Total Outstanding Operating Debt}}{\text{Total Own Source Revenue}}$	Low	Less than 25%
	Moderate	25% to 50%
	High	Greater than 50%

2018 Results: 0.0% Assessed as low risk.

What does it mean? The Municipality is not carrying any operating debt.

Operating Reserve

Calculation	Risk Thresholds	
$\frac{\text{Total Operating Reserve Fund Balance}}{\text{Total Operating Expenditures}}$	Low	Greater than 20%
	Moderate	10% to 20%
	High	Less than 10%

2018 Results: 22.8% Assessed as a low risk.

What does it mean? This Indicator provides the value of funds set aside for planned future needs, to smooth expenses or for unexpected expenses. This result indicates the Municipality is setting aside sufficient funds to help mitigate any unforeseen risks or future need.

FCI- Key Performance Indicators- the ability to meet current and future needs in a balanced and independent manner

Reliance on Government Transfers

Calculation	Risk Thresholds	
$\frac{\text{Total Government Transfers}}{\text{Total Revenue}}$	Low	Less than 15%
	Moderate	15% to 20%
	High	Greater than 20%

2018 Results: 7.5% Assessed as a low risk.

What does it mean? This Indicator implies the Municipality is not significantly dependent on another level of government to meet their service obligations.

Number of Deficits in the Last 5 Years

Calculation	Risk Thresholds	
The number of non-consolidated operating deficits in the last five years.	Low	None in the last 5 years
	Moderate	One or more in the last 5 years
	High	One or more in the last 2 years with one material (0.5% of operating expenses)

2018 Results: No operating deficits in the last five years. Assessed as a low risk.

What does it mean? Deficits are important indication of financial health. This result indicates the Municipality can meet their needs in a balance manner and maintain a balance budget. Deficits are important indication of financial health and a municipality's ability to maintain a balance budget.

Liquidity

Calculation	Risk Thresholds	
$\frac{\text{Total Current Financial Assets}}{\text{Total Current Liabilities}}$	Low	Greater than 1.5
	Moderate	1 to 1.5
	High	Less than 1

2018 Results: 3.6 Assessed as a low risk.

What does it mean? Liquidity is key to financial performance. This result indicates the Municipality does not have a cash flow problem and is able to meet their service obligations.

Combined Reserves

Calculation	Risk Thresholds	
<u>Total Operating and Capital Reserves</u> Total Operating Expenses plus Amortization Expense	Low	Greater than 40%
	Moderate	30% to 40%
	High	Less than 30%

2018 Results: 30.3% Assessed as a moderate risk.

What does it mean? Reserves are critical components of a municipality's long-term sustainability. The Combined Reserves Indicator shows the value of the funds held in the reserves compared to a single year's operation including amortization expenses. This result indicates the Municipality does not appear to have sufficient reserves needed to address unexpected events or provide flexibility to address future projects.

APPENDIX I – ADDITIONAL RESOURCES

Nova Scotia Government's Open Data Portal

Nova Scotia Government's Open Data Portal officially launched on February 5, 2016. This portal provides access to various government data in a free, accessible, machine-readable format. The financial datasets currently published through the Nova Scotia Government's Open Data Portal are:

- Financial Condition Indicators by Municipality;
- Municipal Contributions to Roads
- Municipal Fiscal Statistics- Consolidated Revenues and Expenses by Municipality;
- Municipal Fiscal Statistics- Operating Fund Summary of Revenue and Expenses by Municipality;
- Municipal Fiscal Statistics- Operating Fund Expenses -10 Year Summary;
- Municipal Fiscal Statistics- Operating Fund Revenue -10 Year Summary;
- Municipal Property Tax Rates;
- Nova Scotia Power Grant In Lieu; and
- Uniform Assessment.

Open Data Portal Link: data.novascotia.ca

Municipal Website

A municipality's website can be a helpful resource to access various financial information. Currently, most municipal websites provide:

- audited Financial Statements
- approved Operating Budget
- quarterly municipal expense report
- quarterly municipal hospitality expense report

West Hants Website: Westhants.ca

About Us

For more information, support in action plan development or to obtain a guide on action plan development, please contact:

Katharine Cox-Brown
 Director, Municipal Finance and Operating Grants
 Municipal Finance & Operating Grants
 Department of Municipal Affairs

Katharine.Cox-Brown@novascotia.ca

902.424.4643



**MUNICIPALITY OF THE DISTRICT OF WEST HANTS
Audit Committee Minutes
April 24th, 2019, 6:00 p.m.
Sanford Council Chambers**

Present:	A. Zebian	Warden
	R. Hussey	Councillor District 6
	C. Lowe	Director of Finance
	H. Follett	Member at Large
	A. Forse	Kent & Duffett
	K. Ritchie	Administrative Assistant

Regrets: M. Laycock, G. Robinson, K. Monroe

1. Call to Order

Warden Zebian called the meeting to order at 6:00 p.m.

2. Announcements

3. Approval of Minutes

MOVED and SECONDED that the minutes of January 31st, Audit Committee minutes be received and placed on file.

Motion Carried.

4. Approval of Agenda, including additions or deletions

MOVED and SECONDED that the agenda be approved.

Motion Carried.

5. Presentation (s)

a. 2018-2019-Audit Overview – Kent & Duffett

Andy Forse spoke on behalf of Kent & Duffett regarding the overview. He stated that it has been the 3rd year doing the audit and that the internal controls of the Municipality are designed well. He indicated that the statements have presented fairly, that the financial staff are detailed, they also ask opinions ahead of time to ensure matters are handled accordingly. Basically, the audit examines invoices, budgets, internal controls, looking at high risk areas to assess where an expense can be manipulated it quite an analytical process. H. Follett asked if the Fire Assets have the proper coverage, and if we tender for insurance and banking C. Rochon indicated that the fire assets are properly covered, and that both the Banking for the Municipality and Insurance are Tendered every 5 years. C. Rochon inquired if the audited statements will be available by August if the audit stated in June. A. Forse indicated that they would be complete.

B. Financial Process (see attached presentation)

C. Rochon presented an overview of the Municipalities Financial Process. A. Zebian indicated that he was really pleased with the staff and the strong controls that are in place.

6. Date of Next Meeting

The next Audit Committee will be in July 31st, 2019.

7. Adjournment

MOVED and SECONDED that the meeting adjourn.

Motion Carried.

Meeting adjourned at 7:00 p.m.

Abraham Zebian, Chair