



MUNICIPALITY OF THE DISTRICT OF WEST HANTS
Committee of the Whole - Special
August 13, 2015 6:00p.m.
Sanford Council Chambers

Present:	G. Cochrane	Chair
	R. Dauphinee	Warden
	S. Pineo	Councillor
	R. Matheson	Councillor
	T. Brown	Councillor
	J. Daniels	Councillor
	V. Swinamer	Councillor
	R. Allen	Councillor
	C. Osborne	CAO
	M. Laycock	Director of Finance
	R. Brown	Municipal Clerk
	J. Woodman	Administrative Assistant
Regrets:	R. Zwicker	Councillor

1. Call to Order

2. Announcements

Chair Cochrane reviewed the fire regulation procedures for the Council Chambers.

3. Approval of Agenda, including additions or deletions

MOVED and SECONDED that the agenda be approved as circulated.

Motion Carried.

4. Miscellaneous/New Business

a. Review of Reserves and Cash Balances

Martin Laycock, Director of Finance reported over the past 6 months a review had been carried out on the status of the Funds and related reserve accounts in order to validate the



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Municipality's cash position. He cautioned it is important to be clear on the definitions of the accounts. He confirmed a Reserve is a liability account and is made up of money that has been earmarked for a specific purpose. He clarified the Reserve is not cash but a record of commitments made by the organization. He noted the other two accounts to be considered are Cash and Due to/from accounts which sit on the asset side of the balance sheet. He indicated a report has been submitted to the auditors recommending a number of adjustments which the auditors have concurred with.

He explained, during the review, it was evident that some of the reserve accounts were not in balance and required minor journal entries to resolve any issues, other reserves were obsolete, unexplainable, or underfunded and needed cash. The analysis also determined the Capital Fund as a whole was underfunded and needed supporting cash.

He identified during the review that over time clerical mistakes and/or oversights in maintaining the balance between the reserves and cash accounts had been made which led to the issues presented today. He confirmed the analysis also showed that within the Capital Asset Fund, projects went ahead either without easily identified funding sources or identified funding source transactions were not completed to cover the cost. This left the Capital Asset Fund in a negative cash balance and an inability to clear its due to/froms.

There was a brief discussion on the Garlands Crossing sinkhole project which occurred a few years ago. Martin Laycock, Director of Finance explained it was decided at that time some of the lines should be replaced to be considered a capital project and cover the cost with gas tax money. He indicated the issue is that the money was never moved over and there are no motions on the books indicating approval to do so. The gas tax representatives have stated that unless the Municipality can show internal approval prior to the work being completed then funding of the loan today would not qualify with their guidelines.

CAO Osborne stated when she started at the Municipality she met with the Director of Finance at the time who indicated there was a line of credit that had been approved by Council and when the new Director of Finance started she asked that he look at the cash flow and determine the ebbs and flows of cash. She clarified that the transactions that were found to be incomplete were not intentional as they weren't using any kind of system that allowed them to track costs easily and it was being done manually. She reminded Council when the Municipality went to the new financial system in 2008 this was the second



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time in a year and at the end of the year they transferred all the account balances which may not of been in balance then.

She suggested this has been a long standing problem. She noted that Martin has come to the conclusion where he feels the balances should be and is making recommendations on how to put the reserves back in balance which could have a long term impact on the organization from a cash perspective. She pointed out there is no ability for staff to go back any further in order to explain the majority of the issues. She confirmed the auditors have validated everything Martin has done and are willing to support the adjusting entries to last year's books so that starting this year on a go forward basis the Municipality is in balance. She added that the Director of Finance will be using a new tool called "Project Management" which will allow him to capture the costs more effectively and be able to report on a project by project basis.

Warden Dauphinee expressed concern that Gas Tax is not willing to fund the Garland's Crossing project and asked that the Director of Finance investigate the matter further.

Councillor Matheson asked for clarification on whether the separate funds were considered bank accounts. Martin Laycock, Director of Finance confirmed that bank accounts are different from what is in the accounting records, noting there are approximately 25 different bank accounts. He suggested there are times he doesn't have enough cash to clear the Due to/from's adding there are many reasons for this such as the capital fund being in a negative balance, or a water utility doesn't make the money it needs to and requires to be floated. He confirmed in the future he will be able to do quarterly reconciliations and know exactly what is due where so as to not lose track where funds are going.

Councillor Matheson asked whether the Landfill Reserve would be considered cash. Martin Laycock, Director of Finance confirmed it would be cash but would need to be combined with Due to/from's. CAO Osborne clarified there is no reserve against the Landfill Tipping Fund as Council had not identified a use for this, only agreed to transfer funding from there to the operating reserve which is the money set aside to draw from for unexpected occurrences.

Councillor Pineo expressed concern over the approximate million dollars that was originally in the Landfill Account and indicated it was clear profit that was taken in over and above the



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cost of the landfill which was not earmarked and to be left for emergencies. CAO Osborne asked how Council anticipated the capital project which was spending money would pay back funds to the tipping fee account. Martin Laycock, Director of Finance clarified there is no issue with the Landfill adding the reserve is there and he is aware of the liability. He confirmed when the Municipality receives all the cash from taxes he will clear all the Due to/from's. He explained he is recommending getting the entire capital asset fund out of the current situation, he wants to take \$433,918.72 from the Landfill Tipping fee reserve and cash accounts and move it to the General Capital Fund as of March 31, 2015.

CAO Osborne reminded that Council agreed in the budget this year to set aside funds into the operating reserve which is tied to the policy that the reserve will be funded to a certain percentage of revenue. She confirmed when looking at this next year it will not be called the Landfill Tipping fees it will be called the operating reserve and if everything goes well there will be \$250,000. She added at the end of the year the policy states that fund should be funded up to 8% of revenue which may have a direct impact on the tax rate.

CAO Osborne advised the Municipality is not unique and it is fortunate it doesn't have to borrow money to offset the costs; however she didn't want to mislead that it may have an impact at the end of the year. Martin Laycock, Director of Finance agreed that the Municipality has the means to address the issues and move forward in a positive way.

MOVED and SECONDED that a recommendation be made to Council to approve the closure of the Falmouth Community Trust Reserve, the Newport Trust Reserve, and Summerville Wharf Trust Reserve moving a total of \$2,236.18 cash to the General Capital bank account and moving the reserve balance of \$15,991.52 to the General Capital surplus account as of March 31, 2015.

Motion Carried.

MOVED and SECONDED that a recommendation be made to Council to approve the removal of the Deposit interest liability, the Subdivision liability, and the "Other" liability accounts, moving a total of \$2,949.37 cash to the General Capital bank account and moving the liability balance of \$22,274.11 to the General Capital surplus account as of March 31, 2015.



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Motion Carried.

MOVED and SECONDED that a recommendation be made to Council to approve the movement of \$92,818.62 from both the TMP Sewer Operating reserve and cash accounts to the TMP Sewer Operating and cash accounts to the TMP Sewer General Capital Reserve and General Capital Fund surplus account as of March 31, 2015.

Motion Carried.

MOVED and SECONDED that a recommendation be made to Council to approve the movement of \$433,918.72 from the Landfill Tipping fee reserve and cash amounts to the General Capital Fund Cash and General Capital Fund surplus accounts as of March 31, 2015.

Motion Carried.

MOVED and SECONDED that a recommendation be made to Council to approve the movement of \$50,808.38 from the Falmouth Water Other Reserve to the Falmouth Water Capital Fund surplus account as of March 31, 2015.

Motion Carried.

b. Hantsport Assets

Martin Laycock, Director of Finance reported this was identified in a review by the former CAO and Accountant of the Town of Hantsport. He explained he identified potential issues regarding the listed book value of some of the former Town Hantsport's assets. He referred to page 18 of the Town of Hantsport's Notes to the Consolidated Financial Statements March 31, 2014 under the column titled "other" which lists approximately \$4.5 million of assets but the accumulated depreciation was only \$692,000. He suggested this would indicate to him that those assets within that category are brand new. He explained there was nothing that could have been done about it as the accounting standards requires professional proof that they are overvalued. He noted because he had the Opus report



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from the transition study which looked at the streets, sidewalks and the majority of items within this category he was able to get a good understanding of what the actual value should be.

He clarified the analysis is not an attempt to provide the exact value of the assets in question. Instead it is merely an attempt to reassess their value based on current information and observation to provide a more accurate representation of their value. He indicated this would not have an impact on the tax rate.

He confirmed that he spoke at length and in great detail with Councillor Zwicker on the matter. He noted the report includes an additional write down because the auditors are still working on something indirectly related but confirmed it would not have a negative effect on the net value.

MOVED and SECONDED that a recommendation be made to Council to approve the write down of up to \$1,232,809 of the former Town of Hantsport's capital asset book value as of March 31, 2015.

Motion Carried.

MOVED and SECONDED that the memorandum regarding the Former Town of Hantsport Assets be received and placed on file.

5. Date of Next Meeting

The next regular meeting is scheduled for August 25, 2015.



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6. Adjournment

MOVED and SECONDED that the meeting adjourn.

Motion Carried.

The meeting adjourned at 7:30 p.m.

Gary Cochrane, Chair

Rhonda Brown, Municipal Clerk