



Town of Fort Smith
Special Town Council Meeting
SP-03-18
Agenda

April 24, 2018 at 7:00 pm – Council Chambers

- A. Call to Order and Confirmation of Quorum
- B. Approval of Agenda
- C. Discussion
 - a. Presentation of the 2017 Audited Financial Statements by Avery Cooper & Co. LTD.
- D. Absence of Council Members
- E. Adjournment
- F. Question Period



**COUNCIL OF THE TOWN OF FORT SMITH
SPECIAL MEETING SP-03-18
THE THIRD SPECIAL MEETING OF COUNCIL FOR
THE YEAR 2018**

PRESENT: Mayor L. Napier-Buckley D/M K. Smith
 Cr. A. Kikoak Cr. R. Holtorf
 Cr. B. McArthur Cr. E. Bell

REGRETS: Cr. A. Dumont, Cr. R. Patel, Cr. B. Tuckey

STAFF: Keith Morrison, Senior Administrative Officer
 Lisa-marie Pierrot, Executive Secretary

GALLERY: Heather Gill

Special Meeting SP-03-18
April 24, 2018

7:00 PM
Council Chambers

The purpose of the Special Meeting is to present the 2017 Audited Financial Statements by Avery Cooper & Co. LTD.

A. CALL TO ORDER & CONFIRMATION OF QUORUM

Mayor Napier-Buckley called the meeting to order at 7:04 pm and confirmed quorum of Council was present.

B. APPROVAL OF AGENDA

18-103 Moved by: Cr. Bell
 Seconded by: Cr. Holtorf

That the agenda be adopted as presented.

CARRIED UNANIMOUSLY

C. DISCUSSION

2017 Audited Financial Statements – The 2017 Audited Financial Statements were reviewed. Heather Gill on behalf of Avery Cooper & Co. LTD. presented the audited statements. Ms. Gill indicated that on page 1 is the Town’s statement of financial position. She highlighted that there is more cash than last year as a good portion of the CPI and Gas Tax funding that was received has not been expended.

Ms. Gill indicated that the trade and other receivables have increased this year because of three properties that was sold, the money wasn’t received by the end of the year.

Cr. Kikoak entered the meeting.

Ms. Gill indicated that on the liability side; the deferred revenue is \$3.7 million which is due to unspent CPI and Gas Tax funding. There is a schedule on page 31 for the gas tax showing over \$800,000 in unspent funding. On page 35 includes a schedule for CPI and shows over \$2.8 million in unspent funding.

Ms. Gill advised that on page 2 is the Town’s Statement of Operations and highlighted that there was a net annual deficit of \$16,000 for last year. You will notice that the budget column is not balanced as those numbers don’t show transfer to and from reserves and is used more for presentation purposes following GAAP principles. She indicated that page 21 includes a comparative budget analysis that includes the transfers to and from reserves included.

Ms. Gill advised that the schedule of revenue and expenses for Water and Sewer services includes amortization and does not include transfers between funds. Page 36 includes a schedule with the transfers between funds. She highlighted that the Town spent more than what was received in water and sewer services funding. Administration highlighted that the auditors account differently than the finance. Auditors account for expenses differently and may show a deficit which is not the same and the reason why the presented fourth quarter report was beneficial.

Cr. Holtorf asked how the cost is to cover the water and sewer services funding determined. Ms. Gill advised that MACA will use audited financial statements that includes the amortization and will show that you are not covering your cost. Administration advised that historically when the rates were set it was based on the operating cost. The requirement to put money into the bank for the infrastructure was not considered. 4 years ago, MACA changed reporting requirements and we are now required to take into consideration the amortization. He noted that the numbers are different because now we have to account for the amortization along with the past amortization that was not accounted for previous to the change in reporting requirements. He added the water and sewer bylaw needs to be updated. While updating the bylaw, the economic rate will have to be determined including the amortization which will cover the cost in water and sewer services funding.

Ms. Gill highlighted that on page 36 includes the amount in the water and sewer fund which shows a deficit of \$136,000. The schedule highlights all the transactions of transfers to and from reserves and amortization, there is a change in fund balance of \$151,000. She highlighted that the next column is the environmental fund that shows a deficit of \$4,800 and a change in fund of \$395,000. She added that there is a line item that includes a transfer of \$358,000 from the general fund to environmental that was required in a bylaw that was passed, so that the fund is not in a deficit. She added that there is a line item of \$41,000 that is the amortization being put back into the fund. The total fund balance for environmental at the end of the year is \$37,000. The schedule shows the actual amount in each fund at the beginning and end of the year taking into consideration the transfers between funds and the amortization. Administration highlighted that the environmental fund is accounted for differently because of the landfill and the requirement to account for remediation cost as well as depreciation. With the approval of the financial management bylaw there can't be a deficit in any of the funds which required the transfer from the general fund to the environmental fund.

Cr. Holtorf asked if there is a separate line item that includes the third-party delivery contracted services. He indicated that should be separated out to make sure we are charging the right price which includes amortization. Ms. Gill advised that the economic rate when determined will ensure that the correct rate is being charged. Administration advised that the Town's can't profit from the water and sewer services fund. The next step in bylaw development is to determine the economic rate. With respect to Smith Landing First Nation we don't have to use the economic rate because they are outside municipal boundaries, but they are charged the same rate as residents. He added that corporate services in the process of calculating the usage of water to determine the economic rate which is a long process. Cr. Kikoak asked if there is an uptake pump that has a read metre. Administration advised that there is a metre that reads the amount of the water that is being pumped but there are several obstacles that needs to be considered which affects the measurement. He added that he is in the process of working out how to properly measure the water usage to determine the economic rate. Cr. Holtorf indicated that Salt River First Nation is in the process of providing water and sewer services to the Salt River Reserve. He asked if the Town would be responsible for the infrastructure including lift stations for SRFN's plans. Administration advised that SRFN has all the plans and have analyzed the Town's ability to provide the extra services. As per the zoning and building bylaw, the cost is the responsibility of SRFN. The only problem is that the lift stations will mostly likely be built on band lands which restricts the transfer of ownership to the Town.

Ms. Gill advised that on page 18 include note 17 that explains contingency funds. She indicated that the third paragraph explains that there is an AWG contingency fund. She advised that if the AWG spent over the amount in the contingency fund that the Town is responsible for a portion of the overspending. She brought attention to page 22 note 25 which explains in-kind services contribution and the Town contributed countless time and money to the AWG.

Ms. Gill indicated that on page 36 describes the reserves. She indicated that there were seven reserves at the beginning of the year and by the end of 2017 the reserves were brought down to four. She highlighted that in the reserve for general operations there is \$963,000, the service interruption insurance reserve is \$254,000 and the reserve for utility and infrastructure replacement is \$1.9 million. She added that the reserve for environmental is included in the four reserves but not added to the schedule as there are no funds in that reserve. Cr. Holtorf asked for clarification on the amount of reserves. Ms. Gill indicated that at the beginning of 2017 there were seven reserves and throughout the year the funds in four of the reserves were brought to the general operations reserve bringing four of the reserves to zero. Cr. Holtorf asked what was the total reserves at the end of the year. Cr. Holtorf preferred to have the reserves separated with the amount of funds for those reserves indicated on the schedule. Administration advised that Council was aware of the changes to the reserve funds which was presented when the financial management bylaw was approved. Ms. Gill noted that on page 14 explains the transfer to and from the reserve funds that occurred in 2017. Cr. Kikoak understands that the idea of having the reserves in one big fund would be beneficial in the case that a big project is required to be completed the money is there instead of in separate smaller funds. She thinks it is important to concentrate on the accounting for the amortization as it is important to make up the revenue to match that expense.

Cr. Holtorf asked for more information on the \$100,000 that was transferred into reserves and if that caused a 3% tax rate increase. Administration indicated that as per the financial management bylaw we were required to transfer \$100,000 into each reserve. He added that we did get some feedback from the public for increasing the tax rate to transfer funds to reserves as it was not to balance the budget. He highlighted that the general reserve in the O&M budget is carrying a \$900,000 amortization expense and that if that total number was considered in the reserves, tax rates would be increased considerably more than 3%. Cr. Holtorf asked if other municipalities are in the same situation. Ms. Gill noted that other municipalities are in the same situation trying to recover the amortization expense as nobody had to account for it until four years ago.

Ms. Gill highlighted that comments will be provided with the financial statements that is required for reporting purposes. She has not provided a copy for Council and noted that included in the memo are concerns on; water and sewer services, the school tax rate and capital assets. She indicated that one of the requirements from MACA in the water and sewer services agreement is that the Town has to provide a schedule with the water consumption rates. She advised that that requirement has not been met as it is impossible to determine those numbers but knows that the Town is in the process of determining a mechanism to identify water consumption. She indicated that some of the school tax amounts are different than what is being determined by the GNWT. She understands that Administration is in the process of having those rates reconciled. She advised that the numbers would not change dramatically and that the statements may not have to be amended. She added that there is no capital asset policy that would define capital assets and expenses. She noted that the policy would include amortization and a threshold for assets and expenses.

Cr. Holtorf noted that with past audits there have been concerns highlighted by the auditor and asked if those concern have been cleared up. Ms. Gill has advised that the list has been significantly reduced. Administration advised that the list is a memorandum of accounting systems and control which he will provide Council. He added that the auditor has been working with the Town for four years and every year finds more deficiencies which we are working to resolve.

Cr. Kikoak indicated that on page 2 there are headers titled unaudited and asked for clarification on those columns. Ms. Gill advised that in the unaudited column is the approved budget that was provided but have line items that are not included like the transfer to and from funds. The schedule shows budgeted surplus but understand that the budget does not include certain line items and that the budget is actually not budgeted for a surplus. Cr. Kikoak asked for more information on who would the schedule be created for with the revised line items that is not showing the actual budget. Ms. Gill indicated that the other entities reviewing this schedule would refer to the notes that explains that the Town has not budgeted for a surplus and what line items have been revised. She advised that the budget column is unaudited because there is no measurable way to audit a budget.

Cr. Holtorf indicated that in the capital fund there are a number of assets and asked if insurance is paid on those assets adding value to those assets. Ms. Gill advised that the insurance company does not verify the value of the assets and that would be provided to the insurance company by the Town. Administration thinks that the insurance company calculates those numbers based on the cost to purchase those assets. He added numbers indicated in the capital plan are the insurance values.

Administration advised that there is a management discussion and analysis indicating the basics of the year. He added that O&M costs are within budget, there have been minimal expenditures of capital funds so there are funds built up in the capital reserves. There are funds in gas tax and CPI's that went unspent and there is more money in the reserves that puts the Town in a better position. He highlighted that the decision to hold off on spending in capital projects was a cautious one it bought us some time to get reserves and build capacity, as it takes people to spend money.

Cr. Holtorf asked how the lots in Westgrove are recorded in the statements. Ms. Gill advised that those are recorded in the line item titled inventory for resale land. Cr. Holtorf asked if all the properties were sold this year where if reflect in the statements. Ms. Gill advised that would be recorded as a revenue and deposited to the bank.

Administration commended Council on the quality of the dialogue, engagement to track finances and that Council understands and supports the administration.

18-104 Moved by: Cr. Holtorf
Seconded by: Cr. McArthur

That the 2017 Audited Financial Statements be accepted as presented.

CARRIED UNANIMOUSLY

D. **ABSENCE OF COUNCIL MEMBERS**

18-105 Moved by: Cr. Kikoak
Seconded by: Cr. Bell

That Cr. Patel, Cr. Tuckey and Cr. Dumont be excused from the Special Meeting of Council on April 24, 2018.

CARRIED UNANIMOUSLY


E. **ADJOURNMENT**

18-106 Moved by: Cr. Kikoak
Seconded by: Cr. Bell

That this meeting be adjourned at 8:06 pm.

CARRIED UNANIMOUSLY

Minutes adopted this 15th day of May, 2018.



Mayor Lynn Napier-Buckley

Certified Correct by Keith Morrison
Senior Administrative Officer

F. **QUESTION PERIOD**