



City of Moose Jaw

COMMUNICATION # CC-2019-0133

TITLE: Supplemental Report on Financial Statements
TO: City Council
FROM: Department of Financial Services
DATE: July 31, 2019
PUBLIC: PUBLIC DOCUMENT

RECOMMENDATION

THAT this report be received and filed.

TOPIC AND PURPOSE

The purpose of this report is to provide answers to three questions that were asked in respect to the 2018 Financial Statements at the July 22, 2019 regular meeting of City Council. The report also provides some additional information in terms of debt, reserves and taxation that is relevant to the discussion that occurred at the July 22, 2019 meeting.

BACKGROUND

At the July 22, 2019 City Council meeting the following motion was moved and carried:

"THAT the City of Moose Jaw's Audited Financial Statements for the year ended December 31, 2018 be approved; and,

THAT the Financial Statements be publicized on the City of Moose Jaw's Website; and,

THAT a supplementary report be brought to the next Council meeting addressing questions asked by Council members."

DISCUSSION

At the July 22, 2019 Council meeting, City Council asked several questions which required additional research in order to provide an answer. Those questions were:

1. What year were the Transit rates reduced?

The transit rate changes were introduced as part of the 2017 budget.

2. Why does the City of Moose Jaw not budget in the same manner as it is required to present its audited financial statements?

There are a number of factors required by Public Sector Accounting Standards (PSAS) that do not reflect the budgetary and actual practices of the City of Moose Jaw:

- The City does not make a provision for amortization in its budget nor does it fund amortization. Rather, amortization is strictly a book figure required to meet PSAS. There are no Cities in Saskatchewan that budget and fund amortization. If the City of Moose Jaw was to budget for and fund amortization, it would have amounted to \$12,750,911.
- Amortization as required by PSAS does not reflect how the City funds and replaces its assets. First off, PSAS requires the use of book value while the City must replace assets at current market values. Secondly, PSAS requires assets be amortized for fixed periods on a straight line basis. This is again not reflective of how the City consumes or ultimately replaces assets. Most assets are consumed on a usage basis which often doesn't reflect a straight line usage nor does it in most cases reflect the arbitrary lives assigned via the amortization process. As well, many assets with fixed lives would see those actual lives being much longer than the period of amortization required by PSAS.
- PSAS requires losses on disposal of tangible capital assets to be shown as a charge against revenues. The City does not budget for losses as it would be very difficult to estimate losses ahead of time.
- The City of Moose Jaw allows for uncompleted work to be carried forward to the next year for completion. As a result, the charge is made to the current budget year of the full cost in order to fund that future work. PSAS does not allow for this practice.
- The City of Moose Jaw allows the Police Service to keep their annual surplus or deficit. PSAS does not allow for this practice.
- Public Sector Accounting Standards require that all revenues and expenditures related to reserves must be recognized in the year they are incurred. For example, if the Fire Service contributes \$25,000 to its Building Reserve in 2018, PSAS requires that these monies not be shown as an expense in 2018 and the entry must be reversed. This is contrary to the City of Moose Jaw's practice of budgeting for and recognizing the expense (contribution) in the year it is made.

- The General Revenue Fund (operating fund) holds a number of the City's tangible capital assets. These assets come from a variety of other funds such as capital and equipment and PSAS requires that these be shown as transfers to the General Revenue Fund. The City does not recognize these transfers in its budgeting process.
 - The City budgets for and expenses discounts on early tax payments. PSAS requires they be shown as a reduction in revenues.
 - Transit and Para-Transit subsidies are required to be removed from the expenditure area of the General Revenue Fund per PSAS and rather shown as transfers. The City budgets for these subsidies within the Operating Budget as they are funded from the Operating Budget.
 - Contribution of assets from third parties outside the City must be recognized as a revenue per PSAS. The City does not budget for these types of asset contributions as it is not possible to estimate in advance.
3. Why is residential garbage collection revenue not broken out on the Solid Waste Utility revenue and expenditure statement?
- The amount of revenue is actually broken out but unfortunately there is an error in the description of that account. The line is entitled "Commercial Garbage Collection" and should be entitled "Garbage Collection". City Administration apologizes for this error.
4. Why has the Landfill Replacement Reserve gone to zero in 2018?
- This was a presentation change to reflect that City Council has not allocated money specifically to the Landfill Replacement Reserve since 2016. The monies in the reserve still exist, they were just moved to the Solid Waste Reserve for presentation purposes to reflect that the reserve is no longer active.

Also, at the meeting there was interest expressed in some additional information in respect to per capita charts for items like debt and reserves. Those have been included as attachments to this report. Lastly, concern was expressed on the per capita taxation chart and although I believe it does provide valuable information, the 2018 municipal residential and commercial tax comparisons with other Saskatchewan cities (most recent available) has been provided along with the 2019 municipal mill rate increases for Cities in Saskatchewan to provide some additional information on the matter of municipal taxation. These are attached to this report.

PRESENTATION

VERBAL: The Director of Financial Services will be in attendance to present a verbal overview of the report.

ATTACHMENTS

1. Per Capita Reserve Chart
2. Per Capita Debt Chart
3. Comparison Commercial and Residential Taxation
4. 2019 Saskatchewan City Tax Increases

REPORT APPROVAL

Written by: Brian Acker, B.Comm, CPA, CMA, Director of Financial Services
Reviewed by: Tracy Wittke, Assistant City Clerk
Josh Mickleborough, Director of Engineering Services
Approved by: Jim Puffalt, City Manager
Approved by: Fraser Tolmie, Mayor

To be completed by the Clerk's Department only.

Presented to Regular Council or Executive Committee on _____.

No. _____ Resolution No. _____