

TOWN OF INGERSOLL
Director of Finance/Treasurer Report
MMAH – Financial Indicator Review

Report No. T- 031/10
Approval Date: Jan 11, 2010

Mayor Holbrough & Members of Council:

Purpose

The purpose of this report is for information only to provide Council with a copy of the annual Financial Indicator Review for the Town of Ingersoll issued by the Ministry of Municipal Affairs and Housing (MMAH) which is based upon the 2008 Financial Information Return (FIR).

Background

Attached is a copy of the Financial Indicator Review received from the MMAH on January 5th 2010 for the Town of Ingersoll. It should be noted that this financial review is based upon the information reported on the 2008 FIR for the Town of Ingersoll.

This report can be regarded as a “Financial Report Card” for the Town of Ingersoll and indicates the level of Risk for a number of common financial indicators as selected by the MMAH and used for comparison purposes to other similar lower tier municipalities.

As Treasurer for the Town of Ingersoll, I am very pleased to report that the Town has received a very positive report card with all factors indicating a Low Risk Level with the exception of one area, Total Reserves and Reserve Funds per Household which has been ranked as a High Risk Level. This is understandable due to the fact that Reserves have been depleted to finance the Town’s Capital Works budget and these Reserves have not been replenished to the same levels as other municipalities. The Town continues to try and hold annual levy increases to a minimum but is faced with ever increasing annual operating and debt financing costs making it difficult to levy additional funding to replenish Reserves.

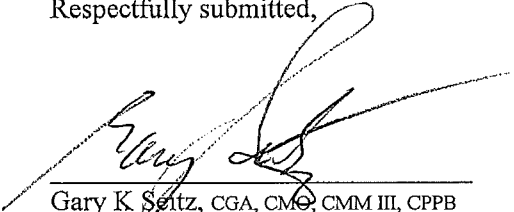
Discussion

This current Financial Review is an improved report card when compared to the previous review which was based on the 2007 FIR and reported several areas of Moderate and High Risk Levels, (copy attached).

Summation:

That the Financial Indicator Review issued by the MMAH and based upon the 2008 FIR, to be received as information and regarded as a positive financial report indicating an improved financial position for the Town of Ingersoll.

Respectfully submitted,



Gary K. Seitz, CGA, CMA, CMM III, CPPB
Director of Finance/Treasurer

James Timlin
CAO

FINANCIAL INDICATOR REVIEW

(Based on 2008 Financial Information Return)

Ingersoll T (Oxford Co)

Date Prepared: 24-Sep-09
 MSO Office: Western Ontario
 Prepared By: Jill Bellchamber-Glazier

Tier: Lower Tier
 MAH Code: 37401
 MUNID: 32018
 Rev Code: 3218

FINANCIAL INDICATORS

Indicator	Thresholds	Actuals	South - LT - Regions - Rural		Risk Level	
			Median	Average		
Combination Indicator						
Total Debt Burden per Household	Low - <\$400	2006	\$ 132	\$ 253	\$ 406	Low
	Mod - \$400 - \$1000	2007	\$ 113	\$ 256	\$ 472	
	High - >\$1000	2008	\$ 294	\$ 322	\$ 585	
Own Purpose Debt Charges as a % of Municipal Operating Expenditures	Low - <5%	2006	1.1%	2.4%	2.6%	Low
	Mod - 5% - 10%	2007	1.0%	3.5%	3.5%	
	High - >10%	2008	1.0%	3.0%	3.4%	
Temporary Loans for Current Purposes as a % of Municipal Operating Expenditures	Low - <15%	2006	0.0%	0.0%	0.0%	Low
	Mod - 15% - 20%	2007	12.1%	0.0%	0.7%	
	High - >20%	2008	0.0%	0.0%	1.9%	
Total Reserves and Discretionary Reserve Funds per Household	Low amounts are considered to be high risk and should be explored further.	2006	\$ 400	\$ 651	\$ 806	High
		2007	\$ 277	\$ 794	\$ 879	
		2008	\$ 323	\$ 1,096	\$ 1,041	
Net Contributions to Reserves and Discretionary Reserve Funds as a % of Total Operating and Capital Expenditures	A decrease (negative %) should be monitored.	2006	-3.2%	-2.6%	-3.9%	Low
		2007	-4.1%	0.6%	3.4%	
		2008	1.6%	0.0%	1.4%	
Total Taxes Receivable as a % of Total Taxes Levied (LT/ST only)	Low - <10%	2006	3.3%	7.9%	8.1%	Low
	Mod - 10% - 15%	2007	3.7%	8.8%	8.3%	
	High - >15%	2008	3.8%	5.7%	7.6%	
Surplus / Deficit as a % of Own Purpose Taxation	DEFICITS ONLY; Low: + values to (-5%) Mod: (-5%) to (-10%) High: Below (-10%)	2006	0.0%	0.2%	2.9%	Low
		2007	4.7%	1.9%	4.0%	
		2008	6.0%	1.0%	2.8%	
Total Cash and Temporary Investments as a % of Municipal Operating Revenues	Low - > 10%	2006	5.3%	39.0%	46.5%	Low
	Mod: 5% to 10%	2007	4.2%	47.6%	51.5%	
	High: Below 5%	2008	25.5%	55.0%	58.4%	
Net Working Capital as a % of Total Municipal Operating Expenditures	Low - > 10%	2006	28.1%	64.4%	70.6%	Low
	Mod: 10% to (-10%)	2007	10.3%	83.4%	77.2%	
	High: Below (-10%)	2008	38.4%	74.3%	77.3%	
Cumulative Annual Growth Rate	Negative trends to be analyzed. No risk level assigned.	2006	2.4%	1.33%	1.47%	Low
		2007	-1.3%	-0.60%	0.77%	
		2008	-4.7%	-3.69%	-2.93%	

FINANCIAL INDICATOR REVIEW

(Based on 2008 Financial Information Return)

Ingersoll T (Oxford Co)

Date Prepared: 24-Sep-09
MSO Office: Western Ontario
Prepared By: Jill Bellchamber-Glazier

Tier: Lower Tier
MAH Code: 37401
MUNID: 32018
Rev Code: 3218

NOTES

On an annual basis, Ministry staff conduct a review of the Financial Information Returns (FIR's) and Financial Statements submitted by municipalities. Through the use of several key financial indicators, municipal financial performance is monitored in relation to established Provincial Thresholds. It is important to remember however, that these financial indicators only provide a financial snapshot at a particular moment in time and should never be used in isolation, but supported with all other information sources. In keeping with our Financial Information Return review process and follow-up, Ministry staff may routinely contact and discuss this information with the municipal Treasurer in an effort to better understand a municipality's overall financial position and offer our assistance in connection with these matters.

Additional Notes on Financial Indicators:

Debt Burden per Household - Total Debt Burden of a municipality equals all outstanding debt issued by the municipality, predecessor municipalities and consolidated entities, plus all debt assumed by the municipality from others, less all debt assumed by others, less Ontario Clean Water Agency (OCWA) debt retirement funds, less own sinking funds. Significantly high debt load should be explored further.

Own Purpose Debt Charges as a % of Municipal Operating Expenditures - Includes interest and principal repayments on long term debt. Higher percentages indicate a lower flexibility to respond to other demands.

Examples for the combination indicator Debt Burden per Household and Own Purpose Debt Charges as a % of Municipal Operating Expenditures; if debt burden and debt charges are high, then the indicator would be high risk. If the debt burden is high and debt charges are moderate, then the indicator would be moderate risk.

Temporary Loans for Current Purposes as a % of Municipal Operating Expenditures - Sec. 407(2)(b) of the Municipal Act 2001, states that the amount a municipality may borrow must not exceed 25% of the total estimated revenues of the municipality, as set out in the budget adopted for the year, in the last quarter (Sept. - Dec.).

Total Reserves and Discretionary Reserve Funds per Household - Low reserve and discretionary reserve funds indicate that the municipality may have limited flexibility to offset non-budgeted revenue losses or expenditure increases. High percentages would indicate that a municipality is setting aside substantial revenues for future projects. This comparison is to be based on municipal grouping and local knowledge. Low reserves indicate that the municipality may have little flexibility to offset non-budgeted revenue losses or expenditure increases. It is recognized that municipalities with high reserves and discretionary reserve funds may have allocated part or all of these reserves for future capital needs.

Net Contributions to Reserves and Discretionary Reserve Funds as a % of Municipal Operating and Capital Expenditures - This indicator measures how much a municipality wishes to earmark part of its current revenues for capital expenditures expected to be incurred in future years. A decrease (negative percent) should be monitored as it could either mean that designated funds are being used for planned capital projects or it could also mean that reserves are being used to reduce tax increases.

Total Taxes Receivable as a % of Total Taxes Levied - This is a lower-tier / single-tier measure. The indicator reflects the ability of taxpayers to meet their tax obligations to the municipality. Higher ratios may reflect the inability of taxpayers to pay taxes and / or may indicate tax collection procedure problems.

Surplus / Deficit as a % of Own Purpose Taxation - The Municipal Act 2001, requires municipalities to set a balanced budget. In cases where a deficit is reported, it should be considered whether the deficit is due to a decline in revenues, expenditure overrun, emergencies etc. Significant deficits should be monitored.

Total Cash and Temporary Investments as a % of Municipal Operating Revenues - This indicator is a liquidity measure that looks at short term liquid assets and compares those assets to total revenues, that is, to total budget. A low level (low percentage) may mean a municipality has not budgeted sufficient funds to ensure that it has adequate cash flow and / or a municipality had inadequate reserves. The indicator suggests the municipality's ability to pay off immediate demands of creditors and service providers using its most liquid and current assets.

Net Working Capital as a % of Total Municipal Operating Expenditures - Net working capital is cash, accounts receivable and taxes receivable minus temporary loans and accounts payable. This number is compared to total revenue fund expenditures (which includes debt charges). The goal of this measure is to look at the ability of the municipality to meet its current expenditures (including current year debt charges). The indicator suggests whether the municipality has ample working capital meet its short-term obligations. This measure is related to the liquidity measure above.

Cumulative Annual Growth Rate (CAGR) - This indicator measures the rate of municipal revenue growth versus the rate of municipal expenditure growth over a three year period. This measure is used to analyse trends over time for information purposes, and is not assigned a risk rating. Revenue CAGR and Expenditure CAGR are measured separately using the formula $CAGR = (\text{End Value} / \text{Beginning Value})^{(1 / 3 \text{ years})} - 1$. Then expenditure CAGR is subtracted from revenue CAGR to produce the end result. If the end result is positive, the revenues have been growing faster than expenses, and vice versa. For example, suppose a municipality with \$10 million in revenues in 2004 grew its revenues to \$13 million in 2007, and had expenditures of \$9 million in 2004 that grew to \$11 million in 2007. Revenues therefore grew by 9% each year (on average), and expenditures grew by 7% per year (on average). Subtracting CAGR for expenditures from CAGR for revenues, the end result is a CAGR of 2% (9% minus 7%).

FINANCIAL INDICATOR REVIEW

(Based on 2007 Financial Information Return)

Ingersoll T (Oxford Co)

Date Prepared: 26-Nov-08
 MSO Office: Southwest Ontario
 Prepared By: Jill Bellchamber-Glazier

Tier: Lower Tier
 MAH Code: 37401
 MUNID: 32018
 Rev Code: 3218

FINANCIAL INDICATORS

Indicator	Thresholds	Actuals	South - LT - Regions - Rural		Risk Level
			Median	Average	
Combination Indicator					
Total Debt Burden per Household	Low - <\$400	2005 \$ 153	\$ 177	\$ 311	Low
	Mod - \$400 - \$1000	2006 \$ 132	\$ 253	\$ 406	
	High - >\$1000	2007 \$ 113	\$ 272	\$ 527	
Own Purpose Debt Charges as a % of Municipal Operating Expenditures	Low - <5%	2005 1.1%	1.1%	1.8%	Low
	Mod - 5% - 10%	2006 1.1%	2.4%	2.6%	
	High - >10%	2007 1.0%	3.1%	3.1%	
Temporary Loans for Current Purposes as a % of Municipal Operating Expenditures	Low - <15%	2005 0.0%	0.0%	0.0%	Low
	Mod - 15% - 20%	2006 0.0%	0.0%	0.0%	
	High - >20%	2007 12.1%	0.0%	0.8%	
Total Reserves and Discretionary Reserve Funds per Household	Low amounts are considered to be high risk and should be explored further.	2005 \$ 495	\$ 938	\$ 918	Moderate
		2006 \$ 400	\$ 651	\$ 806	
		2007 \$ 277	\$ 996	\$ 955	
Net Contributions to Reserves and Discretionary Reserve Funds as a % of Total Operating and Capital Expenditures	A decrease (negative %) should be monitored.	2005 3.2%	7.4%	11.4%	Moderate
		2006 -3.2%	-2.6%	-3.9%	
		2007 -4.1%	0.4%	2.4%	
Total Taxes Receivable as a % of Total Taxes Levied (LT/ST only)	Low - <10%	2005 2.5%	7.9%	8.3%	Low
	Mod - 10% - 15%	2006 3.3%	7.9%	8.1%	
	High - >15%	2007 3.7%	10.0%	8.3%	
Surplus / Deficit as a % of Own Purpose Taxation	<u>DEFICITS ONLY</u> ; Low: + values to (-5%) Mod: (-5%) to (-10%) High: Below (-10%)	2005 0.0%	1.6%	2.5%	Low
		2006 0.0%	0.2%	2.9%	
		2007 4.7%	1.7%	2.8%	
Total Cash and Temporary Investments as a % of Municipal Operating Revenues	Low: > 10%	2005 15.3%	53.1%	51.1%	High
	Mod: 5% to 10%	2006 5.3%	39.0%	46.5%	
	High: Below 5%	2007 4.2%	52.3%	52.9%	
Net Working Capital as a % of Total Municipal Operating Expenditures	Low: > 10%	2005 24.0%	76.9%	73.0%	Moderate
	Mod: 10% to (-10%)	2006 28.1%	64.4%	70.6%	
	High: Below (-10%)	2007 10.3%	85.8%	78.9%	
Cumulative Annual Growth Rate	Negative trends to be analyzed. No risk level assigned.	2005 -0.8%	-0.04%	1.19%	Moderate
		2006 2.4%	1.33%	1.47%	
		2007 -1.3%	-0.76%	0.81%	