



## Audit Committee

Friday, May 30, 2014

8:30 a.m.

Council Chambers, Town Hall

359 Main Street

### Agenda

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1. Approval of the Agenda
2. Approval of Minutes
  - a. January 24, 2014 (attached)
3. Request for Decision 031-2014 ~ Write-Off Business Occupancy Taxes (attached)
4. Review of first year, outstanding issues, and priority setting for 2014/15 (discussion and direction)
5. Next meeting date – July 4, 2014 (for review of year end audited financial statements)
6. Adjournment

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**ATTENDING**

Chairman John MacKay, Vice Chairperson Heather Hill, Mayor Jeff Cantwell, Councillor Dan Sparkman  
Chief Administrative Officer Joshua Pycz, Director of Financial Services Mike MacLean

**ABSENT**

Councillor Wendy Donovan

**CALL TO ORDER**

The meeting was called to order at 9:03 a.m.

**1. APPROVAL OF THE AGENDA**

**IT WAS REGULARLY MOVED AND SECONDED THAT THE AGENDA BE APPROVED AS CIRCULATED.  
CARRIED.**

**2. APPROVAL OF THE MINUTES**

**a. SEPTEMBER 12, 2013**

**IT WAS REGULARLY MOVED AND SECONDED THAT THE MINUTES OF SEPTEMBER 12, 2013  
REGULAR BE APPROVED.**

It was noted that there were grammatical errors in the wording of the motion under item #5,  
and that these would be corrected in the approved copy of minutes.

**ON QUESTION, THE MINUTES WERE APPROVED AS AMENDED. CARRIED.**

**b. OCTOBER 18, 2013**

**IT WAS REGULARLY MOVED AND SECONDED THAT THE MINUTES OF OCTOBER 18, 2013  
REGULAR BE APPROVED. CARRIED.**

A question arose related to an update on Accounts Receivables and Tax Sale Process. It was  
noted that properties exceeding the Town's Tax Sale Policy had been identified and that the Tax  
Process, as outlined in the MGA, were being carried out. This process will take a number of  
months.

**3. FINANCIAL UPDATE – THIRD QUARTER RESULTS & YEAR END FORECAST**

**a. INFORMATION REPORT & b. INTERIM FINANCIAL VARIANCE REPORT**

The Director of Financial Services provided a Capital Project Summary by way of handout. He then  
reviewed the Information Report which provides a summarized view of the results to December 31<sup>st</sup>, as  
well as year-end forecast. Additional schedules show information for any Divisional line item variances  
greater than \$5,000.

Highlights/questions included:

- The Town continues to show a surplus, with the year end results forecast to be \$314,700.
- The majority of the expected surplus is a result of expenditures coming in lower than budget
- In response to a question on the Aliant Grant In Lieu of Taxes, a discussion took place regarding  
the reason this revenue is diminishing on a year over year basis. The revenue is derived from a

formula based on Aliant local phone revenues and these have dropped in recent years as the market has opened to other service providers. Currently, only Aliant falls within the older legislation requiring the grant in lieu.

- It was noted that Professional Development was well under budget. This resulted from a number of issues including the change in CAO which required Directors to pick up additional workloads during the six month recruitment period, as well as Directors re-evaluating which courses could best benefit their staff. In response to a question, the CAO noted that his office is responsible to ensure that professional development is well directed and focused on the needs of the organization.
- The Capital Project Summary (handout) was reviewed including projects likely to be deferred to fiscal 2014/15. In total not all budgeted dollars will be spent in fiscal 2013/14. Upon question, it was noted that the LED Street Light Project would go to tender in the coming months with installation expected in 2014/15. This change to LED is required by the Provincial government.
- Forecast results for the Water Utility were reviewed, noting that a surplus is expected by year end. Staff is reviewing the methodology of how common costs between the Town and Water Utility are allocated to ensure equitable rate setting (tax rates and water rates). The planned rate study will not occur by year end and will be picked up in fiscal 2014/15.

**IT WAS REGULARLY MOVED AND SECONDED THAT THE FINANCIAL UPDATE BE RECEIVED AS CIRCULATED.  
CARRIED.**

#### **4. CODE OF CONDUCT FOR COMMITTEE MEMBERS**

This item was brought forward from the last meeting. The CAO gave a verbal update on a process starting through his office at the direction of Council. Staff and Council will be undertaking a review of the Town's committee structure including an evaluation of which committees are needed, meeting procedural guidelines, and codes of conduct.

#### **5. DATE OF NEXT MEETING**

The next required meeting would relate to the year-end statements and a meeting with the Town's auditors. Director MacLean noted that it would be beneficial to meet before that time to review the next list of old accounts receivable that need to be written off. These relate to Business Occupancy taxes.

Date to be determined later.

#### **6. ADJOURNMENT**

The meeting adjourned.

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**RECORDING SECRETARY**

## REQUEST FOR DECISION #031-2014

### Tax A/R Write-Offs

Date: May 23, 2014

Department: Finance



### 1) COMMENT / RECOMMENDATION – CAO

To be added after Audit Committee review and item moved forward to Council.

### 2) RECOMMENDATION

That Council approves the attached list of Business Occupancy Receivable accounts, totaling \$34,505.63 for write-off as bad debts.

### 3) REFERENCES

Municipal Government Act (MGA) – Section 38 Duty of Treasurer to Advise

### 4) PURPOSE OF REPORT

This report outlines the accounts being brought forward for write-off and the rationale for the staff recommendation.

### 5) DISCUSSION

Three years ago staff began the process of cleaning up the accounts receivable sub-ledgers for the Town's operating fund and the Water Utility operating fund. In December 2011 a list of Sundry Accounts Receivable (non-property tax or Water/Sewer) was approved for write off by Council. At that time staff noted that additional lists would be brought forward, consisting of water/sewer accounts and property tax accounts.

A year ago Council, after review by the Audit Committee, approved a list of Water/Sewer Accounts Receivable for write off. This list represented inactive accounts, the vast majority of which were from 2010 and earlier years.

The list of bad debts included with this RFD is comprised of inactive business occupancy tax accounts. Similar to the receivable accounts dealt with in 2011 and 2013, the business occupancy account have not been cleared of bad debts for a number of years. The dollar amount is a reflection of the number of years these accounts were not dealt with, not an indication of any annual amount that may be at risk. The total balance of bad debts is \$34,505.63

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It should be noted that the use of business occupancy (BO) was phased out a recently, with the majority of business occupancy assessments ending in 2009. There were a number of reasons for the elimination of Bus. Occ. Assessments/taxes including:

- Unlike real property taxes, BO taxes were not subject to the tax sale process and therefore they were prone to become bad debts.
- The Assessment Office (currently PVSC, formerly provincial Dept) struggled to keep this data base current. The assessments were based on opening and closing of businesses and were billed to the owner of the individual business, not the property owner. It was not unusual to bill a new business a year or more after it opened and in some cases after it had closed.

In accordance with Section 3.10 – Asset Valuation Allowance (Financial Reporting and Accounting Manual) and accounting best practices, the Town has previously set up an allowance for doubtful accounts related to these business occupancy balances. This was done over a number of years with the doubtful accounts allowance reaching a high of \$41,268 (year ended March 31, 2011). This was reduced in fiscal 2012/13 after \$9,000 of the old accounts had been collected. This recovery was related to a company which both owned the property and had the business occupancy account and staff were able to direct cash receipts first to unsecured business occupancy taxes and then back to commercial taxes after the BO had been collected.

The net impact on the Town's year end surplus for the 2013/14 is \$2,505 expense (\$34,505 write off less allowance already set up of \$32,000).

With regard to the bad debt accounts covered under this report, no procedures are necessary moving further as the taxable assessment class no longer exists, i.e. there will be no future receivables generated in this area. Staff continue to work on improving the day to day procedures around collections of all other accounts receivable balances. Future updates will be brought forward in quarterly updates to demonstrate the success (or weaknesses) of these procedures. It should be noted that the Town of Wolfville ranks as one of the best Town's in terms of uncollected taxes (Provincial Financial Condition Index) where the Town's score is 4.8% versus the town's average of 9.7 and the provincial benchmark of 10. This is based on fiscal 2011/12 data, at which point our outstanding taxes were higher than our 5 year average.

## 6) POLICY CONSIDERATIONS

None.

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#### **7) BUDGET CONSIDERATIONS**

None, as bad debt write-off amount is effectively covered by existing Valuation Allowance for Doubtful Accounts.

#### **8) SUMMARY**

The list included with this report completes the steps started three years ago to improve both the Town's accounting records and collection of arrears balances.

System: 4/2/2014 12:33:09 PM Town of Wolfvil Page:

User: Mike

All Roll #'s End Date: 3/31/2014

**Tax Roll Historical Trial Balance**

All Customers All Balances

All Tax Classes All Roll Statuses

Roll #	2014	2013	2012	2011	2010 Total	Class	Last Pymt rec'd	Last billed issued	
5882885	\$0.00	\$0.00	\$0.00	\$0.00	\$6,496.39	\$6,496.39 ODTD BO	2009		
8076758	\$0.00	\$0.00	\$0.00	\$0.00	\$4,261.06	\$4,261.06 DTN BO	2002	2003	
8141193	\$0.00	\$0.00	\$0.00	\$0.00	\$3,149.33	\$3,149.33 DTN BO	2005	2009	
9638725	\$0.00	\$0.00	\$0.00	\$0.00	\$3,115.89	\$3,115.89 DTN BO	2005	2006	
6449158	\$0.00	\$0.00	\$0.00	\$0.00	\$2,216.22	\$2,216.22 BO	1995	before 1995	
10063906	\$0.00	\$0.00	\$0.00	\$0.00	\$2,098.10	\$2,098.10 DTN BO	none		
10240913	\$0.00	\$0.00	\$0.00	\$0.00	\$1,927.03	\$1,927.03 DTN BO	2009	2009	
9299904	\$0.00	\$0.00	\$0.00	\$0.00	\$1,853.98	\$1,853.98 DTN BO	2006	2005	
9639578	\$0.00	\$0.00	\$0.00	\$0.00	\$1,684.80	\$1,684.80 DTN BO	none	2005	
9637648	\$0.00	\$0.00	\$0.00	\$0.00	\$1,366.86	\$1,366.86 DTN BO	2008	2008	
8139202	\$0.00	\$0.00	\$0.00	\$0.00	\$1,215.05	\$1,215.05 DTN BO	2003	2002	
9299955	\$0.00	\$0.00	\$0.00	\$0.00	\$1,072.34	\$1,072.34 DTN BO	2002	2002	
10240905	\$0.00	\$0.00	\$0.00	\$0.00	\$1,060.51	\$1,060.51 DTN BO	none	2009	
9301895	\$0.00	\$0.00	\$0.00	\$0.00	\$719.53	\$719.53 DTN BO	2003	2004	
8076715	\$0.00	\$0.00	\$0.00	\$0.00	\$615.66	\$615.66 DTN BO	2003	2003	
9640150	\$0.00	\$0.00	\$0.00	\$0.00	\$451.11	\$451.11 ODTD BO	none	2004	
8134596	\$0.00	\$0.00	\$0.00	\$0.00	\$446.57	\$446.57 DTN BO	2002	2002	
9303618	\$0.00	\$0.00	\$0.00	\$0.00	\$227.62	\$227.62 DTN BO	2006	2006	
9299885	\$0.00	\$0.00	\$0.00	\$0.00	\$168.37	\$168.37 DTN BO	2003	2003	
9298517	\$0.00	\$0.00	\$0.00	\$0.00	\$104.58	\$104.58 DTN BO	2003	2004	
9298509	\$0.00	\$0.00	\$0.00	\$0.00	\$88.53	\$88.53 DTN BO	2002	2001	
9640517	\$0.00	\$0.00	\$0.00	\$0.00	\$67.92	\$67.92 DTN BO	2005	2005	
5556767	\$0.00	\$0.00	\$0.00	\$0.00	\$51.63	\$51.63 ODTD BO	2008	2009	
8086346	\$0.00	\$0.00	\$0.00	\$0.00	\$14.80	\$14.80 DTN BO			
9303308	\$0.00	\$0.00	\$0.00	\$0.00	\$11.22	\$11.22 DTN BO			
6348017	\$0.00	\$0.00	\$0.00	\$0.00	\$7.00	\$7.00 DTN BO			
9639039	\$0.00	\$0.00	\$0.00	\$0.00	\$5.09	\$5.09 DTN BO			
9302379	\$0.00	\$0.00	\$0.00	\$0.00	\$3.53	\$3.53 DTN BO			
9639128	\$0.00	\$0.00	\$0.00	\$0.00	\$1.74	\$1.74 DTN BO			
9640207	\$0.00	\$0.00	\$0.00	\$0.00	\$1.65	\$1.65 DTN BO			
8138621	\$0.00	\$0.00	\$0.00	\$0.00	\$1.52	\$1.52 DTN BO			
<b><u>TOTAL</u></b>							<b>\$34,505.63</b>		