



Audit Committee Meeting

Friday, May 25, 2018

9:00 a.m.

Council Chambers, Town Hall

359 Main Street

Agenda

1. Approval of the Agenda

2. Approval of Minutes

- a. Audit Committee Meeting January 26, 2018

3. Question Period

Procedure: A thirty-minute time period will be provided for members of the public to address the Audit Committee regarding questions, concerns and/or ideas. Each person will have a maximum of two minutes to address the Committee with a second two-minute time period provided if there is time remaining within the thirty-minute Public Input/Question Period timeframe

4. New Business:

- a. 2017/18 Audit Planning – Review/Discussion with Town Auditors
- b. Information Report – March 31/18 Doubtful Accounts Review

5. Next Regular Meeting – Possible Dates Friday, June 22, 29 or July 6 2018

6. Adjournment

INFORMATION REPORT

Title: Annual Doubtful Account Review March 31/18
Date: 2018-05-28
Department: Finance



SUMMARY

Doubtful Accounts Review – March 31/18

Annually the Audit Committee receives a report dealing with accounts receivable, with this being the 3rd year in a row for the Committee to cover this topic prior to the start of the year end audit fieldwork. Presentation of this information helps to act as an internal control for the Town, i.e. the timely review of accounts receivable arrears that may no longer be collectible, i.e. ultimately bad debts. It should be noted that the Town of Wolfville's success at receivable recoveries is a positive one, which is supported by one of the provincial Financial Indicators, Uncollected Taxes.

Regardless of positive efforts to date, continual review of all accounts receivable (A/R) is a process that should occur every year, and this update to the Audit Committee is part of that process. This report will provide summary level information on Taxes outstanding, Water/Sewer Receivables, and Sundry A/R.

As has been the case in past years, the collection procedures around Water/Sewer Receivables and Sundry Receivables still need attention. That said, there have been no material amounts to deal with and any procedural changes will enhance what has been a relatively successful record of collecting amounts due to the Town.

No amounts are being brought forward for formal write-off, although is likely to occur sometime over the next year as a means to clean up old arrears.

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1) CAO COMMENTS

This report is for information purposes only.

2) REFERENCES AND ATTACHMENTS

- Municipal Government Act (MGA) – Section 38 Duty of Treasurer to Advise
- NS Utility and Review Board (NSUARB) Accounting and Reporting Handbook
- Town of Wolfville Water Utility Rules and Regulations (approved by NSUARB in 2002).
- Provincial Municipal Financial Condition Indicators

3) DISCUSSION

As noted in the opening summary, this report forms part of the process of managing accounts receivable for the Town. By bringing this to Audit Committee it provides public accountability/transparency with reference to amounts owed to the Town. If required, a future RFD would include specific customer names and amounts owed.

Property Tax Receivables

The issue of bad debts as it relates to outstanding tax arrears has basically disappeared. The ability to carry out a tax sale ensures that arrears can ultimately be collected. ***The risk area that remains is in instances where the market value of a property is impaired below the taxes owing.*** A review of the March 31, 2018 Tax A/R indicates that such a situation does not exist at present. Market values, based on informal review of monthly deed transfer tax data, would indicate that any property potentially on the Town's next tax sale list could be sold for more than the taxes owed.

Each year the Tax A/R listing is reviewed for properties that hit the tax sale threshold outlined in the Town's Tax Sale Policy (essentially taxes o/s > 2 years).

This year's review of the March 31, 2018 Tax Receivable subledger yields the following info:

- 5 potential accounts have⁴ been identified for the 2018/19 tax sale process. A year ago there were 9 such accounts identified.
- The 2017/18 Process is still ongoing with title searches recently completed as required by the MGA. Of the 9 properties included in the start of the Tax Sale Process;
 - four were taken out of the process once required payments were received by the Town
 - five were sent for title searches to confirm title details
 - two of the five accounts were subsequently paid after the owners received notification of the title search phase
 - The remaining three accounts will continue thru the process with a tax sale date yet to be determined.

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- The 2018/19 Process will start in June with notifications going out to owners in accordance with procedures laid out in the MGA. A review of the five identified accounts will take place over the next month, after which any that are confirmed to meet the requirements of the Town Policy for sale, will receive Preliminary Tax Sale Notices
- Once the tax sale process starts, title searches are completed, and formal notices go out, the owners will be required to pay the balance in full including costs incurred by Town to carry out process.
- In terms of timeframe, the tax sale process typically takes a number of months, both to meet MGA required steps and staff time to carry out the work.
- Notwithstanding prepaid customer accounts, the Town shows \$256,900 outstanding at March 31, 2018 (compares to \$259,000 a year ago). Total taxes billed for the year was just approx. \$7.2 million (including area rates).

In comparison to other towns in the province, Wolfville continues to rank as one of the most effective in collection of taxes. Of the 26 towns, only 6 have lower arrears balances (based on March 31, 2017 data). The Town's uncollected taxes ratio (arrears) as at March 31/17 was 4.9%, compared to the overall town's average of 7.2% (refer to provincial financial indicators).

Water/Sewer Accounts, inactive

Collection of water/sewer receivables is similar to taxes, i.e. no serious arrears issues have arisen in the last few years.

The net amount owed to the Town, before applying all customer deposits, for **inactive** Water/Sewer A/R is \$4,070 (was \$3,770 a year ago and \$4,515 two years ago). A portion of these accounts have small amounts owing back to customers. This balance breakdowns as follows:

- Accounts with credit balances (owing back to customers) = \$2,563
- Amounts owed to Town = \$6,633 (was \$6,370 a year ago)
 - Of this amount, \$525 is secure by virtue of customer deposits not yet applied to arrears
 - Since March 31st, \$2,332 has been collected/received
 - Bad debt risk maximum is \$3,700 (was \$3,900 a year ago)
 - Currently the Town (combined Sewer & Water g/l's) has an Allowance for Doubtful Accounts = \$8,000, therefore full risk has already been covered

There is still a need for staff to formally review the listing, apply deposits to arrears and bring back what should be considered the list of accounts to formally write off.

It should be noted that the balance of inactive account arrears from a year ago was reduced by virtue of payments received totaling \$1,717.

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Sundry A/R Accounts

This subledger covers all the customer invoices the Town issues that are not Property Taxes or Water/Sewer consumption accounts. It covers a variety of items from services provided to other municipalities, water/sewer service hookups, dog tags, and any other one-off invoices that may be required.

At March 31, 2018 Sundry A/R totaled just over \$87,500 (compared to \$178,000 a year ago) . Of this amount:

- \$83,200 has been collected since year end
- A handful of other accounts require follow up with customer before they might be noted as a bad debt.

Overall Summary

The following comment, taken from last year's Info Report, still applies;

Same comment as last year applies, further work required before specific bad debts are brought back for write-off approval. Also applicable, is the need to start using a collection agency effectively. This will improve collection especially on water/sewer accounts where the person has since moved away. The other benefit will be freeing up staff times currently being consumed by phone call follow up.

4) FINANCIAL IMPLICATIONS

As noted above, the amounts currently set up as an Allowance for Doubtful Accounts in the Town & Water funds is adequate to cover any bad debt that may arise from arrears. Therefore there will be no impact to the Town's bottom line from these arrears.

5) REFERENCES TO COUNCIL STRATEGIC PLAN AND TOWN REPORTS

Nothing provided at this time.

6) COMMUNICATION REQUIREMENTS

Nothing required at this time.

7) FUTURE COUNCIL INVOLVEMENT

Once a formal list of bad debts has been prepared, it will be brought forward to the Committee for recommendation to write-off. Ultimately this recommendation would go to Council.