



Indicators of Financial Performance



Reporting on financial condition

In Canada, the development and maintenance of principles for financial reporting fall under the responsibility of the Accounting Standards Oversight Council ('AcSOC'), a volunteer body established by the Canadian Institute of Chartered Accountants in 2000. In this role, AcSOC provides input to and monitors and evaluates the performance of the two boards that are tasked with establishing accounting standards for the private and public sector:

- The Public Sector Accounting Board ('PSAB') establishes accounting standards for the public sector, which includes municipal governments; and
- The Accounting Standards Board ('AcSB'), which is responsible for the establishment of accounting standards for Canadian entities outside of the public sector.

In May 2009, PSAB released a Statement of Recommended Practice that provided guidance on how public sector bodies should report on indicators of financial condition. As defined in the statement, financial condition is 'a government's financial health as assessed by its ability to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others'. In reporting on financial condition, PSAB also recommended that three factors, at a minimum, need to be considered:

- **Sustainability:** Sustainability is the degree to which the City can deliver services and meet its financial commitments without increasing its debt or tax burden relative to the economy in which it operates. To the extent that the level of debt or tax burden grows at a rate that exceeds the growth in the City's assessment base, there is an increased risk that the City's current spending levels (and by association, its services, service levels and ability to meet creditor obligations) cannot be maintained.
- **Flexibility:** Flexibility reflects the City's ability to increase its available sources of funding (debt, taxes or user fees) to meet increasing costs. Municipalities with relatively high flexibility have the potential to absorb cost increases without adversely impacting affordability for local residents and other ratepayers. On the other hand, municipalities with low levels of flexibility have limited options with respect to generating new revenues, requiring an increased focus on expenditure reduction strategies.
- **Vulnerability:** Vulnerability represents the extent to which the City is dependent on sources of revenues, predominantly grants from senior levels of government, over which it has no discretion or control. The determination of vulnerability considers (i) unconditional operating grants such as OMPF; (ii) conditional operating grants such as Provincial Gas Tax for transit operations; and (iii) capital grant programs. Municipalities with relatively high indicators of vulnerability are at risk of expenditure reductions or taxation and user fee increases in the event that senior levels of funding are reduced. This is particularly relevant for municipalities that are vulnerable with respect to operating grants from senior levels of government, as the Municipal Act does not allow municipalities to issue long-term debt for operating purposes (Section 408(2.1)).



Financial Indicators

Selecting Financial Indicators

As a means of reporting the City's financial condition, we have considered the following financial indicators (*denotes PSAB recommended financial indicator).

Sustainability:

1. Financial assets to financial liabilities*
2. Total reserves and reserve funds per household
3. Total operating expenses as a percentage of taxable assessment*
4. Capital additions as a percentage of amortization expense

Flexibility:

5. Residential taxes per household
6. Total long-term debt per household
7. Residential taxation as a percentage of average household income
8. Total taxation as a percentage of total assessment*
9. Debt servicing costs (interest and principal) as a percentage of total revenues*
10. Net book value of tangible capital assets as a percentage of historical cost of tangible capital assets*

Vulnerability:

11. Operating grants as a percentage of total revenues*
12. Capital grants as a percentage of total capital expenditures*

A detailed description of these financial indicators, as well as comparisons to selected municipalities and trending over time, is included on the following pages. We have also included financial highlights over the statement of financial position, the statement of operations, expenses and capital assets. Our analysis is based on Financial Information Return data for the last five years of annual submissions.



Summary

2017

2018

2019

2020

2021

Selecting Comparator Municipalities

There are a number of factors that will influence the financial performance and position of municipalities, including but not limited to geographic size, number of households, delegation of responsibilities between upper and lower tier levels of government and services and service levels. Accordingly, there is no 'perfect' comparative municipality for the City. However, in order to provide some perspective as to the City's financial indicators, we have selected comparator municipalities that have comparable:

- Governance structures (i.e. single-tier municipality);
- Household levels; and
- Geographic size.

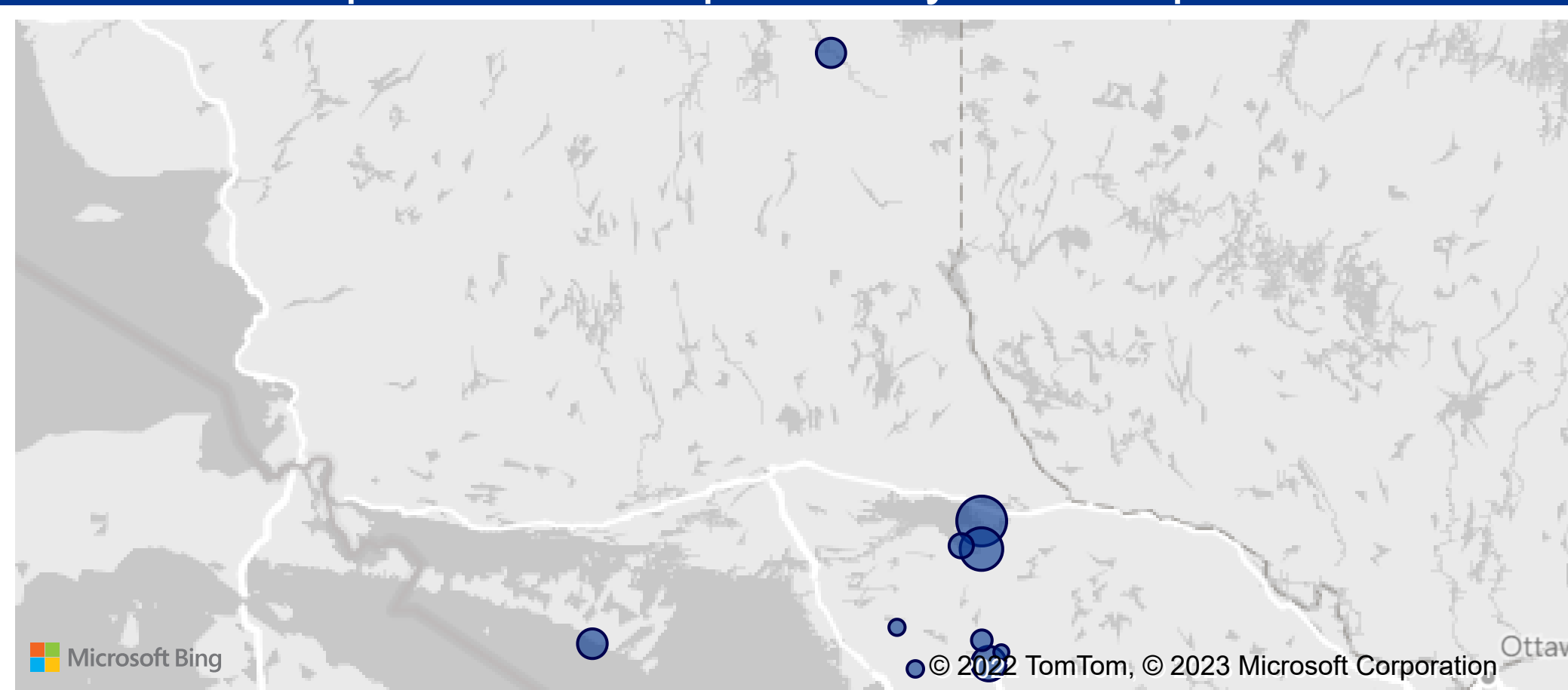
Based on these considerations, the selected comparator municipalities are as follows:



General Stats

Municipality	Municipal status	Subdivision	Total Households	Youth Population	Total Population	Land area (km ²)	Population density (km ²)
Callander	Single Tier	Municipality	1,815	415	3,964	105.98	36.50
Armour	Single Tier	Township	1,087	60	1,459	164.64	8.60
McKellar	Single Tier	Township	1,648	45	1,106	180.88	6.10
Perry	Single Tier	Township	1,750	145	2,650	187.22	13.10
Powassan	Single Tier	Municipality	1,381	525	3,346	224.56	15.40
Nipissing	Single Tier	Township	1,333	210	1,769	393.80	4.30
Central Manitoulin	Single Tier	Municipality	1,603	230	2,235	431.11	4.80

Comparator Municipalities by Total Population



Data Sources

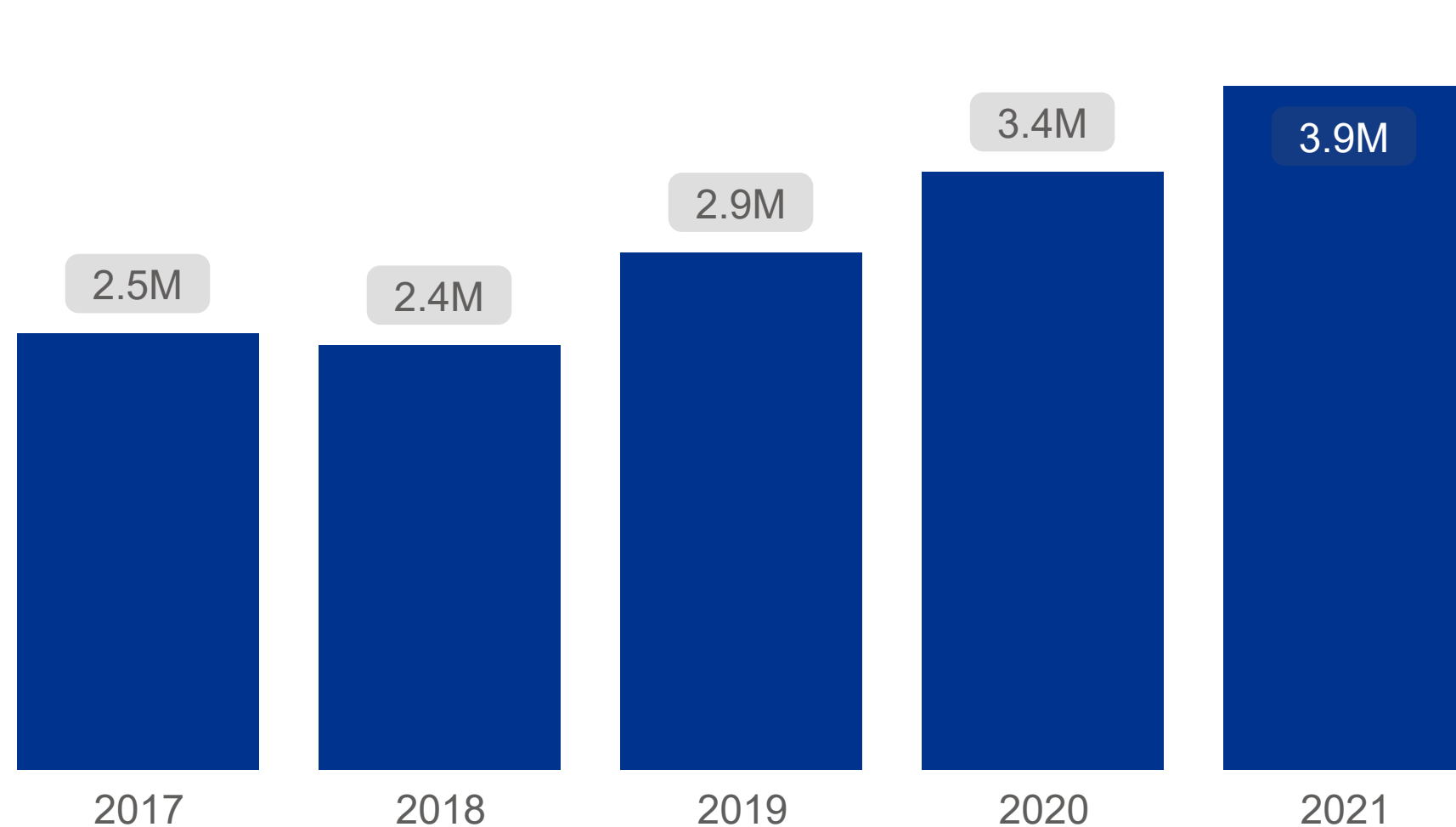
The stats above were obtained from the following sources:

- **Total Households** - FIR data, Schedule 02, Line 0040, Column 1
- **Total Population** - FIR data, Schedule 02, Line 0041, Column 1
- **Youth Population** - FIR data, Schedule 02, Line 0042, Column 1
- **Land area (km²)** - Stats Canada
- **Population density (km²)** - Stats Canada

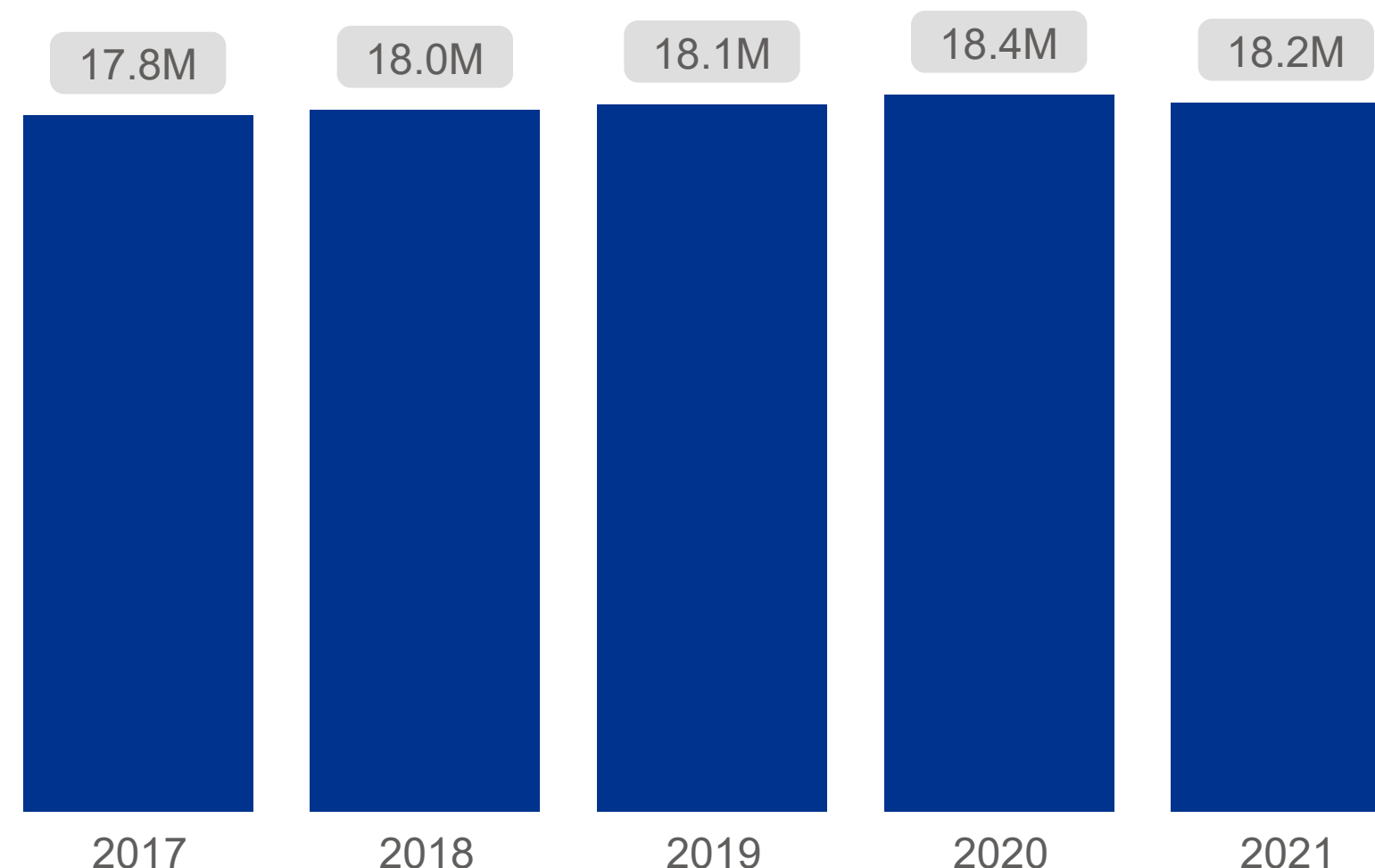


Financials Trends

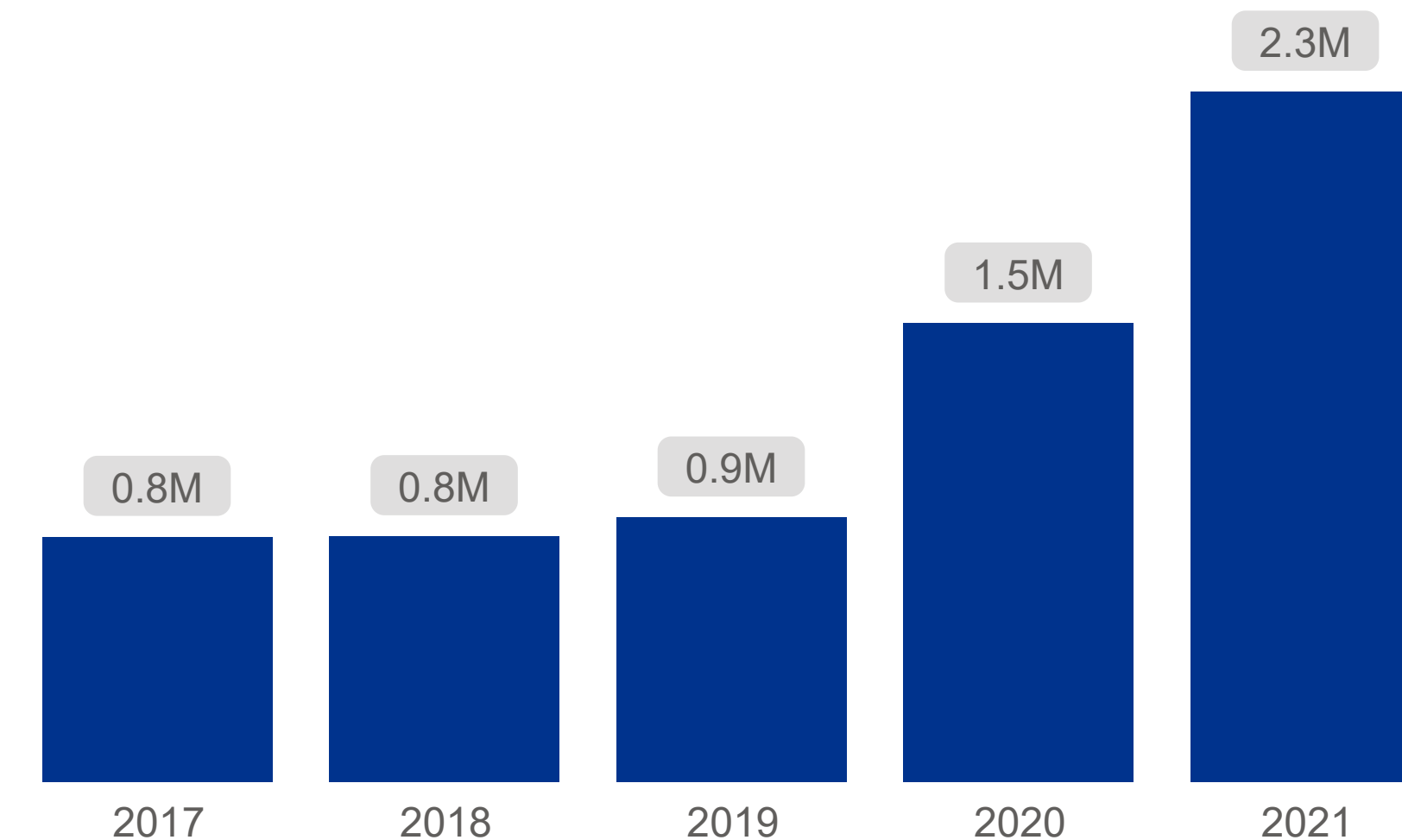
Total Financial Assets



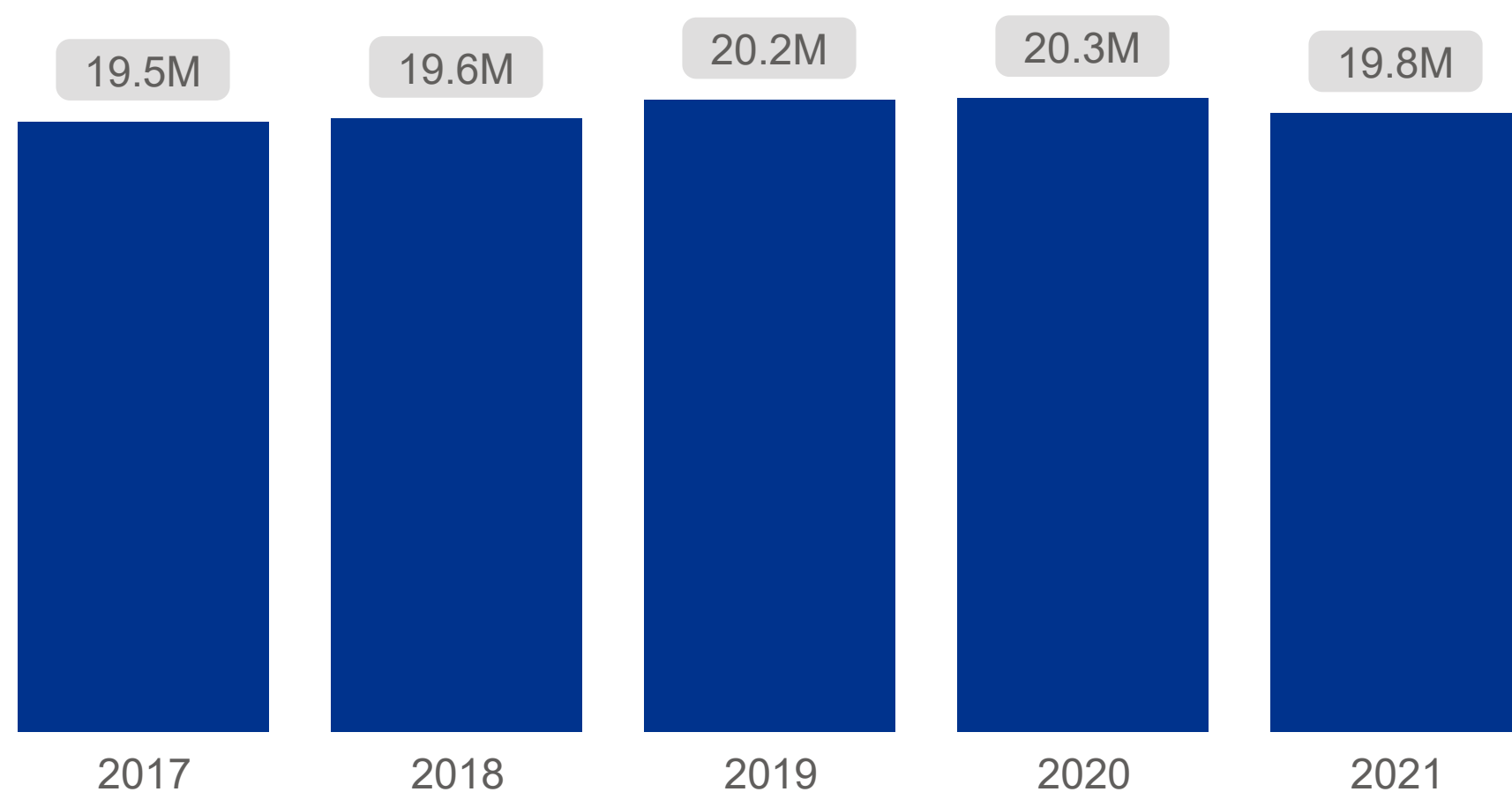
Total Non-financial Assets



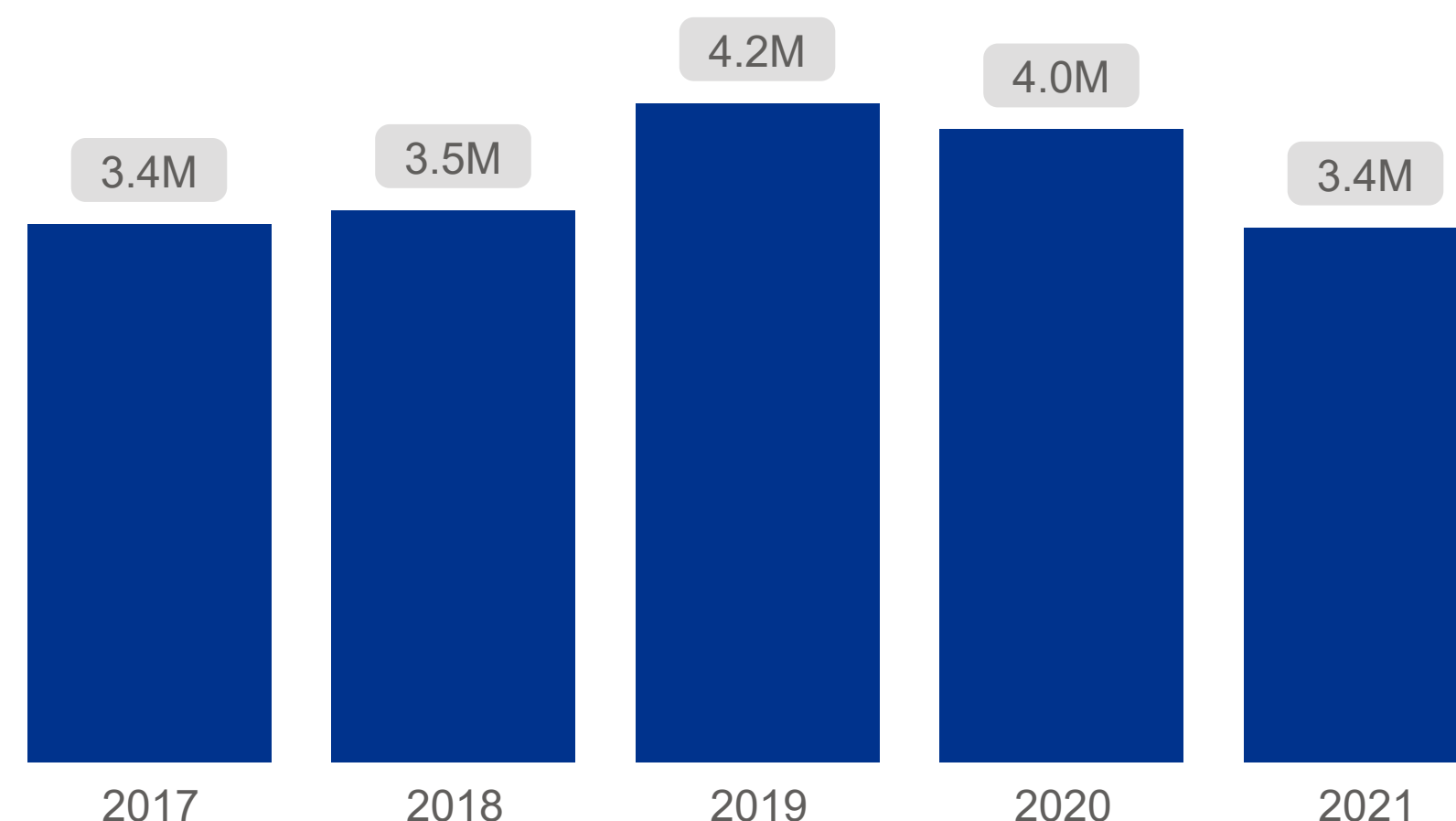
Total Liabilities



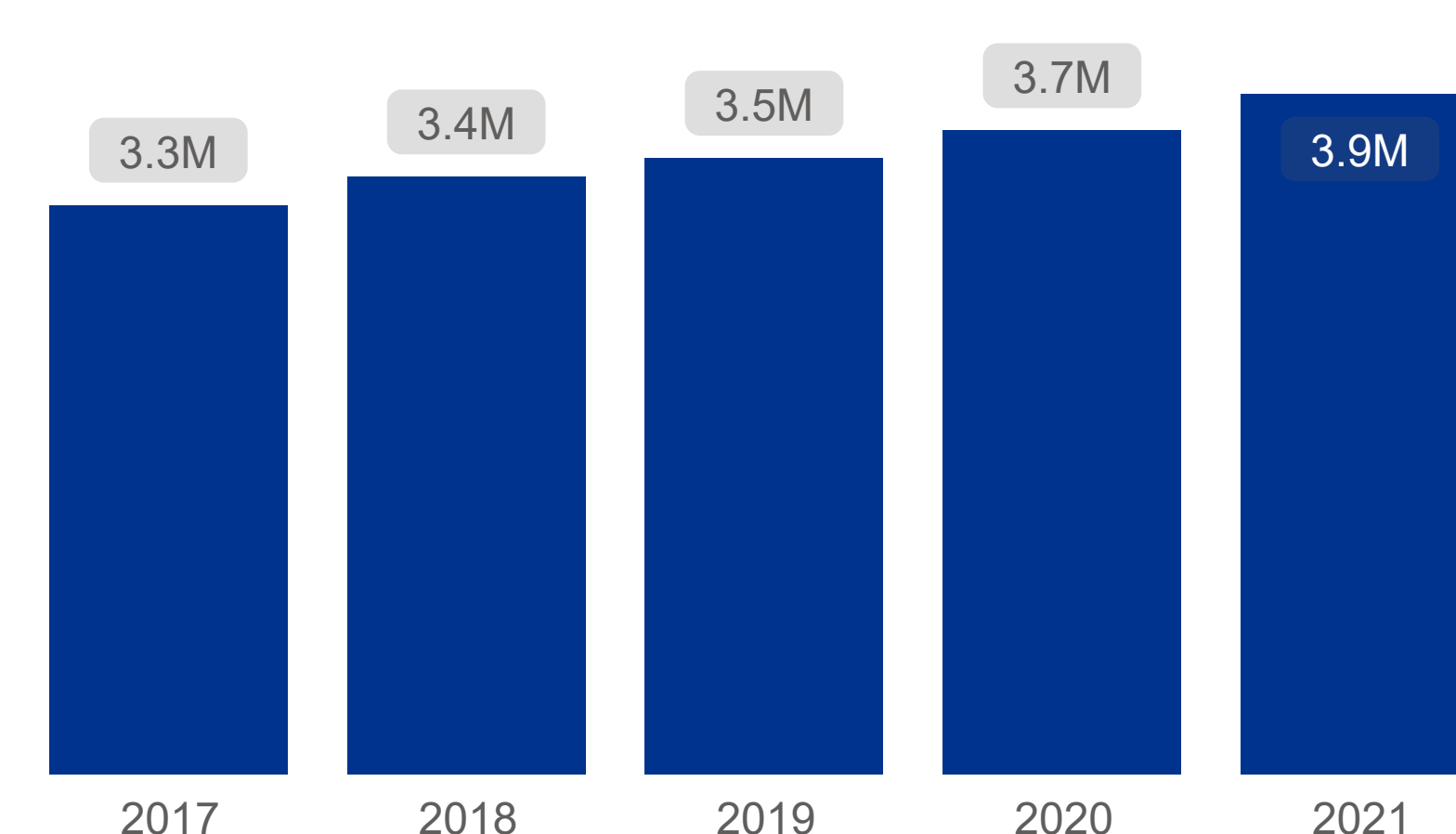
Total Accumulated Surplus/(Deficit)



Revenue



Expenses





Financial Summary

2017

2018

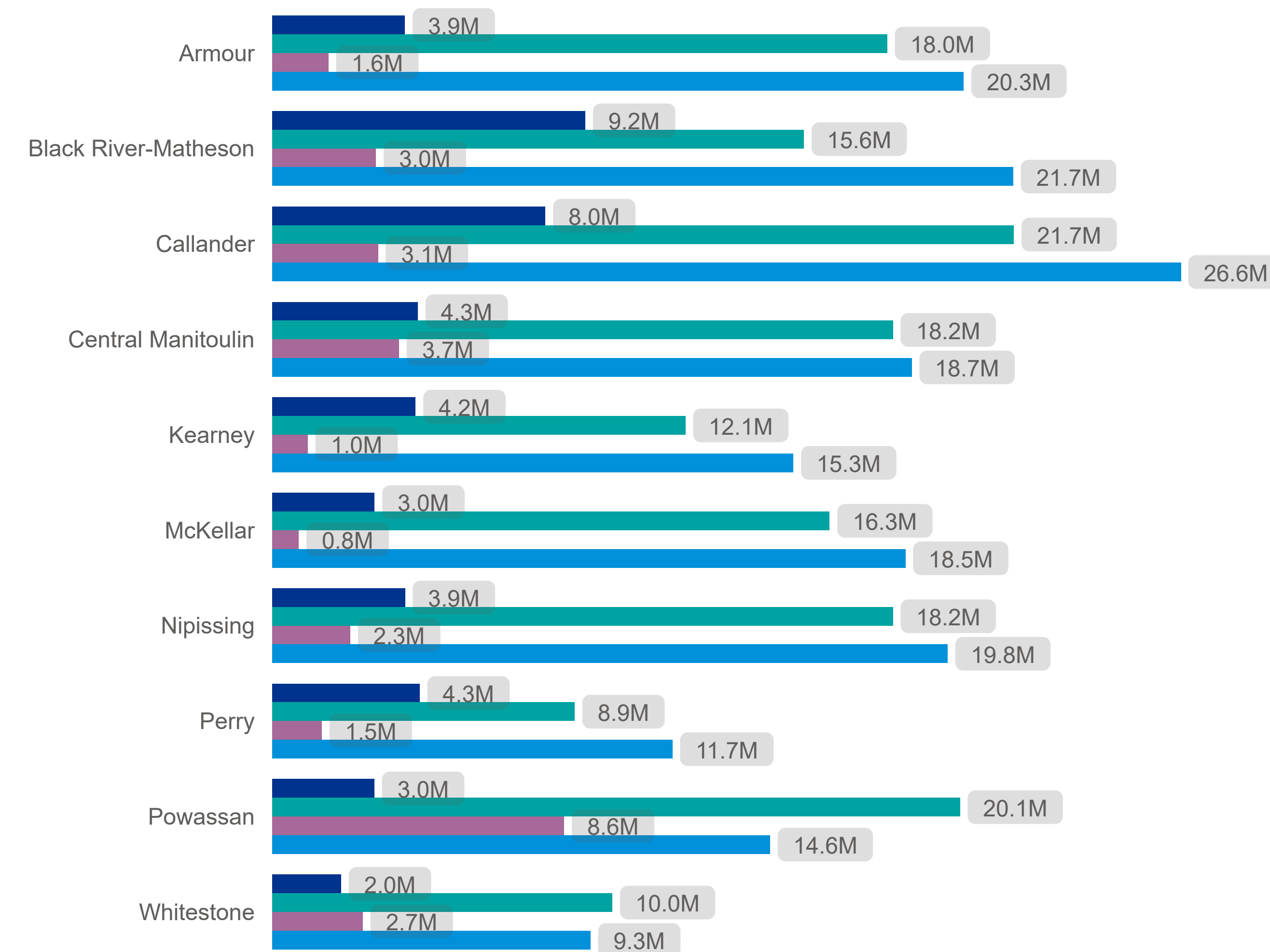
2019

2020

2021

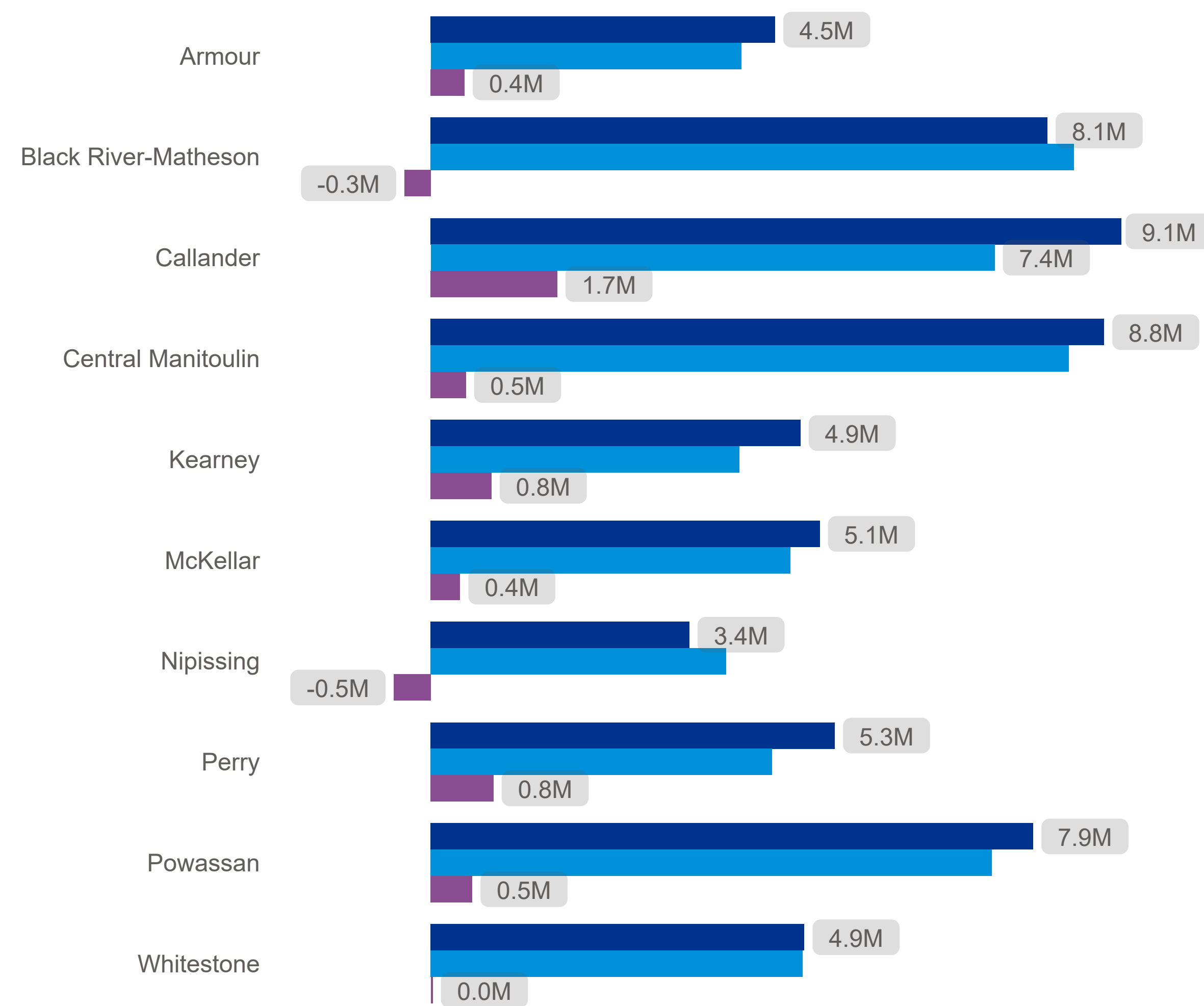
Balance Sheet

● Total Financial Assets ● Total Non-financial Assets ● Total Liabilities ● Total Accumulated Surplus/(Deficit)



Income Statement

● Revenue ● Expenses ● Net Income





Functional Capital Assets

2017

2018

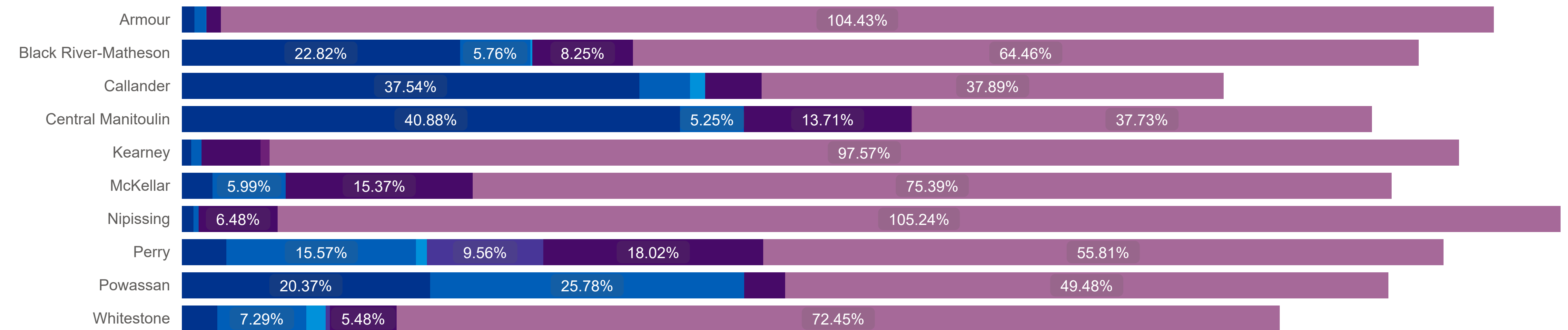
2019

2020

2021

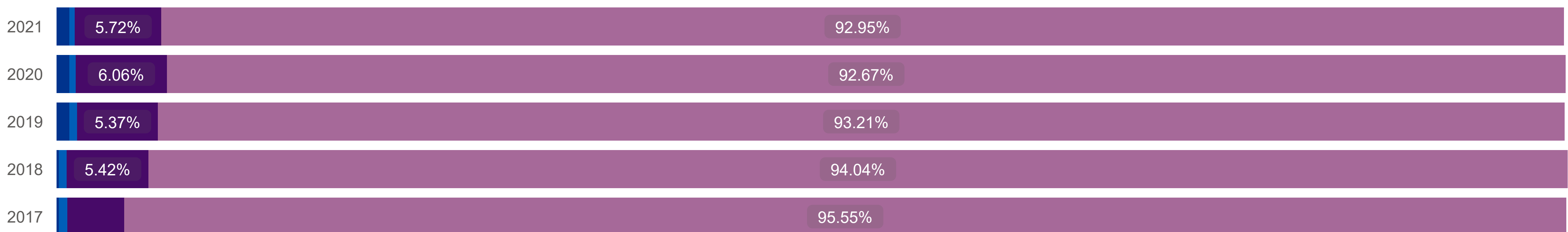
Functional Capital Assets

● Environmental Service ● General Government ● Health Service ● Planning and Development ● Protection Service ● Social and Family Service ● Transportation Service



Functional Capital Asset Trend

● Environmental Service ● General Government ● Protection Service ● Transportation Service





Expenses Analysis (%)

2017

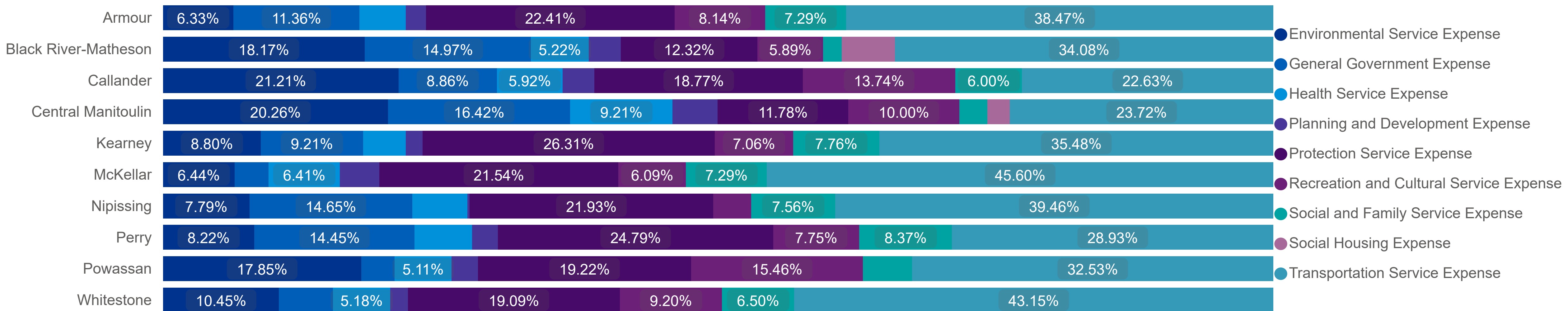
2018

2019

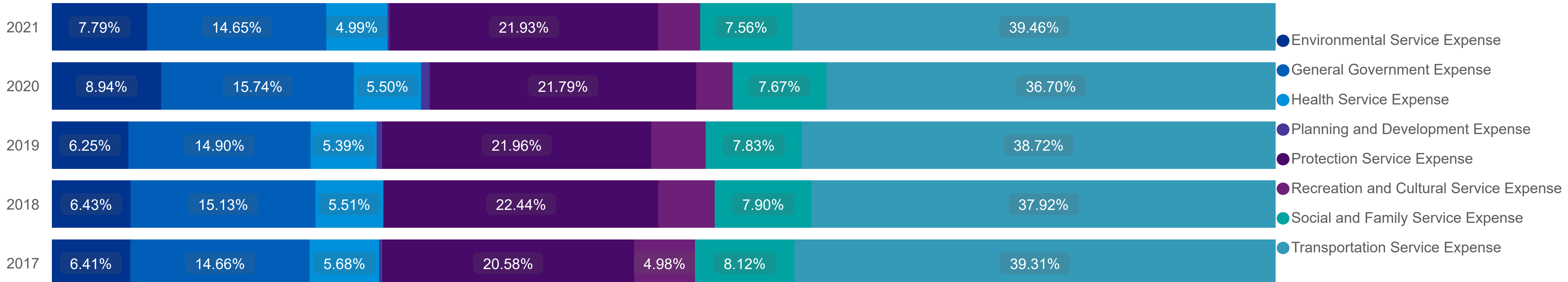
2020

2021

Expenses



Expenses Trend





Expense Trends (\$)

2017

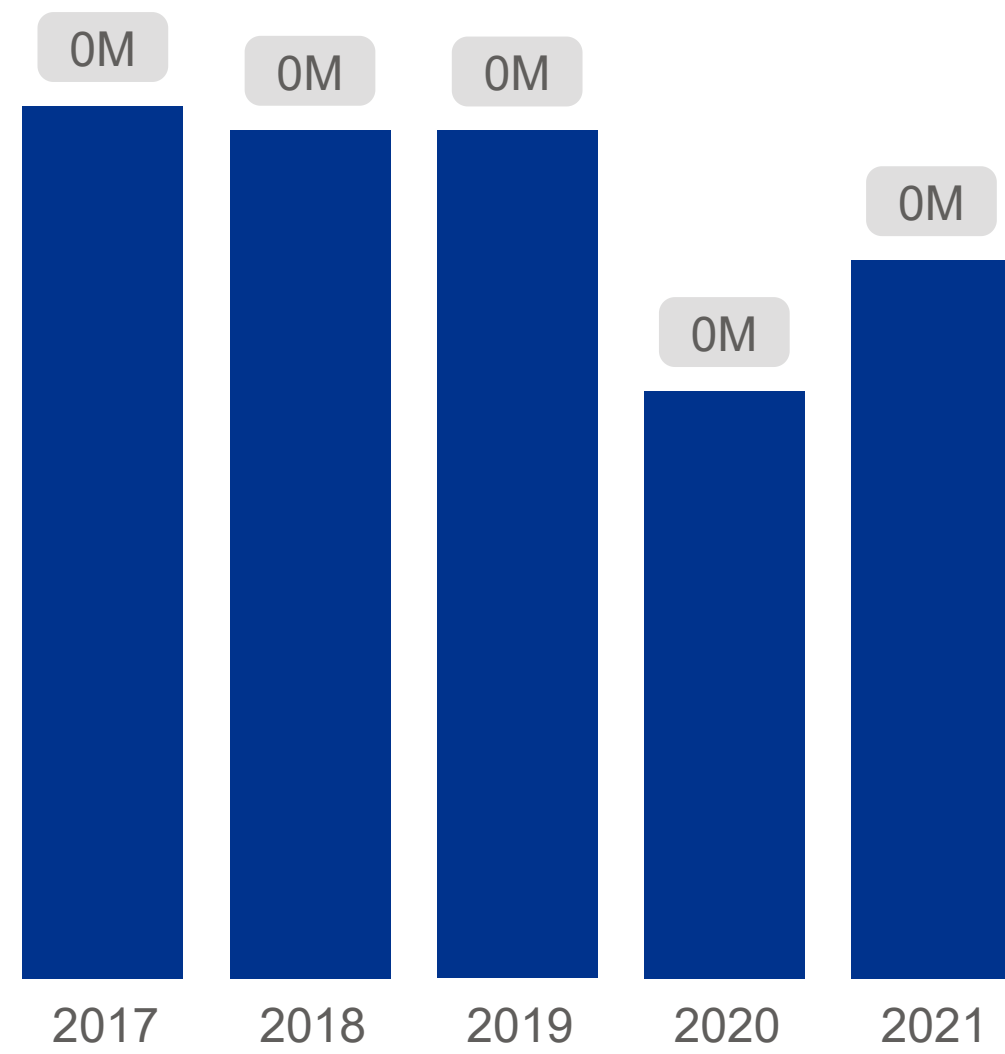
2018

2019

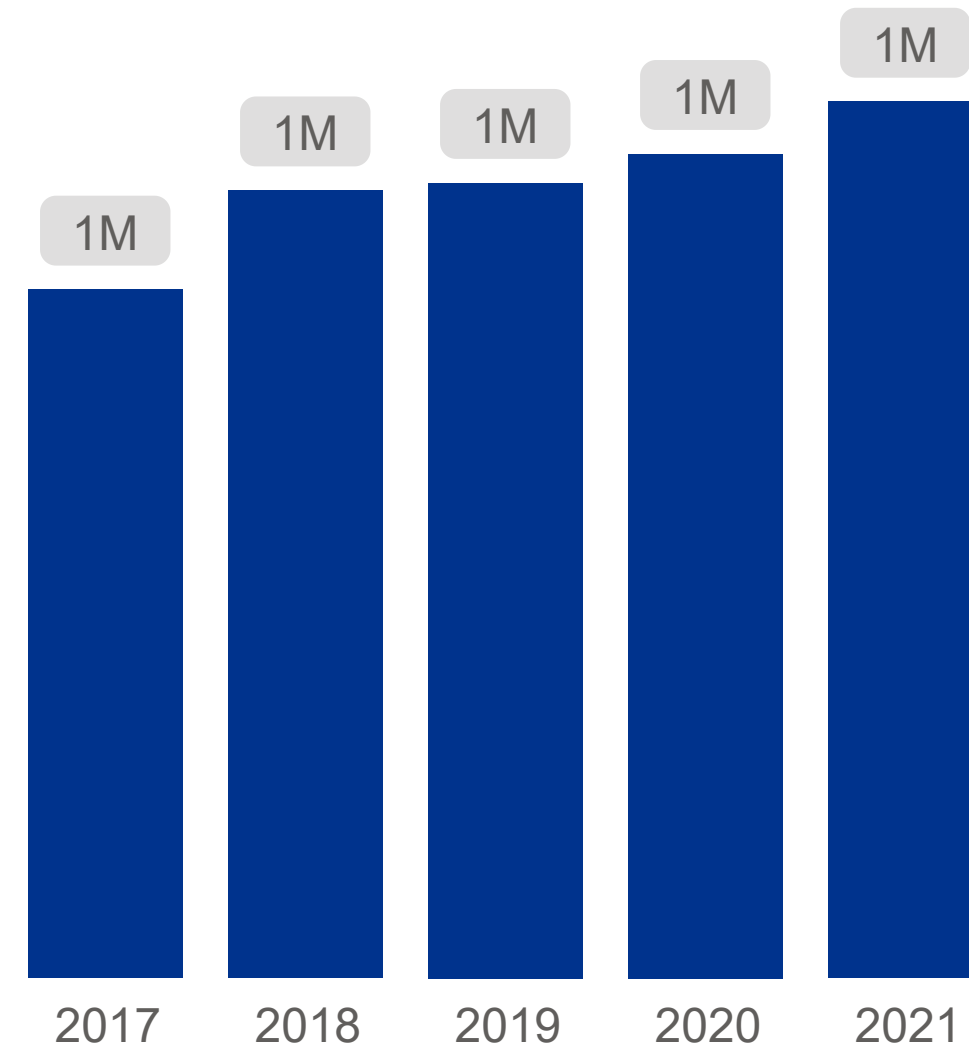
2020

2021

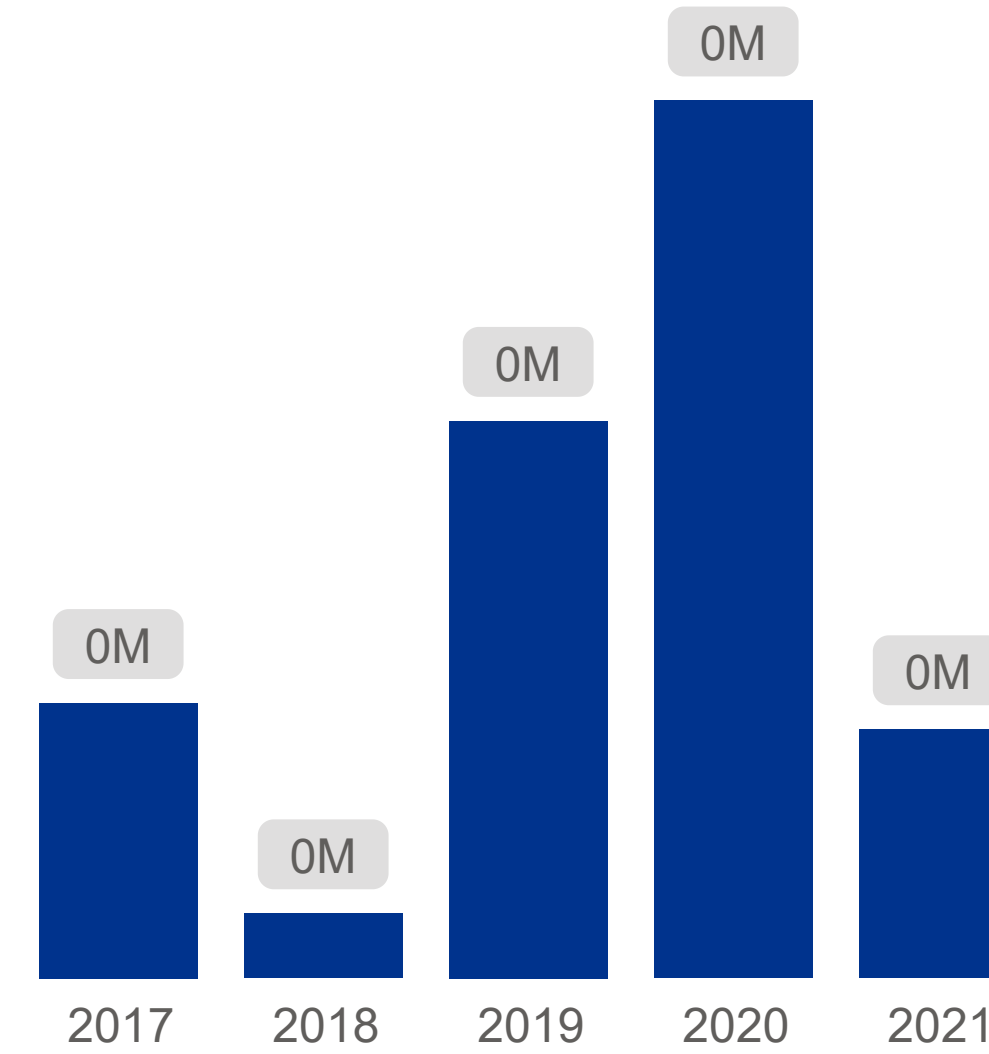
Recreation and Cultural Services



Protection Services



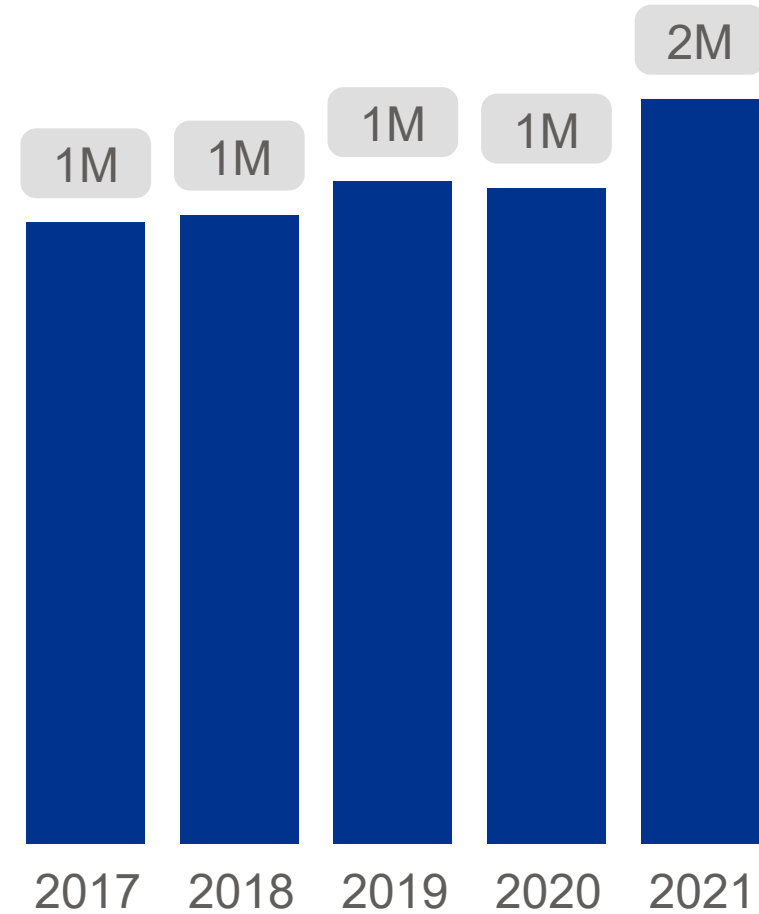
Planning and Development



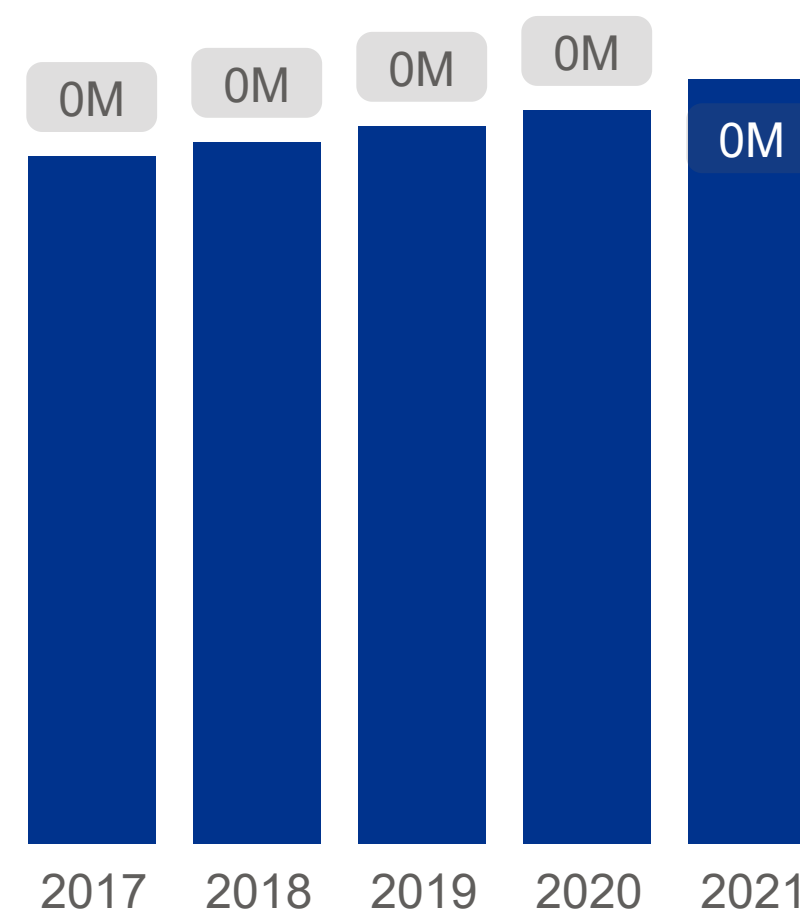
Environmental Services



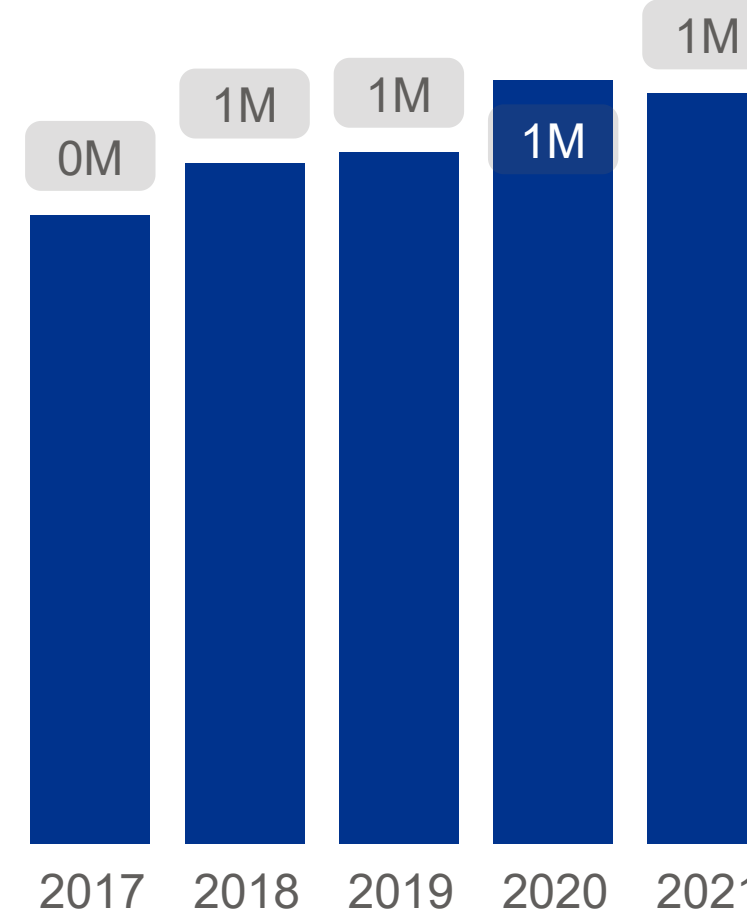
Transportation Services



Social and Family Services



General Government



Social Housing

Health Services





Financial Assets to Liabilities

2017

2018

2019

2020

2021

SUMMARY

This financial indicator provides an assessment of the City's solvency by comparing financial assets (including cash, investments and accounts receivable) to financial liabilities (accounts payable, deferred revenue and long-term debt). Low levels of financial assets to financial liabilities are indicative of limited financial resources available to meet cost increases or revenue losses.

FORMULA

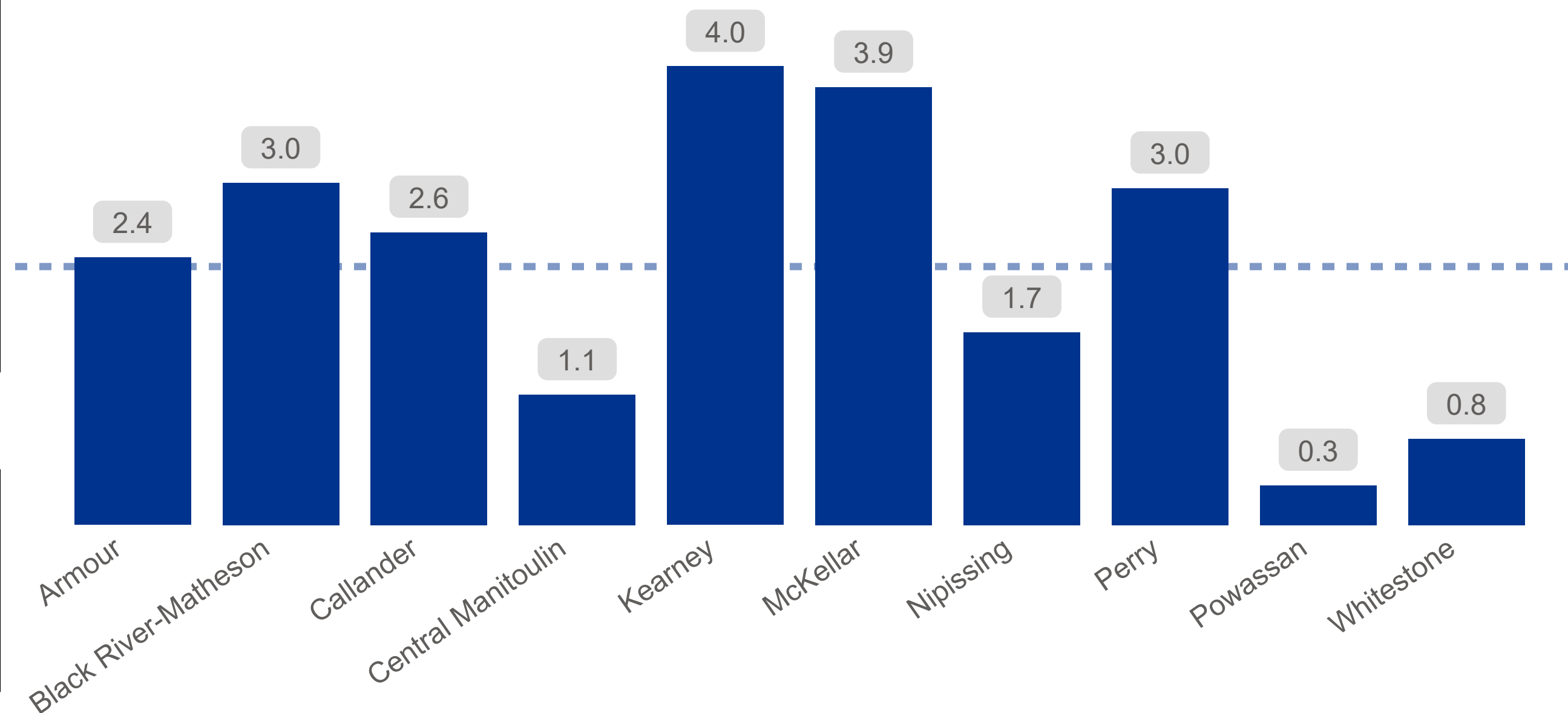
FIR Schedule 70, Line 9930, Column 1 divided by FIR Schedule 70, Line 9940, Column 1

POTENTIAL LIMITATIONS

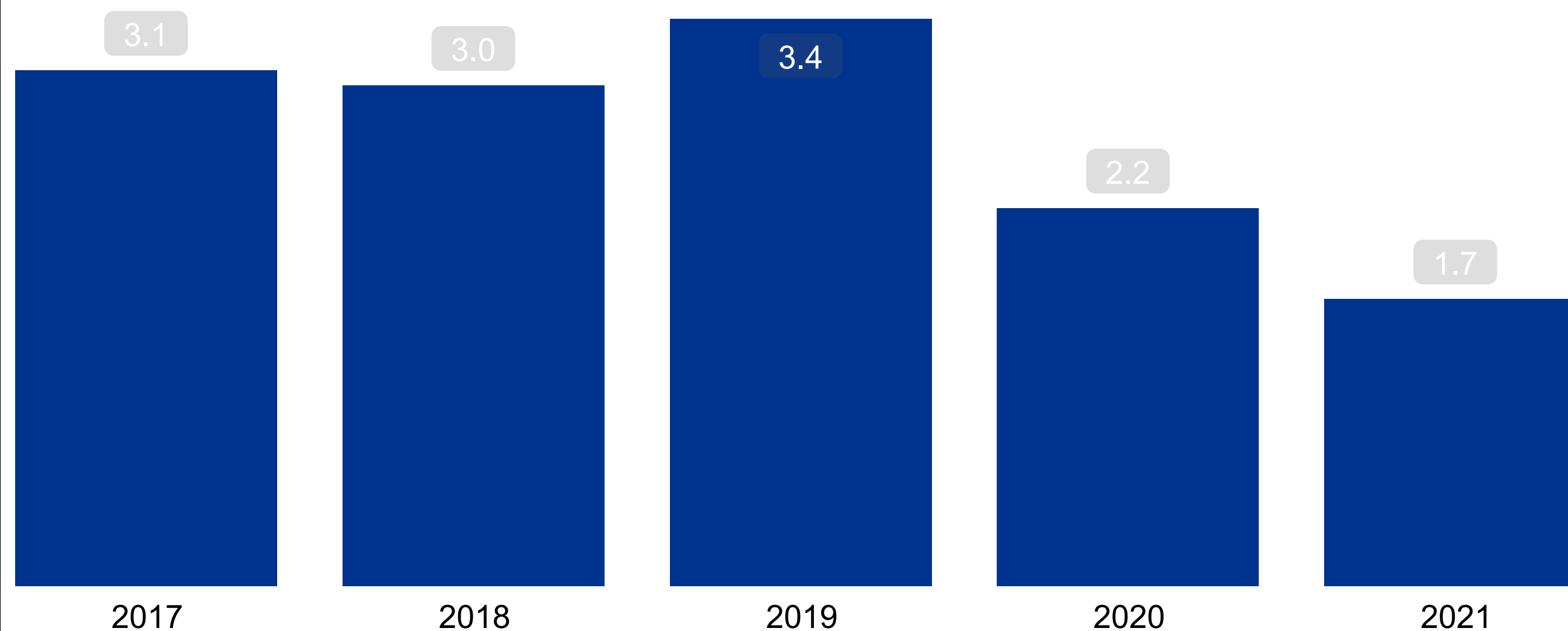
Financial assets may include investments in government business enterprises, which may not necessarily be converted to cash or yield cash dividends

Financial liabilities may include liabilities for employee future benefits and future landfill closure and post-closure costs, which may (i) not be realized for a number of years; and/or (ii) may not be realized at once but rather over a number of years

Financial Assets to Financial Liabilities by Municipality



Financial Assets to Financial Liabilities Trend





TOTAL RESERVES AND RESERVE FUNDS PER HOUSEHOLD

2017

2018

2019

2020

2021

SUMMARY

This financial indicator provides an assessment of the City's ability to absorb incremental expenses or revenue losses through the use of reserves and reserve funds as opposed to taxes, user fees or debt. Low reserve levels are indicative of limited capacity to deal with cost increases or revenue losses, requiring the City to revert to taxation or user fee increases or the issuance of debt.

FORMULA

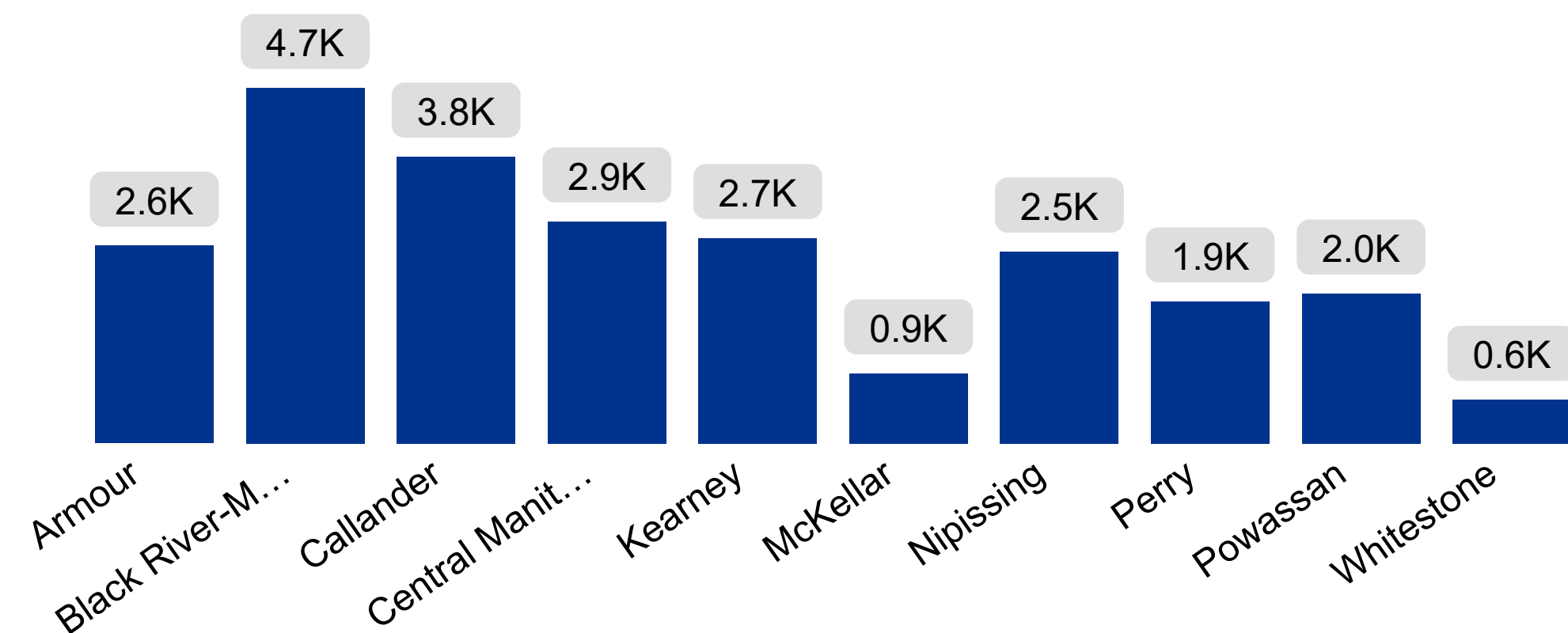
FIR Schedule 70, Line 6420, Column 1 divided by FIR Schedule 2, Line 40, Column 1

POTENTIAL LIMITATIONS

Reserves and reserve funds are often committed to specific projects or purposes and as such, may not necessarily be available to fund incremental costs or revenue losses

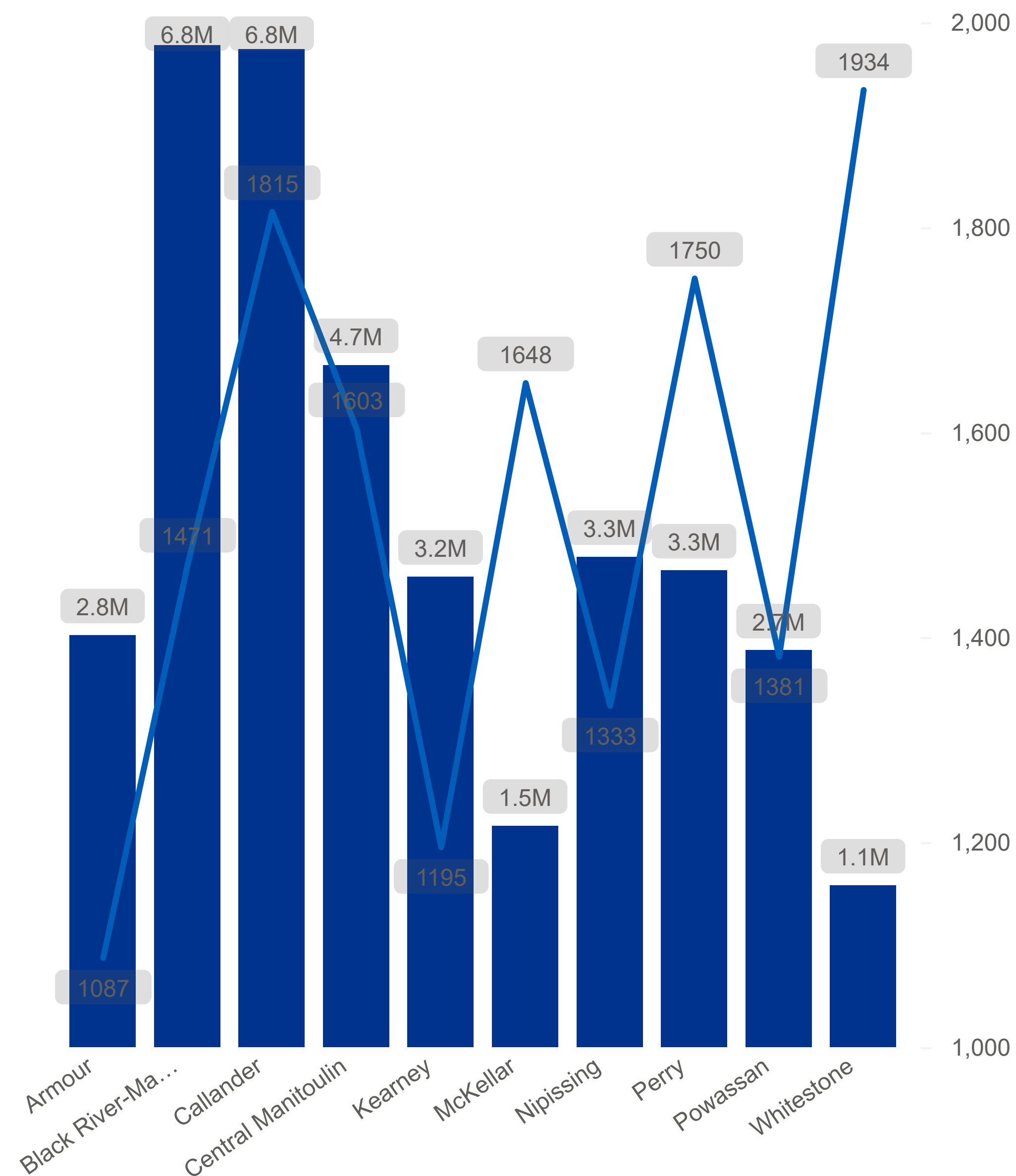
As reserves are not funded, the City may not actually have access to financial assets to finance additional expenses or revenue losses.

Reserve and Reserve Funds per Household



Reserves and Reserve Funds and Households by Municipality

● Reserves and Reserve Funds ● Households

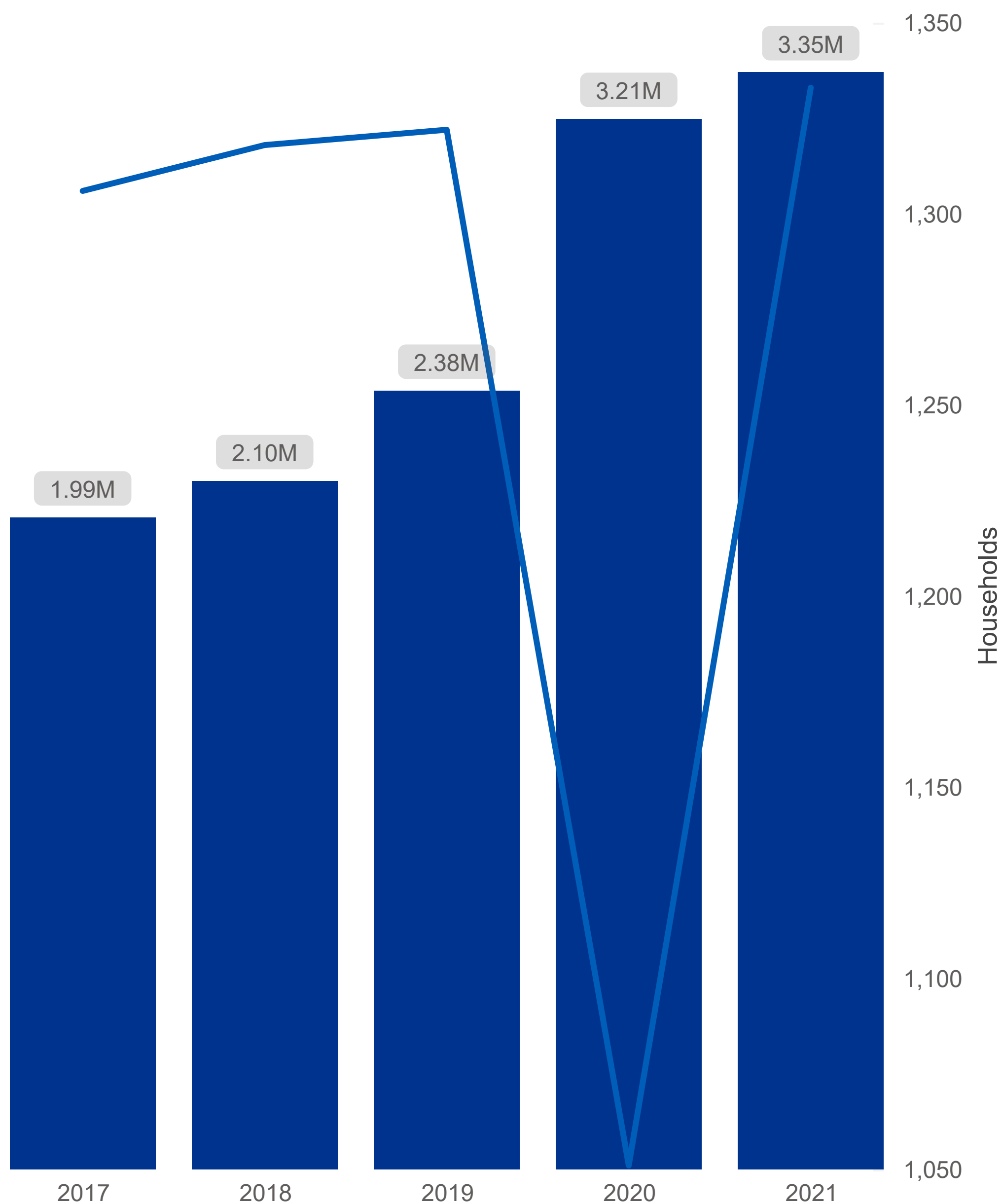




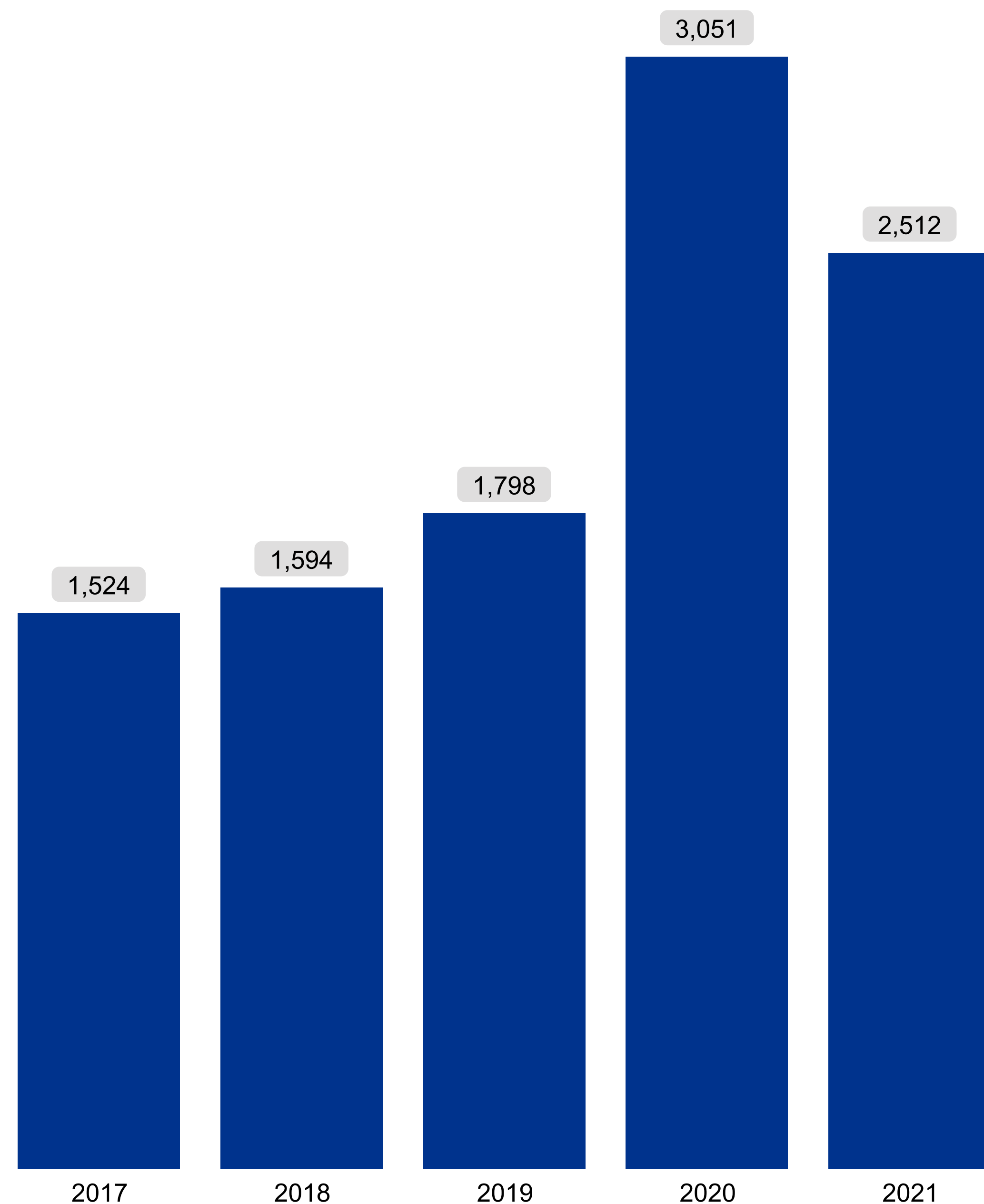
TOTAL RESERVES AND RESERVE FUNDS PER HOUSEHOLD

Reserves and Reserve Funds and Households by Year

● Reserves and Reserve Funds ● Households



Reserve and Reserve Funds per Household





TOTAL OPERATING EXPENSES AS A PERCENTAGE OF TAXABLE ASSESSMENT

2017

2018

2019

2020

2021

SUMMARY

This financial indicator provides an assessment of the City's solvency by determining the extent to which increases in operating expenses correspond with increases in taxable assessment. If increases correspond, the City can fund any increases in operating costs without raising taxation rates.

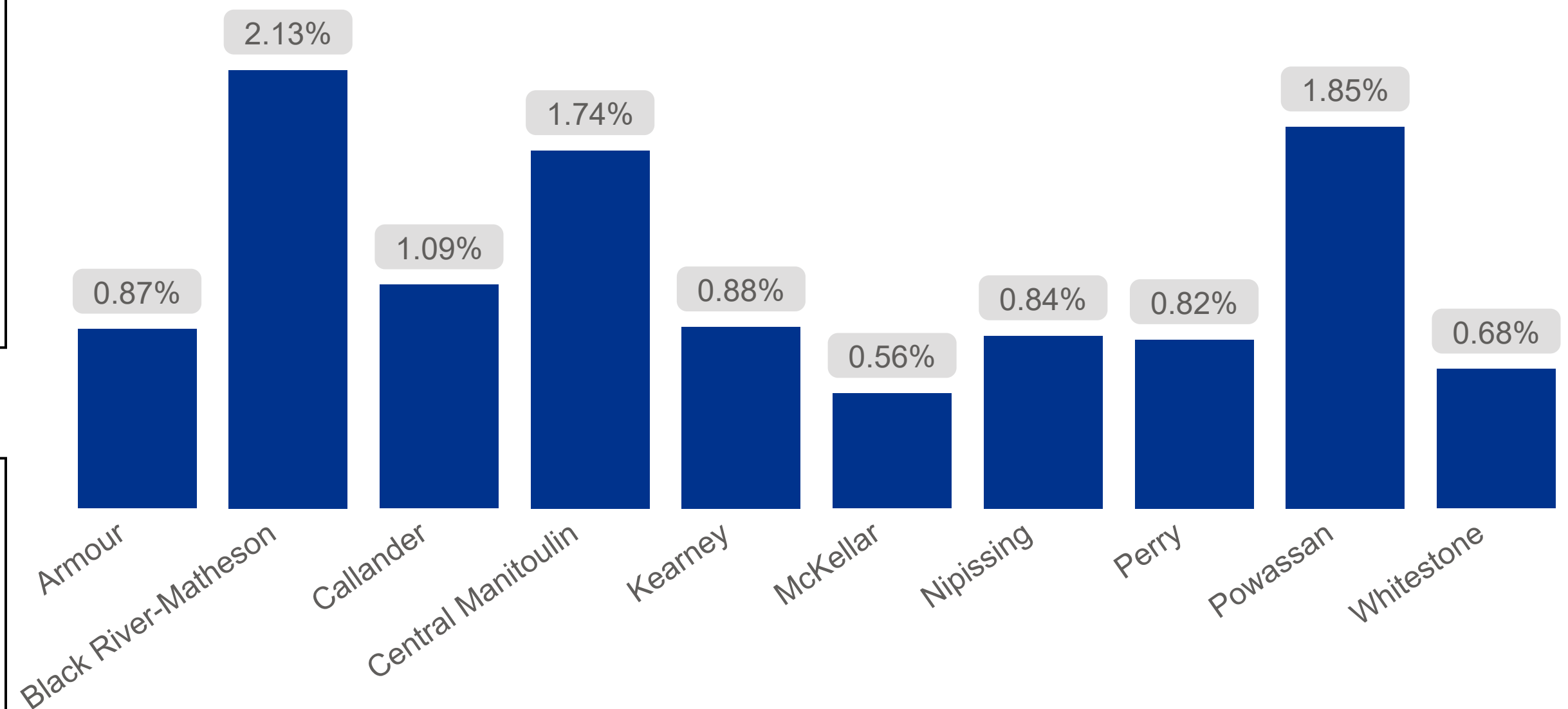
FORMULA

FIR Schedule 40, Line 9910, Column 7 less FIR Schedule 40, Line 9910, Column 16 divided by FIR Schedule 26, Column 17, Line 9199

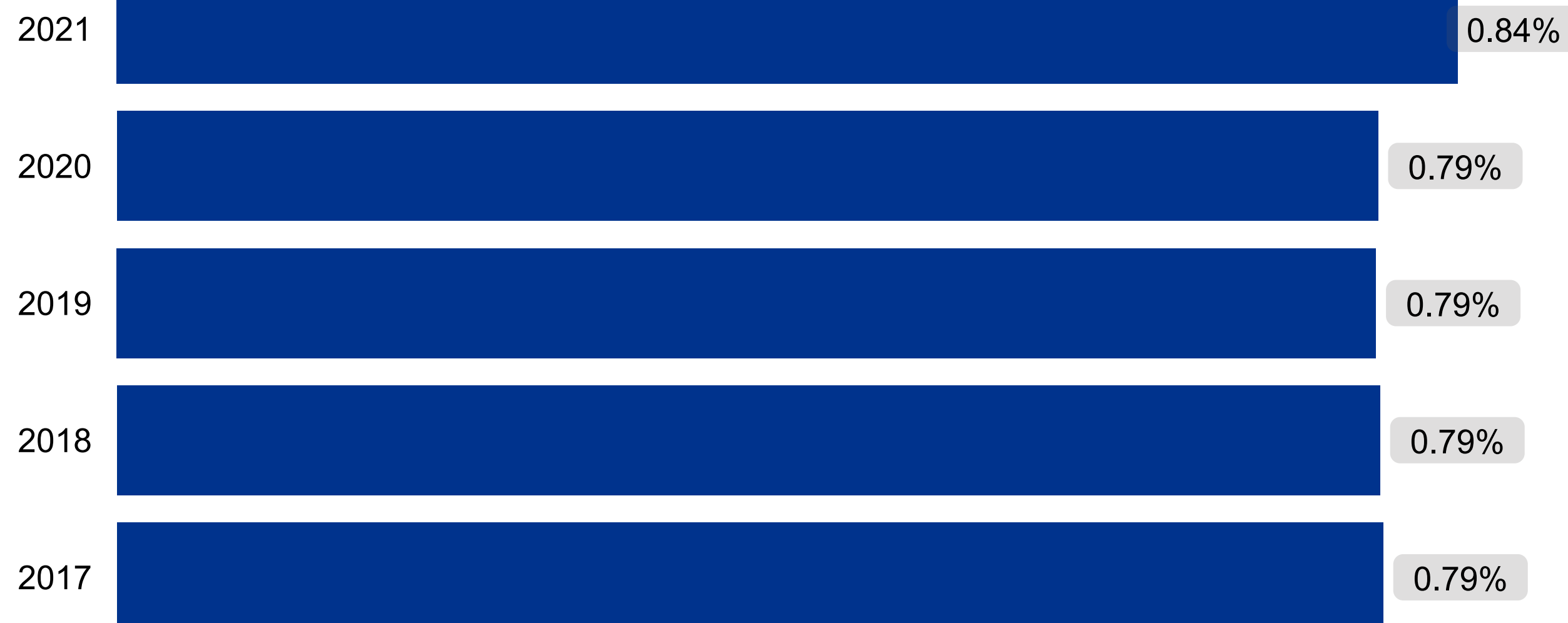
POTENTIAL LIMITATIONS

As operating expenses are funded by a variety of sources, the City's sustainability may be impacted by reductions in other funding sources that would not be identified by this indicator.

Operating Expense as a Percentage of Taxable Assessment by Municipality



Operating Expenses Trend as a Percentage of Taxable Assessment





CAPITAL ADDITIONS AS A PERCENTAGE OF AMORTIZATION EXPENSE

2017	2018	2019	2020	2021
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SUMMARY

This financial indicator provides an assessment of the Municipality's solvency by assessing the extent to which it is sustaining its tangible capital assets. In the absence of meaningful reinvestment in tangible capital assets, the Municipality's ability to continue to deliver services at the current levels may be compromised.

FORMULA

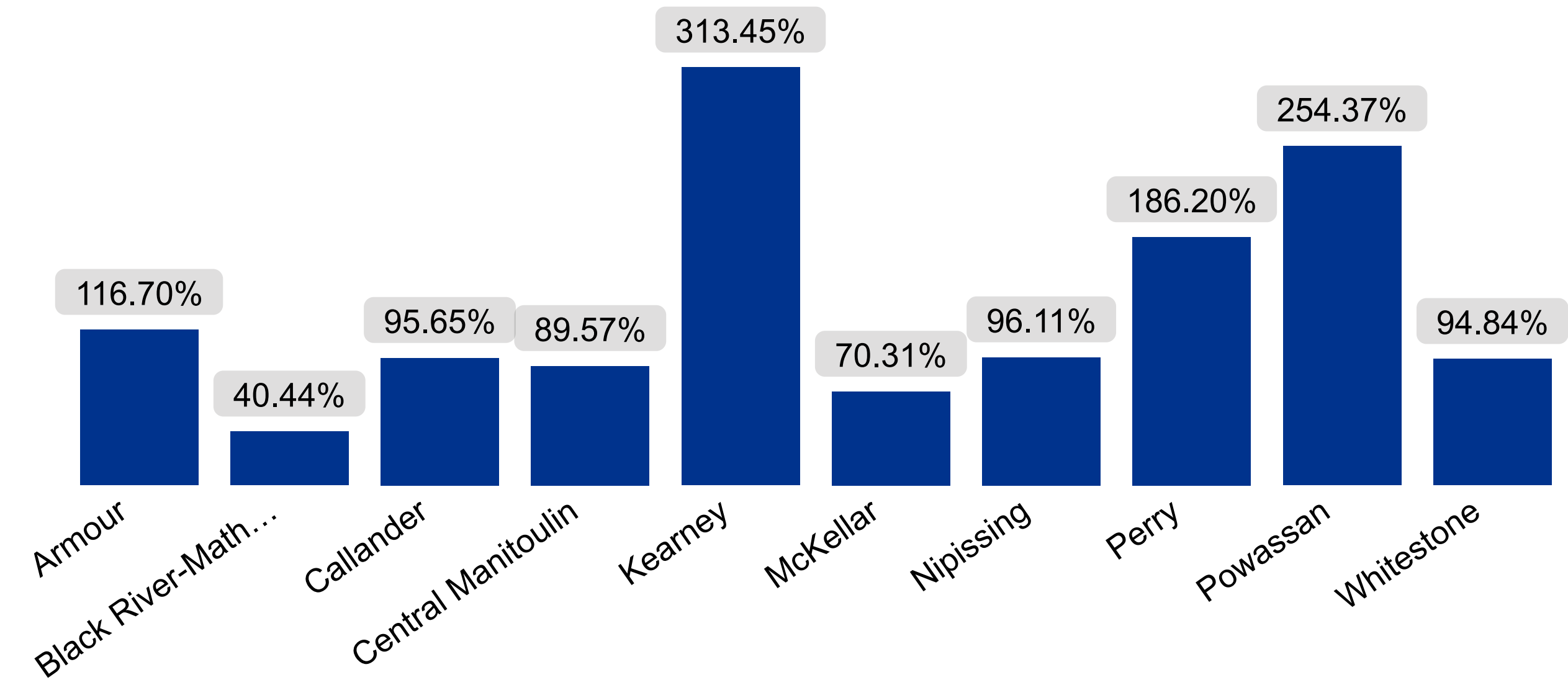
FIR Schedule 51, Line 9910, Column 3 divided by FIR Schedule 40, Line 9910, Column 16

POTENTIAL LIMITATIONS

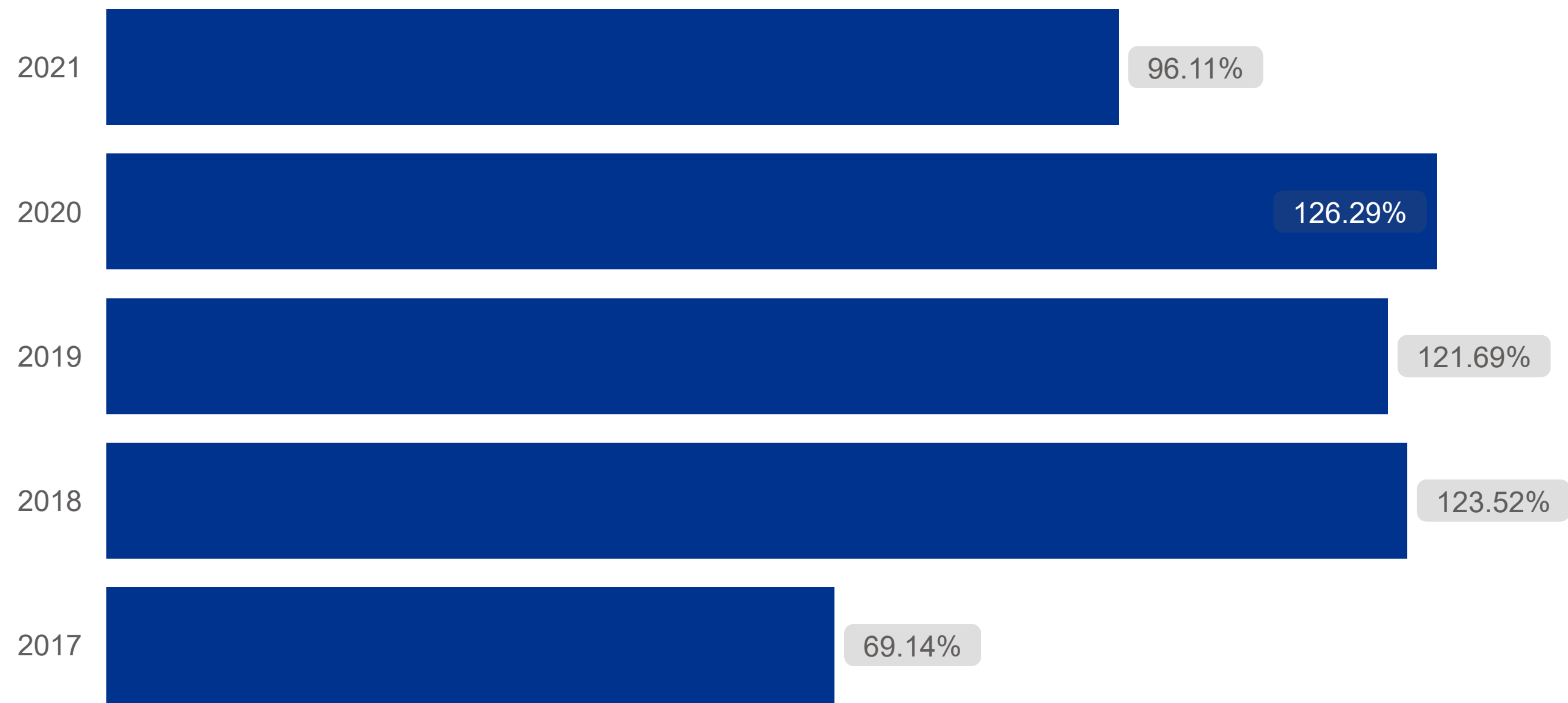
This indicator considers amortization expense, which is based on historical as opposed to replacement cost. As a result, the municipality's capital reinvestment requirement will be higher than its reported amortization expense due to the effects of inflation.

This indicator is calculated on a corporate-level basis and as such, will not identify potential concerns at the departmental level.

Capital Additions as a Percentage of Amortization Expense



Capital Additions Trend as a Percentage of Amortization Expense





RESIDENTIAL TAXES PER HOUSEHOLD

2017

2018

2019

2020

2021

SUMMARY

This financial indicator provides an assessment of the City's ability to absorb incremental expenses or revenue losses through the use of reserves and reserve funds as opposed to taxes, user fees or debt. Low reserve levels are indicative of limited capacity to deal with cost increases or revenue losses, requiring the City to revert to taxation or user. This financial indicator provides an assessment of the City's ability to increase taxes as a means of funding incremental operating and capital expenditures.

FORMULA

FIR Schedule 26, Line 0010 and Line 1010, Column 4 divided by FIR Schedule 2, Line 0040, Column 1

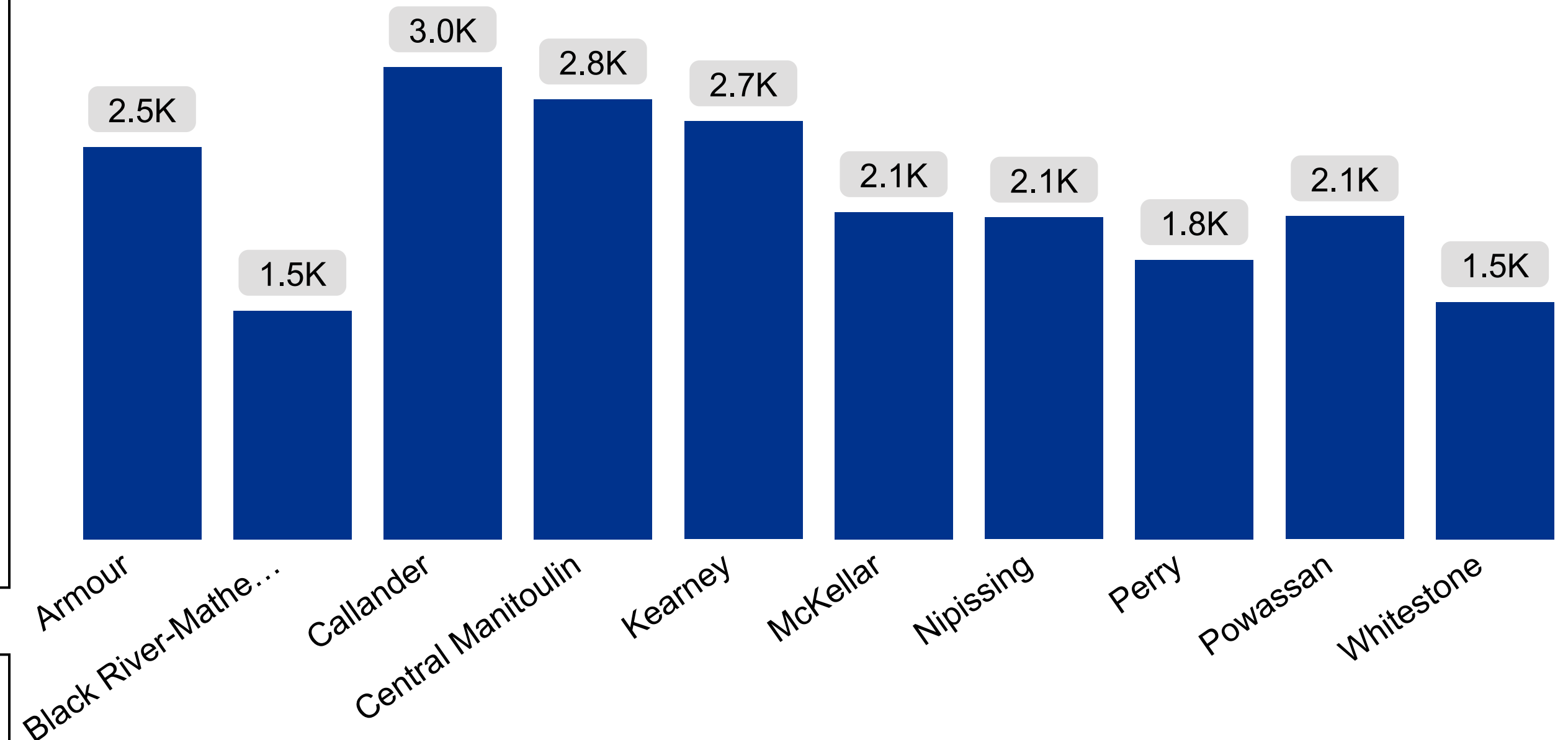
POTENTIAL LIMITATIONS

This indicator does not incorporate income levels for residents and as such, does not fully address affordability concerns.

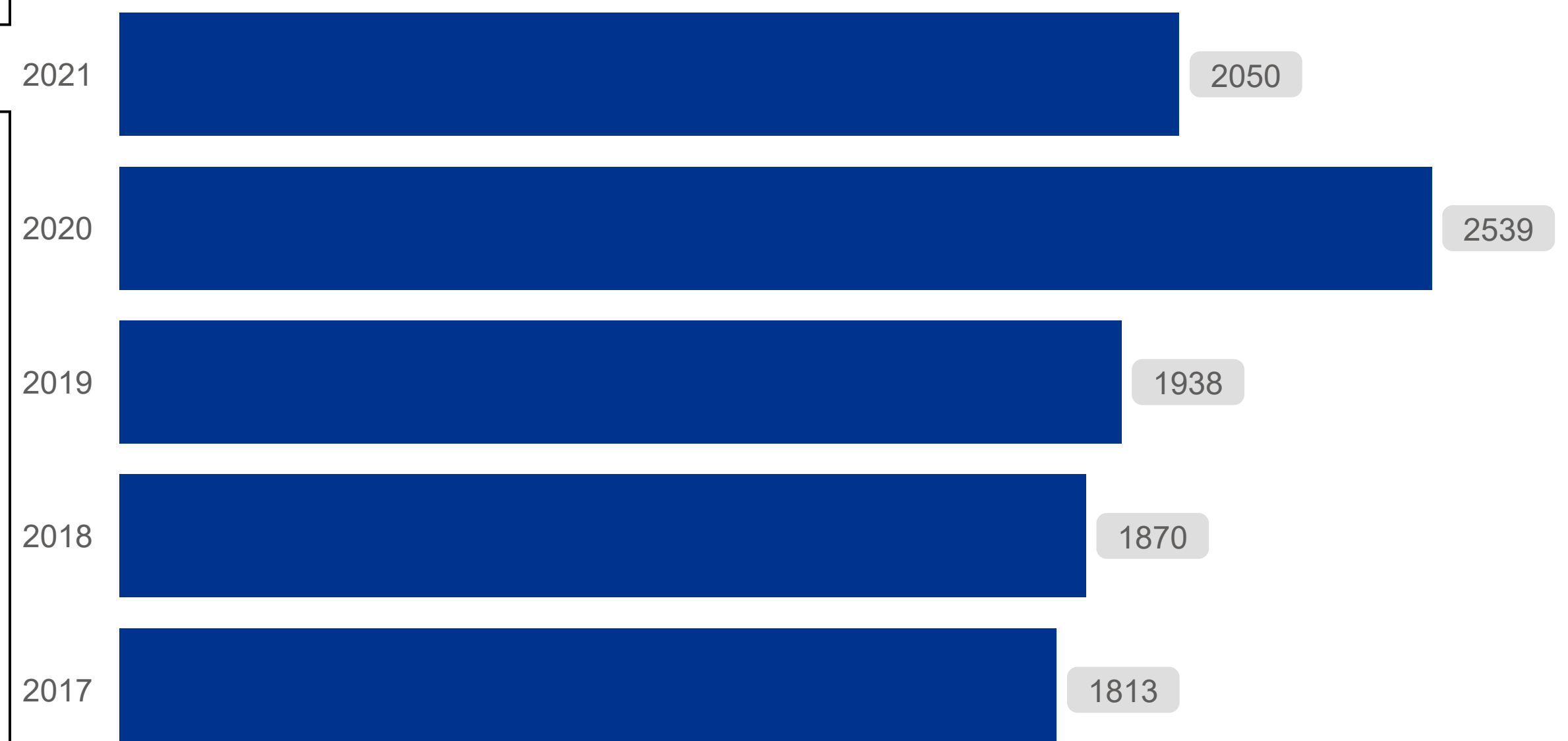
This indicator is calculated based on lower-tier taxation only and does not consider upper tier or education taxes.

This indicator does not consider the level of service provided by each municipality.

Residential Taxes per Household



Residential Taxes Per Household Trend





FINANCIAL ASSETS TO FINANCIAL LIABILITIES

2017	2018	2019	2020	2021
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SUMMARY

This financial indicator provides an assessment of the City’s ability to issue more debt by considering the existing debt load on a per household basis. High debt levels per household may preclude the issuance of additional debt.

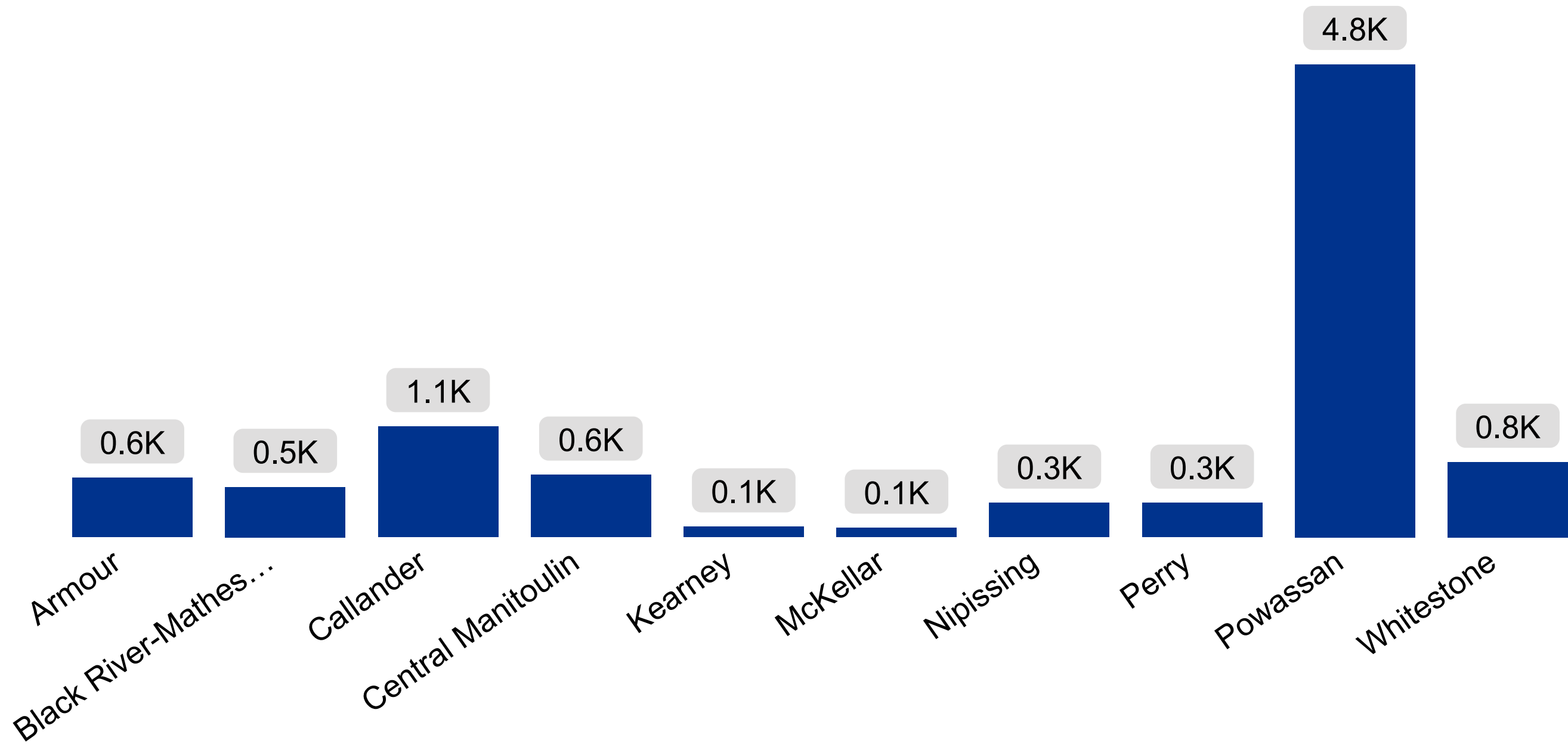
FORMULA

FIR Schedule 70, Line 2699, Column 1 divided by
FIR Schedule 2, Line 0040, Column 1

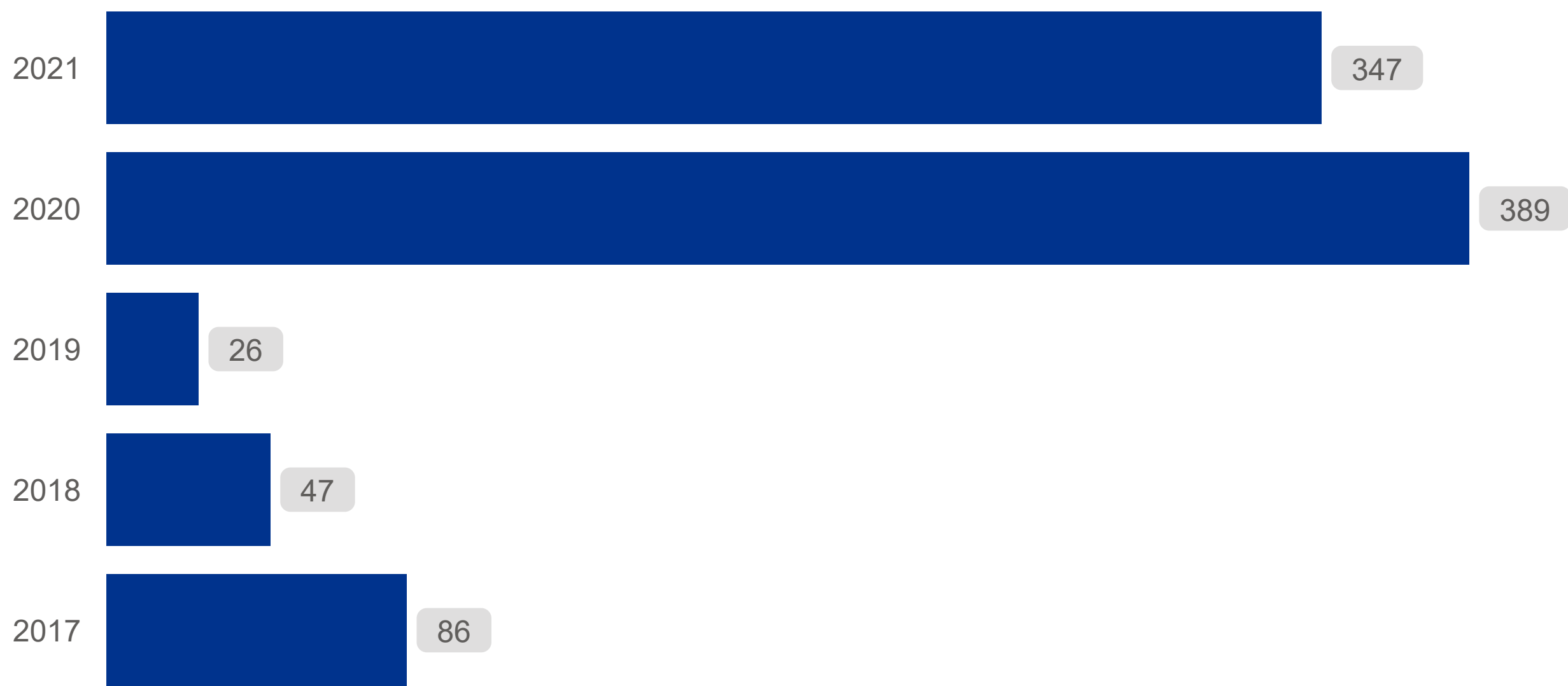
POTENTIAL LIMITATIONS

This indicator does not consider the Provincial limitations on debt servicing cost, which cannot exceed 25% of own-source revenues unless approved by the Ontario Municipal Board

Long-term debt per household



Long-term Debt Per Household Trend





TOTAL TAXATION AS A PERCENTAGE OF TOTAL ASSESSMENT

2017

2018

2019

2020

2021

SUMMARY

This financial indicator provides an indication of potential affordability concerns by calculating the City's overall rate of taxation. Relatively high tax rate percentages may limit the City's ability to general incremental revenues in the future.

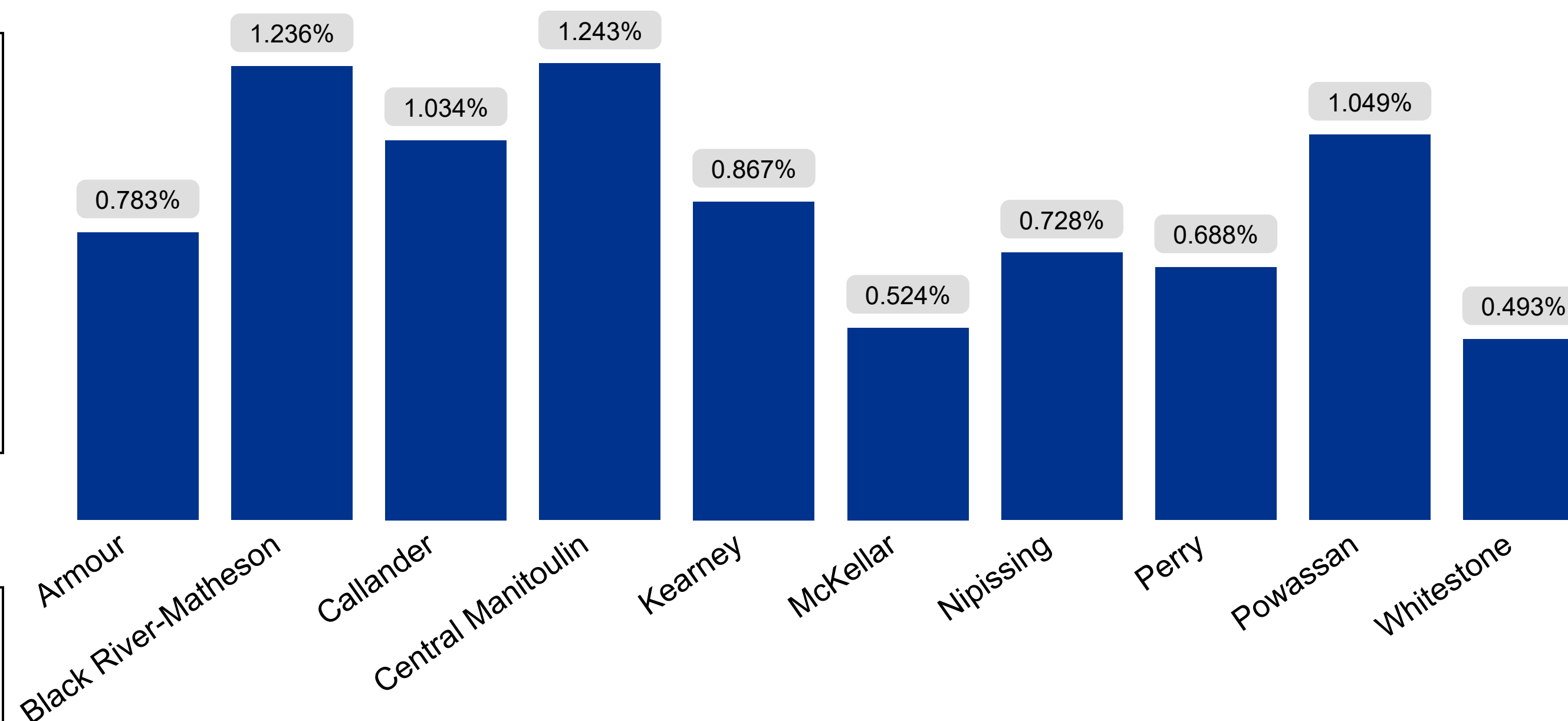
FORMULA

FIR Schedule 26, Line 9199 and Line 9299, Column 4 divided by FIR Schedule 26, Line 9199 and 9299, Column 17.

POTENTIAL LIMITATIONS

This indicator considers the City's overall tax rate and will not address affordability issues that may apply to individual property classes (e.g. commercial).

Total Taxation as a Percentage of Total Assessment



Total Taxation Trend as a Percentage of Total Assessment





DEBT SERVICING COSTS (INTEREST AND PRINCIPAL) AS A PERCENTAGE OF TOTAL REVENUES

2017

2018

2019

2020

2021

SUMMARY

This financial indicator provides an indication as to the City's overall indebtedness by calculating the percentage of revenues used to fund long-term debt servicing costs. The City's ability to issue additional debt may be limited if debt servicing costs on existing debt are excessively high.

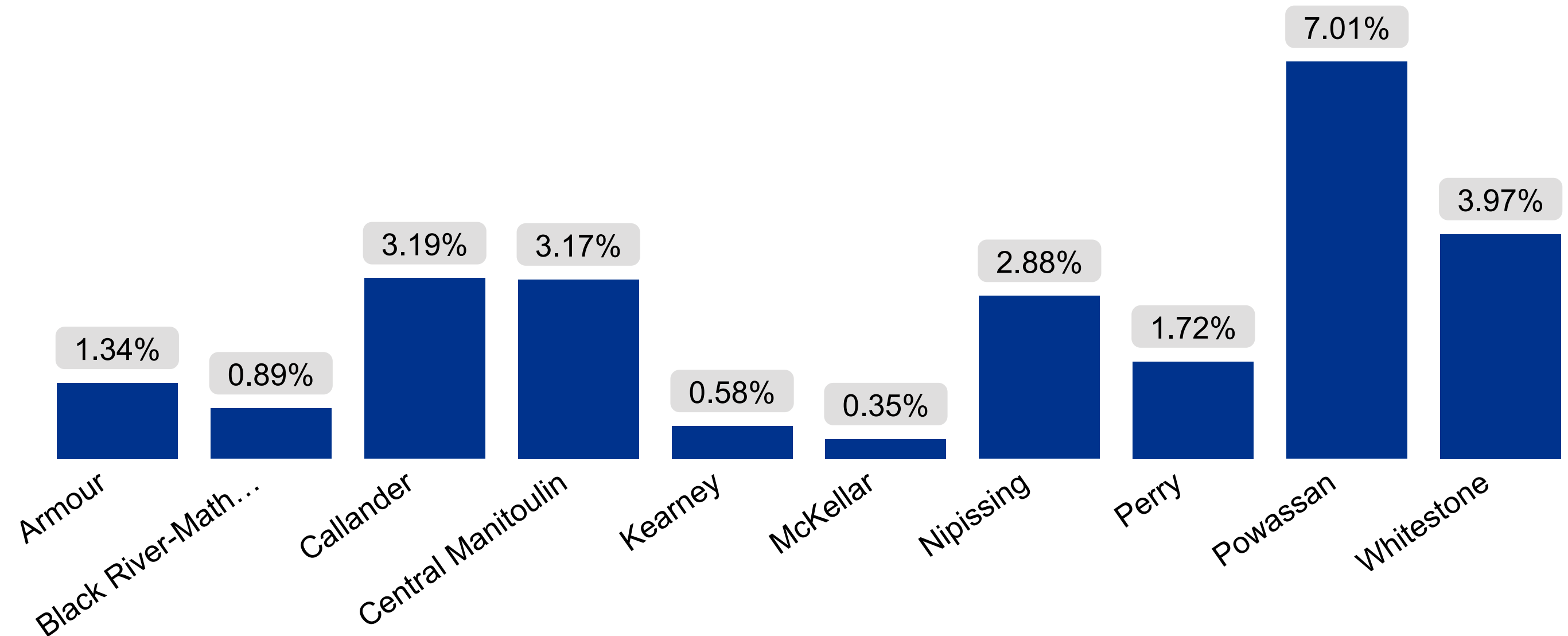
FORMULA

FIR Schedule 74C, Line 3099, Column 1 and Column 2 divided by FIR Schedule 10, Line 9910, Column 1.

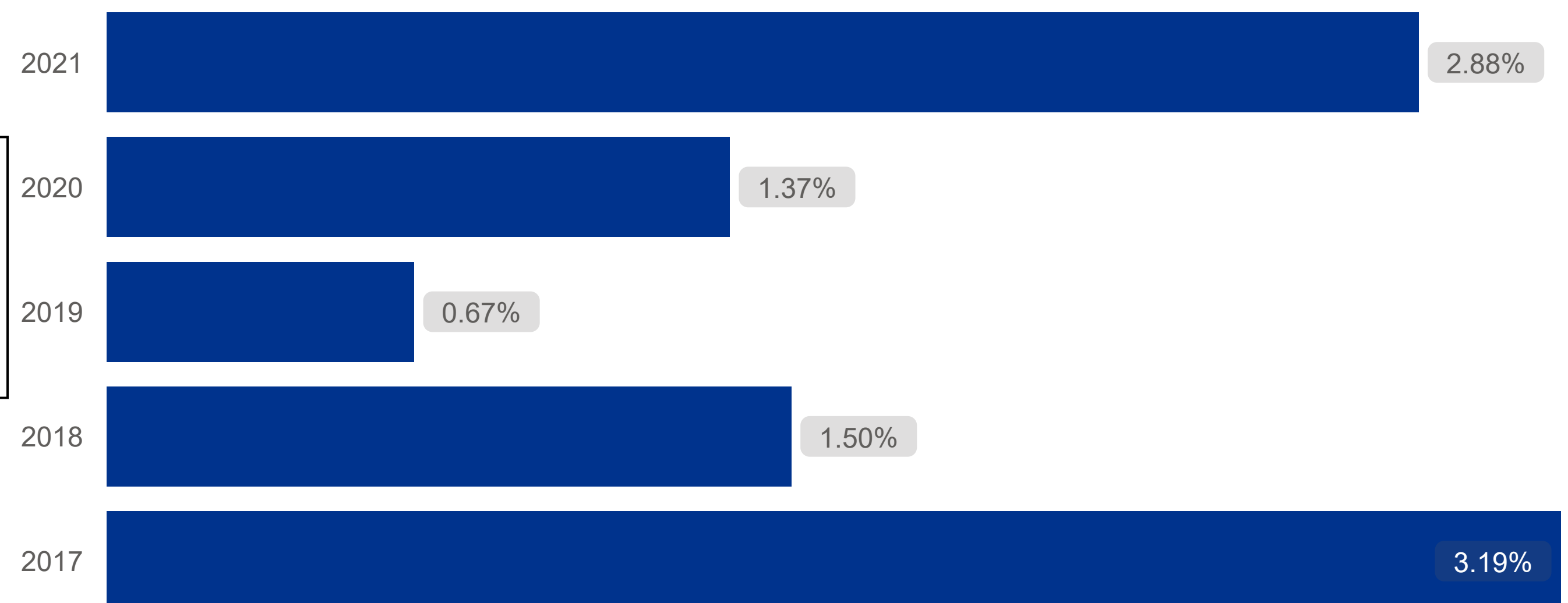
POTENTIAL LIMITATIONS

No significant limitations have been identified in connection with this indicator.

Debt Servicing Costs as a Percentage of Total Revenues



Debt Servicing Costs Trend as a Percentage of Total Revenues





NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS AS A PERCENTAGE OF HISTORICAL COST OF TANGIBLE CAPITAL ASSETS

2017	2018	2019	2020	2021
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SUMMARY

This financial indicator provides an indication as to the extent to which the City is reinvesting in its capital assets as they reach the end of their useful lives. An indicator of 50% indicates that the City is, on average, investing in capital assets as they reach the end of useful life, with indicators of less than 50% indicating that the City’s reinvestment is not keeping pace with the aging of its assets.

FORMULA

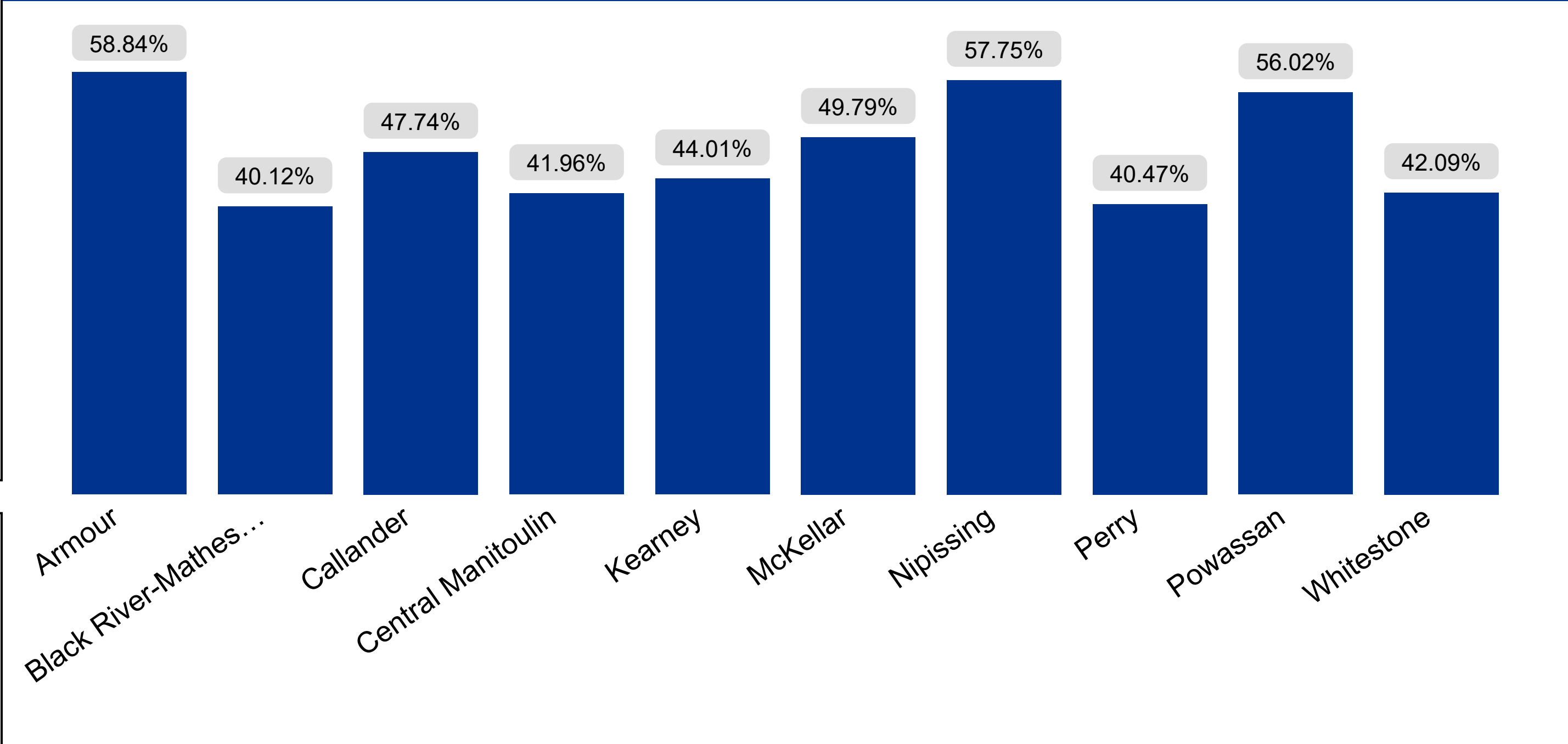
FIR Schedule 51A, Line 9910, Column 11 divided by FIR Schedule 51A, Line 9910, Column 6.

POTENTIAL LIMITATIONS

This indicator is based on the historical cost of the City’s tangible capital assets, as opposed to replacement cost. As a result, the City’s pace of reinvestment is likely lower than calculated by this indicator as replacement cost will exceed historical cost.

This indicator is calculated on a corporate-level basis and as such, will not identify potential concerns at the departmental level.

Net Book Value of Tangible Capital Assets to Historical Cost of Tangible Capital Assets



Net Book Value of Tangible Capital Assets to Historical Cost of Tangible Capital Assets Trend

