

# FINANCIAL INDICATOR REVIEW

(Based on 2011 Financial Information Return)

## Tweed M (Hastings Co)

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### FINANCIAL INDICATORS

Indicator	Thresholds	Actuals	South - LT - Counties - Rural		Risk Level
			Median	Average	
Debt Servicing Cost as a % of Total Operating Revenue	Low: <5%	2009	0.4%	2.4%	Low
	Mod: 5% - 10%	2010	0.2%	2.5%	
	High: >10%	2011	0.2%	2.6%	
Total Reserves and Discretionary Reserve Funds as a % of Operating Expenses	Low: >20%	2009	83.3%	61.8%	Low
	Mod: 10% - 20%	2010	54.9%	60.8%	
	High: <10%	2011	53.8%	56.5%	
Net Financial Assets or Net Debt as a % of Total Operating Revenue	Low: >(-20%)	2009	49.7%	18.5%	Low
	Mod: (-20%) - (-40%)	2010	24.4%	14.1%	
	High: <(-40%)	2011	34.3%	15.7%	
Net Financial Assets or Net Debt as a % of Own Purpose Taxation Plus User Fees	Low: >(-50%)	2009	91.0%	35.6%	Low
	Mod: (-50%) - (-100%)	2010	63.6%	25.3%	
	High: <(-100%)	2011	57.8%	23.9%	
Total Taxes Receivable less Allowance for Uncollectables as a % of Total Taxes Levied	Low: <10%	2009	17.5%	11.1%	High
	Mod: 10% - 15%	2010	16.1%	10.8%	
	High: >15%	2011	16.1%	10.6%	
Total Cash and Temporary Investments as a % of Operating Expenses	Low: > 10%	2009	65.2%	44.0%	Low
	Mod: 5% to 10%	2010	13.5%	38.7%	
	High: Below 5%	2011	37.4%	50.3%	
Net Working Capital as a % of Total Municipal Operating Expenses	Low: > 10%	2009	102.5%	60.3%	Low
	Mod: 10% to (-10%)	2010	66.9%	61.2%	
	High: Below (-10%)	2011	62.4%	63.0%	
Net Book Value of Capital Assets as a % of Cost of Capital Assets	Negative trends to be analyzed.	2009	55.7%	63.1%	Low
	No risk level assigned.	2010	60.1%	64.0%	
		2011	59.0%	60.7%	

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 The data and information contained in this document is for informational purposes only. Any use of the data and information in this document should be done by qualified individuals. This information is not intended to be used on its own and should be used in conjunction with other financial information and resources available.  
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## 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 Charges as a % of Total Operating Revenue** - This flexibility indicator illustrates the extent to which past borrowing decisions of the municipality present a constraint on a municipality's ability to meet its financial and service commitments in the current period. Specifically, the more a municipality uses revenues to meet the interest costs on past borrowing, the less will be available for program spending.

**Reserves and Reserve Funds as a % of Operating Expenses (excluding amortization)** - Low reserve and discretionary reserve funds indicate that the municipality may have limited flexibility to offset non-budgeted revenue losses or increases in expenses. 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 Financial Assets or Net Debt as a % of Total Operating Revenue** - This is a sustainability indicator. Net debt provides a measure of the future revenue required to pay for past transactions and events or the net financial assets on hand which can provide resources to finance future operations. This ratio assesses the ability of a municipality to make future payments on its debt. A ratio that is decreasing (negative value increasing) would indicate that more time to eliminate net debt will be necessary. A trend in this direction may not be sustainable.

**Net Financial Assets or Net Debt as a % of Own Purpose Tax'n plus user fees** - This is a sustainability indicator. Net debt provides a measure of the future revenue required to pay for past transactions and events. A ratio that is decreasing (negative value increasing) would indicate that more time to eliminate net debt will be necessary. A trend in this direction may not be sustainable.

**Total Taxes Receivable less Allowance for Uncollectables 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.

**Total Cash and Temporary Investments as a % of Operating / Expenses (excluding amortization)** - 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 Expenses (excluding amortization)** - 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) / expenses (excluding amortization). The goal of this measure is to look at the ability of the municipality to meet its current expenditures (including current year debt charges) / expenses (excluding amortization). The indicator suggests whether the municipality has ample working capital meet its short-term obligations. This measure is related to the liquidity measure above.