

## **Background – 2017 Financial Indicators**

The Ministry of Municipal Affairs reviews each municipality's financial performance through the use of key financial indicators in relation to established provincial thresholds. The Ministry reviews the indicators from time-to-time, to make sure they provide useful information. There are a few changes in the report this year.

The indicators have been grouped according to two categories, Sustainability and Flexibility. These groupings align the indicators with the Public Sector Accounting Board's definitions. The indicators have also been updated to align with the work done by the Municipal Budgeting and Long Term Financial Planning Action Group, which had representation from ministry staff, municipal treasurers, and MFOA.

There are two new indicators. Cash and Cash Equivalents as a Percentage of Current Liabilities replaces Total Cash and Cash Equivalents as a Percentage of Operating Expenses as the liquidity measure. Operating Surplus Ratio measures the ability to cover operational costs and have funds available for other purposes. Definitions for all indicators are included in the notes section of the report.

The thresholds for the Asset Consumption Ratio indicator has also been changed. Low challenge is now anything less than or equal to 50%, Moderate challenge is between 50% and 75%, and High challenge is anything greater than 75%.

Financial indicators are an important but incomplete indicator of municipal financial health. For that reason, the ministry may contact your office to discuss the indicator results and better understand your municipality's overall financial circumstances.

The data points from the FIR for each of the indicators can be found on the following page.

<b>FITs Terminology</b> **SLC – Schedule, Line, Column of Financial Information Return	<b>Threshold</b>		
	<b>Low</b>	<b>Moderate</b>	<b>High</b>

Net Financial Assets or Net Debt as a % of Own Purpose Taxation plus User Fees	> - 50%	- 50% to -100%	<- 100%
<b>INDICATOR CALCULATION:</b> $\left( \frac{\text{Net Financial Assets or Net Debt (SLC 70 9945 01)}}{\text{Own Purpose Taxation Plus User Fees (SLC 10 0299 01+SLC 10 1299 01)}} \right)$			
Total Reserves and Discretionary Reserve Funds as a % of Operating Expenditures/Expenses	>20%	10% to 20%	<10%
<b>INDICATOR CALCULATION:</b> $\left( \frac{\text{Reserves and Discretionary Reserve Funds (SLC 60 2099 03+SLC 60 2099 02)}}{\text{Municipal Expenses (SLC 40 9910 11–SLC 12 9910 03–SLC 12 9910 07)}} \right)$			
Debt Servicing Cost as a % of Total Operating Revenues	<5%	5% to 10 %	>10%
<b>INDICATOR CALCULATION:</b> $\left( \frac{\text{Debt Charges for the year (Principle and Interest) (SLC 74 3099 01+74 3099 02)}}{\text{Total Operating Revenue (SLC 10 9910 01–10 815 01–10 825 01)}} \right)$			
Total Taxes Receivable Less Allowance for Uncollectables as a Percentage of Total Taxes Levied	<10%	10% to 15%	>15%
<b>INDICATOR CALCULATION:</b> $\left( \frac{\text{Total Taxes Receivable Less Allowance for Uncollectables (SLC 70 0699 01)}}{\text{Total Taxes Levied (SLC 26 9199 03– SLC 72 2899 09)}} \right)$			
Total Cash and Cash Equivalents as a % of Current Liabilities	>5%	0% to 5%	< 0%
<b>INDICATOR CALCULATION:</b> $\left( \frac{\text{Cash and Cash Equivalents (SLC 70 0299 01)}}{\text{Total Current Liabilities (SLC 70 2299 01 + SLC 70 2301 01 + SLC 70 2010 01)}} \right)$			
Asset Consumption Ratio – Closing Amortization Balance as a % of Total Cost of Capital Assets	<50%	51% to 75%	> 75%
<b>INDICATOR CALCULATION:</b> $\left( \frac{\text{Closing Amortization Balance (SLC 51 9910 10)}}{\text{Cost of Capital Assets (SLC 51 9910 06)}} \right)$			
Operating Surplus Ratio	> 0%	0% to -30%	<-30%
<b>INDICATOR CALCULATION:</b> $\left( \frac{\text{Operating Revenue (SLC 10 9910 01)–Operating Expenses (40 9910 11) Plus PSAB Adjustments and Other (SLC 10 2030 01+SLC 10 2040 01+SLC 10 2045 01)}}{\text{Own Source Revenue (Property Tax, User Fees and Service Charges (SLC 10 0299 01+SLC 10 1299 01))}} \right)$			