



# 2017 Consolidated Financial Statements



**Audit Committee  
June 20, 2018**



## Statement of Financial Position

- The City has **improved** its **net financial asset** position to \$272.5 million
  - An **improvement** of **\$37.4** million from 2016.
  - Strengthens our future liquidity in paying our liabilities and future expenses because our financial assets are higher than our financial liabilities.
- Overall financial assets have increased \$81.8 million
  - Cash and cash equivalents** (Note 2) have **increased** \$70.2 million
  - Investments** (Note 4) have **decreased** \$5.7 million
  - Investments in government business enterprises and partnerships** (Note 6) have **increased** \$7.9 million
- Overall financial liabilities have increased \$44.4 million
  - Deferred Revenue** (Note 7) has **increased** \$58.3 million – increase in obligatory reserve funds
  - Employee benefits** (Note 12) payable **increased** by \$5.7 million
  - Accounts Payable** and accrued liabilities have **decreased** approximately \$10 million
  - Decrease in Long Term Debt** of \$10.5 million



## Purpose of Financial Statements

**Section 294.1** of the **Municipal Act, 2001** indicates that for each fiscal year, a municipality **shall** prepare annual financial statements in accordance with **generally accepted accounting principles**.

Name	Purpose
Consolidated Statement of Financial Position	<ul style="list-style-type: none"> <li>Provides a summary of the City's <b>assets</b> (financial and non financial) and <b>liabilities</b>, both present and future, at a point in time.</li> </ul>
Consolidated Statement of Operations	<ul style="list-style-type: none"> <li>Summarizes <b>revenues, expenses, surplus for the year</b> and calculation of the City's <b>accumulated surplus</b> at year end.</li> </ul>
Consolidated Statement of Net Financial Assets	<ul style="list-style-type: none"> <li>Shows the changes in net financial assets as a result of annual operations, <b>tangible capital asset transactions</b>, as well as changes in other non-financial assets.</li> </ul>
Consolidated Statement of Cash Flows	<ul style="list-style-type: none"> <li>Summarizes the City's <b>cash position</b> and changes during the year.               <ul style="list-style-type: none"> <li>Shows all the sources and uses of cash.</li> </ul> </li> </ul>



## Statement of Financial Position Continued

### Non Financial Assets:

- Tangible capital assets (Note 14) are **not liquid** or readily available for sale
  - Places more emphasis on the net debt or net financial asset position of a municipality.
  - Net Book Value **increased** by **\$135.7 million**, due to the ongoing investment in the City's infrastructure.
  - Note: **Land** which is specifically held for resale is recorded as an **inventoried item** in our financial assets

### Accumulated surplus:

- The total of the City's financial assets, liabilities and non financial assets.
  - Increase** over 2016 by annual surplus of **\$166.4 million**.
  - Accumulated surplus **includes** the balances of the City's consolidated **reserves** and **reserve funds**.
  - Indicates a governments ability to provide future services.



## Net Book Value of Assets – December 31, 2017 (in millions)

Tangible Capital Assets (Note 14)	Historical Cost 2017	Accumulated Amortization 2017	Net Book Value 2017
Land	\$ 427	\$ -	\$ 427
Landfill and Land Improvements	151	79	72
Buildings and Building Improvements	1,007	454	553
Leasehold Improvements	3	1	2
Machinery, Equipment and Furniture	402	238	165
Vehicles	127	68	59
Water Infrastructure	748	241	507
Wastewater Infrastructure	1,396	442	954
Roads Infrastructure	1,274	476	797
Computers and Computers under lease	21	10	11
Assets under Construction	203	-	203
<b>Totals</b>	<b>\$ 5,759</b>	<b>\$ 2,009</b>	<b>\$ 3,750</b>



## What Do We Have in Capital Assets

	Replacement Cost (in Billions)	Historical Costs (in Billions)
Land, Landfills & Land Improvements	\$1.17	\$0.578
Building and Building Improvements	\$1.95	\$1.01
Fleet & Equipment & Furniture	\$0.72	\$0.529
Water Infrastructure	\$1.77	\$0.748
Wastewater Infrastructure	\$3.79	\$1.396
Roads Infrastructure	\$2.71	\$1.274
Computers	\$0.02	\$0.021
Assets Under Construction	\$0.22	\$0.203
<b>Total</b>	<b>\$12.35</b>	<b>\$5.759</b>

These estimates are based upon various inflation factors.



## Statement of Operations - Revenues

- Overall, 2017 **revenues increased** \$63.2 million compared to 2016.
  - a **5.3% increase** over 2016
- There were increases both in **tax revenue and user charges** for a total **increase of \$28.8 million**.
- Provincial Government transfers increased** \$30.9 million
  - This is mainly due to additional funding for social assistance, housing, and water & wastewater.
- Developer Contributions of Tangible Capital Assets totaled \$36.8 million, a **decrease of \$0.7 million** over 2016.



## Statement of Operations - Expenses

- Overall, **expenses increased by \$63.8 million** in 2017
  - a **6.3% increase** over 2016
- The largest expenditure increases over the prior year were realized in:
  - Environmental Services** \$17.0 million; Water and Wastewater.
  - Protection Services** \$14.3 million; Police and Fire Services
  - Social and Family Services** \$11.0 million
- Key items different than budget:**
  - Amortization** is recorded as an **expense** on the Statement of Operations
  - Debt principal** repayments are **not expensed**.
  - Contributions to reserve funds** are also **not expensed**.



## Simple Example of City Budget vs. PSAB Accounting

Statement of Operations	City Budget	PSAB Accounting
Taxation	500,000	500,000
Developer Contributions	0	50,000
<b>Total Revenue</b>	<b>500,000</b>	<b>550,000</b>
Operating Expenses	350,000	350,000
Capital Expenditures	150,000	0
Amortization	0	75,000
Debt Principal Repayments	25,000	0
Transfer to Reserve & Reserve Funds	25,000	0
<b>Total Expenses</b>	<b>500,000</b>	<b>425,000</b>
<b>Annual Surplus</b>	<b>0</b>	<b>125,000</b>



## City Budget vs. PSAB Accounting (000's)

Statement of Operations - Revenues	City Budget 2017 (Unconsolidated)	PSAB Accounting 2017 Actuals
Net Municipal Taxation	572,439	581,481
Grants, User Fees and Other Revenue	461,919	494,334
Transfers from Capital and Reserve Funds	6,406	-
Capital Funding Earned	-	32,706
Developer Contributions	-	36,759
Reserve Fund Deferred Revenue Earned	-	20,603
Government Business Enterprise Adjustments	-	7,883
Boards and Commissions Surplus	-	20,661
<b>Total Revenues</b>	<b>1,040,764</b>	<b>1,194,427</b>



## City Budget vs. PSAB Accounting (000's) continued

Statement of Operations - Expenses	City Budget 2017 (Unconsolidated)	PSAB Accounting 2017 Actuals
Operating Expenses	837,079	841,443
Debt Principal Repayments	40,034	-
Transfer to Reserve & Reserve Funds	84,829	-
Capital Expenditures (pay as you go financing)	78,822	-
Capital Expenses not capitalized	-	39,887
Amortization	-	135,288
Loss on Disposal of Capital Assets	-	2,949
Landfill, Contaminated Sites, and Employee future benefits Liability	-	8,501
<b>Total Expenses</b>	<b>1,040,764</b>	<b>1,028,068</b>
<b>Annual Surplus</b>	<b>0</b>	<b>166,359</b>




## Comparing the Budget Surplus to Financial Statement Surplus (in millions)

2017 Operating Budget Surplus per the Year-End Monitoring Report to Corporate Services Committee on April 17, 2018	\$ millions
Property Tax Supported Budget Surplus	6.9
Water Rate Supported Budget Surplus	2.2
Wastewater & Treatment Rate Supported Budget Surplus	3.3
<b>2017 Operating Budget Surplus</b>	<b>12.4</b>
Transfers to Reserve and Reserve Funds in accordance with the Council approved Surplus/Deficit Policy and resolution	(12.4)
<b>Operating Fund Surplus per 2017 Approved Budget (Cash Format)</b>	<b>0.0</b>
<b>Financial Statement adjustments:</b>	
Plus: Transfers to (from) Capital and Reserves and Reserve Funds	196.9
Plus: Debt Principal Repayments	37.4
Plus: Capital program funding earned in year	32.7
Less: Capital expenses not capitalized (Non-TCA)	(39.9)
Less: Amortization of Tangible Capital Assets (TCA)	(135.3)
Plus: Developer contributions of assumed TCA	36.8
Less: Loss on disposal of TCA	(2.9)
Plus: Reserves and reserve fund net revenues earned in year	20.7
Plus: Government Business Enterprises adjustments	7.9
Less: Change in landfill liability, contaminated site liability and employee future benefit liability	(8.5)
Plus: Boards' and Commission's Surpluses	20.6
<b>2017 Consolidated Surplus per Financial Statements (PSAB Format)</b>	<b>166.4</b>



## Public Sector Accounting Board (PSAB) Landscape

- Public Sector Accounting Standards **continue** to develop; improving **transparency**, and **disclosure**.
- Significant changes have **already occurred** and reporting requirements have been **achieved**:
  - PS 3150 - Tangible Capital Assets
  - PS 3410 - Government Transfers
  - PS 3510 - Tax Revenue
  - PS 3260 - Liability for Contaminated Sites
- Exciting times though are ahead, attention will be required for them all, but the **Asset Retirement Obligation** standard is of particular interest. 
- Finance has **already started** discussions with KPMG and **looking at existing processes** to assess requirements and impact, even with some standards still in draft.



## Internal Controls

- KPMG has identified areas where our internal controls can continue to be **strengthened**.
- Further work is required **to build** on existing processes and awareness.
- Opportunities to leverage existing city initiatives to increase **communication** and **coordination**.



## Where do we go from here?

- KPMG will present their **Audit Findings Report**
- Questions?