





2014 Consolidated Financial Statements



Audit Committee
June 23, 2015

PSAB Changes Implemented

- Since January 1, 2009 the City has reported under PS3150 Tangible Capital Assets and PS1200 Financial Statement Presentation.
- Adopted PS3410 Government Transfers and PS3510 Tax Revenue since January 1, 2013.



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Purpose of Financial Statements

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


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Statement of Financial Position

- The City has improved it's net financial asset position to \$127.8 million
 - An improvement of \$16 million from 2013.
 - Strengthens our future liquidity in paying our liabilities and future expenses because our financial assets are higher than our financial liabilities.
- Overall financial liabilities have increased \$33.5 million
 - Employee Benefits payable (note 12) represent approximately \$16 million of this increase.
- Accumulated surplus is the total of our financial assets and liabilities and non financial assets.
 - Surplus includes the balances of our reserves and reserve funds.
 - Indicates a governments ability to provide future services.
- Promissory note of \$70 million from London Hydro was repaid
 - Principle portion will be maintained in a portfolio to cover possible costs of remediation.

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Statement of Financial Position Continued

Non Financial Assets:

- Land which is specifically held for resale is recorded as an inventoried item in our financial assets.
- Tangible capital assets 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 rose by \$82.7 million, due to the ongoing investment in the City's infrastructure.

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Net Book Value of Assets – December 31, 2014 (in millions)

Tangible Capital Assets	Historical Cost 2014	Accumulated Amortization 2014	Net Book Value 2014
Land	394	0	394
Landfill and Land Improvements	140	65	75
Buildings and Building Improvements	898	383	515
Leasehold Improvements	3	2	1
Machinery, Equipment and Furniture	361	196	165
Vehicles	109	63	46
Water Infrastructure	680	205	475
Wastewater Infrastructure	1,233	381	852
Roads Infrastructure	1,122	412	710
Computers	14	7	7
Assets under Construction	164	0	164
Totals	5,118	1,714	3,404

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What Do We Have in Capital Assets

	Replacement Cost (in Billions)	Historical Costs (in Billions)
Land, Landfills & Land Improvements	\$ 1.07	\$ 0.534
Building and Building Improvements	\$ 1.74	\$ 0.902
Fleet & Equipment & Furniture	\$ 0.63	\$ 0.470
Water Infrastructure	\$ 1.63	\$ 0.680
Wastewater Infrastructure	\$ 3.40	\$ 1.233
Roads Infrastructure	\$ 2.44	\$ 1.121
Computers	\$ 0.01	\$ 0.014
Assets Under Construction	\$ 0.17	\$ 0.164
Total	\$ 11.09	\$ 5.118

These estimates are based upon various inflation factors.


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Statement of Operations - Revenues


- Overall, 2014 revenues increased \$24 million compared to 2013.
- There were increases both in tax revenue and user charges for a total increase of \$32 million
- Government transfers were slightly higher, an increase of \$20 million from 2013, mainly due to additional funding for the new child care model and a one time payment from the Province in social assistance funding.
- Developer Contributions of Tangible Capital Assets totaled \$34 million, a decrease of \$25 million over 2013 – this is predominantly for assumed subdivisions


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Statement of Operations - Expenses


- Overall, expenses increased by \$63 million in 2014
 - a 7% increase over 2013
- All functional areas have incremental increases over the prior year expenses.
- The largest expenditure increase over the prior year of \$21.7 million is in the area of Planning and development.
- 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.


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Simple Example of PSAB Accounting vs. City Budget


Statement of Operations	City Budget	PSAB Accounting
Taxation	500,000	500,000
Developer Contributions	0	50,000
Total Revenue	500,000	550,000
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
Total Expenses	500,000	425,000
Annual Surplus	0	125,000


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PSAB Accounting vs. City Budget (000's)


Statement of Operations - Revenues	City Budget 2014	PSAB Accounting 2014 Actuals
Net Municipal Taxation	513,518	518,195
Grants, User Fees and Other Revenue	407,184	418,315
Transfers from Capital and Reserve Funds	9,683	
Capital Funding Earned		18,244
Developer Contributions		34,021
Reserve Fund Deferred Revenue Earned		39,185
Government Business Enterprise Adjustments		8,556
Boards and Commissions Surplus		16,176
Total Revenues	930,385	1,052,692


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PSAB Accounting vs. City Budget Cont'd (000's)


Statement of Operations - Expenses	City Budget 2014	PSAB Accounting 2014 Actuals
Operating Expenses	758,593	763,215
Debt Principal Repayments	39,751	
Transfer to Reserve & Reserve Funds	73,101	
Capital Expenditures	58,940	
Capital Expenses not capitalized		35,159
Amortization		119,068
Loss on Disposal of Capital Assets		966
Landfill and Employee future benefits Liability		16,908
Total Expenses	930,385	935,316
Annual Surplus		117,376



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Comparing the Surplus to Budget (in millions)

Consolidated Surplus per Financial Statements (PSAB Format)	117.4
Less: Transfers to (from) Capital and Reserves & Reserve Funds	(136.7)
Less: Debt Principal Repayments	(36.6)
Less: Capital program funding earned in year	(18.2)
Plus: Capital expenses not capitalized (Non-TCA)	35.2
Plus: Amortization of Tangible Capital Assets (TCA)	119.1
Less: Developer contributions of assumed TCA	(34.1)
Plus: Loss on disposal of TCA	1.0
Less: Reserves and reserve fund net revenues earned in year	(39.2)
Less: Government Business Enterprises adjustments	(8.6)
Plus: Change in landfill liability and employee future benefit liability	16.9
Less: Boards and Commission's Surpluses	(16.2)
Operating Fund Surplus per 2014 Approved Budget (Cash Format)	0.0

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- ### Upcoming PSAB Changes
- PS 3260 – Liability for Contaminated Site - must be implemented by December 31, 2015, but retroactive to 2014.
 - Work is underway for the Liability for Contaminated Sites, that will be recorded in the 2015 Statements
 - Liability for remediation should be recognized when an environmental standard exists, when the contamination exceeds the standard
 - PS 3450 – Financial Instruments - must be implemented by December 31, 2017, this may change the amounts that are accounted for to ensure fair value is recorded on financial instruments
 - PS 2601 – Foreign Currency Translation - must be implemented by December 31, 2017, gains or losses arising prior to settlement are recognized
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Questions?

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