

2015 Consolidated Financial Statements

Audit Committee
June 21, 2016



PSAB Changes – Liability for Contaminated Sites

- PS 3260 – Liability for Contaminated Sites recognized when:
 - an environmental standard exists
 - site is non-productive
 - contamination exceeds the standard
 - reasonable estimate of the liability can be made
- Reconciliation of Land to MPAC, Tax Roll and GIS
 - Identified land donated in prior years that was not recorded
- 2 properties identified that possibly met criteria
 - One was sold subsequent to year end
 - One was identified as a potential site of contamination in excess of the standard
 - In process of identifying extent of remediation
 - Potential costs cannot be estimated at this time



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.
- Adopted PS3260 – Liability for Contaminated Sites effective January 1, 2015 but applied retroactive to 2014.



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 its 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.



Statement of Financial Position

- The City has improved its net financial asset position to \$196.7 million
 - An improvement of \$69 million from 2014.
 - Strengthens our future liquidity in paying our liabilities and future expenses because our financial assets are higher than our financial liabilities.
- Investment in government business enterprises and partnerships total \$172 million in 2015 (Note 6) comprised of the following:

London Hydro Inc.	\$148.6 M
Fair City Joint Venture Partnership	\$6.5 M
City-YMCA Joint Venture Partnership	\$16.9 M
- Overall financial liabilities have increased \$8.7 million
 - Accounts Payable and accrued liabilities have increased approximately \$10 million
 - Employee Benefits payable (note 12) represent approximately \$6.3 million of this increase.
 - Offset by a decrease in Long Term liabilities and Debt of \$7.7 million



Net Book Value of Assets – December 31, 2015 (in millions)

Tangible Capital Assets	Historical Cost 2015	Accumulated Amortization 2015	Net Book Value 2015
Land	405	0	405
Landfill and Land Improvements	141	69	72
Buildings and Building Improvements	918	404	514
Leasehold Improvements	3	2	1
Machinery, Equipment and Furniture	366	205	161
Vehicles	115	66	49
Water Infrastructure	701	217	484
Wastewater Infrastructure	1,279	401	878
Roads Infrastructure	1,181	437	744
Computers	14	8	6
Assets under Construction	172	0	172
Totals	5,295	1,809	3,486



Statement of Financial Position Continued

- Accumulated surplus is the total of the City's financial assets, liabilities and non financial assets.
 - Increase over 2014 by annual surplus of \$145 million.
 - Surplus includes the balances of our reserves and reserve funds.
 - Indicates a governments ability to provide future services.
- Non Financial Assets:
- Land which is specifically held for resale is recorded as an inventoried item in our financial assets
 - Land for resale is classified as part of 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 \$82.4 million, due to the ongoing investment in the City's infrastructure.



What Do We Have in Capital Assets

	Replacement Cost (in Billions)	Historical Costs (in Billions)
Land, Landfills & Land Improvements	\$ 1.09	\$ 0.546
Building and Building Improvements	\$ 1.76	\$ 0.921
Fleet & Equipment & Furniture	\$ 0.64	\$ 0.480
Water Infrastructure	\$ 1.65	\$ 0.702
Wastewater Infrastructure	\$ 3.52	\$ 1.279
Roads Infrastructure	\$ 2.57	\$ 1.181
Computers	\$ 0.01	\$ 0.014
Assets Under Construction	\$ 0.18	\$ 0.172
Total	\$ 11.42	\$ 5.295

These estimates are based upon various inflation factors.



Statement of Operations - Revenues

- Overall, 2015 revenues increased \$43 million compared to 2014.
 - a 3.9% increase over 2014
- There were increases both in tax revenue and user charges for a total increase of \$28.9 million
- Provincial Government transfers were slightly higher – \$7.8 million increase
 - This is mainly due to additional funding for child care services and social assistance.
- Developer Contributions of Tangible Capital Assets totaled \$41 million, an increase of \$7.1 million over 2014 – this is predominantly for assumed subdivisions – e.g. new roads funded by assessment growth (operating costs)



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



Statement of Operations - Expenses

- Overall, expenses increased by \$15.8 million in 2015
 - a 1.6% increase over 2014
- Most functional areas have incremental increases over the prior year expenses.
- The largest expenditure increase over the prior year of \$14.0 million is in the area of Transportation Services.
 - Primarily expenses for the Wonderland Rd & 401 Interchange
- **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.



PSAB Accounting vs. City Budget (000's)

Statement of Operations - Revenues	City Budget 2015 (Unconsolidated)	PSAB Accounting 2015 Actuals
Net Municipal Taxation	531,957	539,261
Grants, User Fees and Other Revenue	428,864	442,507
Transfers from Capital and Reserve Funds	6,077	
Capital Funding Earned		23,585
Developer Contributions		41,126
Reserve Fund Deferred Revenue Earned		36,985
Government Business Enterprise Adjustments		7,654
Boards and Commissions Surplus		5,862
Total Revenues	966,898	1,096,980



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

Statement of Operations - Expenses	City Budget 2015 (Unconsolidated)	PSAB Accounting 2015 Actuals
Operating Expenses	780,914	780,704
Debt Principal Repayments	38,106	
Transfer to Reserve & Reserve Funds	80,968	
Capital Expenditures (pay as you go financing)	66,910	
Capital Expenses not capitalized		32,748
Amortization		123,270
Loss on Disposal of Capital Assets		4,615
Landfill and Employee future benefits Liability		10,835
Total Expenses	966,898	952,172
Annual Surplus	0	144,808

13

2015 Financial Statements



Upcoming PSAB Changes

- **PS 3450 – Financial Instruments** - must be implemented by December 31, 2020, 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, 2020, gains or losses arising prior to settlement are recognized

15

2015 Financial Statements



Comparing the Surplus to Budget (in millions)

Consolidated Surplus per Financial Statements (PSAB Format)	144.8
Less: Transfers to (from) Capital and Reserves & Reserve Funds	(158.6)
Less: Debt Principal Repayments	(35.1)
Less: Capital program funding earned in year	(23.6)
Plus: Capital expenses not capitalized (Non-TCA)	32.7
Plus: Amortization of Tangible Capital Assets (TCA)	123.3
Less: Developer contributions of assumed TCA	(41.1)
Plus: Loss on disposal of TCA	4.6
Less: Reserves and reserve fund net revenues earned in year	(44.3)
Less: Government Business Enterprises adjustments	(7.7)
Plus: Change in landfill liability and employee future benefit liability	10.8
Less: Boards and Commission's Surpluses	(5.8)
Operating Fund Surplus per 2015 Approved Budget (Cash Format)	0.0

14

2015 Financial Statements



Questions?

16

2015 Financial Statements

