



# 2018 Consolidated Financial Report



Audit Committee  
June 19, 2019



## Composition of Financial Consolidated Report

- Highlights of Key Financial Policies
- Economic Overview
- 2018 Financial Results including trends
- Five Year Review and General Statistics
- Consolidated Financial Report

**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**.



## Consolidated Financial Report



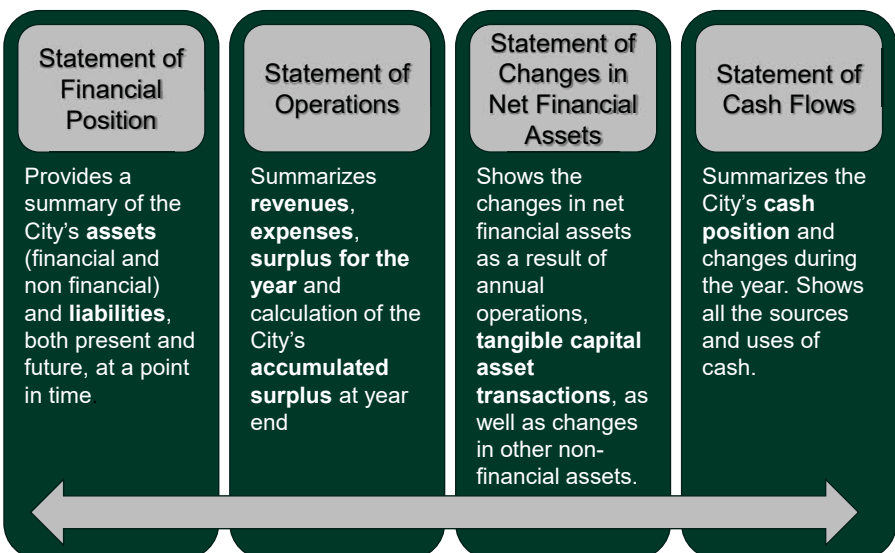
Reflects the assets, liabilities, revenues, and expenses of the Corporation, including:

- 14 fully consolidated boards and commissions
- 3 proportionately consolidated entities
- 3 government business enterprises

(Refer to Note 1 for breakdown)



## Consolidated Statements Comprise





## Statement of Financial Position

- The City has **improved** its **net financial assets** position to \$394 million
  - An **improvement** of **\$121.5 million** from 2017.
  - Strengthens our future liquidity to pay our liabilities and future expenses.
- Overall financial assets have increased **\$141.9 million**
  - Cash and cash equivalents** (Note 2) have **increased** \$89.5 million
  - Investments** (Note 4) have **increased** \$28.6 million
  - Investments in government business enterprises and partnerships** (Note 6) have **increased** \$8.4 million
- Overall financial liabilities have increased **\$20.4 million**
  - Deferred Revenue** (Note 7) has **increased** \$2.8 million – obligatory reserve funds
  - Employee benefits** (Note 12) payable **increased** by \$4.7 million
  - Accounts Payable** and **accrued liabilities** have **increased** approximately \$5.4 million
  - Increase in Long Term Debt** of \$2.9 million

NOTE: Based on further review and analysis, the audit identified that **\$7.3 million** of Urban Works Assets were **recognized** too soon. This would result in a correction required to our Financial Liabilities; the **Urban Works Payable**.

**The City's Net Financial Assets Position would increase to \$401 million**



## 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 **\$150.3 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 2017 by **\$272.4 million**.
  - Accumulated surplus **includes** the balances of the City's consolidated **reserves** and **reserve funds**.
  - Indicates a governments ability to provide future services.

NOTE: Based on further review and analysis, audit identified that **\$7.3 million** of Urban Works assets were **recognized** too soon. This would result in a correction required to **Tangible Capital Assets** which would be offset by a corresponding reduction to the **Urban Works Payable**.



## Net Book Value of Assets – December 31, 2018 (in millions)

Tangible Capital Assets (Note 14)	Historical Cost 2018	Accumulated Amortization 2018	Net Book Value 2018
Land	\$ 440	\$ -	\$ 440
Landfill and Land Improvements	158	81	77
Buildings and Building Improvements	1,078	482	596
Leasehold Improvements	8	2	6
Machinery, Equipment and Furniture	439	256	183
Vehicles	133	70	63
Water Infrastructure	785	255	530
Wastewater Infrastructure	1,454	466	988
Roads Infrastructure	1,370	499	871
Computers and Computers under lease	23	14	9
Assets under Construction	137	-	137
<b>Totals</b>	<b>\$ 6,025</b>	<b>\$ 2,125</b>	<b>\$ 3,900</b>



## Notable Assets Recognized in 2018

- Greenway Pollution Control Plant Expansion \$42 million
- Southwest Community Centre (Bostwick) \$34.3 million  
(land was recognized in prior years)
- Dundas Flex Street Phase 1 (Dundas Place) \$9.4 million
- Blackfriars Bridge Rehabilitation \$8.8 million
- Developer contributions \$73.3 million
  - 13.5 kilometres of roadways assumed (land, base, & surface)
  - 17.9 kilometres of sidewalk
  - 23 kilometres of water pipe
  - 10.3 kilometres of sanitary sewer pipes
  - 10.5 kilometres of storm sewer pipes

*Requirements set out  
in development  
agreements between  
the City and Developer*



## Statement of Operations - Expenses

- Overall, **expenses increased** by **\$66.5 million** in 2018
  - a **6.1% increase** over 2017
- The largest expenditure increases over the prior year were realized in:
  - Transportation Services** \$27.0 million; Roadways and Transit
  - Social and Family Services** \$20.3 million; Childcare
  - Environmental Services** \$4.7 million; Water and Wastewater
- Key items different than budget:**
  - Amortization** is recorded as an **expense** on the Statement of Operations
  - Debt principal** repayments are **not expensed**.
  - Contributions to **capital and reserve funds** are also **not expensed**.



## Statement of Operations - Revenues

- Overall, 2018 revenues increased \$172.6 million compared to 2017.
  - a **13.8% increase** over 2017
- There were increases both in **tax revenue and user charges** for a total **increase** of **\$33.6** million.
- Government transfers** increased **\$49.7** million
  - This is mainly due to additional funding for childcare, water/ wastewater, and transportation.
- Development charges recognized increased by **\$36.3** million
- Developer Contributions of Tangible Capital Assets totaled \$73.3 million, an **increase of \$36.5 million** over 2017.



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

Statement of Operations - Revenues	City Budget 2018 (Unconsolidated)	PSAB Accounting 2018 Actuals
Net Municipal Taxation	599,295	604,712
Grants, User Fees and Other Revenue	486,488	534,513
Transfers from Capital and Reserve Funds	7,757	-
Capital Funding Earned	-	57,051
Developer Contributions	-	73,284
Reserve Fund Deferred Revenue Earned	-	62,601
Government Business Enterprise Adjustments	-	8,405
Boards and Commissions Surplus	-	7,636
<b>Total Revenues</b>	<b><u>1,093,540</u></b>	<b><u>1,348,202</u></b>



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

Statement of Operations - Expenses	City Budget 2018 (Unconsolidated)	PSAB Accounting 2018 Actuals
Operating Expenses	874,354	881,499
Debt Principal Repayments	41,210	-
Transfer to Reserve & Reserve Funds	96,515	-
Capital Expenditures (pay as you go financing)	81,461	-
Capital Expenses not capitalized	-	40,815
Amortization	-	144,101
Loss on Disposal of Capital Assets	-	2,478
Landfill, Contaminated Sites, and Employee future benefits Liability	-	6,917
<b>Total Expenses</b>	<b><u>1,093,540</u></b>	<b><u>1,075,810</u></b>
<b>Annual Surplus</b>	<b><u>0</u></b>	<b><u>272,392</u></b>



# Comparing the Budget Surplus to Financial Statement Surplus

2018 Operating Budget Surplus per the Year-End Budget Monitoring Report to Corporate Services Committee on April 16, 2019		\$ millions
Property Tax Supported Budget Surplus		6.0
Water Rate Supported Budget Surplus		0.0
Wastewater & Treatment Rate Supported Budget Surplus		3.2
<b>2018 Operating Budget Surplus</b>		<b>9.2</b>
Transfers to Reserve and Reserve Funds and reductions to authorized but unissued debt in accordance with the Council approved Surplus/Deficit Policy and Council Resolution		(9.2)
<b>Operating Fund Surplus per 2018 Approved Budget (Cash Format)</b>		<b>0.0</b>
<b>Financial Statement adjustments:</b>		
Plus: Transfers to (from) Capital and Reserves and Reserve Funds		218.8
Plus: Debt Principal Repayments		38.9
Plus: Capital program funding earned in year		57.2
Less: Capital expenses not capitalized (Non-TCA)		(40.8)
Less: Amortization of Tangible Capital Assets (TCA)		(144.1)
Plus: Developer contributions of assumed TCA		73.3
Less: Loss on disposal of TCA		(2.5)
Plus: Reserves and reserve fund net revenues earned in year		62.6
Plus: Government Business Enterprises adjustments		8.4
Less: Change in landfill liability, contaminated site liability and employee future benefit liability		(6.9)
Plus: Boards' and Commission's Surpluses		7.5
<b>2018 Consolidated Surplus per Financial Statements (PSAB Format)</b>		<b>272.4</b>



# Edits to Draft Financial Report

- Corrections to Consolidated Statement of Financial Position, Statement of Net Financial Assets, Statement of Cash Flows, and Note 14 Tangible Capital Assets
  - Adjustments to Urban Works Payable and Tangible Capital Assets; \$7.3 million
- Corrections to Commitments (Note 18) related to a typo for Fleet, along with allocations for sewer infrastructure; sanitary and storm.



# Public Sector Accounting Board (PSAB) Landscape

- Public Sector Accounting Standards (PSAS) **continue** to develop; improving **transparency, recognition** and **disclosure**.

Previous	Recent	Upcoming
Tangible Capital Assets	Related Party Disclosures	Asset Retirement Obligations
Government Transfers	Inter-entity Transactions	Restructuring Transactions
Tax Revenue		Financial Instruments
Liability for Contaminated Sites		Financial Statement Presentation
		Portfolio Investments



# Planning for PSAS (i.e. Asset Retirement Obligation)

- Preliminary Implementation Plan Considerations
  - Technical Accounting
    - Policies, business/ process, auditor review
  - Data and Systems Development
    - Gaps, systems design, system solution, testing, deployment
  - Process/ close and report
    - Reporting/ controls, implementation review
  - Readiness and training
    - Accounting team, business unit training
  - Program Management
    - Communication

\*Based on an illustrative roadmap provided by Deloitte LLP "Sustainability in corporate reporting"



## Internal Controls

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



## Where do we go from here?

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