



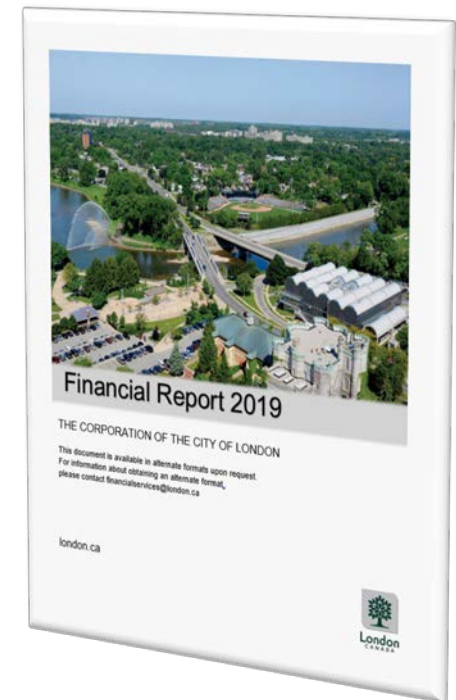
2019 Consolidated Financial Report



Audit Committee
September 16, 2020

Composition of Financial Consolidated Report

- Highlights of Key Financial Policies
- 2019 Financial Results including trends
- Five Year Review and General Statistics
- Consolidated 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**.

Highlights and Changes

Consolidated Entities

Hamilton Road BIA	In
PUC	Out

Subsequent Event

COVID – 19
(Note 25)

City Services Payable

- Replaces Urban Works Payable based on Council direction given the 2019 Development Charges Background Study.
- Liability recognized at substantial completion, signed off by an Engineer.
(Note 11)

WSIB Liability

- Change in year end statement provided by Workplace Safety Insurance Board identifying future cost.
- Civic Administration required to engage an actuary to finalize liability. More in depth process to be set out for 2020 commencing in the fall.

Unusual Transaction

- Recognition of monies owed to benefit provider. Understated 2018 expense, overstated 2019 expense. Payment made in 2019 to clear up.
- Increased joint monitoring of accounts held with benefit providers, including the establishment of thresholds for funds held with them.

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)

**Change from 2018, inclusion of Hamilton Road Business Improvement Area Board of Management, excludes Public Utilities Commission*

Consolidated Statements Comprise

Statement of Financial Position

Provides a summary of the City's **assets** (financial and non financial) and **liabilities**, both present and future, at a point in time.

Statement of Operations

Summarizes **revenues, expenses, surplus for the year** and calculation of the City's **accumulated surplus** at year end

Statement of Changes in Net Financial Assets

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.

Statement of Cash Flows

Summarizes the City's **cash position** and changes during the year. Shows all the sources and uses of cash.





Statement of Financial Position

(in \$ millions)

Financial Assets \$1,591

Cash, Accounts Receivable, Land held for resale, Investments, Loan receivable, Investments in government business enterprises

Financial Liabilities \$1,069

Accounts payable, deferred revenue, long-term debt, city services payable, employee benefits payable, and landfill closure and post closure liability

Net Financial Assets \$ 522

Total of Financial Assets less Total Financial Liabilities

Non Financial Assets \$4,017

Tangible capital assets (buildings, vehicles, infrastructure (roads, water, wastewater), equipment) are not liquid or readily available for sale. Also included here are prepaid expenses.

Accumulated Surplus \$4,539

Includes the balances of the City's consolidated reserves and reserve funds. Indicates a government's ability to provide future service.



Statement of Financial Position

(in \$ millions)

+ / - over 2018

Financial Assets \$1,591

↑
+\$185

Increase in investments held driven by increase purchases working towards achieving higher investment targets approved in latest Investment Policy update. (Note 4)

Financial Liabilities \$1,069

↑
+\$ 64

Increase in deferred revenue related to Development Charges, and Federal and Provincial Gas Tax. (Note 7) Further increase in City Services Payable. (Note 11)

Net Financial Assets \$ 522

↑
+\$121

The increase in Financial Assets was greater than the increase in Financial Liabilities.

Non Financial Assets \$4,017

↑
+\$101

Increase predominantly due to the increase in tangible capital assets. (Note 14)
NOTE: Developer contributions accounted for 30% of the increase. (Note 14 b)

Accumulated Surplus \$4,539

↑
+\$222

Assets less Liabilities

Notable Assets Recognized in 2019

Western & Wharncliffe
Road Upgrade
\$12.5 million

Dundas Flex Street Phase 2
(Dundas Place)
\$ 9.9 million

Main Street & Longwoods
Road Upgrade in Lambeth
\$10.3 million

West London Dykes
Upgrades Phase 5 & 6
\$ 4.3 million

Force main and sanitary
pipes required for the new
Colonel Talbot Pumping
Station
\$9.4 million

Developer Contributions to
Tangible Capital Assets
\$64.9 million
(12.3 km of roadways, 14 km of sidewalk, 328
street lights, 12.5 km water pipe, 13.4 km of
sanitary sewer pipes, 12 km storm sewer pipes)



Net Book Value of Assets – December 31, 2019 (in millions)

Tangible Capital Assets (Note 14)	Historical Cost 2019	Accumulated Amortization 2019	Net Book Value 2019
Land	\$ 453	\$ -	\$ 453
Landfill and Land Improvements	162	86	76
Buildings and Building Improvements	1,093	510	583
Leasehold Improvements	9	2	7
Machinery, Equipment and Furniture	440	271	169
Vehicles	135	75	60
Water Infrastructure	808	267	540
Wastewater Infrastructure	1,526	490	1,036
Roads Infrastructure	1,455	523	932
Computers and Computers under lease	22	13	9
Assets under Construction	130	-	130
Totals	\$ 6,235	\$ 2,239	\$ 3,996

Statement of Operations (\$ 000's)

- City Financial Statements are presented on a **full accrual accounting basis (PSAB)** whereas the Multi-Year Budget is presented on a **modified cash basis**.

2019	Modified Cash Basis Budget	Financial Statement Adjustments	Full Accrual Basis PSAB
Revenue	1,138,459	205,707	1,344,166
Expenses	1,138,459	(16,458)	1,122,001
Surplus (Rev – Ex)	-	222,165	222,165

- 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**.
 - Revenue recognition for tangible capital assets.
 - Consolidation of boards and commissions: **gross** versus net

City Budget vs. PSAB Accounting (\$ 000's)

Statement of Operations - Revenues	City Budget 2019 (Unconsolidated)	PSAB Accounting 2019 Actuals
Net Municipal Taxation	627,860	635,280
Grants, User Fees and Other Revenue	502,992	545,904
Transfers from Capital and Reserve Funds	7,607	-
Capital Funding Earned	-	36,827
Developer Contributions	-	64,953
Reserve Fund Deferred Revenue Earned	-	50,809
Government Business Enterprise Adjustments	-	4,029
Boards and Commissions Surplus	-	6,363
Total Revenues	<u>1,138,459</u>	<u>1,344,166</u>

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

Statement of Operations - Expenses	City Budget 2019 (Unconsolidated)	PSAB Accounting 2019 Actuals
Operating Expenses	913,302	916,741
Debt Principal Repayments	42,371	-
Transfer to Reserve & Reserve Funds	94,036	-
Capital Expenditures (pay as you go financing)	86,750	-
Capital Expenses not capitalized	-	44,269
Amortization	-	152,278
Loss on Disposal of Capital Assets	-	4,711
Landfill, Contaminated Sites, and Employee future benefits Liability	-	4,002
Total Expenses	<u>1,138,459</u>	<u>1,122,001</u>
Annual Surplus	<u><u>0</u></u>	<u><u>222,165</u></u>

Statement of Operations - Expenses

- Overall, expenses **increased** by **\$49.1 million** in 2019
 - a **4.3% increase** over 2018



\$14.9 million attributable to Roads and Transit



\$8.1 million for Affordable Housing



\$10.3 million for Police and Fire



\$6.7 million attributable to benefit payment and legal accruals



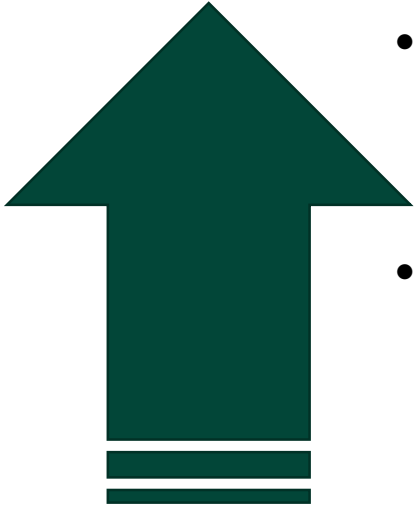
\$3.4 million for Recreation, Health Services, Environmental Services, and Social and Family Services

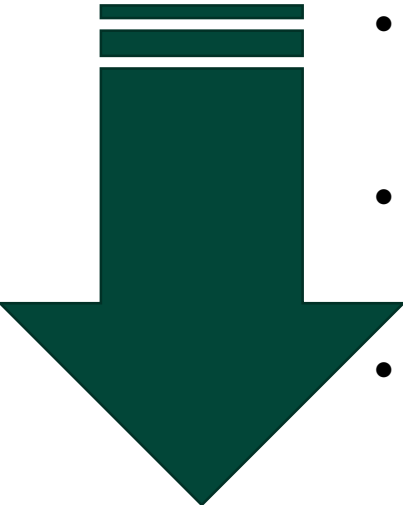


\$5.6 million for Commercial and Industrial development (cost of goods sold, industrial land)

Statement of Operations - Revenues

- Overall, 2019 revenues **decreased \$1.1** million compared to 2018, a **0.1% decrease** over 2018.

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- Increase in tax revenue and user charges \$35.1 million
 - \$ 20.1 million increase from other revenues such as industrial land sales, investment income, and municipal accommodation tax

- 
- Decrease in government transfers recognized.
 - Development charge revenue lower than 2018 experience.
 - Developer contributions of tangible capital assets



Comparing the Budget Surplus to Financial Statement Surplus

2019 Operating Budget Surplus per the Year-End Budget Monitoring Report to Corporate Services Committee on May 11, 2020	\$ millions
Property Tax Supported Budget Surplus	3.2
Water Rate Supported Budget Surplus	1.7
Wastewater & Treatment Rate Supported Budget Surplus	3.3
2019 Operating Budget Surplus	8.2
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	(8.2)
Operating Fund Surplus per 2019 Approved Budget (Cash Format)	0.0
Financial Statement adjustments:	
Plus: Transfers to (from) Capital and Reserves and Reserve Funds	225.1
Plus: Debt Principal Repayments	39.3
Plus: Capital program funding earned in year	36.9
Less: Capital expenses not capitalized (Non-TCA)	(44.3)
Less: Amortization of Tangible Capital Assets (TCA)	(152.3)
Plus: Developer contributions of assumed TCA	65.0
Less: Loss on disposal of TCA	(4.7)
Plus: Reserves and reserve fund net revenues earned in year	50.8
Plus: Government Business Enterprises adjustments	4.0
Less: Change in landfill liability, contaminated site liability and employee future benefit liability	(4.0)
Plus: Boards' and Commission's Surpluses	6.4
2019 Consolidated Surplus per Financial Statements (PSAB Format)	222.2

Public Sector Accounting Board (PSAB) Landscape

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



Where do we go from here?

- Huge **thanks** to the Finance and Accounting teams of the City's Boards and Commission, along with the Financial Services team and KPMG in adapting, and working through these extraordinary times.
- KPMG will present their **Audit Findings Report**