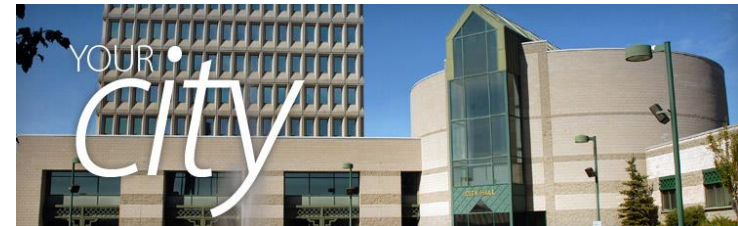


2018 Consolidated Financial Statements

PRESENTED BY COLLEEN SMITH

SENIOR MANAGER OF ACCOUNTING AND REVENUE



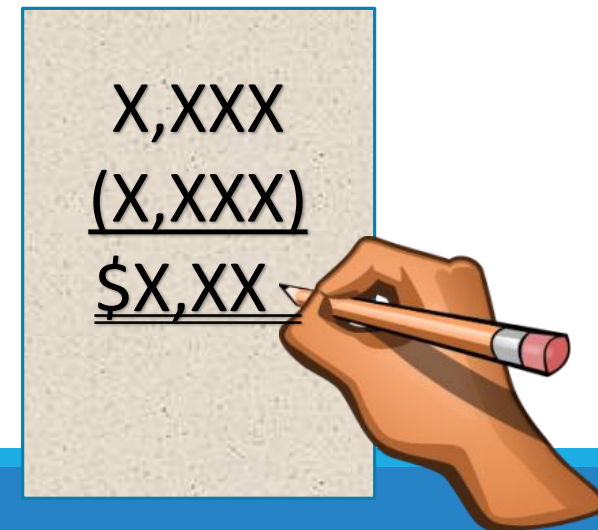
Objectives

- Overview of the 2018 financial statements
 - Elements of the financial statements
 - Key measures



Statement of operations and accumulated surplus

- Equivalent to the income statement in the private sector
- Report of the City's operations for the year which provides information regarding the City's:
 - Sources of funding
 - Areas of spending (other than capital)
- **Key measure:** annual surplus



Annual surplus

- Shows whether the revenues raised in the year were sufficient to cover costs
- A surplus does not mean a government has extra “profits” or cash to spend
 - Includes non-cash items, e.g. assumed assets
 - Does not take into account spending on capital assets
- For example, the 2018 surplus includes \$4.3 million of assumed assets
- Includes surpluses reported to Council and financial statement adjustments

Significant adjustments to tax rate surplus (\$ millions)

| | | |
|---------------------|---|---------------|
| As Reported: | Tax rate supported surplus | \$4.9 |
| | Water and Wastewater rate surplus | 1.5 |
| | Parking rate surplus | 0.4 |
| Add: | Revenue from assumed assets | 4.3 |
| | Revenue recognized in the capital fund | 41.8 |
| | Net transfers from reserves | 58.4 |
| | Other consolidated entities' surplus before adjustments | 5.8 |
| | Long-term debt principal repayments | 17.8 |
| Less: | Proceeds of short-term debt | (24.0) |
| | Change in employee future benefits liabilities | (5.1) |
| | Change in landfill liability | (0.2) |
| | Amortization of tangible capital assets | (56.2) |
| | Other accounting adjustments | 10.4 |
| Total: | Consolidated annual surplus | \$59.8 |

Consolidated statement of change in net debt

- Difference between a government's liabilities and net financial assets
- Indicates future cash flows required to finance past transactions
- Net debt results from government spending that consistently exceeds its revenues raised for that year > paying for today's spending with future dollars
- **Key measure:** net debt


$$\begin{array}{r} \text{Financial Assets} \\ - \text{Financial Liabilities} \\ \hline \text{Net Debt} \end{array}$$

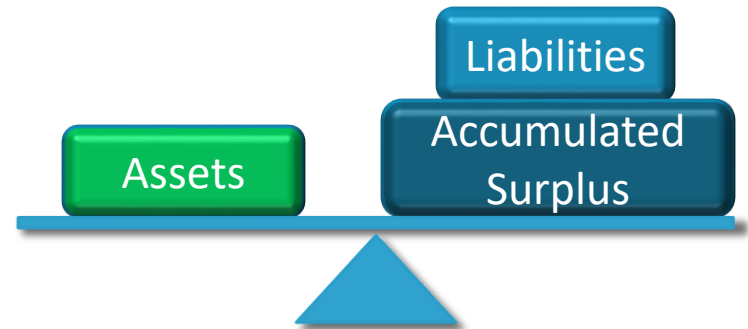
Change in net debt

- Statement of Operations reflects **expenses** while Statement of Change in Net Debt reflects total spending
 - E.g. – amortization expense is added back, while cost of acquiring tangible capital assets is included
- Highlights significance of capital expenditures and use of debt
- Net debt and ability to service that debt are important for assessing **sustainability**
- Financial policies and decisions need to limit Net Debt burden

| 2018 | 2017 | Change |
|-----------------|-----------------|-----------------|
| \$137.1 million | \$140.1 million | \$(3.0) million |

Statement of financial position

- Equivalent to the Balance Sheet in the private sector
- Historical report of the City's financial position at the end of the year which provides information regarding:
 - The City's financial resources (assets) and obligations (liabilities) which will affect the City's ability to operate in the short and long-term
 - Financial assets represent future cash receipts and financial liabilities represent cash outlays that relate to transactions that have already occurred
 - Non-financial assets are longer term resources that cannot be readily converted into cash (e.g. capital assets)
- **Key measure:** Accumulated surplus



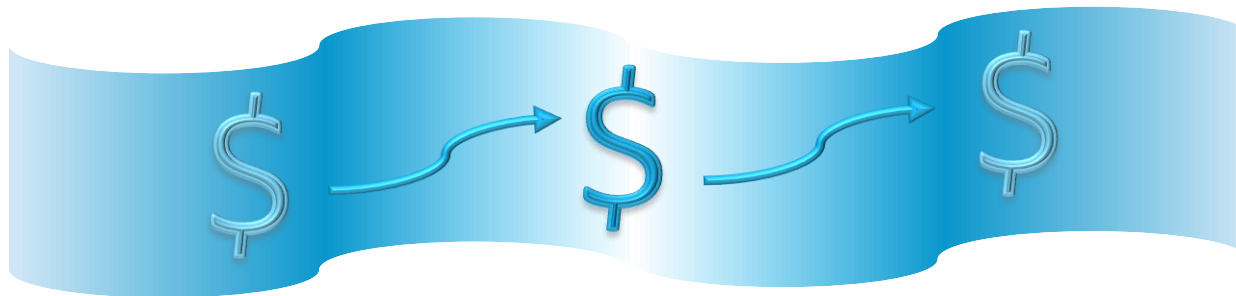
Accumulated surplus

- Amount by which all assets exceed all liabilities (or sum of our past surpluses)
- Surplus indicates a government has net resources (financial and physical) to provide future services
- Increase in accumulated surplus related to the current year surplus
- Influenced by amortization periods and maintenance of assets

$$\text{Accumulated Surplus} = \text{Assets} - \text{Liabilities}$$

Statement of cash flows

- Describes how activities were financed
- Shows the effect of activities on cash resources
- Sources/uses of cash can be analysed to assess whether future cash resources are sufficient for **sustaining activities**
- Large decrease in cash due to investment portfolio initiated in 2018
 - \$82.2 million in investments at year end



| | 2018 | 2017 |
|--------------|----------------|-----------------|
| Cash Balance | \$39.2 million | \$106.8 million |

Questions

