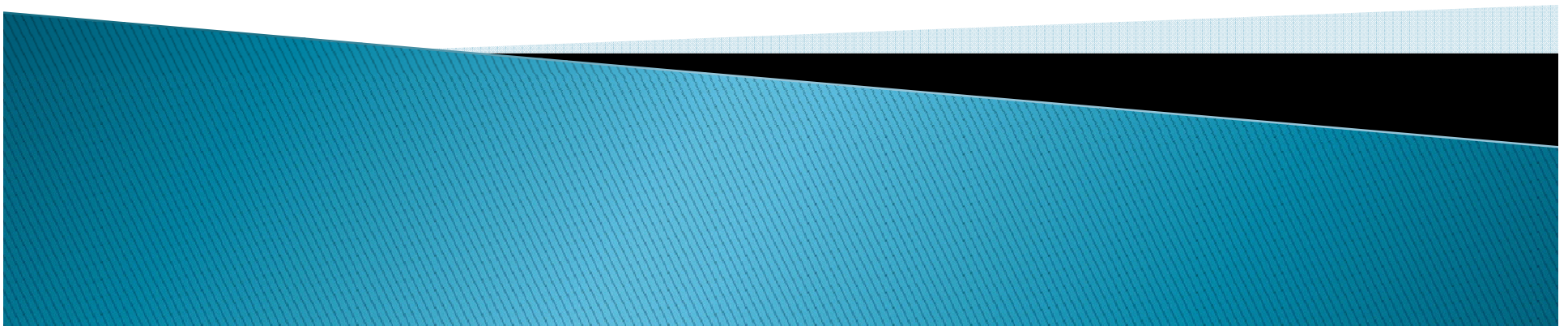


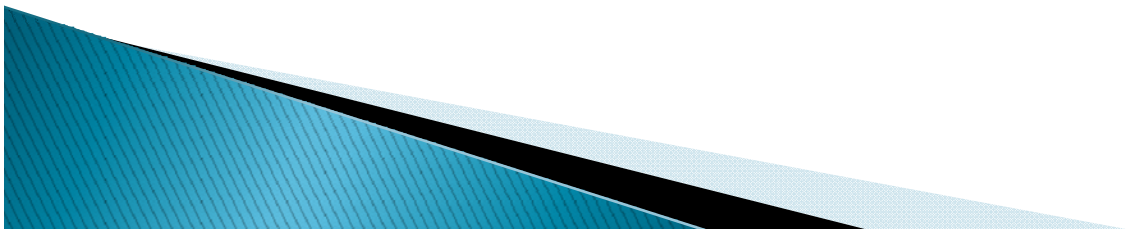
Financial Statements 101

June 27, 2012



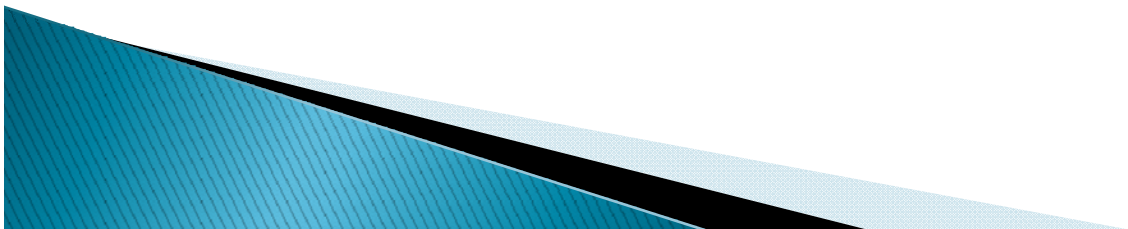
Session Objectives

- ▶ Overview of the 2011 financial statements ('the statements')
 - Different elements of the financial statements
 - Key measures from the statements
 - Note disclosures



Agenda

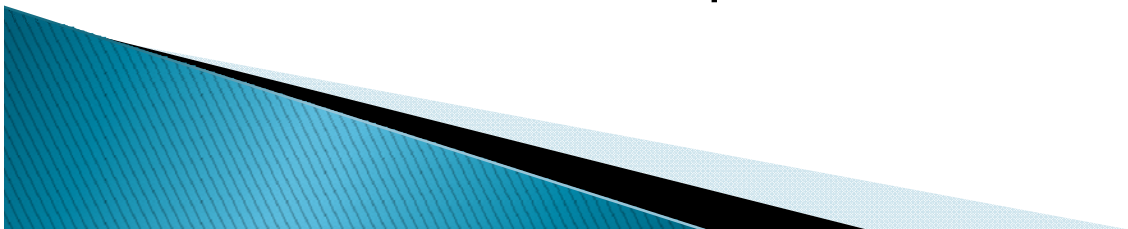
- ▶ Elements of municipal financial statements and related key measures:
 1. Statement of Financial Position
 2. Statement of Operations and Accumulated Surplus
 3. Statement of Change in Net Debt
 4. Statement of Cash Flows
- ▶ Notes to the financial statements



1. Consolidated Statement of Financial Position (Balance Sheet)

What do we have, what do we owe? (pg 3)

- ▶ The statement of financial position is a 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
- ▶ Two key measures:
 - Net financial resources/net debt
 - Accumulated surplus



Net Debt

The Corporation of the City of Barrie Consolidated Statement of Financial Position			
December 31	2011	2010	
			Restated (See Note 1)
Financial assets			
Cash and cash equivalents (Notes 2 and 7)	82,815,047	46,028,852	
Taxes receivable	16,216,593	18,173,282	
Accounts receivable	21,145,326	22,707,718	
Inventories of land for resale	4,880,353	4,565,786	
Long-term receivables (Note 4)	1,178,840	5,009,892	
Investment in government business partnership (Note 6)	83,412,844	81,545,732	
	<u>209,649,003</u>	<u>178,031,262</u>	
Liabilities			
Short-term construction advances (Note 3)	60,000,000	50,000,000	
Accounts payable and accrued liabilities	64,923,785	80,784,818	
Deferred revenue - general	7,994,631	7,666,627	
Deferred revenue - obligatory reserve funds (Note 7)	55,275,042	54,115,445	
Post employment benefits liability (Note 8)	32,902,929	30,661,393	
Landfill closure and post-closure liabilities (Note 9)	19,332,195	18,502,543	
Net long-term liabilities (Note 10)	<u>181,964,928</u>	<u>114,021,576</u>	
	<u>422,393,510</u>	<u>355,752,402</u>	
Net debt	<u>(212,744,507)</u>	<u>(177,721,140)</u>	
Non-financial assets			
Tangible capital assets (Note 11)	1,597,380,580	1,277,076,095	
Tangible capital assets under construction (Note 11)	38,913,257	315,137,761	
Inventories of supplies	1,436,825	1,559,304	
Prepaid expenses	<u>128,977</u>	<u>140,865</u>	
	<u>1,637,859,639</u>	<u>1,593,914,025</u>	
Accumulated surplus (Note 12)	<u>\$1,425,115,132</u>	<u>\$1,416,192,885</u>	
Commitments (Note 16) and Contingent liabilities (Note 17)			

Financial Policy Framework
Designed to Limit Net Debt
Burden

- ▶ *Net amount owing to others*
- ▶ Net debt = difference between a government's liabilities and net financial assets
- ▶ Indicator of future cash flows relating to past transactions or events
- ▶ Net debt results from government spending that consistently exceeds its revenues raised for the year – paying for today's spending with future dollars
- ▶ Net debt and ability to service that debt are important for assessing **sustainability**
- ▶ Increase illustrates City's increasing reliance on debt-financing for capital assets

Accumulated Surplus

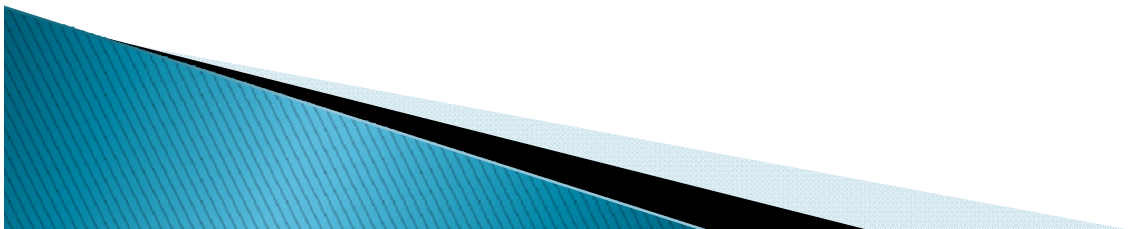
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Commitments (Note 16) and Contingent liabilities (Note 17)		

- ▶ *Everything we have, less what we owe*
- ▶ 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 non-financial assets (long-term)
- ▶ Influenced by amortization periods and maintenance of assets

2. Consolidated Statement of Operations and Accumulated Surplus (Income Statement)

What did we earn, what did we spend? (pg 4)

- ▶ The statement of operations is a report of the City's operations for the year which provides information regarding the City's:
 - Sources of funding
 - Areas of spending
- ▶ Key measure:
 - Annual consolidated surplus – note: different than the tax or user rate supported surpluses reported to Council



The Corporation of the City of Barrie Consolidated Statement of Operations and Accumulated Surplus			
For the year ended December 31	Budget 2011	2011	2010
	(Note 20)		Restated (See Note 1)
Revenue			
Property taxation (Note 14)	\$ 167,829,379	\$ 167,245,622	\$ 160,200,707
User fees and service charges	58,064,008	59,366,281	52,961,387
Government transfers and grants	2,678,827	25,594,349	16,384,310
Provincial Offences Act (Note 19)	7,781,918	7,798,301	7,624,289
Licences, permit fees	3,686,205	3,675,391	4,455,672
Investment income	5,166,000	1,518,021	2,171,900
Other	6,256,963	9,954,101	7,477,254
Annexed assets (Note 5)	-	-	26,998,289
Assumed assets	-	9,224,855	7,952,411
Equity earnings of government business partnership (Note 6)	-	6,367,112	5,435,677
Municipal contributions	749,092	892,618	577,809
Utilization of obligatory reserve funds (Note 7)	9,050,651	26,400,022	26,999,336
	261,263,043	318,036,673	319,239,041
Expenses (Note 15)			
General government	34,886,841	34,767,679	28,787,758
Protection services	69,845,575	78,415,497	78,674,133
Transportation services	32,150,650	47,563,262	44,609,206
Environmental services	43,294,578	58,582,311	47,847,704
Health services	22,975,912	36,383,070	3,650,399
Social and family services	11,566,993	10,831,589	14,343,420
Social housing	5,067,000	4,689,099	4,617,029
Recreation and cultural services	25,701,917	33,199,203	32,449,795
Planning and development	3,505,346	4,682,716	3,260,519
	248,994,812	309,114,426	258,239,963
Annual surplus (Note 22)	12,268,231	8,922,247	60,999,078
Accumulated surplus, beginning of year, as previously stated	-	-	1,352,341,337
Prior period adjustment (Note 1)	-	-	2,852,470
Accumulated surplus, beginning of year, as restated	1,416,192,885	1,416,192,885	1,355,193,807
Accumulated surplus, end of year	\$1,428,461,116	\$1,425,115,132	\$ 1,416,192,885

Annual Surplus (Deficit)

- ▶ *How much did we earn vs. expenses incurred?*
- ▶ 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



Decrease in annual surplus largely due to one-time items: 2010 Annexed lands, 2011 RVH contribution

3. Change in Net Debt

The Corporation of the City of Barrie Consolidated Statement of Change in Net Debt

For the year ended December 31	Budget 2011	2011	2010
	(Note 20)		Restated (See Note 1)
Annual surplus	\$ 12,268,231	\$ 8,922,247	\$ 60,999,078
Acquisition of tangible capital assets	(96,128,851)	(362,792,896)	(125,271,816)
Amortization of tangible capital assets	-	38,504,050	37,260,838
Loss on disposal of tangible capital assets	-	2,893,332	1,530,111
Land transferred to inventories for resale	-	949,595	-
Disposal (acquisition) of tangible capital assets under construction	-	276,224,504	(39,838,726)
Proceeds on disposition of tangible capital assets	-	141,434	-
	(83,860,620)	(35,157,734)	(65,320,515)
Decrease (increase) in inventories of supplies	-	122,479	(512,985)
Decrease (increase) in prepaid expenses	-	11,888	(19,439)
	-	134,367	(532,424)
Net change in net debt	(83,860,620)	(35,023,367)	(65,852,939)
Net debt, beginning of year	(177,721,140)	(177,721,140)	(114,720,671)
Prior Period Adjustment (Note 1)	-	-	2,852,470
Net debt, end of year	\$(261,581,760)	\$(212,744,507)	\$ (177,721,140)

- ▶ *How did the City's net amount owing change? (pg 5)*
- ▶ Identifies reasons for change in net debt
- ▶ Starts with annual surplus – excess of revenues over cost of services provided for the period
- ▶ 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



Increase highlights significance of capital expenditures and reliance on debt

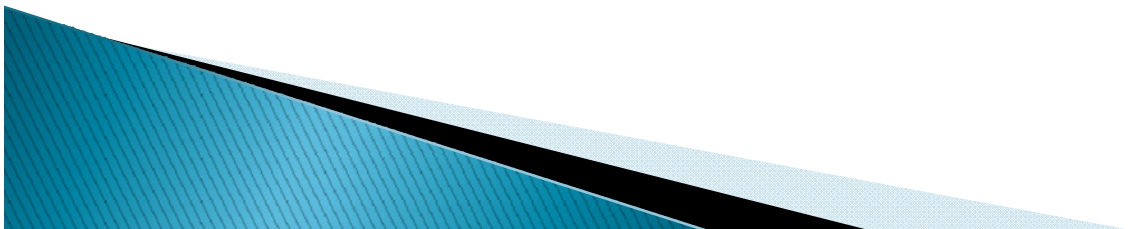
The Corporation of the City of Barrie Consolidated Statement of Cash Flows		
For the year ended December 31	2011	2010
		Restated (See Note 1)
Operating transactions		
Annual surplus	\$ 8,922,247	\$ 60,999,078
Items not involving cash		
Equity earnings of government business partnership	(6,367,112)	(5,435,677)
Amortization of tangible capital assets	38,504,050	37,260,838
Loss on disposal of tangible capital assets	2,893,332	1,530,111
Land transferred to inventories for resale	949,595	-
Changes in non-cash operating balances		
Decrease (increase) in taxes receivable	1,956,689	(604,563)
Decrease (increase) in accounts receivable	1,562,392	(9,244,986)
(Increase) decrease in inventories of land for resale	(314,567)	118,926
Decrease in long-term receivables	3,831,052	388,749
(Decrease) increase in accounts payable	(15,861,033)	9,165,351
(Decrease) increase in deferred revenue - general	328,004	692,577
Increase (decrease) in deferred revenue - obligatory reserve funds	1,159,597	(1,044,583)
Increase in post employment benefits liability	2,241,536	7,171,229
Increase in landfill closure and post-closure liabilities	829,652	1,732,899
Decrease (increase) in prepaid expenses	11,888	(19,439)
Decrease (increase) in inventories of supplies	122,479	(512,985)
	<u>40,769,801</u>	<u>102,197,525</u>
Capital transactions		
Acquisition of tangible capital assets	(362,792,896)	(125,271,816)
Disposal (acquisition) of tangible capital assets under construction	276,224,504	(39,838,726)
Proceeds of tangible capital assets	141,434	-
	<u>(86,426,958)</u>	<u>(165,110,542)</u>
Investing transactions		
Cash dividend received from government business partnership	4,500,000	-
Financing transactions		
Increase in short-term construction advances	10,000,000	-
Proceeds from issuance of long-term debt	75,000,000	75,000,000
Repayment of net long-term liabilities	(7,056,648)	(8,890,437)
	<u>77,943,352</u>	<u>66,109,563</u>
Net change in cash and cash equivalents	<u>36,786,195</u>	<u>3,196,546</u>
Cash and cash equivalents, beginning of year	46,028,852	42,832,306
Cash and cash equivalents, end of year	<u>\$ 82,815,047</u>	<u>\$ 46,028,852</u>

4. Cash Flows

- ▶ *Why did our cash go up? (pg 6)*
 - ▶ 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
- ➡ Increase in cash due to \$75M debt issuance on SWTP offset by spending on assets

Notes and Supplementary Schedules

- ▶ Integral part of financial statements
- ▶ Notes to the financial statements disclose information about:
 - Accounting policies
 - Cash and investments
 - Deferred revenue
 - Employee benefit obligations
 - Debt and construction financing
 - Landfill post-closure liabilities
 - Tangible capital assets
 - Reconciliation of budget surplus reported to Council



Questions

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