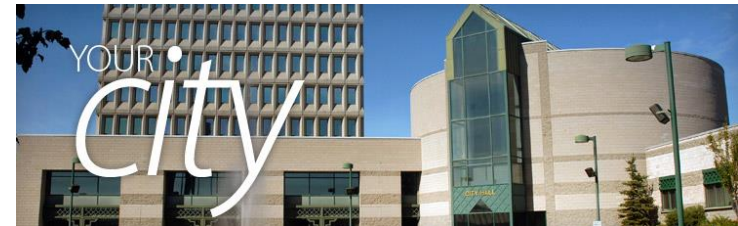


# 2022 Audited Consolidated Financial Statements

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PRESENTED BY MELISSA MIFSUD

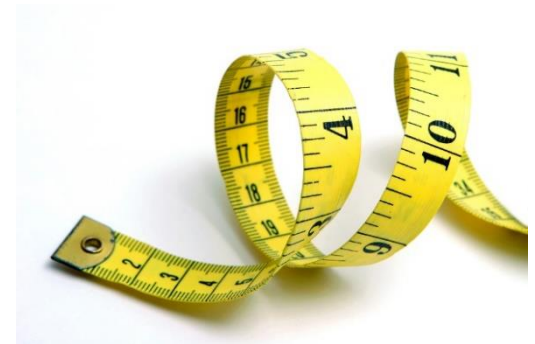
MANAGER OF ACCOUNTING AND FINANCIAL REPORTING



# Objectives

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- Municipal finance basics
  - Public Sector Accounting Board (PSAB)
  - Reserve and reserve funds
  - Operating fund and capital fund
- Overview of the 2022 financial statements
  - Elements of the financial statements
  - Key measures



# Public Sector Accounting Board (PSAB) Standards

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- All municipalities must follow PSAB accounting standards
- Accounting standards specify how transactions and other events are to be recognized, measured, presented and disclosed in the financial statements
  - This can result in financial statements that look different than how you typically look at City financial information
- The City's financial statements must be done on a consolidated basis
  - City, Police, Library, BIA, BHHI



# Reserve and reserve funds

## • **Obligatory reserve funds**

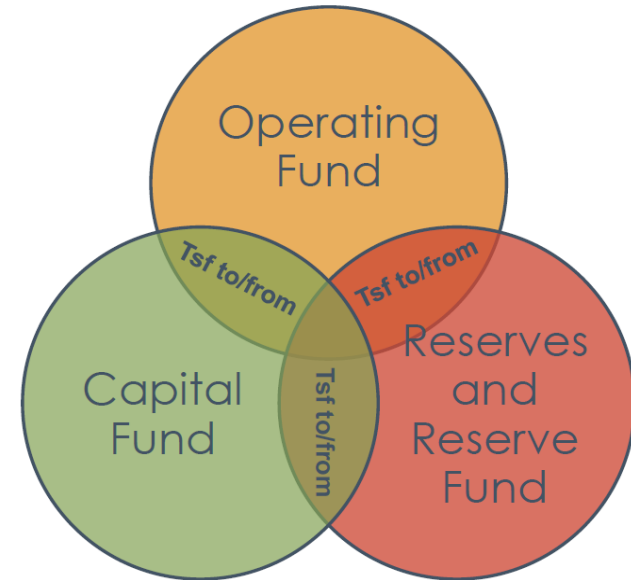
- External funds received with restrictions on how funds can be used
- **Deferred revenue** on statement of financial position (pg. 5)
- Once used, amounts are included in Utilization of obligatory reserve funds on the statement of operations (pg. 3)
- Examples: development charges, cash in lieu of parkland, gas tax

## • **Discretionary reserve funds**

- Established by Council by-law for specific purpose
- **Accumulated surplus** on statement of operations and accumulated surplus (pg. 3)
- Examples: user rate reserve funds for water, wastewater, and parking

## • **Reserves**

- Funds set aside by Council for an intended purpose, but not restricted
- **Accumulated surplus** on statement of operations and accumulated surplus (pg. 3)
- Examples: Tax Capital Reserve, Reinvestment Reserve, Tourism Reserve



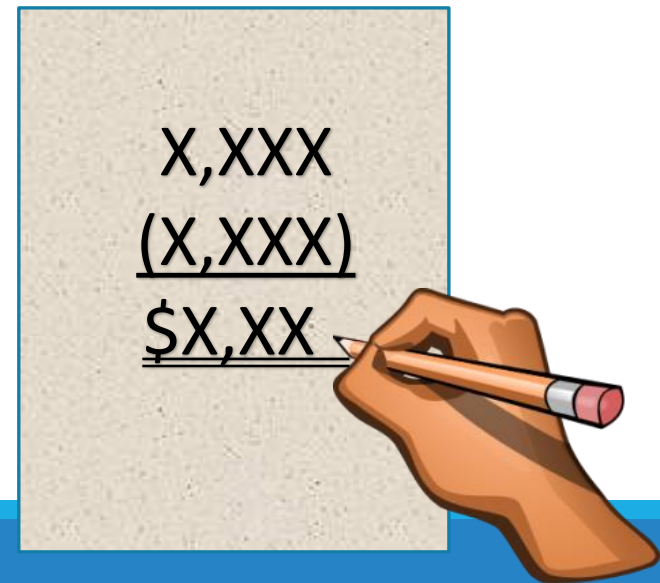
# Operating Fund, Capital Fund, and PSAB

Operating Fund	PSAB Statement of Operations		Capital Fund
	Operating Fund	Capital Fund	
<b>Revenues</b>			<b>Revenues</b>
Revenue from external sources	✓	✓	Revenue from external sources
Contributions from obligatory reserves and other deferred revenue	✓	✓	Contributions from obligatory reserves and other deferred revenue
Contributions from accumulated surplus reserves	x	x	Contributions from accumulated surplus reserves
		x	Debenture proceeds
<b>Expenses</b>			<b>Expenses</b>
Regular operating expense	✓	✓	Project expenses that cannot be capitalized
Operating expenses that can be capitalized	x	x	Project expenses that can be capitalized
Debt principal payments	x		
Debt interest payments	✓		
Transfers to accumulated surplus reserves	x		
<b>Other PSAB adjustments</b>			
Amortization of tangible capital assets	✓		
Change in post employment benefits liabilities	✓		
Change in landfill liability	✓		
Investment income adjustment	✓		
	<b>PSAB Surplus</b>		

# Statement of operations and accumulated surplus

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- Revenues grouped by source
- Expenses grouped by function
- **Key measure:** annual surplus



# Annual surplus

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- Revenues less expenses = annual surplus
- A surplus **does not** mean a government has extra “profits” or cash to spend
  - Includes non-cash items such as contributed assets
  - Does not take into account spending on capital assets
- For example, the 2022 surplus includes \$96.4 million of contributed assets
- Includes budget surplus reported to Council plus accounting adjustments required by PSAB

# Significant adjustments to budget surplus (\$ millions)

<b>As Reported:</b>	<b>Budget surplus</b>	<b>\$5.8</b>
<b>Add:</b>	Revenue from contributed assets	96.4
	Net contributions/transfers to/from accumulated surplus reserves	67.7
	PSAB revenue recognized in capital fund	55.5
	Debt principal payments	27.2
	Change in landfill liability	4.0
	Investment income adjustment	3.8
	Other consolidated entities' surplus before adjustments	3.5
	Other accounting adjustments	0.8
<b>Less:</b>	Amortization of tangible capital assets	(65.7)
	Capital project expenses that cannot be capitalized	(10.2)
	Change in post employment benefits liabilities	(3.6)
<b>Total:</b>	<b>Consolidated annual surplus</b>	<b>\$185.2</b>



# Statement of change in net debt

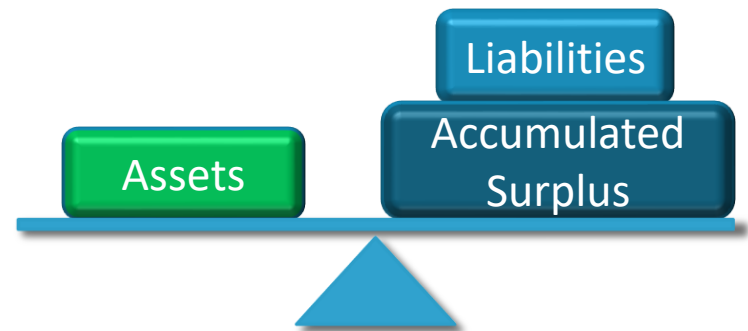

$$\begin{array}{r} \text{Financial Assets} \\ - \text{Financial Liabilities} \\ \hline \text{Net Debt} \end{array}$$

- Statement of Operations reflects expenses, while Statement of Change in Net Debt reflects total spending
  - For example, amortization expense is added back, while cost of acquiring tangible capital assets is included
- Net debt is the difference between liabilities and net financial assets
- Indicates future cash flows required to finance past transactions
- Net debt results from spending that consistently exceeds its revenues – paying for today’s spending with future dollars
- Highlights significance of capital expenditures and use of debt
- Net debt and ability to service that debt are important for assessing sustainability
- **Key measure:** net debt

# Statement of financial position

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- 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 – cash or items that can be converted to cash in the regular course of operations
  - Financial liabilities - future cash outlays that relate to transactions that have already occurred
  - Non-financial assets - longer term resources that cannot be readily converted into cash
  - **Key measure:** Accumulated surplus



# Accumulated surplus

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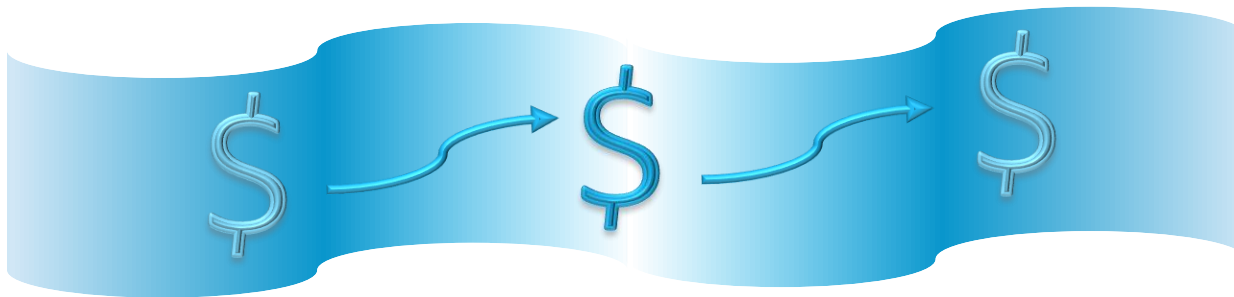
- Amount by which all assets exceed all liabilities (or sum of past surpluses)
- Surplus indicates a government has net resources (financial and physical) to provide future services
- Includes amounts invested in tangible capital assets

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

# Statement of cash flows

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- Describes how cash was generated and used during the year
- Sources and uses of cash can be analysed to assess whether future cash resources are sufficient for sustaining activities
- Large decrease in cash due to increased investing activities in 2022
  - \$330 million in investments at year end (2021 – \$164 million)



	2022	2021
Cash Balance	\$63.1 million	\$141.8 million

# Notes to the financial statements

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- Provides additional information and context to the financial statements
- Specific disclosures in the notes are required by PSAB



# Questions

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