

2012 Consolidated Financial Statements

June 19, 2013



Session Objectives

Overview of the 2012 financial statements


- Different elements of the financial statements
- Key measures from the statements

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

1. Consolidated Statement of Financial Position (pg 5)

- The Balance Sheet
- 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 debt
 - Accumulated surplus

The Corporation of the City of Barrie
Consolidated statement of financial position
as at December 31, 2012

	2012	2011 (Restated - Notes 2 and 6)
	\$	\$
Assets		
Cash and cash equivalents (Notes 3 and 7)	60,524,169	82,815,047
Taxes receivable	15,179,826	16,216,593
Accounts receivable	25,482,356	21,388,027
Inventories of land for resale	4,418,215	4,880,353
Long-term receivables (Note 5)	4,374,353	1,178,840
Investment in government business enterprise (Note 6)	99,442,337	92,224,974
	209,421,356	218,703,834
Liabilities		
Short-term construction advances (Note 4)	20,000,000	60,000,000
Accounts payable and accrued liabilities	60,289,930	72,831,011
Deferred revenue - general	7,931,936	7,994,631
Deferred revenue - obligatory reserve funds (Note 7)	49,361,697	55,275,042
Post employment benefits liability (Note 8)	30,108,548	26,180,579
Landfill closure and post-closure liabilities (Note 9)	20,417,230	19,332,195
Net long-term liabilities (Note 10)	243,461,253	181,964,928
	431,570,594	423,578,386
Net debt	(222,149,238)	(204,874,552)
Non-financial assets		
Tangible capital assets (Note 11)	1,611,473,196	1,597,380,580
Tangible capital assets under construction	44,989,094	38,913,257
Inventories of supplies	1,427,296	1,436,825
Prepaid expenses	118,561	128,977
	1,658,008,147	1,637,859,639
Accumulated surplus (Note 12)	1,435,858,909	1,432,985,087

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

Net Debt

	2012 - \$ millions	2011 - \$ millions
Net debt	(222.1)	(204.9)

- 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

Financial Policy Framework
Designed to Limit Net Debt
Burden

Accumulated Surplus

	2012 - \$ millions	2011 - \$ millions
Accumulated surplus	1,435.9	1,433.0

- 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 – pg 3)

- 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 – different than the year end tax or user rate supported surpluses reported to Council (See Appendix B of Financial Statements)

The Corporation of the City of Barrie

Consolidated statement of operations and accumulated surplus
year ended December 31, 2012

	2012 Budget (Note 20)	2012 Actual	2011 (Restated - Notes 2 and 6)
	\$	\$	\$
Revenue			
Property taxation (Note 14)	177,077,117	176,283,375	167,245,622
User fees and service charges	64,888,807	65,126,478	59,366,281
Government transfers and grants	5,115,355	8,202,991	25,594,349
Provincial Offences Act (Note 19)	7,782,355	8,068,442	7,798,301
Licences, permit fees	3,348,654	3,920,168	3,675,391
Investment income	1,924,220	1,575,606	1,518,021
Other	6,813,615	8,766,223	9,954,101
Contributed tangible capital assets		12,185,615	9,224,855
Equity earnings of government business enterprise (Note 6)		7,217,363	5,253,552
Municipal contributions	1,124,269	714,724	892,618
Utilization of obligatory reserve funds (Note 7)	18,238,913	28,203,578	26,400,022
	286,313,305	320,264,563	316,923,113
Expenses (Note 15)			
General government	31,799,908	31,965,461	34,767,679
Protection services	84,099,806	86,206,931	78,415,497
Transportation services	47,351,525	49,259,134	47,785,837
Environmental services	73,894,467	74,255,732	58,582,311
Health services	28,326,670	18,218,590	36,383,070
Social and family services	11,403,457	10,733,496	10,831,589
Social housing	4,995,241	4,725,704	4,689,099
Recreation and cultural service	34,734,068	37,343,715	33,199,203
Planning and development	3,278,662	4,681,978	4,882,716
	314,583,899	317,390,741	309,337,001
Annual (deficit) surplus	(28,270,594)	2,873,822	7,586,112
Accumulated surplus, beginning of year, as previously stated	1,432,985,087	1,432,985,087	1,416,192,885
Prior period restatements (Notes 2 and 6)	-	-	9,206,090
Accumulated surplus, beginning of year, as restated	1,432,985,087	1,432,985,087	1,425,398,975
Accumulated surplus, end of year	1,404,714,493	1,435,858,909	1,432,985,087

Annual Surplus

	2012 - \$ millions	2011 - \$ millions
Annual surplus	\$2.9	\$7.6

- 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
- ➔ Includes surpluses reported to Council and financial statement adjustments (e.g. Amortization, assumed assets, employee future benefits, landfill liability)

3. Change in Net Debt (pg 4)

The Corporation of the City of Barrie

Consolidated statement of change in net debt
year ended December 31, 2012

	2012 Budget (Note 20)	2012 Actual	2011 (Restated - Notes 2 and 6)
	\$	\$	\$
Annual (deficit) surplus	(28,270,594)	2,873,822	7,586,112
Acquisition of tangible capital assets	(51,216,661)	(59,392,895)	(353,568,041)
Contributed tangible capital assets	-	(12,185,615)	(9,224,855)
Amortization of tangible capital assets	50,900,750	50,906,768	38,504,050
Loss on disposal of tangible capital assets	-	6,456,571	2,893,332
Land transferred to inventories for resale	-	-	949,595
(Acquisition) transfer of tangible capital assets under construction	-	(6,075,837)	276,224,504
Write down of tangible capital assets	-	8,014	-
Proceeds on disposition of tangible capital assets	-	120,559	141,434
	(28,586,505)	(17,294,631)	(36,493,869)
Decrease in inventories of supplies	-	9,529	122,479
Decrease in prepaid expenses	-	10,416	11,888
	-	19,945	134,367
Net change in net debt	(28,586,505)	(17,274,686)	(36,359,502)
Net debt, beginning of year	(204,874,552)	(204,874,552)	(177,721,140)
Prior period restatements (Notes 2 and 6)	-	-	9,206,090
Net debt, end of year	(333,461,057)	(222,149,238)	(204,874,552)

Change in Net Debt

	2012 - \$ millions	2011 - \$ millions
Net debt	(222.1)	(204.9)

- 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

4. Statement of Cash Flows (pg 6)

The Corporation of the City of Barrie
Consolidated statement of cash flows
year ended December 31, 2012


	2012	2011 (Restated - Notes 2 and 6)
	\$	\$
Operating activities		
Annual surplus	2,873,822	7,586,112
Items not involving cash		
Equity earnings of government business enterprise	(7,217,363)	(5,253,552)
Amortization of tangible capital assets	50,900,750	38,504,050
Loss on disposal of tangible capital assets	6,456,571	2,893,332
Write down of tangible capital assets	8,014	-
Land transferred to inventories for resale	-	949,595
Contributed tangible capital assets	(12,185,675)	(9,224,855)
	40,836,179	35,454,682
Change in non-cash operating balances		
Decrease in taxes receivable	1,036,667	1,956,689
(Increase) decrease in accounts receivable	(4,094,329)	1,319,691
Decrease (increase) in inventories of land for resale	462,138	(314,567)
(Increase) decrease in long-term receivables	(3,195,513)	3,831,052
Decrease in accounts payable and accrued liabilities	(12,541,081)	(14,793,446)
(Decrease) increase in deferred revenue - general	(62,695)	328,004
(Decrease) increase in deferred revenue - obligatory reserve funds	(5,913,345)	1,159,597
Increase in post employment benefits liability	3,927,969	1,639,225
Increase in landfill closure and post-closure liabilities	1,085,035	829,652
Decrease in prepaid expenses	10,416	11,888
Decrease in inventories of supplies	9,529	122,479
	21,560,970	31,544,946
Capital activities		
Acquisition of tangible capital assets	(59,392,895)	(353,568,041)
(Acquisition) transfer of tangible capital assets under construction	(6,075,837)	276,224,504
Proceeds on disposition of tangible capital assets	120,559	141,434
	(65,348,173)	(77,202,103)
Investing activity		
Cash dividend received from government business enterprise	-	4,500,000
Financing activities		
(Decrease) increase in short-term construction advances	(40,000,000)	10,000,000
Proceeds from issuance of long-term debt	69,554,000	75,000,000
Repayment of net long-term liabilities	(8,057,675)	(7,056,648)
	21,496,325	77,943,352
Net change in cash and cash equivalents	(22,290,878)	36,786,195
Cash and cash equivalents, beginning of year	82,815,047	46,028,852
Cash and cash equivalents, end of year	60,524,169	82,815,047

The accompanying notes to the consolidated financial statements are an integral part of this financial statement.

Cash Flows

	2012 - \$ millions	2011 - \$ millions
Cash Balance	\$60.5	\$82.8

- Describe how activities were financed
- Show 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

 Decrease in cash due to spending on tangible capital assets in excess of increases in cash from operations and net debt/ST loans issued

Summary

The financial statements present five key indicators about a government's finances:

- Net debt
- Accumulated surplus (deficit)
- Annual surplus (deficit)
- Annual change in net debt
- Cash flows