# 2016 Consolidated Financial Statements

PRESENTED BY

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# Session Objectives

- Overview of the 2016 financial statements
  - Different elements of the financial statements
  - Key measures from the statements

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# 1. 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

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# Annual Surplus

| 2016 | 2015 |
| --- | --- |
| $27.9 million | $70.9 million |

- 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 2016 surplus includes $13.9 million of assumed subdivision assets
- Includes surpluses reported to Council and financial statement adjustments (e.g. amortization, assumed assets, employee future benefits, landfill liability, other entities)

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# Reconciliation of Consolidated Annual Surplus (in $millions)

| | | |
|---|---|---|
| **As Reported:** | **Tax rate supported surplus** | **0.7** |
| | Water rate deficit | (0.5) |
| | Wastewater rate surplus | 1.3 |
| **Add:** | Revenue from assumed assets | 13.9 |
| | Revenue recognized in the capital fund | 38.7 |
| | Equity income of government business enterprise | 4.7 |
| | Net transfers from reserves | 47.5 |
| | Long-term debt principal payments | 13.5 |
| | City-Portion of Internal transfers | 2.0 |
| | Parking rate surplus | 0.2 |
| | Loss on disposal of tangible capital assets | 2.1 |
| | Change in Landfill Liability | 0.0 |
| **Less:** | Other accounting adjustments | (30.3) |
| | Amortization of tangible capital assets | (53.9) |
| | Other consolidated entities' net deficit | (4.3) |
| | Change in Employee Future Benefits | (5.9) |
| **Total:** | Consolidated annual surplus | **29.7** |

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# 2. Consolidated Statement of Change in 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
- Key Measure:  Net debt

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# Change in Net Debt

| 2016 | 2015 | Change |
|---|---|---|
| $187.9 million | $216.7 million | $(28.8) million |

- 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 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

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# 3. Statement of Financial Position

- Equivalent to the Balance Sheet in the Public 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

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# Accumulated Surplus

| 2016 | 2015 |
|---|---|
| $1,599 million | $1,569 million |

- 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

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# 4. Statement of Cash Flows

| | 2016 | 2015 |
|---|---|---|
| **Cash Balance** | $121.7 million | $60.9 million |

- 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**
- Increase in cash due to cash coming in from operations and debt being in excess of spending on tangible capital assets

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# Any Questions?

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