

**To:** Chair and Members of the Audit Committee

**From:** Sandy O'Reilly, Controller and Manager of Financial Services

**C.c:** Joan Ford, Director of Finance

**Date:** December 8, 2015

**Re:** Financial Highlights

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At the meeting of the Audit Committee of October 15, 2015, staff presented to the Audit Committee a Financial Highlights report. It was the intention of staff to provide an updated version of the report on a quarterly basis. However, an update was not included with the agenda of December 9, 2015. This was an oversight on my part for which I take full responsibility. Steps have been taken to ensure the report is included on the agenda on a go-forward basis.

The financial highlights for the period ending September 30 is provided for Committee's information.

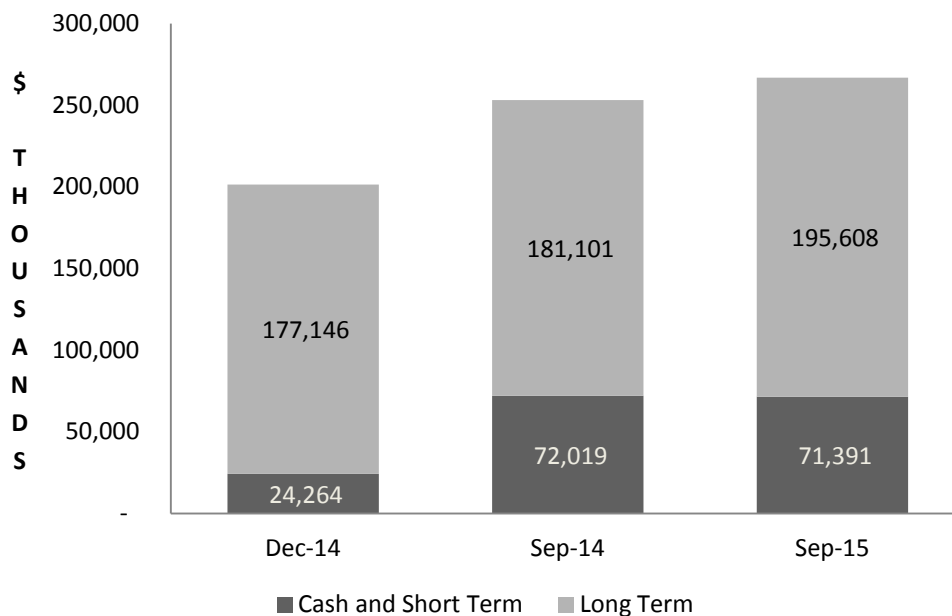
### **Statement of Financial Position**

The statement of financial position is the City's balance sheet. It presents information on the assets, liabilities and accumulated surplus of the City.

### **Assets**

Key components of the asset section are cash, short term investments and long term investments. These categories together reflect the City's investment strategy given current market conditions. Funds are allocated amongst them in order to maximize investment income, retain an appropriate level of liquidity and respond to economic forces that influence the investment environment. The following chart compares the balances of these categories as reflected in the City's financial statements at December 31, 2014, prior year at September 30, 2014 and current year at September 30, 2015.

## Cash and Long Term Investment Comparison



The cash and short term investments will be used to finance the City's operations for the balance of the year.

Another key component of the statement of financial position is taxes receivable. Taxes represent the key revenue source the City uses to fund its service delivery. Taxes receivable are recorded when billed. The City issues bills for taxes twice a year, in January and May. These bills represent four installments which are due in February, April, June and September. Taxes receivable as at September 30, 2015 are \$41.7 million as compared to \$12 million reported at December 31, 2014 and \$34.6 million as at September 30, 2014.

Accounts receivable of \$10 million as at September 30, 2015 includes a receivable of \$4.2 million for gas tax. This will be received in two installments, in July and November. The equivalent balance for Dec 31, 2014 was \$12 million and at September 30, 2015 \$7 million.

### Liabilities

The balance of accounts payable and accrued liabilities at September 30, 2015 is \$9 million and is compared to \$12 million at September 30, 2014. The balance of \$24 million at December 31, 2014 includes accruals including certain payroll accruals only recorded at year end. In addition general payables are higher at year end as fewer payment runs are performed in December.

One of the City's greatest liabilities is derived from the issuance of long-term debt. This liability was \$70.2 million as of December 31, 2014. Debt principal repayments in 2015 total \$10.4 million while new debt approved and issued as of the end of September, 2015 is \$13.6 million. The year end projection for this liability is \$73.4 million. Debt is used to fund capital expenditures and the City's contribution to the hospital expansion.

### Revenues

Revenue balances for significant revenue categories are presented as follows:

	30-Sep-15	30-Sep-14
General Tax Levy	172,104	161,984
User fees and charges	22,353	19,626
Grants	5,473	4,078
Investment income	5,946	4,906
Penalties and interest on taxes	1,756	1,591
Hydro dividends and interest	2,248	2,481

## **Expenses**

The City's operations are reported during the year on a cash basis categorized by service while the financial statements report expenses on a category basis. Certain components that are not part of operational reporting such as post employment benefit expense are added to the expenses reported in the financial statements.

The adjustments needed to report expenses in the financial statements are extensive including allocating post-employment benefit expense, interest expense on debt, depreciation expense and non-capital information captured in capital projects. Information extracted from the City's financial system provides a very preliminary comparison between 2014 and 2015 with the noted adjustments excluded:

	30-Sep-15	30-Sep-14
General Government	25,528	27,846
Protection to persons and property	22,518	26,077
Transportation services	29,020	30,950
Environmental services	496	829
Health services	185	171
Recreation and cultural services	33,246	29,506
Planning and development	5,178	5,698
Total Expenses	<u>116,171</u>	<u>121,077</u>

## Other Financial Information

Reserve funds are a critical component of a municipality's long term financing plan. They provide:

- Stability to the tax rate in the face of variable circumstances
- Funding for one-time expenses
- The ability to make provisions for the replacement and/or acquisition of infrastructure and
- Flexibility to manage debt levels to protect the municipality's financial position

The uncommitted balance of the City's reserve and reserve funds are presented for the last five years:

### **Reserve and Reserve Funds Uncommitted Balances as at September 30**

