

COUNCIL REPORT

M&C No.	2019 - 139
Report Date	May 29, 2019
Meeting Date	June 03, 2019
Service Area	Finance and Administrative Services

His Worship Mayor Don Darling and Members of Common Council

SUBJECT: 2018 Consolidated Financial Statements

OPEN OR CLOSED SESSION

This matter is to be discussed in open session of Common Council.

AUTHORIZATION

Primary Author	Commissioner/Dept. Head	City Manager
<i>Chair – Finance Committee</i>	<i>Kevin Fudge</i>	<i>John Collin</i>

RECOMMENDATION

It is recommended that Council approve the City of Saint John Consolidated Financial Statements, the Trust Fund Statements of the City of Saint John, and the Trade and Convention Centre Financial Statements for the fiscal year ended December 31, 2018.

EXECUTIVE SUMMARY

The purpose of this report is to advise that your Finance Committee met on May 29, 2019 to review the draft Consolidated Financial Statements of the City of Saint John for the year ended December 31, 2018. Deloitte has completed an audit of the above mentioned statements and has expressed a clean audit opinion.

PREVIOUS RESOLUTION

N/A

STRATEGIC ALIGNMENT

The report provides an update on the Economic Health of the City of Saint John.

REPORT

2018 CONSOLIDATED FINANCIAL STATEMENTS

The Commissioner of Municipal Affairs prescribes, pursuant to Section 8 of the Control of Municipalities Act, Chapter C-20 of the R.S.N.B. 1973, Financial statements should be prepared in accordance with Canadian Generally Accepted Accounting Principles for local governments as outlined in the Public Sector Accounting (PSA) Handbook.

Deloitte has completed an audit of the Consolidated Financial Statements of the City of Saint John for the Year ending December 31, 2018 and has expressed a clean audit opinion that the Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position and results of operations of the City of Saint John.

Under PSA standards, municipal reporting requirements include:

1. Consolidated Statement of Financial Position
2. Consolidated Statement of Operations and Accumulated Surplus
3. Consolidated Statement of Changes in Net Debt
4. Consolidated Statement of Cash Flows
5. Notes to the Consolidated Financial Statements

There are 15 entities under the control of the City of Saint John (see note 2 to the Consolidated Financial Statements).

1. Consolidated Statement of Financial Position:

Financial Assets:

Assets are economic resources controlled by the organization as a result of past transactions or events and from which future economic benefits are expected to be obtained. Economic resources can be financial in nature (for example, cash, accounts receivable, investment); or non-financial in nature (for example, inventory, prepaid items, tangible capital assets).

The City ended the year with financial assets totaling \$218.44 Mil. This represents an increase of 23% compared to prior year:

- Cash and cash equivalents totaled \$54.5 Mil, an increase of 89% from 2017. This was mainly due cash from early borrowing and reserves for the Safe, Clean, Drinking Water project that will be applied to the Substantial Completion payment in 2019.

- Accounts receivable totaled \$14.9 Mil at the end of 2018 (2017: \$16.7 Mil). Details of the accounts receivable can be found in Notes 5, 6 and 7 to the Consolidated Financial Statements.
- Investment in Energy services represents the City's equity in Saint John Energy, which totaled \$50.8 Mil at the end of 2018 (2017: \$29.7 Mil);
- Other investments consist mostly of the City's investment in GIC, Canada Games Foundation investments as well as other small investments (see Note 9 to the Consolidated Financial Statements).

Non-Financial Assets:

Tangible capital assets represent the net book value of all assets owned by the City of Saint John and its controlled entities. Asset historical costs totaled \$1.67 billion, of which \$644.52 Mil was amortized resulting in the asset net book value of \$1,023.43 Mil at the end of 2018 (2017: \$915.73 Mil). Note 20 to the Consolidated Financial Statements disclosed total assets by asset classes. The City's major asset categories are water and wastewater networks and transportation, which includes roads, sidewalks, storm sewer networks, traffic signals, etc. The City and its controlled entities own a significant number of buildings, which include the Market Square, Harbor Station, Aquatic Centre, Police headquarters, Transit building, etc.

Financial Liabilities:

Financial liabilities are present obligations of the organization to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits. At the end of 2018, financial liabilities totaled \$549.20 Mil. This represents an increase of 31.01% or \$130.01 Mil compared to 2017:

- Accounts payable and accrued liabilities totaled \$153.92 Mil at the end of 2018 (2017: \$30.13 Mil). The significant increase is due to the Substantial Completion Payment payable for the Safe, Clean Drinking Water project. Details of the accounts payable and accrued liabilities can be found in Note 10 to the Consolidated Financial Statements.
- Post-employment benefits and compensated absences represent liabilities associated with the City's benefit programs including retirement allowances; sick leave; heart & lung pension; disability benefits; contractual top-up agreements; and the City of Saint John Shared Risk Plan ("CSJ SRP") based on actuarial valuations (see Note 13 to the Consolidated Financial Statements).

- Long term debt includes debenture debt totaling \$230.76 Mil at the end of 2018 (2017: \$241.04 Mil) (see Note 12 to the Consolidated Financial Statements).

2. Consolidated Statement of Operations and Accumulated Surplus:

This statement accounts for the operating revenues and expenditures of the City of Saint John and its controlled entities. The statement has been prepared in accordance with the Public Sector Accounting Standards; therefore it is different from the fund-based budget statement in that the expenditures include amortization of tangible capital assets rather than principal repayment. Revenues for the year ended December 31, 2018 totaled \$245.70 Mil, which is 6.0% more than prior year (2017: \$231.71 Mil). Expenses for the year totaled \$223.51 Mil, which is 5.9% more than prior year (2017: \$211.13 Mil). The overall result of operations was a surplus of \$22.19 Mil (2017: \$20.58 Mil). A detailed listing of revenues and expenses can be found in Note 25 to the Consolidated Financial Statements.

3. Consolidated Statement of Changes in Net Debt:

Net financial assets (net debt) position is a key indicator of the City's overall financial health and is calculated by deducting the City's financial assets from its financial liabilities. If the financial assets are greater than the liabilities then it is called net financial assets. If the financial assets are less than the liabilities then it is called net debt. A net debt balance represents future revenue requirements to fund past obligations while a net financial assets balance means the City has resources available for future operations. Compared to 2017, net debt at December 31, 2018 has increased from \$241.80 Mil to \$330.76 Mil, which is equivalent to 36.79% increase. This increase is timing related as it primarily related to the Substantial Completion payment owing for the Safe, Clean Drinking Water project that will be paid in 2019.

4. Consolidated Statement of Cash Flows:

The Consolidated Statement of Cash Flow reports on the change in cash and cash equivalents during the year from operating, capital, financing and investing activities. The City generates cash to finance its operating activities, acquire tangible capital assets and meet its obligations by raising revenues, issuing debts or converting other financial assets into cash. The City's primary source of cash is from its operating activities. The Consolidated Statement of Cash Flow indicates that during the year, the City has generated sufficient cash to maintain its programs and services, finance its capital expenditures, meet its debt service requirements as well as make new investments. As at December 31, 2018, Cash and cash equivalents totaled \$54.49 Mil (2017: \$28.97 Mil). This represents an increase of 88.45% or \$25.52 Mil over 2017. The increase was mainly due to the cash related to the Safe, Clean Drinking Water project that will be paid out in 2019.

2018 TRUST FUND STATEMENTS

The City's Trust Fund Financial Statements consist of funds held in trust by the City that are restricted for a particular purpose. Deloitte has completed an audit of the 2018 Trust Fund Statements and has expressed a clean audit opinion.

2018 TRADE & CONVENTION CENTRE STATEMENTS

The Trade and Convention Centre financial statements are prepared in accordance with the provisions of the management agreement between the City of Saint John and Hilton Canada Co. Deloitte has completed an audit of the 2018 Trade & Convention Centre statements and has expressed a clean audit opinion.

SERVICE AND FINANCIAL OUTCOMES

N/A

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

Input has been received from all Service Areas

Respectfully submitted,

Chair – Finance Committee

ATTACHMENTS:

1. City of Saint John Consolidated Financial Statements, December 31st, 2018
2. City of Saint John Trust Funds, December 31st, 2018
3. Trade & Convention Centre, December 31st, 2018
4. Deloitte Audit Results