

# DECISION/DIRECTION NOTE

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**Title:** 2019 Audited Financial Statements

**Date Prepared:** August 4, 2020

**Report To:** Audit Committee

**Councillor and Role:** N/A

**Ward:** N/A

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**Decision/Direction Required:** Approval of the 2019 Audited Financial Statements

## **Discussion – Background and Current Status:**

Attached for the approval of Council are the December 31<sup>st</sup>, 2019 audited financial statements. The auditors have issued a clean audit report on the statements meaning they present fairly, in all material respects, the financial position of the City and the results of its operations, changes in net debt and cash flows for the year.

It is important to note that these statements are different from the City's annual budget. Firstly, these statements are prepared on a consolidated basis meaning they represent the results for not only the City itself, but also the financial results of St. John's Sports & Entertainment Limited and the St. John's Transportation Commission. The City budget shows the cash contribution toward the net operating cost of these entities whereas these statements reflect the total revenues, expenses, assets and liabilities on a gross basis.

Secondly, these statements are prepared using the accrual basis of accounting whereas the City's budget is prepared on a cash basis. The former are prepared in accordance with PSAS – Public Sector Accounting Standards - and the latter on a cash basis as required under provincial legislation. Under these two alternate approaches there are key differences in how significant items such as debt charges, amortization of tangible capital assets, post-retirement benefits, as well as capital contributions from developers and other levels of government are accounted for. Schedule 8 attached to the financial statements outlines the differences. The cash results will be presented to Council subsequent to the approval of the these statements.

## 2019 Results

### ***Results of Operations***

Fiscal 2019 saw revenues exceed expenditures by \$30.5M – an increase of \$17.6M from 2018. This increase is primarily attributable to:

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1. An increase in taxation revenue of \$6.3M resulting primarily from 2019 being the first year of a reassessment year with an increase in the mill rate.
2. An increase in general government expenditures of \$3.2M due mostly due to increased pension expense as calculated by the City's actuaries.
3. A decrease in amortization and allowances of \$20.3M as a result of 2018 being reflective of a cumulative change in accounting estimate which was all reflected in 2018. 2019 is more reflective of "normal" and is comparable to 2017.

It is important to remember the 2019 surplus of \$30.5M is not on a cash basis and therefore is not money available to be used for other purposes.

### ***Financial Position***

The statement of net debt highlights the City's net cash financial position. At the end of 2019 the City's net debt decreased by \$10.5M. This result is expected given the plan for a balanced cash budget and the fact there were no new debt borrowings throughout 2019.

### **Key Considerations/Implications:**

1. Budget/Financial Implications:

The City's cash-based statements (based on budget) are the ones used by staff to track the results of operations throughout the year. As a result it is the cash based statements on which further detailed commentary will be provided once presented to Council.

2. Partners or Other Stakeholders:
3. Alignment with Strategic Directions/Adopted Plans:
4. Legal or Policy Implications:
5. Privacy Implications:
6. Engagement and Communications Considerations:
7. Human Resource Implications:
8. Procurement Implications:
9. Information Technology Implications:
10. Other Implications:

### **Recommendation:**

That Council approve the 2019 audited financial statements.

**Prepared by:**

**Approved by:**