

Proposal to add a revenue line item to the audited *Consolidated Statement of Operations and Accumulated Surplus*.

by Henrik Bechmann, to the City of Toronto Audit Committee, June 28, 2019.

I think the Toronto audited statements, as they should be, are a reasonably accurate reflection of the financial state and affairs of the City. There is however one relatively small change that would improve this accuracy.

Much of Government Transfers, and most of Development Charges, are actually funds that are committed to capital projects, rather than being available for operating expenses. It would clarify the statement if these committed revenues were isolated from operational amounts. This has been done for some time in other municipal jurisdictions in Canada.

As an example of capital amounts, Note 20 of the Toronto 2018 Consolidated financial statements (“Government Transfers”) specifies that \$936M of Government Transfers are actually for capital funds.

	2018	2017
<u>By Source</u>		
Operating Transfers		
Federal	208	162
Provincial	2,348	2,152
Other	13	19
	<u>2,569</u>	<u>2,333</u>
Capital Transfers		
Federal	766	188
Provincial	132	112
Other	38	167
	<u>936</u>	<u>467</u>
Total Transfers by Source	<u>3,505</u>	<u>2,800</u>

21. Total Expenses

So my proposal is to isolate revenues committed to capital near the bottom of the Statement of Operations and Accumulated Surplus (see following diagram).

Move Capital Commitments Portions

	2018 BUDGET (Note 19)	2018 ACTUAL	2017 ACTUAL
REVENUE			
Property and Taxation from Other Governments	4,285	4,350	4,198
Government Transfers (Note 20)	3,327	3,505	2,800
User Charges	3,414	3,255	3,028
Municipal Land Transfer Tax	810	730	805
Other Revenue Sources	543	589	479
Rent and Concessions	453	506	469
Development Charges	391	339	314
Government Business Enterprise Earnings (Note 6)	-	247	236
Investment Income	250	219	235
Total Revenue	13,473	13,740	12,564
EXPENSES			
Transportation	3,649	3,578	3,140
Social and Family Services	2,548	2,474	2,193
Protection to Persons and Property	1,827	1,858	1,811
Recreation and Cultural Services	1,053	1,006	1,008
Environmental Services	1,107	976	955
General Government	1,063	876	776
Social Housing	892	844	824
Health Services	471	490	461
Planning and Development	293	204	147
Total Expenses (Note 21)	12,903	12,306	11,315
ANNUAL SURPLUS	570	1,434	1,249
ACCUMULATED SURPLUS - BEGINNING OF YEAR	23,740	23,740	22,491
ACCUMULATED SURPLUS - END OF YEAR (Note 18)	24,310	25,174	23,740

(from the 2018 Consolidated Financial Statements)

Here are some examples from other jurisdictions. You can see that this change clarifies results of operations, separate from committed capital revenues.

Calgary

Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31 (in thousands of dollars)

	Budget 2018 (Note 16)	Actual 2018	Actual 2017 (Restated Note 33)
REVENUES			
Net taxes available for municipal purposes (Note 20)	\$ 2,090,244	\$ 2,068,070	\$ 1,955,429
Sales of goods and services	1,346,620	1,278,099	1,274,060
Government transfers and revenue sharing agreements (Note 23)			
Federal	797	1,736	4,693
Provincial	147,420	160,387	140,475
Investment income	65,588	101,236	104,520
Fines and penalties	91,194	95,747	92,040
Licences, permits and fees	104,087	117,254	124,356
Miscellaneous revenue	24,074	44,951	90,806
Equity (loss) in earnings of ENMAX Corporation (Note 7)	132,000	5,094	(30,312)
	4,002,024	3,872,574	3,756,067
EXPENSES			
Police	509,915	521,224	508,953
Fire	297,736	310,823	325,180
Public transit	451,982	567,655	554,680
Roads, traffic and parking	289,234	425,123	461,739
Water services & resources	490,731	517,822	514,187
Waste and recycling services	153,891	151,587	136,910
Community and social development	77,758	85,787	82,965
Public housing	157,451	129,831	133,279
Parks and recreation facilities	219,617	277,912	320,900
Societies and related authorities	83,491	103,657	83,039
Calgary Public Library Board	66,739	67,390	64,171
General government	411,817	384,844	292,912
Public works	273,830	287,594	293,561
Real estate services	83,245	41,395	48,429
	3,567,437	3,872,644	3,820,905
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER	434,587	(70)	(64,838)
OTHER			
Developer contributions (Note 33)	269,128	218,988	133,103
Government transfers related to capital (Note 23 and 33)	1,125,922	564,652	752,525
Developer contributions-in-kind related to capital	-	254,799	204,778
NET REVENUES	1,829,637	1,038,369	1,025,568
ENMAX Corporation – other comprehensive (loss) gain adjustment (Note 7)	-	(16,351)	101,004
ANNUAL SURPLUS	1,829,637	1,022,018	1,126,572
ACCUMULATED SURPLUS, BEGINNING OF YEAR	18,673,065	18,674,458	17,547,886
Impact of adoption of IFRS 9 by ENMAX Corporation (Note 7)	-	(1,393)	-
ACCUMULATED SURPLUS, END OF YEAR	\$ 20,502,702	\$ 19,695,083	\$ 18,674,458

See accompanying notes to the consolidated financial statements.

(continued next page)

Edmonton

Consolidated Financial Statements

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CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended December 31 (in thousands of dollars)

	Budget	2018	2017
Revenues			
Net taxes available for municipal purposes (Note 17)	\$ 1,594,733	\$ 1,591,960	\$ 1,505,833
User fees and sale of goods and services	676,979	633,091	696,400
Subsidiary operations – EPCOR (Note 20)	272,800	295,173	256,317
Franchise fees	168,438	158,437	159,719
Government transfers – operating (Note 18)	107,362	113,081	107,488
Fines and penalties	94,860	87,668	90,130
Licenses and permits	75,691	74,756	75,688
Investment earnings	83,873	66,511	116,876
Developer and customer contributions – operating	34,684	29,598	15,396
	3,109,420	3,050,275	3,023,847
Expenses			
Transportation services:			
Bus and light rail transit	467,250	472,150	461,400
Roadway and parking	429,504	432,491	406,596
	896,754	904,641	867,996
Protective services:			
Police	449,371	444,492	422,439
Fire rescue	215,942	211,158	207,048
Bylaw enforcement	45,720	46,595	44,101
	711,033	702,245	673,588
Community services:			
Parks and recreation	274,771	279,149	258,780
Planning and corporate properties	208,067	175,764	151,058
Convention and tourism	51,621	73,326	45,881
Public library	65,023	61,766	59,859
Community and family	65,231	60,098	62,394
Public housing	49,331	34,050	33,087
	714,044	684,153	611,059
Utility and enterprise services:			
Waste Services Utility	207,614	203,657	211,654
Land Enterprise	70,638	27,591	11,579
Drainage Utility			117,512
	278,252	231,248	340,745
General municipal	203,509	232,384	222,342
Corporate administration	215,280	230,179	205,877
Fleet services	36,352	40,881	30,379
Ed Tel Endowment Fund	4,163	3,642	4,115
	3,059,387	3,029,373	2,956,101
Excess of Revenues over Expenses before Other	50,033	20,902	67,746
Other			
Government transfers – capital (Note 18)	716,543	699,347	412,606
Contributed tangible capital assets (Note 12)	101,000	203,883	217,249
Developer and customer contributions – capital	90,353	26,688	40,866
Local improvements	12,683	11,909	16,306
Excess of Revenues over Expenses	970,612	962,729	754,773
Accumulated Surplus, beginning of year	13,299,286	13,299,286	14,702,004
Subsidiary operations – EPCOR – other comprehensive income (loss) (Note 20)		49,134	(37,523)
Drainage Utility contributed capital transfer to EPCOR and other adjustments (Note 20)		(14,663)	(2,119,968)
Accumulated Surplus, end of year	\$ 14,269,898	\$ 14,296,486	\$ 13,299,286

See accompanying notes to consolidated financial statements.

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Winnipeg

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

<i>For the years ended December 31 (in thousands of dollars)</i>	Budget 2017 (Note 21)	Actual 2017	Actual 2016
Revenues			
Taxation (Note 16)	\$ 714,901	\$ 712,209	\$ 691,016
Sales of services and regulatory fees (Note 17)	606,829	607,912	569,641
Government transfers (Note 18)	193,403	194,932	182,243
Land sales and other revenue (Note 19)	23,559	32,128	27,018
Investment income	28,131	30,486	26,830
Total Revenues	1,566,823	1,577,667	1,496,748
Expenses			
Protection and community services	525,443	549,180	528,168
Utility operations	419,283	398,148	383,922
Public works	342,517	326,279	338,104
Property and development	147,426	134,863	131,921
Finance and administration	89,304	84,515	70,011
Civic corporations	70,466	71,604	69,847
General government	51,329	27,316	50,739
Total Expenses (Note 20)	1,645,768	1,591,905	1,572,712
Annual Deficit Before Other	(78,945)	(14,238)	(75,964)
Other			
Government transfers related to capital (Note 18)	176,636	156,326	151,550
Developer contributions-in-kind related to capital (Note 13)	88,465	95,163	59,020
Other capital contributions	6,405	13,611	27,528
	271,506	265,100	238,098
Annual Surplus	\$ 192,561	250,862	162,134
Accumulated Surplus, Beginning of Year		5,784,587	5,622,453
Accumulated Surplus, End of Year		\$ 6,035,449	\$ 5,784,587

See accompanying notes and schedules to the consolidated financial statements.