

# City of Edmonton 2018 Consolidated Financial Statements

## Recommendation

That Audit Committee recommend to the April 16, 2019, City Council meeting:

That the 2018 City of Edmonton audited consolidated financial statements, as outlined in Attachment 1 of the April 12, 2019, Financial and Corporate Services report CR\_7037, be approved.

## Executive Summary

This report presents the City of Edmonton 2018 audited consolidated financial statements for review and recommendation by the Audit Committee and subsequent review and approval by City Council.

Pending the completion of discussions with Audit Committee, the approval of the financial statements by City Council and obtaining a signed management representation letter, KPMG LLP is prepared to issue an audit opinion for the City of Edmonton's 2018 consolidated financial statements. The audit opinion would state that the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City of Edmonton as at December 31, 2018, and its consolidated results of operations, its consolidated changes in its net financial assets, and its consolidated cash flows for the year ended December 31, 2018, in accordance with Canadian public sector accounting standards.

Recommendation by Audit Committee and approval by City Council of the 2018 audited consolidated financial statements for the City of Edmonton meets the legislative requirement for annual financial reporting.

## Report

Section 276(3) of the *Municipal Government Act* requires:

Each municipality must make its financial statements, or a summary of them, and the auditor's report of the financial statements available to the public in the manner the council considers appropriate by May 1 of the year following the year for which the financial statements have been prepared.

Further to this, Section 276(1)(a) specifies that the financial statements be prepared in accordance with:

Canadian generally accepted accounting principles for municipal governments, which are the standards approved by the Public Sector Accounting Board included in the CPA Canada Public Sector Accounting Handbook published by the Chartered Professional Accountants of Canada, as amended from time to time.

City Bylaw 16097 *Audit Committee Bylaw* sets out the authority of Audit Committee as it relates to the financial statements, as outlined in sections 22 and 23 of the bylaw:

22. The Committee will annually review the following matters:

- (a) the completeness and clarity of financial statement reporting;
- (b) estimates and assumptions underlying financial statement reporting;
- (c) financial statement reporting practices;
- (d) compliance with generally accepted accounting standards for the public sector or changes to those standards;
- (e) impact of any change in the City's reporting practices on the City's financial statements; and
- (f) issues affecting approval of the City's audited financial statements.

23. The Committee will recommend to Council:

- (a) that the annual audited financial statements be approved; and
- (b) further actions or information that Council may desire in relation to the City's financial reporting.

Management has prepared and takes responsibility for the consolidated financial statements.

Attachment 1 to this report includes:

- Management's Responsibility for Financial Reporting;
- Independent Auditors' Report provided by KPMG LLP, to be signed subsequent to obtaining a signed management representation letter and approval of financial statements by City Council; and
- 2018 consolidated financial statements for the City of Edmonton.

Attachment 2 of this report includes the Financial Statement Discussion and Analysis for December 31, 2018, to be read in conjunction with the consolidated financial statements.

Subject to the approval of the Financial Statements, the content of Attachment 1 (Financial Statements) and Attachment 2 (Financial Statement Discussion and Analysis) will be included within the City of Edmonton 2018 Annual Report, to be made available on the City's website by May 1, 2019. The City of Edmonton 2018 Annual Report will be submitted to the Minister of Municipal Affairs and provided to other statement users including other governments, financial institutions, credit rating agencies, insurers, universities and libraries. Summary financial reporting will also be made available to citizens, with a reference to where the complete Annual Report is available.

For the twenty-fifth consecutive year, the quality of the City's financial reporting was recognized with the Government Finance Officers Association Canadian Award for Financial Reporting for the 2017 Annual Report.

### 2018 Consolidated Financial Statements

Significant accounting policies applied in the preparation of the 2018 consolidated financial statements are outlined in Note 1 to the consolidated financial statements, and cover concepts such as:

- what comprises the City's reporting entity
- the use of accrual accounting as the basis of accounting
- the use of estimates and assumptions
- accounting policies related to foreign currency, tax revenue, government transfers, local improvements, land for resale, investments, debt recoverable, non-financial assets (including tangible capital assets), deposits, landfill closure and post-closure liabilities, liabilities for contaminated sites, employee benefit obligations, public private partnerships, reserves for future expenditures and equity in tangible capital assets
- presentations of budget information
- future accounting standard pronouncements that may impact future reporting

Effective January 1, 2018, the City implemented the following accounting standards required for government organizations with fiscal years beginning on or after April 1, 2017. The adoption of these standards was applied on a prospective basis and only impacted note disclosures as reflected in Notes 25, 26, and 27.

i. Related Party Disclosures and Inter-Entity Transactions

PS 2200, *Related Party Disclosures* defines a related party and establishes disclosures required for related party transactions; PS 3420, *Inter-entity Transactions* establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

ii. Assets, Contingent Assets and Contractual Rights

PS 3210, *Assets* provides guidance for applying the definition of assets set out PS 1000, *Financial Statement Concepts*, and establishes general disclosure standards for assets; PS 3320, *Contingent Assets* and PS 3380, *Contractual Rights* define and establish disclosure standards on contingent assets and contractual rights, respectively.

Further information on these new accounting standards and their impact on financial statement note disclosure is provided for in Note 1(t) to the consolidated financial statements.

The City continues to assess the impact and prepare for the adoption of a number of new standards to be implemented in future fiscal years. These standards are summarized in Note 1(u) to the consolidated financial statements.

The preparation of financial statements requires management to make a number of estimates and assumptions, which impact the reported amounts of assets, liabilities, accumulated surplus, revenues and expenses. To assist Audit Committee and City Council in their review, a summary of the significant management assumptions has been included in Attachment 3.

### Corporate Outcomes and Performance Management

Corporate Outcome(s): The City of Edmonton has a resilient financial position			
Outcome(s)	Measure(s)	Result(s)	Target(s)
This report supports the corporate goal of securing Edmonton's financial sustainability by helping ensure the City has well managed and sustainable assets and services, a resilient financial position and ongoing balanced revenue streams	Consolidated net financial asset position	Consolidated net financial asset position of \$2,538 million	The City maintains a strong consolidated net financial asset position
	Consolidated accumulated surplus balance	Consolidated accumulated surplus balance of \$14,296 million	The City maintains a strong consolidated accumulated surplus balance
	Consolidated excess of revenues over expenses as reported on a basis consistent with public sector accounting standards	Consolidated excess of revenues over expenses of \$963 million	The City's revenues are in excess of expenses on a consolidated basis in order to maintain a strong financial position

	Preparation of accurate and timely financial statements in accordance with public sector accounting standards as required by the Municipal Government Act	The City received an unqualified audit opinion	The City receives an unqualified audit opinion
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### Attachments

1. 2018 Consolidated Financial Statements
2. 2018 Financial Statement Discussion and Analysis
3. 2018 Management Assumptions and Estimates