

City of Edmonton 2020 Consolidated Financial Statements

Recommendation

That Audit Committee recommend to the April 19, 2021, City Council meeting:

That the 2020 City of Edmonton audited consolidated financial statements, as set out in Attachment 1 of the April 16, 2021 Financial and Corporate Services report FCS00537, be approved.

Executive Summary

This report presents the City of Edmonton 2020 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 the 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 2020 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, 2020, 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, 2020, in accordance with Canadian public sector accounting standards.

Recommendation by the Audit Committee and approval by City Council of the 2020 audited consolidated financial statements for the City of Edmonton meets the legislative requirements for annual financial reporting set out in the Municipal Government Act and the Audit Committee Bylaw.

Report

Section 276(3) of the *Municipal Government Act* (MGA) 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, MGA 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 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 consolidated financial statements by City Council; and
- 2020 consolidated financial statements for the City of Edmonton.

Attachment 2 includes the Financial Statement Discussion and Analysis for December 31, 2020, which complements the consolidated financial statements.

Subject to the approval of the Consolidated Financial Statements, the content of Attachment 1 (Consolidated Financial Statements) and Attachment 2 (Financial Statement Discussion and Analysis) will be included within the City of Edmonton 2020 Annual Report, available on the City's website. The City of Edmonton 2020 Annual Report will be submitted to the Government of Alberta's 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 public.

For the 27th 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 2019 Annual Report.

Impact of COVID-19 Pandemic

January 30, 2020, the World Health Organization declared the outbreak of novel coronavirus (COVID-19) a public health emergency of international concern, subsequently recognized as a global pandemic. The outbreak has significantly impacted the City's financial results with revenue reduction, increased expenses, and capital project delays.

Additional details with respect to the City's response to the COVID-19 pandemic and its financial implications for the City's financial statements are included in Note 1 (v) to the consolidated financial statements.

2020 Consolidated Financial Statements

Significant accounting policies applied in the preparation of the 2020 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, cash and cash equivalents, investments, debt recoverable, land for resale, liabilities for contaminated sites, deposits, deferred revenues, employee benefit obligations, landfill closure and liabilities, public-private partnerships, non-financial assets (including tangible capital assets), reserves for future expenditures and equity in tangible capital assets
- future accounting standard pronouncements that may impact future reporting

No new accounting standards were adopted during the year ended December 31, 2020.

The preparation of consolidated financial statements requires management to make a number of estimates and assumptions that impact the reported amounts of assets, liabilities, accumulated surplus, revenues and expenses. To assist the 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	Measures	Results	Targets
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 \$2,500 million	The City maintains a strong consolidated net financial asset position
	Consolidated accumulated surplus balance	Consolidated accumulated surplus balance of \$15,722 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 \$865 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 MGA	The City received an unqualified audit opinion	The City receives an unqualified audit opinion

Attachments

1. 2020 Consolidated Financial Statements
2. 2020 Financial Statement Discussion and Analysis
3. 2020 Management Assumptions and Estimates

Others Reviewing this Report

- C. Owen, Deputy City Manager, Communications and Engagement