

May 7, 2013

To: Members,  
Finance and Administration Committee

Re: 2012 Annual Report

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RECOMMENDATION

1. That the 2012 Annual Report be approved.
2. That the Director of Financial Services be authorized to finalize the Annual Report, including the Financial Statements, with the auditor.
3. That an edited version of this report be forwarded to City Council.

CONCLUSION

The attached draft Annual Report is submitted for review by the Finance and Administration Committee and approval by City Council. The 2012 audit process highlights important issues and provides additional information about those issues to the Finance and Administration Committee. It also provides the opportunity to discuss those issues with the City's external auditors. The publication of the 2012 City of Regina Annual Report including the financial statements and auditor's report and the completion of the actions outlined in the Communication Plan fulfill the requirements of *The Cities Act*.

BACKGROUND

Attached is a copy of the draft Annual Report of the City of Regina for the year ended December 31, 2012. The Annual Report is submitted pursuant to Section 155 of *The Cities Act*. Generally accepted auditing standards require that the governing body of an organization approve the financial statements prior to finalization of the audit process.

DISCUSSION

The draft consolidated financial statements included in the Annual Report reflect the status of the City of Regina's consolidated financial position as at December 31, 2012, as well as providing an overview of the City's consolidated financial operations during the year. The consolidated financial statements include all entities that are accountable to and controlled or owned by the City. This includes:

- Regina Downtown Business Improvement District
- Regina's Warehouse Business Improvement District
- Regina Regional Opportunities Commission
- Regina Public Library
- Buffalo Pound Water Administration Board

As required by *The Cities Act*, the City of Regina follows the standards of the Public Sector Accounting Board (PSAB). These standards represent generally accepted accounting standards for local governments.

The financial statements for the General Trust Fund are also included in the Annual Report. Additional financial information and economic indicators that assist in understanding the City's financial operations are contained in the Financial Statement Discussion and Analysis Section of the report.

The 2012 financial statements show an increase in the City's accumulated surplus of about \$107.1 million from 2011 to 2012. This figure differs significantly from the 2012 General Operating Results, which reflect a surplus of \$8.1 million, because the consolidated statements include the City's utilities and capital funds, as well as the financial results for related entities noted above. Significant differences also arise because the General Operating Results are based on the General Operating Budget, which is prepared based on requirements outlined in *The Cities Act*, which are different from generally accepted accounting principles. The Budget requirements are primarily around raising sufficient cash to fund annual operating and capital requirements and debt repayments, as opposed to the accrual accounting methods which form the basis of generally accepted accounting principles and main purpose is to show the City's overall financial position and results of its operations.

A reconciliation of the 2012 General Operating Fund surplus with the increase in Accumulated Surplus is as follows:

2012 General Operating Surplus	8.1
Operating Results of Other Organizations	(1.2)
<i>Repayment of Debt Principal:</i>	
Repayment of City of Regina Debt	8.4
Increase in Tangible Capital Assets	86.3
<i>Change in Capital Carry Forward Balances:</i>	
Increase in Utility Capital Carry Forward	(6.0)
Increase in General Capital Carry Forward	8.0
<i>Change in Appropriated Service Agreement Fees:</i>	
Decrease in Water, Wastewater and Drainage	8.4
Decrease in Landfill Liability	(17.0)
Decrease in Capital Lease Obligations	0.1
Increase in Employee Benefit Obligations	(0.9)
Increase in Reserves	21.0
Amounts included in Operating Results and Transferred to Reserves	(8.1)
Increase in Accumulated Surplus	107.1

While the accumulated surplus is an important indicator, the most significant portion of the surplus results from investment in non-financial assets, such as tangible capital assets, which cannot be used to fund programs or services. For 2012, investment in tangible capital assets and capital carry forward total \$88.3 million. This component of the surplus is funds invested in infrastructure. An indicator that shows whether the City has resources on hand to finance future operations is its net financial assets. The City has a positive, but not substantial, net financial asset position of about \$80.4 million, an increase of about \$21.2 million from 2011. This increase in net financial assets is positive, in that it will assist in internally funding significant future projects such as the expansion of the wastewater treatment plant.

## RECOMMENDATION IMPLICATIONS

### Financial Implications

The cost of producing the Annual Report along with the cost of the external audit is provided for in the approved General Operating Budget.

The financial statements provide information about a number of significant financial issues for the City, including tangible capital assets, pension costs, landfill closure costs, and debt.

### Environmental Implications

The City's website is the primary method of distributing the Annual Report, which results in a reduction in paper usage.

### Policy and/or Strategic Implications

The 2012 Annual Report provides information on the City's financial position as at December 31, 2012 and its financial results for the year. These measures are an important part of the annual assessment of the City's progress towards Strengthening City Assets, an objective that includes both financial and infrastructure assets. The 2012 financial results reflect actions by the City to build financial reserves to meet the significant demands for infrastructure over the next few years.

### Other Implications

None related to this report.

### Accessibility Implications

None related to this report.

## COMMUNICATIONS

As required by Section 157 (1) of *The Cities Act*, a copy of the Annual Report will be sent to the Minister of Government Relations along with a copy of the Public Accounts.

Section 155(3) of the Act requires that the City publicize its financial statements, or a summary of them, and the auditor's report in a manner that Council considers appropriate. The Annual Report will be published on the City's website before September 1, 2013. Printed copies of this Annual Report will also be available, as required.

DELEGATED AUTHORITY

This report must be forwarded to City Council.

Respectfully submitted,

A handwritten signature in cursive script that reads "Chuck McDonald".

Chuck McDonald, Director  
Finance

Respectfully submitted,

A handwritten signature in cursive script that reads "B Sjoberg".

Brent D. Sjoberg,  
Deputy City Manger & CFO

Report prepared by:  
Lorrie Schmalenberg, Manager