

Staff Report



To	City Council as Shareholders of Guelph Junction Railway Inc.
Date	Monday, June 27, 2022
Subject	2021 Guelph Junction Railway Audited Financial Statements

Recommendation

That the Guelph Junction Railway Limited Audited Financial Statements for the year-ended December 31, 2021, be received for information.

Executive Summary

Purpose of Report

To present and review the 2021 Guelph Junction Railway Limited (GJR) Audited Financial Statements.

Key Findings

In 2021, GJR's operations resumed pre-COVID-19 (COVID) levels and net income nearly doubled compared with 2020. Overall, GJR's balance sheet was strengthened in 2021, with assets increasing by \$542 thousand and liabilities decreasing by \$512 thousand, for a net increase of just under \$1.1 million in shareholder's equity. No dividends were paid in 2021. GJR's net comprehensive income totaled just under \$1.1 million in 2021 compared with \$530 thousand in 2020. GJR's 2021 actuals exceeded budgeted net income by \$386 thousand (budget was \$669 thousand).

GJR has recovered from the impacts of COVID seen in 2020, and the City's investment in GJR increased in value by \$1.1 million in 2021. GJR is in a position to resume paying dividends to the City in 2022, and a dividend of \$105 thousand (10% of GJR's 2021 net income) was declared by the Board on May 4, 2022.

Financial Implications

The governance and oversight of the City's wholly owned subsidiaries creates financial value to the City through equity gains and dividend returns.

Report

Audited Financial Statements

GJR has prepared its financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. The financial statements have been prepared on a historical cost basis.

GJR earned \$1.1 million in net comprehensive income for the year, approximately double the 2020 net income (\$530 thousand). Revenue increased by \$1.1 million in

2021 compared with 2020. The most significant area of variance was freight revenue which rebounded after dipping to \$3.5 million in 2020. This aligned with freight car volumes which returned to pre-COVID levels. GJR budgeted for revenue totaling \$4.3 million and exceeded that estimate by \$763 thousand.

Although freight movement revenue increased significantly, freight movement expenses were flat, due to the fixed price operating contract that is in place with Goderich-Exeter Railway Company Ltd. (GEXR).

Track maintenance expenses more than doubled compared with 2020, and this is consistent with the additional freight car volume in 2021 over 2020. Administration and office expenses increased by \$262 thousand compared with 2020, due to a significant increase in insurance expenses incurred to secure the coverage required by one of GJR's major customers.

Overall, expenses totaling \$3.7 million were budgeted, and ended up \$377 thousand above budget largely due to the above-noted increases in track maintenance and insurance expenses.

GJR invested \$981 thousand in property, plant and equipment in 2021 and received capital contributions of \$332 thousand which offset the cost to GJR. Capital contributions are deferred and amortized into income over the same period that the capital assets are depreciated.

GJR did not pay a dividend to the City in 2021 due to the strain on GJR's cash flows in 2020 from the impacts of COVID. Based on the strong recovery in 2021, GJR's Board of Directors approved a dividend of \$105 thousand (10% of 2021 net comprehensive income) to be paid in 2022.

Audit Findings Report

KPMG provided a clean audit opinion on the 2021 financial statements. KPMG did not identify any audit misstatements, nor any control deficiencies that they consider to be significant. KPMG reaffirmed their independence from GJR.

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Consultations

The Board of Directors for GJR met on May 4, 2022. The Company's auditor, Matt Betik of KPMG LLP, attended the meeting and presented the Audit Findings Report for the GJR audit. The audited financial statements were approved by the Board at this meeting.

Attachments

Attachment-1 2021 GJR Audited Financial Statements

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This report was approved by:

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