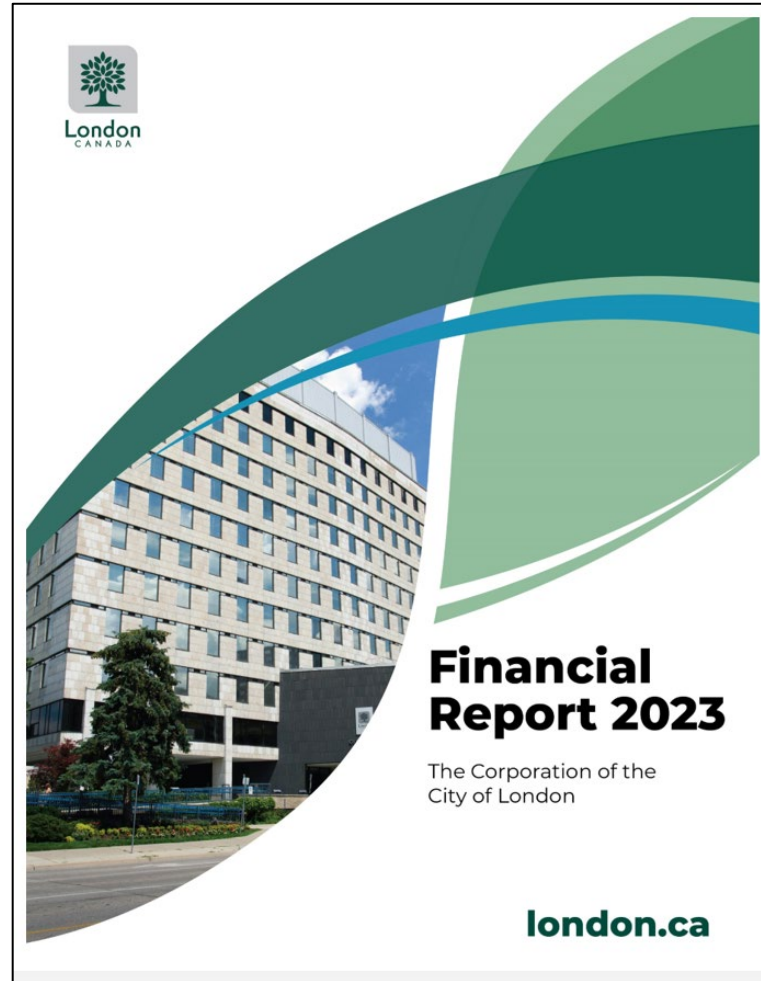




2023 Consolidated Financial Report



Audit Committee
June 19, 2024

Financial Consolidated Report

- In accordance with **Section 294.1** of the ***Municipal Act, 2001*** requirement.
- **Aligns** with Council's 2023 – 2027 Strategic Plan by demonstrating that London's finances are **transparent** and **well planned**.
- City of London's Financial Consolidated Report comprises:
 - 14 fully consolidated boards and commissions
 - 3 proportionately consolidated entities
 - 3 government business entities

Highlights and Adjustments

- Incorporation of five (5) new standards that required additional note disclosure along with restatements for comparator purposes.
- Adjustments were required and undertaken related to;
 - The classification to the High Interest Savings Account on the Statement of Financial Position.
 - Correct the accounting for a parcel of land that was expropriated, and
 - Recognize the South London Community Pool onto the City's books.

Impact of New Accounting Standards

- 2023 Consolidated Financials Statements were enhanced as follows:

Public Sector Accounting Standard	Impact
PS 1201, Financial Statement Presentation	<ul style="list-style-type: none"> • Inclusion of an additional statement “Statement of Remeasurement Gains and Losses”. • Incorporates, where applicable the impact of PS3041, PS3450, and PS2601
PS 3041 Portfolio Investments	<ul style="list-style-type: none"> • Distinctly reported out in “Statement of Financial Position” and “Statement of Remeasurement Gains and Losses”. • Acknowledged in the following notes to Financial Statements: <ul style="list-style-type: none"> • Note 1: Significant Accounting Policies • Note 2: Change in Accounting Policies – Adoption of New Accounting Standards • Note 5: Portfolio Investments (formerly Note 4: Investments)



Impact of New Accounting Standards (continued)

- 2023 Consolidated Financials Statements were enhanced as follows:

Public Sector Accounting Standard	Impact
PS 3450, Financial Instruments, and PS 2601, Foreign Currency Translation	<ul style="list-style-type: none">• Financial instruments are included on the statement of financial position and are measured at either fair value or amortized cost.• Accumulated remeasurement gains (losses) at end of year (\$3.1) million.• Implications incorporated across all 5 Statements.• Acknowledged in the following notes to Financial Statements:<ul style="list-style-type: none">• Note 1: Significant Accounting Policies• Note 2: Change in Accounting Policies – Adoption of New Accounting Standards• Note 5: Portfolio Investments (formerly Note 4: Investments)• Note 26: Financial Instruments and Risk Management



Impact of New Accounting Standards (continued)

- 2023 Consolidated Financials Statements were enhanced as follows:

Public Sector Accounting Standard	Impact
PS 3280, Asset Retirement Obligation (ARO)	<ul style="list-style-type: none">• Recognition of \$107.4 million in 2023, including restatement of 2022 numbers.• Landfill Closure and post-closure liability no longer discreet on statements, but incorporated into ARO Liability• Discreetly reported out in the Statement of Financial Position• Acknowledged in the following notes to Financial Statements:<ul style="list-style-type: none">• Note 1: Significant Accounting Policies• Note 2: Change in Accounting Policies – Adoption of New Accounting Standards• Note 13: Asset Retirement Obligation (formerly Landfill Closure and Post-Closure Liability)

Consolidated Statements Comprise

Statement of Financial Position

- ❑ Summary of **assets** (financial and non-financial) and **liabilities**.

Statement of Operations

- ❑ Summary of **revenues, expenses** for the year.
- ❑ Identifies accumulated **surplus** at year end.

Statement of Change in Net Financial Assets

- ❑ Identifies changes in financial assets as a result of annual **operations** and tangible **capital asset** transactions.

Statement of Cash Flows

- ❑ Highlights changes in case throughout the year, **sources** and **uses**.

Statement of Remeasurement Gains and Losses

- ❑ Identifies unrealized gains and losses associated with financial instruments in the **fair value** category.
- ❑ Amounts **reclassified** to the statement of operations upon derecognition or settlement, and
- ❑ Other comprehensive income reported when a government includes the results of **government business enterprises** in the government's summary financial statements.

Statement of Financial Position

- ✓ Financial Assets increased \$131.9 million
(attributable to an increase in cash and accounts receivable)
- ✓ Financial Liabilities increased \$52.6 million
(mainly attributable to deferred revenue – development charges and accounts payable partially offset by a decrease in long-term debt)
- ✓ Net Financial Assets increased \$79.4 million
(Financial Assets less Financial Liabilities)
- ✓ Non-Financial Assets increased \$197 million
(comprised of \$190 million in net book value of tangible capital asset)
- ✓ Accumulated Surplus at the end of 2023 increased by \$276.4 million
(The majority of the accumulated surplus relates to the City's investment in tangible capital assets which are used to provide services to the public now and in the future.)



Notable Capital Projects (Assets) Recognized in 2023

- ✓ East London Link and Municipal infrastructure Improvements Phase 1, \$25.4 million
- ✓ Downtown Loop Phase 2, \$18.3 million
- ✓ Watermain cleaning and lining, \$5.9 million
- ✓ Cured in place pipe (CIPP) Sewer lining, \$5.7 million
- ✓ New ultraviolet water treatment equipment at Greenway, \$4.8 million
- ✓ Dearness Home Auditorium Expansion, \$ 2.5 million
- ✓ Assets contributed by developers, \$44.1 million
 - *5.7 kms of roads*
 - *5.7 kms of sidewalks*
 - *177 streetlights*
 - *6.7 km of water pipe*
 - *7.2 km of sanitary pipe*
 - *8.9 km of storm sewer*



Five Year Review Highlights 2023 compared to 5-year average

❑ Tax Arrears	4.7% (4.1%)
❑ Total Long-Term Debt	\$200 million (\$249 million)
❑ Debt Principal Repayments	\$43 million (\$52 million)
❑ Debt Issued	\$24 million (\$31 million)
❑ Tangible Capital Asset Additions	\$513 million (\$438 million)
❑ Annual Surplus	\$279 million (\$281 million)
❑ Assessment Growth	1.82% (1.64%)

Statement of Operations

\$ 000's	2023 Budget	2023 Actual	Budget to Actual Variance
Revenue	1,634,737	1,682,598	47,861
Expenses	1,415,721	1,403,136	(12,585)
Surplus (Rev. – Ex.)	219,016	279,462	60,446

- **Key items contributing to annual surplus:**
 - Investment income higher than anticipated.
 - Greater than anticipated user charge (fee) revenue recognized in Transportation Services, water and wastewater consumption-based revenue, along with W12A tipping fee revenue.
 - Lower than anticipated expenses due to the delay in Green Bin, as well as lower expense incurred for tax appeals due to the delay in provincial reassessment.

City Budget vs. PSAB Budget (\$ 000's)

- City Financial Statements are presented on a **full accrual accounting basis (PSAB)** whereas the Multi-Year Budget is presented on a **modified cash basis**.

2023	Modified Cash Basis Budget	Financial Statement Adjustments	Full Accrual Basis PSAB Budget
Revenue	1,328,520	285,247	1,634,737
Expenses	1,328,520	66,231	1,415,721
Surplus (Rev – Ex)	-	219,016	219,016

- Key items different than modified cash basis budget:**
 - Amortization** is recorded as an **expense** on the Statement of Operations
 - Debt principal** repayments are **not expensed**.
 - Contributions to **capital and reserve funds** are also **not expensed**.
 - Revenue recognition for tangible capital assets.
 - Consolidation of boards and commissions:

Comparing the Budget Surplus to Financial Statement Surplus Highlighting Adjustments

2023 Operating Budget Surplus per the Year-End Budget Monitoring Report to Corporate Services Committee on April 15, 2024	\$ millions
Property Tax Supported Budget Surplus	28.0
Water Rate Supported Budget Surplus	3.0
Wastewater & Treatment Rate Supported Budget Surplus	0.0
2023 Operating Budget Surplus	31.0
Transfers to Reserve and Reserve Funds and reductions to authorized but unissued debt in accordance with the Council approved Surplus/Deficit Policy and Council Resolution	(31.0)
Operating Fund Surplus per 2023 Approved Budget (Cash) Format	0.0
Plus : Transfers to (from) Capital and Reserves and Reserve Funds	302.6
Plus: Debt Principal Repayments	27.5
Plus: Capital program funding earned in year	52.3
Less: Capital expenses not capitalized (Non-TCA)	(33.5)
Less: Amortization of Tangible Capital Assets (TCA)	(166.8)
Plus: Developer contributions of assumed TCA	44.1
Less: Loss on disposal of TCA	(8.8)
Plus: Reserves and reserve fund net revenues earned in year	80.3
Plus: Government Business Enterprises adjustments	(3.8)
Less: Change in employee future benefit liability	(12.8)
Plus: Boards' and Commission's Surpluses (Losses)	(1.5)
2023 Consolidated Surplus per Financial Statements (PSAB Format)	279.5

Public Sector Accounting Board (PSAB) Landscape

- 2024 Financial Statements will be further enhanced in keeping with new Public Sector Accounting Standards, where required for.
 - **PS 3400 Revenue** (recognition and measurement)
 - **PS 3160 Public Private Partnership** (accounting and reporting where infrastructure is procured using a private sector partner)

- **Continued monitoring of Sustainability** disclosure requirements in keeping with recommendations from
 - the Task Force on Climate-Related Financial Disclosures (TCFD),
 - International Financial Reporting Standards S1 & S2, General Requirements for Disclosure of Sustainability, and
 - The proposals from the Canadian Sustainability Standards Board

Where do we go from here?

- ❑ **THANKS** is extended to all internal (Civic Service Areas) and external (Boards, Commissions) who contributed to the City's 2023 Financial Report.
- ❑ KPMG will present their **AUDIT FINDINGS REPORT.**
- ❑ Council to **APPROVE** Consolidated Financial Statements on June 25th, and then the **FINAL** version will be made available to the public in late July.