



2020 Consolidated Financial Report



Audit Committee
June 16, 2021

Financial Consolidated Report

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



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 Changes 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**.

Highlights and Changes

- Loans Receivable – **Note 5** – Accounting for Loans
 - Community Improvement Program
 - Development Charge Deferral and Alternative Payment
- Employee Benefits Payable – **Note 12** – WSIB Obligation
 - Actuarial valuation as at December 31, 2020
- Impact of COVID-19 – **Note 25**
 - Builds on the 2019 Subsequent Event Note
- Demand Loan – **Note 26** – Middlesex London Health Unit
 - Fit-up and relocation costs related to the move to Citi Plaza

Statement of Financial Position

- ✓ Financial Assets increased \$ 227 million
(attributable to an increase in Cash and Investments)
- ✓ Financial Liabilities increased \$ 75 million
(attributable to deferred revenue – development charges and Employee Benefits Payable)
- ✓ Net Financial Assets increased \$ 152 million
(Financial Assets less Financial Liabilities)
- ✓ Non-Financial Assets increased \$ 107 million
(comprised of \$376 million in tangible capital asset additions)
- ✓ Accumulated Surplus increased \$259 million



Notable Capital Projects (Assets) Recognized in 2020

- ✓ Annual road rehab program, \$12.4 million
- ✓ Phase 2 of the Wilton Grove Rd upgrade, \$ 11 million
- ✓ Force mains installed for the new Dingman Creek Pumping Station, \$9.4 million
- ✓ York St upgrade from Talbot to Clarence, \$7.6 million
- ✓ Thames Valley Parkway upgrades between the Richmond & Adelaide corridor, \$7.1 million
- ✓ Assets contributed by developers, \$61.1 million
 - *8.8 kms of roads*
 - *11.1 kms of sidewalks*
 - *261 streetlights*
 - *4.9 km of water pipe*
 - *18.1 km of sanitary pipe*
 - *19.8 km of storm sewer*



Net Book Value of Assets – December 31, 2020 (in millions)

Tangible Capital Assets (Note 14)	Historical Cost 2020	Accumulated Amortization 2020	Net Book Value 2020
Land	\$ 472	\$ -	\$ 472
Landfill and Land Improvements	167	88	79
Buildings and Building Improvements	1,107	539	568
Leasehold Improvements	9	3	6
Machinery, Equipment and Furniture	324	157	167
Vehicles	138	76	62
Water Infrastructure	825	280	545
Wastewater Infrastructure	1,604	515	1,089
Roads Infrastructure	1,499	554	945
Computers and Computers under lease	18	11	7
Assets under Construction	161	-	161
Totals	\$ 6,324	\$ 2,223	\$ 4,101



Five Year Review Highlights 2020 compared to 5-year average

❑ Tax Arrears	4.5% (4.1%)
❑ Total Long Term Debt	\$279 million (\$299 million)
❑ Debt Principal Repayments	\$57.4 million (\$52.2 million)
❑ Debt Issued	\$36 million (\$42.2 million)
❑ Tangible Capital Asset Additions	\$376 million (\$421 million)
❑ Annual Surplus	\$259 million (\$217 million)
❑ Assessment Growth	1.63% (1.39%)

City Budget vs. PSAB Accounting (\$ 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**.

2020	Modified Cash Basis Budget	Financial Statement Adjustments	Full Accrual Basis PSAB
Revenue	1,199,022	169,463	1,368,485
Expenses	1,199,022	(89,397)	1,109,625
Surplus (Rev – Ex)	-	258,860	258,860

- Key items different than 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: **gross** versus net



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

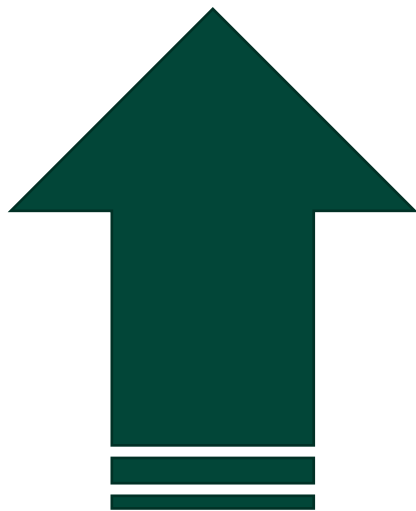
Statement of Operations - Revenues	City Budget 2020 (Unconsolidated)	PSAB Accounting 2020 Actuals
Net Municipal Taxation	664,559	666,502
Grants, User Fees and Other Revenue	524,615	529,456
Transfers from Capital and Reserve Funds	9,848	-
Capital Funding Earned	-	27,381
Developer Contributions	-	61,134
Reserve Fund Deferred Revenue Earned	-	73,690
Government Business Enterprise Adjustments	-	(962)
Boards and Commissions Surplus	-	11,284
Total Revenues	<u>1,199,022</u>	<u>1,368,485</u>

City Budget vs. PSAB Accounting (000's) Expenses

Statement of Operations - Expenses	City Budget 2020 (Unconsolidated)	PSAB Accounting 2020 Actuals
Operating Expenses	958,533	889,784
Debt Principal Repayments	40,171	-
Transfer to Reserve & Reserve Funds	108,087	-
Capital Expenditures (pay as you go financing)	92,231	-
Capital Expenses not capitalized	-	26,390
Amortization	-	154,856
Loss on Disposal of Capital Assets	-	4,785
Landfill, Contaminated Sites, and Employee future benefits Liability	-	33,810
Total Expenses	<u>1,199,022</u>	<u>1,109,625</u>
Annual Surplus	<u>0</u>	<u>258,860</u>

Statement of Operations - Expenses

- Overall, expenses **decreased** by **\$38.1 million** in 2020
 - a **3.2% decrease** over 2019



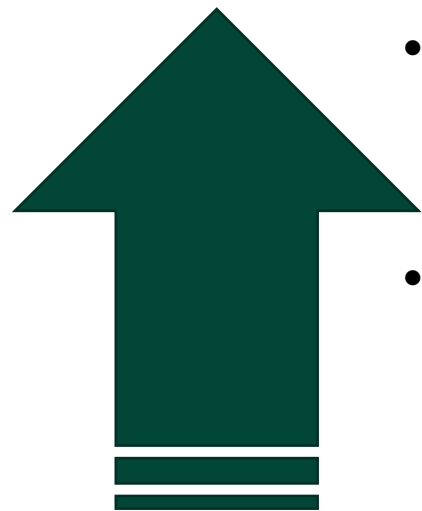
- Protection to persons and property \$17.4 million
- Environmental Services \$12.0 million
- Planning, Development and Compliance \$4.2 million



- General Government \$12.5 million
- Social and Family Services \$22.8 million
- Recreation and Culture Services \$11.8 million
- Transportation Services \$23.5 million

Statement of Operations - Revenues

- Overall, 2020 revenues **decreased \$1.4** million compared to 2019, a **0.1% decrease**.



- Increase in municipal taxation revenue \$34.3 million
- \$ 12.1 million net increase in transfer payments; Safe Restart Funding, Social Services Relief Funding, Federal Economic Response Plan Homeless Prevention Funding



- User Fee revenue \$16.4 million
- One-time revenues received in 2019 such as; Medical Network Repayment & contributions from utility companies for work done on Dundas Place
- OLG revenue and Municipal Accommodation Tax



Comparing the Budget Surplus to Financial Statement Surplus

2020 Operating Budget Surplus per the Year-End Budget Monitoring Report to Strategic Priorities and Policy Committee on April 27, 2021	\$ millions
Property Tax Supported Budget Surplus	22.3
Water Rate Supported Budget Surplus	5.0
Wastewater & Treatment Rate Supported Budget Surplus	3.9
2020 Operating Budget Surplus	31.2
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	(31.2)
Operating Fund Surplus per 2020 Approved Budget (Cash Format)	0.0
Financial Statement adjustments:	
Plus: Transfers to (from) Capital and Reserves and Reserve Funds	266.1
Plus: Debt Principal Repayments	40.1
Plus: Capital program funding earned in year	27.5
Less: Capital expenses not capitalized (Non-TCA)	(26.4)
Less: Amortization of Tangible Capital Assets (TCA)	(154.9)
Plus: Developer contributions of assumed TCA	61.1
Less: Loss on disposal of TCA	(4.8)
Plus: Reserves and reserve fund net revenues earned in year	73.7
Plus: Government Business Enterprises adjustments	(1.0)
Less: Change in landfill liability, contaminated site liability and employee future benefit liability	(33.8)
Plus: Boards' and Commission's Surpluses	11.3
2020 Consolidated Surplus per Financial Statements (PSAB Format)	258.9

Public Sector Accounting Board (PSAB) Landscape

- Upcoming Financial Statements enhancements to **look forward to** and **start building towards** as setout in Public Sector Accounting Standards (PSAS).

2023 Financial Statements

- Foreign Currency Translation
- Financial Instruments
- Asset Retirement Obligations

2024 Financial Statements

- Revenue



On the Radar

Climate Change Disclosure

Where do we go from here?

- ❑ The preparation of the 2020 Financial Report was a total **TEAM** effort. **THANKS** is extended to the entire Financial Services Team for their long hours, along with all the contributions from;
 - Capital Assets and Projects,
 - Financial Planning & Business Supports,
 - Legal Services,
 - People Services, and
 - Risk Management
- ❑ This could not have been accomplished without the **CO-OPERATION** of the City's Boards and Commissions.

KPMG will present their **Audit Findings Report**