



2021 Consolidated Financial Report



Audit Committee
June 15, 2022

Financial Consolidated Report

- **Aligns** with Council's 2019 – 2023 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**.

Statement of Financial Position

- ✓ Financial Assets increased \$ 272 million
(attributable to an increase in Investments and Cash)
- ✓ Financial Liabilities increased \$ 78 million
(attributable to deferred revenue – development charges and Employee Benefits Payable offset by a decrease in long-term debt)
- ✓ Net Financial Assets increased \$ 194 million
(Financial Assets less Financial Liabilities)
- ✓ Non-Financial Assets increased \$ 85 million
(comprised of \$298 million in tangible capital asset additions excluding works in progress)
- ✓ Accumulated Surplus increased \$279 million

Highlights and Changes

- Employee Benefits Payable (Note 12) reflect an actuarial review that was just recently conducted as of December 31, 2021 by Mercers.
- Timing and awareness of transactions brought to our attention the criticalness of communication:
 - Accounting for \$ held with benefit providers
 - Triggers on holdbacks
 - Recognition of government transfers



Notable Capital Projects (Assets) Recognized in 2021

- ✓ East Lions Community Centre, \$22.6 million
- ✓ Greenway Wastewater Treatment Plant Organic Rankine Cycle System, \$17.3 million
- ✓ Dundas Street Infrastructure Renewal in Old East Village, \$15.0 million
- ✓ Veteran's Memorial Parkway Expansion, \$12.7 million
- ✓ New Kilally Sports Field. \$4.7 million
- ✓ Assets contributed by developers, \$43.5 million
 - *9.0 kms of roads*
 - *10.7 kms of sidewalks*
 - *305 streetlights*
 - *7.5 km of water pipe*
 - *3.4 km of sanitary pipe*
 - *4.0 km of storm sewer*



Five Year Review Highlights 2021 compared to 5-year average

❑ Tax Arrears	3.6% (4.5%)
❑ Total Long-Term Debt	\$246 million (\$279 million)
❑ Debt Principal Repayments	\$55.8 million (\$57.4 million)
❑ Debt Issued	\$23 million (\$36 million)
❑ Tangible Capital Asset Additions	\$412 million (\$376 million)
❑ Annual Surplus	\$279 million (\$259 million)
❑ Assessment Growth	1.38% (1.63%)

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**.

2021	Modified Cash Basis Budget	Financial Statement Adjustments	Full Accrual Basis PSAB Budget
Revenue	1,236,587	202,462	1,439,049
Expenses	1,236,587	15,098	1,251,685
Surplus (Rev – Ex)	-	187,364	187,364

- 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: **gross** versus net

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

Statement of Operations - Revenues	City Budget 2021 (Unconsolidated)	PSAB Accounting 2021 Actuals
Net Municipal Taxation	695,449	696,617
Grants, User Fees and Other Revenue	534,479	539,509
Transfers from Capital and Reserve Funds	6,660	-
Capital Funding Earned	-	44,065
Developer Contributions	-	43,543
Reserve Fund Deferred Revenue Earned	-	71,534
Government Business Enterprise Adjustments	-	15,133
Boards and Commissions Surplus	-	22,651
Total Revenues	<u>1,236,588</u>	<u>1,433,052</u>

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

Statement of Operations - Expenses	City Budget 2021 (Unconsolidated)	PSAB Accounting 2021 Actuals
Operating Expenses	991,120	922,154
Debt Principal Repayments	39,103	-
Transfer to Reserve & Reserve Funds	111,187	-
Capital Expenditures (pay as you go financing)	95,178	-
Capital Expenses not capitalized	-	47,749
Amortization	-	156,683
Loss on Disposal of Capital Assets	-	7,717
Landfill, Contaminated Sites, and Employee future benefits Liability	-	19,647
Total Expenses	<u>1,236,588</u>	<u>1,153,950</u>
Annual Surplus	<u><u>0</u></u>	<u><u>279,102</u></u>



Comparing the Budget Surplus to Financial Statement Surplus

2021 Operating Budget Surplus per the Year-End Budget Monitoring Report to Corporate Services Committee on April 19, 2022	\$ millions
Property Tax Supported Budget Surplus	19.6
Water Rate Supported Budget Surplus	3.7
Wastewater & Treatment Rate Supported Budget Surplus	2.2
2021 Operating Budget Surplus	25.5
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	(25.5)
Operating Fund Surplus per 2021 Approved Budget (Cash Format)	0.0
Financial Statement adjustments:	
Plus: Transfers to (from) Capital and Reserves and Reserve Funds	275.3
Plus: Debt Principal Repayments	38.6
Plus: Capital program funding earned in year	44.1
Less: Capital expenses not capitalized (Non-TCA)	(47.7)
Less: Amortization of Tangible Capital Assets (TCA)	(156.7)
Plus: Developer contributions of assumed TCA	43.5
Less: Loss on disposal of TCA	(7.7)
Plus: Reserves and reserve fund net revenues earned in year	71.5
Plus: Government Business Enterprises adjustments	15.1
Less: Change in landfill liability, contaminated site liability and employee future benefit liability	(19.6)
Plus: Boards' and Commission's Surpluses	22.7
2021 Consolidated Surplus per Financial Statements (PSAB Format)	279.1

Public Sector Accounting Board (PSAB) Landscape

- Work is well underway in preparation for **Asset Retirement Obligations** and **Financial Instruments** requirements.
- Cross Functional teams formed
- Participation in Province wide working groups (Municipal Finance Officers Association, Ministry of Municipal Affairs and Housing)
- Conversations with auditors
- Planning engagement of Boards and Commissions, along with Audit Committee in the lead up to reporting requirement.
- Monitoring developments in Sustainability disclosure in keeping with the City's Climate Emergency Action Plan.

Where do we go from here?

- ❑ The preparation of the 2021 Financial Report was a total **TEAM** effort and **LEARNING EXPERIENCE** by all.
- ❑ **THANKS** is extended to all internal (Civic Service areas) and external (Boards, Commissions, and consolidate entities) who contributed to the City's 2021 Financial Report
- ❑ KPMG will present their **Audit Findings Report**