



2022 Consolidated Financial Report



Audit Committee
June 14, 2023

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

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 \$202 million
(attributable to an increase in investments in accordance with Council's Investment Policy partially offset by a reduction in cash)
- ✓ Financial Liabilities increased \$33 million
(attributable to accounts payable, deferred revenue – development charges and Employee Benefits Payable partially offset by a decrease in long-term debt)
- ✓ Net Financial Assets increased \$169 million
(Financial Assets less Financial Liabilities)
- ✓ Non-Financial Assets increased \$198 million
(comprised of \$195 million in net book value of tangible capital asset)
- ✓ Accumulated Surplus at the end of 2022 increased by \$367.9 million
(based on Public Sector Accounting Standards, accrual basis of accounting. 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 2022

- ✓ Downtown Loop Phase 1, \$11.1 million
- ✓ Brydges Street from Egerton to Highbury, \$17.3 million
- ✓ Watermain cleaning and lining, \$4.9 million
- ✓ Cured in place pipe (CIPP) Sewer lining, \$4.4 million
- ✓ Mornington Storm Water Management Pond Exp., \$4.4 million
- ✓ Assets contributed by developers, \$102.7 million
 - *3.2 kms of roads*
 - *3.1 kms of sidewalks*
 - *92 streetlights*
 - *7.5 km of water pipe*
 - *30.1 km of sanitary pipe*
 - *35.7 km of storm sewer*

Highlights and Changes

- Timing, recognition, and awareness of transactions were brought to our attention re-emphasizing the importance of communication:
 - Tax Sale Proceeds to be disbursed in the new year.
 - Accounting for employee banked time which was recognized in 2022.
 - Timelines of Child Wide Early Learning Childcare Program payments and attestations.



Five Year Review Highlights 2022 compared to 5-year average

❑ Tax Arrears	4.0% (4.0%)
❑ Total Long-Term Debt	\$220 million (\$270 million)
❑ Debt Principal Repayments	\$48 million (\$53 million)
❑ Debt Issued	\$22 million (\$37 million)
❑ Tangible Capital Asset Additions	\$498 million (\$436 million)
❑ Annual Surplus	\$368 million (\$280 million)
❑ Assessment Growth	1.40% (1.53%)

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**.

2022	Modified Cash Basis Budget	Financial Statement Adjustments	Full Accrual Basis PSAB Budget
Revenue	1,310,064	260,164	1,570,228
Expenses	1,310,064	33,691	1,343,755
Surplus (Rev – Ex)	-	226,473	226,473

- 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 2022 (Unconsolidated)	PSAB Accounting 2022 Actuals
Net Municipal Taxation	721,703	728,757
Grants, User Fees and Other Revenue	576,389	593,616
Transfers from Capital and Reserve Funds	11,972	-
Capital Funding Earned	-	48,443
Developer Contributions	-	102,716
Reserve Fund Deferred Revenue Earned	-	80,953
Government Business Enterprise Adjustments	-	31,127
Boards and Commissions Surplus	-	18,058
Total Revenues	<u>1,310,064</u>	<u>1,603,670</u>

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

Statement of Operations – Expenses	City Budget 2022 (Unconsolidated)	PSAB Accounting 2022 Actuals
Operating Expenses	1,051,872	1,020,606
Debt Principal Repayments	33,225	-
Transfer to Reserve & Reserve Funds	124,706	-
Capital Expenditures (pay as you go financing)	100,261	-
Capital Expenses not capitalized	-	39,104
Amortization	-	160,877
Loss on Disposal of Capital Assets	-	2,382
Landfill, Contaminated Sites, and Employee future benefits Liability	-	12,801
Total Expenses	<u>1,310,064</u>	<u>1,235,770</u>
Annual Surplus	<u><u>0</u></u>	<u><u>367,900</u></u>



Comparing the Budget Surplus to Financial Statement Surplus

2022 Operating Budget Surplus per the Year-End Budget Monitoring Report to Corporate Services Committee on April 11, 2023	\$ millions
Property Tax Supported Budget Surplus	12.3
Water Rate Supported Budget Surplus	6.6
Wastewater & Treatment Rate Supported Budget Surplus	2.0
2022 Operating Budget Surplus	20.9
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	(20.9)
Operating Fund Surplus per 2022 Approved Budget (Cash) Format	0.0
Financial Statement adjustments:	
Plus: Transfers to (from) Capital and Reserves and Reserve Funds	270.1
Plus: Debt Principal Repayments	31.7
Plus: Capital program funding earned in year	48.4
Less: Capital expenses not capitalized (Non-TCA)	(39.1)
Less: Amortization of Tangible Capital Assets (TCA)	(160.9)
Plus: Developer contributions of assumed TCA	102.7
Less: Loss on disposal of TCA	(2.4)
Plus: Reserves and reserve fund net revenues earned in year	81.0
Plus: Government Business Enterprises adjustments	31.1
Less: Change in landfill liability, contaminated site liability and employee future benefit liability	(12.8)
Plus: Boards' and Commission's Surpluses	18.1
2022 Consolidated Surplus per Financial Statements (PSAB Format)	367.9

Public Sector Accounting Board (PSAB) Landscape

- No **NEW** Public Sector Accounting Standards were introduced in the 2022 Consolidated Financial Statements.
- 2023 Financial Statements will be further enhanced in keeping with new Public Sector Accounting Standards.
 - **Asset Retirement Obligations** where recognition of **liabilities** for **future costs** (legal obligation) of the retirement of an asset will be required, and
 - **Financial Instruments** requires the introduction of a new statement to be included; **Statement of Remeasurement Gains and Losses**.
 - Civic Administration has formed project teams and have been participating in Province wide working groups and consulting with auditors.
- Monitoring Sustainability disclosure in keeping with the City's Climate Emergency Action Plan.

Where do we go from here?

- ❑ The preparation of the 2022 Financial Report was an **ENTERPRISE-WIDE** effort, including the City's boards and commissions.
- ❑ **THANKS** is extended to all internal (Civic Service areas) and external (Boards, Commissions) who contributed to the City's 2022 Financial Report.
- ❑ KPMG will present their **AUDIT FINDINGS REPORT.**
- ❑ Council to **APPROVE** Consolidated Financial Statements on June 27th, and then the **FINAL** version will be made available to the public in late July.