

2023 Annual Financial Statements

Presented To: Audit Committee

Meeting Date: June 18, 2024

Type: Presentations

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Recommended by: General Manager of
Corporate Services

Report Summary

This report and presentation provides a recommendation regarding the Annual Financial Statements which are prepared in accordance with the Municipal Act, 2001, section 294.1. Annual financial statements must be prepared and approved in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board.

Resolution

THAT the City of Greater Sudbury approves the Consolidated Financial Statements of the City of Greater Sudbury, the Financial Statements of the City of Greater Sudbury Sinking Fund, and the Financial Statements of the City of Greater Sudbury Trust Funds for the year ended December 31, 2023 as outlined in the report entitled “2023 Annual Financial Statements”, from the General Manager of Corporate Services, presented at the Audit Committee meeting on June 18, 2024.

Relationship to the Strategic Plan, Health Impact Assessment and Climate Action Plans

This report supports Council’s Strategic Initiative to Demonstrate Innovation and Cost-Effective Service Delivery. It specifically continues the evolution of business planning, financial and accountability reporting systems to support effective communication with taxpayers about the City’s service efforts and accomplishments. This report has no direct connection to the Community Energy & Emissions Plan.

Financial Implications

There are no financial implications associated with this report.

Background

The Annual Financial Statements include the Consolidated Financial Statements of the City of Greater Sudbury

for the year ended December 31, 2023. These financial statements have been drafted by Finance in accordance with generally accepted accounting principles as established by the Public Sector Accounting Board and have been audited by KPMG, LLP. The Independent Auditor's Report expresses an unqualified audit opinion.

The Consolidated Financial Statements include the following entities which are owned or controlled by the City:

- Greater Sudbury Housing Corporation
- Greater Sudbury Police Services Board
- Downtown Sudbury
- Flour Mill Business Improvement Area
- Greater Sudbury Public Library Board
- Greater Sudbury Sinking Fund

The financial results of these entities include the assets, liabilities, revenues and expenses of these entities.

Any inter-organization transactions have been eliminated.

The City invests in two Government Business Enterprises (GBEs):

- Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc.
- Sudbury Airport Community Development Corporation

These investments are accounted for by the modified equity method, therefore, these investments are recorded as assets in the Consolidated Statement of Financial Position and their net earnings are recorded as revenues in the Consolidated Statement of Operations and Accumulated Surplus. Inter-organization transactions and balances are not eliminated for GBEs.

The Consolidated Financial Statements include the following components:

Name	Purpose	Comments
Consolidated Statement of Financial Position	Provides a summary of the City's consolidated: <ul style="list-style-type: none"> • Financial assets, • Financial liabilities, • Non-financial assets and • Accumulated surplus 	Major components include: <ul style="list-style-type: none"> • Investment in GBE • Investments • Accounts payable and accrued liabilities • Employee benefit obligations • Long term liabilities • Tangible Capital Assets
Consolidated Statement of Operations and Accumulated Surplus	Provides a summary of the City's consolidated: <ul style="list-style-type: none"> • Revenues (includes operating, capital funding and contributions from reserves and reserve funds, GBE net earnings) • Expenses, • Accumulated surplus 	Major components include: <ul style="list-style-type: none"> • Government Transfers (operating and capital) • Taxation • User charges • Expenses categorized by: <ul style="list-style-type: none"> ▪ Function (Service area) and ▪ Object (Types of expenses)
Consolidated Statement of Change in Net Financial Assets	Provides a summary of the change in the City's consolidated net financial assets as a result of operations, tangible capital	This statement indicates the whether the City has the ability to generate sufficient net revenues

Name	Purpose	Comments
	asset transactions and changes in other non-financial assets.	to fund it's capital and non-financial needs.
Consolidated Statement of Cash Flow	Provides the City's consolidated cash position and changes that affected the cash position.	Major components include: <ul style="list-style-type: none"> • Adjustments for non-cash transactions • Financial activities (i.e. long term debt transactions) • Capital activities (i.e. Tangible Capital Asset transactions) and • Investing activities (i.e. purchase / sale of investments)
Notes	Provides additional information regarding the City's significant accounting policies and additional information to supplement the statements above.	<ul style="list-style-type: none"> • Revenue recognition policies • Summary of GBE activities • Long term debt information • Accumulated Surplus details • Budget reconciliation

Subsequent to Council ratification, the following financial reports for the year ended December 31, 2023 will be available on the City's website:

- Annual Report including the Consolidated Financial Statements of the City of Greater Sudbury
- Financial Information Return for the Consolidated City of Greater Sudbury
- Financial Statements of the City of Greater Sudbury Sinking Fund
- Financial Statements of the City of Greater Sudbury Trust Funds
- Financial Statements of the Sudbury Airport Community Development Corporation
- Consolidated Financial Statements of Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc.
- Financial Statements of Downtown Sudbury
- Financial Statements of the Greater Sudbury Housing Corporation
- Financial Statements of the City of Greater Sudbury Community Development Corporation

It is important to note that these statements are produced using the accrual method of accounting in accordance with Public Sector Accounting Standards (PSAB). This method incorporates non-cash values for 2023 like amortization and depreciation. It also presents a value for an accumulated surplus which is the cumulative net value of the organization similar to "owner's equity" in a private organization. These amounts are important so that the corporation presents its results in a manner that meets accounting standards. This form of presentation is less useful for short term decisions and the kind of decisions routinely faced by Council in the normal course of operating municipal services. These accounts are not reflected in the variance reports which appear later in this Audit Committee agenda. Our annual budgeting and variance reporting is stated on a cash basis and does not include budget or actual amounts for these non-cash items.

Financial Statement Highlights

The Consolidated Statement of Financial Position:

- Net Financial Assets Increase of \$39 million: The main drivers of the increase are an increase in cash of \$50 million, accounts receivable \$26 million and a decrease in investments of \$38 million. Offsetting the asset increases are increases in employment benefit obligations of \$5 million.
- The Accumulated Surplus (note 19): The City's 2023 consolidated financial statements include an accumulated surplus of \$1.94 billion. This surplus is comprised of tangible capital assets (net of amortization) which will be utilized by the City to deliver services to the public in the future, amounts for capital projects in progress and Reserves and Reserve Funds. It is important to note these amounts are already invested or committed and are not available for other purposes.

The Statement of Operations and Accumulated Surplus:

- Revenues have increased \$81 million: Government transfers increased \$32 million, taxation was up \$17 million, user charges have increased by \$15 million. Investment income increased by \$20 million due to the combination of higher interest rates and higher investment balances throughout the year.
- Expenses have increased by \$41 million: Increased funding was received for social and family services in support of childcare needs and Pioneer Manor that was spent in the community.
- The Annual Surplus is \$87 million presented in these financial statements and this differs considerably from the year-end operating budget position. The difference is explained by the PSAB requirement to recognize grant revenue immediately, to record the cost of amortization of tangible capital assets and the annual change in the valuation of future liabilities, to eliminate all transfers to reserves and reserve funds, In the end, the two surplus presentations serve two different purposes, with the operating surplus providing Council with a year-end position relative to the property tax and user rate revenue requirements established through the annual budget process and the consolidated financial statement surplus meeting PSAB reporting requirements.
- The opening accumulated surplus was adjusted by \$101 million to reflect the implementation of the Asset retirement obligation PSAB standard. The new accounting standard addresses the reporting of legal obligations by public sector entities associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings.

Sinking Fund statements:

- The Sinking Fund was established to retire sinking fund debentures issued by the City. The defining characteristic of a sinking fund debenture is that the entire principal amount is repayable at the end of the term. Contributions are made to the sinking fund over the life of the debentures. These contributions, along with investment income, are used to pay the principal at maturity. The statements reflect the activity and position of the Sinking Fund for the period ending December 31, 2023 with an actuarial surplus of \$3.6 million.

Trust Fund Financial Statements:

- The Trust Funds consists of various trust funds administered by the City of Greater Sudbury as well as those within organizations that are accountable for the administration of their financial affairs and resources to City Council and are owned or controlled by the City.

Resources Cited