

## City of North Bay Report to Council

Report No: CORP-2022-082

Date: June 29, 2022

Originator: Shannon Saucier

Business Unit:

Department:

Corporate Services

Financial Services Department

Subject: 2021 Consolidated Financial Statements

Closed Session: yes ☐ no ☒

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### Recommendation

That Report to Council CORP 2022-82 regarding the 2021 Consolidated Financial Statements be received and referred to the General Government Committee.

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### Background

Section 296 (1) of the *Municipal Act, 2001*, requires municipalities to appoint an auditor licensed under the *Public Accounting Act, 2004*, who is responsible for:

- (a) annually auditing the accounts and transactions of the municipality and its local boards and expressing an opinion on the financial statements of these bodies based on the audit; and
- (b) performing duties required by the municipality or local board.

The City's auditor is the firm of KPMG LLP ("KPMG").

The draft Consolidated Financial Statements for the year ended December 31, 2021 are attached to this report as Appendix A. Since the Consolidated Financial Statements are the responsibility of City management, the statements are to be signed by the Mayor and the Chief Financial Officer as evidence that City management and Council have approved these statements. Upon approval, KPMG is expected to express an opinion that these financial statements present fairly, in all material respects, the financial position of The Corporation of the City of North Bay as at December 31, 2021.

The Consolidated Financial Statements of The Corporation of the City of North Bay are prepared by management in accordance with Canadian Generally

Accepted Accounting Practices for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada). These Consolidated Financial Statements reflect the assets, liabilities, sources of funding, and expenses of the City of North Bay which include the activities of all committees of Council and its boards, municipal enterprises and utilities for which the Council of the City of North Bay own or control. These boards and entities include:

#### Consolidated Entities:

- North Bay Public Library Board
- North Bay Police Services Board
- Board of Management for the Downtown Improvement Area
- North Bay Hydro Holdings Limited
- North Bay Jack Garland Airport Corporation
- Invest North Bay Development Corporation

#### Municipal Business Enterprises:

- North Bay Hydro Distribution Limited
- North Bay Hydro Services Inc.
- Espanola Regional Hydro Distribution Corporation

In accordance with the Municipal Act, the 2021 Financial Information Return (FIR) was submitted to the Ministry of Municipal Affairs and Housing (MMAH) on June 1, 2022 based on the financial information contained in the draft Consolidated Financial Statements. The Consolidated Financial Statements and a link to the Province's site for the FIR will be posted on the City's website once the information has been published and the statements are finalized following Council approval.

It is important to highlight that these results are reported on a different basis than the City's annual budget. Annual Financial Statements are consolidated and prepared using full accrual accounting. This means that capital assets are not expensed when purchased but rather they constitute an asset and are amortized over their respective lives. Additionally, financial statements include allowances for future liabilities including employee future benefit costs and landfill post closure costs. Items that are included in the cash based budgets but that are excluded from the PSAB reporting of the annual surplus include debenture principal repayments, transfer to/from reserve funds, tangible capital asset costs, and debenture proceeds. Lastly, expenses are not organized and gathered by department or service area but rather by FIR categories set out by the Ministry of Municipal Affairs and Housing.

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### Financial/Legal Implications

See Options/Analysis for financial implications.

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### Corporate Strategic Plan

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|--|--|
| <input type="checkbox"/> Natural North and Near                | <input type="checkbox"/> Economic Prosperity     |
| <input checked="" type="checkbox"/> Affordable Balanced Growth | <input type="checkbox"/> Spirited Safe Community |

## **Specific Objectives**

- Ensure the efficient and effective operations of the city, with particular consideration to the impact of decisions on the property tax rate
- Ensure that Council and staff have a shared perception and goals

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## **Options Analysis**

### **2021 Consolidated Financial Statement Highlights**

The pandemic continued to affect several of the City's revenue streams during the 2021 fiscal year. City revenues that continued to be most impacted by the pandemic were user charges, licenses, permit fees and rents, and revenues collected under the Provincial Offences Act. Similar to 2020, the City implemented several measures to reduce expenses in order to mitigate the impact of revenue losses on the City's overall financial results. These mitigation efforts included the deferral of hiring for vacant positions and reduced departmental spending in certain areas. These measures were reported in the June, September and December variance reports to Council. These efforts along with Federal-Provincial funding received under programs such as the Safe Restart program and COVID-19 Recovery funding reduced the anticipated impact of the pandemic on the City's financial results.

The Consolidated Financial Statements continue to report positive financial results for the City as evidenced through an increase in net financial assets, ongoing investments in tangible capital assets and an increase in discretionary reserve funds.

#### **a) Financial assets**

- Cash and cash equivalents and investments have increased by \$10.7 million from \$92.9 million in 2020 to \$103.6 million in 2021. Obligatory and discretionary reserve funds have increased by \$14.0 million to \$76.1 million in 2021.
- The increase in cash and investments is attributable to the cash based operational surpluses realized in 2021, the increase in obligatory reserve funds, and the timing differences that occur between the recognition of operational and capital expenditures recognized in the consolidated financial statements and the corresponding outlay of cash.
- Taxes receivable has increased by approximately \$1.3 million in 2021 (2020 increase was \$1 million). The City's taxes receivable as a percentage of taxes levied of 5.9% remains below average in comparison to its Northern counterparts. Based on the 2021 BMA Report, the 2020 Northern average of taxes receivable as a percentage

of taxes levied was 6.6% while other regions in Ontario reported averages as high as 8.5%.

b) Financial liabilities

- The City's total liabilities have increased by \$1.2 million which primarily relates to the increase in post-employment benefits and compensated absences and obligatory reserve funds partially offset by a reduction in net long-term liabilities.
- The City's net long-term liabilities decreased by \$9.9 million to \$45.1 million in 2021. The decrease in net long-term liabilities is reflective of management's decision to delay issuance of capital debentures in order to align the timing of the debt proceeds with the related infrastructure costs.

c) Tangible capital assets

- Tangible capital assets are amortized over their expected life; therefore, the annual investment in capital assets is offset by the annual deterioration of the assets. There was a net decrease of \$5 million in the City's capital assets balance in 2021. This amount represents an investment of \$25.1 million in acquisitions less \$26.7 million in amortization and \$3.4 million in disposals.
- The City's investment in tangible capital assets was \$25.1 million in 2021 which represents a decrease of \$9.0 million from the \$34.1 million that was invested in 2020.

Key Indicators

- Debt-to-revenue ratio has decreased from 35.8% to 27.2%. The decrease in the ratio is the result of a decrease in net long-term liabilities as a result of the deferral of debenture issues as well as an increase in total revenue.
- The debt servicing costs (including both principal and interest) to revenue has increased slightly from 7.0% to 9.0% as at December 31, 2021.
- Taxation revenue as a percentage of total revenue decreased from 61% in 2020 to 58% in 2021. Fluctuations in this ratio can occur as a result of variations in the amount of capital grants and other one-time revenue received from year to year.

**Next Steps**

Report to Council CORP 2022-82 is being referred to the August 9th Committee meeting to provide the City's auditors, KPMG LLP, with an

opportunity to present their audit findings report in advance of Council's approval of the 2021 Consolidated Financial Statements.

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**Recommended Option**

That Report to Council CORP 2022-82 regarding the 2021 Consolidated Financial Statements be received and referred to the General Government Committee.

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Respectfully submitted,

Name: Shannon Saucier, CPA, CA

Title: Director, Financial Services / Deputy Treasurer

**I concur with this report and recommendation**

Name Margaret Karpenko, CPA, CMA

Title: Chief Financial Officer /Treasurer

Name David Euler, P.Eng., PMP

Title: Chief Administrative Officer

Personnel designated for continuance:

Shannon Saucier, CPA, CA

Director, Financial Services / Deputy Treasurer