



City of North Bay Supplemental Report to Council

Report No: CORP-2024-089

Date: October 17, 2024

Originator: Margaret Karpenko

Business Unit:

Department:

Corporate Services

Financial Services Department

Subject: 2023 Consolidated Financial Statements

Closed Session: yes no

Recommendation

That Council authorize the Mayor and Chief Financial Officer/Treasurer of The Corporation of the City of North Bay to approve the 2023 Consolidated Financial Statements.

Background

Council received a preliminary report, CORP 2024-086, on October 15th regarding the City's 2023 Consolidated Financial Statements. Subsequently, the draft Financial Statements have been completed and are attached as Appendix A to Supplemental Report to Council CORP 2024-089.

The City's auditor, KPMG LLP, will present their audit findings report on the 2023 Consolidated Financial Statements at the October 29th Committee Meeting.

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.

Financial/Legal Implications

See Options/Analysis for financial implications.

Corporate Strategic Plan

- | | |
|--|--|
| <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 |
| <input type="checkbox"/> Responsible and Responsive Government | |

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

2023 Consolidated Financial Statement Highlights

The Consolidated Financial Statements continue to report positive financial results for the City as evidenced through a positive net financial asset position, an increase in 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 \$11 million from \$126.8 million in 2022 to \$137.8 million in 2023. Obligatory and discretionary reserve funds have increased by \$10.8 million to \$99.4 million in 2023.
- The increase in cash and investments is attributable to the cash based operational surpluses realized in 2023, 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 \$1.8 million in 2023 (2022 decrease was \$2.2 million). The City's taxes receivable as a percentage of taxes levied of 5% is equal to the average of its Northern counterparts. Based on the 2023 BMA Report, the 2022 Northern average of taxes receivable as a percentage of taxes levied was 5% while other regions in Ontario reported averages as high as 6.6%.

b) Financial liabilities

- The City's total liabilities have decreased by \$1.34 million which primarily relates to a decrease in net long-term liabilities.

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 increase of \$10.2 million in the City's capital assets balance in 2023. This amount represents an investment of \$39.4 million in acquisitions less \$28.7 million in amortization and \$0.5 million in disposals.
- The City's investment in tangible capital assets was \$39.4 million in 2023 which represents an increase of \$6.1 million from the \$33.3 million that was invested in 2022.

Key Indicators

- Debt-to-revenue ratio has decreased from 55.8% to 50.6%. The decrease in the ratio is the result of an increase in revenues of \$6.5 million.
- The debt servicing costs (including both principal and interest) to revenue has decreased from 5.2% to 5.1% as at December 31, 2023.
- Taxation revenue as a percentage of total revenue increased from 53.9% in 2022 to 55.2% in 2023. 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

KPMG LLP is scheduled to present the audit findings report at the October 29th Committee Meeting in advance of Council's approval of the 2023 Consolidated Financial Statements.

Recommended Option

That Council authorize the Mayor and Chief Financial Officer/Treasurer of The Corporation of the City of North Bay to approve the 2023 Consolidated Financial Statements.

Respectfully submitted,

Name: Margaret Karpenko, CPA, CMA
Title: Chief Financial Officer /Treasurer

I concur with this report and recommendation

Name John Severino, P.Eng., MBA
Title: Chief Administrative Officer