

Financial and Corporate Services

FCS02230 | City of Edmonton
2023 Consolidated Financial Statements

Legislated Financial Statements

Purpose & Requirements

- MGA requires municipalities to produce annual legislated financial statements in accordance with PSAS
- Must be made public by May 1st of the following year
- Audited with findings presented to Audit Committee
- Intended audience is Council, academia, financial institutions, credit rating agencies, other orders of government
- Summary provided through Financial Report to Residents

Legislated Financial Statements

Reporting Entity

- Tax-supported departments
- Utility and enterprise operations
- The City of Edmonton Library Board
- Explore Edmonton Corporation
- Fort Edmonton Management Company
- Edmonton Combative Sports Commission
- The City of Edmonton Non-Profit Housing Corporation
- Edmonton Unlimited
- Ed Tel Endowment Fund

Legislated Financial Statements

Legislated Reporting vs. Performance Reporting

Legislative Reporting (Consolidated Financial Statements)	Financial Performance Reporting (Quarterly Financial Updates)
Consolidated (Reporting Entity)	City of Edmonton Legal Entity Only
Amortization Included	Amortization Excluded
Reserve Transfers Excluded	Reserve Transfers Included
Debt Principal Repayments Excluded	Debt Principal Repayments Included

New Standards in 2023

- PS 3280 Asset Retirement Obligations

Applied effective January 1, 2022, with restatement of 2022

- Financial Instruments
 - PS 3450 Financial Instruments
 - PS 1201 Financial Statement Presentation
 - PS 2601 Foreign Currency Translation
 - PS 3041 Portfolio Investments

Applied effective January 1, 2023, without restatement of 2022

PS 3280 Asset Retirement Obligations (ARO)

Definition and Types

- Legal obligations associated with the retirement of tangible long-lived assets.
- The standard aims to ensure proper recognition, measurement, presentation, and disclosure of asset retirement obligations in financial statements.
- City of Edmonton AROs
 - abatement costs related to buildings with asbestos
 - decommissioning of fuel storage tanks
 - landfill closure and post-closure costs

PS 3280 Asset Retirement Obligations

Measurement

ARO	Measurement
Abatement costs related to buildings with asbestos	Average cost per square foot to remove and dispose of asbestos
Decommissioning of fuel storage tanks	Estimated cost of equipment removal based on the size of the underground tank
Landfill closure and post-closure costs	Estimated future costs during the closure and post-closure period
<i>Cost estimates are provided by third-party and internal experts</i>	

PS 3280 Asset Retirement Obligations

Recognition in Financial Statements

ARO	Liability at Dec 31 2023	Liability at Dec 31 2022
Asbestos in City facilities	\$ 144M	\$ 141M
Decommissioning of underground fuel tanks	\$ 5M	\$ 5M
Landfill closure and post-closure (previously recognized)	\$ 55M	\$ 51M
Asset Retirement Obligation	\$ 204M	\$ 197M

PS 3280 Asset Retirement Obligations

Financial Implications

- Asset retirement costs are known future costs
- PS3280 requires upfront recognition in financial statements this legal obligation
- Funding will be required over the next 60 years, with some more significant AROs in 25-30 years
- Funding requests will be brought forward through capital budgeting and planning process

Financial Instruments

Definition and Types

- Contract that creates a financial asset for one entity and a financial liability for another entity
- Derivative financial instrument (*new*)
 - Value changes in response to the change in underlying factors (interest rates, commodity prices, foreign exchange rate etc.)
 - Settled at a future date
 - Forward foreign currency contracts, forward fuel price contracts
- Equity portfolio investments measured at fair value (*change*)

Financial Instruments

Statement of Remeasurement Gains/Losses (NEW)

- Only for financial instruments in fair value category
- Purpose is recognize the unrealized change in fair value and foreign exchange of the financial instrument (new process)
 - Annual change in fair value until the financial instrument is derecognized
- Actual gain/loss is recognized in Statement of Operations when the financial instrument is derecognized (existing process)

Other Items

- Management estimates
 - Preparation of financial statements includes amounts based on the best estimates and professional judgement of management
- Future accounting standards

Next Steps

- April 23, 2024
Statements to City Council for approval
- May 1, 2024
2023 Annual Report posted on the City of Edmonton website
- May 1, 2024
Provincial Financial Information Return and statements to Municipal Affairs
- Summarized Financial Report to Residents to follow

Thank you.