



COUNCIL – AGENDA REPORT

Meeting Date:	16 April 2024
Subject:	2023 Annual Financial Report: Audited Consolidated Financial Statements
Boards Routed Through:	N/A
Date:	N/A

Issue:

Council is being asked to approve the 2023 audited financial statements and 2023 Financial Information Return and accept the 2023 Annual Report for information.

Background:

The City of Airdrie's 2023 annual financial audit is now complete. The Annual Report (which includes the audited consolidated financial statements), Financial Information Return (FIR) and KPMG's 2023 Audit Findings Report (confidential attachment) are presented for Council's review and approval. Representatives from KPMG will be in attendance to present their report.

The fieldwork for the 2023 annual financial audit was conducted during the four-week period from February 26 to March 22, 2024. The fieldwork for the City of Airdrie Library Board, Airdrie Housing Limited, Airdrie Mainstreet Square Real Estate Inc. and Family and Community Support Services (FCSS) was also conducted during this period. The audit was successful and an unmodified Auditor's Report will be issued once Council approves the financial statements. All subsidiary information, which includes the City of Airdrie Library Board, Airdrie Housing Limited and Airdrie Mainstreet Square Real Estate Inc., has been fully consolidated within the City of Airdrie financial statements.

City of Airdrie Financial Position and Financial Health

The completion and publication of the annual report plays an important role in demonstrating compliance and governance. Administration is responsible for the preparation of the financial statements that are objective, accurate and in compliance with Canadian Public Sector Accounting Standards. As a key part of maintaining public confidence through transparency, these statements show the City's financial health, provide information on changes in financial position, report on performance and demonstrate how tax dollars and government funds are used.

For a more detailed overview of the City's financial health additional information is in the 2023 Annual Report which is listed as an attachment to this report. For full details, please see the sections titled 'Financial Position Discussion and Analysis' and 'Statement of Operations Discussion and Analysis'. Major highlights are discussed below.

Consolidated Statement of Financial Position

The Statement of Financial Position is a snapshot of where the City stands financially in terms of the resources it holds and the debts it owes at a particular point in time (for the City, this is fiscal year end, December 31).

Net Financial Assets

The City's net financial assets increased 43 percent in 2023 to a total balance of \$142MM. The net financial assets are an indicator of the ability of the City to meet its obligations and continue to provide services into the future.

Accumulated Surplus

The accumulated surplus represents the net financial performance of the City since day one and includes financial and non-financial resources. At December 31, 2023, the City reported an accumulated surplus of \$1.1 billion, an increase of \$83MM over 2022. At the end of 2023, \$934MM (or 80%) of the \$1.1 billion accumulated surplus is represented by tangible capital assets which are those infrastructure assets developed to provide services to citizens. This means the City is left with \$83MM remaining in accumulated surplus to finance future operations. The City's total accumulated surplus of \$1.1 billion can be broken down into reserves totaling \$210MM, equity in subsidiaries totaling \$4MM and equity in tangible capital assets totaling \$865MM.

Cash Flow

The Statement of Cash Flows shows the change in cash during the year. The City raised \$98MM in cash from operations and no new debt was issued. This was used to acquire \$56MM in capital assets indicating the City's strategic decision to invest in infrastructure projects. The City paid down \$7MM of debt while \$50MM was used in investing activities. Investments increased to a total of \$276MM, the City invests funds in a manner that provides optimum investment returns with maximum security while meeting cash flow requirements. As a result of these changes, overall cash decreased by \$14.5MM in 2023 and indicates a healthy final cash position of \$47MM at December 31, 2023.

Long-Term Debt

The City's long-term debt decreased by \$7MM to a total of \$67MM in 2023, resulting in debt per capita of \$826 (down \$120 from previous year). The City's total debt of \$67MM is currently 21 percent of the total debt limit of \$321MM, meaning the City can still borrow \$254MM before reaching the total debt limit.

Non-Financial Assets

During the year, tangible capital assets increased by \$41MM to an ending balance of \$934MM at December 31, 2023. This increase reflects City acquisitions of \$62MM and contributed assets of \$15MM less amortization of \$33MM and disposals of \$3MM. Roads contributed significantly to the increase in capital assets with the completion of the 40th Avenue interchange.

Reserves

At December 31, 2023, operating reserves totaled \$58MM, which consists of \$29MM in general operating reserves, \$23MM in the tax stabilization reserve and an additional \$6MM in other operating reserves. These reserves have been built up over the past 8 years and will be used to soften the effect of future operating costs as the City implements new services such as a fourth fire hall and new recreation center.

Capital reserves totaled \$50MM which includes \$24MM in general capital reserves and \$26MM allocated to other various capital reserves (e.g. Fleet, Genesis Place, Buildings). Offsite levied fund reserves totaled \$65MM, an increase of \$15MM over 2022 and utility fund reserves totaled \$33MM, an increase of \$7.5MM over 2022. Even though capital reserves have been increasing, standard indicators of reserve health, which are described in more detail in the annual report, indicate that capital reserves are still not adequate to support the rehabilitation and replacement of future capital assets.

At the end of 2023, the total of all reserve balances was \$210MM, an increase of \$35MM from 2022. The major contributors to changes to the reserve balances include \$24MM spent on capital to finance infrastructure and \$7.5MM spent on operating activities. External contributions to offsite reserves were \$25MM, contributions from operations to reserves were \$31MM, and additional contributions from other external sources and interest was \$10.5MM.

The 2023 year-end operating surplus of \$3MM has allocated \$2.1MM to the General Capital Reserve and \$838,000 to the General Operating Reserve (as endorsed at the March 18, 2024 Council meeting).

Consolidated Statement of Operations

The City ended the year with an annual surplus of \$83MM. This surplus includes the City's operating and capital activity as well as financial operations related to the City's three subsidiaries, Airdrie Mainstreet Square, the Airdrie Public Library and Airdrie Housing Limited.

Revenue

2023 revenue totaled \$267MM, an increase of 17 percent over 2022. This increase is primarily due to increases in user fees, franchise and concession contracts, and development levies. Actual revenue was \$30MM below budget, mostly due to federal and provincial government transfers coming in much lower than budgeted.

Throughout 2023 the City saw unprecedented demand in Community Services, including pass and admission revenue at Genesis Place and higher ridership in Transit. Airdrie continues to be one of the fastest growing cities in Alberta, with extraordinary permit revenue seen in building inspections and additional property tax revenue received due to this growth.

Expenses

The City spent \$183MM in 2023, an increase of \$16MM over 2022. When looking at expenses by function, general government, environmental services, and recreation and cultural were the main contributors to the increased expenses year over year. The categories lending to these increases included staffing wages and benefits at \$6MM increased over 2022 due to the addition of full time and part time staff in 2023, contracted and general services at \$4.4MM over 2022, materials, goods, supplies and utilities at \$2MM increased over 2022, purchases from other governments at \$2.2MM over 2022 and amortization of tangible capital assets at \$1.2MM increased over 2022. Although expenses increased in 2023 compared to budget the City's expenses were \$4.5MM less than planned mainly due to projects that will be carried forward to 2024. This indicates the City's commitment to consistent and accurate budgeting processes.

Alignment with South Saskatchewan Regional Plan and AirdrieONE:

The annual external audit and analysis of the City's year-end position aligns with the AirdrieONE governance principle aimed to promote effective decision making and fiscal sustainability.

Boards Routed Through:

N/A

Administration Recommendation:

That Council approves the 2023 Consolidated Audited Financial Statements included in the Annual Report and the 2023 Financial Information Return, as presented.

Alternatives/Implications:

Alternative 1:

Council could choose to not accept the reports or amend the reports as presented and require staff to return with further information. This may impact Administration's ability to meet Provincial filing requirements and staff may be required to request an extension to the deadline.

Communications Plan:

The 2023 Annual Report will be posted on the City website and published for distribution once approved.

Recommendation:

That Council approves:

1. the 2023 Consolidated Audited Financial Statements included in the Annual Report; and
2. the 2023 Financial Information Return, as presented.

Sarah Laviolette, CPA, CMA
Team Leader, Accounting Services

Presenter:	Sarah Laviolette
Department:	Accounting Services
Reviewed by:	Shannon Schindeler, Director Corporate Services
Attachments:	#1 – 2023 Annual Report.pdf #2 – 2023 Financial Information Return #3 – KPMG 2023 Audit Findings Report (Confidential Attachment)
Appointment:	Colin Mitchell and Samuel Straka, KPMG