



The Corporation of the City of Courtenay

Staff Report

To: Council

File No.: 1870-02 [2024]

From: City Manager (CAO)

Date: May 7, 2024

Subject: 2024 Audited Financial Statements

PURPOSE:

The purpose of this report is to recommend approval of the audited financial statements for the year ended December 31, 2024.

BACKGROUND:

Section 171 of the *Community Charter* requires that the municipal auditor report to Council on the annual financial statements.

The firm of MNP LLP was appointed by Council to undertake the independent audit for the 2024 year. Under the terms of their engagement, the interim audit work was performed in October 2024, and final audit work undertaken in March 2025. Presentation of the financial statements and auditor's report will take place on May 7, 2025.

We are pleased to report that MNP LLP will be issuing an unqualified audit opinion on the 2024 consolidated financial statements, indicating that the financial statements present fairly, in all material respects, the financial position of the City.

The auditor's responsibility is to assess whether the annual consolidated financial statements are presented fairly, in accordance with Canadian Public Sector Accounting Standards. This includes evaluating the City's financial position, results of operations, changes in net financial assets, and cash flows. Additionally, the auditor provides reasonable—though not absolute—assurance that the financial statements are free from material misstatements, whether due to error, fraud, or non-compliance with applicable laws and regulations.

Council is responsible for the review and approval of the annual financial statements.

DISCUSSION:

At the May 7, 2025 Council meeting, MNP will provide Council with their 2024 Audit Findings Report, as well as present an overview of the City's financial position. The analysis below provides further detail to the financial statements.

The Consolidated Statement of Operations – Statement B

The consolidated statement of operations details revenue and operating expenses to arrive at the annual surplus or deficit for the year. The surplus or deficit figure does not include capital purchases or transfers to reserves (further details are found in the Consolidated Statement of Change in Net Financial Assets – Statement C).

STATEMENT B

**THE CORPORATION OF THE CITY OF COURTENAY
 CONSOLIDATED STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED DECEMBER 31, 2024**

REVENUE	2024 Budget (Note 16)	2024	2023
Taxes for Municipal Purposes	38,339,100	38,302,054	35,481,555
Sale of Services	20,730,100	21,909,428	19,216,157
Revenue From Own Sources	4,993,200	4,615,097	4,730,657
Federal Transfers	1,347,000	1,374,904	1,240,152
Provincial Transfers	5,474,300	2,849,236	10,503,606
Other Local Government Transfers	345,200	971,896	800,749
Contributions	-	1,831,235	3,806,801
Investment Income and Taxation Penalties	2,637,100	4,211,915	4,364,286
Other	916,400	2,208,379	991,168
Gain on Sale of Tangible Capital Assets	-	15,012	2,622
TOTAL REVENUE	74,782,400	78,289,156	81,137,753
EXPENSES			
General Government Services	8,246,615	6,462,153	5,675,508
Protective Services	14,126,808	13,490,936	10,898,248
Transportation Services	11,240,664	9,421,450	9,229,936
Sewer and Water Facilities	20,327,618	19,509,757	18,738,968
Environmental Health Services	5,091,673	4,679,605	3,119,883
Public Health and Welfare Services	501,150	536,672	477,899
Environmental Development Services	3,179,216	2,767,030	2,724,023
Recreational and Cultural Services	12,939,856	12,155,636	10,743,336
TOTAL EXPENSES	75,653,600	69,023,239	61,607,801
ANNUAL SURPLUS (DEFICIT) (Schedule 1)	(871,200)	9,265,917	19,529,952
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	235,854,609	235,854,609	216,324,657
ACCUMULATED SURPLUS AT END OF YEAR	\$ 234,983,409	\$ 245,120,526	\$ 235,854,609

For 2024, the City realized an annual surplus of \$9,265,917 which can be attributed to the following:

Revenue Variance

The City received an additional \$3,506,756 (4.7%) in revenue for the 2024 fiscal period over the budgeted revenue of \$74,782,400 (Actual \$78,289,156).

There were a few contributing factors to this variance:

- The City received \$1.8 million in contributed (non-cash) assets from developers, along with amenity and development-related reserve contributions. These contributions are not included in the budget, as they are not guaranteed and can vary from year to year.
- Due to a change in accounting treatment, MRDT and OAP funds were recognized (\$1.1 million) as revenue in 2024, whereas in prior years, this revenue was deferred. The current year’s balance of these funds is included in Schedule 2 under the Municipal and Regional District Tax Reserve.

- Provincial transfers were lower in 2024 due to delays in capital projects, which include the Lake Trail multi-use pathway and 6th Street Bridge.
- Interest earned on investments continued to be higher than was anticipated, with \$2.1 million earned and retained within the reserve funds.
- Sale of services exceeded the budget by \$1.2 million, primarily due to higher metered water usage. This was largely offset by the cost of purchasing bulk water from the Comox Valley Regional District (CVRD).

Expense Variance

The overall expense variance for the City in 2024 was \$6,630,361 under the budgeted expense of \$75,653,600 (actual \$69,023,239).

Note: Expenses in the financial statements are grouped according to the Local Government Data Entry (LGDE) reporting requirements, which differ from how the City organizes its internal departments. For more detail on what is included in each reporting category, refer to Note 14 of the financial statements.

Variances can be attributed to:

- Transportation Services variance is primarily due to the partial completion of work program for the following special projects:
 - Corporate Facility Energy Management Plan
 - Integrated Rainwater Management Plan
 - Corporate Climate Action Plan
 - Flood Management & Dyke Replacement Study
 - Bridge Building Demolition
 - Safe Active Schools Program
 - Automatic Vehicle Locator (AVL) Implementation
- Development Services variance was due to staffing vacancies and partial completion of the following projects:
 - Development Cost Charges (DCC) Bylaw Update
 - Official Community Plan (OCP) Update
 - Subdivision & Development Bylaw Update
 - Business Licence Bylaw Update
- General Government Services variance is attributed to unfilled staffing and management consulting budgets that were underspent

Other variances did occur; however, they are considered immaterial in comparison to the key items noted above.

The 2024 surplus is the result of various factors, including higher-than-expected revenues, lower-than-anticipated expenses, and non-cash items. Further details on how the annual surplus is distributed can be found in Schedule 2 – the Consolidated Schedule of Accumulated Surplus and Reserves.

Change in Surplus Summary

The surplus is summarized in Schedule 2 of the Financial Statements, which outlines changes in tangible capital assets, operating surpluses, and reserve funds. A new column titled “Surplus Change” has been added to Schedule 2, showing how the 2024 surplus of \$9,265,917 is derived from the changes in balances between 2023 and 2024.

SCHEDULE 2

**THE CORPORATION OF THE CITY OF COURTENAY
 CONSOLIDATED SCHEDULE OF ACCUMULATED SURPLUS & RESERVES
 YEAR ENDED DECEMBER 31, 2024**

	2024	2023	Surplus Change	Notes
SURPLUS				
Invested in Tangible Capital Assets	176,697,300	\$ 174,018,659	\$ 2,678,641	Note 1
General Operating Fund	20,189,826	19,318,822	871,004	Note 2
General Capital Fund	335,154	733,665	(398,511)	Note 2
Water Utility Operating Fund	7,131,468	5,830,425	1,301,043	Note 2
Water Utility Capital Fund	108,869	108,869	-	Note 2
Sewer Utility Operating Fund	3,788,789	3,461,914	326,875	Note 2
Sewer Utility Capital Fund	21,706	21,706	-	Note 2
Gaming Fund	2,162,988	2,142,538	20,450	Note 2
Total Surplus	<u>210,436,100</u>	<u>205,636,598</u>	<u>4,799,502</u>	
RESERVES				
General Fund Reserves:				
Machinery and Equipment	2,293,707	1,739,055	554,652	
Land Sale	161,212	827,696	(666,484)	
New Works and Equipment	5,519,958	4,849,625	670,333	
New Works - Canada Community Building Fund (Note 6)	2,230,288	2,265,143	(34,855)	
General Asset Management Reserve	1,756,126	1,186,695	569,431	
Risk Reserve	116,681	111,582	5,099	
Public Parking	432,435	291,648	140,787	
Parkland Acquisition	512,795	358,647	154,148	
Police Contingency Reserve	2,487,174	1,284,719	1,202,455	
Assessment Appeal	456,533	480,677	(24,144)	
Housing Amenity	1,542,742	1,196,760	345,982	
Tree Reserve	160,476	148,354	12,122	
Amenity	800,778	685,590	115,188	
Growing Communities Fund (Note 7)	7,964,862	7,763,486	201,376	
Municipal and Regional District Tax Reserve	1,205,276	-	1,205,276	
Snow and Ice Control Reserve	325,000	-	325,000	
Solid Waste Reserve	130,022	-	130,022	
	<u>28,096,065</u>	<u>23,189,677</u>	<u>4,906,388</u>	Note 3
Water Utility Reserves:				
Water Utility	1,984,968	1,860,360	124,608	
Water Asset Management Reserve	795,213	486,274	308,939	
Machinery and Equipment	443,546	394,913	48,633	
	<u>3,223,727</u>	<u>2,741,547</u>	<u>482,180</u>	Note 3
Sewer Utility Reserves:				
Sewer Utility	1,202,340	1,137,957	64,383	
Sewer Asset Management Reserve	1,234,603	2,282,368	(1,047,765)	
Machinery and Equipment	927,691	866,462	61,229	
	<u>3,364,634</u>	<u>4,286,787</u>	<u>(922,153)</u>	Note 3
Total Reserves	<u>34,684,426</u>	<u>30,218,011</u>	<u>4,466,415</u>	Note 3
ACCUMULATED SURPLUS (Statement A)	<u>245,120,526</u>	<u>\$ 235,854,609</u>	<u>\$ 9,265,917</u>	

Note 1

\$2,678,641 (2023-\$4,009,676) of the surplus is attributed to the change in the value of the City’s tangible capital assets. The amount invested in tangible capital assets represents the equity in all physical assets owned by the City. This figure is arrived at by taking the book value of assets, less accumulated amortization, and less outstanding debt. Please reference Schedule 3 of the Financial Statements for book value and accumulated amortization amounts per asset category. Surplus invested in tangible capital assets is a non-cash item as it represents the equity held in tangible capital assets.

Note 2

In 2024, \$2,120,861 of the City's surplus (compared to \$6,285,056 in 2023) is attributed to changes across the General, Water, Sewer, and Gaming operating and capital funds. These changes reflect the net results of annual operating surpluses or deficits.

Focusing on the General Operating Fund, the surplus increased by \$871,004 in 2024, a smaller rise compared to the \$5.9 million increase in 2023. Overall, both operating and capital fund surpluses experienced less fluctuation in 2024 than in the previous year.

Although the 2024–2028 Financial Plan had projected an \$871,000 operating deficit for financial statement purposes, the City has instead recorded a surplus. This positive result is due to several factors: continued carry forward of the Reserve for Future Expenditure (which represents current-year tax funds set aside for capital projects not yet completed), delays in special projects funded by prior year surplus, higher-than-expected revenues, and lower-than-budgeted expenses.

Per the 2025–2029 Consolidated Financial Plan, the City plans to use \$4,981,900 from its operating surplus. Of this amount, \$2,746,800 will fund special projects, \$609,900 will cover operating expenses carried forward from previous years, and the remaining \$1,625,200 will be used to help reduce the tax increase for 2025.

Note 3

\$4,466,415 (2023-\$9,235,217) of the surplus is attributed to the cumulative change in reserve funds. These reserve funds represent the sum of all City established and statutory reserves. Contributions and draws to these reserves are through the annual budgeting process or money received for specific purposes (ex. Affordable housing amenity contributions from developers or payments towards projects).

For 2024, reserves increased by \$4,466,415. This was lower to last year's increase mainly due to the Growing Communities funds received in 2023 of \$7,655,000 from the Province. Contributions to the reserves in 2024 year included annually budgeted contributions, as well as, council approved transfers of \$1 million to the Police Contingency Reserve, \$325,000 to the Snow and Ice Control Reserve, as well as the creation of the Solid Waste Reserve and Municipal and Regional District Tax Reserve. Furthermore, some 2024 slated capital projects budgeted to be funded by reserves were delayed; this resulted in a reduced draw from the reserves. Capital projects delayed included the 6th Street Bridge and McPhee Meadows Phase 1, but these funds remain available for when the projects commence.

Conclusion

The City is in a relatively strong financial position. As part of the City's financial planning process, we will continue to focus on ensuring responsible and strategic use of surplus and reserve funds.

As of 2024, the City has a total of \$68.4 million in reserves and surplus. While this may seem like a large amount, it's important to view it in context. The City has \$325 million in capital assets that will eventually need to be replaced, a 2025 operating budget of \$74.7 million (excluding amortization), and a capital plan of \$36.8 million for the year.

When these financial demands are considered, the reserves and surplus are modest in comparison to the City's long-term obligations and ongoing service needs.

POLICY ANALYSIS:

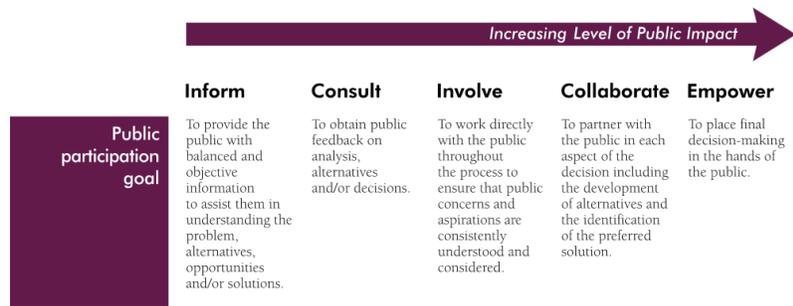
Section 171 of the *Community Charter* requires that the municipal auditor report to Council on the annual financial statements. Council is responsible for the review and approval of the financial statements. This is one of the key roles that Council fulfils to ensure that the City’s financial and organizational resources are sound.

ADMINISTRATIVE IMPLICATIONS:

On Council review and approval of the financial statements, staff will compile and distribute the statements as required to various authorities. In addition, the financial statements will be made publicly available via the City’s website.

PUBLIC ENGAGEMENT:

The public will be informed of the outcome of Council’s consideration of the 2024 Audited Financial Statements.



© International Association for Public Participation www.iap2.org

OPTIONS:

1. THAT Council approve the Audited Financial Statements for the year-end December 31, 2024
2. THAT Council provide other direction to staff.

ATTACHMENTS:

1. City of Courtenay Draft Audit Report 2024
2. City of Courtenay Audit Findings 2024
3. City of Courtenay 2024 Consolidated Financial Statements

Prepared by: Krista McClintock, CPA, CGA, Manager of Finance
Reviewed by: Adam Langenmaier, CPA, CA, Director of Financial Services
Concurrence: Geoff Garbutt, M.PI., MCIP, RPP, City Manager (CAO)