8. Amortization of Tangible Capital Assets

2023 BUDGET	2023 ACTUAL	2022 ACTUAL	$ VARIANCE VS. BUDGET	% VARIANCE VS. BUDGET	$ CHANGE VS. PRIOR YEAR	% CHANGE VS. PRIOR YEAR
161,961	165,679	150,173	3,718	2.3%	15,506	10.3%

What it is: Capital assets decline in value over time as they are used. Each year, a portion of their cost is reflected in the financial statements as amortization expense. The amount of amortization expensed each year is determined by the estimated useful life of each asset class.

Why it is important: Amortization allows the net value of assets (vs. their cost value) to be represented on the financial statements.

Change between 2023 and 2022: The total amortization amount increases as the City continues its investment in capital projects. Offsets to this increase in amortization will occur as capital assets are disposed of at the end of their useful life.

Variance between 2023 actuals and 2023 budget: Actual amortization was slightly higher than budget. The amortization budget was based on projected tangible capital asset inventory balances.

9. Accretion of Asset Retirement Obligations

2023 BUDGET	2023 ACTUAL	2022 ACTUAL	$ VARIANCE VS. BUDGET	% VARIANCE VS. BUDGET	$ CHANGE VS. PRIOR YEAR	% CHANGE VS. PRIOR YEAR
0	417	366	417	0.0%	51	13.9%

What it is: The City has legal obligations associated with the retirement from service of buildings, equipment, and lease agreements. The City recognizes obligations to retiring tangible capital assets from service in the period in which the obligation arises, which is typically upon acquisition or development of the asset, or when a reasonable estimate of the obligation can be made. Accretion represents the expense associated with the increase in asset retirement liability obligations.

Why it is important: There is a legal obligation to incur retirement costs in relation to a tangible capital asset. For example, when the past transaction or event gives rise to the liability that has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. Accretion expenses help build up the liability for future remediation of the impaired asset.

Change between 2023 and 2022: Asset retirement obligation accounting was first reported by the City in 2023, along with a prior-year restatement. There were immaterial changes in the liability from 2022 to 2023.

Variance between 2023 actuals and 2023 budget: Due to the new accounting standards and reporting obligation in 2023, a budget could not be determined until the review was completed.

10. (Gain)/Loss on Disposal of Asset Retirement Obligations

2023 BUDGET	2023 ACTUAL	2022 ACTUAL	$ VARIANCE VS. BUDGET	% VARIANCE VS. BUDGET	$ CHANGE VS. PRIOR YEAR	% CHANGE VS. PRIOR YEAR
0	34	260	34	0.0%	(226)	0.0%

What it is: Asset retirement obligations (ARO) are recognized when a legal obligation exists to remediate an asset. When an asset is remediated, any costs that exceed the liability estimate flow through the Consolidated Statement of Operations.

Why it is important: This category reflects the financial impacts resulting from changes in the ARO liability from year to year.

Change between 2023 and 2022: The (gain)/loss on disposal of ARO will fluctuate based on the remediation activity undertaken by the City in a given year.

Variance between 2023 actuals and 2023 budget: Asset retirement obligations are a new reporting requirement for 2023, therefore no budget was recorded nor any variances therein.

Consolidated Statement of Change in Net Financial Assets

The Consolidated Statement of Change in Net Financial Assets/(Net Debt) starts with the annual surplus/(deficit) and identifies changes in non-financial assets (i.e., tangible capital asset acquisition, amortization) that will use or add to the surplus amount to derive a net change in financial assets.

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows reports changes in cash resulting from operations. It shows how the City financed its activities during the year and met its cash requirements.