



STAFF REPORT

Title: 2018 Audited Financial Statements

Meeting Date: April 23, 2019

Executive Summary:

The Municipal Government Act requires that every municipality in Alberta prepare and submit its Audited Financial Statements and Financial Information Return by May 1st of each year to Alberta Municipal Affairs.

The 2018 budget was approved as a balanced budget with an operating budget of \$51,399,377 plus requisition totalling \$7,164,913 and a capital budget of \$11,721,140. The operating budget includes the taxation revenue of \$16M from the ID349 (Cold Lake Air Weapons Range) of which \$8M is utilized for operations and the balance of \$8M was transferred to the capital budget and was utilized for capital projects.

The 2018 Financial Statements reports an excess of revenue over expenses of \$13,226,538 which includes funds transferred from the ID 349 and Government grants for operations and capital totalling \$14.3M as well as assets contributed from developers totalling \$71,000.

As at December 31, 2018, the City had accumulated surplus of \$337,222,187 which includes equity in tangible capital assets of \$268,087,399, restricted surplus of \$49,526,474 and general surplus of \$19,608,314. The City currently has work in progress assets totalling \$58,609,671.

The City is in net asset position with a balance of \$15,335,697 (2017: \$20,270,618). The City's financial assets exceeds its financial liabilities. This decrease of \$5 million compared to prior year reflects an increase of \$12M in cash and investments; a \$2M increase in receivables and a \$19M increase in long-term debt.

The 2018 Financial Statements will be available to the public and will also be posted on the website.

Background:

Highlights of the 2018 Financial Statements

Statement 1: The Statement of Financial Position reports net financial assets of \$15,335,697 a decrease of \$4,934,921 compared to 2017. This indicates the City's ability to repay all of its liabilities with the assets it currently has. A net financial asset



position reflects the City's investment in capital asset with most of these assets being funded from sources other than debt. In 2018, the City invested \$27.3 million in capital assets. All funding allocated for 2018 capital projects and projects under council motion which are not completed have been restricted (Refer to Schedule 2 - Tangible Capital Asset and Note 11- Accumulated Surplus).

Statement 2: The Statement of Operations shows an excess of revenue over expenses of \$13,226,538. Revenues for this purpose include funds transferred from ID 349 taxation revenue of \$8,116,958 to be used to fund capital projects. This excess of revenue over expenses is calculated per PSAB regulations while the budget is based on cash flow. Revenue is realized when it is received but the asset is expensed over its useful life. The City does not currently fund amortization but does budget for principle payment of debt and transfer to capital. The statements also records all disposal of capital assets as a net gain or loss on the transaction as opposed to cash received.

Schedule 1: Schedule of changes in accumulated surplus. This schedule verifies the changes in accumulated surplus compared to the prior year. The accumulated surplus balance as at year end was \$337,222,187 (2017: \$323,995,649). In 2018 the City invested \$27.3M in capital projects and utilized debentures of \$21M to fund these assets.

Note 6: Deferred Revenue includes all Government grants which were allocated to future construction projects or purchases of tangible assets. The amounts will be recognized as revenue when the project is completed or asset is purchased.

Note 9: The debt limit decreased by \$13.6M in 2018. This is calculated as 1.5X the City's revenue excluding transfers from the province and the federal government. The decrease in the City debt limit is due to the loss of taxation revenue from the ID349 which was approximately \$10M. The current amount of unused debt limit is \$31.4M. At December 31, 2018 the City has 1 valid borrowing bylaw totaling \$5M that were not purchased and the City has an overdraft on its current account for \$1M, not currently utilized. Taxation revenue currently received from the ID 349 contributes to the debt limit in the amount of \$24.2M.

Note 17: Note discloses the almost 10M decrease in taxation revenue from the ID349.

Alternatives:

Council has the following alternatives:

1. Council may pass a motion to approve the 2018 Financial Statements
2. Council may defeat a motion to approve the 2018 Financial Statements and request an extension from the Minister of Municipal Affairs.



Recommended Action:

Administration recommends that Council approve the 2018 City of Cold Lake Financial Statements for the year ending December 31, 2018 as presented.

Budget Implications (Yes or No):

No

Submitted by:

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