



## STAFF REPORT

**Title:** 2019 Audited Financial Statements

**Meeting Date:** May 26, 2020

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### **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. Due to COVID-19, Municipal Affairs extended the deadline to October 1, 2020.

The 2019 budget was approved as a balanced budget with an operating budget of \$52,160,253 plus requisition totalling \$7,046,525 and a capital budget of \$23,261,851. 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 2019 Financial Statements reports an excess of revenue over expenses of \$9,139,122 which includes funds transferred from the ID 349 and Government grants for operations and capital totalling \$13M as well as assets contributed from developers totalling \$1.2M.

As at December 31, 2019, the City had accumulated surplus of \$346,361,309 which includes equity in tangible capital assets of \$275,983,978, restricted surplus of \$49,299,433 and general surplus of \$21,077,898. The City currently has work in progress assets totalling \$53,662,246.

The City is in a net asset position with a balance of \$19,025,774 (2018: \$15,335,697). The City's financial assets exceeds its financial liabilities. This increase of \$3.7M compared to prior year reflects a decrease of \$10.5M in cash and investments; a \$13.3M increase in receivables; a \$1.1M decrease in accounts payable and liabilities; a \$2.7M increase in deferred revenue; and a \$2.5M decrease in long-term debt.

The 2019 Financial Statements will be available to the public and will also be posted on the website.



**Background:**

Highlights of the 2019 Financial Statements

Statement 1: The Statement of Financial Position reports net financial assets of \$19,025,774 an increase of \$3,690,077 compared to 2018. 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 2019, the City invested \$15.8M in capital assets. All funding allocated for 2019 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 \$9,139,122. Revenues for this purpose include funds transferred from ID349 taxation revenue of \$8,125,399 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 \$346,361,309 (2018: \$337,222,187). In 2019 the City invested \$15.8M in capital projects.

Note 3: Taxes and Grants in Place of Taxes and Other Receivables includes a receivable related to taxation revenue from ID349 totalling \$16.1M that was not received until May 2020.

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 increased by \$472,230 in 2019. This is calculated as 1.5X the City's revenue excluding transfers from the province and the federal government. The increase in the City's unused debt limit is due to \$2.5M in principal payments towards the long term debt. The current amount of unused debt limit is \$36M. At December 31, 2019 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.



**Alternatives:**

Council has the following alternatives:

1. Council may pass a motion to approve the 2019 Financial Statements.
2. Council may defeat a motion to approve the 2019 Financial Statements.

**Recommended Action:**

Administration recommends that Council approve the 2019 City of Cold Lake Financial Statements for the year ending December 31, 2019 as presented.

**Budget Implications (Yes or No):**

No

**Submitted by:**

Kevin Nagoya, Chief Administrative Officer