

# **2019 Annual Management Report**

**Strathcona County  
Council  
April 21, 2020**

# Overview

## **The 2019 Annual (Q4) Management Report includes:**

1. Review of the consolidated operating results (Annual Operating Surplus for Tax Purposes);
2. Audit update;
3. Financial status of parkade event;
4. Review of capital activity; and
5. Review of the key financial indicators of the County

## **Additional Information**

- Key financial statement information is referenced throughout the presentation

# Key Term Explained

## **Annual Operating Surplus (Deficit) for Tax Purposes:**

- Results from the variances between the approved operating budget and the actual revenue and expenditures that occur during the year
- Is determined on the same basis used in the budget process, which includes certain expenditures for debt repayments, reserve transactions, and excludes capital activity
  - This budgeting method is required by the Municipal Government Act (MGA).
- Is allocated in accordance with Policy FIN-001-008: Allocation of Year-End Operating Surplus for Tax Purposes
  - Should there be a (deficit) at year-end, a transfer from reserve would be required.

*Please note: the Annual Operating Surplus for Tax Purposes is not equivalent to the surplus for Public Sector Accounting Standards (PSAS).*

# DRAFT Annual Operating Surplus for Tax Purposes (page 2)

For the year ended December 31, 2019

Strathcona County Operating Segments	2019 Annual Operating Surplus for Tax Purposes*
Municipal	\$0.5M
Utility	\$1.5M
Library	\$0.1M
<b>Total</b>	<b>\$2.1M</b>

*\*The Annual Operating Surplus for Tax Purposes (cash based budgeting) includes debt repayment expenditures and reserve transactions, and excludes amortization expense, gains/loses on asset disposals and capital revenues, unlike the PSAS surplus used to prepare the financial statements.*

# Audit Update

- Audit is largely complete
- Financial Statements will be presented for Council approval on April 28<sup>th</sup>
  - Unqualified opinion anticipated
  - Draft Financial Statements are provided in Enclosure 2, Appendix 1 (without notes)
- Unadjusted misstatement of \$933,000
  - Land impairment recorded in 2019; however, the event giving rise to the impairment occurred prior to 2018
  - Closing 2019 Statement of Financial Position is correct
  - No correction is required

# Financial Status of the Parkade Event

- During 2019, Municipal costs associated with the parkade incident totaled \$8.4 million.
- The County has insurance policies in place and has been reimbursed for a substantial portion of the restoration and replacement costs to date.
- Costs of \$1.6 million still under review by the insurance company were funded from reserves and as such have not impacted the Municipal surplus for tax purposes.
- To December 31, 2019, the total expenditures due to the incident are \$14.9 million and the County has been reimbursed for \$13.3 million

# Parkade Event - Public Sector Accounting Standards Financial Statements

	2019	2018
<b>FINANCIAL ASSETS</b>		
Cash and Cash Equivalents	\$ 6,400	\$ 5,875
Accounts Receivable		
Property Taxes	5,383	7,057
Government Transfers	436	3,919
Trade and Other	15,916	14,187
Development Levies and Charges	3,359	5,095
Investments (Note 2)	376,560	342,804
Investment Interest Receivable	17,922	14,883
	<b>425,976</b>	<b>393,820</b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities (Note 3)	50,385	60,698
Deposit Liabilities (Note 4)	18,665	15,829
Deferred Revenue (Note 5)	115,200	77,590
Long-Term Debt (Note 6)	162,182	171,805
	<b>346,432</b>	<b>325,922</b>
<b>NET FINANCIAL ASSETS</b>	<b>79,544</b>	<b>67,898</b>

# Parkade Event - Public Sector Accounting Standards Financial Statements

	2019 Budget (Note 15)	2019	2018
<b>OPERATING REVENUE</b>			
Property Taxes (Note 16)	\$ 227,706	\$ 227,651	\$ 222,743
Utility User Rates	56,875	54,019	53,547
User Fees and Charges	39,048	39,472	45,150
Investment Income	8,441	9,569	8,864
Government Transfers – Operating (Note 17)	6,995	8,339	7,748
Penalties and Fines	6,528	7,000	6,873
Other Operating Revenue (excluding Parkade Event Insurance Proceeds)	9,817	11,427	11,685
Parkade Event Insurance Proceeds (Note 14)	-	13,358	-
Other Operating Revenue	9,817	24,785	11,685
<b>TOTAL OPERATING REVENUE</b>	<b>355,410</b>	<b>370,835</b>	<b>356,610</b>
<b>EXPENSES (Note 24)</b>			
Infrastructure and Planning Services (excluding Utility Operations)	52,195	51,047	49,501
Utility Operations	60,527	56,661	61,644
Infrastructure and Planning Services	112,722	107,708	111,145
Community Services	138,449	136,919	134,964
Corporate Services	44,504	40,135	38,487
Elected Officials	1,546	1,387	1,297
Financial and Strategic Management	9,892	8,751	7,737
Senior Administration	6,251	6,257	5,547
Fiscal Services (excluding Parkade Event)	56,005	66,276	56,726
Parkade Event (Note 14)	-	8,260	6,079
Fiscal Services	56,005	74,536	62,805
Strathcona County Library (excluding Parkade Event)	10,634	10,433	10,463
Parkade Event (Note 14)	-	153	87
Strathcona County Library	10,634	10,586	10,550
<b>TOTAL EXPENSES</b>	<b>380,003</b>	<b>386,279</b>	<b>372,532</b>
<b>(DEFICIT) BEFORE CAPITAL REVENUE</b>	<b>8 (24,593)</b>	<b>(15,444)</b>	<b>(15,922)</b>



# Capital Activity (page 4)

As at December 31, 2019

## **2019 Planned capital spending:**

- The 2019 planned capital spending, as amended, totals **\$112.5 million**.

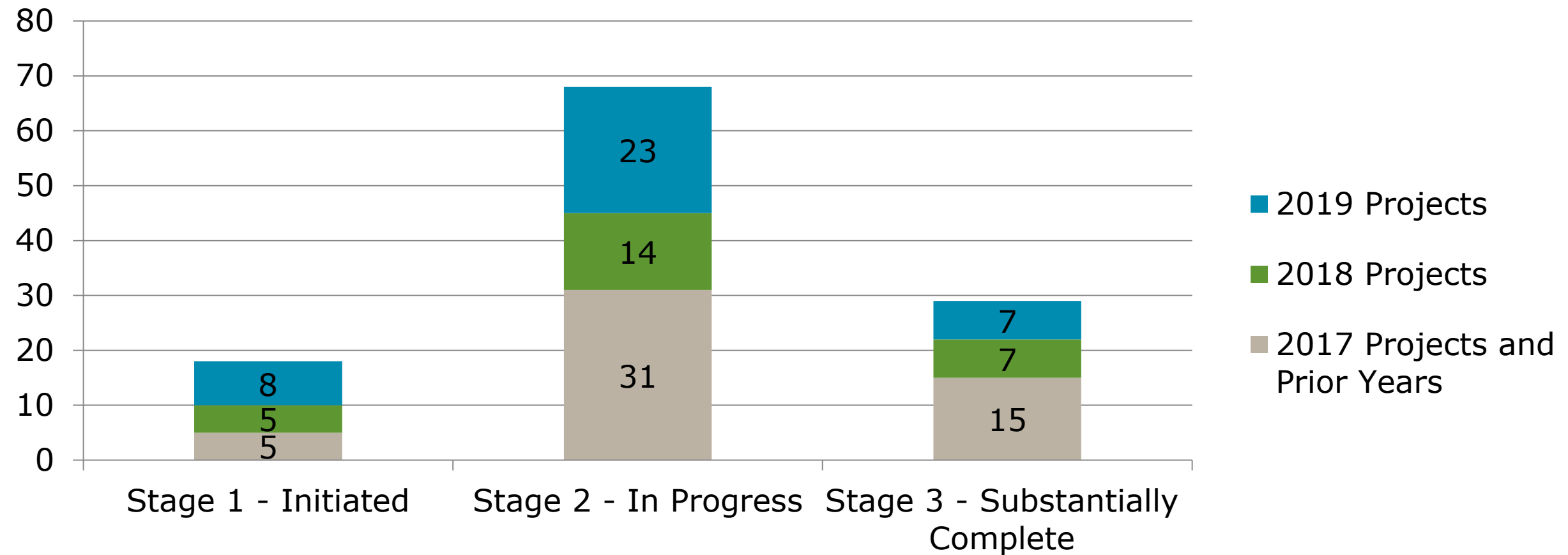
## **2019 Variance to planned capital spending:**

- The variance between the planned and actual spending for the 2019 year totals **\$61.6 million**.
- There are many projects and separate factors that contributed to this significant variance.
- Corporate analysis is being conducted to understand, and where possible, address this variance going forward.

# Capital Activity (page 5)

As at December 31, 2019

## Status of 115 Active capital projects:



# Capital Activity (page 5)

As at December 31, 2019

## Update on completed projects

- 65 projects were completed:
  - \$6.4 million of funds were released of total combined budgets of \$110.4 million
- The compositions of the total \$6.4 million of funding/financing released is:
  - \$3.9 million reserves
  - \$2.4 million external grants and other sources
  - \$0.1 million of planned debt financing not required

# Capital Activity - Public Sector Accounting Standards Financial Statements

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	346,432	325,922
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# Capital Activity - Public Sector Accounting Standards Financial Statements

	2019 Budget (Note 15)	2019	2018
<b>CAPITAL REVENUE</b>			
Contributed Tangible Capital Assets (Note 8)	-	21,352	19,634
Government Transfers – Capital (Note 17)	52,951	14,965	23,768
Other Capital Revenue (Note 18)	11,893	2,987	10,300
<b>TOTAL CAPITAL REVENUE</b>	<b>64,844</b>	<b>39,304</b>	<b>53,702</b>

# Assessment of Financial Condition

## – Key Financial Indicators (page 6)

The key financial indicators are based on the unaudited consolidated financial statements for the year ended December 31, 2019 (Appendix 1):

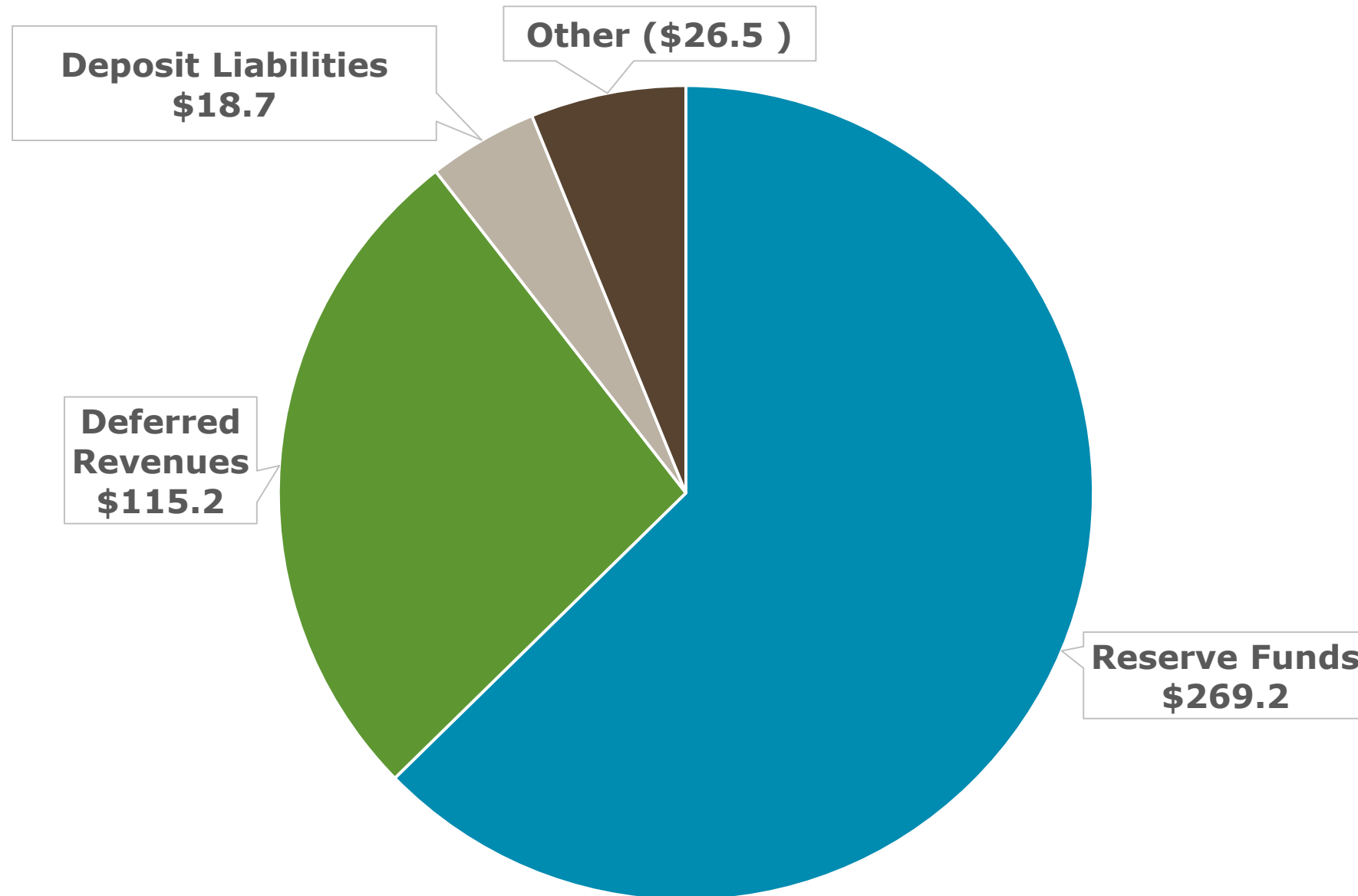
- Statement of financial position
  - Investments
  - Long-term debt
- Net financial asset (net debt) position
  - Net financial assets trend analysis
- Accumulated surplus

*The unaudited consolidated financial statements are prepared in accordance with Public Sector Accounting Standards (PSAS).*

# Key Indicator: Investments (page 6)

## December 31, 2019 Investments Total \$376.6 million

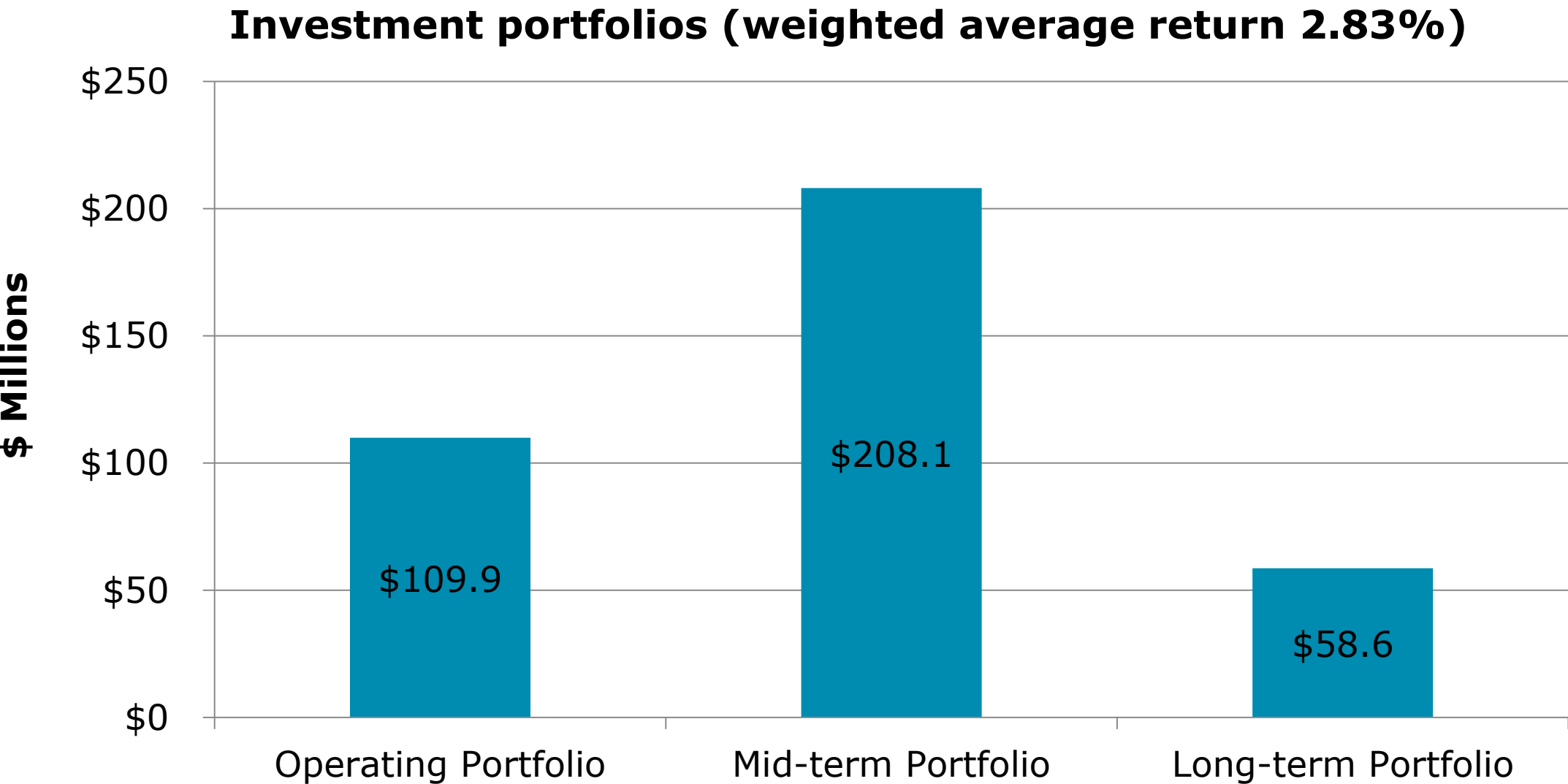
Composition of Investments (in \$ millions)



- Invested funds are primarily composed of reserves, deferred revenues and deposit liabilities
- Other mainly represents the use of funds to provide interim financing for capital projects in advance of borrowing

# Key Indicator: Investments (page 6)

**December 31, 2019 Investments Total \$376.6 million**

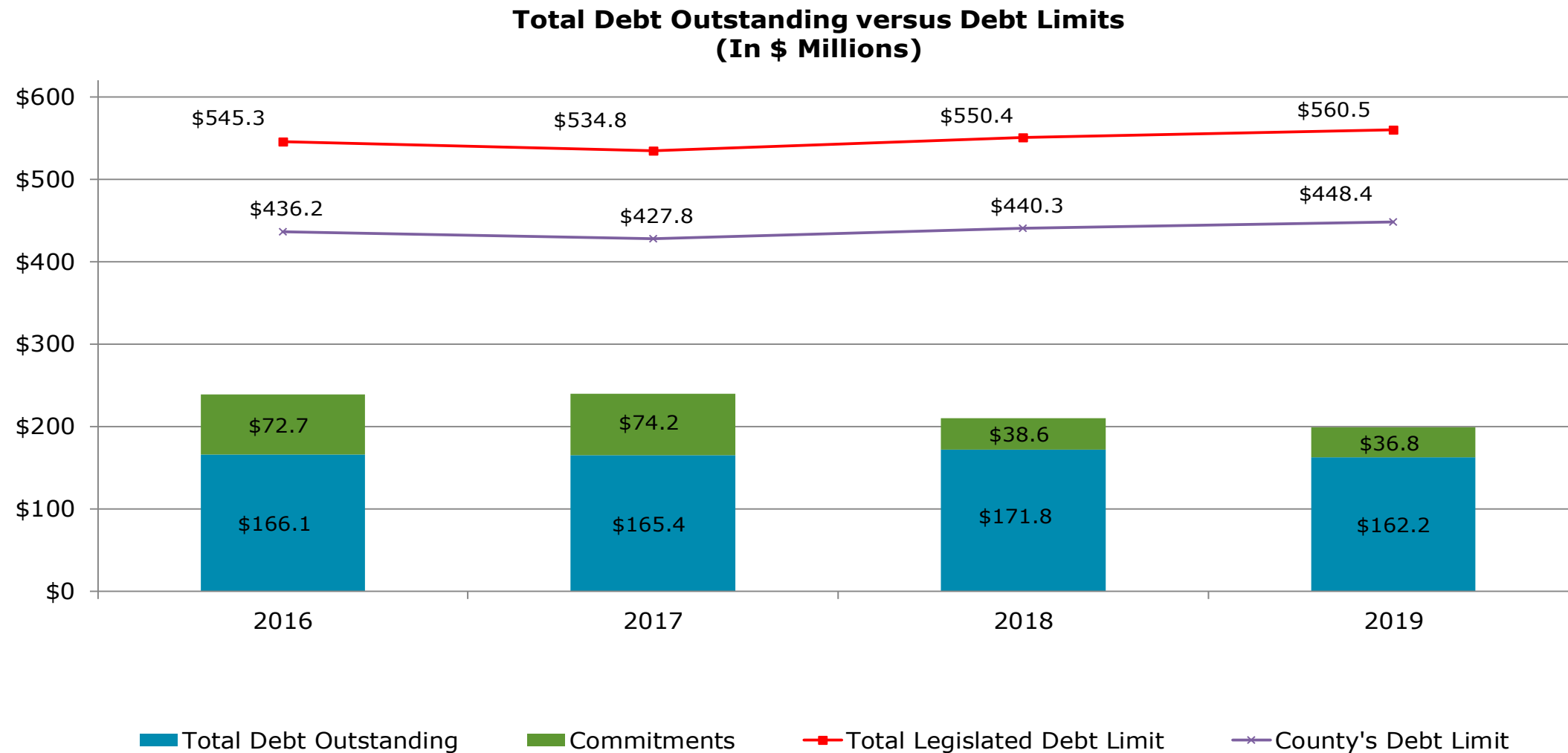




# Key Indicator: Long-Term Debt (page 7)

## December 31, 2019 debt capacity totals \$249.4 million

(Based on the County's policy debt limit)

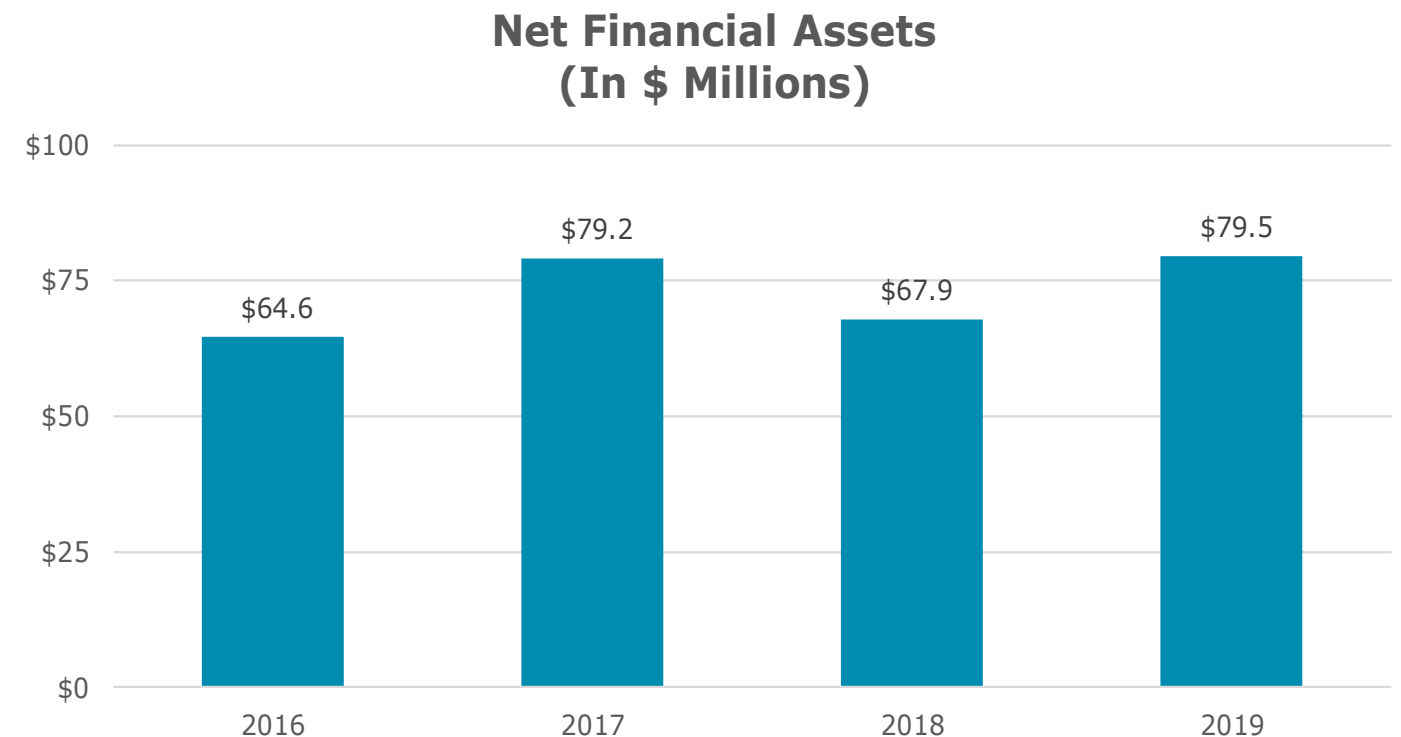


# Key Indicator: Net Financial Assets/(Net Debt)

(page 8)

**December 31, 2019 Net Financial Assets total \$79.5 million**

- Net Financial Assets (or Net Debt) is the difference between financial assets and liabilities
- It is a key indicator of the County's ability to maintain services and meet financial commitments



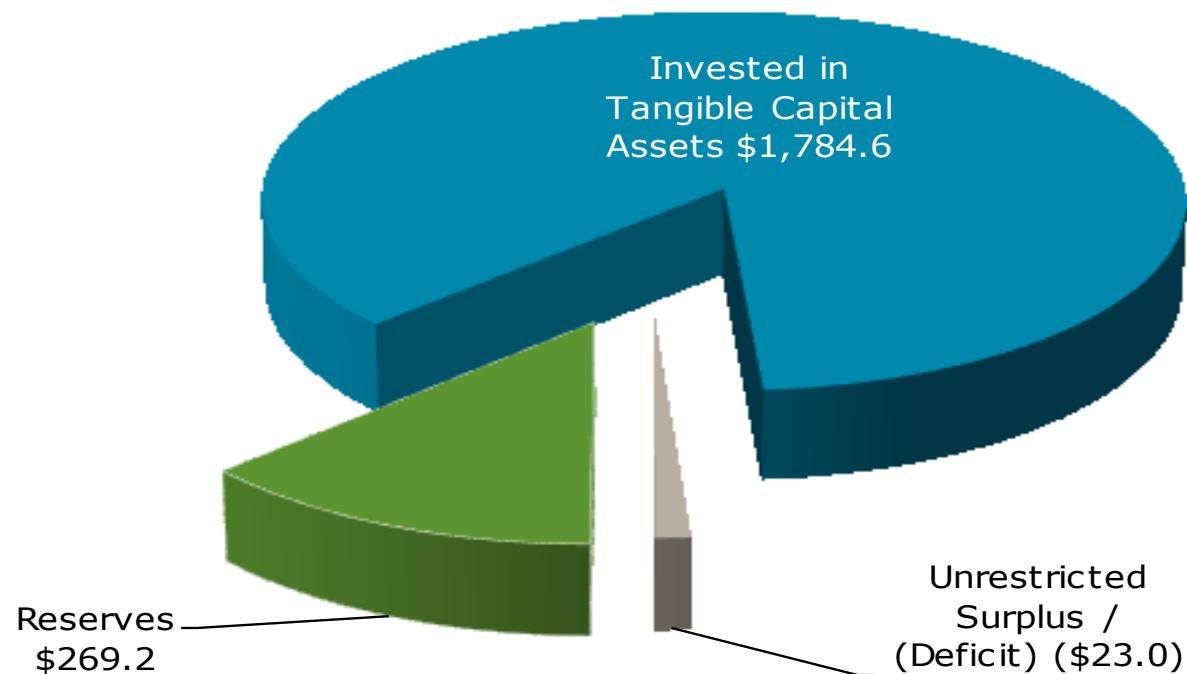
# Municipal Government Act

- MGA section 244 discusses financial shortfall:  
*If the accumulated surplus, net of equity in tangible capital assets, is less than zero, then the municipality must include a budgeted expenditure in the next calendar that is sufficient to recover the shortfall*
- This is not a concern based on the County's December 31, 2019 accumulated surplus position...

# Key Indicator: Accumulated Surplus (page 9)

December 31, 2019 accumulated surplus is \$2,030.8 million

## Composition of Accumulated Surplus (in \$ Millions)



The amount invested in tangible capital assets of \$1,784.6 million is composed of:

- Municipal \$1,483.8 million
- Utilities \$295.3 million
- Library \$5.5 million

*MGA Requirement: Accumulated surplus net of equity in tangible capital assets is a positive balance of \$246.2 million*

# Questions?