

Request for Decision

Title	2018 Annual Audited Sturgeon County Financial Statements
Proposed Motion	That Council approve the 2018 Annual Financial Statements as prepared by Administration and audited by the firm of Metrix Group LLP Chartered Professional Accountants.
Administrative Recommendation	That Council approve the 2018 Audited Financial Statements prior to May 1, 2019 to be compliant with the <i>Municipal Government Act (MGA)</i> Sections 277 and 278.
Previous Council Direction	<p>March 26, 2019 – Motion 089/19: That Council approve any remaining annual surplus be transferred to the 7.1 General Operating Reserve upon the approval of the 2018 Audited Financial Statements.</p> <p>March 26, 2019 – Motion 088/19: That Council approve a surplus transfer to the 7.24 Extraordinary Fire/Disaster Recovery Reserve of \$525,000 from the 2018 surplus.</p> <p>March 26, 2019 – Motion 087/19: That Council approve a surplus transfer to the 7.16 Severe Weather Reserve of \$318,000 from the 2018 surplus.</p> <p>March 26, 2019 – Motion 086/19: That Council approve a surplus transfer to the 7.28 Heartland Mitigation Strategy Reserve of \$259,785 from the 2018 surplus.</p> <p>December 20, 2017 – Motion 506/17: That Council approve the 2018 Operating and Capital Budget as amended.</p>
Report	<p><u>Background Information</u></p> <ul style="list-style-type: none"> The fiscal year ended December 31, 2018 resulted in an operating surplus of \$2,043,681. The surplus is slightly lower than the preliminary estimate of \$2.2 million provided to Council in March 2019 due to final expense recognition. The surplus represents approximately 4% of operating expenses; the corporate target is to be less than 3%.

- The financial statements include transfers of \$525,000 to the Fire/Disaster Recovery Reserve, \$259,785 to the Heartland Mitigation Strategy Reserve, \$318,000 to the Severe Weather Reserve and \$940,896 to the General Operating Reserve as approved at the March 26, 2019 Regular Council Meeting.
- Alternative uses for the General Operating Reserve transfer of \$940,896 will be presented in a Request for Decision to be presented at the June 11, 2019 Regular Council Meeting.




Revenues:

- Sturgeon County's practice and policy on budgeting for revenue is conservative, therefore contributing to a variance at year end in actual revenue versus budgeted revenue. A conservative approach in budgeting minimizes the risk of running an annual deficit.
- Supplementary taxes attributed \$495,000 in additional revenue. Due to conservative budgeting practices and uncertainty of the revenue source, supplemental taxes are not budgeted for.
- The Designated Industrial Property Hybrid Contract with the province for assessment services attributed \$296,000 in additional revenue. This was based on an agreement that was established March/April of 2018. The revenue has been included in the 2019 budget.
- Investment income revenue attributed \$653,000 in additional revenue. Historical trend analysis and conservative budgeting contributed to the larger variance. The 2019 budget reflects an increase in the investment income estimate.

Expenses:

- Overall, salaries and benefits for the County were approximately \$1.3 million less than budgeted for, resulting from staff vacancies in several roles. Approximately \$310,000 of salaries are reflected in contracted services as interim placements for the CAO and General Manager of Municipal Services.
- The 2018 gravel and dust abatement were approximately \$300,000 less than budgeted, due to favourable weather conditions and coordination of gravel spreading efforts.
- The 2018 operating construction services came in over budget for the asphaltic road repair program by approximately \$365,000 due to increased focus on addressing priority areas.
- Grants to organizations are over budget by approximately \$600,000 due to a contribution to Morinville for a Joint Servicing Agreement related to utilities. For accounting purposes, the actual expenditures are treated as a grant whereas the Joint Servicing Project was originally budgeted for in the capital fund.
- The remaining surplus variance is a combination of factors resulting in categories being marginally over or under budget at our year-end.

	<p><u>Audit:</u></p> <ul style="list-style-type: none"> • Council has appointed the accounting firm of Metrix Group LLP Chartered Professional Accountants to perform the audit for Sturgeon County. • Sturgeon County has obtained permission from the Minister of Municipal Affairs to carry an accumulated deficit relating to the Fort Hills Energy Corporation and Northwest Redwater Partnership for more than three (3) years. • Sturgeon County began to recognize the Fort Hills Energy Corporate pre-tax revenue in 2016. This amount reduces the approved deficit and does not contribute to the surplus. • Northwest Redwater Partnership pre-tax revenue will begin recognition in 2018 as per an amended agreement approved by Council. <p><u>External Communication</u></p> <ul style="list-style-type: none"> • The Sturgeon County 2018 Annual Audited Financial Statements will be published on the Sturgeon County website. <p><u>Relevant Policy/Legislation/Practices:</u></p> <ul style="list-style-type: none"> • Section 276 of the <i>Municipal Government Act</i>, RSA 2000, c.M-26 requires municipalities to submit an annual report to the Minister by May 1 of each year. • Section 244 of the <i>Municipal Government Act</i>, RSA 2000, c.M-26 allows municipalities to carry an accumulated deficit for a maximum of three (3) years.
Implication of Administrative Recommendation	<p><u>Strategic Alignment:</u></p> <ul style="list-style-type: none"> • Strong Local and Regional Governance – Goal 3.2: Sturgeon County is financially stable and fiscally sustainable. <p><u>Organizational:</u></p> <ul style="list-style-type: none"> • Annual Audited Financial Statements must be completed and available to the public May 1. • The approval of the Financial Statements will allow Administration to file the 2018 Audited Financial Statements and Financial information return with Municipal Affairs on time. <p><u>Financial:</u></p> <p>Sturgeon County's surplus for 2018 is \$2,043,681.</p>
Alternatives Considered	None.
Implications of Alternatives	<p><u>Strategic Alignment:</u></p> <ul style="list-style-type: none"> • Strong Local and Regional Governance – Goal 3.2: Sturgeon County is financially stable and fiscally sustainable.

	<p><u>Organizational:</u></p> <ul style="list-style-type: none"> • Annual Audited Financial Statements must be completed and available to the public on May 1. • The approval of the Financial Statements will allow Administration to file the 2018 Audited Financial Statements and Financial information return with Municipal Affairs on time. <p><u>Financial:</u></p> <p>Sturgeon County's surplus for 2018 is \$2,043,681.</p>
Follow up Action	<ol style="list-style-type: none"> 1. The 2018 Audited Financial Statements will be filed with Municipal Affairs and made public by May 1, 2019. 2. Financial Services and Communications will begin work on the 2018 Annual Financial Report. 3. Administration will present a Request for Decision to Council at the June 11, 2019 Regular Council Meeting regarding further use of the General Operating Reserve transfer.
Attachment(s)	<ol style="list-style-type: none"> 1. Metrix Group Presentation 2. Draft 2018 Audited Financial Statements 3. Presentation of December 31, 2018 Financial Statement Audit – to be distributed at the Council meeting
Report Reviewed by:	<div>  <p>Ed Kaemingh, Manager, Financial Services</p> </div> <div>  <p>Rick Wojtkiw, General Manager, Corporate Support</p> </div> <div>  <p>Reegan McCullough, County Commissioner – CAO</p> </div>

Strategic Alignment Checklist

Vision: Sturgeon County: a diverse, active community that pioneers opportunities and promotes initiative while embracing rural lifestyles.

Mission: Provide quality, cost effective services and infrastructure to meet the diverse needs of the Sturgeon County community, while improving competitiveness and sustainability.

Focus Areas	Not consistent	N/A	Consistent
Planned Growth and Prosperity			
<i>We encourage varied and integrated enterprises that enhance our strong economic base, while balancing the needs of the community and natural environment. (Strategic Plan and MDP pg. 36)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Supports a strong thriving business environment to strengthen our economic foundation 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Plans for responsible growth through the MDP and regional growth plan. 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Manages growth for current and future developments through: <ul style="list-style-type: none"> transparent bylaws, policies and processes to enable responsible land development targeting growth around existing and identified future growth areas 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Maintain and Enhance Strong Communities			
<i>We are committed to a safe and viable community, where our residents are provided with access to opportunities and quality of life. (Strategic Plan and pg. 27 MDP)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Provides access to programs and services that have a positive impact on residents' quality of life 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Provides access to safe and reliable infrastructure assets 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Supports the safety of people and property 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Strong Local and Regional Governance			
<i>We promote consistent and accountable leadership through collaborative and transparent processes (Strategic Plan and pg. 27 MDP)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Provides effective leadership and management consistent with Strategic Plan, MDP, master plans, bylaws, policies, community engagement 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Considers fiscal stability and sustainability 	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<ul style="list-style-type: none"> Fosters collaborative intergovernmental partnerships 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Community Identity & Spirit			
<i>We will build upon our strengths, where together we will create an inclusive, caring community (Strategic Plan and MDP pg. 27)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Promotes and/or enhances residents' identification with Sturgeon County 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Support and/or collaborate with voluntary organizations in the region 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Environmental Stewardship			
<i>We foster a healthy environment and minimize our impact on ecosystems. (Strategic Plan and MDP pg. 27)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Plans and partnerships that minimize environmental impact on natural areas 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> Provides awareness of environmental issues impacting the County 	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>