

**CITY OF COLD LAKE  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

# CITY OF COLD LAKE

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## FINANCIAL STATEMENTS

December 31, 2015

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## AUDITORS' REPORT

**To the Members of Council of the City of Cold Lake:**

*Report on the Financial Statements*

We have audited the financial statements of the **City of Cold Lake**, which comprise the **Statement of Financial Position** as at December 31, 2015, and the **Statement of Operations, Statement of Change in Net Financial Assets (Debt)** and the **Statement of Cash Flows** for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the City of Cold Lake as at December 31, 2015 and the results of its operations, the change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta  
April 28, 2016

*Faber LLP*  
Chartered Accountants

## CITY OF COLD LAKE

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2015

	Note Reference	2015	2014
<b>FINANCIAL ASSETS</b>			
Cash and Short-term Deposits	2	\$ 6,675,208	\$ 3,273,552
Receivables	3		
Taxes and Grants in Place of Taxes		950,224	701,650
Trade and other receivables		4,763,921	4,470,155
Land Held for Resale		1,356,100	1,356,100
Investments	4	37,367,798	34,602,027
		<b>51,113,251</b>	<b>44,403,484</b>
		<b>\$ 51,113,251</b>	<b>\$ 44,403,484</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities		\$ 7,872,514	\$ 5,622,817
Deposit Liabilities		2,023,226	3,487,816
Deferred Revenue	6	1,526,671	1,720,254
Employee Benefit Obligations	7	881,760	928,698
Long-term Debt	8	30,606,398	32,038,919
		<b>42,910,569</b>	<b>43,798,504</b>
<b>NET FINANCIAL ASSETS (Statement 3)</b>		<b>8,202,682</b>	<b>604,980</b>
<b>NON-FINANCIAL ASSETS</b>			
Tangible Capital Assets (Schedule 2)		262,555,460	236,420,714
Inventory of Supplies and Materials		464,563	442,238
Prepaid Expenses		11,479	29,059
		<b>263,031,502</b>	<b>236,892,011</b>
<b>ACCUMULATED SURPLUS (Schedule 1)</b>	11	<b>\$271,234,184</b>	<b>\$237,496,991</b>

Contingencies - See Note 15.

**CITY OF COLD LAKE**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget	2015	2014
	(Unaudited)		
<b>Revenues</b>			
Development Levies	\$ -	\$ 604,404	\$ 1,958,505
Fines	230,000	146,188	123,806
Franchise and Concession Contracts	907,469	908,274	962,146
Government Transfers (Schedule 4)	7,478,756	7,678,102	6,214,962
Licenses and Permits	619,000	507,399	873,565
Net Municipal Taxes (Schedule 3)	18,904,684	19,256,163	18,432,025
Other	228,500	632,711	438,134
Penalties and Costs on Taxes	210,000	1,093,660	802,091
Rentals	922,828	1,008,188	859,068
Investment Income	135,000	846,225	744,854
Sales and User Charges	9,267,989	9,020,051	9,385,993
<b>Total Revenues</b>	<b>38,904,226</b>	<b>41,701,365</b>	<b>40,795,149</b>
<b>Expenses (Schedule 5)</b>			
Administration	6,978,860	5,776,386	7,080,070
Fire and Emergency Services	1,023,750	953,831	785,903
Legislative	385,300	411,959	420,516
Other	3,001,794	250,870	26,459
Planning and Development	1,836,680	3,858,240	1,785,524
Police and By-law Enforcement	3,106,171	2,792,351	2,604,825
Public Health and Welfare	1,120,113	1,047,702	1,058,775
Recreation and Culture	8,193,915	7,803,325	7,567,151
Transportation Systems	5,690,018	5,395,836	5,353,231
Utility Systems	7,567,625	8,466,918	7,111,024
Amortization of Tangible Capital Assets	-	6,370,888	6,402,263
Loss on disposal of assets	-	40,755	24,720
<b>Total Expenses</b>	<b>38,904,226</b>	<b>43,169,061</b>	<b>40,220,461</b>
<b>(Deficiency) Excess of Revenues Over Expenses Before</b>			
Other Revenues	-	(1,467,696)	574,688
<b>Other Revenues</b>			
Contributed Assets	-	9,221,226	853,873
Government Transfers for Capital (Schedule 4)	12,680,000	25,983,663	17,568,639
<b>Excess of Revenues Over Expenses</b>	<b>12,680,000</b>	<b>33,737,193</b>	<b>18,997,200</b>
<b>Accumulated Surplus, Beginning of Year</b>		237,496,991	218,499,791
<b>Accumulated Surplus, End of Year (Schedule 1)</b>		<b>\$ 271,234,184</b>	<b>\$ 237,496,991</b>

The accompanying notes are an integral part of these financial statements

# CITY OF COLD LAKE

## STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT) FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
<b>Excess of Revenues Over Expenses</b>	\$ 33,737,193	\$ 18,997,200
Acquisition of Tangible Capital Assets	(23,550,308)	(22,843,246)
Contributed Tangible Capital Assets	(9,221,226)	(853,873)
Proceeds on disposal of Tangible Capital Assets	225,145	106,580
Amortization of Tangible Capital Assets	6,370,888	6,402,263
Loss on sale of Tangible Capital Assets	40,755	24,720
	(26,134,746)	(17,163,556)
Acquisition of Supplies Inventories	(22,325)	(238,437)
Use of Prepaid Assets	17,580	30,593
	(4,745)	(207,844)
<b>Increase in Net Financial Assets</b>	7,597,702	1,625,800
<b>Net Financial Assets (Debt), Beginning of Year</b>	604,980	(1,020,820)
<b>Net Financial Assets, End of Year</b>	<b>\$ 8,202,682</b>	<b>\$ 604,980</b>

The accompanying notes are an integral part of these financial statements

**CITY OF COLD LAKE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015	2014
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Excess of Revenues Over Expenditures	\$ 33,737,193	\$ 18,997,200
Add (Deduct) Non-cash Items		
Amortization of tangible capital assets	6,370,888	6,402,263
Loss on disposal of tangible capital assets	40,755	24,720
Tangible capital assets received as contributions	(9,221,226)	(853,873)
Non-cash charges to operations (net change):		
(Increase) Decrease in taxes and grants in place of taxes receivable	(248,574)	543,632
(Increase) Decrease in trade and other receivables	(293,766)	939,233
Decrease in prepaid expenses	17,580	30,593
(Increase) in inventories	(22,325)	(238,437)
Increase (Decrease) in accounts payable and accrued liabilities	2,249,697	(1,221,820)
(Decrease) Increase in deposit liabilities	(1,464,590)	1,642,866
(Decrease) in deferred revenue	(193,583)	(539,722)
(Decrease) Increase in employee benefit obligations	(46,938)	245,998
	<b>30,925,111</b>	<b>25,972,653</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
Acquisition of tangible capital assets	(23,550,308)	(22,843,246)
Sale of tangible capital assets	225,145	106,580
	<b>(23,325,163)</b>	<b>(22,736,666)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
(Decrease) in long-term investments	(2,765,771)	(14,542,283)
	<b>(2,765,771)</b>	<b>(14,542,283)</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
(Decrease) Increase in long-term debt	(2,670,317)	3,062,706
Interest paid on long-term debt (Note 8)	1,237,796	1,172,702
	<b>(1,432,521)</b>	<b>4,235,408</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,401,656</b>	<b>(7,070,888)</b>
<b>NET CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>3,273,552</b>	<b>10,344,440</b>
<b>NET CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 6,675,208</b>	<b>\$ 3,273,552</b>
<b>NET CASH AND CASH EQUIVALENTS IS MADE UP OF:</b>		
Cash and Short-term Deposits (Note 2)	\$ 6,675,208	\$ 3,273,552
	<b>\$ 6,675,208</b>	<b>\$ 3,273,552</b>

The accompanying notes are an integral part of these financial statements

# CITY OF COLD LAKE

## SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2015	2014
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 11,367,719	\$ 21,747,477	\$204,381,795	<b>\$237,496,991</b>	\$218,499,791
Excess of revenues over expenses	33,737,193	-	-	<b>33,737,193</b>	18,997,200
Unrestricted funds designated for future use	(14,445,102)	14,445,102	-	-	-
Restricted funds used for operations	2,666,748	(2,666,748)	-	-	-
Restricted funds used for tangible capital assets	-	(8,973,347)	8,973,347	-	-
Current year funds used for tangible capital assets	(15,730,176)	-	15,730,176	-	-
Contributed tangible capital assets	(8,068,011)	-	8,068,011	-	-
Disposal of tangible capital assets (net of amortization)	265,900	-	(265,900)	-	-
Annual amortization expense	6,370,888	-	(6,370,888)	-	-
Long term debt repaid	(1,432,521)	-	1,432,521	-	-
Change in accumulated surplus	3,364,919	2,805,007	27,567,267	<b>33,737,193</b>	18,997,200
<b>BALANCE, END OF YEAR (Note 11)</b>	<b>\$ 14,732,638</b>	<b>\$ 24,552,484</b>	<b>\$231,949,062</b>	<b>\$271,234,184</b>	<b>\$237,496,991</b>

The accompanying notes are an integral part of these financial statements

**FABER LLP,  
CHARTERED ACCOUNTANTS**



# CITY OF COLD LAKE

## SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2015

	Land	Land Improvement	Buildings	Engineered Structures	Work in Progress	Machinery and Equipment	Vehicles	2015	2014
<b>COST:</b>									
<b>BALANCE, BEGINNING OF YEAR</b>	37,604,385	5,073,050	51,852,117	193,397,395	29,774,501	11,860,500	4,882,629	334,444,577	311,781,014
Acquisition of tangible capital assets	499,744	5,313,556	5,527,112	20,159,126	19,577,010	1,408,526	445,586	52,930,660	52,240,761
Construction-in-progress (Transferred to Engineering Structures)	-	-	-	-	(20,159,126)	-	-	(20,159,126)	(28,543,642)
Write down of tangible capital assets	-	(64,401)	(199,028)	-	-	(219,293)	-	(482,722)	(1,033,556)
<b>BALANCE, ENG OF YEAR</b>	<b>38,104,129</b>	<b>10,322,205</b>	<b>57,180,201</b>	<b>213,556,521</b>	<b>29,192,385</b>	<b>13,049,733</b>	<b>5,328,215</b>	<b>366,733,389</b>	<b>334,444,577</b>
<b>ACCUMULATED AMORTIZATION:</b>									
<b>BALANCE, BEGINNING OF YEAR</b>	-	993,088	6,131,103	84,916,498	-	3,821,914	2,161,260	98,023,863	92,523,856
Annual amortization	-	273,390	714,135	4,525,966	-	504,717	352,680	6,370,888	6,402,263
Accumulated amortization on disposals	-	(64,401)	(37,519)	-	-	(114,902)	-	(216,822)	(902,256)
<b>BALANCE, ENG OF YEAR</b>	<b>-</b>	<b>1,202,077</b>	<b>6,807,719</b>	<b>89,442,464</b>	<b>-</b>	<b>4,211,729</b>	<b>2,513,940</b>	<b>104,177,929</b>	<b>98,023,863</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>38,104,129</b>	<b>9,120,128</b>	<b>50,372,482</b>	<b>124,114,057</b>	<b>29,192,385</b>	<b>8,838,004</b>	<b>2,814,275</b>	<b>262,555,460</b>	<b>236,420,714</b>
2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	37,604,385	4,079,962	45,721,014	108,480,897	29,774,501	8,038,586	2,721,369	236,420,714	

The accompanying notes are an integral part of these financial statements

# CITY OF COLD LAKE

## SCHEDULE OF PROPERTY AND OTHER TAXES FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014
<b>Taxation</b>			
Real Property Taxes	\$ 25,799,141	\$ 19,696,133	\$ 17,817,531
Linear Property Taxes	-	345,401	341,303
Government Grants in Place of Property Taxes	-	5,860,412	6,042,897
Local Improvements	73,749	64,115	70,324
	<b>25,872,890</b>	<b>25,966,061</b>	<b>24,272,055</b>
<b>Requisitions</b>			
Alberta School Foundation Fund	6,830,309	6,571,193	5,715,784
Lakeland Lodge and Housing Foundation	137,897	138,705	124,246
	<b>6,968,206</b>	<b>6,709,898</b>	<b>5,840,030</b>
<b>Net Taxes Available for Municipal Purposes</b>	<b>\$ 18,904,684</b>	<b>\$ 19,256,163</b>	<b>\$ 18,432,025</b>

The accompanying notes are an integral part of these financial statements

# CITY OF COLD LAKE

## SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014
<b>Transfers for Operating:</b>			
Provincial Government	\$ 663,512	\$ 828,729	\$ 657,699
Federal Government	315,500	325,888	315,200
Other Local Governments	6,499,744	6,523,485	5,242,063
	<b>7,478,756</b>	<b>7,678,102</b>	<b>6,214,962</b>
<b>Transfers for Capital:</b>			
Provincial Government	-	5,862,894	5,121,304
Other Local Governments	12,680,000	20,120,769	12,447,335
	<b>12,680,000</b>	<b>25,983,663</b>	<b>17,568,639</b>
<b>Total Government Transfers</b>	<b>\$ 20,158,756</b>	<b>\$ 33,661,765</b>	<b>\$ 23,783,601</b>

The accompanying notes are an integral part of these financial statements

# CITY OF COLD LAKE

## SCHEDULE OF EXPENSES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget	2015	2014
	(Unaudited)		
<b>Expenses</b>			
Salaries, Wages and Benefits	\$ 13,301,350	\$ 11,911,253	\$ 11,023,723
Contracted and General Services	9,584,225	9,004,555	9,200,040
Materials, Goods, Supplies and Utilities	3,874,650	6,145,274	3,824,770
Purchases from Other Governments	4,313,020	4,205,361	3,978,305
Provision for Allowances	2,058,000	1,619,451	3,013,168
Transfers to Individuals and Organizations	1,073,612	1,979,590	1,223,466
Interest on Capital Long-term Debt	1,293,832	1,237,796	1,172,702
Bank Charges and Short-term Interest	49,000	36,945	65,969
Other Expenditures	3,356,537	617,193	291,334
Amortization of Tangible Capital Assets	-	6,370,888	6,402,263
Loss on disposal of tangible capital assets	-	40,755	24,720
<b>Total Expenses</b>	<b>\$ 38,904,226</b>	<b>\$ 43,169,061</b>	<b>\$ 40,220,460</b>

The accompanying notes are an integral part of these financial statements

# CITY OF COLD LAKE

## SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2015

	General Government	Protective Services	Utility Systems	Transportation Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
<b>REVENUE</b>								
Net municipal taxes	19,256,163	-	-	-	-	-	-	19,256,163
Government transfers	24,961,943	2,249,189	728,451	5,134,443	503,739	84,000	-	33,661,765
User fees and sale of goods	924,057	242,769	7,347,812	169,285	68,641	630,053	2,061,295	11,443,912
Investment income	846,225	-	-	-	-	-	-	846,225
Contributed assets	-	-	4,286,482	3,850,924	125,000	-	958,820	9,221,226
Other revenues	1,191,160	158,800	349,029	444,811	106,310	19,873	206,980	2,476,963
	<b>47,179,548</b>	<b>2,650,758</b>	<b>12,711,774</b>	<b>9,599,463</b>	<b>803,690</b>	<b>733,926</b>	<b>3,227,095</b>	<b>76,906,254</b>
<b>EXPENSES</b>								
Salaries, Wages and Benefits	2,694,129	1,486,816	1,996,513	1,842,420	616,153	830,817	2,444,405	11,911,253
Contracted and General Services	1,675,841	284,054	2,162,308	1,706,526	106,679	753,126	2,316,021	9,004,555
Materials, Goods, Supplies and Utilities	108,972	185,842	879,980	1,445,746	166,736	2,143,316	1,214,682	6,145,274
Purchases from Other Governments	-	1,582,919	2,622,442	-	-	-	-	4,205,361
Transfers to Individuals and Organizations	-	-	750,000	-	66,714	38,400	1,124,476	1,979,590
Interest on Capital Long-term Debt	-	47,302	92,896	313,367	109,767	-	674,464	1,237,796
Other expenses	1,941,066	159,249	43,801	32,221	857	92,582	44,568	2,314,344
	<b>6,420,008</b>	<b>3,746,182</b>	<b>8,547,940</b>	<b>5,340,280</b>	<b>1,066,906</b>	<b>3,858,241</b>	<b>7,818,616</b>	<b>36,798,173</b>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	<b>40,759,540</b>	<b>(1,095,424)</b>	<b>4,163,834</b>	<b>4,259,183</b>	<b>(263,216)</b>	<b>(3,124,315)</b>	<b>(4,591,521)</b>	<b>40,108,081</b>
Amortization expense	112,511	107,876	1,441,664	3,780,047	139,802	10,248	778,740	6,370,888
<b>NET REVENUE</b>	<b>40,647,029</b>	<b>(1,203,300)</b>	<b>2,722,170</b>	<b>479,136</b>	<b>(403,018)</b>	<b>(3,134,563)</b>	<b>(5,370,261)</b>	<b>33,737,193</b>

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the municipality are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the municipality are as follows:

#### *(a) Reporting Entity*

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to the City Council for the administration of their financial affairs and resources. Included with the municipality are the following:

City of Cold Lake  
Cold Lake Family and Community Support Services

The Schedule of Taxes Levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The financial statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

#### *(b) Basis of Accounting*

The financial statements are prepared using the accrual basis of accounting.

Revenues are recognized in the period in which the transactions or events occurred that give rise to the revenues. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purposes specified.

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made.

#### *(c) Use of Estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

#### *(d) Investments*

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss of value that is other than a temporary decline, the respective investment is written down to recognize the loss.

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

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**(e) Requisition Over-levy and Under-levy**

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

**(f) Inventories**

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the average cost and first-in-first-out methods.

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes cost for land acquisition and improvements required to prepare the land for servicing, such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as capital assets under their respective function.

**(g) Prepaid Local Improvements Charges**

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

**(h) Tax Revenue**

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

**(i) Landfill Closure and Post-Closure Liability**

Pursuant to the Alberta Environmental Protection and Enhancement Act, the municipality is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

**(j) Contaminated Sites Liability**

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

**(k) Government Transfers**

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, and are not the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

### **(I) Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets (Debt) for the year.

#### **I) Tangible Capital Assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized, other than land, on a straight-line basis over the estimated useful life as follows:

	<b>YEARS</b>
Land Improvements	15-20
Buildings	40
Engineered structures	
Roadway system	20-40
Water system	50
Wastewater system	50
Other engineered structures	5-30
Machinery and equipment	10
Vehicles	10-25

Annual amortization is charged in the first full year after an asset is acquired. Assets under construction are not amortized until the asset is available for productive use.

#### **II) Contributions of Tangible Capital Assets**

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

#### **III) Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

#### **IV) Inventories**

Inventories held for consumption are recorded at the lower of cost and replacement cost.

#### **V) Cultural and Historical Tangible Capital Assets**

Works of art for display are not recorded as tangible capital assets but are disclosed.



# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

### 2. CASH AND SHORT-TERM DEPOSITS

	2015	2014
Cash Floats and Undeposited Receipts	\$ 2,650	\$ 2,750
Bank Accounts	6,672,558	3,270,802
	<b>\$ 6,675,208</b>	<b>\$ 3,273,552</b>

### 3. RECEIVABLES

	2015	2014
Taxes and grants in place of taxes		
Current taxes and grants in place of taxes	\$ 6,845,892	\$ 5,953,395
Arrears	1,102,006	176,478
Allowance for doubtful accounts	(6,997,674)	(5,428,223)
	950,224	701,650
Trade and other receivables		
Local improvement levies	\$ 64,115	\$ 11,453
Trade accounts	4,644,024	4,411,428
GST	736,029	722,560
Allowance for doubtful accounts	(680,247)	(675,286)
	4,763,921	4,470,155
	<b>\$ 5,714,145</b>	<b>\$ 5,171,805</b>

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

**DECEMBER 31, 2015**

### 4. INVESTMENTS

	2015	2014
Bank of Montreal S&P TSX60 coupon bonds, maturing on January 14, 2021	\$ 2,000,000	\$ 2,000,000
Bank of Montreal STEP UP deposit, annual equivalent yield rate of 2.00%, maturing May 21, 2015	3,000,000	-
Bank of Montreal Tier 1 NTES coupon bonds, annual equivalent yield rate of 10.221%, maturing December 31, 2107	2,311,114	2,311,114
Bank of Nova Scotia FXD 2022 FLTG 2027 SUB DEBS, annual equivalent yield rate of 2.580%, maturing on March 30, 2027	415,944	-
BNS S&P/TSX60 NTS SER 10 coupon bonds, maturing on April 7, 2020	-	2,000,000
Bank of Nova Scotia S&P/TSX60 INDEX deposit coupon bonds, maturing on May 20, 2022	2,026,000	-
CIBC Capital Trust coupon bonds, annual equivalent yield rate of 9.976%, maturing on June 30, 2108	2,130,231	711,525
CIBC CDN BKS CPN deposit, maturing on June 27, 2022	920,000	-
CIBC CDN INDEX GROWTH DEPOSIT NTS coupon bonds, maturing on May 5, 2020	2,000,000	2,000,000
CIBC FULL SERVICE (NON-TFR) GTD INVESTMENT certificate A, annual equivalent yield rate of 1.650%, maturing October 19, 2016	15,000,000	-
CIBC High Interest Savings Account yield rate of 1.00%	5,036,232	-
CPN Bank of Montreal coupon bonds, annual equivalent yield rate of 6.17%, maturing on September 28, 2015	-	13,000
CPN Bank of Montreal coupon bonds, annual equivalent yield rate of 6.17%, maturing on September 28, 2016	-	217,152
NBC XIU ETF coupon bonds, maturing August 13, 2019	164,013	164,013
Province of Nova Scotia coupon bonds, annual equivalent yield rate of 2.00%, maturing January 10, 2022	-	922,000
Renaissance High Interest Savings Account yield rate of 1.00%	4,274	-
Shares, Alberta Municipal Finance Corporation	40	40
Shares, Lakeland Credit Union	10,000	10,000
TD Capital Trust III coupon bonds, annual equivalent yield rate of 7.24%, maturing on December 29, 2049	-	883,763
TD Capital Trust IV coupon bonds, annual equivalent yield rate of 6.631%, maturing on June 30, 2018	1,980,530	-
TD Capital Trust IV coupon bonds, annual equivalent yield rate of 9.523%, maturing on June 30, 2019	369,420	369,420
Vancity Savings Investment, annual equivalent yield rate of 2.00%, maturing on April 14, 2015	-	1,500,000
Vancity Savings Investment, annual equivalent yield rate of 1.87%, maturing on August 17, 2015	-	800,000
	<b>\$ 37,367,798</b>	<b>\$ 34,602,027</b>

The fair market value (FMV) of the investments is \$36,686,520 (2014 - \$34,556,214).

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

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### 5. BANK INDEBTEDNESS

The City has an authorized overdraft limit in the amount of \$1,000,000 which bears interest at prime minus 0.25% and is secured by an overdraft protection agreement. At year end, the City had used no part of this limit (2014 - nil).

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### 6. DEFERRED REVENUE

	2015	2014
Alberta Municipal Infrastructure Program	\$ 363,084	\$ 363,084
Basic Capital Grant	410,550	410,550
Water/Sewer Special Grant - Province	387,874	387,874
Other	365,163	558,746
<b>Deferred Revenue</b>	<b>\$ 1,526,671</b>	<b>\$ 1,720,254</b>

Deferred revenue represents amounts received which will be taken into revenue in the period in which they are earned and corresponding expenditures are incurred.

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

### 7. EMPLOYEE BENEFIT OBLIGATIONS

	2015	2014
Vacation and Overtime	\$ 881,760	\$ 928,698

The vacation and overtime liability is comprised of the vacation and overtime costs that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

### 8. LONG-TERM DEBT

	2015	2014
Tax Supported Debentures	\$ 30,606,398	\$ 32,038,919

The current portion of the long-term debt amounts to \$1,493,022 (2014 - \$1,432,521).

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,493,022	\$ 1,194,745	\$ 2,687,767
2017	1,556,156	1,131,611	2,687,767
2018	1,622,039	1,065,728	2,687,767
2019	1,690,797	996,970	2,687,767
2020	1,762,556	925,211	2,687,767
Thereafter	<u>22,481,828</u>	<u>5,820,573</u>	<u>28,302,401</u>
	<b><u>\$ 30,606,398</u></b>	<b><u>\$ 11,134,838</u></b>	<b><u>\$ 41,741,236</u></b>

Debenture debt is payable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.228% to 6.250% per annum, before Provincial subsidy, and matures in various amounts between 2025 through 2039. The average annual interest rate is 3.952% for 2015 (2014 - 3.919%). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9% and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the City of Cold Lake.

Interest paid during the year amounted to \$1,237,796 (2014 - \$1,172,702).

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

### 9. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the City of Cold Lake be disclosed as follows:

	2015	2014
Total long-term debt limit	\$ 92,733,201	\$ 79,863,726
Total long-term debt actual	30,606,398	32,038,919
<b>Amount of debt limit unused</b>	<b>\$ 62,126,803</b>	<b>\$ 47,824,807</b>
Debt servicing limit	\$ 15,455,534	\$ 13,310,621
Debt servicing actual	2,687,767	2,687,767
<b>Amount of debt servicing limit unused</b>	<b>\$ 12,767,767</b>	<b>\$ 10,622,854</b>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

### 10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2015	2014
Tangible Capital Assets (Schedule 2)	\$ 366,733,389	\$ 334,444,577
Accumulated Amortization (Schedule 2)	(104,177,929)	(98,023,863)
Long-term Debt (Note 8)	(30,606,398)	(32,038,919)
	<b>\$ 231,949,062</b>	<b>\$ 204,381,795</b>

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

### 11. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2015	2014
<b>Restricted surplus by agreement or legislation:</b>		
MD waterline	\$ 183,631	\$ 54,036
Offsites - Uncommitted	3,429,733	4,625,796
Offsites - Committed	642,327	-
Storm Pond	-	77,033
Forest Heights offsites	-	136,491
Provincial grants (2008)	24,463	24,463
MSI	82,398	82,398
Developer Contribution	385,678	385,678
Municipal reserve	132,648	132,648
Electrical Utility Contribution	171,489	102,093
	<b>5,052,367</b>	<b>5,620,636</b>
<b>Internally Restricted:</b>		
Corporate Services	175,752	78,000
Annexation Analysis	291,143	350,000
Benchmarking Project	17,162	17,162
Non Profit Groups	421,000	323,000
Waste/Water Systems	523,352	3,051,795
Storm Water Systems-Capital	5,666,220	559,437
IST	401,938	233,897
Municipal Development Plan	75,000	75,000
Photo Radar Initiative	40,112	40,112
Snow Removal	400,000	400,000
Airport	331,501	369,634
Waste Landfill	337,453	445,571
Cemetery	107,850	107,850
Parks and Sportsfields	1,609,146	1,460,239
Trail Maintenance	100,000	75,000
Arena Replacement	865,879	506,404
EDC Air Expansion	156,026	156,026
Vehicles and Equipment	386,620	445,840
Roads	2,489,103	1,411,169
Sidewalk Project	200,000	200,000
Lights	71,500	71,500
Buildings	1,480,201	550,000
Marina	334,567	442,020
Water	749,028	968,280
Electronic Sign	20,500	20,500
Land Purchase	295,975	795,905
Transit	252,349	350,000
Housing (MFRH)	840,000	2,622,500
Spray, Patch and Weed Control	150,000	-
Emergency Services	190,000	-
Environmental Services	198,722	-
Public Works	322,018	-
	<b>19,500,117</b>	<b>16,126,841</b>
<b>Restricted</b>	<b>24,552,484</b>	<b>21,747,477</b>
<b>Unrestricted Funds</b>	<b>14,732,638</b>	<b>11,367,719</b>
<b>Restricted and unrestricted</b>	<b>39,285,122</b>	<b>33,115,196</b>
<b>Equity in tangible capital assets (Note 10)</b>	<b>231,949,062</b>	<b>204,381,795</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 271,234,184</b>	<b>\$ 237,496,991</b>

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

### 12. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and other designated officers as required by Alberta Regulation 313/2000 is as follows:

	Name of Person	Salary (a)	Allowances and Benefits (b) & (c)	2015 Total	2014 Total
Mayor	Craig Copeland	\$ 53,333	\$ 1,623	\$ 54,956	\$ 60,016
	Subsistence	-	-	8,877	9,040
Councillors:	Robert Buckle	34,205	979	35,184	38,899
	Duane Lay	32,080	909	32,989	34,250
	Kelvin Plain	28,080	777	28,857	29,602
	Vicky Lefebvre	38,805	1,131	39,936	34,250
	Darrell MacDonald	26,580	728	27,308	27,277
	Chris Vining	29,080	810	29,890	30,635
	Subsistence	-	-	24,986	38,704
Chief Administrative Officer	Kevin Nagoya	219,823	40,539	260,362	240,328
		<b>\$ 461,986</b>	<b>\$ 47,496</b>	<b>\$ 543,345</b>	<b>\$ 543,001</b>

- (a) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (b) The employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.
- (c) Allowances and benefit figures include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

### 13. SEGMENTED DISCLOSURE

The municipality provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

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### 14. LOCAL AUTHORITIES PENSION PLAN

Employees of the municipality participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. LAPP serves over 237,000 people and 423 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The municipality is required to make current service contributions to the plan of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% for the excess. Employees of the municipality are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% for the excess.

Total current service contributions by the municipality to the Local Authorities Pension Plan in 2015 were \$903,684 (2014 - \$762,270). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2015 were \$831,299 (2014 - \$701,065).

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### 15. CONTINGENCIES

The municipality is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the City could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

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### 16. INTEREST RATE RISK

Certain debt bears interest which fluctuates with the prime rate, as described in Note 5 and Note 8, thus exposing the City to interest rate fluctuations.

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### 17. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

Construction of the transfer station has been completed in conjunction with the Beaver River Waste Management Commission and is presently being operated by the City. The City will determine the estimated costs of closure and post-closure of the landfill site and had budgeted to fund \$500,000 of the closure through a debenture.

There is presently inadequate information available to determine the accrued liability related to the cost of closure and post-closure care for the landfill site. Neither the estimated total landfill capacity nor the remaining landfill capacity is known, either at the year end date or at the date of the Auditors' Report.



# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

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### 18. CONTAMINATED SITES LIABILITY

On January 1, 2015, the municipality adopted PS 3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the municipality.

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### 19. FINANCIAL INSTRUMENTS

The municipality's financial instruments consist of cash and short-term deposits, taxes and grants in place of taxes, other accounts receivable, long-term investments, accounts payable and accrued liabilities, deposit liabilities, employee benefit obligation, and long-term debt. It is management's opinion that the municipality is not exposed to significant interest or currency risks arising from these financial instruments.

The municipality is subject to credit risk with respect to taxes and grants in place of taxes and other receivables and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the municipality provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instruments approximates fair value.

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### 20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. Specifically the funds received from ID349 originally stated in Real Property Taxes on Schedule 3 and included in the Statement of Operations under Net Municipal Taxes has been reclassified to Other Local Governments on Schedule 4 and included in the Statement of Operations under Government Transfers for Capital. In previous years, it was anticipated that ID349 would form part of the City's jurisdiction, however due to the agreement expiration date of December 31, 2016 there is still no indication at this time that it will, in fact, become part of the City's jurisdiction. The funds have therefore been stated (re-stated) as a transfer from other local governments.

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### 21. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by Council and Management.