

**CITY OF COLD LAKE  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

# CITY OF COLD LAKE

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## FINANCIAL STATEMENTS

December 31, 2016

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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, 2016, 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, 2016 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 25, 2017



**Chartered Accountants**

## CITY OF COLD LAKE

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2016

	Note Reference	2016	2015
<b>FINANCIAL ASSETS</b>			
Cash and Short-term Deposits	2	\$ 2,947,920	\$ 6,404,648
Receivables	3		
Taxes and Grants in Place of Taxes		1,151,174	950,224
Trade and other receivables		6,519,296	4,763,921
Land Held for Resale		1,356,100	1,356,100
Investments	4	50,523,884	37,638,358
		<b>\$ 62,498,374</b>	<b>\$ 51,113,251</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities		\$ 5,287,291	\$ 7,872,514
Deposit Liabilities		1,908,397	2,023,226
Deferred Revenue	6	1,503,206	1,526,671
Employee Benefit Obligations	7	754,390	881,760
Long-term Debt	8	36,016,829	30,606,398
		<b>45,470,113</b>	<b>42,910,569</b>
<b>NET FINANCIAL ASSETS (Statement 3)</b>		<b>17,028,261</b>	<b>8,202,682</b>
<b>NON-FINANCIAL ASSETS</b>			
Tangible Capital Assets (Schedule 2)		284,495,137	262,555,460
Inventory of Supplies and Materials		468,752	464,563
Prepaid Expenses		201,650	11,479
		<b>285,165,539</b>	<b>263,031,502</b>
<b>ACCUMULATED SURPLUS (Schedule 1)</b>	11	<b>\$ 302,193,800</b>	<b>\$ 271,234,184</b>

Contingencies - See Note 15.

**CITY OF COLD LAKE**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget	2016	2015
	(Unaudited)		
<b>Revenues</b>			
Net Municipal Taxes (Schedule 3)	\$ 19,088,883	\$ 19,694,249	\$ 19,256,163
Sales and User Charges	9,781,571	9,612,282	9,018,358
Government Transfers (Schedule 4)	9,645,018	9,742,553	7,678,102
Rentals	917,648	1,127,098	1,008,188
Franchise and Concession Contracts	910,000	927,144	908,274
Licenses and Permits	481,500	527,553	507,399
Other	292,000	652,811	634,404
Investment Income	290,000	689,795	846,225
Penalties and Costs on Taxes	255,000	1,401,639	1,093,660
Fines	230,000	182,482	146,188
Development Levies	-	249,584	604,404
<b>Total Revenues</b>	<b>41,891,620</b>	<b>44,807,190</b>	<b>41,701,365</b>
<b>Expenses (Schedule 5)</b>			
Administration	6,735,250	7,461,120	5,776,386
Fire and Emergency Services	1,219,843	1,149,029	953,831
Legislative	448,300	407,240	411,959
Other	3,678,639	196,833	250,870
Planning and Development	1,846,600	1,977,471	3,858,240
Police and By-law Enforcement	3,312,379	3,286,738	2,792,351
Public Health and Welfare	1,246,656	1,177,735	1,047,702
Recreation and Culture	8,633,790	8,269,720	7,803,325
Transportation Systems	6,890,442	6,457,960	5,395,836
Utility Systems	7,879,721	7,232,187	8,466,918
Amortization of Tangible Capital Assets	-	7,800,970	6,370,888
Loss on Disposal of Assets	-	95,567	40,755
<b>Total Expenses</b>	<b>41,891,620</b>	<b>45,512,570</b>	<b>43,169,061</b>
<b>(Deficiency) Excess of Revenues Over Expenses Before</b>			
<b>Other Revenues</b>	-	(705,380)	(1,467,696)
<b>Other Revenues</b>			
Contributed Assets	-	6,582,561	9,221,226
Government Transfers for Capital (Schedule 4)	18,540,000	25,082,435	25,983,663
<b>Excess of Revenues Over Expenses</b>	<b>18,540,000</b>	<b>30,959,616</b>	<b>33,737,193</b>
<b>Accumulated Surplus, Beginning of Year</b>		271,234,184	237,496,991
<b>Accumulated Surplus, End of Year (Schedule 1)</b>		<b>\$ 302,193,800</b>	<b>\$ 271,234,184</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, 2016

	2016	2015
<b>Excess of Revenues Over Expenses</b>	\$ 30,959,616	\$ 33,737,193
Acquisition of Tangible Capital Assets	(23,413,909)	(23,550,308)
Contributed Tangible Capital Assets	(6,582,561)	(9,221,226)
Proceeds on Disposal of Tangible Capital Assets	160,256	225,145
Amortization of Tangible Capital Assets	7,800,970	6,370,888
Loss on Sale of Tangible Capital Assets	95,567	40,755
	(21,939,677)	(26,134,746)
Acquisition of Supplies Inventories	(4,189)	(22,325)
Use of Prepaid Assets	(190,171)	17,580
	(194,360)	(4,745)
<b>Increase in Net Financial Assets</b>	8,825,579	7,597,702
<b>Net Financial Assets, Beginning of Year</b>	8,202,682	604,980
<b>Net Financial Assets, End of Year</b>	<b>\$ 17,028,261</b>	<b>\$ 8,202,682</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, 2016**

	2016	2015
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Excess of Revenues Over Expenditures	\$ 30,959,616	\$ 33,737,193
Add (Deduct) Non-cash Items		
Amortization of tangible capital assets	7,800,970	6,370,888
Loss on disposal of tangible capital assets	95,567	40,755
Tangible capital assets received as contributions	(6,582,561)	(9,221,226)
Non-cash charges to operations (net change):		
(Increase) in taxes and grants in place of taxes receivable	(200,950)	(248,574)
(Increase) in trade and other receivables	(1,755,375)	(293,766)
(Increase) Decrease in prepaid expenses	(190,171)	17,580
(Increase) in inventories	(4,189)	(22,325)
(Decrease) Increase in accounts payable and accrued liabilities	(2,585,223)	2,249,697
(Decrease) in deposit liabilities	(114,829)	(1,464,590)
(Decrease) in deferred revenue	(23,465)	(193,583)
(Decrease) in employee benefit obligations	(127,370)	(46,938)
	<b>27,272,020</b>	<b>30,925,111</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
Acquisition of tangible capital assets	(23,413,909)	(23,550,308)
Sale of tangible capital assets	160,256	225,145
	<b>(23,253,653)</b>	<b>(23,325,163)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
(Decrease) in long-term investments	(12,885,526)	(2,880,728)
	<b>(12,885,526)</b>	<b>(2,880,728)</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
(Decrease) Increase in long-term debt	4,124,350	(2,670,317)
Interest paid on long-term debt (Note 8)	1,286,081	1,237,796
	<b>5,410,431</b>	<b>(1,432,521)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,456,728)</b>	<b>3,286,699</b>
<b>NET CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>6,404,648</b>	<b>3,117,949</b>
<b>NET CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 2,947,920</b>	<b>\$ 6,404,648</b>
<b>NET CASH AND CASH EQUIVALENTS IS MADE UP OF:</b>		
Cash and Short-term Deposits (Note 2)	\$ 2,947,920	\$ 6,404,648
	<b>\$ 2,947,920</b>	<b>\$ 6,404,648</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, 2016

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 14,732,638	\$ 24,552,484	\$ 231,949,062	<b>\$ 271,234,184</b>	\$ 237,496,991
Excess of revenues over expenses	30,959,616	-	-	<b>30,959,616</b>	33,737,193
Unrestricted funds designated for future use	(20,409,128)	20,409,128	-	-	-
Restricted funds used for operations	1,041,962	(1,041,962)	-	-	-
Restricted funds used for tangible capital assets	-	(5,014,466)	5,014,466	-	-
Current year funds used for tangible capital assets	(18,531,337)	-	18,531,337	-	-
Contributed tangible capital assets	(6,457,352)	-	6,457,352	-	-
Disposal of tangible capital assets (net of amortization)	262,508	-	(262,508)	-	-
Annual amortization expense	7,800,970	-	(7,800,970)	-	-
Debenture purchases	7,000,000	-	(7,000,000)	-	-
Long term debt repaid	(1,589,569)	-	1,589,569	-	-
Change in accumulated surplus	77,670	14,352,700	16,529,246	<b>30,959,616</b>	33,737,193
<b>BALANCE, END OF YEAR (Note 11)</b>	<b>\$ 14,810,308</b>	<b>\$ 38,905,184</b>	<b>\$ 248,478,308</b>	<b>\$ 302,193,800</b>	<b>\$ 271,234,184</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, 2016

	Land	Land Improvement	Buildings	Engineered Structures	Work in Progress	Machinery and Equipment	Vehicles	2016	2015
<b>COST:</b>									
<b>BALANCE, BEGINNING OF YEAR</b>	38,104,129	10,322,205	57,180,201	213,556,521	29,192,385	13,049,733	5,328,215	366,733,389	334,444,577
Acquisition of tangible capital assets	72,290	117,778	79,103	15,892,224	21,763,339	1,775,815	479,103	40,179,652	52,930,660
Construction-in-progress (Transferred to Engineering Structures)	-	-	-	-	(10,183,182)	-	-	(10,183,182)	(20,159,126)
Disposal of tangible capital assets	-	(28,056)	-	(278,670)	-	(226,716)	(52,799)	(586,241)	(482,722)
<b>BALANCE, ENG OF YEAR</b>	<b>38,176,419</b>	<b>10,411,927</b>	<b>57,259,304</b>	<b>229,170,075</b>	<b>40,772,542</b>	<b>14,598,832</b>	<b>5,754,519</b>	<b>396,143,618</b>	<b>366,733,389</b>
<b>ACCUMULATED AMORTIZATION:</b>									
<b>BALANCE, BEGINNING OF YEAR</b>	-	1,202,077	6,807,719	89,442,464	-	4,211,729	2,513,940	104,177,929	98,023,863
Annual amortization	-	473,067	1,400,548	4,926,737	-	637,330	363,288	7,800,970	6,370,888
Accumulated amortization on disposals	-	(12,625)	-	(162,078)	-	(142,900)	(12,815)	(330,418)	(216,822)
<b>BALANCE, ENG OF YEAR</b>	<b>-</b>	<b>1,662,519</b>	<b>8,208,267</b>	<b>94,207,123</b>	<b>-</b>	<b>4,706,159</b>	<b>2,864,413</b>	<b>111,648,481</b>	<b>104,177,929</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>38,176,419</b>	<b>8,749,408</b>	<b>49,051,037</b>	<b>134,962,952</b>	<b>40,772,542</b>	<b>9,892,673</b>	<b>2,890,106</b>	<b>284,495,137</b>	<b>262,555,460</b>
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	38,104,129	9,120,128	50,372,482	124,114,056	29,192,385	8,838,005	2,814,276	262,555,460	

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, 2016

	Budget (Unaudited)	2016	2015
<b>Taxation</b>			
Real Property Taxes	\$ 27,083,494	\$ 20,685,328	\$ 19,696,133
Linear Property Taxes	-	353,906	345,401
Government Grants in Place of Property Taxes	-	6,163,497	5,860,412
Local Improvements	11,452	-	64,115
	<b>27,094,946</b>	<b>27,202,731</b>	<b>25,966,061</b>
<b>Requisitions</b>			
Alberta School Foundation Fund	7,855,039	7,357,178	6,571,193
Lakeland Lodge and Housing Foundation	151,024	151,304	138,705
	<b>8,006,063</b>	<b>7,508,482</b>	<b>6,709,898</b>
<b>Net Taxes Available for Municipal Purposes</b>	<b>\$ 19,088,883</b>	<b>\$ 19,694,249</b>	<b>\$ 19,256,163</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, 2016

	Budget (Unaudited)	2016	2015
<b>Transfers for Operating:</b>			
Provincial Government	\$ 770,770	\$ 809,546	\$ 828,729
Federal Government	315,500	325,888	325,888
Other Local Governments	8,558,748	8,607,119	6,523,485
	<b>9,645,018</b>	<b>9,742,553</b>	<b>7,678,102</b>
<b>Transfers for Capital:</b>			
Provincial Government	-	6,797,276	5,862,894
Other Local Governments	18,540,000	18,285,159	20,120,769
	<b>18,540,000</b>	<b>25,082,435</b>	<b>25,983,663</b>
<b>Total Government Transfers</b>	<b>\$ 28,185,018</b>	<b>\$ 34,824,988</b>	<b>\$ 33,661,765</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, 2016

	Budget	2016	2015
	(Unaudited)		
<b>Expenses</b>			
Salaries, Wages and Benefits	\$ 14,214,178	\$ 13,068,848	\$ 11,911,253
Contracted and General Services	10,778,466	10,192,455	9,004,555
Materials, Goods, Supplies and Utilities	4,124,900	3,830,527	6,145,274
Purchases from Other Governments	4,573,250	4,585,147	4,205,361
Provision for Allowances	1,606,000	2,882,324	1,619,451
Transfers to Individuals and Organizations	1,086,479	1,320,987	1,979,590
Interest on Capital Long-term Debt	1,401,438	1,286,081	1,237,796
Bank Charges and Short-term Interest	44,500	48,425	36,945
Other Expenditures	4,062,409	401,239	617,193
Amortization of Tangible Capital Assets	-	7,800,970	6,370,888
Loss on Disposal of Tangible Capital Assets	-	95,567	40,755
<b>Total Expenses</b>	<b>\$ 41,891,620</b>	<b>\$ 45,512,570</b>	<b>\$ 43,169,061</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, 2016

	General Government	Protective Services	Utility Systems	Transportation Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
<b>REVENUE</b>								
Net Municipal Taxes	19,694,249	-	-	-	-	-	-	19,694,249
Government Transfers	26,867,100	567,587	-	6,797,276	546,025	42,000	5,000	34,824,988
User Fees and Sale of Goods	949,680	677,840	7,389,152	170,208	71,209	990,217	1,945,769	12,194,075
Investment Income	689,795	-	-	-	-	-	-	689,795
Contributed Assets	-	-	2,120,271	4,445,403	-	-	16,887	6,582,561
Other Revenues	1,494,194	190,907	215,917	227,421	149,294	123,302	85,483	2,486,518
	<b>49,695,018</b>	<b>1,436,334</b>	<b>9,725,340</b>	<b>11,640,308</b>	<b>766,528</b>	<b>1,155,519</b>	<b>2,053,139</b>	<b>76,472,186</b>
<b>EXPENSES</b>								
Salaries, Wages and Benefits	3,019,837	1,558,313	2,072,391	2,156,130	750,136	875,313	2,636,728	13,068,848
Contracted and General Services	1,784,141	379,878	1,926,993	2,570,919	130,424	904,369	2,495,731	10,192,455
Materials, Goods, Supplies and Utilities	130,039	206,808	587,727	1,375,320	171,028	159,389	1,200,216	3,830,527
Purchases from Other Governments	-	1,972,087	2,613,060	-	-	-	-	4,585,147
Transfers to Individuals and Organizations	-	-	-	-	18,636	38,400	1,263,951	1,320,987
Interest on Capital Long-term Debt	-	154,207	30,945	351,233	106,761	-	642,935	1,286,081
Other Expenses	3,131,176	167,780	1,071	117,188	750	-	9,590	3,427,555
	<b>8,065,193</b>	<b>4,439,073</b>	<b>7,232,187</b>	<b>6,570,790</b>	<b>1,177,735</b>	<b>1,977,471</b>	<b>8,249,151</b>	<b>37,711,600</b>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	<b>41,629,825</b>	<b>(3,002,739)</b>	<b>2,493,153</b>	<b>5,069,518</b>	<b>(411,207)</b>	<b>(821,952)</b>	<b>(6,196,012)</b>	<b>38,760,586</b>
Amortization Expense	120,187	118,208	1,320,513	4,456,458	162,092	8,230	1,615,282	7,800,970
<b>NET REVENUE</b>	<b>41,509,638</b>	<b>(3,120,947)</b>	<b>1,172,640</b>	<b>613,060</b>	<b>(573,299)</b>	<b>(830,182)</b>	<b>(7,811,294)</b>	<b>30,959,616</b>

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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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, 2016

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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.

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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**(k) Government Transfers**

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.

**(l) 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.



# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

### 2. CASH AND SHORT-TERM DEPOSITS

	2016	2015
Cash Floats and Undeposited Receipts	\$ 2,650	\$ 2,650
Bank Accounts	2,945,270	6,401,998
	<b>\$ 2,947,920</b>	<b>\$ 6,404,648</b>

### 3. RECEIVABLES

	2016	2015
Taxes and grants in place of taxes		
Current taxes and grants in place of taxes	\$ 3,057,811	\$ 6,845,892
Arrears	7,972,922	1,102,006
Allowance for doubtful accounts	(9,879,559)	(6,997,674)
	1,151,174	950,224
Trade and other receivables		
Local improvement levies	\$ 52,663	\$ 64,115
Trade accounts	6,690,412	4,579,341
GST	328,503	800,712
Allowance for doubtful accounts	(552,282)	(680,247)
	6,519,296	4,763,921
	<b>\$ 7,670,470</b>	<b>\$ 5,714,145</b>

### 4. INVESTMENTS

	2016	2015
Cash and cash equivalents	\$ 20,015,008	\$ 280,600
Fixed income securities	19,339,783	25,207,239
Mutual funds/segregated funds	3,059,080	5,040,506
Principal protected notes	8,110,013	7,110,013
	<b>\$ 50,523,884</b>	<b>\$ 37,638,358</b>

The fixed income securities have a yield from 1.23% to 8.49% (2015 - 1.65% to 8.10%) and mature in periods 2017 through 2027. Mutual funds/segregated funds have effective interest rates of 1.00% with no maturity dates. Principal protected notes have various interest rates tied to the market with maturity periods 2019 to 2022. The market value of the investments at December 31, 2016 was \$50,260,841 (2015 - \$36,967,120).

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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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 (2015 - nil).

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### 6. DEFERRED REVENUE

	2016	2015
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	341,698	365,163
<b>Deferred Revenue</b>	<b>\$ 1,503,206</b>	<b>\$ 1,526,671</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.

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### 7. EMPLOYEE BENEFIT OBLIGATIONS

	2016	2015
Vacation and Overtime	\$ 754,390	\$ 881,760

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.

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

### 8. LONG-TERM DEBT

	<b>2016</b>	<b>2015</b>
Tax Supported Debentures	\$ 36,016,829	\$ 30,606,398

The current portion of the long-term debt amounts to \$1,753,442 (2015 - \$1,589,569).

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,753,442	\$ 1,329,089	\$ 3,082,531
2018	1,825,050	1,257,481	3,082,531
2019	1,899,698	1,182,833	3,082,531
2020	1,977,520	1,105,011	3,082,531
2021	2,058,654	1,023,877	3,082,531
Thereafter	<u>26,502,465</u>	<u>6,810,062</u>	<u>33,312,527</u>
	<b><u>\$ 36,016,829</u></b>	<b><u>\$ 12,708,353</u></b>	<b><u>\$ 48,725,182</u></b>

Debenture debt is payable to the Alberta Capital Finance Authority and bears interest at rates ranging from 2.881% to 6.250% per annum, before Provincial subsidy, and matures in various amounts between 2025 through 2041. The average annual interest rate is 3.861% for 2016 (2015 - 3.952%). 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 \$1,286,081 (2015 - \$1,237,796).

### 9. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the City of Cold Lake be disclosed as follows:

	<b>2016</b>	<b>2015</b>
Total long-term debt limit	\$ 94,638,524	\$ 92,733,201
Total long-term debt actual	36,016,829	30,606,398
<b>Amount of debt limit unused</b>	<b>\$ 58,621,695</b>	<b>\$ 62,126,803</b>
Debt servicing limit	\$ 15,773,087	\$ 15,455,534
Debt servicing actual	3,082,531	2,687,767
<b>Amount of debt servicing limit unused</b>	<b>\$ 12,690,556</b>	<b>\$ 12,767,767</b>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) 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.

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

### 10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2016	2015
Tangible Capital Assets (Schedule 2)	\$ 396,143,618	\$ 366,733,389
Accumulated Amortization (Schedule 2)	(111,648,481)	(104,177,929)
Long-term Debt (Note 8)	(36,016,829)	(30,606,398)
	<b>\$ 248,478,308</b>	<b>\$ 231,949,062</b>

### 11. ACCUMULATED SURPLUS

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

	2016	2015
<b>Restricted surplus by agreement or legislation:</b>		
MD waterline	\$ 221,251	\$ 183,631
Offsites - Uncommitted	3,429,733	3,429,733
Offsites - Committed	381,477	642,327
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	279,810	171,489
	<b>4,937,458</b>	<b>5,052,367</b>
<b>Internally Restricted:</b>		
General Government	2,847,099	1,015,852
Public Works and Infrastructure	22,069,094	13,461,744
Community Services	8,708,477	3,520,403
Planning and Development	343,056	1,502,118
	<b>33,967,726</b>	<b>19,500,117</b>
<b>Restricted</b>	<b>38,905,184</b>	<b>24,552,484</b>
<b>Unrestricted Funds</b>	<b>14,810,308</b>	<b>14,732,638</b>
<b>Restricted and unrestricted</b>	<b>53,715,492</b>	<b>39,285,122</b>
<b>Equity in tangible capital assets (Note 10)</b>	<b>248,478,308</b>	<b>231,949,062</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 302,193,800</b>	<b>\$ 271,234,184</b>

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

### 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)	2016 Total	2015 Total
Mayor	Craig Copeland	\$ 60,116	\$ 1,884	\$ 62,000	\$ 54,956
	Subsistence	-	-	9,842	8,877
Councillors:	Robert Buckle	33,850	1,005	34,855	35,184
	Duane Lay	32,350	955	33,305	32,989
	Kelvin Plain	13,690	406	14,096	28,857
	Vicky Lefebvre	35,725	1,066	36,791	39,936
	Darrell MacDonald	26,225	753	26,978	27,308
	Chris Vining	30,225	885	31,110	29,890
	Subsistence	-	-	28,763	24,986
Chief Administrative Officer	Kevin Nagoya	254,654	41,089	295,743	260,362
		<b>\$ 486,835</b>	<b>\$ 48,043</b>	<b>\$ 573,483</b>	<b>\$ 543,345</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, 2016

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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 244,000 people and 426 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 2016 were \$1,137,267 (2015 - \$903,684). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2016 were \$1,046,390 (2015 - \$831,299).

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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. SUBSEQUENT EVENT

The municipality received the final payment from PWGSC (Public Works and Government Services Canada) for the PILT (Payment in Lieu of Taxes) in February 2017. There is a disputed balance of \$2,881,885 (2015 - \$1,569,451) between the municipality and PWGSC and the total disputed shortfall amount of \$9,829,559 is being appealed. The significant increase in both Arrears and Allowance for doubtful accounts (**Note 3**) is due to an allowance for PILT.

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### 17. 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.

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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### 18. 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.

### 19. CONTAMINATED SITES LIABILITY

The municipality adopted PS3260 Liability for Contaminated Sites. The municipality did not identify any financial liabilities in 2016 (2015 - nil) as a result of this standard.

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### 20. FINANCIAL INSTRUMENTS

The municipality's financial instruments consist of cash and short-term deposits, taxes and grants in place of taxes, other accounts receivable, 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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### 21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

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### 22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by Council and Management.