

**CITY OF COLD LAKE
FINANCIAL STATEMENTS**

DECEMBER 31, 2020

CITY OF COLD LAKE

FINANCIAL STATEMENTS

December 31, 2020

CONTENTS

	<u>Page</u>
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITORS' REPORT	2-3
FINANCIAL STATEMENTS	
Statement "1" Statement of Financial Position	4
Statement "2" Statement of Operations	5
Statement "3" Statement of Change in Net Financial Assets	6
Statement "4" Statement of Cash Flows	7
Schedule "1" Schedule of Changes in Accumulated Surplus	8
Schedule "2" Schedule of Tangible Capital Assets	9
Schedule "3" Schedule of Net Taxes Available for Municipal Purposes	10
Schedule "4" Schedule of Government Transfers	11
Schedule "5" Schedule of Expenses by Object	12
Schedule "6" Schedule of Segmented Disclosure	13
Notes to the Financial Statements	14-25

CITY OF COLD LAKE

December 31, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the City of Cold Lake is responsible for the preparation, accuracy, objectivity and integrity of the accompanying financial statements and all other information contained within this Financial Report. Management believes that the financial statements present fairly the City's financial position as at December 31, 2020 and the results of its operations for the year then ended.

The financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for presentation of the financial statements.

The City Council carries out its responsibilities for review of the financial statements principally through its Audit Committee. This committee meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Audit Committee and without the presence of management. The City Council has approved the financial statements.

The financial statements have been audited by Faber LLP, Chartered Professional Accountants, independent external auditors appointed by the City. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the City's financial statements.

Cold Lake, Alberta
April 13, 2021

Kevin Nagoya
Chief Administrative Officer



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Chartered Professional
Accountants

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of the **City of Cold Lake**, which comprise the **Statement of Financial Position** as at December 31, 2020, and the **Statement of Operations, Statement of Change in Net Financial Assets** and the **Statement of Cash Flows** for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the City of Cold Lake as at December 31, 2020 and the results of its operations, the change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 the municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the municipality or business activities within the municipality to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Edmonton, Alberta
April 13, 2021

Chartered Professional Accountants
Plan for success 

CITY OF COLD LAKE

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

	Note Reference	2020	2019
FINANCIAL ASSETS			
Cash and Temporary Investments	2	\$ 16,084,269	\$ 13,515,068
Receivables	3		
Taxes and Grants in Place of Taxes		1,019,158	1,225,700
Trade and Other Receivables		5,009,238	19,828,492
Land Held for Resale		1,141,500	1,233,400
Investments	4	73,809,237	46,219,185
		\$ 97,063,402	\$ 82,021,845
LIABILITIES			
Accounts Payable and Accrued Liabilities		\$ 7,691,872	\$ 6,196,669
Deposit Liabilities		1,476,577	1,474,696
Deferred Revenue	6	6,964,578	3,409,090
Employee Benefit Obligations	7	1,089,695	1,061,522
Long-term Debt	8	48,303,662	50,854,094
		65,526,384	62,996,071
NET FINANCIAL ASSETS (Statement 3)		31,537,018	19,025,774
NON-FINANCIAL ASSETS			
Tangible Capital Assets (Schedule 2)		326,071,989	326,838,072
Inventory of Supplies and Materials		417,836	413,343
Prepaid Expenses		328,250	84,120
		326,818,075	327,335,535
ACCUMULATED SURPLUS (Schedule 1)	11	\$ 358,355,093	\$ 346,361,309

Contingencies - See Note 15.

CITY OF COLD LAKE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget	2020	2019
	(Unaudited)		
Revenues			
Net Municipal Taxes (Schedule 3)	\$ 20,619,022	\$ 20,936,195	\$ 20,941,184
Sales and User Charges	10,201,751	9,681,202	9,508,254
Government Transfers (Schedule 4)	11,222,354	13,383,711	10,145,545
Penalties and Costs on Taxes	325,000	2,783,891	2,450,624
Licenses and Permits	255,900	225,605	288,591
Fines	145,000	65,080	118,511
Franchise and Concession Contracts	1,011,317	983,756	990,577
Investment Income	300,000	1,866,052	626,653
Rentals	1,115,538	927,581	1,165,243
Development Levies	-	98,755	174,635
Other	332,750	532,363	676,988
Total Revenues	45,528,632	51,484,191	47,086,805
Expenses (Schedule 5)			
Legislative	617,755	350,382	487,560
Administration	6,841,843	8,534,064	8,488,519
Police and By-law Enforcement	4,052,908	3,247,194	3,446,584
Fire and Emergency Services	1,402,351	1,211,890	1,350,246
Transportation Systems	7,643,275	7,152,514	7,865,505
Utility Systems	8,025,962	8,178,366	7,889,155
Public Health and Welfare	1,498,844	1,199,392	1,294,206
Planning and Development	1,542,665	1,489,786	1,459,250
Recreation and Culture	9,777,594	8,453,533	9,668,827
Other	4,125,435	-	-
Amortization of Tangible Capital Assets	-	10,970,093	9,683,268
Loss on Disposal of Assets	-	43,254	545,323
Total Expenses	45,528,632	50,830,468	52,178,443
Excess (Deficiency) of Revenues Over Expenses Before			
Other Revenues	-	653,723	(5,091,638)
Other Revenues			
Contributed Assets	-	-	1,218,102
Government Transfers for Capital (Schedule 4)	15,236,788	11,340,061	13,012,658
Excess of Revenues Over Expenses	15,236,788	11,993,784	9,139,122
Accumulated Surplus, Beginning of Year	346,361,309	346,361,309	337,222,187
Accumulated Surplus, End of Year (Schedule 1)	\$ 361,598,097	\$ 358,355,093	\$ 346,361,309

The accompanying notes are an integral part of these financial statements

CITY OF COLD LAKE

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget	2020	2019
	(Unaudited)		
Excess of Revenues Over Expenses	\$ 15,236,788	\$ 11,993,784	\$ 9,139,122
Acquisition of Tangible Capital Assets	(12,487,164)	(10,350,805)	(14,627,563)
Contributed Tangible Capital Assets	-	-	(1,218,102)
Proceeds on Disposal of Tangible Capital Assets	-	103,541	174,536
Amortization of Tangible Capital Assets	-	10,970,093	9,683,268
Loss on Sale of Tangible Capital Assets	-	43,254	545,323
	(12,487,164)	766,083	(5,442,538)
Use of Supplies Inventories	-	(4,493)	3,472
Acquisition of Prepaid Assets	-	(244,130)	(9,979)
	-	(248,623)	(6,507)
Increase in Net Financial Assets	2,749,624	12,511,244	3,690,077
Net Financial Assets, Beginning of Year	19,025,774	19,025,774	15,335,697
Net Financial Assets, End of Year	\$ 21,775,398	\$ 31,537,018	\$ 19,025,774

The accompanying notes are an integral part of these financial statements

FABER LLP,
CHARTERED PROFESSIONAL ACCOUNTANTS

CITY OF COLD LAKE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of Revenues over Expenses	\$ 11,993,784	\$ 9,139,122
Add (Deduct) Non-cash Items:		
Amortization of Tangible Capital Assets	10,970,093	9,683,268
Loss on Disposal of Tangible Capital Assets	43,254	545,323
Tangible Capital Assets Received as Contributions	-	(1,218,102)
Non-cash Charges to Operations (net change):		
Decrease (Increase) in Taxes and Grants in Place of Taxes Receivable	206,542	(106,447)
Decrease (Increase) in Trade and Other Receivables	14,819,254	(13,275,394)
(Increase) in Prepaid Expenses	(244,130)	(9,979)
Decrease in land held for resale	91,900	-
(Increase) Decrease in Inventories	(4,493)	3,472
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,495,203	(1,376,278)
Increase in Deposit Liabilities	1,881	190,787
Increase in Deferred Revenue	3,555,488	2,672,244
Increase in Employee Benefit Obligations	28,173	110,814
	42,956,949	6,358,830
CASH FLOWS FROM (USED IN) CAPITAL ACTIVITIES		
Acquisition of Tangible Capital Assets	(10,350,805)	(14,627,563)
Proceeds on Disposal of Tangible Capital Assets	103,541	174,536
	(10,247,264)	(14,453,027)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Increase in Investments	(27,590,052)	(773,571)
	(27,590,052)	(773,571)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Repayment of Long-term Debt	(2,550,432)	(2,454,041)
	(2,550,432)	(2,454,041)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,569,201	(11,321,809)
NET CASH AND TEMPORARY INVESTMENTS, beginning of year	13,515,068	24,836,877
NET CASH AND TEMPORARY INVESTMENTS, end of year	\$ 16,084,269	\$ 13,515,068

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, 2020

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020	2019
BALANCE, BEGINNING OF YEAR	\$ 21,077,898	\$ 49,299,433	\$ 275,983,978	\$ 346,361,309	\$ 337,222,187
Excess of revenues over expenses	11,993,784	-	-	11,993,784	9,139,122
Unrestricted funds designated for future use	(14,939,661)	14,939,661	-	-	-
Restricted funds used for operations	105,389	(105,389)	-	-	-
Restricted funds used for tangible capital assets	-	(4,208,648)	4,208,648	-	-
Current year funds used for tangible capital assets	(6,142,158)	-	6,142,158	-	-
Disposal of tangible capital assets (net of amortization)	146,796	-	(146,796)	-	-
Annual amortization expense	10,970,093	-	(10,970,093)	-	-
Long-term debt repaid	(2,550,432)	-	2,550,432	-	-
Change in accumulated surplus	(416,189)	10,625,624	1,784,349	11,993,784	9,139,122
BALANCE, END OF YEAR (Note 11)	\$ 20,661,709	\$ 59,925,057	\$ 277,768,327	\$ 358,355,093	\$ 346,361,309

The accompanying notes are an integral part of these financial statements

FABER LLP,
CHARTERED PROFESSIONAL ACCOUNTANTS

CITY OF COLD LAKE

SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2020

	Land	Land Improvements	Buildings	Engineered Structures	Work in Progress	Machinery and Equipment	Vehicles	2020	2019
COST:									
Balance, Beginning of year	38,457,625	14,528,345	70,831,699	257,854,632	53,662,244	19,254,421	8,144,181	462,733,147	449,649,482
Acquisition of tangible capital assets	113,352	578,477	1,429,098	15,992,494	9,656,387	1,706,117	313,456	29,789,381	34,753,580
Reclassification	91,900	173,792	-	(173,792)	(600,099)	-	-	(508,199)	(635,949)
Construction-in-progress (Transferred to Land Improvements, Buildings, Engineered Structures, and Machinery and Equipment)	-	-	-	-	(18,930,377)	-	-	(18,930,377)	(18,271,966)
Disposal of tangible capital assets	-	-	(77,484)	(62,613)	-	(468,700)	(396,812)	(1,005,609)	(2,762,000)
Balance, End of year	38,662,877	15,280,614	72,183,313	273,610,721	43,788,155	20,491,838	8,060,825	472,078,343	462,733,147
ACCUMULATED AMORTIZATION:									
Balance, Beginning of year	-	3,202,363	13,102,464	109,096,368	-	7,054,021	3,439,859	135,895,075	128,253,948
Annual amortization	-	818,480	1,774,222	6,630,137	-	1,182,429	564,825	10,970,093	9,683,268
Accumulated amortization on disposals	-	-	(65,861)	(41,161)	-	(370,164)	(381,628)	(858,814)	(2,042,141)
Balance, End of year	-	4,020,843	14,810,825	115,685,344	-	7,866,286	3,623,056	146,006,354	135,895,075
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	38,662,877	11,259,771	57,372,488	157,925,377	43,788,155	12,625,552	4,437,769	326,071,989	326,838,072
2019 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	38,457,625	11,325,982	57,729,235	148,758,264	53,662,244	12,200,400	4,704,322	326,838,072	

The accompanying notes are an integral part of these financial statements

FABER LLP,
CHARTERED PROFESSIONAL ACCOUNTANTS

CITY OF COLD LAKE

SCHEDULE OF NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (Unaudited)	2020	2019
Taxation			
Real Property Taxes	\$ 20,556,172	\$ 20,560,122	\$ 20,783,468
Linear Property Taxes	395,000	396,324	390,506
Government Grants in Place of Property Taxes	6,340,000	6,342,989	6,448,144
	27,291,172	27,299,435	27,622,118
Requisitions			
Alberta School Foundation Fund	6,474,212	6,165,152	6,478,376
Lakeland Lodge and Housing Foundation	196,055	196,201	200,604
Designated Industrial Property	1,883	1,887	1,954
	6,672,150	6,363,240	6,680,934
Net Taxes Available for Municipal Purposes	\$ 20,619,022	\$ 20,936,195	\$ 20,941,184

The accompanying notes are an integral part of these financial statements

FABER LLP,
CHARTERED PROFESSIONAL ACCOUNTANTS

CITY OF COLD LAKE

SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (Unaudited)	2020	2019
Transfers for Operating:			
Provincial Government	\$ 824,184	\$ 2,663,075	\$ 1,075,712
Federal Government	330,000	319,688	319,688
Other Local Governments	2,040,170	2,372,948	722,145
Other Local Governments (ID 349)	8,028,000	8,028,000	8,028,000
	11,222,354	13,383,711	10,145,545
Transfers for Capital:			
Provincial Government	7,236,788	4,989,208	1,926,530
Federal Government	-	-	260,921
Other Local Governments	-	403,613	1,699,808
Other Local Governments (ID 349)	8,000,000	5,947,240	9,125,399
	15,236,788	11,340,061	13,012,658
Total Government Transfers	\$ 26,459,142	\$ 24,723,772	\$ 23,158,203

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, 2020

	Budget (Unaudited)	2020	2019
Expenses			
Salaries, Wages and Benefits	\$ 16,288,965	\$ 14,241,199	\$ 15,173,064
Contracted and General Services	10,159,819	8,200,759	10,662,959
Purchases from Other Governments	5,488,000	4,969,537	4,777,735
Materials, Goods, Supplies and Utilities	4,846,700	4,404,356	4,447,665
Provision for Allowances	1,208,000	3,792,919	3,650,637
Transfers to Individuals and Organizations	1,321,321	2,384,272	1,323,793
Bank Charges and Short-term Interest	38,000	30,021	32,756
Interest on Capital Long-term Debt	1,775,268	1,750,287	1,847,701
Amortization of Tangible Capital Assets	-	10,970,093	9,683,268
Loss on Disposal of Tangible Capital Assets	-	43,254	545,323
Other Expenditures	4,402,559	43,771	33,542
Total Expenses	\$ 45,528,632	\$ 50,830,468	\$ 52,178,443

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, 2020

	General Government	Protective Services	Utility Systems	Transportation Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net Municipal Taxes	20,936,195	-	-	-	-	-	-	20,936,195
Government Transfers	16,670,356	660,907	1,074,493	5,239,208	632,496	42,000	404,312	24,723,772
User Fees and Sale of Goods	1,008,441	335,736	8,385,858	121,952	45,195	325,035	1,593,496	11,815,713
Investment Income	1,866,052	-	-	-	-	-	-	1,866,052
Other Revenues	2,836,600	95,487	160,566	78,313	231,619	27,568	52,367	3,482,520
	43,317,644	1,092,130	9,620,917	5,439,473	909,310	394,603	2,050,175	62,824,252
EXPENSES								
Salaries, Wages and Benefits	3,240,140	1,724,465	2,241,767	2,546,730	670,986	748,122	3,068,989	14,241,199
Contracted and General Services	1,526,691	286,737	1,227,357	2,601,211	183,192	679,932	1,695,639	8,200,759
Materials, Goods, Supplies and Utilities	297,698	202,355	499,687	1,753,548	190,453	14,331	1,446,284	4,404,356
Purchases from Other Governments	-	1,863,469	3,106,068	-	-	-	-	4,969,537
Transfers to Individuals and Organizations	-	169,081	1,074,493	-	60,767	38,400	1,041,531	2,384,272
Interest on Capital Long-term Debt	-	211,822	27,167	247,357	93,727	-	1,170,214	1,750,287
Other Expenses	3,797,064	1,155	5,751	44,280	268	9,000	52,447	3,909,965
	8,861,593	4,459,084	8,182,290	7,193,126	1,199,393	1,489,785	8,475,104	39,860,375
NET REVENUE, BEFORE AMORTIZATION	34,456,051	(3,366,954)	1,438,627	(1,753,653)	(290,083)	(1,095,182)	(6,424,929)	22,963,877
Amortization Expense	151,220	581,423	1,588,319	6,346,666	175,456	8,230	2,118,779	10,970,093
NET REVENUE	34,304,831	(3,948,377)	(149,692)	(8,100,319)	(465,539)	(1,103,412)	(8,543,708)	11,993,784

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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 Net Taxes Available for Municipal purposes 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. The accrual basis of accounting records revenue as it is earned and measurable. 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, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(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, 2020

(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, 2020

(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 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:

	YEARS
Land Improvements	15-20
Buildings	40
Engineered structures	
Roadway systems	20-40
Water systems	50
Wastewater systems	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 and are not amortized. Costs for public art are expensed in the period they are incurred.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

2. CASH AND TEMPORARY INVESTMENTS

	2020	2019
Cash Floats and Undeposited Receipts	\$ 3,025	\$ 3,025
Bank Accounts	6,014,865	3,866,461
Temporary Investments	10,066,379	9,645,582
	\$ 16,084,269	\$ 13,515,068

Temporary investments consist of savings accounts which currently have effective interest rates of 0.90% (2019 - 2.40%). Temporary investments are capable of reasonably prompt liquidation and may be used to manage the municipality's cash position throughout the year from the date of purchase.

3. RECEIVABLES

	2020	2019
Taxes and grants in place of taxes		
Current taxes and grants in place of taxes	\$ 2,179,943	\$ 2,476,616
Arrears (Note 16)	22,481,223	18,610,667
Allowance for doubtful accounts (Note 16)	(23,642,008)	(19,861,583)
	1,019,158	1,225,700
Trade and other receivables		
Trade accounts	2,709,604	3,647,342
Due from Other Local Government (ID 349)	-	16,153,399
Due from Other Local Government	1,100,000	257,348
Goods and services tax rebate	296,764	226,625
Due from Province	1,380,085	-
Local improvement levies	10,834	19,274
Allowance for doubtful accounts	(488,049)	(475,496)
	5,009,238	19,828,492
	\$ 6,028,396	\$ 21,054,192

As of December 31, 2020, the Government of Alberta held back \$1.4 million of the \$15.3 million ID 349 funding allocated to the City. This heldback is due to two significant assessment appeals. Should the appeals be unsuccessful or reduced upon settlement, any excess funding allocated to address the appeals will be added onto the 2021 revenue transfer. There has been no receivable recorded due to the uncertainty surrounding the appeals as no amount can be reasonably estimated.

CITY OF COLD LAKE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

4. INVESTMENTS

	2020	2019
Cash and cash equivalents	\$ 10,000	\$ 10,040
Fixed income securities	50,736,937	35,624,745
Principal protected notes	23,062,300	10,584,400
	\$ 73,809,237	\$ 46,219,185

Fixed income securities have yields ranging from 1.25% to 3.38% (2019 - 2.10% to 3.38%) and maturity periods from 2021 to 2035. Principal protected notes have various interest rates tied to the market with maturity periods from 2027 to 2031. The market value of the investments at December 31, 2020 was \$74,855,878 (2019 - \$46,027,870). An increase in quoted market value above cost or amortized cost of investments with fixed maturity amounts is temporary in nature.

5. BANK INDEBTEDNESS

The municipality 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 municipality had used no part of this limit (2019 - nil).

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

6. DEFERRED REVENUE

	2020	2019
Alberta Municipal Sustainability Initiative Capital Grant	\$ 4,006,155	\$ 2,933,363
Alberta Municipal Stimulus Program	1,778,401	-
Alberta Municipal Operating Support Transfer	794,905	-
Other Deferred Revenue	228,498	249,941
Short-term Grants	156,619	163,404
Federal Gas Tax Fund	-	62,382
Deferred Revenue	\$ 6,964,578	\$ 3,409,090

The capital funding for Municipal Sustainability Capital Grant (MSI) including the Basic Municipal Transportation Grant (BMTG) allocated to the municipality for 2020 was \$3,328,099 (2019 - \$2,337,068). During 2020, the municipality received \$4,001,018 (2019 - \$4,973,586) which included allocations outstanding from 2019. The municipality has received half of the 2020 funding allocation. Grant funding allocations are not recognized as deferred revenue. The municipality records deferred revenue when the funding has been received but the project is not fully expensed or completed but is expected to be completed in the future.

The capital funding through the Municipal Stimulus Program (MSP) was intended to support municipal capital infrastructure as a means of contributing to local job creation and economic recovery. The municipality received \$1,778,401 and as at December 31, 2020 the capital projects had not commenced. The municipality has until December 31, 2021 to utilize these funds on the approved projects.

Through the Municipal Operating Support Transfer (MOST) Program, the Province provided the municipality a total of \$1,519,936. This grant was provided to municipalities to help offset increased operating costs or lost revenues incurred due to the COVID-19 pandemic. The deferred revenue is the unused portion of the grant as at December 31, 2020 and the revenue will be realized in the following year as expenses are incurred and losses are realized.

The capital funding for Gas Tax Fund allocated to the municipality for 2020 was \$855,795 (2019 - \$1,690,601). In 2020, the municipality received \$1,690,601 (2019 - \$1,676,305) which included allocations outstanding from 2019. The municipality has yet to receive the 2020 funding allocation. Grant funding allocations are not recognized as deferred revenue. The municipality records deferred revenue when the funding has been received but the project is not fully expensed or completed but is expected to be completed in the future.

Short-term Grants includes various grants paid to the municipality. The deferred revenue includes any grants that are unspent at December 31, 2020 and the revenue will be realized as the grant is utilized in the following year.

Other deferred revenue includes amounts received in advance for business licenses, advertising, rent and memberships.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

7. EMPLOYEE BENEFIT OBLIGATIONS

	2020	2019
Vacation and Overtime	\$ 1,089,695	\$ 1,061,522

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

	2020	2019
Tax Supported Debentures	\$ 48,303,662	\$ 50,854,094

The current portion of the long-term debt amounts to \$2,650,758 (2019 - \$2,550,432).

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,650,758	\$ 1,674,938	\$ 4,325,696
2022	2,755,186	1,570,510	4,325,696
2023	2,863,890	1,461,806	4,325,696
2024	2,977,053	1,348,643	4,325,696
2025	3,094,864	1,230,832	4,325,696
Thereafter	<u>33,961,911</u>	<u>9,102,058</u>	<u>43,063,969</u>
	<u>\$ 48,303,662</u>	<u>\$ 16,388,787</u>	<u>\$ 64,692,449</u>

Debenture debt is payable to 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 from 2025 to 2043. The average annual interest rate is 3.530% for 2020 (2019 - 3.548%). Debenture debt is issued on the credit and security of the City of Cold Lake.

Interest paid during the year amounted to \$1,750,287 (2019 - \$1,847,701).

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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:

	2020	2019
Total debt limit	\$ 84,535,407	\$ 86,868,018
Total debt actual	48,303,662	50,854,094
Amount of debt limit unused	\$ 36,231,745	\$ 36,013,924
Debt servicing limit	\$ 14,089,235	\$ 14,478,003
Debt servicing actual	4,325,696	4,325,696
Amount of debt servicing limit unused	\$ 9,763,539	\$ 10,152,307

The debt limit is calculated at 1.5 times the 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.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2020	2019
Tangible Capital Assets (Schedule 2)	\$ 472,078,343	\$ 462,733,147
Accumulated Amortization (Schedule 2)	(146,006,354)	(135,895,075)
Long-term Debt (Note 8)	(48,303,662)	(50,854,094)
	\$ 277,768,327	\$ 275,983,978

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

11. ACCUMULATED SURPLUS

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

	2020	2019
Internally Restricted:		
Public Works and Infrastructure	\$ 40,158,480	\$ 32,352,110
Community Services	9,332,624	6,426,747
General Government	4,493,845	4,131,683
Offsites - Uncommitted	3,898,073	4,339,318
Offsites - Committed	581,570	381,477
Electrical Utility Contribution	387,509	387,509
Developer Contribution	385,678	385,678
MD waterline	362,082	323,924
Planning and Development	192,548	438,339
Municipal reserve	132,648	132,648
Total Restricted	59,925,057	49,299,433
Unrestricted Funds	20,661,709	21,077,898
Restricted and unrestricted	80,586,766	70,377,331
Equity in tangible capital assets (Note 10)	277,768,327	275,983,978
ACCUMULATED SURPLUS	\$ 358,355,093	\$ 346,361,309

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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)	2020 Total	2019 Total
Mayor	Craig Copeland	\$ 58,127	\$ 2,933	\$ 61,060	\$ 67,661
Councillors:	Robert Buckle	35,034	1,715	36,749	46,811
	Duane Lay	29,409	1,234	30,643	38,916
	Kirk Soroka	26,409	1,262	27,671	28,550
	Jurgen Grau	27,034	1,295	28,329	31,440
	Vicky Lefebvre	32,034	1,557	33,591	35,513
	Chris Vining	29,409	1,420	30,829	31,572
Chief Administrative Officer	Kevin Nagoya	270,963	41,029	311,992	277,050
		\$ 508,419	\$ 52,445	\$ 560,864	\$ 557,513

- (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, 2020

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. The LAPP serves about 275,000 members and 420 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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% for the excess. Employees of the municipality are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% for the excess.

Total current service contributions by the municipality to the Local Authorities Pension Plan in 2020 were \$1,068,242 (2019 - \$1,023,257). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2020 were \$967,150 (2019 - \$926,354).

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.9 billion.

15. CONTINGENCIES

The municipality is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the municipality 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.

16. ARREARS AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

The municipality received the final payment from PSPC (Public Services and Procurement Canada) for the PILT (Payment in Lieu of Taxes) in June 2020. There is a disputed balance of \$3,780,425 (2019 - \$3,628,567) between the municipality and PSPC and the total disputed shortfall amount of \$23,628,008 included in allowance for doubtful accounts is being appealed. The significant increase in both Arrears and Allowance for doubtful accounts (Note 3) is due to an allowance for the PILT. The municipality does not budget for the penalty on this disputed balance however, does charge the penalty in accordance with the bylaw and sets up an allowance as PSPC is disputing the balance.

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 municipality to interest rate fluctuations.

18. CONTAMINATED SITES LIABILITY

The municipality adopted PS3260 Liability for Contaminated Sites. The municipality did not identify any financial liabilities in 2020 (2019 - nil) as a result of this standard.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

19. 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 municipality. The municipality will determine the estimated costs of closure and post-closure of the landfill site and has 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.

20. FINANCIAL INSTRUMENTS

The municipality's financial instruments consist of cash and temporary investments, taxes and grants in place of taxes, trade and other accounts receivables, investments, accounts payable and accrued liabilities, deposit liabilities, deferred revenue, 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 trade 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.

21. COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread in Canada and around the world. The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity.

The municipality is closely monitoring the situation. The municipality relies primarily on government funding and various sales and charges to its residences and although there is uncertainty about the length and potential impact of various restrictions in place, the municipality has considered the consequences of COVID-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the municipality's ability to continue as a going concern.

22. COMPARATIVE FIGURES

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

23. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by Council and Management.

**FABER LLP,
CHARTERED PROFESSIONAL ACCOUNTANTS**