

**CITY OF COLD LAKE  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

# CITY OF COLD LAKE

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## FINANCIAL STATEMENTS

December 31, 2017

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## **CITY OF COLD LAKE**

**December 31, 2017**

### **MANAGEMENT'S REPORT**

The accompanying financial statements and other information contained in this financial report are the responsibility of the management of the City of Cold Lake.

The financial statements have been prepared by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The City of Cold Lake maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the City of Cold Lake's assets are properly accounted for and adequately safeguarded.

The elected council of the City of Cold Lake are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

Councillors meet annually with management and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy themselves that each party is properly discharging its responsibilities. Councillors consider the engagement or reappointment of the external auditors and also review monthly financial reports.

The financial statements have been audited by Faber LLP, Chartered Professional Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of Council, residents and ratepayers of the City of Cold Lake. Faber LLP, Chartered Professional Accountants, has full and free access to Council.

**Cold Lake, Alberta**  
April 24, 2018

**Kevin Nagoya**  
CAO

## INDEPENDENT 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, 2017, and the **Statement of Operations, Statement of Change in Net Financial Assets** 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, 2017 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.

Edmonton, Alberta  
April 24, 2018

**Chartered Professional Accountants**

## CITY OF COLD LAKE

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017

	Note Reference	2017	2016
<b>FINANCIAL ASSETS</b>			
Cash and Temporary Investments	2	\$ 28,146,783	\$ 22,952,888
Receivables	3		
Taxes and Grants in Place of Taxes		1,127,479	1,151,174
Trade and other receivables		4,186,764	6,519,296
Land Held for Resale		1,233,400	1,356,100
Investments	4	30,447,516	30,518,916
		<b>\$ 65,141,942</b>	<b>\$ 62,498,374</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities		\$ 7,061,480	\$ 5,287,291
Deposit Liabilities		1,696,063	1,908,397
Deferred Revenues	6	1,078,984	1,503,206
Employee Benefit Obligations	7	771,410	754,390
Long-term Debt	8	34,263,387	36,016,829
		<b>44,871,324</b>	<b>45,470,113</b>
<b>NET FINANCIAL ASSETS (Statement 3)</b>		<b>20,270,618</b>	<b>17,028,261</b>
<b>NON-FINANCIAL ASSETS</b>			
Tangible Capital Assets (Schedule 2)		303,241,851	284,495,137
Inventory of Supplies and Materials		436,944	468,752
Prepaid Expenses		46,236	201,650
		<b>303,725,031</b>	<b>285,165,539</b>
<b>ACCUMULATED SURPLUS (Schedule 1)</b>	11	<b>\$ 323,995,649</b>	<b>\$ 302,193,800</b>

Contingencies - See Note 15.

**CITY OF COLD LAKE**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget	2017	2016
	(Unaudited)		
<b>Revenues</b>			
Net Municipal Taxes (Schedule 3)	\$ 19,455,583	\$ 19,460,869	\$ 19,694,249
Sales and User Charges	9,594,536	8,801,438	9,612,282
Government Transfers (Schedule 4)	9,872,893	9,966,552	9,742,553
Rentals	984,551	940,906	1,127,098
Franchise and Concession Contracts	906,069	993,198	927,144
Licenses and Permits	421,500	339,150	527,553
Other	332,543	602,221	652,811
Investment Income	200,000	1,423,984	689,795
Penalties and Costs on Taxes	285,000	1,701,697	1,401,639
Fines	300,000	368,454	182,482
Development Levies	-	408,580	249,584
<b>Total Revenues</b>	<b>42,352,675</b>	<b>45,007,049</b>	<b>44,807,190</b>
<b>Expenses (Schedule 5)</b>			
Administration	6,598,860	7,678,518	7,461,120
Fire and Emergency Services	1,207,728	1,195,618	1,149,029
Legislative	428,460	400,443	407,240
Other	3,562,746	111,000	196,833
Planning and Development	1,871,610	2,123,805	1,977,471
Police and By-law Enforcement	3,887,071	3,514,919	3,286,738
Public Health and Welfare	1,258,741	1,272,719	1,177,735
Recreation and Culture	8,735,022	8,350,496	8,269,720
Transportation Systems	7,127,066	7,284,001	6,457,960
Utility Systems	7,675,371	7,509,681	7,232,187
Amortization of Tangible Capital Assets	-	8,637,615	7,800,970
Loss on Disposal of Assets	-	436,388	95,567
<b>Total Expenses</b>	<b>42,352,675</b>	<b>48,515,203</b>	<b>45,512,570</b>
<b>(Deficiency) Excess of Revenues Over Expenses Before</b>			
Other Revenues	-	(3,508,154)	(705,380)
<b>Other Revenues</b>			
Contributed Assets	-	642,756	6,582,561
Government Transfers for Capital (Schedule 4)	17,272,000	24,667,247	25,082,435
<b>Excess of Revenues Over Expenses</b>	<b>17,272,000</b>	<b>21,801,849</b>	<b>30,959,616</b>
<b>Accumulated Surplus, Beginning of Year</b>		302,193,800	271,234,184
<b>Accumulated Surplus, End of Year (Schedule 1)</b>		<b>\$ 323,995,649</b>	<b>\$ 302,193,800</b>

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, 2017

	2017	2016
<b>Excess of Revenues Over Expenses</b>	\$ 21,801,849	\$ 30,959,616
Acquisition of Tangible Capital Assets	(27,348,292)	(23,413,909)
Contributed Tangible Capital Assets	(642,756)	(6,582,561)
Proceeds on Disposal of Tangible Capital Assets	170,331	160,256
Amortization of Tangible Capital Assets	8,637,615	7,800,970
Loss on Sale of Tangible Capital Assets	436,388	95,567
	(18,746,714)	(21,939,677)
Acquisition of Supplies Inventories	31,808	(4,189)
Use of Prepaid Assets	155,414	(190,171)
	187,222	(194,360)
<b>Increase in Net Financial Assets</b>	3,242,357	8,825,579
<b>Net Financial Assets, Beginning of Year</b>	17,028,261	8,202,682
<b>Net Financial Assets, End of Year</b>	<b>\$ 20,270,618</b>	<b>\$ 17,028,261</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, 2017

	2017	2016
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Excess of Revenues Over Expenditures	\$ 21,801,849	\$ 30,959,616
Add (Deduct) Non-cash Items		
Amortization of tangible capital assets	8,637,615	7,800,970
Loss on disposal of tangible capital assets	436,388	95,567
Tangible capital assets received as contributions	(642,756)	(6,582,561)
Non-cash charges to operations (net change):		
Decrease (Increase) in taxes and grants in place of taxes receivable	23,695	(200,950)
Decrease (Increase) in trade and other receivables	2,332,532	(1,755,375)
Decrease (Increase) Decrease in prepaid expenses	155,414	(190,171)
Decrease in land held for resale	122,700	-
Decrease (Increase) in inventories	31,808	(4,189)
Increase (Decrease) in accounts payable and accrued liabilities	1,774,189	(2,585,223)
(Decrease) in deposit liabilities	(212,334)	(114,829)
(Decrease) in deferred revenue	(424,222)	(23,465)
Increase (Decrease) in employee benefit obligations	17,020	(127,370)
	<b>34,053,898</b>	<b>27,272,020</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
Acquisition of tangible capital assets	(27,348,292)	(23,413,909)
Proceeds on disposal of tangible capital assets	170,331	160,256
	<b>(27,177,961)</b>	<b>(23,253,653)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Decrease) in long-term investments	71,400	6,848,883
	<b>71,400</b>	<b>6,848,883</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
(Decrease) Increase in long-term debt	(3,063,262)	4,124,350
Interest paid on long-term debt	1,309,820	1,286,081
	<b>(1,753,442)</b>	<b>5,410,431</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>5,193,895</b>	<b>16,277,681</b>
<b>NET CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>22,952,888</b>	<b>6,675,207</b>
<b>NET CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 28,146,783</b>	<b>\$ 22,952,888</b>
<b>NET CASH AND CASH EQUIVALENTS IS MADE UP OF:</b>		
Cash and Short-term Deposits	\$ 28,146,783	\$ 22,952,888
	<b>\$ 28,146,783</b>	<b>\$ 22,952,888</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, 2017

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 14,810,308	\$ 38,905,184	\$ 248,478,308	\$ 302,193,800	\$ 271,234,184
Excess of revenues over expenses	21,801,849	-	-	<b>21,801,849</b>	30,959,616
Unrestricted funds designated for future use	(18,432,181)	18,432,181	-	-	-
Restricted funds used for operations	1,041,962	(1,041,962)	-	-	-
Restricted funds used for tangible capital assets	-	(10,974,030)	10,974,030	-	-
Current year funds used for tangible capital assets	(16,599,144)	-	16,599,144	-	-
Contributed tangible capital assets	(417,874)	-	417,874	-	-
Disposal of tangible capital assets (net of amortization)	606,719	-	(606,719)	-	-
Annual amortization expense	8,637,615	-	(8,637,615)	-	-
Long term debt repaid	(1,753,442)	-	1,753,442	-	-
Change in accumulated surplus	(5,114,496)	6,416,189	20,500,156	<b>21,801,849</b>	30,959,616
<b>BALANCE, END OF YEAR (Note 11)</b>	\$ 9,695,812	\$ 45,321,373	\$ 268,978,464	\$ 323,995,649	\$ 302,193,800

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, 2017

	Land	Land Improvement	Buildings	Engineering Structures	Work in Progress	Machinery and Equipment	Vehicles	2017	2016
<b>COST:</b>									
Balance, Beginning of the year	38,176,419	10,411,927	57,259,304	229,170,075	40,772,542	14,598,832	5,754,519	396,143,618	366,733,389
Acquisition of tangible capital assets	158,506	524,192	12,798,985	12,897,782	27,310,935	1,372,481	447,590	55,510,471	40,179,652
Reclassification	122,700	-	-	(26,710)	(1,162,148)	-	-	(1,066,158)	-
Construction-in-progress (Transferred to Land Improvement, Buildings, Engineering Structures, and Machinery and Equipment)	-	-	-	-	(26,453,265)	-	-	(26,453,265)	(10,183,182)
Disposal of tangible capital assets	-	(291,658)	-	(706,776)	-	(133,795)	(465,356)	(1,597,585)	(586,241)
Balance, End of the year	38,457,625	10,644,461	70,058,289	241,334,371	40,468,064	15,837,518	5,736,753	422,537,081	396,143,618
<b>ACCUMULATED AMORTIZATION:</b>									
Balance, Beginning of the year	-	1,662,519	8,208,267	94,207,123	-	4,706,159	2,864,413	111,648,481	104,177,929
Annual amortization	-	544,188	1,412,581	5,428,083	-	877,977	374,786	8,637,615	7,800,970
Accumulated amortization on disposals	-	(291,658)	-	(215,710)	-	(40,697)	(442,801)	(990,866)	(330,418)
Balance, End of the year	-	1,915,049	9,620,848	99,419,496	-	5,543,439	2,796,398	119,295,230	111,648,481
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>38,457,625</b>	<b>8,729,412</b>	<b>60,437,441</b>	<b>141,914,875</b>	<b>40,468,064</b>	<b>10,294,079</b>	<b>2,940,355</b>	<b>303,241,851</b>	<b>284,495,137</b>
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	38,176,419	8,749,408	49,051,037	134,962,951	40,772,542	9,892,673	2,890,105	284,495,137	

The accompanying notes are an integral part of these financial statements

**FABER LLP,**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**

# CITY OF COLD LAKE

## SCHEDULE OF PROPERTY AND OTHER TAXES FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
<b>Taxation</b>			
Real Property Taxes	\$ 27,005,285	\$ 20,431,061	\$ 20,685,328
Linear Property Taxes	-	367,282	353,906
Government Grants in Place of Property Taxes	-	6,235,892	6,163,497
	<b>27,005,285</b>	<b>27,034,235</b>	<b>27,202,731</b>
<b>Requisitions</b>			
Alberta School Foundation Fund	7,346,839	7,370,086	7,357,178
Lakeland Lodge and Housing Foundation	202,863	203,280	151,304
	<b>7,549,702</b>	<b>7,573,366</b>	<b>7,508,482</b>
<b>Net Taxes Available for Municipal Purposes</b>	<b>\$ 19,455,583</b>	<b>\$ 19,460,869</b>	<b>\$ 19,694,249</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, 2017

	Budget (Unaudited)	2017	2016
<b>Transfers for Operating:</b>			
Provincial Government	\$ 780,645	\$ 806,142	\$ 809,546
Federal Government	315,500	325,888	325,888
Other Local Governments	748,748	806,522	797,119
Other Local Governments (ID 349)	8,028,000	8,028,000	7,810,000
	<b>9,872,893</b>	<b>9,966,552</b>	<b>9,742,553</b>
<b>Transfers for Capital:</b>			
Provincial Government	-	4,156,820	6,797,276
Other Local Governments (ID 349)	17,272,000	20,510,427	18,285,159
	<b>17,272,000</b>	<b>24,667,247</b>	<b>25,082,435</b>
<b>Total Government Transfers</b>	<b>\$ 27,144,893</b>	<b>\$ 34,633,799</b>	<b>\$ 34,824,988</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, 2017

	Budget (Unaudited)	2017	2016
<b>Expenses</b>			
Salaries, Wages and Benefits	\$ 14,831,015	\$ 13,738,613	\$ 13,068,848
Contracted and General Services	10,141,530	11,019,371	10,192,455
Materials, Goods, Supplies and Utilities	4,206,900	4,158,909	3,830,885
Purchases from Other Governments	5,123,600	4,647,801	4,584,947
Provision for Allowances	1,508,000	2,969,839	2,882,324
Transfers to Individuals and Organizations	1,327,309	1,485,112	1,647,507
Interest on Capital Long-term Debt	1,481,325	1,309,820	1,286,081
Bank Charges and Short-term Interest	48,300	38,084	48,267
Other Expenditures	3,684,696	73,651	74,719
Amortization of Tangible Capital Assets	-	8,637,615	7,800,970
Loss on Disposal of Tangible Capital Assets	-	436,388	95,567
<b>Total Expenses</b>	<b>\$ 42,352,675</b>	<b>\$ 48,515,203</b>	<b>\$ 45,512,570</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, 2017

	General Government	Protective Services	Utility Systems	Transportation Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
<b>REVENUE</b>								
Net Municipal Taxes	19,460,869	-	-	-	-	-	-	19,460,869
Government Transfers	29,314,101	549,388	376,313	3,774,255	564,492	42,000	13,250	34,633,799
User Fees and Sale of Goods	1,010,472	321,171	7,240,562	122,772	68,597	561,902	1,744,476	11,069,952
Investment Income	1,423,984	-	-	-	-	-	-	1,423,984
Contributed Assets	-	-	-	635,513	-	-	7,243	642,756
Other Revenues	1,860,261	401,242	335,949	287,024	98,129	28,556	74,531	3,085,692
	53,069,687	1,271,801	7,952,824	4,819,564	731,218	632,458	1,839,500	70,317,052
<b>EXPENSES</b>								
Salaries, Wages and Benefits	2,953,260	1,609,232	2,118,253	2,518,648	775,873	861,549	2,901,798	13,738,613
Contracted and General Services	2,018,849	457,168	2,011,335	2,896,337	190,357	1,206,564	2,238,761	11,019,371
Materials, Goods, Supplies and Utilities	104,968	245,806	691,327	1,538,264	187,535	17,292	1,373,717	4,158,909
Purchases from Other Governments	-	1,990,183	2,657,618	-	-	-	-	4,647,801
Transfers to Individuals and Organizations	88,500	169,081	-	-	15,298	38,400	1,173,833	1,485,112
Interest on Capital Long-term Debt	-	239,066	30,046	326,967	103,658	-	610,083	1,309,820
Other Expenses	3,024,384	16,666	1,102	433,219	-	-	42,591	3,517,962
	8,189,961	4,727,202	7,509,681	7,713,435	1,272,721	2,123,805	8,340,783	39,877,588
<b>NET REVENUE, BEFORE AMORTIZATION</b>	44,879,726	(3,455,401)	443,143	(2,893,871)	(541,503)	(1,491,347)	(6,501,283)	30,439,464
Amortization Expense	143,124	100,233	1,431,781	5,040,161	162,092	8,230	1,751,994	8,637,615
<b>NET REVENUE</b>	44,736,602	(3,555,634)	(988,638)	(7,934,032)	(703,595)	(1,499,577)	(8,253,277)	21,801,849

**FABER LLP,  
CHARTERED PROFESSIONAL ACCOUNTANTS**

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

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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, 2017

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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, 2017

**(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.

**D) 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 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 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, 2017

### 2. CASH AND TEMPORARY INVESTMENTS

	2017	2016
Cash Floats and Undeposited Receipts	\$ 2,775	\$ 2,650
Bank Accounts	5,144,008	2,950,238
Temporary investments	23,000,000	20,000,000
	<b>\$ 28,146,783</b>	<b>\$ 22,952,888</b>

### 3. RECEIVABLES

	2017	2016
Taxes and grants in place of taxes		
Current taxes and grants in place of taxes	\$ 2,593,631	\$ 3,057,811
Arrears (Note 16)	11,344,321	7,972,922
Allowance for doubtful accounts (Note 16)	(12,810,473)	(9,879,559)
	1,127,479	1,151,174
Trade and other receivables		
Local improvement levies	\$ 41,210	\$ 52,663
Trade accounts	4,391,724	6,690,412
Goods and services tax rebate	247,377	328,503
Allowance for doubtful accounts	(493,547)	(552,282)
	4,186,764	6,519,296
	<b>\$ 5,314,243</b>	<b>\$ 7,670,470</b>

### 4. INVESTMENTS

	2017	2016
Cash and cash equivalents	\$ 10,040	\$ 10,040
Fixed income securities	21,854,476	19,339,783
Mutual funds/segregated funds	-	3,059,080
Principal protected notes	8,583,000	8,110,013
	<b>\$ 30,447,516</b>	<b>\$ 30,518,916</b>

The fixed income securities have a yield from 2.23% to 3.38% (2016 - 1.23% to 8.49%) and mature in periods 2019 through 2031. Principal protected notes have various interest rates tied to the market with maturity periods 2022 to 2027. The market value of the investments at December 31, 2017 was \$29,329,374 (2016 - \$30,255,872). A decline in quoted market value below cost or amortized cost of investments with fixed maturity amounts is temporary in nature.

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 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 (2016 - nil).

### 6. DEFERRED REVENUES

	2017	2016
Alberta Municipal Sustainability Initiative Capital Grant	\$ 284,962	\$ -
Alberta Basic Municipal Transportation Grant	69,470	-
Water/Sewer Special Grant - Province	387,874	387,874
Other	336,678	341,698
Alberta Municipal Infrastructure Program	-	363,084
Basic Capital Grant	-	410,550
<b>Deferred Revenues</b>	<b>\$ 1,078,984</b>	<b>\$ 1,503,206</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.

### 7. EMPLOYEE BENEFIT OBLIGATIONS

	2017	2016
Vacation and Overtime	\$ 771,410	\$ 754,390

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, 2017

### 8. LONG-TERM DEBT

	2017	2016
Tax Supported Debentures	\$ 34,263,387	\$ 36,016,829

The current portion of the long-term debt amounts to \$1,825,050 (2016 - \$1,753,442).

Principal and interest payments are as follows:

	Principal	Interest	Total
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
2022	2,143,248	939,283	3,082,531
Thereafter	24,359,217	5,870,777	30,229,994
	<u>\$ 34,263,387</u>	<u>\$ 11,379,262</u>	<u>\$ 45,642,649</u>

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 3.727% for 2017 (2016 - 3.861%). 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 \$1,309,820 (2016 - \$1,286,081).

### 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:

	2017	2016
Total long-term debt limit	\$ 98,276,214	\$ 94,638,524
Total long-term debt actual	34,263,387	36,016,829
<b>Amount of debt limit unused</b>	<b>\$ 64,012,827</b>	<b>\$ 58,621,695</b>
Debt servicing limit	\$ 16,379,369	\$ 15,773,087
Debt servicing actual	3,082,531	3,082,531
<b>Amount of debt servicing limit unused</b>	<b>\$ 13,296,838</b>	<b>\$ 12,690,556</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, 2017

### 10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016
Tangible Capital Assets (Schedule 2)	\$ 422,537,081	\$ 396,143,618
Accumulated Amortization (Schedule 2)	(119,295,230)	(111,648,481)
Long-term Debt (Note 8)	(34,263,387)	(36,016,829)
	<b>\$ 268,978,464</b>	<b>\$ 248,478,308</b>

### 11. ACCUMULATED SURPLUS

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

	2017	2016
<b>Restricted surplus by agreement or legislation:</b>		
MD waterline	\$ 255,023	\$ 221,251
Offsites - Uncommitted	4,061,501	3,429,733
Offsites - Committed	381,477	381,477
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	342,615	279,810
	<b>5,665,803</b>	<b>4,937,458</b>
<b>Internally Restricted:</b>		
General Government	2,558,263	2,847,099
Public Works and Infrastructure	24,276,104	22,069,094
Community Services	12,148,106	8,708,477
Planning and Development	673,097	343,056
	<b>39,655,570</b>	<b>33,967,726</b>
<b>Restricted</b>	<b>45,321,373</b>	<b>38,905,184</b>
<b>Unrestricted Funds</b>	<b>9,695,812</b>	<b>14,810,308</b>
<b>Restricted and unrestricted</b>	<b>55,017,185</b>	<b>53,715,492</b>
<b>Equity in tangible capital assets (Note 10)</b>	<b>268,978,464</b>	<b>248,478,308</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 323,995,649</b>	<b>\$ 302,193,800</b>

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 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)	2017 Total	2016 Total
Mayor	Craig Copeland	\$ 59,814	\$ 1,847	\$ 61,661	\$ 62,000
	Subsistence	-	-	9,738	9,842
Councillors:	Robert Buckle	38,374	1,128	39,502	34,855
	Duane Lay	33,873	1,048	34,921	33,305
	Kirk Soroka	2,626	62	2,688	-
	Jurgen Grau	3,751	99	3,850	-
	Vicky Lefebvre	37,173	1,087	38,260	36,791
	Darrell MacDonald	24,352	676	25,028	26,978
	Chris Vining	29,623	838	30,461	31,110
	Kelvin Plain	-	-	-	14,096
	Subsistence	-	-	37,382	28,763
Chief Administrative Officer	Kevin Nagoya	227,503	42,214	269,717	295,743
		\$ 457,089	\$ 48,999	\$ 553,208	\$ 573,483

- (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, 2017

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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 253,000 members and 417 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 2017 were \$1,055,659 (2016 - \$1,137,267). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2017 were \$971,350 (2016 - \$1,046,390).

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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. 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 February 2017. There is disputed balance of \$2,962,914 (2016 - \$2,881,885) between the municipality and PSPC and the total disputed shortfall amount of \$12,792,473 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 PILT.

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### 17. TAXATION REVENUE

The municipality expects a substantial decrease in taxation revenue expected from Cold Lake Air Weapons Range (Improvement District No. 349) in future years beginning in 2018. The taxation revenue was initially based on a memorandum of understanding to achieve the sustainability objective of the municipality. The estimated amount of the decrease in taxation revenue is \$10 million.

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### 18. 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, 2017**

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### **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 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.

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### **20. CONTAMINATED SITES LIABILITY**

The municipality adopted PS3260 Liability for Contaminated Sites. The municipality did not identify any financial liabilities in 2017 (2016 - nil) as a result of this standard.

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### **21. FINANCIAL INSTRUMENTS**

The municipality's financial instruments consist of cash and short-term deposits, taxes and grants in place of taxes, trade and other accounts receivables, 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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### **22. COMPARATIVE FIGURES**

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

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### **23. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements have been approved by Council and Management.