

**CITY OF COLD LAKE  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

# CITY OF COLD LAKE

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## FINANCIAL STATEMENTS

December 31, 2014

### CONTENTS

	<u>Page</u>
<b>AUDITORS' REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statement "1" Statement of Financial Position	2
Statement "2" Statement of Operations	3
Statement "3" Statement of Change in Net Financial Assets (Debt)	4
Statement "4" Statement of Cash Flows	5
Schedule "1" Schedule of Changes in Accumulated Surplus	6
Schedule "2" Schedule of Tangible Capital Assets	7
Schedule "3" Schedule of Taxes Levied	8
Schedule "4" Schedule of Government Transfers	9
Schedule "5" Schedule of Expenses by Object	10
Notes to the Financial Statements	11 - 22

## AUDITORS' REPORT

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

We have audited the financial statements of the **City of Cold Lake**, which comprise the **Statement of Financial Position** as at December 31, 2014, 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 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.

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.

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, 2014 and the results of its operations, the change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta  
April 28, 2015



**Chartered Accountants**

## CITY OF COLD LAKE

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2014

	Note Reference	2014	2013
<b>FINANCIAL ASSETS</b>			
Cash and Short-term Deposits	2	\$ 3,273,552	\$ 10,344,440
Receivables	3		
Taxes and Grants in Place of Taxes		701,650	1,245,282
Trade and other receivables		4,470,155	5,409,388
Land Held for Resale		1,356,100	1,356,100
Long-term Investments	4	34,602,027	20,059,744
		<b>44,403,484</b>	<b>38,414,954</b>
		<b>\$ 44,403,484</b>	<b>\$ 38,414,954</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities		\$ 5,622,817	\$ 6,844,637
Deposit Liabilities		3,487,816	1,844,950
Deferred Revenue	6	1,720,254	2,259,976
Employee Benefit Obligations	7	928,698	682,700
Long-term Debt	8	32,038,919	27,803,511
		<b>43,798,504</b>	<b>39,435,774</b>
<b>NET FINANCIAL ASSETS (DEBT) (Statement 3)</b>		<b>604,980</b>	<b>(1,020,820)</b>
<b>NON-FINANCIAL ASSETS</b>			
Tangible Capital Assets (Schedule 2)		236,420,714	219,257,158
Inventory of Supplies and Materials		442,238	203,801
Prepaid Expenses		29,059	59,652
		<b>236,892,011</b>	<b>219,520,611</b>
<b>ACCUMULATED SURPLUS (Schedule 1)</b>	11	<b>\$237,496,991</b>	<b>\$218,499,791</b>

Contingencies - See Note 14.

Subsequent event - See Note 15.



**CITY OF COLD LAKE**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budget	2014	2013
	(Unaudited)		
<b>Revenues</b>			
Development Levies	\$ -	\$ 1,958,505	\$ 739,893
Fines	200,000	123,806	129,553
Franchise and Concession Contracts	798,471	962,146	718,295
Government Transfers (Schedule 4)	1,144,756	1,429,337	2,554,900
Licenses and Permits	619,000	873,565	764,068
Net Municipal Taxes (Schedule 3)	23,061,355	36,179,360	31,998,972
Other	237,000	400,852	672,942
Penalties and Costs on Taxes	208,000	802,091	581,122
Rentals	872,536	859,068	867,410
Return on Investments	100,000	744,854	414,518
Sales and User Charges	8,798,016	9,385,993	8,424,078
<b>Total Revenues</b>	<b>36,039,134</b>	<b>53,719,577</b>	<b>47,865,751</b>
<b>Expenses (Schedule 5)</b>			
Administration	6,268,054	7,080,070	5,528,251
Fire and Emergency Services	813,850	785,903	709,018
Legislative	370,300	420,516	354,718
Other	3,404,417	26,459	8,000
Planning and Development	1,676,700	1,785,524	1,882,585
Police and By-law Enforcement	2,631,333	2,604,825	2,589,431
Public Health and Welfare	854,188	1,058,775	1,012,457
Recreation and Culture	7,764,520	7,567,151	6,926,750
Transportation Systems	5,318,002	5,353,231	5,375,533
Utility Systems	6,937,770	7,111,024	6,305,810
Amortization of Tangible Capital Assets	-	6,402,263	4,685,858
Loss on disposal of assets	-	24,720	1,111,936
<b>Total Expenses</b>	<b>36,039,134</b>	<b>40,220,461</b>	<b>36,490,347</b>
<b>Excess (Deficiency) of Revenues Over Expenses Before</b>			
Other	-	13,499,116	11,375,404
<b>Other Revenues</b>			
Government Transfers for Capital (Schedule 4)	-	5,121,304	7,284,491
Public Contributions for Capital	-	376,780	3,733,417
<b>Excess of Revenues Over Expenses</b>	<b>-</b>	<b>18,997,200</b>	<b>22,393,312</b>
<b>Accumulated Surplus, Beginning of Year</b>	<b>-</b>	<b>218,499,791</b>	<b>196,106,479</b>
<b>Accumulated Surplus, End of Year (Schedule 1)</b>	<b>\$ -</b>	<b>\$ 237,496,991</b>	<b>\$ 218,499,791</b>

The accompanying notes are an integral part of these financial statements

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

## CITY OF COLD LAKE

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)  
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
<b>Excess of Revenues Over Expenses</b>	<b>\$ 18,997,200</b>	<b>\$ 22,393,312</b>
Acquisition of Tangible Capital Assets	(23,697,119)	(24,850,397)
Proceeds on disposal of Tangible Capital Assets	106,580	524,781
Amortization of Tangible Capital Assets	6,402,263	4,685,858
(Gain) loss on sale of Tangible Capital Assets	24,720	1,111,936
	(17,163,556)	(18,527,822)
Acquisition of Supplies Inventories	(238,437)	99,133
Acquisition of Prepaid Assets	30,593	(48,687)
	(207,844)	50,446
<b>Decrease (Increase) in Net Debt</b>	<b>1,625,800</b>	<b>3,915,936</b>
<b>Net Financial Assets (Debt), Beginning of Year</b>	<b>(1,020,820)</b>	<b>(4,936,756)</b>
<b>Net Financial Assets (Debt), End of Year</b>	<b>\$ 604,980</b>	<b>\$ (1,020,820)</b>

The accompanying notes are an integral part of these financial statements

FABER LLP,  
CHARTERED ACCOUNTANTS

# CITY OF COLD LAKE

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Excess of Revenues Over Expenditures	\$ 18,997,200	\$ 22,393,312
Add (Deduct) Non-cash Items		
Amortization of tangible capital assets	6,402,263	4,685,858
Loss on disposal of tangible capital assets	24,720	1,111,936
Decrease (Increase) in taxes and grants in place of taxes receivable	543,632	(423,137)
Decrease (Increase) in trade and other receivables	939,233	(935,512)
Decrease (Increase) in prepaid expenses	30,593	(48,687)
Decrease in land held for resale	-	77,100
(Increase) Decrease in inventories	(238,437)	99,133
(Decrease) Increase in accounts payable and accrued liabilities	(1,221,820)	(2,021,158)
Increase (Decrease) in deposit liabilities	1,642,866	955,998
Decrease in deferred revenue	(539,722)	(2,586,696)
Increase in employee benefit obligations	245,998	96,456
	<b>26,826,526</b>	<b>23,404,603</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
Acquisition of tangible capital assets	(23,697,119)	(25,043,310)
Sale of tangible capital assets	106,580	524,781
	<b>(23,590,539)</b>	<b>(24,518,529)</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
(Decrease) Increase in long-term investments	(14,542,283)	5,156,273
	<b>(14,542,283)</b>	<b>5,156,273</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
(Decrease) Increase in long-term debt	3,062,706	(2,483,416)
Interest paid on long-term debt (Note 8)	1,172,702	1,178,812
	<b>4,235,408</b>	<b>(1,304,604)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7,070,888)</b>	<b>2,737,743</b>
<b>NET CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>10,344,440</b>	<b>7,606,697</b>
<b>NET CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 3,273,552</b>	<b>\$ 10,344,440</b>
<b>NET CASH AND CASH EQUIVALENTS IS MADE UP OF:</b>		
Cash and Short-term Deposits (Note 2)	\$ 3,273,552	\$ 10,344,440
	<b>\$ 3,273,552</b>	<b>\$ 10,344,440</b>

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

## CITY OF COLD LAKE

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2014	2013
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 9,008,193	\$ 18,037,951	\$191,453,647	\$218,499,791	\$196,106,479
Excess of revenues over expenses	18,997,200	-	-	18,997,200	22,393,312
Unrestricted funds designated for future use	(11,605,512)	11,605,512	-	-	-
Restricted funds used for operations	7,357,958	(7,357,958)	-	-	-
Restricted funds used for tangible capital assets	-	(538,028)	538,028	-	-
Current year funds used for tangible capital assets	(23,116,713)	-	23,116,713	-	-
Contributed tangible capital assets	(42,380)	-	42,380	-	-
Disposal of tangible capital assets (net of amortization)	131,302	-	(131,302)	-	-
Annual amortization expense	6,402,263	-	(6,402,263)	-	-
Debtenture purchases	5,525,000	-	(5,525,000)	-	-
Long term debt repaid	(1,289,592)	-	1,289,592	-	-
Change in accumulated surplus	2,359,526	3,709,526	12,928,148	18,997,200	22,393,312
<b>BALANCE, END OF YEAR (Note 11)</b>	\$ 11,367,719	\$ 21,747,477	\$204,381,795	\$237,496,991	\$218,499,791

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FABER LLP,  
CHARTERED ACCOUNTANTS



# CITY OF COLD LAKE

## SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2014

	Land	Land Improvement	Buildings	Engineered Structures	Work in Progress	Machinery and Equipment	Vehicles	2014	2013
<b>COST:</b>									
<b>BALANCE, BEGINNING OF YEAR</b>	36,585,290	4,003,787	23,237,332	193,056,578	38,193,339	11,399,223	5,305,465	311,781,014	294,131,007
Acquisition of tangible capital assets	1,019,095	1,069,263	28,614,785	396,074	20,124,804	988,064	28,676	52,240,761	46,514,165
Reclassification	-	-	-	-	-	-	-	-	(59,857,107)
Construction-in-progress	-	-	-	-	(28,543,642)	-	-	(28,543,642)	38,193,339
Write down of tangible capital assets	-	-	-	(55,257)	-	(526,787)	(451,512)	(1,033,556)	(7,190,577)
Miscellaneous items	-	-	-	-	-	-	-	-	(9,813)
<b>BALANCE, END OF YEAR</b>	<b>37,604,385</b>	<b>5,073,050</b>	<b>51,852,117</b>	<b>193,397,395</b>	<b>29,774,501</b>	<b>11,860,500</b>	<b>4,882,629</b>	<b>334,444,577</b>	<b>311,781,014</b>
<b>ACCUMULATED AMORTIZATION:</b>									
<b>BALANCE, BEGINNING OF YEAR</b>	-	797,257	5,551,493	80,437,372	-	3,531,929	2,205,805	92,523,856	93,401,670
Annual amortization	-	195,831	579,610	4,534,384	-	725,425	367,013	6,402,263	4,676,045
Accumulated amortization on disposals	-	-	-	(55,258)	-	(435,440)	(411,558)	(902,256)	(5,553,859)
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>993,088</b>	<b>6,131,103</b>	<b>84,916,498</b>	<b>-</b>	<b>3,821,914</b>	<b>2,161,260</b>	<b>98,023,863</b>	<b>92,523,856</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>37,604,385</b>	<b>4,079,962</b>	<b>45,721,014</b>	<b>108,480,897</b>	<b>29,774,501</b>	<b>8,038,586</b>	<b>2,721,369</b>	<b>236,420,714</b>	<b>219,257,158</b>
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	36,585,290	3,206,530	17,685,839	112,619,206	38,193,339	7,867,294	3,099,660	219,257,158	

The accompanying notes are an integral part of these financial statements

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

## CITY OF COLD LAKE

SCHEDULE OF PROPERTY AND OTHER TAXES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (Unaudited)	2014	2013
<b>Taxation</b>			
Real Property Taxes	\$ 29,168,183	\$ 35,564,866	\$ 31,227,764
Linear Property Taxes	-	341,303	326,899
Government Grants in Place of Property Taxes	-	6,042,897	6,088,366
Local Improvements	175,564	70,324	62,941
	<b>29,343,747</b>	<b>42,019,390</b>	<b>37,705,970</b>
<b>Requisitions</b>			
Alberta School Foundation Fund	6,158,978	5,715,784	5,597,637
Bonnyville District Foundation	123,414	124,246	109,361
	<b>6,282,392</b>	<b>5,840,030</b>	<b>5,706,998</b>
<b>Net Taxes Available for Municipal Purposes</b>	<b>\$ 23,061,355</b>	<b>\$ 36,179,360</b>	<b>\$ 31,998,972</b>

The accompanying notes are an integral part of these financial statements

FABER LLP,  
CHARTERED ACCOUNTANTS

## CITY OF COLD LAKE

SCHEDULE OF GOVERNMENT TRANSFERS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (Unaudited)	2014	2013
<b>Transfers for Operating:</b>			
Provincial Government	\$ 748,012	\$ 657,699	\$ 1,051,831
Federal Government	312,000	315,200	315,200
Other Local Governments	84,744	456,438	1,187,869
	<b>1,144,756</b>	<b>1,429,337</b>	<b>2,554,900</b>
<b>Transfers for Capital:</b>			
Provincial Government	-	5,121,304	7,284,491
<b>Total Government Transfers</b>	<b>\$ 1,144,756</b>	<b>\$ 6,550,641</b>	<b>\$ 9,839,391</b>

The accompanying notes are an integral part of these financial statements

FABER LLP,  
CHARTERED ACCOUNTANTS

## CITY OF COLD LAKE

SCHEDULE OF EXPENSES BY OBJECT  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (Unaudited)	2014	2013
<b>Expenses</b>			
Salaries, Wages and Benefits	\$ 12,944,928	\$ 11,371,488	\$ 10,156,029
Contracted and General Services	8,205,395	8,876,765	8,373,593
Materials, Goods, Supplies and Utilities	3,884,850	3,788,106	3,952,250
Purchases from Other Governments	3,825,660	3,976,935	4,036,042
Provision for Allowances	58,000	-	-
Transfers to Individuals and Organizations	1,245,155	1,366,792	1,258,750
Interest on Capital Long-term Debt	1,163,728	1,172,702	1,178,812
Bank Charges and Short-term Interest	51,000	65,969	39,792
Other Expenditures	4,660,418	3,174,721	1,697,285
Amortization of Tangible Capital Assets	-	6,402,263	4,685,858
Loss on disposal of tangible capital assets	-	24,720	1,111,936
<b>Total Expenses</b>	<b>\$ 36,039,134</b>	<b>\$ 40,220,461</b>	<b>\$ 36,490,347</b>

The accompanying notes are an integral part of these financial statements

FABER LLP,  
CHARTERED ACCOUNTANTS



# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

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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 Canadian Institute of Chartered Accountants. 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, 2014

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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) 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.

**(j) 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.



# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

### 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 system	20-40
Water system	50
Wastewater system	50
Other engineered structures	5-30
Machinery and equipment	10
Vehicles	10-25

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

### II) Contributions of Tangible Capital Assets

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

### III) Leases

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

### IV) Inventories

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

### V) Cultural and Historical Tangible Capital Assets

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

## 2. CASH AND SHORT-TERM DEPOSITS

	2014	2013
Cash Floats and Undeposited Receipts	\$ 2,750	\$ 2,750
Bank Accounts	3,270,802	2,341,690
Term Deposits and Guaranteed Investment Certificates	-	8,000,000
	<b>\$ 3,273,552</b>	<b>\$ 10,344,440</b>

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

### 3. RECEIVABLES

	2014	2013
Taxes and grants in place of taxes		
Current taxes and grants in place of taxes	\$ 5,953,395	\$ 3,424,984
Arrears	176,478	308,372
Allowance for doubtful accounts	(5,428,223)	(2,488,074)
	701,650	1,245,282
Trade and other receivables		
Local improvement levies	\$ 11,453	\$ -
Trade accounts	4,411,428	5,966,759
GST	722,560	86,067
Allowance for doubtful accounts	(675,286)	(643,438)
	4,470,155	5,409,388
	\$ 5,171,805	\$ 6,654,670



# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

### 4. LONG-TERM INVESTMENTS

	2014	2013
Accrued interest receivable	\$ -	\$ 127,283
Bank of Montreal S&P TSX60 coupon bonds, maturing on January 14, 2021	2,000,000	-
Bank of Montreal Tier 1 NTES coupon bonds, annual equivalent yield rate of 10.221%, maturing December 31, 2107	2,311,114	2,311,114
BNS Investment Savings Account yield rate of 1.78%	-	7,161,505
BNS S&P/TSX60 NTS SER 10 coupon bonds, maturing on April 7, 2020	2,000,000	-
CIBC Capital Trust coupon bonds, annual equivalent yield rate of 9.976%, maturing on June 30, 2108	711,525	711,525
CIBC CDN INDEX GROWTH DEPOSIT NTS coupon bonds, maturing on May 5, 2020	2,000,000	-
CPN Bank of Montreal coupon bonds, annual equivalent yield rate of 6.17%, maturing on September 28, 2015	13,000	13,000
CPN Bank of Montreal coupon bonds, annual equivalent yield rate of 6.17%, maturing on September 28, 2016	217,152	217,152
NBC XIU ETF coupon bonds, maturing August 13, 2019	164,012	-
Ontario Hydro coupon bonds, annual equivalent yield rate of 4.17%, maturing April 11, 2017	-	155,400
Province of Nova Scotia coupon bonds, annual equivalent yield rate of 2.00%, maturing January 10, 2022	922,000	922,000
RBC Investment Savings Account yield rate of 1.78%	-	7,546,961
Shares, Alberta Municipal Finance Corporation	40	40
Shares, Lakeland Credit Union	10,000	10,000
TD Capital Trust III coupon bonds, annual equivalent yield rate of 7.24%, maturing on December 29, 2049	883,764	883,764
TD Capital Trust IV coupon bonds, annual equivalent yield rate of 9.52%, maturing on June 30, 2019	369,420	-
Vancity Savings Investment, annual equivalent yield rate of 2.00%, maturing on April 14, 2015	15,000,000	-
Vancity Savings Investment, annual equivalent yield rate of 1.87%, maturing on August 17, 2015	8,000,000	-
	<b>\$ 34,602,027</b>	<b>\$ 20,059,744</b>

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

### 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 (2013 - nil).

### 6. DEFERRED REVENUE

	2014	2013
Prepaid Local Improvement Charges	\$ -	\$ 48,821
Affordable Housing Grant	-	351,145
Alberta Municipal Infrastructure Program	363,084	363,084
Basic Capital Grant	410,550	460,834
NDCC/Fed Gas	-	206,444
Water/Sewer Special Grant - Province	387,874	565,711
Other	558,746	263,937
Deferred Revenue	\$ 1,720,254	\$ 2,211,155
	\$ 1,720,254	\$ 2,259,976

#### Prepaid Local Improvement Charges

Prepaid local improvement charges were being amortized to revenue at rates ranging from \$123 to \$7,529 per year over the next 1 to 16 years. Under the PSAB Section 3510, tax revenues are now recognized when the tax has been authorized by bylaw and the taxable event has occurred.

#### Deferred Revenue

Deferred revenue represents amounts received which will be taken into revenue in the period in which they are earned and corresponding expenditures are incurred. Unexpended funds related to the advance are supported by investments held for these projects.

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

### 7. EMPLOYEE BENEFIT OBLIGATIONS

	2014	2013
Vacation and Overtime	\$ 928,698	\$ 682,700

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

	2014	2013
Tax Supported Debentures	\$ 32,038,919	\$ 27,803,511

The current portion of the long-term debt amounts to \$1,432,521 (2013 - \$1,289,592).

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,432,521	\$ 1,255,246	\$ 2,687,767
2016	1,493,022	1,194,745	2,687,767
2017	1,556,156	1,131,611	2,687,767
2018	1,622,039	1,065,728	2,687,767
2019	1,690,797	996,970	2,687,767
Thereafter	<u>24,244,384</u>	<u>6,745,783</u>	<u>30,990,167</u>
	<b>\$ 32,038,919</b>	<b>\$ 12,390,083</b>	<b>\$ 44,429,002</b>

Debenture debt is payable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.228% to 6.250% per annum, before Provincial subsidy, and matures in various amounts between 2025 through 2039. The average annual interest rate is 3.919% for 2014 (4.143% for 2013). 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 \$1,172,702 (2013 - \$1,178,812).



# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

### 9. DEBT LIMITS

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

	2014	2013
Total long-term debt limit	\$ 78,435,360	\$ 67,966,277
Total long-term debt actual	32,038,919	27,803,511
<b>Amount of debt limit unused</b>	<b>\$ 46,396,441</b>	<b>\$ 40,162,766</b>
Debt servicing limit	\$ 13,072,560	\$ 11,327,713
Debt servicing actual	2,687,767	2,426,512
<b>Amount of debt servicing limit unused</b>	<b>\$ 10,384,793</b>	<b>\$ 8,901,201</b>

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

### 10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2014	2013
Tangible Capital Assets (Schedule 2)	\$ 334,444,577	\$ 311,781,014
Accumulated Amortization (Schedule 2)	(98,023,863)	(92,523,856)
Long-term Debt (Note 8)	(32,038,919)	(27,803,511)
	<b>\$ 204,381,795</b>	<b>\$ 191,453,647</b>



# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

### 11. ACCUMULATED SURPLUS

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

	2014	2013
<b>Restricted surplus by agreement or legislation:</b>		
MD waterline	\$ 54,036	\$ 54,036
Slope remediation	-	475,208
Offsites	4,625,796	2,667,291
Storm Pond	77,033	77,033
Forest Heights offsites	\$ 136,491	\$ 156,931
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	102,093	-
	<b>5,620,636</b>	<b>4,055,686</b>
<b>Internally Restricted:</b>		
Corporate Services	78,000	233,000
Annexation Analysis	350,000	-
Bench Marketing Project	17,162	17,162
Non Profit Groups	323,000	408,000
Waste/Water Systems	3,051,795	3,986,301
Storm Water Systems-Capital	559,437	534,437
IST	233,897	233,897
Municipal Development Plan	75,000	75,000
Photo Radar Initiative	40,112	40,112
Snow Removal	400,000	214,000
Airport	369,634	442,615
Waste Landfill	445,571	418,924
Cemetery	107,850	57,850
Parks and Sportsfields	1,460,239	805,271
Trail Maintenance	75,000	75,000
Arena Replacement	506,404	2,090,000
EDC Air Expansion	156,026	6,026
Vehicles and Equipment	445,840	250,000
Roads	1,411,169	711,119
Sidewalk Project	200,000	200,000
Lights	71,500	51,500
Buildings	550,000	586,561
Marina	442,020	26,000
Water	968,280	2,498,990
Electronic Sign	20,500	20,500
Land Purchase	795,905	-
Transit	350,000	-
Housing (MFRH)	2,622,500	-
	<b>16,126,841</b>	<b>13,982,265</b>
<b>Restricted</b>	<b>21,747,477</b>	<b>18,037,951</b>
<b>Unrestricted Funds</b>	<b>11,367,719</b>	<b>9,008,193</b>
<b>Restricted and unrestricted</b>	<b>33,115,196</b>	<b>27,046,144</b>
<b>Equity in tangible capital assets (Note 10)</b>	<b>204,381,795</b>	<b>191,453,647</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 237,496,991</b>	<b>\$ 218,499,791</b>

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

### 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)	2014 Total	2013 Total
Mayor	Craig Copeland	\$ 58,250	\$ 1,766	\$ 60,016	\$ 50,121
	Subsistence	-	-	9,040	6,365
Councillors:	Robert Buckle	37,809	1,090	38,899	32,896
	Duane Lay	33,309	941	34,250	29,411
	Kelvin Plain	28,809	793	29,602	25,071
	Vicky Lefebvre	33,309	941	34,250	29,771
	Darrell MacDonald	26,559	718	27,277	24,774
	Chris Vining	29,809	826	30,635	25,703
	Subsistence	-	-	38,704	31,855
Chief Administrative Officer	Kevin Nagoya	202,277	38,051	240,328	238,356
		\$ 450,131	\$ 45,126	\$ 543,001	\$ 494,323

- (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.

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

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### 13. 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 about 200,000 people and 428 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 2014 were \$762,270 (2013 - \$567,524). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2014 were \$701,065 (2013 - \$517,411).

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### 14. 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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### 15. 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 2015. There is disputed balance of \$2,940,149 (2013 - \$2,026,074) between the municipality and PWGSC and the total shortfall amount of \$4,966,223 is being appealed. The municipality has received a letter in January 2015 indicating a decision will be forth coming but no hearing date has been set for 2013 and 2014 PILT appeals. Significant increase in both Current taxes and grants in place of taxes and Allowance for doubtful accounts (Note 3) is due to allowance for PILT.

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### 16. INTEREST RATE RISK

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



# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

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

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

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

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

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### 18. FINANCIAL INSTRUMENTS

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

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

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

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### 19. COMPARATIVE FIGURES

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

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### 20. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by Council and Management.



## AUDITORS' REPORT FINANCIAL INFORMATION RETURN

To the Members of Council of the City of Cold Lake

We have audited the accompanying municipal financial information return of the City of Cold Lake, for the year ended December 31, 2014.

### Management's Responsibility for the Financial Information Return and 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 municipal financial information return. 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 the entity's internal control. An audit also includes evaluating the appropriateness 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.

In our opinion, the financial information return present fairly, in all material respects, the financial position of the City of Cold Lake as at December 31, 2014, and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

It is understood that this report, as requested by the Minister of Alberta Municipal Affairs, is to be used primarily for statistical purposes. We have issued an audit report dated April 28, 2015 on the financial statements of the City of Cold Lake for the year ended December 31, 2014 and reference should be made to those audited financial statements for complete information.

Edmonton, Alberta  
April 28, 2015



CHARTERED ACCOUNTANTS