

City of Cold Lake
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

CITY OF COLD LAKE

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Management's Responsibility for Financial Reporting

Management is responsible for the preparation and presentation of the accompanying financial statements including responsibility for significant accounting judgments and estimates in accordance with Canadian Public Sector Accounting Standards (PSAS). This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibility for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of the financial statements.

The elected Mayor and Council of the City of Cold Lake are composed entirely of individuals who are neither management nor employees of the City. The Mayor and Council have the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters, and financial reporting issues. The Mayor and Council are also responsible for the appointment of the City's external auditors.

Metrix Group LLP, an independent firm of Chartered Professional Accountants, is appointed by Council to audit the financial statements and to report directly to them. The external auditors have full and free access to, and meet periodically and separately with, both Mayor and Council and management to discuss their audit findings.

Kevin Nagoya, Chief Administrative Officer

Kristy Isert, General Manager of Corporate Services

Cold Lake, Alberta
April 27, 2023

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the City of Cold Lake

Qualified Opinion

We have audited the accompanying financial statements of the City of Cold Lake (the City), which comprise the statement of financial position as at December 31, 2022, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

The City's tangible capital assets – engineered structures, is carried at \$158,414,495 on the statement of financial position as at December 31, 2022, and amortization of tangible capital assets – engineered structures of \$6,042,900 is included in the City's excess of revenue over expenses for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the City's tangible capital assets – engineered structures as at December 31, 2022 and the amortization of tangible capital assets – engineered structures for the year because we have been unable to obtain audit evidence to support the balances recorded by the City. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the City 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 qualified opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

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Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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, misrepresentations, 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 City's internal control.
- Evaluate the appropriateness of accounting policies 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 City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the City 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.

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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
April 27, 2023

CITY OF COLD LAKE

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2022

	2022 Actual	2021 Restated-(Note 20)
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 11,856,318	\$ 12,738,306
Receivables		
Taxes and grants in place of taxes (Note 3)	1,916,745	821,095
Trade and other receivables (Note 3)	4,122,940	3,861,313
Land held for resale (Note 4)	1,087,000	1,055,100
Investments (Note 5)	72,259,728	75,454,285
	91,242,731	93,930,099
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	15,918,040	11,440,311
Deposit liabilities	1,225,499	1,392,636
Deferred revenue (Note 7)	7,136,998	6,112,111
Employee benefit obligations (Note 8)	1,193,258	1,291,781
Long-term debt (Note 9)	42,897,719	45,652,905
Landfill closure post-closure liability (Note 11)	74,845	37,423
	68,446,359	65,927,167
NET FINANCIAL ASSETS	22,796,372	28,002,932
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	342,761,193	334,508,944
Inventory of supplies and materials	412,664	464,296
Prepaid expenses	339,148	217,779
	343,513,005	335,191,019
ACCUMULATED SURPLUS (Note 15) (Schedule 1)	\$ 366,309,377	\$ 363,193,951

Contingencies - See (Note 12).

APPROVED ON BEHALF OF COUNCIL:

_____ Mayor

_____ Councillor

The accompanying notes are an integral part of these financial statements.

CITY OF COLD LAKE

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS FOR THE YEAR ENDED December 31, 2022

	Budget (Note 16)	2022 Actual	2021 Restated-(Note 20)
REVENUE			
Net municipal taxes (Schedule 3)	\$ 21,373,560	\$ 21,402,275	\$ 20,655,615
Government transfers (Schedule 4)	11,664,464	11,802,981	12,531,167
Sales and user charges	10,629,885	10,913,828	9,838,914
Penalties and cost on taxes	315,000	3,724,771	3,229,465
Rentals	1,193,231	1,260,088	991,969
Franchise and concession contracts (Note 13)	1,040,827	1,232,051	1,011,931
Investment income	575,000	1,210,004	1,793,596
Other	208,100	1,202,648	500,279
Licenses and permits	232,400	387,047	264,688
Fines	145,000	55,799	70,131
Development levies	-	215	136,188
TOTAL REVENUE	47,377,467	53,191,707	51,023,943
EXPENSES (Schedule 5)			
Transportation systems	8,015,758	14,939,288	14,812,748
Recreation and culture	10,135,263	13,592,644	11,222,759
Utility systems	7,924,774	9,624,398	10,787,901
Administration	6,901,362	9,477,381	9,589,299
Police and bylaw enforcement	4,655,314	5,085,412	4,330,888
Planning and development	1,707,079	3,003,967	1,638,685
Fire and emergency services	1,405,991	2,006,401	1,847,839
Public health and welfare	1,598,037	1,764,676	1,652,379
Council	723,700	793,454	415,280
Other	4,310,189	-	19,000
TOTAL EXPENSES	47,377,467	60,287,621	56,316,778
DEFICIENCY OF REVENUE OVER EXPENSES - BEFORE OTHER REVENUES	-	(7,095,914)	(5,292,835)
OTHER REVENUES (EXPENSES)			
Government transfers for capital (Schedule 4)	8,695,800	10,277,162	19,330,238
Contributed tangible capital assets	-	371,089	89,000
Loss on disposal of assets	-	(436,911)	(1,195,847)
TOTAL OTHER REVENUES (EXPENSES)	8,695,800	10,211,340	18,223,391
EXCESS OF REVENUE OVER EXPENSES	8,695,800	3,115,426	12,930,556
Accumulated surplus, beginning of year	363,193,951	363,193,951	350,263,395
ACCUMULATED SURPLUS, END OF YEAR (Schedule 1)	\$ 371,889,751	\$ 366,309,377	\$ 363,193,951

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, 2022

	Budget (Note 16)	2022 Actual	2021 Restated-(Note 20)
EXCESS OF REVENUES OVER EXPENSES	\$ 8,695,800	\$ 3,115,426	\$ 12,930,556
Acquisition of tangible capital assets	(29,291,000)	(20,745,586)	(20,935,705)
Contributed tangible capital assets	-	(371,089)	(89,000)
Proceeds on disposal of tangible capital assets	-	238,954	216,512
Amortization of tangible capital assets	-	12,021,130	11,175,391
Loss on disposal of tangible capital assets	-	436,912	1,195,847
Land transfer to organization	-	167,430	-
	(29,291,000)	(8,252,249)	(8,436,955)
Use (acquisition) of supplies and inventories	-	51,632	(46,460)
(Acquisition) use of prepaid assets	-	(121,369)	110,471
	-	(69,737)	64,011
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(20,595,200)	(5,206,560)	4,557,612
Net financial assets, beginning of year	28,002,932	28,002,932	23,445,320
NET FINANCIAL ASSETS, END OF YEAR	\$ 7,407,732	\$ 22,796,372	\$ 28,002,932

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, 2022

	2022 Actual	2021 Restated-(Note 20)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 3,115,426	\$ 12,930,556
Non-cash items included in excess of revenue over expenses		
Amortization of investment premiums/discounts	17,001	87,053
Non-cash donation to organization	167,430	-
Amortization of tangible capital assets	12,021,131	11,175,391
Loss on disposal of tangible capital assets	436,911	1,195,847
Contributed tangible capital assets.	(371,089)	(89,000)
Non-cash charges to operation (net change):		
(Increase) decrease in taxes and grants in place of taxes receivable	(1,095,650)	198,063
(Increase) decrease in trade and other receivable	(261,627)	1,137,154
(Increase) decrease in land held for resale	(31,900)	86,400
Increase in accounts payable and accrued liabilities	4,477,729	547,401
Decrease in deposit liabilities	(167,137)	(83,940)
Increase (decrease) in deferred revenue	1,024,887	(5,732,357)
(Decrease) increase in employee benefit obligations	(98,523)	202,086
Increase in landfill closure post closure liability	37,422	37,423
Decrease (increase) in inventories	51,632	(46,460)
(Increase) decrease in prepaid expenses	\$ (121,369)	\$ 110,471
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	19,202,274	21,756,088
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(16,648,077)	(57,468,993)
Proceeds of investments	19,825,633	55,736,892
NET CASH USED BY INVESTING ACTIVITIES	3,177,556	(1,732,101)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(2,755,186)	(2,650,757)
NET CASH USED BY FINANCING ACTIVITIES	(2,755,186)	(2,650,757)
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Acquisition of tangible capital assets	(20,745,586)	(20,935,705)
Proceeds on disposal of tangible capital assets	238,954	216,512
NET CASH USED BY CAPITAL ACTIVITIES	(20,506,632)	(20,719,193)
Net decrease in cash and temporary investments	(881,988)	(3,345,963)
Net cash and temporary investments, beginning of year	12,738,306	16,084,269
Net cash and cash equivalents, end of year (Note 2)	\$ 11,856,318	\$ 12,738,306

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, 2022

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2022	2021
BALANCE, BEGINNING OF YEAR	\$ 26,367,268	\$ 52,890,302	\$ 288,856,039	\$ 368,113,609	\$ 355,143,285
Restatement (Note 20)	-	(4,919,658)	-	(4,919,658)	(4,879,890)
BALANCE, BEGINNING OF YEAR, AS RESTATED	26,367,268	47,970,644	288,856,039	363,193,951	350,263,395
Excess of revenues over expenses	3,115,426	-	-	3,115,426	12,930,556
Unrestricted funds designated for future use	(4,556,030)	4,556,030	-	-	-
Restricted funds used for operations	1,072,294	(1,072,294)	-	-	-
Restricted funds used for tangible capital assets	-	(4,178,284)	4,178,284	-	-
Current year funds used for tangible assets	(16,567,302)	-	16,567,302	-	-
Contributed tangible capital assets	(371,089)	-	371,089	-	-
Disposal of tangible capital assets (net of amortization)	843,295	-	(843,295)	-	-
Annual amortization expense	12,021,131	-	(12,021,131)	-	-
Long term debt repaid	(2,755,186)	-	2,755,186	-	-
CHANGE IN ACCUMULATED SURPLUS	(7,197,461)	(694,548)	11,007,435	3,115,426	12,930,556
BALANCE, END OF YEAR	\$ 19,169,807	\$ 47,276,096	\$ 299,863,474	\$ 366,309,377	\$ 363,193,951

The accompanying notes are an integral part of these financial statements.

CITY OF COLD LAKE

SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2022

	Land	Land Improvement	Buildings	Engineered Structures	Work in Progress	Machinery and Equipment	Vehicles	2022	2021
COST:									
BALANCE, BEGINNING OF YEAR	\$ 38,844,992	\$ 21,856,743	\$ 101,820,431	\$ 277,055,003	\$ 18,368,495	\$ 23,786,510	\$ 9,043,860	\$ 490,776,034	\$ 472,078,343
Acquisition of tangible capital assets	268,386	58,181	-	2,342,249	14,802,813	1,710,978	1,562,979	20,745,586	20,935,705
Contributed assets	-	-	-	371,089	-	-	-	371,089	89,000
Transfer of construction in progress	-	747,275	-	7,024,521	(8,135,492)	2,181	361,515	-	-
Disposal of tangible capital assets	(261,731)	-	-	(1,064,918)	-	(732,982)	(316,708)	(2,376,339)	(2,327,014)
BALANCE, END OF YEAR	38,851,647	22,662,199	101,820,431	285,727,944	25,035,816	24,766,687	10,651,646	509,516,370	490,776,034
ACCUMULATED AMORTIZATION:									
BALANCE, BEGINNING OF YEAR	-	4,824,554	16,620,775	122,004,842	-	8,760,327	4,056,592	156,267,090	146,006,354
Annual amortization	-	1,176,068	2,514,989	6,042,900	-	1,615,032	672,142	12,021,131	11,175,391
Accumulated amortization on disposals	-	-	-	(734,293)	-	(598,225)	(200,526)	(1,533,044)	(914,655)
BALANCE, END OF YEAR	-	6,000,622	19,135,764	127,313,449	-	9,777,134	4,528,208	166,755,177	156,267,090
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	38,851,647	16,661,577	82,684,667	158,414,495	25,035,816	14,989,553	6,123,438	342,761,193	334,508,944
2021 NET BOOK VALUE OF									
TANGIBLE CAPITAL ASSETS	\$ 38,844,992	\$ 17,032,189	\$ 85,199,656	\$ 155,050,161	\$ 18,368,495	\$ 15,026,183	\$ 4,987,268	\$ 334,508,944	

The accompanying notes are an integral part of these financial statements.

CITY OF COLD LAKE

SCHEDULE OF PROPERTY AND OTHER TAXES FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget (Note 16)	2022	2021
TAXATION			
Real property taxes	\$ 20,693,393	\$ 20,732,268	\$ 20,430,129
Linear property taxes	412,000	411,748	412,586
Government grants in place of taxes	6,689,000	6,688,736	6,336,521
	27,794,393	27,832,752	27,179,236
REQUISITIONS			
Alberta school foundation fund	6,273,611	6,283,025	6,397,495
Lakeland lodge and housing foundation	145,281	145,511	124,178
Designated industrial property	1,941	1,941	1,948
	6,420,833	6,430,477	6,523,621
NET MUNICIPAL TAXES	\$ 21,373,560	\$ 21,402,275	\$ 20,655,615

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, 2022

	Budget (Note 16)	2022	2021
TRANSFERS FOR OPERATING:			
Other government transfers (ID349)	\$ 8,028,000	\$ 8,028,000	\$ 8,028,000
Local government transfers	2,428,407	2,430,820	2,528,400
Police support grant	520,000	519,688	519,688
Family and Community Support Services	408,770	408,770	408,770
Other provincial grants	160,000	301,416	137,117
Municipal sustainability initiative	114,287	114,287	114,287
Alberta municipal operating support transfer	-	-	794,905
Other federal grants	5,000	-	-
	11,664,464	11,802,981	12,531,167
TRANSFERS FOR CAPITAL:			
Other local governments (ID349)	5,472,000	5,134,388	10,767,038
Municipal sustainability initiative	2,328,000	4,094,068	5,346,799
Canada community building fund	895,800	1,048,706	452,000
Alberta municipal stimulus program	-	-	1,778,401
Investing in Canada infrastructure	-	-	986,000
	8,695,800	10,277,162	19,330,238
TOTAL GOVERNMENT TRANSFERS	\$20,360,264	\$22,080,143	\$31,861,405

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, 2022

	Budget (Note 16)	2022	2021
EXPENSES			
Salaries, wages and benefits	\$17,369,476	\$16,812,864	\$16,102,805
Amortization of tangible capital assets	-	12,021,131	11,175,391
Contracts and general services	10,216,325	11,139,908	10,400,185
Materials, goods, supplies, and utilities	5,157,605	6,448,429	4,638,665
Purchases from other governments	5,865,829	6,083,983	5,622,039
Provisions for allowances	1,208,000	3,725,374	3,911,820
Transfers to individuals and organizations	1,384,829	2,367,823	2,525,343
Interest on capital long-term debt	1,570,514	1,543,348	1,648,892
Loss on disposal of tangible capital assets	-	436,911	1,195,847
Other operating expenses	4,570,689	99,833	256,655
Bank charges and short-term interest	34,200	44,928	34,983
TOTAL EXPENSES	\$47,377,467	\$60,724,532	\$57,512,625

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, 2022

	General Government	Protective Services	Utility Systems	Transportation Service	Public Health & Welfare	Planning & Development	Recreation & Culture	Total Actual	2021 Total Restated-(Note 20)
REVENUE									
Government transfers	\$ 13,398,675	\$ 822,847	\$ 7,000	\$ 5,162,774	\$ 782,165	\$ 171,682	\$ 1,735,000	\$ 22,080,143	\$ 31,861,405
Net municipal taxes	21,402,275	-	-	-	-	-	-	21,402,275	20,655,615
User fees and sale of goods	1,263,092	444,021	8,390,775	183,715	87,388	503,820	2,920,203	13,793,014	12,107,502
Other revenues	3,793,663	88,192	37,182	920,611	61,282	25,087	57,416	4,983,433	3,936,063
Investment income	1,210,004	-	-	-	-	-	-	1,210,004	1,793,596
Contributed assets	-	-	-	371,089	-	-	-	371,089	89,000
	41,067,709	1,355,060	8,434,957	6,638,189	930,835	700,589	4,712,619	63,839,958	70,443,181
EXPENSES									
Salaries, wages and benefits	3,431,145	2,147,069	2,437,018	2,999,842	934,527	1,084,169	3,779,094	16,812,864	16,102,805
Contracted and general services	2,696,244	432,634	1,346,358	3,552,756	185,385	917,115	2,009,416	11,139,908	10,400,185
Materials, goods, supplies and utilities	152,222	305,206	1,304,469	2,261,570	143,386	53,531	2,228,045	6,448,429	4,638,665
Purchases from other governments	-	3,261,830	2,822,153	-	-	-	-	6,083,983	5,622,039
Other expenses	3,770,910	7,901	52,978	4,520	233	-	33,593	3,870,135	4,203,458
Transfers to individuals and organizations	-	163,082	-	-	164,848	936,225	1,103,668	2,367,823	2,525,343
Interest on capital long-term debt	-	191,750	25,089	188,075	86,556	-	1,051,878	1,543,348	1,648,892
Loss (gain) on disposal	-	61,182	(30,000)	336,032	-	65,300	4,397	436,911	1,195,847
	10,050,521	6,570,654	7,958,065	9,342,795	1,514,935	3,056,340	10,210,091	48,703,401	46,337,234
NET REVENUE BEFORE AMORTIZATION	31,017,188	(5,215,594)	476,892	(2,704,606)	(584,100)	(2,355,751)	(5,497,472)	15,136,557	24,105,947
Amortization expense	220,314	582,341	1,636,333	5,932,525	249,741	12,927	3,386,950	12,021,131	11,175,391
NET REVENUE (EXPENSE)	\$ 30,796,874	\$ (5,797,935)	\$ (1,159,441)	\$ (8,637,131)	\$ (833,841)	\$ (2,368,678)	\$ (8,884,422)	\$ 3,115,426	\$ 12,930,556

The accompanying notes are an integral part of these financial statements.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Cold Lake (the "City") 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 City are as follows:

a. Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, change in fund balances, and the 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 City and are, therefore, accountable to City Council for the administration of their financial affairs and resources. Included with the City 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. 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.

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues, can be reliably measured and reasonably estimated. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Expenses are recognized in the period the goods or services are acquired and a liability is incurred or transfers are due.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Use of Estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards. This requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statement and the reported amounts of revenue and expenditures during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Such estimates include the provisions for uncollected accounts receivable, provision for amortization of tangible capital assets, provision for landfill closure and post-closure liability, fair value of contributed tangible capital assets, and accrued liabilities. Actual results could differ from estimates.

d. Cash and Temporary Investments

Cash and temporary investments include items that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value, with a maturity of three months or less at the time of acquisition.

e. 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.

Investment income is recognized on an accrual basis. As the investment income is deemed to be earned the amount of interest income is recognized. For investments where there is an uncertainty of amount that will be earned no accrual is made and the income is realized when received.

f. 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.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. 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.

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 City. Under the accrual basis of accounting, revenues to be received from local improvement assessments are recognized in full in the period the local improvement project costs are incurred and the passing of the related imposition bylaw.

h. Government Transfers

Government transfers are the transfer of assets from other government entities 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.

The deferred revenue includes any grants that are unspent at December 31, 2022 and the revenue will be realized as the grant is utilized in the following year.

i. Landfill Closure and Post-Closure Liability

Pursuant to the *Alberta Environmental Protection and Enhancement Act*, the City 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, 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. Land Held for Resale

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.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Non-Financial Assets

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

I) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the 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/wastewater system	50
IT infrastructure	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. The date of receipt is the day the City issues a construction completion certificate.

III) 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 expressed in the period they are incurred.

IV) Inventories

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

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Pension Expenses

Contributions for current and past service pension benefits are recorded as expenses in the year in which they become due.

m. Future Accounting Standard Pronouncements

The following summarizes upcoming changes to Public Sector Accounting Standards. The City will continue to assess the impact and prepare for the adoption of these standards.

I) Financial Statement Presentation

PS 1201, Financial Statement Presentation, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealised gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2022.

II) Foreign Currency Translation

PS 2601, Foreign Currency Translation, requires that monetary assets and liabilities denominated in a foreign currency be adjusted to reflect the exchange rates in effect at the financial statement dates. Unrealised gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard must be adopted in conjunction with PS 2601 and PS 3450 and is applicable for fiscal years beginning on or after April 1, 2022.

III) Portfolio Investments

PS 3041, Portfolio Investments, has removed the distinction between temporary and portfolio investments and amended to conform to PS 3405. This standard must be adopted in conjunction with PS 1201, PS 2601, and PS 3450 and is applicable for fiscal years beginning on or after April 1, 2022.

IV) Financial Instruments

PS 3450, Financial Instruments, established recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivative and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealised gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for de-recognition of financial liabilities. The standard is applicable for fiscal years beginning on or after April 1, 2022.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Future Accounting Standard Pronouncements (Continued)

V) Asset Retirement Obligations

PS 3280, Asset Retirement Obligations, establishes standards on how to account and report for legal obligations associated with the retirement of certain tangible capital assets including solid waste landfill sites. As a result, PS 3270, Solid Waste Landfill Closure and Post-Closure Liability has been withdrawn but will remain in effect until the adoption of PS 3280. This standard is applicable for fiscal years beginning on or after April 1, 2022.

VI) Revenue

PS 3400, Revenue, establishes standards on how to account for and report revenue differentiating between revenue arising from transactions that include performance obligations and transactions that do not. This standard is applicable to fiscal years beginning on or after April 1, 2023.

VII) Purchased Intangible Assets

PSG-8, Purchased Intangible Assets, provides guidance regarding the recognition, measurement, and disclosure of purchased intangible assets in relation to the conceptual framework for financial reporting in the public sector. This guideline is applicable to fiscal years beginning on or after April 1, 2023.

2. CASH AND TEMPORARY INVESTMENTS

	2022	2021
Cash floats and undeposited receipts	\$ 2,975	\$ 3,025
Bank accounts	3,212,171	1,131,829
Temporary investments	8,641,172	11,603,452
	\$ 11,856,318	\$ 12,738,306

Temporary investments consist of short term deposits with original maturities of three months or less, which currently have effective interest rates of 4.89% (2021- 0.75%). Temporary investments are capable of reasonably prompt liquidation and may be used to manage the City's cash position throughout the year from the date of purchase.

The City has an authorized overdraft limit in the amount of \$10,000,000 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 (2021- \$Nil).

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

3. RECEIVABLES

	2022	2021
TAXES AND GRANTS IN PLACE OF TAXES		
Current taxes and grants in place of taxes	\$ 1,991,247	\$ 1,879,185
Arrears	31,222,152	26,501,967
Allowance for doubtful accounts	(31,296,654)	(27,560,057)
	1,916,745	821,095
TRADE AND OTHER RECEIVABLES		
Trade accounts	3,329,910	2,913,378
Due from province	371,249	986,000
Goods and Services Tax receivable	592,146	339,859
Local improvement levies	77,067	83,547
Due from other local governments	207,624	-
Allowance for doubtful accounts	(455,056)	(461,471)
	4,122,940	3,861,313
	\$ 6,039,685	\$ 4,682,408

As of December 31, 2022, the Government of Alberta has held back \$1.4 million of the \$15.3 million ID 349 funding allocated to the City. This holdback 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 2022 revenue transfer. There has been no receivable recorded due to the uncertainty surrounding the appeals, as no amount can be reasonably estimated.

The City received the interim payment from PSPC (Public Services and Procurement Canada) for the PILT (Payment in Lieu of Taxes) in June 2022 with a final payment issued in February 2023. Based on the 2022 DAP decision an additional \$988,108 was paid for the 2013 to 2021 outstanding balances. There is a disputed balance of \$3,714,697 (2021 - \$3,898,207) between the City and PSPC, and the total disputed shortfall amount of \$3,714,697 included in allowance for doubtful accounts is being appealed. The significant increase in both Arrears and Allowance for doubtful accounts is due to an allowance for the PILT. The City does not budget for the penalty on this disputed balance; however, the City does charge the penalty in accordance with the bylaw and sets up an allowance as PSPC is disputing the balance.

4. LAND HELD FOR RESALE

Land inventory is comprised of multiple vacant properties acquired through purchases. A specific use for the land has not been determined and the City may dispose of the land if no plan can be developed for the land. During 2022 two parcels of land were purchased and sold.

At year-end the carrying value of the land is \$1,087,000 (2021 - \$1,055,100).

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

5. INVESTMENTS

	2022		2021	
	Carrying Value	Market Value	Carrying Value	Market Value
Fixed income securities	\$ 37,971,516	\$ 32,744,323	\$ 42,122,430	\$ 41,429,727
Principal protected notes	34,277,700	32,176,764	31,120,200	30,986,001
Equities	-	-	2,201,500	2,195,556
Common shares	10,512	10,512	10,155	10,155
	\$ 72,259,728	\$ 64,931,599	\$ 75,454,285	\$ 74,621,439

Fixed income securities have yields ranging from 1.67% to 2.27% (2021 - 1.25% to 3.38%) and maturity periods from 2029 to 2035. Principal protected notes have various interest rates tied to the market with maturity periods from 2028 to 2032. The market value of the investments at December 31, 2022 was \$64,931,599 (2021 - \$74,621,439). An increase in quoted market value above cost or amortized cost of investments with fixed maturity amounts is temporary in nature.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Trade and other accounts payable	\$ 6,517,630	\$ 4,595,986
Due to provincial government	3,781,309	3,492,350
Due to Cold Lake Regional Utility Services Commission	5,073,708	2,793,806
Accrued interest	310,680	337,842
Due to federal government	186,289	176,252
Due to library	48,424	44,075
	\$ 15,918,040	\$ 11,440,311

Due to the provincial government includes the education taxes payable related to the Payment in Lieu of Taxes for the deferral of the deferral of the education portion of the property taxes outstanding from Public Services and Procurement Canada (PSPC) (Note 20).

Amounts due to the Cold Lake Regional Utility Services Commission (CLRUSC) and the library are related parties to the City of Cold Lake.

Due to the federal government are amounts that consist of payroll remittances outstanding at year end.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

7. DEFERRED REVENUE

Deferred revenue is comprised of the following amounts, which have been received from various third parties and are restricted to the eligible operating and capital projects as approved in the funding agreements for a specified purpose. These amounts are recognized as revenue in the period in which the related expenditures are incurred.

	2021 Restated-(Note 20)	Amounts Received	Interest and Other	Amounts Recognized	2022 Actual
GOVERNMENT TRANSFERS					
CAPITAL					
Municipal sustainability initiative	\$ 324,899	\$ 4,059,495	\$ 3,183	\$ 4,097,252	\$ 290,325
Canada community building fund	298,203	1,751,764	3,361	1,052,067	1,001,261
	623,102	5,811,259	6,544	5,149,319	1,291,586
GOVERNMENT TRANSFERS					
OPERATING					
Municipal sustainability initiative	-	114,287	-	114,287	-
Other	349,991	252,725	-	291,402	311,314
	349,991	367,012	-	405,689	311,314
OTHER DEFERRED AMOUNTS					
Other	219,360	258,512	-	197,444	280,428
Offsites	4,919,658	320,286	13,941	215	5,253,670
	5,139,018	578,798	13,941	197,659	5,534,098
	\$ 6,112,111	\$ 6,757,069	\$ 20,485	\$ 5,752,667	\$ 7,136,998

8. EMPLOYEE BENEFIT OBLIGATIONS

	2022	2021
Vacation and overtime	\$ 1,193,258	\$ 1,291,781

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 FOR THE YEAR ENDED DECEMBER 31, 2022

9. LONG-TERM DEBT

	2022	2021
PROVINCE OF ALBERTA		
Tax supported debentures	\$ 42,897,719	\$ 45,652,905
Total long-term debt	42,897,719	45,652,905
Less: current portion	(2,863,890)	(2,755,186)
	\$ 40,033,829	\$ 42,897,719

Principal and interest payments are as follows:

	Principal	Interest	Total
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
2026	2,831,041	1,112,241	3,943,282
2027	2,449,667	1,006,617	3,456,284
Thereafter	28,681,204	6,983,201	35,664,405
	\$ 42,897,719	\$ 13,143,340	\$ 56,041,059

Debenture debt is payable to the Province of Alberta and bears interest at rates ranging from 2.881% to 6.250% per annum, before provincial subsidy, and mature in various amounts between 2025 through 2043. The average annual interest rate is 3.380% for 2022 (3.410% for 2021). Debenture debt is issued on the credit and security of the City.

Debenture payments occur annually or semi-annually and the interest paid during the year amounted to \$1,543,348 (2021 - \$1,309,820). The City's total cash payments for interest is \$1,570,510 (2021 - \$1,674,938).

10. DEBT LIMITS

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

	2022 Actual	2021 Restated-(Note 20)
Total long-term debt limit	\$ 87,227,060	\$ 92,686,471
Total long-term debt actual	42,897,719	45,652,905
AMOUNT OF DEBT LIMIT UNUSED	44,329,341	47,033,566
Debt servicing limit	14,537,843	15,447,745
Debt servicing actual	4,325,696	4,325,696
AMOUNT OF DEBT SERVICING LIMIT UNUSED	\$ 10,212,147	\$ 11,131,991

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

10. DEBT LIMITS (Continued)

The debt limit is calculated at 1.5 times the revenue of the City (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 City. Rather, the financial statements must be interpreted as a whole.

11. 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.

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 25 years using a discount rate of 3.46% (2021 - 3.46%) and assuming inflation of 2.00% (2021 - 2.00%).

The accrued liability is based on the cumulative capacity used at year-end compared to the estimated total landfill capacity. At December 31, 2022, approximately 4% of the aggregate landfill capacity has been utilized.

	2022	2021
Estimated closure costs	\$ 614,999	\$ 614,999
Estimated post-closure costs	315,915	315,915
ESTIMATED TOTAL LIABILITY	930,914	930,914
Percentage of liability accrued by the City	4.02 %	4.02 %
AMOUNT ACCRUED BY THE CITY	\$ 37,422	\$ 37,423
Amount accrued by the City in the prior year	37,423	-
TOTAL ACCRUED BY THE CITY	74,845	37,423
ESTIMATED LIABILITY STILL TO BE ACCRUED	\$ 856,069	\$ 893,491

12. CONTINGENCIES

The City 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.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

13. FRANCHISE AND CONCESSION CONTRACTS

Disclosure of utility franchise agreement annual revenues are required by Alberta Regulation 313/2020 is as follows:

	2022	2021
ATCO Electric	\$ 657,834	\$ 554,124
ATCO Gas	574,217	457,807
	\$ 1,232,051	\$ 1,011,931

14. EQUITY IN TANGIBLE CAPITAL ASSETS

	2022	2021
Tangible capital assets (Schedule 2)	\$ 509,516,370	\$ 490,776,034
Accumulated amortization (Schedule 2)	(166,755,177)	(156,267,090)
Long-term debt (Note 9)	(42,897,719)	(45,652,905)
	\$ 299,863,474	\$ 288,856,039

15. ACCUMULATED SURPLUS

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

	2022 Actual	2021 Restated-(Note 20)
INTERNALLY RESTRICTED		
Public works and infrastructure	\$ 32,437,266	\$ 34,274,884
Community services	8,647,693	10,917,877
General government	2,480,486	1,818,530
Planning and development	1,506,256	146,380
Electrical utility contribution	1,252,719	387,509
MD waterline	433,350	397,584
Developer contribution	385,678	385,678
Municipal reserve	132,648	132,648
TOTAL RESTRICTED	47,276,096	48,461,090
Unrestricted funds	19,169,807	25,876,822
TOTAL RESTRICTED AND UNRESTRICTED	66,445,903	79,257,570
Equity in tangible capital assets (Note 14)	299,863,474	288,856,039
ACCUMULATED SURPLUS	\$ 366,309,377	\$ 363,193,951

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

16. BUDGET

The budget figures presented in these financial statements are based on the budget approved by the City's council on December 14, 2021. The City compiles a budget on a modified accrual basis. The reconciliation below adjusts excess revenue over expenses to align with the budget process. It should not be used as a replacement for the statement of operations and accumulated surplus. Users should note that this information may not be appropriate for their purposes.

	2022 (Budget)	2022 Actual	2021 Restated-(Note 20)
ANNUAL SURPLUS	\$ 8,695,800	\$ 3,115,426	\$ 12,930,556
Add back (deduct):			
Contributed tangible capital assets	-	(371,089)	(89,000)
Amortization of tangible capital assets	-	12,021,131	11,175,391
Debt proceeds	11,000,000	-	-
Principal debt repayments	-	(2,755,186)	(2,650,757)
Disposal of tangible capital assets (net of amortization)	-	843,295	1,412,359
Tangible capital asset purchases	(29,291,000)	(20,745,586)	(20,935,705)
Net transfers from (to) reserves (restricted surplus)	5,035,900	3,483,736	4,220,251
OPERATING (DEFICIT) SURPLUS	\$ (4,559,300)	\$ (4,408,273)	\$ 6,063,095

17. LOCAL AUTHORITIES PENSION PLAN

Employees of the City 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 281,764 people and 435 employers. 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 City is required to make current service contributions to the plan of 8.45% of pension earnings up to the year's maximum pension earnings under the Canada Pension Plan and 12.80% for the excess. Employees of the City are required to make current service contributions of 7.45% of pension salary up to the year's maximum pension salary and 11.80% for the excess.

Total current service contributions by the City to the Local Authorities Pension Plan in 2022 were \$1,059,259 (2021 - \$1,101,167). Total current service contributions by the employees of the City to the Local Authorities Pension Plan in 2022 were \$946,953 (2021 - \$995,887).

As at December 31, 2021, LAPP disclosed an actuarial surplus of \$11.92 billion (2020 - \$4.96 billion).

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

18. SALARY AND BENEFITS DISCLOSURE

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

		Salary	Allowances and benefits	2022 Total	2021 Total
Mayor	Craig Copeland	\$ 68,022	\$ 3,527	\$ 71,549	\$ 60,035
Councillors:	Robert Buckle	-	-	-	33,460
	Ryan Bailey	29,792	1,527	31,319	3,328
	Robert Mattice	32,792	1,738	34,530	3,331
	Adele Richardson	41,042	2,168	43,210	4,778
	Duane Lay	-	-	-	28,127
	Kirk Soroka	-	-	-	24,496
	Jurgen Grau	-	-	-	26,605
	Vicky Lefebvre	38,917	2,047	40,964	35,830
	Chris Vining	34,167	1,776	35,943	32,113
	William Parker	43,292	2,296	45,588	4,909
Chief Administrative Officer	Kevin Nagoya	291,997	45,084	337,081	319,161
		\$ 580,021	\$ 60,163	\$ 640,184	\$ 576,173

- (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.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

19. FINANCIAL INSTRUMENTS

The City's financial instruments consist of cash and temporary investments, investments, taxes and grants in place of taxes receivable, trade and other receivables, land held for resale, accounts payable and accrued liabilities, deposit liabilities, bank loan, and long-term debt.

a. Credit risk

Credit risk arises from the potential that a customer will fail to perform its obligations. The City is exposed to credit risk from its customers. In order to reduce this risk, the City conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends, and other information.

The two most significant revenue sources for the City are property taxes and government transfers. The City has a significant number of taxpayers, which minimizes concentration of credit risk. No one taxpayer makes up a significant portion of such revenue. The majority of government transfers are received from provincial and federal government agencies. Due to the nature of these payers, the City is not exposed to significant credit risk on such transactions.

b. Interest rate risk

The City is not exposed to significant interest rate risk as a result of fixed-rate investments held, as outlined in (Note 2), and the bank loan held, as outlined in (Note 9).

c. Currency risk

Currency risk is the risk to the City's surplus that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. It is management's opinion that the City is not exposed to significant currency risks arising from transactions in US funds.

d. Fair values of financial instruments

The City's carrying value of cash and temporary investments, investments, taxes and grants in place of taxes receivable, trade and other receivables, land held for resale, accounts payable, and accrued liabilities, and deposit liabilities approximates its fair value due to the immediate or short-term liquidity of these instruments.

The carrying value of long-term debt approximates fair value as the interest rates are consistent with the current rates available for instruments with similar terms.

Unless otherwise noted, it is management's opinion that the City is not exposed to significant other price risks arising from these financial instruments.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

20. RESTATEMENT

The City has adjusted certain financial statement accounts as of December 31, 2021 due to the following:

Restriction of deferred revenue related to offsite levies and corresponding interest earned.

Section 648 of the Municipal Government Act ("MGA") outlines that offsite levies may only be used for specific projects in relation to the collection of the revenues from developers. The City had previously recorded offsite levies in accumulated surplus as restricted funds for future use. To better account for the offsite balances, the offsite levies collected and unused are being recorded as deferred revenue rather than being included as restricted surplus in the accumulated surplus balance. Also, in accordance with Section 648 (5) of the MGA, interest earned from any offsite balances must be deferred and will be deferred for future use.

The above change has been applied retroactively and the 2021 comparative figures have been restated as follows:

	As Previously Stated	Restatements	As Restated
STATEMENT OF FINANCIAL POSITION			
Deferred revenue	\$ 1,192,453	\$ 4,919,658	\$ 6,112,111
Net financial assets	32,922,590	(4,919,658)	28,002,932
Accumulated surplus	368,113,609	(4,919,658)	363,193,951
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS			
Investment income	1,807,498	(13,902)	1,793,596
Development levies	162,054	(25,866)	136,188
Total revenue	51,063,711	(39,768)	51,023,943
Deficiency of revenue over expenses - before other revenue	(5,253,067)	(39,768)	(5,292,835)
Excess of revenue over expenses	12,970,324	(39,768)	12,930,556
Accumulated surplus, beginning of year	355,143,285	(4,879,890)	350,263,395
Accumulated surplus, end of year	368,113,609	(4,919,658)	363,193,951
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS			
Excess of revenue over expenses	12,970,324	(39,768)	12,930,556
Increase in net financial assets	4,597,380	(39,768)	4,557,612
Net financial assets, beginning of year	28,325,210	(4,879,890)	23,445,320
Net financial assets, end of year	32,922,590	(4,919,658)	28,002,932
STATEMENT OF CASH FLOWS			
Excess revenue over expenditures	12,970,324	(39,768)	12,930,556
Decrease in deferred revenue	\$ (5,772,125)	\$ 39,768	\$ (5,732,357)

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

21. SEGMENTED DISCLOSURE

Segmented information has been identified based upon lines of services provided by the City. Municipal services are provided by departments and their activities are reported by function area in the body of the financial statements. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide are as follows:

a. General Government

General government is comprised of City Council, general revenues, general expenses, and net taxes for municipal council. This segment makes decisions regarding the service delivery and services levels on behalf of the City in order to balance the needs and wants of the City residents in a financially responsible manner.

b. Protective Services

Protective services is comprised of policing, fire rescue services, disaster services, and bylaw services. This segment is responsible for providing emergency services and ensuring safety within the City. Policing and bylaw services provide bylaw and enhanced policing enforcement that ranges from community standards, to traffic safety, to animal control, as well as provincial statute enforcement with authorities granted by the Solicitor General of Alberta. Regional fire services is responsible to provide fire suppression services, fire prevention programs, training and education related to fire prevention, and detection or extinguishing of fires. The mandate of disaster services is to help maintain safe communities and public safety in disaster situations.

c. Utility Systems

Utility systems is comprised of water treatment, water supply, sewer collection, waste, and recycling services. This segment is responsible for the general operating and supply of water to residents, the collection of sewer from residents, and the management and collection of physical waste and recycling from residents.

d. Transportation Services

Transportation services is comprised of public works operations, airport, public transportation, and storm sewer services. Public works operations is responsible for providing maintenance and development of City roadways, infrastructure, and maintenance of the City fleet. The airport is responsible for maintaining the current airport and managing the use of the areas. Public transportation is responsible for the provision of bussing services to residents within the City. Storm sewer services is responsible for the collection and outflow of sanitary run-off.

e. Public Health & Welfare

Public health and welfare is comprised of Family and Community Support Services (FCSS), daycares, playschools, seniors, special transportation, and cemetery services. This segment is responsible for providing support to the community with a strong emphasis on providing support to the vulnerable persons within the community.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

21. SEGMENTED DISCLOSURE (Continued)

f. Planning & Development

Planning and development is comprised of municipal planning, and economic development services. Planning and development work with developers in planning the growth of the City in a sustainable manner. Economic development works with businesses in the City to encourage investment and attraction as well as economic sustainability.

g. Recreation & Culture

Recreation and culture is responsible for providing leisure services to residents to promote the well-being of residents. This is accomplished through the maintenance and management of the arenas, the leisure facility, the golf and winter club, the parks and sports fields, the marina, and funding the library and museum. In addition, the City will manage concerts and events to promote and engage the community.

22. COMPARATIVE INFORMATION

Certain other comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

23. SUBSEQUENT EVENTS

On February 14, 2023, during the Regular Meeting of Council, Council passed motions to authorize the establishment of the Cold Lake Primary Care Medical Clinic Ltd. (the "Clinic") as a MCC. The Clinic has been established to provide medical services to Cold Lake and the surrounding area. In 2023, the City has transferred the following assets to the Clinic:

- \$1,200,000 in value for the land and the building
- \$650,000 in value for medical equipment
- \$100,000 in cash

The Clinic began operations as a MCC on April 1, 2023.

24. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by Council and Management on April 27, 2023.