

City of Cold Lake
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 12, 2022

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the City of Cold Lake

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, 2021, 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, the financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2021, 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 Opinion

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 opinion.

Other Matter

The financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 13, 2021.

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 12, 2022

CITY OF COLD LAKE

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2021

	2021 Actual	2020 Restated-(Note 21)
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 12,738,306	\$ 16,084,269
Receivables		
Taxes and grants in place of taxes (Note 3)	821,095	1,019,158
Trade and other receivables (Note 3)	3,867,783	5,009,238
Land held for resale (Note 4)	1,055,100	1,141,500
Investments (Note 5)	75,454,285	73,809,237
	93,936,569	97,063,402
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	11,446,781	10,903,680
Deposit liabilities	1,392,636	1,476,577
Deferred revenue (Note 7)	1,192,453	6,964,578
Employee benefit obligations (Note 8)	1,291,781	1,089,695
Long-term debt (Note 9)	45,652,905	48,303,662
Landfill closure post-closure liability (Note 10)	37,423	-
	61,013,979	68,738,192
NET FINANCIAL ASSETS	32,922,590	28,325,210
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	334,508,944	326,071,989
Inventory of supplies and materials	464,296	417,836
Prepaid expenses	217,779	328,250
	335,191,019	326,818,075
ACCUMULATED SURPLUS (Note 13) (Schedule 1)	\$ 368,113,609	\$ 355,143,285

Contingencies - See (Note 17).

APPROVED ON BEHALF OF COUNCIL:

_____ Mayor

_____ Councilor

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, 2021

	Budget (Note 20)	2021 Actual	2020 Restated-(Note 21)
REVENUE			
Net municipal taxes (Schedule 3)	\$ 20,648,074	\$ 20,655,615	\$ 20,622,855
Government transfers (Schedule 4)	11,620,788	12,531,167	13,383,711
Sales and user charges	10,118,236	9,838,914	9,681,202
Penalties and cost on taxes	315,000	3,229,465	2,783,891
Investment income	575,000	1,807,498	1,866,052
Franchise and concession contracts	1,011,317	1,011,931	983,756
Rentals	1,133,324	991,969	927,581
Other	180,500	500,279	532,363
Licenses and permits	232,400	264,688	225,605
Development levies	-	162,054	98,755
Fines	145,000	70,131	65,080
TOTAL REVENUE	45,979,639	51,063,711	51,170,851
EXPENSES (Schedule 5)			
Transportation systems	7,662,370	14,812,748	13,374,297
Recreation and culture	10,033,761	11,222,759	10,572,313
Utility systems	7,822,081	10,787,901	9,766,685
Administration	6,963,562	9,589,299	8,685,284
Police and bylaw enforcement	4,174,357	4,330,888	3,280,066
Fire and emergency services	1,419,143	1,847,839	1,760,441
Public health and welfare	1,551,504	1,652,379	1,499,730
Planning and development	1,595,960	1,638,685	1,498,016
Legislative	561,140	415,280	350,382
Other	4,195,761	19,000	-
TOTAL EXPENSES	45,979,639	56,316,778	50,787,214
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES			
- BEFORE OTHER REVENUES	-	(5,253,067)	383,637
OTHER REVENUES (EXPENSES)			
Government transfers for capital (Schedule 4)	13,041,900	19,330,238	11,340,061
Contributed tangible capital assets	-	89,000	-
Loss on disposal of assets	-	(1,195,847)	(43,254)
TOTAL OTHER REVENUES (EXPENSES)	13,041,900	18,223,391	11,296,807
EXCESS OF REVENUE OVER EXPENSES	13,041,900	12,970,324	11,680,444
Accumulated surplus, beginning of year	355,143,285	355,143,285	343,462,841
ACCUMULATED SURPLUS, END OF YEAR (Schedule 1)	\$ 368,185,185	\$ 368,113,609	\$ 355,143,285

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, 2021

	Budget (Note 20)	2021 Actual	2020 Restated-(Note 21)
EXCESS OF REVENUES OVER EXPENSES	\$ 13,041,900	\$ 12,970,324	\$ 11,680,444
Acquisition of tangible capital assets	(42,442,232)	(20,935,705)	(10,350,805)
Contributed tangible capital assets	-	(89,000)	-
Proceeds on disposal of tangible capital assets	-	216,512	103,541
Amortization of tangible capital assets	-	11,175,391	10,970,093
Loss on disposal of tangible capital assets	-	1,195,847	43,254
	(42,442,232)	(8,436,955)	766,083
Use of supplies and inventories	-	(46,460)	(4,493)
Use (acquisition) of prepaid assets	-	110,471	(244,130)
	-	64,011	(248,623)
INCREASE IN NET FINANCIAL ASSETS	(29,400,332)	4,597,380	12,197,904
Net financial assets, beginning of year	28,325,210	28,325,210	16,127,306
NET FINANCIAL ASSETS, END OF YEAR	\$ (1,075,122)	\$ 32,922,590	\$ 28,325,210

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, 2021

	2021 Actual	2020 Restated-(Note 21)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 12,970,324	\$ 11,680,444
Non-cash items included in excess of revenue over expenses		
Amortization of tangible capital assets	11,175,391	10,970,093
Loss on disposal of tangible capital assets	1,195,847	43,254
Contributed tangible capital assets.	(89,000)	-
Non-cash charges to operation (net change):		
Decrease in taxes and grants in place of taxes receivable	198,063	206,542
Decrease in trade and other receivable	1,141,455	14,819,254
Decrease (increase) in prepaid expenses	110,471	(244,130)
Decrease in land held for resale	86,400	91,900
Increase in inventories	(46,460)	(4,493)
Increase in accounts payable and accrued liabilities	543,100	1,808,543
(Decrease) increase in deposit liabilities	(83,940)	1,881
(Decrease) increase in deferred revenue	(5,772,125)	3,555,488
Increase in employee benefit obligations	202,086	28,173
Increase in landfill closure post closure liability	37,423	-
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	21,669,035	42,956,949
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(57,468,993)	(58,426,907)
Proceeds of investments	55,823,945	30,836,855
NET CASH USED BY INVESTING ACTIVITIES	(1,645,048)	(27,590,052)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(2,650,757)	(2,550,432)
NET CASH USED BY FINANCING ACTIVITIES	(2,650,757)	(2,550,432)
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Acquisition of tangible capital assets	(20,935,705)	(10,350,804)
Proceeds on disposal of tangible capital assets	216,512	103,540
NET CASH USED BY CAPITAL ACTIVITIES	(20,719,193)	(10,247,264)
Net (decrease) increase in cash and temporary investments	(3,345,963)	2,569,201
Net cash and temporary investments, beginning of year	16,084,269	13,515,068
Net cash and cash equivalents, end of year (Note 2)	\$ 12,738,306	\$ 16,084,269

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, 2021

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021 Actual	2020 Restated-(Note 21)
BALANCE, BEGINNING OF YEAR	\$ 20,661,709	\$ 59,925,057	\$ 277,768,327	\$ 358,355,093	\$ 346,361,309
Restatement (Note 21)	-	(3,211,808)	-	(3,211,808)	(2,898,468)
BALANCE, BEGINNING OF YEAR, AS RESTATED	20,661,709	56,713,249	277,768,327	355,143,285	343,462,841
Excess of revenues over expenses	12,970,324	-	-	12,970,324	11,680,444
Unrestricted funds designated for future use	(4,896,483)	4,896,483	-	-	-
Restricted funds used for operations	716,000	(716,000)	-	-	-
Restricted funds used for tangible capital assets	-	(8,003,430)	8,003,430	-	-
Current year funds used for tangible assets	(12,932,275)	-	12,932,275	-	-
Contributed tangible capital assets	(89,000)	-	89,000	-	-
Disposal of tangible capital assets (net of amortization)	1,412,359	-	(1,412,359)	-	-
Annual amortization expense	11,175,391	-	(11,175,391)	-	-
Long term debt repaid	(2,650,757)	-	2,650,757	-	-
CHANGE IN ACCUMULATED SURPLUS	5,705,559	(3,822,947)	11,087,712	12,970,324	11,680,444
BALANCE, END OF YEAR	\$ 26,367,268	\$ 52,890,302	\$ 288,856,039	\$ 368,113,609	\$ 355,143,285

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, 2021

	Land	Land Improvement	Buildings	Engineered Structures	Work in Progress	Machinery and Equipment	Vehicles	2021	2020
COST:									
BALANCE, BEGINNING OF YEAR	\$ 38,662,877	\$ 15,280,614	\$ 72,183,313	\$ 273,610,721	\$ 43,788,155	\$ 20,491,838	\$ 8,060,825	\$ 472,078,343	\$ 462,733,147
Acquisition of tangible capital assets	182,115	1,058,930	240,018	2,585,599	12,474,237	3,237,550	1,157,256	20,935,705	29,789,381
Contributed assets	-	-	-	89,000	-	-	-	89,000	-
Reclassification	-	-	-	-	-	-	-	-	(508,199)
Transfer of construction in progress	-	5,602,910	29,397,100	2,169,900	(37,736,749)	566,839	-	-	(18,930,377)
Disposal of tangible capital assets	-	(85,711)	-	(1,400,217)	(157,148)	(509,717)	(174,221)	(2,327,014)	(1,005,609)
BALANCE, END 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
ACCUMULATED AMORTIZATION:									
BALANCE, BEGINNING OF YEAR	-	4,020,843	14,810,825	115,685,344	-	7,866,286	3,623,056	146,006,354	135,895,075
Annual amortization	-	843,710	1,809,950	6,701,956	-	1,251,741	568,034	11,175,391	10,970,093
Accumulated amortization on disposals	-	(39,999)	-	(382,458)	-	(357,700)	(134,498)	(914,655)	(858,814)
BALANCE, END OF YEAR	-	4,824,554	16,620,775	122,004,842	-	8,760,327	4,056,592	156,267,090	146,006,354
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	326,071,989
2020 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 38,662,877	\$ 11,259,771	\$ 57,372,488	\$ 157,925,377	\$ 43,788,155	\$ 12,625,552	\$ 4,437,769	\$ 326,071,989	

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, 2021

	Budget (Note 20)	2021 Actual	2020 Restated-(Note 21)
TAXATION			
Real property taxes	\$ 20,415,095	\$ 20,430,129	\$ 20,560,122
Linear property taxes	413,000	412,586	396,324
Government grants in place of taxes	6,336,000	6,336,521	6,342,989
	27,164,095	27,179,236	27,299,435
REQUISITIONS			
Alberta school foundation fund	6,390,064	6,397,495	6,478,492
Lakeland lodge and housing foundation	124,009	124,178	196,201
Designated industrial property	1,948	1,948	1,887
	6,516,021	6,523,621	6,676,580
NET MUNICIPAL TAXES	\$ 20,648,074	\$ 20,655,615	\$ 20,622,855

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, 2021

	Budget (Note 20)	2021	2020
TRANSFERS FOR OPERATING			
Alberta municipal operating support transfer	\$ -	\$ 794,905	\$ 725,031
Family and community support services	408,770	408,770	408,770
Municipal policing assistance grant	320,000	319,688	319,688
Municipal sustainability initiative	115,783	114,287	115,783
Other provincial grants	407,000	337,117	338,998
Other government transfers (ID349)	8,028,000	8,028,000	9,102,493
Local government transfers	2,341,235	2,528,400	2,372,948
	11,620,788	12,531,167	13,383,711
TRANSFERS FOR CAPITAL:			
Municipal sustainability initiative	2,983,000	5,346,799	2,928,325
Other local governments (ID349)	8,000,000	10,767,038	5,947,240
Alberta municipal stimulus program	-	1,778,401	-
Investing in Canada infrastructure	986,000	986,000	-
Canada community building fund	1,072,900	452,000	2,058,575
Other provincial grants	-	-	2,308
Local government transfers	-	-	403,613
	13,041,900	19,330,238	11,340,061
TOTAL GOVERNMENT TRANSFERS	\$24,662,688	\$31,861,405	\$24,723,772

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, 2021

	Budget (Note 20)	2021	2020
EXPENSES			
Salaries, wages and benefits	\$17,037,354	\$16,102,805	\$14,241,199
Contracts and general services	9,974,652	10,400,185	8,209,058
Materials, goods, supplies, and utilities	4,978,130	4,638,665	4,404,356
Purchases from other governments	5,499,800	5,622,039	4,969,537
Provisions for allowances	1,208,000	3,911,820	3,792,919
Transfers to individuals and organizations	1,322,800	2,525,343	2,384,272
Bank charges and short-term interest	36,200	34,983	30,021
Interest on capital long-term debt	1,674,942	1,648,892	1,750,287
Amortization of tangible capital assets	-	11,175,391	10,970,093
Loss on disposal of tangible capital assets	-	1,195,847	43,254
Other operating expenses	4,247,761	256,655	35,472
TOTAL EXPENSES	\$45,979,639	\$57,512,625	\$50,830,468

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, 2021

	General Government	Protective Services	Utility Systems	Transportation Service	Public Health & Welfare	Planning & Development	Recreation & Culture	Total	2020 Total
REVENUE									
Net municipal taxes	\$ 20,655,615	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,655,615	\$ 20,622,855
Government transfers	20,256,984	794,460	7,000	8,583,200	784,761	-	1,435,000	31,861,405	24,723,772
User fees and sale of goods	1,045,390	326,268	8,272,699	196,239	91,447	378,596	1,796,863	12,107,502	11,818,144
Investment income	1,807,498	-	-	-	-	-	-	1,807,498	1,866,052
Contributed Assets	-	-	-	89,000	-	-	-	89,000	-
Other revenues	3,191,117	104,195	280,154	233,224	78,626	21,806	52,807	3,961,929	3,480,089
	46,956,604	1,224,923	8,559,853	9,101,663	954,834	400,402	3,284,670	70,482,949	62,510,912
EXPENSES									
Salaries, wages and benefits	3,474,965	2,011,625	2,518,666	2,818,812	910,293	871,053	3,497,391	16,102,805	14,241,199
Contracted and general services	2,029,300	321,762	1,471,368	3,691,762	205,761	706,526	1,973,706	10,400,185	8,200,759
Materials, goods, supplies and utilities	229,120	283,274	558,996	1,663,027	150,711	14,476	1,739,061	4,638,665	4,404,356
Purchases from other Governments	-	2,591,194	3,030,845	-	-	-	-	5,622,039	4,969,537
Transfers to Individuals and organizations	-	169,082	1,500,000	-	102,007	38,400	715,854	2,525,343	2,384,272
Interest on capital long-term debt	-	201,989	26,145	218,374	90,199	-	1,112,185	1,648,892	1,750,287
Other expenses	4,117,492	11,076	42,016	3,463	305	-	29,106	4,203,458	3,866,711
Loss on disposal	3,791	-	763,851	392,488	-	-	35,717	1,195,847	43,254
	9,854,668	5,590,002	9,911,887	8,787,926	1,459,276	1,630,455	9,103,020	46,337,234	39,860,375
NET REVENUE BEFORE AMORTIZATION	37,101,936	(4,365,079)	(1,352,034)	313,737	(504,442)	(1,230,053)	(5,818,350)	24,145,715	22,650,537
Amortization expense	172,702	588,725	1,639,865	6,417,310	193,103	8,230	2,155,456	11,175,391	10,970,093
NET REVENUE (EXPENSE)	\$ 36,929,234	\$ (4,953,804)	\$ (2,991,899)	\$ (6,103,573)	\$ (697,545)	\$ (1,238,283)	\$ (7,973,806)	\$ 12,970,324	\$ 11,680,444

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, 2021

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, changes 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 the 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, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Use of Estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenditure 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 those estimates.

d. Cash and Temporary Investments

Cash and temporary investments include items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have a maturity of three months or less at 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 earned. 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, 2021

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, 2021 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, 2021

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, 2021

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, PS2601, 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, 2021

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 PS3280. 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.

2. CASH AND TEMPORARY INVESTMENTS

	2021	2020
Cash floats and undeposited receipts	\$ 3,025	\$ 3,025
Bank accounts	1,131,829	6,014,865
Temporary investments	11,603,452	10,066,379
	\$ 12,738,306	\$ 16,084,269

Temporary investments consist of short term deposits with original maturities of three months or less, which currently have effective interest rates of 0.75% (2020- 2.40%). 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 \$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 (2020- \$Nil).

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

3. RECEIVABLES

	2021	2020
TAXES AND GRANTS IN PLACE OF TAXES		
Current taxes and grants in place of taxes	\$ 1,879,185	\$ 2,179,943
Arrears	26,501,967	22,481,223
Allowance for doubtful accounts	(27,560,057)	(23,642,008)
	821,095	1,019,158
TRADE AND OTHER RECEIVABLES		
Trade accounts	2,913,378	2,709,604
Due from province	986,000	1,380,085
Goods and Services Tax receivable	346,329	296,764
Local improvement levies	83,547	10,834
Due from other local governments	-	1,100,000
Allowance for doubtful accounts	(461,471)	(488,049)
	3,867,783	5,009,238
	\$ 4,688,878	\$ 6,028,396

As of December 31, 2021, 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 2021 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 final payment from PSPC (Public Services and Procurement Canada) for the PILT (Payment in Lieu of Taxes) in June 2021. There is a disputed balance of \$3,898,207 (2020 - \$3,780,425) between the City and PSPC, and the total disputed shortfall amount of \$27,526,215 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 2021 one vacant parcel of land was purchased.

At year-end the carrying value of the land is \$1,055,100 (2020 - \$1,141,500). Due to the assessed value of the land being lower than the original cost, the land was written down \$152,400.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

5. INVESTMENTS

	2021		2020	
	Carrying Value	Market Value	Carrying Value	Market Value
Fixed income securities	\$ 42,122,430	\$ 41,429,727	\$ 50,736,937	\$ 51,752,955
Principal protected notes	31,120,200	30,986,001	23,062,300	23,092,923
Equities	2,201,500	2,195,556	-	-
Common shares	10,155	10,155	10,000	10,000
	\$ 75,454,285	\$ 74,621,439	\$ 73,809,237	\$ 74,855,878

Fixed income securities have yields ranging from 1.25% to 3.38% (2020 - 1.25% to 3.38%) and maturity periods from 2021 to 2035. Principal protected notes have various interest rates tied to the market with maturity periods from 2027 to 2031. The market value of the investments at December 31, 2021 was \$74,621,439 (2020 - \$74,855,878). 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

	2021	2020
Trade and other accounts payable	\$ 4,595,986	\$ 4,052,640
Due to provincial government	3,492,350	3,216,087
Due to Cold Lake Regional Utility Services Commission	2,793,806	3,065,497
Accrued interest	337,842	363,888
Due to federal government	176,252	139,444
Due to library	44,075	55,353
Goods and Services Taxes payable	6,470	10,771
	\$ 11,446,781	\$ 10,903,680

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 21).

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, 2021

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.

	2020	Amounts Received	Interest and Other	Amounts Recognized	2021
GOVERNMENT TRANSFERS CAPITAL					
Municipal Sustainability Initiative	\$ 4,006,155	\$ 1,664,050	\$ 1,493	\$ 5,346,799	\$ 324,899
Alberta Municipal Stimulus Program	1,778,401	-	-	1,778,401	-
Canada Community Building Fund	-	750,203	-	452,000	298,203
	5,784,556	2,414,253	1,493	7,577,200	623,102
GOVERNMENT TRANSFERS OPERATING					
Alberta Municipal Operating Support Transfer	794,905	-	-	794,905	-
Municipal Sustainability Initiative	-	114,287	-	114,287	-
Other	148,285	290,716	-	89,010	349,991
	943,190	405,003	-	998,202	349,991
OTHER DEFERRED AMOUNTS					
Other	236,832	763,416	-	780,888	219,360
	236,832	763,416	-	780,888	219,360
	\$ 6,964,578	\$ 3,582,672	\$ 1,493	\$ 9,356,290	\$ 1,192,453

8. EMPLOYEE BENEFIT OBLIGATIONS

	2021	2020
Vacation and overtime	\$ 1,291,781	\$ 1,089,695

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, 2021

9. LONG-TERM DEBT

	2021	2020
PROVINCE OF ALBERTA		
Tax Supported Debentures	\$ 45,652,905	\$ 48,303,662
Total long-term debt	45,652,905	48,303,662
Less: current portion	(2,755,186)	(2,650,758)
	\$ 42,897,719	\$ 45,652,904

Principal and interest payments are as follows:.

	Principal	Interest	Total
2022	\$ 2,755,186	\$ 1,570,510	\$ 4,325,696
2023	2,863,890	1,461,806	4,325,696
2024	2,977,053	1,348,643	4,325,696
2025	3,094,864	1,230,832	4,325,696
2026	2,831,041	1,112,241	3,943,282
Thereafter	31,130,871	7,989,818	39,120,689
	\$ 45,652,905	\$ 14,713,850	\$ 60,366,755

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 3.250% for 2021 (3.530% for 2020). 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 \$1,648,892 (2020 - \$1,750,287). The City's total cash payments for interest is \$1,674,938 (2020 - \$1,775,264).

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

10. 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% and assuming inflation of 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, 2021, approximately 4% of the aggregate landfill capacity has been utilized.

	2021	2020
Estimated closure costs	\$ 614,999	\$ -
Estimated post-closure costs	315,915	-
ESTIMATED TOTAL LIABILITY	930,914	-
Percentage of liability accrued by the City	4.02 %	- %
AMOUNT ACCRUED BY THE CITY	\$ 37,423	\$ -
ESTIMATED LIABILITY STILL TO BE ACCRUED	\$ 893,491	\$ -

11. 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:

	2021	2020
Total long-term debt limit	\$ 92,746,123	\$ 84,535,407
Total long-term debt actual	45,652,905	48,303,662
AMOUNT OF DEBT LIMIT UNUSED	47,093,218	36,231,745
Debt servicing limit	15,457,687	14,089,235
Debt servicing actual	4,325,696	4,325,696
AMOUNT OF DEBT SERVICING LIMIT UNUSED	\$ 11,131,991	\$ 9,763,539

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 . Rather, the financial statements must be interpreted as a whole.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2021	2020
Tangible capital assets(Schedule 2)	\$ 490,776,034	\$ 472,078,343
Accumulated amortization(Schedule 2)	(156,267,090)	(146,006,354)
Long-term debt (Note 9)	(45,652,905)	(48,303,662)
	\$ 288,856,039	\$ 277,768,327

13. ACCUMULATED SURPLUS

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

	2021 Actual	2020 Restated-(Note 21)
INTERNALLY RESTRICTED		
Public Works and Infrastructure	\$ 34,274,884	\$ 40,158,480
Community Services	10,917,877	9,332,624
Offsites - Uncommitted	4,060,127	3,898,073
General Government	1,818,530	1,282,037
MD Waterline	397,584	362,082
Electrical Utility Contribution	387,509	387,509
Developer Contribution	385,678	385,678
Offsites - Committed	369,085	581,570
Planning and Development	146,380	192,548
Municipal Reserve	132,648	132,648
TOTAL RESTRICTED	52,890,302	56,713,249
Unrestricted funds	26,367,268	20,661,709
TOTAL RESTRICTED AND UNRESTRICTED	79,257,570	77,374,958
Equity in tangible capital assets (Note 12)	288,856,039	277,768,327
ACCUMULATED SURPLUS	\$ 368,113,609	\$ 355,143,285

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

14. 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	2021 Total	2020 Total
Mayor	Craig Copeland	\$ 57,087	\$ 2,948	\$ 60,035	\$ 61,060
Councilors:	Robert Buckle	31,875	1,585	33,460	36,749
	Ryan Bailey	3,182	146	3,328	-
	Robert Mattice	3,182	149	3,331	-
	Adele Richardson	4,557	221	4,778	-
	Duane Lay	27,000	1,127	28,127	30,643
	Kirk Soroka	23,375	1,121	24,496	27,671
	Jurgen Grau	25,375	1,230	26,605	28,329
	Vicky Lefebvre	34,135	1,695	35,830	33,591
	Chris Vining	30,610	1,503	32,113	30,829
	William Parker	4,682	227	4,909	-
Chief Administrative Officer	Kevin Nagoya	274,410	44,751	319,161	311,992
		\$ 519,470	\$ 56,703	\$ 576,173	\$ 560,864

- (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, 2021

15. 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, 2021

15. 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.

16. 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 275,863 people and 433 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 City is required to make current service contributions to the plan of 9.39% of pension earnings up to the year's maximum pension earnings under the Canada Pension Plan and 13.84% for the excess. Employees of the City are required to make current service contributions of 8.39% of pension salary up to the year's maximum pension salary and 12.84% for the excess.

Total current service contributions by the City to the Local Authorities Pension Plan in 2021 were \$1,101,167 (2020 - \$1,068,242). Total current service contributions by the employees of the City to the Local Authorities Pension Plan in 2021 were \$995,887 (2020 - \$967,150).

As at December 31, 2020, LAPP disclosed an actuarial surplus of \$4.96 billion (2019 - \$7.91 billion).

17. 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, 2021

18. FINANCIAL INSTRUMENTS

The City's financial instruments consist of cash and cash equivalents, accounts receivable, 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 its US bank account.

d. Fair values of financial instruments

The City's carrying value of cash and temporary investments, taxes and grants in place of taxes receivable, trade and other receivables, loans receivable and accounts payable, and accrued 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, 2021

19. FRANCHISE AND CONCESSION CONTRACTS

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

	2021	2020
ATCO Electric	\$ 554,124	\$ 532,585
ATCO Gas	457,807	451,171
	\$ 1,011,931	\$ 983,756

20. BUDGET

The budget figures presented in these financial statements are based on the budget approved by the City's council on November 24, 2020. 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.

	2021 (Budget)	2021 (Actual)	2020 Restated-(Note 21)
ANNUAL SURPLUS	\$ 13,041,900	\$ 12,970,324	\$ 11,680,444
Add back (deduct):			
Contributed tangible capital assets	-	(89,000)	-
Amortization of tangible capital assets	-	11,175,391	10,970,093
Debt proceeds	8,000,000	-	-
Principal debt repayments	-	(2,650,757)	(2,550,432)
Disposal of tangible capital assets (net of amortization)	-	1,412,359	146,796
Tangible capital asset purchases	(42,442,232)	(20,935,705)	(10,350,805)
Net transfers from (to) reserves (restricted surplus)	16,498,000	4,180,483	(6,416,977)
OPERATING SURPLUS (DEFICIT)	\$ (4,902,332)	\$ 6,063,095	\$ 3,479,119

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

21. RESTATEMENT

The City has adjusted certain financial statement accounts as of December 31, 2020 due to the following:

Alberta Education deferral of the education requisition related to unpaid Payment in Lieu of Taxes (PILT).

Alberta Education has provided the City with a deferral on the education portion of the property taxes outstanding from PSPC for PILT for the 2013-2021 years. It is currently unknown how much the City will receive towards the outstanding balance, but the education deferral on these amounts will have to be paid to Alberta Education at that time. The deferrals for 2013-2020 had been recorded as internally restricted funds. There is uncertainty if the education portion on any amounts unpaid by PSPC will also be due once a determination is made, but the City has set up the entire amount as a due to the province.

The above change has been applied retroactively and the 2020 comparative figures have been restated as follows:

	As Previously Stated	Restatements	As Restated
STATEMENT OF FINANCIAL POSITION			
Accounts payable and accrued liabilities	\$ 7,691,872	\$ 3,211,808	\$ 10,903,680
Accumulated surplus	358,355,093	(3,211,808)	355,143,285
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS			
Net municipal taxes	20,936,194	(313,340)	20,622,854
Total revenue	51,484,191	(313,340)	51,170,851
Excess of revenue over expenses	11,993,784	(313,340)	11,680,444
Accumulated surplus, beginning of year	346,361,309	(2,898,468)	343,462,841
Accumulated surplus, end of year	358,355,093	(3,211,808)	355,143,285
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS			
Excess of revenue over expenses	11,993,784	(313,340)	11,680,444
Increase in net financial assets	12,511,244	(313,340)	12,197,904
Net financial assets, beginning of year	19,025,774	(2,898,468)	16,127,306
Net financial assets, end of year	31,537,018	(3,211,808)	28,325,210
STATEMENT OF CASH FLOWS			
Excess revenue over expenditures	11,993,784	(313,340)	11,680,444
Increase in accounts payable and accrued liabilities	\$ 1,495,203	\$ 313,340	\$ 1,808,543

22. COMPARATIVE INFORMATION

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

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

23. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by Council and Management on April 12, 2022.