

**CITY OF COLD LAKE  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

# CITY OF COLD LAKE

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## FINANCIAL STATEMENTS

December 31, 2013

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## AUDITORS' REPORT

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

We have audited the financial statements of the **City of Cold Lake**, which comprise the **Statement of Financial Position** as at December 31, 2013, and the **Statement of Operations, Statement of Change in Net Financial Assets (Debt)** and the **Statement of Cash Flows** for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the City of Cold Lake as at December 31, 2013 and the results of its operations, the change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta  
April 22, 2014

**Chartered Accountants**

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## CITY OF COLD LAKE

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2013

	Note Reference	2013	2012
<b>FINANCIAL ASSETS</b>			
Cash and Short-term Deposits	2	\$ 10,344,440	\$ 7,606,697
Taxes and Grants in Place of Taxes	3	1,245,282	822,146
Other Accounts Receivable		5,409,388	4,473,875
Land Held for Resale		1,356,100	1,433,200
Long-term Investments	4	20,059,744	25,216,018
		<b>38,414,954</b>	<b>39,551,936</b>
		<b>\$ 38,414,954</b>	<b>\$ 39,551,936</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities		\$ 6,844,637	\$ 9,058,709
Deposit Liabilities		1,844,950	888,952
Deferred Revenue	6	2,259,976	4,846,672
Employee Benefit Obligations	7	682,700	586,244
Long-term Debt	8	27,803,511	29,108,115
		<b>39,435,774</b>	<b>44,488,692</b>
<b>NET FINANCIAL DEBT (Statement 3)</b>		<b>(1,020,820)</b>	<b>(4,936,756)</b>
<b>NON-FINANCIAL ASSETS</b>			
Tangible Capital Assets		219,257,158	200,729,336
Inventory of Supplies and Materials		203,801	302,934
Prepaid Expenses		59,652	10,965
		<b>219,520,611</b>	<b>201,043,235</b>
<b>ACCUMULATED SURPLUS (Schedule 1)</b>	11	<b>\$218,499,791</b>	<b>\$196,106,479</b>

Contingencies - See Note 14.

Subsequent event - See Note 15.



# CITY OF COLD LAKE

## STATEMENT OF OPERATIONS

### FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget	2013	2012
	(Unaudited)		
<b>Revenues</b>			
Development Levies	\$ -	\$ 739,893	\$ 841,593
Fines	175,000	129,553	200,037
Franchise and Concession Contracts	765,715	718,295	702,554
Government Transfers (Schedule 4)	1,177,756	2,554,900	1,335,807
Licenses and Permits	498,500	764,068	518,921
Net Taxes Available for Municipal Purposes (Schedule 3)	19,186,356	31,998,972	25,956,675
Other	409,700	672,942	354,150
Penalties and Costs on Taxes	185,000	581,122	254,346
Rentals	813,036	867,410	721,733
Return on Investments	100,000	414,518	875,771
Sales and User Charges	7,417,436	8,424,078	6,635,224
<b>Total Revenues</b>	<b>30,728,499</b>	<b>47,865,751</b>	<b>38,396,811</b>
<b>Expenses (Schedule 5)</b>			
Administration	4,002,251	5,528,251	3,325,345
Amortization of Tangible Capital Assets	-	4,685,858	4,531,662
Fire and Emergency Services	782,798	709,018	671,114
Legislative	364,000	354,718	358,899
Other	2,795,578	8,000	690,000
Planning and Development	1,474,179	1,882,585	1,409,777
Police and By-law Enforcement	2,477,719	2,589,431	2,242,097
Public Health and Welfare	894,960	1,012,457	881,156
Recreation and Culture	6,653,506	6,926,750	5,007,651
Transportation Systems	5,218,346	5,375,533	4,088,502
Utility Systems	6,065,162	6,305,810	5,475,956
Loss on disposal of assets	-	1,111,936	5,359
<b>Total Expenses</b>	<b>30,728,499</b>	<b>36,490,347</b>	<b>28,687,518</b>
<b>Excess (Deficiency) of Revenues Over Expenses Before Other</b>	<b>-</b>	<b>11,375,404</b>	<b>9,709,293</b>
<b>Other</b>			
Government Transfers for Capital (Schedule 4)	-	7,284,491	11,402,964
Public Contributions for Capital	-	3,733,417	1,332,802
<b>Excess (Deficiency) of Revenues Over Expenses</b>	<b>-</b>	<b>22,393,312</b>	<b>22,445,059</b>
<b>Accumulated Surplus, Beginning of Year, as Previously Stated</b>	<b>-</b>	<b>196,106,479</b>	<b>172,823,940</b>
<b>Prior Period Adjustment (Note 16)</b>	<b>-</b>	<b>-</b>	<b>837,480</b>
<b>Accumulated Surplus, Beginning of Year, Restated</b>	<b>-</b>	<b>196,106,479</b>	<b>173,661,420</b>
<b>Accumulated Surplus, End of Year (Schedule 1)</b>	<b>\$ -</b>	<b>\$ 218,499,791</b>	<b>\$ 196,106,479</b>

The accompanying notes are an integral part of these financial statements

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

## CITY OF COLD LAKE

STATEMENT OF CHANGE IN NET FINANCIAL DEBT  
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
<b>Excess of Revenues Over Expenses</b>	<b>\$ 22,393,312</b>	<b>\$ 22,445,059</b>
Acquisition of Tangible Capital Assets	(24,850,398)	(30,160,475)
Disposal of Tangible Capital Assets	1,636,718	55,360
Amortization of Tangible Capital Assets	4,685,858	4,531,662
	(18,527,822)	(25,573,453)
Acquisition of Supplies Inventories	99,133	(98,808)
Acquisition of Prepaid Assets	(48,687)	11,234
	50,446	(87,574)
<b>Decrease (Increase) in Net Debt</b>	<b>3,915,936</b>	<b>(3,215,968)</b>
<b>Net Financial Debt, Beginning of Year</b>	<b>(4,936,756)</b>	<b>(1,720,788)</b>
<b>Net Financial Debt, End of Year</b>	<b>\$ (1,020,820)</b>	<b>\$ (4,936,756)</b>

The accompanying notes are an integral part of these financial statements

FABER LLP,  
CHARTERED ACCOUNTANTS

# CITY OF COLD LAKE

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Excess of Revenues Over Expenditures	\$ 22,393,312	\$ 22,445,059
Add (Deduct) Non-cash Items		
Amortization of tangible capital assets	4,685,858	4,531,662
Loss on disposal of tangible capital assets	1,111,936	5,359
(Increase) Decrease in taxes and grants in place of taxes receivable	(423,137)	8,661
(Increase) Decrease in other accounts receivable	(935,512)	849,695
(Increase) Decrease in prepaid expenses	(48,687)	11,232
Decrease in land held for resale	77,100	358,800
Decrease (Increase) in inventories	99,133	(98,808)
(Decrease) Increase in accounts payable and accrued liabilities	(2,021,158)	(226,993)
Increase (Decrease) in deposit liabilities	955,998	(590,689)
Decrease in deferred revenue	(2,586,696)	(5,326,499)
Increase (Decrease) in employee benefit obligations	96,456	(18,021)
	<b>23,404,603</b>	<b>21,949,458</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
Acquisition of tangible capital assets	(25,043,311)	(30,160,475)
Sale of tangible capital assets	524,782	50,001
	<b>(24,518,529)</b>	<b>(30,110,474)</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
(Decrease) Increase in long-term investments	5,156,273	(11,213,043)
	<b>5,156,273</b>	<b>(11,213,043)</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
(Decrease) Increase in long-term debt	(2,483,416)	8,222,082
Interest paid on long-term debt (Note 8)	1,178,812	1,178,099
	<b>(1,304,604)</b>	<b>9,400,181</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,737,743</b>	<b>(9,973,878)</b>
<b>NET CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>7,606,697</b>	<b>17,580,575</b>
<b>NET CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 10,344,440</b>	<b>\$ 7,606,697</b>
<b>NET CASH AND CASH EQUIVALENTS IS COMPRISED OF:</b>		
Cash and Short-term Deposits (Note 2)	\$ 10,344,440	\$ 7,606,697
	<b>\$ 10,344,440</b>	<b>\$ 7,606,697</b>

The accompanying notes are an integral part of these financial statements



## CITY OF COLD LAKE

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2013	2012
BALANCE, BEGINNING OF YEAR, AS PREVIOUSLY STATED	\$ 8,786,880	\$ 15,698,378	\$171,621,221	\$196,106,479	\$172,823,940
Prior Period Adjustment (Note 16)	-	-	-	-	837,480
BALANCE, BEGINNING OF YEAR, AS RESTATE	8,786,880	15,698,378	171,621,221	196,106,479	173,661,420
Excess of revenues over expenses	22,393,312	-	-	22,393,312	22,445,059
Unrestricted funds designated for future use	(6,518,715)	6,518,715	-	-	-
Restricted funds used for operations	2,760,385	(2,760,385)	-	-	-
Restricted funds used for tangible capital assets	-	(1,418,757)	1,418,757	-	-
Current year funds used for tangible capital assets	(20,079,833)	-	20,079,833	-	-
Contributed tangible capital assets	(3,351,808)	-	3,351,808	-	-
Disposal of tangible capital assets (net of amortization)	1,636,718	-	(1,636,718)	-	-
Annual amortization expense	4,685,858	-	(4,685,858)	-	-
Long term debt repaid	(1,304,604)	-	1,304,604	-	-
Change in accumulated surplus	221,313	2,339,573	19,832,426	22,393,312	22,445,059
BALANCE, END OF YEAR	\$ 9,008,193	\$ 18,037,951	\$191,453,647	\$218,499,791	\$196,106,479



## CITY OF COLD LAKE

SCHEDULE OF TANGIBLE CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Land	Land Improvement	Buildings	Engineered Structures	Work in Progress	Machinery and Equipment	Vehicles	2013	2012
<b>COST:</b>									
<b>BALANCE, BEGINNING OF YEAR</b>	\$36,588,190	\$3,631,934	\$23,237,332	\$160,510,587	\$59,857,107	\$6,207,103	\$4,098,754	294,131,007	\$264,268,579
Acquisition of tangible capital assets	527,181	452,355	-	39,116,590	-	5,192,110	1,225,929	46,514,165	30,160,475
Reclassification	-	-	-	-	(59,857,107)	-	-	(59,857,107)	-
Construction-in-progress	-	-	-	-	38,193,339	-	-	38,193,339	-
Write down of tangible capital assets	(530,081)	(80,502)	-	(6,560,776)	-	-	(19,218)	(7,190,577)	(466,487)
Miscellaneous items	-	-	-	(9,823)	-	10	-	(9,813)	168,440
<b>BALANCE, END OF YEAR</b>	36,585,290	4,003,787	23,237,332	193,056,578	38,193,339	11,399,223	5,305,465	311,781,014	294,131,007
<b>ACCUMULATED AMORTIZATION:</b>									
<b>BALANCE, BEGINNING OF YEAR</b>	-	704,890	4,975,535	82,572,573	-	3,225,665	1,923,007	93,401,670	89,112,696
Annual amortization	-	172,869	575,958	3,332,391	-	306,264	288,563	4,676,045	4,700,103
Accumulated amortization on disposals	-	(80,502)	-	(5,467,592)	-	-	(5,765)	(5,533,859)	(411,128)
<b>BALANCE, END OF YEAR</b>	-	797,257	5,551,493	80,437,372	-	3,531,929	2,205,805	92,523,856	93,401,671
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$36,585,290</b>	<b>\$3,206,530</b>	<b>\$17,685,839</b>	<b>\$112,619,206</b>	<b>\$38,193,339</b>	<b>\$7,867,294</b>	<b>\$3,099,660</b>	<b>\$219,257,158</b>	<b>\$200,729,336</b>
<b>2012 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS (restated)</b>	<b>\$36,588,190</b>	<b>\$2,927,044</b>	<b>\$18,261,797</b>	<b>\$77,938,014</b>	<b>\$59,857,107</b>	<b>\$2,981,438</b>	<b>\$2,175,747</b>	<b>\$200,729,336</b>	

## CITY OF COLD LAKE

SCHEDULE OF TAXES LEVIED  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget (Unaudited)	2013	2012
<b>Taxation</b>			
Real Property Taxes	\$ 19,939,952	\$ 31,227,764	\$ 26,019,236
Linear Property Taxes	263,881	326,899	339,596
Government Grants in Place of Property Taxes	4,413,856	6,088,366	4,413,856
Local Improvements	235,064	62,941	252,992
	<b>24,852,753</b>	<b>37,705,970</b>	<b>31,025,680</b>
<b>Requisitions</b>			
Alberta School Foundation Fund	5,557,871	5,597,637	4,956,928
Bonnyville District Foundation	108,526	109,361	112,077
	<b>5,666,397</b>	<b>5,706,998</b>	<b>5,069,005</b>
<b>Net Taxes Available for Municipal Purposes</b>	<b>\$ 19,186,356</b>	<b>\$ 31,998,972</b>	<b>\$ 25,956,675</b>

The accompanying notes are an integral part of these financial statements

FABER LLP,  
CHARTERED ACCOUNTANTS

## CITY OF COLD LAKE

SCHEDULE OF GOVERNMENT TRANSFERS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget (Unaudited)	2013	2012
<b>Transfers for Operating:</b>			
Provincial Government	\$ 786,012	\$ 1,051,831	\$ 766,050
Federal Government	312,000	315,200	311,392
Other Local Governments	79,744	1,187,869	258,365
	<b>1,177,756</b>	<b>2,554,900</b>	<b>1,335,807</b>
<b>Transfers for Capital:</b>			
Provincial Government	-	7,284,491	11,402,964
<b>Total Government Transfers</b>	<b>\$ 1,177,756</b>	<b>\$ 9,839,391</b>	<b>\$ 12,738,771</b>

The accompanying notes are an integral part of these financial statements

FABER LLP,  
CHARTERED ACCOUNTANTS

## CITY OF COLD LAKE

SCHEDULE OF EXPENSES BY OBJECT  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget (Unaudited)	2013	2012
<b>Expenses</b>			
Salaries, Wages and Benefits	\$ 11,477,908	\$ 10,156,029	\$ 9,664,604
Contracted and General Services	7,159,248	8,373,593	5,713,674
Materials, Goods, Supplies and Utilities	3,457,435	3,952,250	2,813,763
Purchases from Other Governments	3,585,150	4,036,042	3,527,690
Provision for Allowances	8,000	-	-
Transfers to Individuals and Organizations	1,263,731	1,258,750	1,174,838
Interest on Capital Long-term Debt	1,210,948	1,178,812	1,178,099
Bank Charges and Short-term Interest	33,000	39,792	29,464
Other Expenditures	2,533,079	1,697,285	48,365
Amortization of Tangible Capital Assets	-	4,685,858	4,531,662
Loss on disposal of tangible capital assets	-	1,111,936	5,359
<b>Total Expenses</b>	<b>\$ 30,728,499</b>	<b>\$ 36,490,347</b>	<b>\$ 28,687,518</b>

The accompanying notes are an integral part of these financial statements

FABER LLP,  
CHARTERED ACCOUNTANTS



# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the municipality are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the municipality are as follows:

#### *(a) Reporting Entity*

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to the City Council for the administration of their financial affairs and resources. Included with the municipality are the following:

City of Cold Lake  
Cold Lake Family and Community Support Services

The Schedule of Taxes Levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The financial statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

#### *(b) Basis of Accounting*

The financial statements are prepared using the accrual basis of accounting.

Revenues are recognized in the period in which the transactions or events occurred that give rise to the revenues. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purposes specified.

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made.

#### *(c) Use of Estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

#### *(d) Investments*

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss of value that is other than a temporary decline, the respective investment is written down to recognize the loss.

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

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**(e) Requisition Over-levy and Under-levy**

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

**(f) Inventories**

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

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes cost for land acquisition and improvements required to prepare the land for servicing, such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as capital assets under their respective function.

**(g) Prepaid Local Improvements Charges**

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

**(h) Government Transfers**

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, and are not the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

**(i) Non-Financial Assets**

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



# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

### I) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized, other than land, on a straight-line basis over the estimated useful life as follows:

	YEARS
Land Improvements	15-20
Buildings	40
Engineered structures	
Roadway system	10-40
Water system	50
Wastewater system	50
Other engineered structures	5-30
Machinery and equipment	10
Vehicles	10-25

No annual amortization is charged in the year of acquisition however, a full year will be amortized in the year of disposition. Assets under construction are not amortized until the asset is available for productive use.

### II) Contributions of Tangible Capital Assets

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

### III) Leases

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

### IV) Inventories

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

### V) Cultural and Historical Tangible Capital Assets

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

## 2. CASH AND SHORT-TERM DEPOSITS

	2013	2012
Cash Floats and Undeposited Receipts	\$ 2,750	\$ 2,400
Bank Accounts	2,341,690	7,604,297
Term Deposits and Guaranteed Investment Certificates	8,000,000	-
	<b>\$ 10,344,440</b>	<b>\$ 7,606,697</b>

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

### 3. TAXES AND GRANTS IN PLACE OF TAXES AND OTHER RECEIVABLES

	2013	2012
Current taxes and grants in place of taxes (Note 15)	\$ 3,733,356	\$ 1,284,146
	3,733,356	1,284,146
Less allowance for doubtful accounts (Note 15)	(2,488,074)	(462,000)
	\$ 1,245,282	\$ 822,146

### 4. LONG-TERM INVESTMENTS

	2013	2012
Accrued interest receivable	\$ 127,283	\$ -
Bank of Montreal Tier 1 NTES coupon bonds, annual equivalent yield rate of 10.221%, maturing December 31, 2107	2,311,114	-
BNS Investment Savings Account yield rate of 1.78%	7,161,505	-
CIBC Capital Trust coupon bonds, annual equivalent yield rate of 9.976%, maturing on June 30, 2108	711,525	-
CPN Bank of Montreal coupon bonds, annual equivalent yield rate of 6.17%, maturing on September 28, 2015	13,000	-
CPN Bank of Montreal coupon bonds, annual equivalent yield rate of 6.17%, maturing on September 28, 2016	217,152	473,338
CPN C.I.B.C coupon bonds, annual equivalent yield rate of 6.00%, maturing on December 6, 2015	-	226,757
Ontario Hydro coupon bonds, annual equivalent yield rate of 4.17%, maturing April 11, 2017	155,400	200,172
Province of Nova Scotia coupon bonds, annual equivalent yield rate of 2.00%, maturing January 10, 2022	922,000	922,000
RBC Investment Savings Account yield rate of 1.78%	7,546,961	1,006,160
Renaissance High Interest Account yield rate of 1.78%	-	4,282,109
RES Bank of Montreal coupon bonds, annual equivalent yield of 4.87%, maturing on April 22, 2015	-	292,525
RES C.I.B.C. coupon bonds, annual equivalent yield of 3.15%, maturing on November 2, 2015	-	2,229,410
Scotiabank Capital Trust coupon bonds, annual equivalent yield rate of 6.28%, maturing June 30, 2013	-	14,689,714
Shares, Alberta Municipal Finance Corporation	40	40
Shares, Lakeland Credit Union	10,000	10,028
TD Capital Trust III coupon bonds, annual equivalent yield rate of 7.24%, maturing on December 29, 2049	883,764	883,765
	\$ 20,059,744	\$ 25,216,018



# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

### 5. BANK INDEBTEDNESS

The City has an authorized overdraft limit in the amount of \$1,000,000 which bears interest at prime minus 0.25% and is secured by an overdraft protection agreement. At year end, the City had used no part of this limit (2012 - nil).

### 6. DEFERRED REVENUE

	2013	2012
Prepaid Local Improvement Charges	\$ 48,821	\$ 66,748
Affordable Housing Grant	351,145	351,145
Alberta Municipal Infrastructure Program	363,084	963,084
Basic Capital Grant	460,834	1,434,083
NDCC/Fed Gas	206,444	59,432
Water/Sewer Special Grant - Province	565,711	1,438,970
Other	263,937	533,210
Deferred Revenue	\$ 2,211,155	\$ 4,779,924
	\$ 2,259,976	\$ 4,846,672

#### Prepaid Local Improvement Charges

Prepaid local improvement charges are being amortized to revenue at rates ranging from \$123 to \$7,529 per year over the next 1 to 16 years.

#### Deferred Revenue

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

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

### 7. EMPLOYEE BENEFIT OBLIGATIONS

	2013	2012
Vacation and Overtime	\$ 682,700	\$ 586,244

The vacation and overtime liability is comprised of the vacation and overtime costs that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

### 8. LONG-TERM DEBT

	2013	2012
Tax Supported Debentures	\$ 27,803,511	\$ 29,108,115

The current portion of the long-term debt amounts to \$1,289,592 (2012 - \$1,304,604).

Principal and interest payments are as follows:

	Principal	Interest	Total
2014	\$ 1,289,592	\$ 1,136,920	\$ 2,426,512
2015	1,285,970	1,078,072	2,364,042
2016	1,341,702	1,022,340	2,364,042
2017	1,399,911	964,131	2,364,042
2018	1,460,711	903,331	2,364,042
Thereafter	<u>21,025,625</u>	<u>5,854,082</u>	<u>26,879,707</u>
	<b>\$ 27,803,511</b>	<b>\$ 10,958,876</b>	<b>\$ 38,762,387</b>

Debenture debt is payable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.263% to 9.625% per annum, before Provincial subsidy, and matures in various amounts between 2014 through 2030. The average annual interest rate is 4.143% for 2013 (4.827% for 2012). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9% and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the City of Cold Lake.

Interest paid during the year amounted to \$1,178,812 (2012 - \$1,178,099).

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

### 9. DEBT LIMITS

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

	2013	2012
Total long-term debt limit	\$ 67,966,277	\$ 55,591,506
Total long-term debt actual	27,803,511	29,108,115
<b>Amount of debt limit unused</b>	<b>\$ 40,162,766</b>	<b>\$ 26,483,391</b>
Debt servicing limit	\$ 11,327,713	\$ 9,265,251
Debt servicing actual	2,426,512	2,499,252
<b>Amount of debt servicing limit unused</b>	<b>\$ 8,901,201</b>	<b>\$ 6,765,999</b>

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

### 10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2013	2012
Tangible Capital Assets (Schedule 2)	\$ 311,781,014	\$ 294,131,007
Accumulated Amortization (Schedule 2)	(92,523,856)	(93,401,671)
Long-term Debt (Note 8)	(27,803,511)	(29,108,115)
	<b>\$ 191,453,647</b>	<b>\$ 171,621,221</b>



# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

### 11. ACCUMULATED SURPLUS

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

	2013	2012
<b>Restricted surplus by agreement or legislation:</b>		
MD waterline	\$ 54,036	\$ 54,036
CLR3	-	-
Slope remediation	475,208	333,255
Offsites	2,667,291	3,149,357
Storm Pond	77,033	175,000
Forest Heights offsites	\$ 156,931	\$ -
Provincial grants (2008)	24,463	27,392
MSI	82,398	-
Developer Contribution	385,678	385,678
Municipal reserve	132,648	132,648
	<b>4,055,686</b>	<b>4,257,366</b>
<b>Internally Restricted:</b>		
Corporate Services	233,000	63,000
Annexation Analysis	-	29,268
Bench Marketing Project	17,162	30,000
Non Profit Groups	408,000	151,136
Waste/Water Systems	3,986,301	3,105,267
General Storm	534,437	762,430
IST	233,897	277,066
Municipal Development Plan	75,000	75,000
Photo Radar Initiative	40,112	40,112
Snow Removal	214,000	214,000
Airport	442,615	191,250
Waste Landfill	418,924	295,053
Cemetery	57,850	7,850
Parks and Sportsfields	805,271	730,271
Trail Maintenance	75,000	75,000
Arena Replacement	2,090,000	2,090,000
EDC Air Expansion	6,026	6,026
Vehicles and Equipment	250,000	968,446
Roads	711,119	1,347,998
Sidewalk Project	200,000	200,000
Lights	51,500	51,500
Buildings	586,561	586,561
Berth Replace	26,000	-
Water	2,498,990	123,278
Electronic Sign	20,500	20,500
	<b>13,982,265</b>	<b>11,441,012</b>
<b>Restricted</b>	<b>18,037,951</b>	<b>15,698,378</b>
<b>Unrestricted Funds</b>	<b>9,008,193</b>	<b>8,786,880</b>
<b>Restricted and unrestricted</b>	<b>27,046,144</b>	<b>24,485,258</b>
<b>Equity in tangible capital assets (Note 10)</b>	<b>191,453,647</b>	<b>171,621,221</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$218,499,791</b>	<b>\$196,106,479</b>



# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

### 12. SALARY AND BENEFITS DISCLOSURE

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

	Name of Person	Salary (a)	Allowances and Benefits (b) & (c)	2013 Total	2012 Total
Mayor	Craig Copeland	\$ 48,664	\$ 1,457	\$ 50,121	\$ 49,860
	Subsistence	-	-	6,365	7,801
Councillors:	Robert Buckle	31,990	906	32,896	33,980
	Duane Lay	28,616	795	29,411	30,376
	Kelvin Plain	24,415	656	25,071	25,148
	Vicky Lefebvre	28,965	806	29,771	27,238
	Darrell MacDonald	24,127	647	24,774	26,539
	Chris Vining	25,027	676	25,703	27,356
	Subsistence	-	-	31,855	26,956
Chief Administrative Officer	Kevin Nagoya	201,204	37,152	238,356	221,386
		\$ 413,008	\$ 43,095	\$ 494,323	\$ 476,640

- (a) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (b) The employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.
- (c) Allowances and benefit figures include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

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### 13. LOCAL AUTHORITIES PENSION PLAN

Employees of the municipality participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. LAPP serves about 200,000 people and 428 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The municipality is required to make current service contributions to the plan of 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.47% for the excess. Employees of the municipality are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% for the excess.

Total current service contributions by the municipality to the Local Authorities Pension Plan in 2013 were \$567,524 (2012 - \$568,337). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2013 were \$517,411 (2012 - \$515,278).

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### 14. CONTINGENCIES

The municipality is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the City could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

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### 15. SUBSEQUENT EVENT

The municipality received the final payment from PWGSC (Public Works and Government Services Canada) for the PILT (Payment in Lieu of Taxes) in February 2014. There is disputed balance of \$2,026,074 between the municipality and PWGSC and the shortfall amount of \$2,026,074 is being appealed. The municipality expects to receive a ruling from the appeal hearing held in December in April or May 2014. Significant increase in both Current taxes and grants in place of taxes and Allowance for doubtful accounts (Note 3) is due to allowance for PILT.

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### 16. PRIOR PERIOD ADJUSTMENT

In 2011, the City airport and its additions were not capitalized. The cost of the land portion of the airport was \$818,400 and the building portion was \$19,080. The total cost of tangible capital assets understated in 2011 was \$837,480. In Schedule 2 the prior year has been restated to account for the change.

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### 17. INTEREST RATE RISK

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



# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

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

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

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

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

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### 19. FINANCIAL INSTRUMENTS

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

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

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

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### 20. COMPARATIVE FIGURES

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

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### 21. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by Council and Management.