



CITY OF
FORT SASKATCHEWAN

Consolidated Financial Statements of

City of Fort Saskatchewan

Year Ended December 31, 2012

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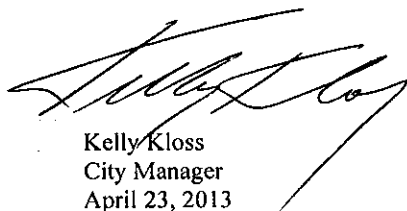
MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the City of Fort Saskatchewan (City) are the responsibility of the City's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

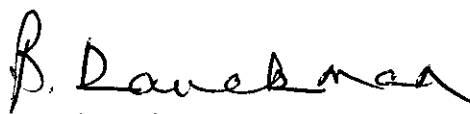
The City's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Mayor and Members of Council met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the City. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the City's consolidated financial statements.



Kelly Kloss
City Manager
April 23, 2013



Brenda Rauckman
General Manager, Corporate Services
April 23, 2013



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INDEPENDENT AUDITORS' REPORT

To Her Worship the Mayor and Members of Council of the City of Fort Saskatchewan

We have audited the accompanying consolidated financial statements of the City of Fort Saskatchewan, which comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statements of operations and accumulated surplus, changes in net (debt) financial assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City of Fort Saskatchewan as at December 31, 2012, and its consolidated results of operations, its consolidated changes in net (debt) financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

April 23, 2013
Edmonton, Canada

CITY OF FORT SASKATCHEWAN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2012, with comparative figures for 2011

	2012	2011
Financial Assets		
Cash	\$ 5,765,029	\$ 102,254
Investments (Note 2)	25,325,030	30,736,030
Taxes Receivable (Note 3)	722,369	541,170
Trade and Other Receivables	5,428,314	5,018,577
Sponsorships Receivable (Note 4)	264,200	211,600
Due From Other Governments (Note 5)	347,137	4,076,779
Inventory Held for Resale	44,394	40,844
	37,896,473	40,727,254
Liabilities		
Accounts Payable and Accrued Liabilities	8,678,947	9,564,581
Deposits on Account	1,465,692	1,438,123
Deferred Revenue (Note 6)	3,442,587	4,494,647
Vested Sick Leave	201,059	173,309
Long-Term Debt (Note 7), (Note 8)	29,691,467	25,267,873
	43,479,752	40,938,533
Net Debt	(5,583,279)	(211,279)
Non-Financial Assets		
Tangible Capital Assets (Note 9)	333,593,383	317,040,985
Inventories of Supplies	349,922	315,766
Prepaid Expenses	201,526	342,469
	334,144,831	317,699,220
Accumulated Surplus (Note 10)	\$ 328,561,552	\$ 317,487,941

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

CITY OF FORT SASKATCHEWAN
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
Year Ended December 31, 2012, with comparative figures for 2011

	2012 (Budget) (Unaudited Note 18)	2012	2011
Revenue			
Net Municipal Taxes (Schedule 1)	28,162,307	28,187,062	25,539,849
Sales, Rentals and User Charges	14,646,724	14,172,273	13,448,598
Penalties and Costs on Taxes and Utilities	181,800	301,928	263,078
Fines, Licenses and Permits	3,290,900	3,676,787	3,152,899
Interest	437,200	553,717	488,828
Government Transfers			
Provincial	7,545,794	7,554,033	5,809,318
Federal	1,546,350	1,213,130	1,104,532
Developer Agreements and Levies	-	4,452,212	1,989,382
Gain on Disposal of Tangible Capital Assets	48,500	-	-
Contributed Tangible Capital Assets	-	-	54,824,397
Other Revenues	1,103,395	1,837,420	908,835
	56,962,970	61,948,562	107,529,716
Expenses (Schedule 2)			
General Government	6,150,148	5,821,049	5,479,514
Police	3,929,600	3,941,284	2,644,022
Fire	1,294,593	1,455,734	1,401,364
Disaster and Emergency Response	261,150	229,985	230,237
Bylaws Enforcement	1,130,700	983,874	831,580
Transportation	5,582,375	10,853,033	9,417,897
Water Supply	4,152,800	4,462,700	4,078,804
Wastewater Treatment	4,129,240	4,250,524	4,050,247
Waste Management	1,452,800	1,810,032	1,459,360
Family and Community Support	974,400	931,488	813,533
Cemeteries	60,700	54,116	63,145
Planning, Zoning and Development	2,500,622	1,886,707	2,589,213
Recreation and Parks	9,592,790	10,622,004	10,132,703
Culture Programs	3,400,189	3,572,421	2,946,449
	44,612,107	50,874,951	46,138,068
Annual Surplus	12,350,863	11,073,611	61,391,648
Opening Accumulated Surplus	317,487,941	317,487,941	256,096,293
Closing Accumulated Surplus	329,838,804	328,561,552	317,487,941

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

CITY OF FORT SASKATCHEWAN
CONSOLIDATED STATEMENT OF CHANGES IN NET (DEBT) FINANCIAL ASSETS

For the Year Ended December 31, 2012, with comparative figures for 2011

	2012	2012	2011
	(Budget)		
	(Unaudited		
	Note 18)		
Annual Surplus	\$ 12,350,863	\$ 11,073,611	\$ 61,391,648
Acquisition of Tangible Capital Assets	(11,923,276)	(25,039,341)	(21,937,063)
Contributed Tangible Capital Assets	-	-	(54,824,397)
Amortization of Tangible Capital Assets	-	7,436,891	6,328,888
Loss (Gain) of Disposal of Tangible Capital Assets	(48,500)	403,514	644,711
Proceeds on Disposal of Tangible Capital Assets	-	646,538	153,644
	<u>379,087</u>	<u>(5,478,787)</u>	<u>(8,242,569)</u>
Acquisition of Inventories of Supplies	-	(34,156)	(30,485)
Acquisition (use) of Prepaid Expenses	-	140,943	(106,950)
	<u>-</u>	<u>106,787</u>	<u>(137,435)</u>
Change in Net (Debt) Financial Assets	379,087	(5,372,000)	(8,380,004)
Net (Debt) Financial Assets, Beginning of Year	(211,279)	(211,279)	8,168,725
Net (Debt) Financial Assets, End of Year	\$ 167,808	\$ (5,583,279)	\$ (211,279)

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

CITY OF FORT SASKATCHEWAN
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012 with comparative figures for 2011

	2012	2011
Cash Provided By (Used In)		
Operating Activities		
Annual Surplus	\$ 11,073,611	\$ 61,391,648
Items Not Involving Cash		
Amortization of Tangible Capital Assets	7,436,891	6,328,888
Contributed Tangible Capital Assets	-	(54,824,397)
Loss on Disposal of Tangible Capital Assets	403,514	644,711
Changes in Non-Cash Assets and Liabilities		
Taxes Receivable	(181,199)	(138,578)
Trade and Other Receivables	(409,737)	2,319,158
Sponsorships Receivable	(52,600)	(115,320)
Due From Other Governments	3,729,642	(33,555)
Inventory Held for Resale	(3,550)	(518)
Accounts Payable and Accrued Liabilities	(885,634)	2,186,590
Deposits on Account	27,569	66,976
Deferred Revenue	(1,052,060)	906,844
Vested Sick Leave	27,750	(10,532)
Inventories of Supplies	(34,156)	(30,485)
Prepaid Expenses	140,943	(106,950)
	20,220,984	18,584,480
Investing Activities		
Purchase of Investments	(40,770,000)	(37,536,000)
Sales of Investments	46,181,000	27,400,000
	5,411,000	(10,136,000)
Financing Activities		
Repayment of Long-Term Debt	(2,576,406)	(803,884)
Proceeds from Long-Term Debt	7,000,000	10,550,000
	4,423,594	9,746,116
Capital Activities		
Acquisition of Tangible Capital Assets	(25,039,341)	(21,937,063)
Proceeds of Disposal of Tangible Capital Assets	646,538	153,644
	(24,392,803)	(21,783,419)
Increase (Decrease) in Cash	5,662,775	(3,588,823)
Cash, Beginning of Year	102,254	3,691,077
Cash, End of Year	\$ 5,765,029	\$ 102,254

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

CITY OF FORT SASKATCHEWAN

SCHEDULE 1 - NET MUNICIPAL TAXES

For the Year Ended December 31, 2012, with comparative figures for 2011

	2012	2012	2011
	Budget		
	(Unaudited		
	Note18)		
Taxation			
Residential	\$ 17,486,927	\$ 17,487,931	\$ 15,605,651
Non-Residential	19,719,301	19,420,014	17,679,713
Government Transfers in Place of Property Taxes	333,300	703,823	648,687
Special Assessments and Local Improvement Taxes	63,100	63,149	63,149
	<u>37,602,628</u>	<u>37,674,917</u>	<u>33,997,200</u>
Requisitions			
Alberta School Foundation Fund	8,091,623	8,138,827	7,261,189
Elk Island Catholic Separate Regional District #41	1,161,353	1,161,683	1,039,917
Fort Saskatchewan Foundation	187,345	187,345	156,245
	<u>9,440,321</u>	<u>9,487,855</u>	<u>8,457,351</u>
Net Municipal Taxes	<u>\$ 28,162,307</u>	<u>\$ 28,187,062</u>	<u>\$ 25,539,849</u>

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

CITY OF FORT SASKATCHEWAN
SCHEDULE 2 - CONSOLIDATED EXPENSES BY OBJECT
For the Year Ended December 31, 2012, with comparative figures for 2011

	2012 Budget (Unaudited Note18)	2012	2011
Consolidated Expenses			
Salaries, Wages and Benefits	\$ 18,502,576	\$ 17,924,599	\$ 16,882,306
Contracted and General Services	9,767,046	9,389,556	8,763,354
Purchases from Other Governments	8,923,453	8,537,578	7,048,655
Materials, Goods, Supplies and Utilities	4,909,018	4,573,946	4,269,045
Transfers to Individuals and Organizations	1,228,517	1,201,731	1,055,464
Interest on Long-Term Debt	1,149,150	1,217,087	930,434
Bank Charges and Short Term Interest	61,389	67,373	71,867
Other Expenses	70,958	122,676	143,344
Amortization of Tangible Capital Assets	-	7,436,891	6,328,888
Loss on Disposal of Tangible Capital Assets	-	403,514	644,711
	\$ 44,612,107	\$ 50,874,951	\$ 46,138,068

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

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements of the City of Fort Saskatchewan (City) are prepared by management in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the City are as follows:

a) Basis of Consolidation

The Consolidated Financial Statements of the City reflect the assets, liabilities, revenues and expenses of the reporting entity which comprises all of the organizations that are accountable for the administration of their financial affairs and resources to the City, and which are owned or controlled by the City. They include the following:

(i) General Government

To account for the assets and liabilities, revenues and expenses associated with the provision of conventional municipal services.

(ii) Utility

To account for those entities that provide specific services on a 'user pay' basis, ensuring that users pay the full cost of the utility. These include water, sewer and waste management services.

(iii) Library

To account for the activities of the Fort Saskatchewan Public Library. The Library is administered by a separate board of directors.

Inter-departmental and inter-organizational transactions have been eliminated.

The schedule of net municipal taxes levied also includes requisitions for education purposes and the Fort Saskatchewan Foundation.

Education property taxes were levied on behalf of the Province of Alberta and requisitions were paid to the Province of Alberta School Foundation Fund and Elk Island Catholic Separate Regional District #41.

The City is also the sole member of the Fort Saskatchewan Foundation (Foundation) (incorporated as a management body pursuant to the provisions of the Alberta Housing Act). The nature of the incorporation of this management body is such that the profits, if any, or any other income of the management body is applied to promoting its objects, and the payment of any dividend or, in certain cases, a return of assets to the member of the management body, is prohibited. As such, the Foundation has not been included in the government reporting entity.

Effective January 1, 2013, activities of the Fort Saskatchewan Foundation have been transferred to the Heartland Housing Foundation.

The City is also a member of various other boards and commissions that are not included in the government reporting entity.

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Basis of Accounting

The City follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and are measurable. Expenses are recognized as they are incurred and are measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

c) Government Transfers

Government transfers are recognized in the financial statements as revenue in the period that the events giving rise to the transfer occurs, providing the transfers are authorized, any eligibility criteria have been met by the City, and reasonable estimates of the amounts can be made. Amounts to be recognized in future periods are recorded as deferred revenue.

d) Investment Income

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income on deferred revenue is added to the investment and forms part of the deferred revenue balance.

e) Property Tax Over-levies and Under-levies

Over-levies and under-levies of property taxes arise from the difference between the actual 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) Investments

Investments are recorded at cost less amounts written off to reflect other than temporary declines in value. Purchase premiums and discounts are amortized proportionately over the term of the respective investments. The City invests its funds pursuant to authorized investments allowed by the Municipal Government Act.

g) 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 ordinary course of operations.

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Non-Financial Assets (continued)

(i) Tangible Capital Assets

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

Assets	Useful Life - Years
Land Improvements	15 - 45
Engineered Structures	5 - 75
Buildings	10 - 50
Machinery and Equipment	10 - 25
Vehicles	10 - 20

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 their fair value at the date of receipt and also are recorded as revenue.

(iii) Works of Art and Cultural and Historic Assets

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

(iv) Inventories of Supplies

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

h) 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

2. INVESTMENTS

	2012	2011
Investments	\$ 25,325,030	\$ 30,736,030

The City's investment pool consists primarily of guaranteed investment certificates maturing from 179 to 365 days, bearing interest at 1.37 to 1.95 % to % (2012 - 1.3% to 1.59%).

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

3. TAXES RECEIVABLE

	2012	2011
Current	\$ 505,419	\$ 393,595
Arrears	216,950	147,575
	<u>\$ 722,369</u>	<u>\$ 541,170</u>

4. SPONSORSHIPS RECEIVABLE

Sponsorships receivable relate to sponsorship agreements for the Dow Centennial Centre, Lions Club Fish Pond and 1875-1885 NWMP Fort Project over the next five years. Amounts to be received are as follows:

	2012	2011
Dow Centennial Centre		
2012	\$ -	\$ 25,000
2013	25,000	25,000
	<u>25,000</u>	<u>50,000</u>
Lions Club - Fish Pond		
2012	2,000	-
2013	2,000	-
2014	2,000	-
2015	2,000	-
2016	2,000	-
Subsequent	88,000	-
	<u>98,000</u>	<u>-</u>
1875-1885 NWMP Fort Project		
2012	-	40,400
2013	45,400	40,400
2014	45,400	40,400
2015	45,400	40,400
2016	5,000	-
	<u>141,200</u>	<u>161,600</u>
	<u>\$ 264,200</u>	<u>\$ 211,600</u>

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

5. DUE FROM OTHER GOVERNMENTS

	2012	2011
Federal Government	\$ 347,137	\$ 415,000
Provincial Government	-	3,661,779
	<u>\$ 347,137</u>	<u>\$ 4,076,779</u>

6. DEFERRED REVENUE

Deferred revenue is comprised of the funds noted below, the use of which, together with any earnings thereon, is restricted by agreement. These funds are recognized as revenue in the period they are used for the purpose specified.

	Balance January 1, 2012	New Grants	Recognized Grants	Balance December 31, 2012
Operating	\$ (934,506)	\$ (677,888)	\$ 641,108	\$ (971,286)
Capital				
Transportation Transfer	(964,713)	(1,252,937)	1,781,333	(436,317)
Parks and Recreation	(1,531,307)	(3,826,940)	4,257,048	(1,101,199)
Other	(1,064,121)	(1,050,212)	1,180,548	(933,785)
	<u>\$ (4,494,647)</u>	<u>\$ (6,807,977)</u>	<u>\$ 7,860,037</u>	<u>\$ (3,442,587)</u>

7. LONG-TERM DEBT

	2012	2011
Supported by:		
General Tax Levies	\$ 63,217	\$ 21,994,982
Local Improvement Levies	24,933,127	114,438
Utility Rates	4,695,123	3,158,453
	<u>\$ 29,691,467</u>	<u>\$ 25,267,873</u>

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

7. LONG-TERM DEBT (CONTINUED)

Principal and interest repayments are as follows:

	Principal	Interest	Total
2013	\$ 1,607,600	\$ 1,224,473	\$ 2,832,073
2014	1,625,803	1,151,458	2,777,261
2015	1,694,831	1,079,225	2,774,056
2016	1,767,583	1,003,740	2,771,323
2017	1,846,540	924,783	2,771,323
Subsequent	21,149,110	5,255,887	26,404,997
	<u>\$ 29,691,467</u>	<u>\$ 10,639,566</u>	<u>\$ 40,331,033</u>

Debentures are payable in semi-annual amounts up to the year 2035, with accompanying interest rates ranging from 2.226% to 9.375%. Debenture debt is issued on the credit and security of the City.

Debt obligations by function are as follows:

	2012	2011
Transportation	\$ 15,455,501	\$ 11,956,301
Water supply	4,695,123	3,158,453
Parks and Recreation	9,540,843	10,153,119
	<u>\$ 29,691,467</u>	<u>\$ 25,267,873</u>

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

8. DEBT LIMITS

Section 276(2) of the *Municipal Government Act* requires that debt limits as defined by regulation for the City be disclosed as follow:

	2012	2011
Total Debt Limit	\$ 82,247,165	\$ 74,241,110
Total Debt	(29,691,467)	(25,267,873)
Debt Limit in Excess of Actual Debt	52,555,698	48,973,237
Service on Debt Limit	13,707,861	12,373,518
Service on Debt	(2,832,073)	(2,371,080)
Total Service on Debt Limit in Excess of Actual Debt Service Costs	<u>\$ 10,875,788</u>	<u>\$ 10,002,438</u>

The debt limit is calculated at 1.5 times 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, which 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.

9. TANGIBLE CAPITAL ASSETS

Cost	Balance at December 31,			Balance at
	2011	Additions	Disposals	December 31, 2012
Land	\$ 79,230,045	\$ 1,122,602	\$ (40,939)	\$ 80,311,708
Land Improvement	11,661,638	1,594,265	(29,924)	13,225,979
Engineering Structures	205,955,957	8,922,950	(1,731,071)	213,147,836
Buildings	36,651,849	-	-	36,651,849
Machinery and Equipment	9,876,035	998,575	(795,516)	10,079,094
Vehicles	4,313,451	345,359	(66,389)	4,592,421
Assets Under Construction	54,716,278	24,364,032	(12,308,442)	66,771,868
Total	<u>\$ 402,405,253</u>	<u>\$ 37,347,783</u>	<u>\$ (14,972,281)</u>	<u>\$ 424,780,755</u>

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

9. TANGIBLE CAPITAL ASSETS (CONTINUED)

Accumulated Amortization	Balance at December 31, 2011	Disposals	Amortization Expense	Balance at December 31, 2012
Land	\$ -	\$ -	\$ -	\$ -
Land Improvement	7,001,695	(21,057)	442,423	7,423,061
Engineering Structures	61,497,538	(924,504)	5,030,715	65,603,749
Buildings	10,178,968	-	750,217	10,929,185
Machinery and Equipment	5,051,510	(601,836)	916,123	5,365,797
Vehicles	1,634,557	(66,390)	297,413	1,865,580
Assets Under Construction	-	-	-	-
Total	\$ 85,364,268	\$ (1,613,787)	\$ 7,436,891	\$ 91,187,372

	Net Book Value December 31, 2011	Net Book Value December 31, 2012
Land	\$ 79,230,045	\$ 80,311,708
Land Improvements	4,659,943	5,802,918
Engineering Structures	144,458,419	147,544,087
Buildings	26,472,881	25,722,664
Machinery and Equipment	4,824,525	4,713,297
Vehicles	2,678,894	2,726,841
Assets Under Construction	54,716,278	66,771,868
Total	\$ 317,040,985	\$ 333,593,383

a) Assets Under Construction

Assets under construction having a value of \$66,771,868 (2011 - \$54,716,278) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) Contributed Tangible Capital Assets

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$nil (2011 - \$54,824,397) comprised of roads, water and

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

9. TANGIBLE CAPITAL ASSETS (CONTINUED)

b) Contributed Tangible Capital Assets (continued)

wastewater infrastructure.

c) Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

d) Works of Art and Historical Treasures

The city manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets.

e) Write-down of Tangible Capital Assets

The write-down of tangible capital assets during the year was \$ nil (2011 - \$ nil).

10. ACCUMULATED SURPLUS

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

	<u>2012</u>	<u>2011</u>
Unrestricted Surplus	\$ -	\$ -
General Operating and Capital Restricted Surplus	24,659,636	25,714,829
Invested in Tangible Capital Assets	303,901,916	291,773,112
	<u>\$ 328,561,552</u>	<u>\$ 317,487,941</u>

11. SALARIES AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the Chief Administrative Officer and designated officers, as required by Alberta Regulation 313/2000 is as follows:

CITY OF FORT SASKATCHEWAN
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For the Year Ended December 31, 2012

11. SALARIES AND BENEFITS DISCLOSURE (CONTINUED)

	Salary ^(a)	Benefits & Allowance ^(b)	2012 Total	2011 Total
Mayor G. Katchur	\$ 68,933	\$ 2,857	\$ 71,790	\$ 69,437
Councillor T. Hutchison	29,214	2,857	32,071	32,014
Councillor D. Westman	29,034	2,857	31,891	32,169
Councillor E. VanDelden	19,626	58	19,684	28,529
Councillor S. Hennig	29,664	2,857	32,521	32,079
Councillor F. Garritsen	27,684	2,857	30,541	33,594
Councillor J. Mather	27,864	1,130	28,994	30,707
City Manager K. Kloss	101,398	16,512	117,910	-
Interim City Manager C. Cambridge	6,912	-	6,912	2,970
Former City Manager D. Dabauskas	-	-	-	235,710

a) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

b) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada Pension Plan (CPP), employment insurance (EI), health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, and long term disability plans. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including car allowances.

12. 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 Public Sector Pension Plans Act. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

The City is required to make current service contributions to the plan of 9.91% (2011 – 9.49%) of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 13.74% (2011 – 13.13%) on pensionable earnings above this amount. Employees are required to make current service contributions under the Canada Pension Plan of 8.91% (2011 - 8.49%) of pensionable salary up to the year's maximum pensionable earnings and 12.74% (2011 - 12.13%) on pensionable salary above this amount. Contributions for current service are recorded as expenses in the year in which they become due.

Contributions to the LAPP made during the year by the City on behalf of its employees amounted to \$965,937 (2011 - \$890,676). Employee contributions for current and past service for were \$1,067,952 (2011 - \$984,412).

LAPP reported a deficiency for the overall plan as at December 31, 2011 of \$4.64 billion. Information as at December 31, 2012 was not available at the time of preparing these financial statements.

CITY OF FORT SASKATCHEWAN
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For the Year Ended December 31, 2012

13. SUPPLEMENTARY PENSION PLANS

The APEX Supplementary Pension Plan (APEX) is an Alberta Urban Municipality Association (AUMA) sponsored defined benefit pension plan covered under the provisions of the Alberta Employment Pension Plans Act. It commenced on January 1, 2003 and provides supplementary pension benefits to a prescribed class of employees. The plan supplements the LAPP.

Contributions are made by the prescribed class of employees and the City. Employees and the City are required to make current service contributions to APEX of 2.5% (2011 - 2.5%) and 3.0% (2011 - 3.0%) respectively of pensionable earnings.

Total current service contributions by the City to APEX in 2012 were \$14,653 (2011 - \$18,475). Total current service contributions by the employees of the City in 2012 were \$ 12,227 (2011 - \$15,396).

In addition, City Council approved the participation of the City in the Municipal Supplementary Employee Retirement Plan (MuniSERP) program. MuniSERP provides supplementary benefits to a prescribed class of employees in excess of the limits of the Income Tax Act.

The total current and past service liability to the City to December 31, 2012 is estimated at \$14,581 (2011 - \$25,099). This amount changes as a result of interest on the liability, changes in membership, aging of the employees within the prescribed class, and other demographic experience.

The cost of post-retirement benefits earned by employees under APEX and the MuniSERP program is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary and benefit escalation and retirement ages of employees. The cost of post-retirement benefits for APEX is fully funded and MuniSERP is not funded.

14. LETTERS OF CREDIT

In 2012, the City held 130 (2011 - 133) Letters of Credit totaling \$12,079,249 (2011 - \$25,297,649) in the City's favour as security for property development.

15. CONTINGENT LIABILITIES

As part of certain development agreements, developers perform work on behalf of the City for which the City provides credit against development levies. At December 31, 2012, unapplied levy credits in the amount of \$435,666 (2011 - \$450,198) were outstanding and available to be applied by developers against future development levies. These amounts have not been accrued in the consolidated financial statements of the City as they will not become payable until future developments are approved.

In addition, in the normal course of business, the City is party to various claims and legal proceedings. While the final outcome with respect to the claims and legal proceedings pending at December 31, 2012 cannot be determined at certainty, it is the opinion of management that their resolution will not have material adverse effects on the City's financial position or results of operations.

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

16. FINANCIAL INSTRUMENTS

The City's financial instruments consist of cash, investments, receivables, amounts due from other governments, accounts payable and accrued liabilities, deposits on account, vested sick leave and long-term debt. It is management's opinion that the City is not exposed to significant interest, currency or credit risk arising from these financial instruments. Unless otherwise noted, the carrying values of all the City's financial instruments approximate their fair value.

17. SEGMENTED INFORMATION

Segmented information has been identified based upon lines of service provided by the City. City services are provided by departments and their activities are reported by functional 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
- b) Utility
- c) Library

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

17. SEGMENTED INFORMATION (CONTINUED)

	2012			
	General Government	Utility	Library	Total
Revenue				
Net Municipal Taxes	\$ 28,187,062	\$ -	\$ -	\$ 28,187,062
Sales, Rentals, and User Charges	3,706,905	10,438,871	26,497	14,172,273
Penalties and Interest	276,362	25,566	-	301,928
Fines, Licenses and Permits	3,659,883	-	16,904	3,676,787
Investment Income	546,503	-	7,214	553,717
Government Transfers	8,656,948	3,632	106,583	8,767,163
Developer Agreements and Levies	4,452,212	-	-	4,452,212
Other Revenues	976,319	-	861,101	1,837,420
Total Revenues	50,462,194	10,468,069	1,018,299	61,948,562
Expenses				
Salaries, Wages and Benefits	16,066,293	1,278,188	580,118	17,924,599
Contracted and General Services	7,232,268	2,131,056	26,232	9,389,556
Purchases from Other Governments	3,122,978	5,414,600	-	8,537,578
Materials, Goods, Supplies and Utilities	3,971,626	575,905	26,415	4,573,946
Transfers to Individuals and Organizations	1,201,731	-	-	1,201,731
Interest on Long-Term Debt	1,050,883	166,204	-	1,217,087
Bank Charges and Short Term Interest	66,648	-	725	67,373
Other Expenses	76,300	13,951	32,425	122,676
Amortization of Tangible Capital Assets	6,378,472	943,492	114,927	7,436,891
Loss of Disposal of Tangible Capital Assets	403,514	-	-	403,514
Total Expenses	39,570,713	10,523,396	780,842	50,874,951
Annual Surplus (Deficit)	\$ 10,891,481	\$ (55,327)	\$ 237,457	\$ 11,073,611

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

17. SEGMENTED INFORMATION (CONTINUED)

	2011			
	General Government	Utility	Library	Total
Revenues				
Net Municipal Taxes	\$ 25,539,849	\$ -	\$ -	\$ 25,539,849
Sales, Rentals, and User Charges	3,837,763	9,584,608	26,227	13,448,598
Penalties and Interest	237,903	25,175	-	263,078
Fines, Licenses and Permits	3,133,691	-	19,208	3,152,899
Investment Income	483,659	-	5,169	488,828
Government Transfers	6,805,036	3,151	105,663	6,913,850
Developer Agreements and Levies	1,989,382	-	-	1,989,382
Contributed Tangible Capital Assets	54,824,397	-	-	54,824,397
Other Revenues	198,157	31,500	679,178	908,835
Total Revenues	97,049,837	9,644,434	835,445	107,529,716
Expenses				
Salaries, Wages and Benefits	15,239,201	1,139,935	503,170	16,882,306
Contracted and General Services	6,986,690	1,754,394	22,270	8,763,354
Purchases from Other Governments	1,896,671	5,151,984	-	7,048,655
Materials, Goods, Supplies and Utilities	3,725,764	520,672	22,609	4,269,045
Transfers to Individuals and Organizations	1,055,464	-	-	1,055,464
Interest on Long-Term Debt	797,774	132,660	-	930,434
Bank Charges and Short Term Interest	71,690	-	177	71,867
Other Expenses	61,774	50,641	30,929	143,344
Amortization of Tangible Capital Assets	5,382,482	838,125	108,281	6,328,888
Loss on Disposal of Tangible Capital Assets	644,711	-	-	644,711
Total Expenses	35,862,221	9,588,411	687,436	46,138,068
Annual Surplus	\$ 61,187,616	\$ 56,023	\$ 148,009	\$ 61,391,648

CITY OF FORT SASKATCHEWAN
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For the Year Ended December 31, 2012

18. BUDGET DATA

The unaudited budget data presented in these Consolidated Financial Statements is based upon the 2012 operating and capital budgets approved by Council on April 24, 2012. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these Consolidated Financial Statements.

	Budget
Revenues	
Operating Budget	\$ 50,949,503
Capital Budget	9,688,567
Less	
Transfers from Other Funds	(1,675,100)
Proceeds on Debt Issue	(2,000,000)
Total Revenue	56,962,970
Expenses	
Operating Budget	50,689,676
Capital Budget	11,923,276
Less	
Transfers to Other Funds	(4,859,275)
Capital Expenditures	(11,923,276)
Debt Principal Payments	(1,218,294)
Total Expenses	44,612,107
Annual Surplus	\$ 12,350,863

19. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by Council and management.