



CITY OF
FORT SASKATCHEWAN

Consolidated Financial Statements of

City of Fort Saskatchewan

Year Ended December 31, 2013

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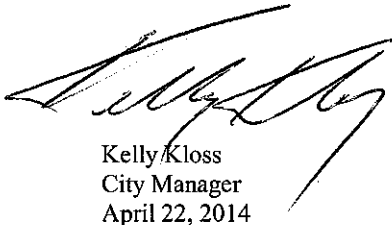
MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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.

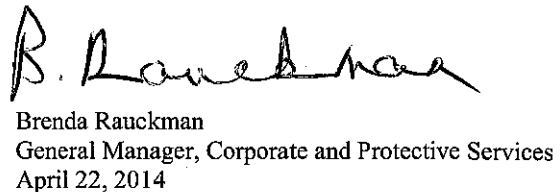
The City's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely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

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 receipt 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 22, 2014



Brenda Rauckman
General Manager, Corporate and Protective Services
April 22, 2014



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INDEPENDENT AUDITORS' REPORT

To the Council of the City of Fort Saskatchewan

We have audited the accompanying consolidated financial statements of the City of Fort Saskatchewan ("the City"), which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of operations and accumulated surplus, changes in net 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 as at December 31, 2013, and its consolidated results of operations, its consolidated changes in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

April 22, 2014
Edmonton, Canada

CITY OF FORT SASKATCHEWAN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2013, with comparative information for 2012

| | 2013 | 2012 |
|--|-----------------------|-----------------------|
| Financial Assets | | |
| Cash | \$ 3,981,029 | \$ 5,765,029 |
| Investments (Note 2) | 37,000,030 | 25,325,030 |
| Net Taxes Receivable (Note 3) | 590,415 | 722,369 |
| Trade and Other Receivables | 5,719,856 | 5,418,790 |
| Sponsorships Receivable (Note 4) | 176,800 | 264,200 |
| Due From Other Governments (Note 5) | 387,366 | 347,137 |
| Inventory Held for Resale | 41,928 | 44,394 |
| | 47,897,424 | 37,886,949 |
| Liabilities | | |
| Accounts Payable and Accrued Liabilities | 8,357,239 | 8,669,423 |
| Deposits on Account | 1,592,977 | 1,465,692 |
| Deferred Revenue (Note 6) | 2,745,259 | 3,442,587 |
| Vested Sick Leave | 210,289 | 201,059 |
| Long-Term Debt (Note 7), (Note 8) | 38,283,867 | 29,691,467 |
| | 51,189,631 | 43,470,228 |
| Net Debt | (3,292,207) | (5,583,279) |
| Non-Financial Assets | | |
| Tangible Capital Assets (Note 9) | 358,347,082 | 333,593,383 |
| Inventories of Supplies | 245,204 | 349,922 |
| Prepaid Expenses | 263,735 | 201,526 |
| | 358,856,021 | 334,144,831 |
| Accumulated Surplus (Note 10) | \$ 355,563,814 | \$ 328,561,552 |

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

CITY OF FORT SASKATCHEWAN
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended December 31, 2013, with comparative information for 2012

| | 2013 | 2013 | 2012 |
|---|--------------------|--------------------|--------------------|
| | Budget | Actual | Actual |
| | Note 18 | | |
| Revenue | | | |
| Net Municipal Taxes (Schedule 1) | 32,134,842 | 32,052,803 | 28,187,062 |
| Sales, Rentals and User Charges | 15,294,090 | 15,787,465 | 14,158,942 |
| Penalties and Costs on Taxes and Utilities | 205,500 | 314,108 | 301,928 |
| Fines, Licenses and Permits | 3,335,696 | 4,531,111 | 3,680,593 |
| Interest | 437,200 | 566,607 | 553,717 |
| Government Transfers | | | |
| Provincial | 6,524,446 | 6,819,972 | 7,560,091 |
| Federal | 1,087,600 | 1,565,130 | 1,213,130 |
| Developer Agreements and Levies | - | 3,369,359 | 4,452,212 |
| Gain on Disposal of Tangible Capital Assets | 121,000 | - | - |
| Contributed Tangible Capital Assets | - | 18,309,536 | - |
| Other Revenues | 226,357 | 641,329 | 978,413 |
| | 59,366,731 | 83,957,420 | 61,086,088 |
| Expenses (Schedule 2) | | | |
| General Government | 6,884,890 | 7,501,694 | 5,821,049 |
| Police | 4,526,435 | 4,202,622 | 3,941,284 |
| Fire | 1,372,743 | 1,536,229 | 1,455,734 |
| Disaster and Emergency Response | 298,500 | 261,322 | 229,985 |
| Bylaw Enforcement | 1,170,900 | 1,044,277 | 983,874 |
| Transportation | 5,952,775 | 11,821,263 | 10,853,033 |
| Water Supply | 4,422,649 | 4,812,615 | 4,462,700 |
| Wastewater Treatment | 4,159,617 | 4,503,965 | 4,250,524 |
| Waste Management | 1,557,200 | 2,070,871 | 1,810,032 |
| Family and Community Support | 1,043,975 | 1,037,622 | 931,488 |
| Cemeteries | 83,500 | 29,619 | 54,116 |
| Planning, Zoning and Development | 2,476,000 | 3,320,071 | 1,886,707 |
| Recreation and Parks | 9,592,290 | 11,803,157 | 10,622,004 |
| Culture Programs | 3,044,522 | 3,009,831 | 2,709,947 |
| | 46,585,996 | 56,955,158 | 50,012,477 |
| Annual Surplus | 12,780,735 | 27,002,262 | 11,073,611 |
| Opening Accumulated Surplus | 328,561,552 | 328,561,552 | 317,487,941 |
| Closing Accumulated Surplus | 341,342,287 | 355,563,814 | 328,561,552 |

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, 2013, with comparative information for 2012

| | 2013 Budget Note 18 | 2013 Actual | 2012 Actual |
|--|------------------------------------|------------------------------|------------------------------|
| Annual Surplus | \$ 12,780,735 | \$ 27,002,262 | \$ 11,073,611 |
| Acquisition of Tangible Capital Assets | (37,311,349) | (16,456,022) | (25,039,341) |
| Contributed Tangible Capital Assets | - | (18,309,536) | - |
| Amortization of Tangible Capital Assets | - | 9,208,543 | 7,436,891 |
| Loss (Gain) of Disposal of Tangible Capital Assets | (121,000) | 496,322 | 403,514 |
| Proceeds on Disposal of Tangible Capital Assets | - | 306,994 | 646,538 |
| | <u>(24,651,614)</u> | <u>2,248,563</u> | <u>(5,478,787)</u> |
| Use (Acquisition) of Inventories of Supplies | - | 104,718 | (34,156) |
| Use (Acquisition) of Prepaid Expenses | - | (62,209) | 140,943 |
| | <u>-</u> | <u>42,509</u> | <u>106,787</u> |
| Change in Net (Debt) Financial Assets | (24,651,614) | 2,291,072 | (5,372,000) |
| Net Debt, Beginning of Year | (5,583,279) | (5,583,279) | (211,279) |
| Net Debt, End of Year | <u>\$ (30,234,893)</u> | <u>\$ (3,292,207)</u> | <u>\$ (5,583,279)</u> |

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, 2013 with comparative information for 2012

| | 2013 | 2012 |
|---|---------------------|---------------------|
| Cash Provided By (Used In) | | |
| Operating Activities | | |
| Annual Surplus | \$ 27,002,262 | \$ 11,073,611 |
| Items Not Involving Cash | | |
| Amortization of Tangible Capital Assets | 9,208,543 | 7,436,891 |
| Contributed Tangible Capital Assets | (18,309,536) | - |
| Loss on Disposal of Tangible Capital Assets | 496,322 | 403,514 |
| Changes in Non-Cash Assets and Liabilities | | |
| Net Taxes Receivable | 131,954 | (181,199) |
| Trade and Other Receivables | (301,066) | (400,213) |
| Sponsorships Receivable | 87,400 | (52,600) |
| Due From Other Governments | (40,229) | 3,729,642 |
| Inventory Held for Resale | 2,466 | (3,550) |
| Accounts Payable and Accrued Liabilities | (312,184) | (895,158) |
| Deposits on Account | 127,285 | 27,569 |
| Deferred Revenue | (697,328) | (1,052,060) |
| Vested Sick Leave | 9,230 | 27,750 |
| Inventories of Supplies | 104,718 | (34,156) |
| Prepaid Expenses | (62,209) | 140,943 |
| | 17,447,628 | 20,220,984 |
| Investing Activities | | |
| Purchase of Investments | (47,300,000) | (40,770,000) |
| Sales of Investments | 35,625,000 | 46,181,000 |
| | (11,675,000) | 5,411,000 |
| Financing Activities | | |
| Repayment of Long-Term Debt | (1,607,600) | (2,576,406) |
| Proceeds from Long-Term Debt | 10,200,000 | 7,000,000 |
| | 8,592,400 | 4,423,594 |
| Capital Activities | | |
| Acquisition of Tangible Capital Assets | (16,456,022) | (25,039,341) |
| Proceeds on Disposal of Tangible Capital Assets | 306,994 | 646,538 |
| | (16,149,028) | (24,392,803) |
| Increase (Decrease) in Cash | (1,784,000) | 5,662,775 |
| Cash, Beginning of Year | 5,765,029 | 102,254 |
| Cash, End of Year | \$ 3,981,029 | \$ 5,765,029 |

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, 2013, with comparative information for 2012

| | 2013 Budget Note18 | 2013 Actual | 2012 Actual |
|---|--------------------------|----------------------|----------------------|
| Taxation | | | |
| Residential | \$ 19,306,077 | \$ 19,565,841 | \$ 17,487,931 |
| Non-Residential | 22,337,686 | 22,152,661 | 19,420,014 |
| Government Transfers in Place of Property Taxes | 393,300 | 775,238 | 703,823 |
| Special Assessments and Local Improvement Taxes | 63,100 | 63,149 | 63,149 |
| | 42,100,163 | 42,556,889 | 37,674,917 |
| Requisitions | | | |
| Alberta School Foundation Fund | 8,491,623 | 9,031,958 | 8,138,827 |
| Elk Island Catholic Separate Regional District No. 41 | 1,261,353 | 1,275,330 | 1,161,683 |
| Heartland Housing Foundation | 212,345 | 196,798 | - |
| Fort Saskatchewan Foundation | - | - | 187,345 |
| | 9,965,321 | 10,504,086 | 9,487,855 |
| Net Municipal Taxes | \$ 32,134,842 | \$ 32,052,803 | \$ 28,187,062 |

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, 2013, with comparative information for 2012

| | 2013 Budget Note18 | 2013 Actual | 2012 Actual |
|---|-----------------------------------|------------------------|------------------------|
| Consolidated Expenses | | | |
| Salaries, Wages and Benefits | \$ 19,439,955 | \$ 19,489,772 | \$ 17,924,599 |
| Contracted and General Services | 10,161,808 | 10,702,589 | 9,386,449 |
| Purchases from Other Governments | 9,370,730 | 9,273,960 | 8,537,578 |
| Materials, Goods, Supplies and Utilities | 5,453,979 | 5,236,718 | 4,573,946 |
| Transfers to Individuals and Organizations | 378,627 | 1,040,826 | 348,781 |
| Interest on Long-Term Debt | 1,648,385 | 1,217,137 | 1,217,087 |
| Bank Charges and Short Term Interest | 61,395 | 87,265 | 67,373 |
| Other Expenses | 71,117 | 202,026 | 116,259 |
| Amortization of Tangible Capital Assets | - | 9,208,543 | 7,436,891 |
| Loss on Disposal of Tangible Capital Assets | - | 496,322 | 403,514 |
| | \$ 46,585,996 | \$ 56,955,158 | \$ 50,012,477 |

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, 2013

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 (PSAS).

Significant accounting policies adopted by the City are as follows:

a) Reporting Entity

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, 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.

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 No. 41.

The City is also the sole member of the Fort Saskatchewan Foundation (incorporated as a management body pursuant to the provisions of the *Alberta Housing Act*). Effective January 1, 2013 activities of the Fort Saskatchewan Foundation have been transferred to the Heartland Housing Foundation, an organization that is not part of the government reporting entity.

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, 2013

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.

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

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user fees and charges are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

Property tax revenue is recognized on the accrual basis using the approved tax mill rates and the anticipated assessment related to the current year.

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.

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.

c) 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*.

d) 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, 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) 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.

e) Use of Estimates

The preparation of financial statements in conformity with PSAS, 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.

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Changes in Accounting Policies

(i) Government Transfers

The City adopted *Government Transfers* PS3410 effective January 1, 2012. This standard was adopted on a retroactive basis. There were no adjustments as a result of the adoption of this standard.

(ii) Property Tax Revenue

The City adopted *Tax Revenue* PS3510 effective January 1, 2012. This standard was adopted on a retroactive basis. There were no adjustments as a result of the adoption of this standard.

g) Future Accounting Standard Pronouncements

The following summarizes upcoming changes to PSAS, which will be implemented in future years. The City will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently. The requirements in *Financial Statement Presentation* (PS1201), *Financial Instruments* (PS3450), *Foreign Currency Translation* (PS2601) and *Portfolio Investments* (PS3041) must be implemented at the same time.

(i) Financial Statement Presentation

Financial Statement Presentation PS1201 requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized 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, 2016.

(ii) Financial Instruments

Financial Instruments PS3450 applicable for fiscal years beginning on or after April 1, 2016, establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments, all other financial instruments can be measured at cost/amortized cost of fair value at the election of the government. Unrealized 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 the de-recognition of financial liabilities.

(iii) Foreign Currency Translation

Foreign Currency Translation PS2601 replacing the current PS2600, applicable for fiscal years beginning on or after April 1, 2016, requires that monetary assets and liabilities denominated in a foreign currency and non-monetary items included in the fair value category, denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses.

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Future Accounting Standard Pronouncements (continued)

(iv) **Liability for Contaminated Sites**

Liability for Contaminated Sites PS3260 comes into effect for fiscal years beginning on or after April 1, 2014. PS3260 establishes standards on remediation, recognition and measurement and provides requirements for financial statement presentation and disclosure. The City has begun the process of reviewing policies, procedures and systems to ensure consistent and accurate identification and estimation of liabilities associated with contaminated sites.

(v) **Portfolio Investments**

Portfolio Investments PS3041 has removed the distinction between temporary and portfolio investments. This standard now includes pooled investments in its scope and was amended to conform to *Financial Instruments* PS3450. Upon adoption of PS3450 and PS3041 *Temporary Investments* PS3030 will no longer apply.

2. INVESTMENTS

| | 2013 | 2012 |
|-------------|---------------|---------------|
| Investments | \$ 37,000,030 | \$ 25,325,030 |

The City's investment pool consists primarily of guaranteed investment certificates maturing from 30 to 365 days, bearing interest at 1.69% to 2.07% (2012 - 1.37% to 1.95%).

3. NET TAXES RECEIVABLE

| | 2013 | 2012 |
|-----------------------------------|-------------|-------------|
| Current | \$ 377,149 | \$ 505,419 |
| Arrears | 220,921 | 216,950 |
| | 598,070 | 722,369 |
| Allowance for Uncollectible Taxes | (7,655) | - |
| | \$ 590,415 | \$ 722,369 |

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

4. SPONSORSHIPS RECEIVABLE

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

| | 2013 | 2012 |
|------------------------------|-------------|-------------|
| Dow Centennial Centre | | |
| 2013 | \$ - | \$ 25,000 |
| | - | 25,000 |
| Lions Club Fish Pond | | |
| 2013 | - | 2,000 |
| 2014 | 2,000 | 2,000 |
| 2015 | 2,000 | 2,000 |
| 2016 | 2,000 | 2,000 |
| 2017 | 2,000 | 2,000 |
| 2018 | 2,000 | 2,000 |
| Subsequent | 86,000 | 86,000 |
| | 96,000 | 98,000 |
| 1875-1885 NWMP Fort | | |
| 2013 | - | 45,400 |
| 2014 | 40,400 | 45,400 |
| 2015 | 40,400 | 45,400 |
| 2016 | - | 5,000 |
| | 80,800 | 141,200 |
| | \$ 176,800 | \$ 264,200 |

5. DUE FROM OTHER GOVERNMENTS

| | 2013 | 2012 |
|----------------|-------------|-------------|
| GST Receivable | \$ 387,366 | \$ 347,137 |

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

6. DEFERRED REVENUE

| | Balance January 1, 2013 | New Grants | Recognized Grants | Balance December 31, 2013 |
|-------------------------|--|-----------------------|------------------------------|--|
| Operating | \$ (971,286) | \$ (1,263,395) | \$ 2,013,873 | \$ (220,808) |
| Capital | | | | |
| Transportation Transfer | (436,317) | (1,361,998) | 749,147 | (1,049,168) |
| Parks and Recreation | (1,101,199) | (4,020,087) | 3,820,439 | (1,300,847) |
| Other | (933,785) | (1,002,553) | 1,761,902 | (174,436) |
| | <u>\$ (3,442,587)</u> | <u>\$ (7,648,033)</u> | <u>\$ 8,345,361</u> | <u>\$ (2,745,259)</u> |

7. LONG-TERM DEBT

| | 2013 | 2012 |
|--------------------------|----------------------|----------------------|
| Supported by: | | |
| General Tax Levies | \$ 32,726,338 | \$ 24,933,127 |
| Local Improvement Levies | 7,755 | 63,217 |
| Utility Rates | 5,549,774 | 4,695,123 |
| | <u>\$ 38,283,867</u> | <u>\$ 29,691,467</u> |

Principal and interest repayments are as follows:

| | Principal | Interest | Total |
|------------|----------------------|----------------------|----------------------|
| 2014 | \$ 2,044,756 | \$ 1,507,066 | \$ 3,551,822 |
| 2015 | 2,128,169 | 1,420,447 | 3,548,616 |
| 2016 | 2,215,805 | 1,330,078 | 3,545,883 |
| 2017 | 2,310,164 | 1,235,719 | 3,545,883 |
| 2018 | 2,408,945 | 1,136,938 | 3,545,883 |
| Subsequent | 27,176,028 | 6,694,909 | 33,870,937 |
| | <u>\$ 38,283,867</u> | <u>\$ 13,325,157</u> | <u>\$ 51,609,024</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.

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

7. LONG-TERM DEBT (CONTINUED)

Debt obligations by function are as follows:

| | 2013 | 2012 |
|----------------------|----------------------|----------------------|
| Transportation | \$ 23,840,459 | \$ 15,455,501 |
| Utilities | 5,549,774 | 4,695,123 |
| Parks and Recreation | 8,893,634 | 9,540,843 |
| | \$ 38,283,867 | \$ 29,691,467 |

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 follows:

| | 2013 | 2012 |
|---|----------------------|----------------------|
| Total Debt Limit | \$ 89,401,408 | \$ 82,247,165 |
| Total Debt | (38,283,867) | (29,691,467) |
| Debt Limit in Excess of Actual Debt | 51,117,541 | 52,555,698 |
| Service on Debt Limit | 14,900,235 | 13,707,861 |
| Service on Debt | (3,551,822) | (2,832,073) |
| Total Service on Debt Limit in Excess of Actual Debt Service Costs | \$ 11,348,413 | \$ 10,875,788 |

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.

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

9. TANGIBLE CAPITAL ASSETS

| Cost | Balance at January 1, 2013 | Additions, Net of Transfers | Disposals | Balance at December 31, 2013 |
|---------------------------|---------------------------------------|--|-----------------------|---|
| Land | \$ 80,311,708 | \$ 6,308,034 | \$ (4,314) | \$ 86,615,428 |
| Land Improvement | 13,225,979 | 4,424,101 | (208,411) | 17,441,669 |
| Engineering Structures | 213,147,836 | 50,624,565 | (759,032) | 263,013,369 |
| Buildings | 36,651,849 | 29,220,716 | (610,212) | 65,262,353 |
| Machinery and Equipment | 10,079,094 | 1,487,509 | (254,992) | 11,311,611 |
| Vehicles | 4,592,421 | 88,284 | (77,006) | 4,603,699 |
| Assets Under Construction | 66,771,868 | (57,387,651) | - | 9,384,217 |
| Total | \$ 424,780,755 | \$ 34,765,558 | \$ (1,913,967) | \$ 457,632,346 |

| Accumulated Amortization | Balance at January 1, 2013 | Disposals | Amortization Expense | Balance at December 31, 2013 |
|---------------------------------|---------------------------------------|-----------------------|---------------------------------|---|
| Land | \$ - | \$ - | \$ - | \$ - |
| Land Improvement | 7,423,061 | (200,293) | 561,884 | 7,784,652 |
| Engineering Structures | 65,603,749 | (637,830) | 6,081,101 | 71,047,020 |
| Buildings | 10,929,185 | (48,868) | 1,292,055 | 12,172,372 |
| Machinery and Equipment | 5,365,797 | (146,654) | 971,075 | 6,190,218 |
| Vehicles | 1,865,580 | (77,006) | 302,428 | 2,091,002 |
| Assets Under Construction | - | - | - | - |
| Total | \$ 91,187,372 | \$ (1,110,651) | \$ 9,208,543 | \$ 99,285,264 |

| | Net Book Value January 1, 2013 | Net Book Value December 31, 2013 |
|---------------------------|---|---|
| Land | \$ 80,311,708 | \$ 86,615,428 |
| Land Improvements | 5,802,918 | 9,657,017 |
| Engineering Structures | 147,544,087 | 191,966,349 |
| Buildings | 25,722,664 | 53,089,981 |
| Machinery and Equipment | 4,713,297 | 5,121,393 |
| Vehicles | 2,726,841 | 2,512,697 |
| Assets Under Construction | 66,771,868 | 9,384,217 |
| Total | \$ 333,593,383 | \$ 358,347,082 |

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

9. TANGIBLE CAPITAL ASSETS (CONTINUED)

a) Assets Under Construction

Assets under construction having a value of \$9,384,217 (2012 - \$66,771,868) 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 \$18,309,536 (2012 - \$nil) comprised of roads, water and 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 (2012 - \$ nil).

10. ACCUMULATED SURPLUS

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

| | <u>2013</u> | <u>2012</u> |
|--|-----------------------|-----------------------|
| Unrestricted Surplus | \$ - | \$ - |
| General Operating and Capital Restricted Surplus | 35,500,599 | 24,659,636 |
| Invested in Tangible Capital Assets | 320,063,215 | 303,901,916 |
| | <u>\$ 355,563,814</u> | <u>\$ 328,561,552</u> |

CITY OF FORT SASKATCHEWAN
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For the Year Ended December 31, 2013

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:

| | Salary ^(a) | Benefits & Allowance ^(b) | 2013 Total | 2012 Total |
|----------------------------------|------------------------------|--|-------------------|-------------------|
| Mayor G. Katchur | \$ 69,748 | \$ 2,950 | \$ 72,698 | \$ 71,790 |
| Councillor F. Garritsen | 29,979 | 2,951 | 32,930 | 30,541 |
| Councillor S. Hennig | 29,169 | 2,950 | 32,119 | 32,521 |
| Councillor D. Westman | 25,301 | 2,457 | 27,758 | 31,891 |
| Councillor T. Hutchison | 25,931 | 1,398 | 27,329 | 32,071 |
| Councillor J. Mather | 24,581 | 970 | 25,551 | 28,994 |
| Councillor E. VanDelden | - | - | - | 19,684 |
| Councillor B. Blizzard | 4,961 | 493 | 5,454 | - |
| Councillor S. Bossert | 4,871 | 493 | 5,364 | - |
| Councillor A. Randhawa | 5,051 | 194 | 5,245 | - |
| Councillor E. Sperling | 4,961 | 141 | 5,102 | - |
| City Manager K. Kloss | 190,352 | 29,604 | 219,956 | 117,910 |
| Acting City Manager C. Cambridge | - | - | - | 6,912 |

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.

CITY OF FORT SASKATCHEWAN
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12. LOCAL AUTHORITIES PENSION PLAN (CONTINUED)

The City is required to make current service contributions to the plan of 10.43% (2012 – 9.91%) of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 14.47% (2012 – 13.74%) on pensionable earnings above this amount. Employees are required to make current service contributions under the Canada Pension Plan of 9.43% (2012 - 8.91%) of pensionable salary up to the year's maximum pensionable earnings and 13.47% (2012 - 12.74%) 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 \$1,109,473 (2012 - \$965,937). Employee contributions for current and past service were \$1,220,168 (2012 - \$1,067,952).

LAPP reported a deficiency for the overall plan as at December 31, 2012 of \$4.98 billion. Information as at December 31, 2013 was not available at the time of preparing these financial statements.

13. SUPPLEMENTARY PENSION PLANS

The APEX Supplementary Pension Plan (APEX) is an Alberta Urban Municipalities 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. The City and the employees are required to make current service contributions to APEX of 3.0% (2012 - 3.0%) and 2.5% (2012 - 2.5%) respectively of pensionable earnings.

Total current service contributions by the City to APEX in 2013 were \$15,091 (2012 - \$14,653). Total current service contributions by the employees of the City in 2013 were \$ 12,573 (2012 -\$12,227).

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, 2013 is estimated at \$25,377 (2012 - \$14,581). 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, benefit escalation and retirement ages of employees. The cost of post-retirement benefits for APEX is fully funded and MuniSERP is not funded.

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

14. LETTERS OF CREDIT

In 2013, the City held 64 (2012 - 130) Letters of Credit totaling \$21,465,044 (2012 - \$12,079,249) 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, 2013, unapplied levy credits in the amount of \$435,666 (2012 - \$435,666) 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, 2013 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.

16. FINANCIAL INSTRUMENTS

The City's financial instruments consist of cash, investments, receivables, inventory held for resale, 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 or currency arising from these financial instruments.

The City is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that tax payers and entities to which the City 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 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.

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

17. SEGMENTED INFORMATION (CONTINUED)

| | 2013 | | | |
|---|-------------------------------|-------------------|---------------------|----------------------|
| | General Government | Utility | Library | Total |
| Revenue | | | | |
| Net Municipal Taxes | \$ 32,052,803 | \$ - | \$ - | \$ 32,052,803 |
| Sales, Rentals, and User Charges | 4,081,693 | 11,686,076 | 19,696 | 15,787,465 |
| Penalties and Interest | 281,651 | 32,457 | - | 314,108 |
| Fines, Licenses and Permits | 4,510,162 | - | 20,949 | 4,531,111 |
| Investment Income | 556,980 | - | 9,627 | 566,607 |
| Government Transfers | 8,278,427 | 2,733 | 103,942 | 8,385,102 |
| Developer Agreements and Levies | 3,369,359 | - | - | 3,369,359 |
| Contributed Tangible Capital Assets | 18,309,536 | - | - | 18,309,536 |
| Other Revenues | 576,694 | 813 | 63,822 | 641,329 |
| Total Revenues | 72,017,305 | 11,722,079 | 218,036 | 83,957,420 |
| Expenses | | | | |
| Salaries, Wages and Benefits | 17,516,894 | 1,329,445 | 643,433 | 19,489,772 |
| Contracted and General Services | 8,439,114 | 2,244,359 | 19,116 | 10,702,589 |
| Purchases from Other Governments | 3,372,333 | 5,901,627 | - | 9,273,960 |
| Materials, Goods, Supplies and Utilities | 4,674,249 | 530,025 | 32,444 | 5,236,718 |
| Transfers to Individuals and Organizations | 1,040,826 | - | - | 1,040,826 |
| Interest on Long-Term Debt | 1,047,389 | 169,748 | - | 1,217,137 |
| Bank Charges and Short Term Interest | 86,830 | - | 435 | 87,265 |
| Other Expenses | 116,224 | 42,996 | 42,806 | 202,026 |
| Amortization of Tangible Capital Assets | 7,937,430 | 1,133,931 | 137,182 | 9,208,543 |
| Loss of Disposal of Tangible Capital Assets | 424,432 | 35,321 | 36,569 | 496,322 |
| Total Expenses | 44,655,721 | 11,387,452 | 911,985 | 56,955,158 |
| Annual Surplus (Deficit) | \$ 27,361,584 | \$ 334,627 | \$ (693,949) | \$ 27,002,262 |

CITY OF FORT SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

17. SEGMENTED INFORMATION (CONTINUED)

| | 2012 | | | |
|---|-------------------------------|--------------------|---------------------|----------------------|
| | General Government | Utility | Library | Total |
| Revenues | | | | |
| Net Municipal Taxes | \$ 28,187,062 | \$ - | \$ - | \$ 28,187,062 |
| Sales, Rentals, and User Charges | 3,697,381 | 10,438,871 | 22,690 | 14,158,942 |
| Penalties and Interest | 276,362 | 25,566 | - | 301,928 |
| Fines, Licenses and Permits | 3,659,882 | - | 20,711 | 3,680,593 |
| Investment Income | 546,503 | - | 7,214 | 553,717 |
| Government Transfers | 8,656,948 | 3,632 | 112,641 | 8,773,221 |
| Developer Agreements and Levies | 4,452,212 | - | - | 4,452,212 |
| Other Revenues | 976,320 | - | 2,093 | 978,413 |
| Total Revenues | 50,452,670 | 10,468,069 | 165,349 | 61,086,088 |
| 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 | 23,125 | 9,386,449 |
| 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 | 348,781 | - | - | 348,781 |
| 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 | 26,008 | 116,259 |
| Amortization of Tangible Capital Assets | 6,378,472 | 943,492 | 114,927 | 7,436,891 |
| Loss on Disposal of Tangible Capital Assets | 403,514 | - | - | 403,514 |
| Total Expenses | 38,717,763 | 10,523,396 | 771,318 | 50,012,477 |
| Annual Surplus (Deficit) | \$ 11,734,907 | \$ (55,327) | \$ (605,969) | \$ 11,073,611 |

CITY OF FORT SASKATCHEWAN
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For the Year Ended December 31, 2013

18. BUDGET DATA

The budget data presented in these Consolidated Financial Statements is based upon the 2013 operating and capital budgets approved by Council on April 23, 2013. Amortization was not contemplated during 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 | \$ 55,058,022 |
| Capital Budget | 17,479,717 |
| Less | |
| Transfers from Other Funds | (1,971,008) |
| Proceeds on Debt Issue | (11,200,000) |
| Total Revenue | 59,366,731 |
| Expenses | |
| Operating Budget | 54,891,180 |
| Capital Budget | 37,311,349 |
| Less | |
| Transfers to Other Funds | (6,320,867) |
| Capital Expenditures | (37,311,349) |
| Debt Principal Payments | (1,984,317) |
| Total Expenses | 46,585,996 |
| Annual Surplus | \$ 12,780,735 |

19. COMPARATIVE FIGURES

Certain 2012 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

20. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by Council and management.