



CITY OF  
**FORT SASKATCHEWAN**

**Consolidated Financial Statements of**

**City of Fort Saskatchewan**

**Year Ended December 31, 2014**

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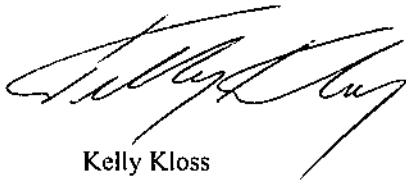
## **MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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. 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.

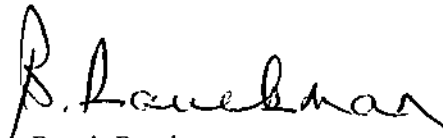
The City's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely 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 28, 2015



Brenda Rauckman  
General Manager, Corporate and Protective Services  
April 28, 2015



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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, 2014, 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, 2014, 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 28, 2015  
Edmonton, Canada

**CITY OF FORT SASKATCHEWAN**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2014, with comparative information for 2013**

	2014	2013
<b>Financial Assets</b>		
Cash	\$ 6,790,321	\$ 3,981,029
Investments (Note 2)	40,800,030	37,000,030
Net Taxes Receivable (Note 3)	337,894	590,415
Trade and Other Receivables (Note 4)	7,455,137	4,514,210
Sponsorships Receivable (Note 5)	134,400	176,800
Due From Other Governments (Note 6)	3,715,442	1,593,012
Inventory Held for Resale	37,917	41,928
	59,271,141	47,897,424
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	9,573,411	8,357,239
Deposits on Account	2,094,046	1,592,977
Deferred Revenue (Note 7)	6,739,438	2,745,259
Vested Sick Leave	158,343	210,289
Long-Term Debt (Note 8), (Note 9)	43,739,110	38,283,867
Environmental Liabilities (Note 10)	700,000	-
	63,004,348	51,189,631
<b>Net Debt</b>	<b>(3,733,207)</b>	<b>(3,292,207)</b>
<b>Non-Financial Assets</b>		
Tangible Capital Assets (Note 11)	381,758,338	358,347,082
Inventories of Supplies	349,747	245,204
Prepaid Expenses	349,144	263,735
	382,457,229	358,856,021
<b>Accumulated Surplus (Note 12)</b>	<b>\$ 378,724,022</b>	<b>\$ 355,563,814</b>

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, 2014, with comparative information for 2013**

	<b>2014</b>	<b>2014</b>	<b>2013</b>
	<b>Budget</b>		
	<b>Note 20</b>		
<b>Revenue</b>			
Net Municipal Taxes (Schedule 1)	33,984,129	34,917,932	32,052,803
Sales, Rentals and User Charges	17,876,374	18,399,584	15,787,465
Contributed Tangible Capital Assets	-	12,623,304	18,309,536
Developer Agreements and Levies	-	8,329,614	3,369,359
Fines, Licenses and Permits	3,710,816	4,204,496	4,531,111
Government Transfers			
Provincial	10,261,540	3,955,924	6,819,972
Federal	1,691,503	2,344,405	1,565,130
Interest	439,200	705,567	566,607
Penalties and Costs on Taxes and Utilities	223,900	322,236	314,108
Other Revenues	448,045	278,597	641,329
Gain on Disposal of Tangible Capital Assets	98,350	-	-
	<b>68,733,857</b>	<b>86,081,659</b>	<b>83,957,420</b>
<b>Expenses (Schedule 2)</b>			
Transportation	6,491,125	13,389,702	11,821,263
Recreation and Parks	10,180,440	11,984,773	11,803,157
General Government	7,916,973	8,864,950	7,501,694
Water Supply	4,900,249	6,547,630	4,812,615
Wastewater Treatment	4,633,848	4,882,861	4,503,965
Police	5,343,299	4,623,526	4,202,622
Culture Programs	3,423,592	3,359,260	3,009,831
Planning, Zoning and Development	2,927,482	2,612,362	3,320,071
Waste Management	2,401,470	2,533,722	2,070,871
Fire	1,611,258	1,683,747	1,536,229
Family and Community Support	1,122,675	1,078,727	1,037,622
Bylaw Enforcement	1,205,200	1,046,983	1,044,277
Disaster and Emergency Response	321,750	258,902	261,322
Cemeteries	85,100	54,306	29,619
	<b>52,564,461</b>	<b>62,921,451</b>	<b>56,955,158</b>
<b>Annual Surplus</b>	<b>16,169,396</b>	<b>23,160,208</b>	<b>27,002,262</b>
<b>Opening Accumulated Surplus</b>	<b>355,563,814</b>	<b>355,563,814</b>	<b>328,561,552</b>
<b>Closing Accumulated Surplus</b>	<b>371,733,210</b>	<b>378,724,022</b>	<b>355,563,814</b>

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, 2014, with comparative information for 2013**

	<b>2014 Budget Note 20</b>	<b>2014</b>	<b>2013</b>
Annual Surplus	\$ 16,169,396	\$ 23,160,208	\$ 27,002,262
Acquisition of Tangible Capital Assets	(38,009,663)	(22,718,289)	(16,456,022)
Contributed Tangible Capital Assets	-	(12,623,304)	(18,309,536)
Amortization of Tangible Capital Assets	-	10,803,235	9,208,543
Loss (Gain) of Disposal of Tangible Capital Assets	(98,350)	902,012	496,322
Proceeds on Disposal of Tangible Capital Assets	-	225,090	306,994
	<u>(21,938,617)</u>	<u>(251,048)</u>	<u>2,248,563</u>
Use (Acquisition) of Inventories of Supplies	-	(104,543)	104,718
Acquisition of Prepaid Expenses	-	(85,409)	(62,209)
	<u>-</u>	<u>(189,952)</u>	<u>42,509</u>
<b>Change in Net (Debt) Financial Assets</b>	<b>(21,938,617)</b>	<b>(441,000)</b>	<b>2,291,072</b>
<b>Net Debt, Beginning of Year</b>	<b>(3,292,207)</b>	<b>(3,292,207)</b>	<b>(5,583,279)</b>
<b>Net Debt, End of Year</b>	<b><u>\$ (25,230,824)</u></b>	<b><u>\$ (3,733,207)</u></b>	<b><u>\$ (3,292,207)</u></b>

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, 2014 with comparative information for 2013**

	<b>2014</b>	<b>2013</b>
<b>Cash Provided By (Used In)</b>		
<b>Operating Activities</b>		
Annual Surplus	\$ 23,160,208	\$ 27,002,262
<b>Items Not Involving Cash</b>		
Amortization of Tangible Capital Assets	10,803,235	9,208,543
Contributed Tangible Capital Assets	(12,623,304)	(18,309,536)
Loss on Disposal of Tangible Capital Assets	902,012	496,322
<b>Changes in Non-Cash Assets and Liabilities</b>		
Net Taxes Receivable	252,521	131,954
Trade and Other Receivables	(2,940,927)	904,580
Sponsorships Receivable	42,400	87,400
Due From Other Governments	(2,122,430)	(1,245,875)
Inventory Held for Resale	4,011	2,466
Accounts Payable and Accrued Liabilities	1,216,172	(312,184)
Deposits on Account	501,069	127,285
Deferred Revenue	3,994,179	(697,328)
Vested Sick Leave	(51,946)	9,230
Environmental Liabilities	700,000	-
Inventories of Supplies	(104,543)	104,718
Prepaid Expenses	(85,409)	(62,209)
	<b>23,647,248</b>	<b>17,447,628</b>
<b>Investing Activities</b>		
Purchase of Investments	(43,700,000)	(47,300,000)
Sales of Investments	39,900,000	35,625,000
	<b>(3,800,000)</b>	<b>(11,675,000)</b>
<b>Financing Activities</b>		
Repayment of Long-Term Debt	(2,044,757)	(1,607,600)
Proceeds from Long-Term Debt	7,500,000	10,200,000
	<b>5,455,243</b>	<b>8,592,400</b>
<b>Capital Activities</b>		
Acquisition of Tangible Capital Assets	(22,718,289)	(16,456,022)
Proceeds on Disposal of Tangible Capital Assets	225,090	306,994
	<b>(22,493,199)</b>	<b>(16,149,028)</b>
<b>Increase (Decrease) in Cash</b>	<b>2,809,292</b>	<b>(1,784,000)</b>
<b>Cash, Beginning of Year</b>	<b>3,981,029</b>	<b>5,765,029</b>
<b>Cash, End of Year</b>	<b>\$ 6,790,321</b>	<b>\$ 3,981,029</b>

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, 2014, with comparative information for 2013**

	<b>2014</b>	<b>2014</b>	<b>2013</b>
	<b>Budget</b>		
	<b>Note 20</b>		
<b>Taxation</b>			
Residential	\$ 20,718,124	\$ 21,380,494	\$ 19,565,841
Non-Residential	23,360,526	23,726,431	22,152,661
Government Transfers in Place of Property Taxes	409,100	805,458	775,238
Special Assessments and Local Improvement Taxes	6,000	5,997	63,149
	<u>44,493,750</u>	<u>45,918,380</u>	<u>42,556,889</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	8,891,623	9,441,203	9,031,958
Elk Island Catholic Separate Regional District No. 41	1,361,353	1,302,656	1,275,330
Heartland Housing Foundation	256,645	256,589	196,798
	<u>10,509,621</u>	<u>11,000,448</u>	<u>10,504,086</u>
<b>Net Municipal Taxes</b>	<u>\$ 33,984,129</u>	<u>\$ 34,917,932</u>	<u>\$ 32,052,803</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, 2014, with comparative information for 2013**

	<b>2014</b>	<b>2014</b>	<b>2013</b>
	<b>Budget</b>		
	<b>Note 20</b>		
<b>Consolidated Expenses</b>			
Salaries, Wages and Benefits	\$ 22,269,374	\$ 21,595,415	\$ 19,489,772
Contracted and General Services	19,394,018	19,414,586	17,243,456
Amortization of Tangible Capital Assets	-	10,803,235	9,208,543
Materials, Goods, Supplies and Utilities	8,329,514	8,159,640	7,991,216
Interest on Long-Term Debt	1,716,624	1,493,713	1,217,137
Loss on Disposal of Tangible Capital Assets	-	902,012	496,322
Transfers to Individuals and Organizations	383,611	363,067	1,040,826
Bank Charges and Short Term Interest	63,301	114,712	87,265
Other Expenses	408,020	75,071	180,621
	<b>\$ 52,564,462</b>	<b>\$ 62,921,451</b>	<b>\$ 56,955,158</b>

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, 2014**

**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, expenses and accumulated surplus 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 (Library). The Library is administered by a separate board of directors.

The City is a member of various other boards, commissions and other organizations that are not part of the government reporting entity, including the Heartland Housing Foundation, the Alberta Capital Region Wastewater Commission, and the Capital Region Northeast Water Services Commission.

Property taxes levied also include requisitions for education and affordable housing; organizations that are not part of the government reporting entity.

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

**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 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 purpose specified.

**CITY OF FORT SASKATCHEWAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Basis of Accounting (continued)**

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.

**c) 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, or the result of a direct financial return.

Government transfers are recognized in the consolidated 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 determined. Amounts to be recognized in future periods are recorded as deferred revenue.

**d) Deferred Revenue**

Deferred revenue represents amounts received from which the related activities have yet to be performed. These amounts will be recognized as revenues in the period that the activities are performed.

**e) Requisition Over-levies and Under-levies**

Over-levies and under-levies 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 from the prior year.

**f) Investments**

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

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

**CITY OF FORT SASKATCHEWAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**(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:

<b>Assets</b>	<b>Useful Life - Years</b>
Land Improvements	15 - 25
Engineered Structures	5 - 80
Buildings	10 - 50
Machinery and Equipment	3 - 25
Vehicles	10 - 25

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 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, 2014**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**i) 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) Liability for Contaminated Sites**

*Liability for Contaminated Sites* 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. This standard is applicable to fiscal years beginning on or after April 1, 2014.

**(ii) 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.

**(iii) Financial Instruments**

*Financial Instruments* PS3450 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. This standard is applicable to fiscal years beginning on or after April 1, 2016.

**(iv) Foreign Currency Translation**

*Foreign Currency Translation* PS2601 replacing the current PS2600 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. This standard is applicable to fiscal years beginning on or after April 1, 2016.

**(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. This standard is applicable to fiscal years beginning on or after April 1, 2016.

**CITY OF FORT SASKATCHEWAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**i) Future Accounting Standard Pronouncements (continued)**

(vi) **Related Party Disclosures**

*Related Party Disclosures* PS2200 requires the disclosure of the effect of financially material transactions between related parties. This standard is applicable for fiscal years beginning on or after April 1, 2017.

(vii) **Inter-Entity Transactions**

*Inter-Entity Transactions* PS3420 specifically covers how to account for and report transactions between entities controlled by a government and that comprise the government's reporting entity from both a provider and a recipient perspective. This standard is applicable to fiscal years beginning on or after April 1, 2017.

**2. INVESTMENTS**

	2014	2013
Investments	\$ 40,800,030	\$ 37,000,030

The City's investment pool consists of cashable and non-cashable guaranteed investment certificates (GICs). The cashable (\$30,000,000) GICs are redeemable upon request, bearing interest at 1.87% to 1.90% (2013 - 2.02%). The non-cashable (\$10,000,000) GICs mature in July and September 2015, bearing interest at 2.09% to 2.10% (2013 - 1.69% to 2.07%).

**3. NET TAXES RECEIVABLE**

	2014	2013
Current	\$ 270,838	\$ 377,149
Arrears	67,056	220,921
Allowance for Uncollectible Taxes	337,894	598,070
	-	(7,655)
	\$ 337,894	\$ 590,415

**CITY OF FORT SASKATCHEWAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**4. TRADE AND OTHER RECEIVABLES**

	<b>2014</b>	<b>2013</b>
Developer Levy Receivable	\$ 4,765,832	\$ 2,193,403
Utilities Receivable	1,866,067	1,676,218
Other Trade Receivables	823,238	644,589
	<u>\$ 7,455,137</u>	<u>\$ 4,514,210</u>

**5. SPONSORSHIPS RECEIVABLE**

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

	<b>2014</b>	<b>2013</b>
<b>Lions Club Fish Pond</b>		
2014	\$ -	\$ 2,000
2015	2,000	2,000
2016	2,000	2,000
2017	2,000	2,000
2018	2,000	2,000
2019	2,000	2,000
Subsequent	84,000	84,000
	<u>94,000</u>	<u>96,000</u>
<b>1875-1885 NWMP Fort</b>		
2014	-	40,400
2015	40,400	40,400
	<u>40,400</u>	<u>80,800</u>
	<u>\$ 134,400</u>	<u>\$ 176,800</u>



**CITY OF FORT SASKATCHEWAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**6. DUE FROM OTHER GOVERNMENTS**

	<b>2014</b>	<b>2013</b>
Federal Government	\$ 2,873,207	\$ 387,366
Provincial Government	809,346	1,006,868
Other Government	32,889	198,778
	<b>\$ 3,715,442</b>	<b>\$ 1,593,012</b>

**7. DEFERRED REVENUE**

	<b>Balance January 1, 2014</b>	<b>Amounts Received</b>	<b>Amounts Recognized</b>	<b>Balance December 31, 2014</b>
<b>Capital Government Transfers</b>				
Provincial	\$ 2,350,015	\$ 5,932,962	\$ (2,484,217)	\$ 5,798,760
Federal	174,436	2,481,258	(2,332,787)	322,907
	<b>2,524,451</b>	<b>8,414,220</b>	<b>(4,817,004)</b>	<b>6,121,667</b>
<b>Operating Government Transfers</b>				
Provincial	30,466	1,448,746	(1,471,707)	7,505
Federal	-	11,618	(11,618)	-
	<b>30,466</b>	<b>1,460,364</b>	<b>(1,483,325)</b>	<b>7,505</b>
<b>Other Deferred Amounts</b>	<b>190,342</b>	<b>818,197</b>	<b>(398,273)</b>	<b>610,266</b>
	<b>\$ 2,745,259</b>	<b>\$ 10,692,781</b>	<b>\$ (6,698,602)</b>	<b>\$ 6,739,438</b>

**CITY OF FORT SASKATCHEWAN**  
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**For the Year Ended December 31, 2014**

**8. LONG-TERM DEBT**

	<b>2014</b>	<b>2013</b>
<b>Supported by:</b>		
General Tax Levies	\$ 38,651,014	\$ 32,726,338
Utility Rates	5,085,583	5,549,774
Local Improvement Levies	2,513	7,755
	<u>\$ 43,739,110</u>	<u>\$ 38,283,867</u>

Principal and interest repayments are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 2,407,887	\$ 1,640,170	\$ 4,048,057
2016	2,503,856	1,541,468	4,045,324
2017	2,606,796	1,438,528	4,045,324
2018	2,714,413	1,330,911	4,045,324
2019	2,826,939	1,218,385	4,045,324
Subsequent	30,679,219	7,137,447	37,816,666
	<u>\$ 43,739,110</u>	<u>\$ 14,306,909</u>	<u>\$ 58,046,019</u>

Debentures are payable in semi-annual amounts up to the year 2035, with accompanying interest rates ranging from 2.226% to 8.750%. Debenture debt is issued on the credit and security of the City.

Debt obligations by function are as follows:

	<b>2014</b>	<b>2013</b>
Transportation	\$ 30,444,026	\$ 23,840,459
Parks and Recreation	8,209,501	8,893,634
Utilities	5,085,583	5,549,774
	<u>\$ 43,739,110</u>	<u>\$ 38,283,867</u>

**CITY OF FORT SASKATCHEWAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**9. 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:

	<u>2014</u>	<u>2013</u>
Total Debt Limit	\$ 102,962,026	\$ 89,401,408
Total Debt	(43,739,110)	(38,283,867)
Debt Limit in Excess of Actual Debt	<u>59,222,916</u>	<u>51,117,541</u>
Service on Debt Limit	17,160,338	14,900,235
Service on Debt	(4,048,057)	(3,551,822)
Total Service on Debt Limit in Excess of Actual Debt Service Costs	<u>\$ 13,112,281</u>	<u>\$ 11,348,413</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.

**10. ENVIRONMENTAL LIABILITIES**

In the current year, the City completed its assessment for contamination on its current Public Works yard. The assessment identified soil and groundwater contamination that exceeded environmental standards. As a result, the City recorded an accrual of \$700,000 in its consolidated financial statements, which represents managements best estimate of the cost of future remediation of contamination at its Public Works yard.

**CITY OF FORT SASKATCHEWAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**11. TANGIBLE CAPITAL ASSETS**

<b>Cost</b>	<b>Balance at January 1, 2014</b>	<b>Additions, Net of Transfers</b>	<b>Disposals</b>	<b>Balance at December 31, 2014</b>
Land	\$ 86,615,428	\$ 1,839,543	\$ (56,949)	\$ 88,398,022
Land Improvement	17,441,669	2,486,016	(64,801)	19,862,884
Engineering Structures	263,013,369	21,777,168	(1,826,385)	282,964,152
Buildings	65,262,353	1,678,320	-	66,940,673
Machinery and Equipment	11,311,611	2,698,298	(172,054)	13,837,855
Vehicles	4,603,699	426,788	(200,479)	4,830,008
Assets Under Construction	9,384,217	4,435,460	-	13,819,677
<b>Total</b>	<b>\$ 457,632,346</b>	<b>\$ 35,341,593</b>	<b>\$ (2,320,668)</b>	<b>\$ 490,653,271</b>

<b>Accumulated Amortization</b>	<b>Balance at January 1, 2014</b>	<b>Disposals</b>	<b>Amortization Expense</b>	<b>Balance at December 31, 2014</b>
Land Improvement	\$ 7,784,652	\$ (64,801)	\$ 1,304,509	\$ 9,024,360
Engineering Structures	71,047,020	(817,942)	6,626,507	76,855,585
Buildings	12,172,372	-	1,499,390	13,671,762
Machinery and Equipment	6,190,218	(110,344)	1,052,596	7,132,470
Vehicles	2,091,002	(200,479)	320,233	2,210,756
<b>Total</b>	<b>\$ 99,285,264</b>	<b>\$ (1,193,566)</b>	<b>\$ 10,803,235</b>	<b>\$ 108,894,933</b>

	<b>Net Book Value January 1, 2014</b>	<b>Net Book Value December 31, 2014</b>
Land	\$ 86,615,428	\$ 88,398,022
Land Improvements	9,657,017	10,838,524
Engineering Structures	191,966,349	206,108,567
Buildings	53,089,981	53,268,911
Machinery and Equipment	5,121,393	6,705,385
Vehicles	2,512,697	2,619,252
Assets Under Construction	9,384,217	13,819,677
<b>Total</b>	<b>\$ 358,347,082</b>	<b>\$ 381,758,338</b>

**CITY OF FORT SASKATCHEWAN**  
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**11. TANGIBLE CAPITAL ASSETS (CONTINUED)**

**a) Assets Under Construction**

Assets under construction having a value of \$13,819,677 (2013 - \$9,384,217) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

**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 \$12,623,304 (2013 - \$18,309,536) 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 (2013 - \$ nil).

**12. ACCUMULATED SURPLUS**

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

	<u>2014</u>	<u>2013</u>
Unrestricted Surplus	\$ -	\$ -
General Operating and Capital Restricted Surplus	40,704,794	35,500,599
Invested in Tangible Capital Assets	338,019,228	320,063,215
	<u>\$ 378,724,022</u>	<u>\$ 355,563,814</u>

**CITY OF FORT SASKATCHEWAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**13. 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:

	<b>Salary <sup>(a)</sup></b>	<b>Benefits &amp; Allowance <sup>(b)</sup></b>	<b>2014 Total</b>	<b>2013 Total</b>
City Manager K. Kloss	212,710	35,553	248,263	219,956
Mayor G. Katchur	70,785	2,800	73,585	72,698
Councillor S. Bossert	32,501	2,800	35,301	5,364
Councillor B. Blizzard	31,781	2,800	34,581	5,454
Councillor S. Hennig	31,601	2,800	34,401	32,119
Councillor F. Garritsen	31,421	2,799	34,220	32,930
Councillor A. Randhawa	31,331	1,096	32,427	5,245
Councillor E. Sperling	29,801	1,744	31,545	5,102
Councillor D. Westman	-	-	-	27,758
Councillor T. Hutchison	-	-	-	27,329
Councillor J. Mather	-	-	-	25,551

**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.

**14. 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 11.39% (2013 - 10.43%) of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 15.84% (2013 - 14.47%) on pensionable earnings above this amount. Employees are required to make current service contributions under the Canada Pension Plan of 10.39% (2013 - 9.43%) of pensionable salary up to the year's maximum pensionable earnings and 14.84% (2013 - 13.47%) on pensionable salary above this amount. Contributions for current service are recorded as expenses in the year in which they become due.

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

Contributions to the LAPP made during the year by the City on behalf of its employees amounted to \$1,463,134 (2013 - \$1,109,473). Employee contributions for current and past service were \$1,355,350 (2013 - \$1,220,168).

LAPP reported a deficiency for the overall plan as at December 31, 2013 of \$4.86 billion. Information as at December 31, 2014 was not available at the time of preparing these financial statements.

**15. 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% (2013 - 3.0%) and 2.5% (2013 - 2.5%) respectively of pensionable earnings.

Total current service contributions by the City to APEX in 2014 were \$12,465 (2013 - \$15,091). Total current service contributions by the employees of the City in 2014 were \$ 10,387 (2013 - \$12,573).

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, 2014 is estimated at \$56,626 (2013 - \$25,377). 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.

**16. LETTERS OF CREDIT**

In 2014, the City held 68 (2013 - 64) Letters of Credit totaling \$27,981,070 (2013 - \$21,465,044) in the City's favour as security for property development.

**CITY OF FORT SASKATCHEWAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2014**

**17. COMMITMENTS AND 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, 2014, unapplied levy credits in the amount of \$951 (2013 - \$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, 2014 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.

**18. FINANCIAL INSTRUMENTS**

The City's financial instruments consist of cash, investments, trade and other receivables, sponsorships receivable, amounts due from other governments, accounts payable and accrued liabilities, deposits on account, vested sick leave, long-term debt and environmental liabilities. 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.

**19. 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 have been separately disclosed in the segmented information, along with the services they provide.



**CITY OF FORT SASKATCHEWAN**  
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**19. SEGMENTED INFORMATION (CONTINUED)**

	<b>2014</b>			
	<b>General Government</b>	<b>Utility</b>	<b>Library</b>	<b>Total</b>
<b>Revenue</b>				
Net Municipal Taxes	\$ 34,917,932	\$ -	\$ -	\$ 34,917,932
Sales, Rentals, and User Charges	4,529,881	13,841,994	27,709	18,399,584
Contributed Tangible Capital Assets	12,623,304	-	-	12,623,304
Developer Agreements and Levies	8,329,614	-	-	8,329,614
Government Transfers	6,191,824	2,142	106,363	6,300,329
Fines, Licenses and Permits	4,181,242	-	23,254	4,204,496
Investment Income	691,744	-	13,823	705,567
Penalties and Interest	261,509	60,727	-	322,236
Other Revenues	163,484	3,273	111,840	278,597
<b>Total Revenues</b>	<b>71,890,534</b>	<b>13,908,136</b>	<b>282,989</b>	<b>86,081,659</b>
<b>Expenses</b>				
Salaries, Wages and Benefits	19,298,057	1,598,374	698,984	21,595,415
Contracted and General Services	13,224,126	6,129,605	60,855	19,414,586
Amortization of Tangible Capital Assets	9,288,094	1,348,054	167,087	10,803,235
Materials, Goods, Supplies and Utilities	4,402,766	3,732,750	24,124	8,159,640
Interest on Long-Term Debt	1,306,311	187,402	-	1,493,713
Loss of Disposal of Tangible Capital Assets	(48,929)	947,123	3,818	902,012
Transfers to Individuals and Organizations	363,067	-	-	363,067
Bank Charges and Short Term Interest	113,006	-	1,706	114,712
Other Expenses	32,109	20,904	22,058	75,071
<b>Total Expenses</b>	<b>47,978,607</b>	<b>13,964,212</b>	<b>978,632</b>	<b>62,921,451</b>
<b>Annual Surplus (Deficit)</b>	<b>\$ 23,911,927</b>	<b>\$ (56,076)</b>	<b>\$ (695,643)</b>	<b>\$ 23,160,208</b>

**CITY OF FORT SASKATCHEWAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**19. SEGMENTED INFORMATION (CONTINUED)**

	<b>2013</b>			
	<b>General Government</b>	<b>Utility</b>	<b>Library</b>	<b>Total</b>
<b>Revenues</b>				
Net Municipal Taxes	\$ 32,052,803	\$ -	\$ -	\$ 32,052,803
Contributed Tangible Capital Assets	18,309,536	-	-	18,309,536
Sales, Rentals, and User Charges	4,081,693	11,686,076	19,696	15,787,465
Government Transfers	8,278,427	2,733	103,942	8,385,102
Fines, Licenses and Permits	4,510,162	-	20,949	4,531,111
Developer Agreements and Levies	3,369,359	-	-	3,369,359
Other Revenues	576,694	813	63,822	641,329
Investment Income	556,980	-	9,627	566,607
Penalties and Interest	281,651	32,457	-	314,108
<b>Total Revenues</b>	<b>72,017,305</b>	<b>11,722,079</b>	<b>218,036</b>	<b>83,957,420</b>
<b>Expenses</b>				
Salaries, Wages and Benefits	17,516,894	1,329,445	643,433	19,489,772
Contracted and General Services	11,811,447	5,391,488	40,521	17,243,456
Amortization of Tangible Capital Assets	7,937,430	1,133,931	137,182	9,208,543
Materials, Goods, Supplies and Utilities	4,674,249	3,284,523	32,444	7,991,216
Interest on Long-Term Debt	1,047,389	169,748	-	1,217,137
Transfers to Individuals and Organizations	1,040,826	-	-	1,040,826
Loss on Disposal of Tangible Capital Assets	424,432	35,321	36,569	496,322
Other Expenses	116,224	42,996	21,401	180,621
Bank Charges and Short Term Interest	86,830	-	435	87,265
<b>Total Expenses</b>	<b>44,655,721</b>	<b>11,387,452</b>	<b>911,985</b>	<b>56,955,158</b>
<b>Annual Surplus (Deficit)</b>	<b>\$ 27,361,584</b>	<b>\$ 334,627</b>	<b>\$ (693,949)</b>	<b>\$ 27,002,262</b>

**CITY OF FORT SASKATCHEWAN**  
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**20. BUDGET DATA**

The budget data presented in these Consolidated Financial Statements is based upon the 2014 operating and capital budgets approved by Council on December 10, 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.

	<b>Budget</b>
<b>Revenues</b>	
Operating Budget	\$ 60,953,693
Capital Budget	10,446,066
<b>Less</b>	
Transfers from Other Funds	(2,665,902)
Proceeds on Debt Issue	-
<b>Total Revenue</b>	<b>68,733,857</b>
<b>Expenses</b>	
Operating Budget	60,740,344
Capital Budget	38,178,789
<b>Less</b>	
Transfers to Other Funds	(5,942,744)
Capital Expenditures	(38,178,789)
Debt Principal Payments	(2,233,139)
<b>Total Expenses</b>	<b>52,564,461</b>
<b>Annual Surplus</b>	<b>\$ 16,169,396</b>

**21. COMPARATIVE INFORMATION**

Certain 2013 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

**22. APPROVAL OF FINANCIAL STATEMENTS**

These consolidated financial statements were received and approved for release by Council on April 28, 2015.