



CITY OF
FORT SASKATCHEWAN

Consolidated Financial Statements of

City of Fort Saskatchewan

Year Ended December 31, 2015

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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 Independent 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 26, 2016

Jeremy Emann,
Chief Financial Officer
April 26, 2016

Auditors' Report

To be inserted

City of Fort Saskatchewan
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2015, with comparative information for 2014

	2015	2014
Financial Assets		
Cash	\$ 13,081,065	\$ 6,790,321
Investments (Note 2)	38,100,030	40,800,030
Net Taxes Receivable (Note 3)	435,578	337,894
Trade and Other Receivables (Note 4)	4,093,365	7,455,137
Sponsorships Receivable (Note 5)	92,000	134,400
Due From Other Governments (Note 6)	2,916,315	3,715,442
Inventory Held for Resale	44,932	37,917
	58,763,285	59,271,141
Liabilities		
Accounts Payable and Accrued Liabilities	5,944,802	9,573,411
Deposits on Account	2,988,824	2,094,046
Deferred Revenue (Note 7)	9,137,504	6,739,438
Vested Sick Leave	154,369	158,343
Liability for Contaminated Sites (Note 8)	1,312,500	700,000
Long-Term Debt (Note 9), (Note 10)	41,331,223	43,739,110
	60,869,222	63,004,348
Net Debt	(2,105,937)	(3,733,207)
Non-Financial Assets		
Tangible Capital Assets (Schedule 3)	424,124,552	381,758,338
Inventories of Supplies	406,654	349,747
Prepaid Expenses	427,762	349,144
	424,958,968	382,457,229
Accumulated Surplus (Note 11)	\$ 422,853,031	\$ 378,724,022

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, 2015, with comparative information for 2014

	2015 Budget (Note 19)	2015	2014
Revenue			
Net Municipal Taxes (Schedule 1)	\$ 37,252,111	\$ 39,497,628	\$ 34,917,932
Sales, Rentals and User Charges	19,428,194	20,040,692	18,424,389
Fines and Penalties	2,509,669	3,144,724	2,242,499
Licenses and Permits	1,689,600	2,597,332	2,278,908
Government Transfers - Operating	1,434,389	1,546,096	1,483,325
Interest Income	520,200	686,946	705,567
Other Revenues	120,400	248,412	259,117
	<u>62,954,563</u>	<u>67,761,830</u>	<u>60,311,737</u>
Expenses (Schedule 2)			
Community Services	14,685,296	13,331,880	11,452,120
Utility Services	13,218,388	12,655,864	12,616,159
Infrastructure Services	8,870,382	10,533,597	9,163,219
General Government	8,455,498	9,066,538	8,322,365
Protective Services	8,302,608	8,373,242	7,152,528
Planning and Development	2,894,130	3,028,650	2,600,281
Library Services	987,313	888,934	811,544
Amortization of Tangible Capital Assets	-	11,578,142	10,803,235
	<u>57,413,615</u>	<u>69,456,847</u>	<u>62,921,451</u>
Annual Surplus (Deficit) Before Other	<u>5,540,948</u>	<u>(1,695,017)</u>	<u>(2,609,714)</u>
Other			
Contributed Tangible Capital Assets	-	39,748,321	12,623,304
Government Transfers - Capital	7,588,600	5,183,312	4,817,004
Developer Levies	250,000	892,393	8,329,614
	<u>7,838,600</u>	<u>45,824,026</u>	<u>25,769,922</u>
Annual Surplus	<u>13,379,548</u>	<u>44,129,009</u>	<u>23,160,208</u>
Accumulated Surplus, Beginning of Year	<u>378,724,022</u>	<u>378,724,022</u>	<u>355,563,814</u>
Accumulated Surplus, End of Year	<u>\$ 392,103,570</u>	<u>\$ 422,853,031</u>	<u>\$ 378,724,022</u>

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

City of Fort Saskatchewan

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

For the Year Ended December 31, 2015, with comparative information for 2014

	2015 Budget (Note 19)	2015	2014
Annual Surplus	\$ 13,379,548	\$ 44,129,009	\$ 23,160,208
Acquisition of Tangible Capital Assets	(28,510,257)	(15,287,453)	(22,718,289)
Contributed Tangible Capital Assets	-	(39,748,321)	(12,623,304)
Amortization of Tangible Capital Assets	-	11,578,142	10,803,235
Loss (Gain) on Disposal of Tangible Capital Assets	(127,000)	595,118	902,012
Proceeds on Disposal of Tangible Capital Assets	-	496,300	225,090
	<u>(15,257,709)</u>	<u>1,762,795</u>	<u>(251,048)</u>
Acquisition of Inventories of Supplies	-	(56,907)	(104,543)
Acquisition of Prepaid Expenses	-	(78,618)	(85,409)
	<u>-</u>	<u>(135,525)</u>	<u>(189,952)</u>
Change in Net Debt	(15,257,709)	1,627,270	(441,000)
Net Debt, Beginning of Year	(3,733,207)	(3,733,207)	(3,292,207)
Net Debt, End of Year	<u><u>\$ (18,990,916)</u></u>	<u><u>\$ (2,105,937)</u></u>	<u><u>\$ (3,733,207)</u></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, 2015 with comparative information for 2014

	2015	2014
Cash Provided By (Used In)		
Operating Activities		
Annual Surplus	\$ 44,129,009	\$ 23,160,208
Items Not Involving Cash		
Amortization of Tangible Capital Assets	11,578,142	10,803,235
Contributed Tangible Capital Assets	(39,748,321)	(12,623,304)
Loss on Disposal of Tangible Capital Assets	595,118	902,012
Changes in Non-Cash Assets and Liabilities		
Net Taxes Receivable	(97,684)	252,521
Trade and Other Receivables	3,361,772	(2,940,927)
Sponsorships Receivable	42,400	42,400
Due From Other Governments	799,127	(2,122,430)
Inventory Held for Resale	(7,015)	4,011
Accounts Payable and Accrued Liabilities	(3,628,609)	1,216,172
Deposits on Account	894,778	501,069
Deferred Revenue	2,398,066	3,994,179
Vested Sick Leave	(3,974)	(51,946)
Liability for Contaminated Sites	612,500	700,000
Inventories of Supplies	(56,907)	(104,543)
Prepaid Expenses	(78,618)	(85,409)
	20,789,784	23,647,248
Investing Activities		
Purchase of Investments	(38,700,000)	(43,700,000)
Sales of Investments	41,400,000	39,900,000
	2,700,000	(3,800,000)
Financing Activities		
Repayment of Long-Term Debt	(2,407,887)	(2,044,757)
Proceeds from Long-Term Debt	-	7,500,000
	(2,407,887)	5,455,243
Capital Activities		
Acquisition of Tangible Capital Assets	(15,287,453)	(22,718,289)
Proceeds on Disposal of Tangible Capital Assets	496,300	225,090
	(14,791,153)	(22,493,199)
Increase in Cash	6,290,744	2,809,292
Cash, Beginning of Year	6,790,321	3,981,029
Cash, End of Year	\$ 13,081,065	\$ 6,790,321
 Cash Paid for Interest	 1,640,170	 1,507,066
Cash Received from Interest	700,333	614,677

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, 2015, with comparative information for 2014

	2015 Budget (Note 19)	2015	2014
Revenue			
Residential	\$ 22,341,135	\$ 23,780,220	\$ 21,380,494
Non-Residential	25,005,497	26,616,204	23,726,431
Government Transfers in Place of Property Taxes	409,100	849,724	805,458
Special Assessments and Local Improvement Taxes	6,000	2,874	5,997
	<u>47,761,732</u>	<u>51,249,022</u>	<u>45,918,380</u>
Requisitions			
Alberta School Foundation Fund	8,891,623	10,147,411	9,441,203
Elk Island Catholic Separate Regional District	1,361,353	1,323,714	1,302,656
Heartland Housing Foundation	256,645	280,269	256,589
	<u>10,509,621</u>	<u>11,751,394</u>	<u>11,000,448</u>
Net Municipal Property Taxes	<u>\$ 37,252,111</u>	<u>\$ 39,497,628</u>	<u>\$ 34,917,932</u>

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

City of Fort Saskatchewan

SCHEDULE 2 - EXPENSES BY OBJECT

For the Year Ended December 31, 2015, with comparative information for 2014

	2015 Budget (Note 19)	2015	2014
Expenses			
Salaries, Wages and Benefits	\$ 24,265,887	\$ 23,402,365	\$ 21,595,415
Contracted and General Services	22,032,771	22,882,993	19,446,296
Amortization of Tangible Capital Assets	-	11,578,142	10,803,235
Materials, Supplies and Utilities	9,104,221	8,818,553	8,149,988
Interest and Bank Charges	1,744,934	1,736,181	1,608,425
Loss (Gain) on Disposal of Tangible Capital Assets	(127,000)	595,118	902,012
Transfers to Individuals and Organizations	350,652	371,983	363,067
Other Expenses	42,150	71,512	53,013
	\$ 57,413,615	\$ 69,456,847	\$ 62,921,451

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

City of Fort Saskatchewan
SCHEDULE 3 - TANGIBLE CAPITAL ASSETS
For the Year Ended December 31, 2015, with comparative information for 2014

	Land	Land Improvements	Engineering Structures	Buildings	Machinery & Equipment	Vehicles	Assets Under Construction	2015	2014
Cost									
Balance, Beginning of Year	\$ 88,398,022	\$ 19,862,884	\$ 282,964,152	\$ 66,940,673	\$ 13,837,855	\$ 4,830,008	\$ 13,819,677	\$ 490,653,271	\$ 457,632,346
Acquisitions	-	625,809	11,772,026	11,819,232	2,664,252	200,115	(11,793,981)	15,287,453	22,718,289
Contributed	3,223,300	-	36,525,021	-	-	-	-	39,748,321	12,623,304
Disposals	(314,567)	(75,524)	(1,245,015)	-	(256,532)	(48,735)	-	(1,940,373)	(2,320,668)
Balance, End of Year	91,306,755	20,413,169	330,016,184	78,759,905	16,245,575	4,981,388	2,025,696	543,748,672	490,653,271
Accumulated Amortization									
Balance, Beginning of Year	-	(9,024,360)	(76,855,585)	(13,671,762)	(7,132,470)	(2,210,756)	-	(108,894,933)	(99,285,264)
Annual Amortization	-	(727,319)	(7,660,474)	(1,590,238)	(1,261,639)	(338,472)	-	(11,578,142)	(10,803,235)
Accumulated Amortization on Disposals	-	75,524	616,710	-	117,723	38,998	-	848,955	1,193,566
Balance, End of Year	-	(9,676,155)	(83,899,349)	(15,262,000)	(8,276,386)	(2,510,230)	-	(119,624,120)	(108,894,933)
Net Book Value of Tangible Capital Assets	\$ 91,306,755	\$ 10,737,014	\$ 246,116,835	\$ 63,497,905	\$ 7,969,189	\$ 2,471,158	\$ 2,025,696	\$ 424,124,552	\$ 381,758,338

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

City of Fort Saskatchewan

SCHEDULE 4 - SEGMENTED DISCLOSURE

For the Year Ended December 31, 2015, with comparative information for 2014

	General Government	Protective Services	Infrastructure Services
Revenue			
Net Municipal Taxes	\$ 39,494,754	\$ -	\$ 2,874
Sales, Rentals and User Charges	116,546	239,043	463,483
Fines and Penalties	252,007	2,820,926	-
Licenses and Permits	-	43,827	806,284
Government Transfers - Operating	1,027	619,312	2,047
Interest Income	669,050	-	-
Other Revenues	18,439	500	1,339
	<u>40,551,823</u>	<u>3,723,608</u>	<u>1,276,027</u>
Expenses			
Salaries, Wages and Benefits	5,628,849	2,954,023	3,553,913
Contracted and General Services	2,438,325	4,750,226	3,878,623
Amortization of Tangible Capital Assets	904,292	435,694	7,520,867
Materials, Supplies and Utilities	396,549	340,514	2,256,743
Interest and Bank Charges	599,979	323,743	184,538
Loss (Gain) on Disposal of Tangible Capital Assets	-	4,736	636,215
Transfers to Individuals and Organizations	-	-	23,565
Other Expenses	2,836	-	-
	<u>9,970,830</u>	<u>8,808,936</u>	<u>18,054,464</u>
Annual Surplus (Deficit) Before Other	30,580,993	(5,085,328)	(16,778,437)
Other			
Contributed Tangible Capital Assets	-	-	39,748,321
Government Transfers - Capital	-	-	4,515,328
Developer Levies	-	-	266,600
	<u>-</u>	<u>-</u>	<u>44,530,249</u>
Annual Surplus (Deficit)	<u>\$ 30,580,993</u>	<u>\$ (5,085,328)</u>	<u>\$ 27,751,812</u>

City of Fort Saskatchewan

SCHEDULE 4 - SEGMENTED DISCLOSURE

For the Year Ended December 31, 2015, with comparative information for 2014

Utility Services	Community Services	Planning & Development	Library Services	2015	2014
\$ -	\$ -	\$ -	\$ -	39,497,628	\$ 34,917,932
15,351,346	3,472,751	358,111	39,412	20,040,692	18,424,389
55,877	-	-	15,914	3,144,724	2,242,499
-	-	1,747,221	-	2,597,332	2,278,908
1,023	790,828	-	131,859	1,546,096	1,483,325
-	-	-	17,896	686,946	705,567
2,826	165,270	-	60,038	248,412	259,117
15,411,072	4,428,849	2,105,332	265,119	67,761,830	60,311,737
1,714,323	7,345,519	1,455,994	749,744	23,402,365	21,595,415
6,639,134	3,471,513	1,591,027	114,145	22,882,993	19,446,296
1,527,827	988,724	11,893	188,845	11,578,142	10,803,235
4,082,984	1,708,617	10,658	22,488	8,818,553	8,149,988
170,627	454,737	-	2,557	1,736,181	1,608,425
4,600	-	(50,433)	-	595,118	902,012
-	327,014	21,404	-	371,983	363,067
44,196	24,480	-	-	71,512	53,013
14,183,691	14,320,604	3,040,543	1,077,779	69,456,847	62,921,451
1,227,381	(9,891,755)	(935,211)	(812,660)	(1,695,017)	(2,609,714)
-	-	-	-	39,748,321	12,623,304
-	667,984	-	-	5,183,312	4,817,004
-	-	625,793	-	892,393	8,329,614
-	667,984	625,793	-	45,824,026	25,769,922
\$ 1,227,381	\$ (9,223,771)	\$ (309,418)	\$ (812,660)	\$ 44,129,009	\$ 23,160,208

City of Fort Saskatchewan

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015, with comparative information for 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. The reporting entity is comprised of the organizations and committees which are owned or controlled by the City, and are accountable for the administration of their financial affairs and resources.

The reporting entity includes all divisions and departments that comprise City operations and the Fort Saskatchewan Public Library (Library). Inter-departmental and inter-organizational transactions have been eliminated.

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

b) Basis of Accounting

The City follows the accrual method of accounting for revenues and expenses. Revenues are 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.

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.

City of Fort Saskatchewan
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015, with comparative information for 2014

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

g) Employee Future Benefits

The City is a member of a defined contribution multi-employer pension plan covering substantially all of its employees. Pension contributions are accounted for using defined contribution accounting, wherein contributions for current and past service benefits are recorded as expenses in the year in which they become due.

City of Fort Saskatchewan

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015, with comparative information for 2014

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

h) 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:

Assets	Useful Life - Years
Land Improvements	15 - 25
Engineering 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.

i) 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, 2015, with comparative information for 2014

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Liability for Contaminated Sites

The City adopted *Liability for Contaminated Sites* PS3260 effective January 1, 2015. Under PS3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. This standard was adopted on a prospective basis. There were no adjustments as a result of the adoption of this standard.

k) Future Accounting Standard Pronouncements

The following summarizes upcoming changes to PSAS. In 2016, the City will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption may vary, certain standards must be adopted concurrently. The requirements in Financial Statement Presentation (PS1201), Financial Instruments (PS3450), Foreign Currency Translations (PS2601) and Portfolio Investments (PS3041) must be implemented at the same time.

PSAS	Description	Effective Date
PS2200	Related Party Transactions	April 1, 2017
PS3420	Inter-Entity Transactions	April 1, 2017
PS3210	Assets	April 1, 2017
PS3210	Contingent Assets	April 1, 2017
PS3380	Contractual Rights	April 1, 2017
PS3430	Restructuring Transactions	April 1, 2018
PS1201	Financial Statement Presentation	April 1, 2019
PS3450	Financial Instruments	April 1, 2019
PS2601	Foreign Currency Translation	April 1, 2019
PS3401	Portfolio Investments	April 1, 2019

City of Fort Saskatchewan
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015, with comparative information for 2014

2. INVESTMENTS

	2015	2014
Non-Cashable GIC	\$ 18,100,000	\$ 10,000,000
Cashable GIC	20,000,000	30,800,000
Corporate Shares	30	30
	<u>\$ 38,100,030</u>	<u>\$ 40,800,030</u>

The investment pool consists of cashable and non-cashable guaranteed investment certificates (GICs). The cashable GICs are redeemable upon request, bearing interest at 1.55% (2014 - 1.87% to 1.90%). The non-cashable GICs mature from 180 to 395 days, bearing interest at 1.50% to 1.85% (2014 - 2.09% to 2.10%).

3. NET TAXES RECEIVABLE

	2015	2014
Current	\$ 352,899	\$ 270,838
Arrears	82,679	67,056
	<u>\$ 435,578</u>	<u>\$ 337,894</u>

4. TRADE AND OTHER RECEIVABLES

	2015	2014
Utilities Receivable	\$ 2,049,777	\$ 1,866,067
Developer Levy Receivable	1,344,389	4,765,832
Other Trade Receivables	699,199	823,238
	<u>\$ 4,093,365</u>	<u>\$ 7,455,137</u>

City of Fort Saskatchewan
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015, with comparative information for 2014

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 and beyond. Amounts to be received are as follows:

	2015	2014
Lions Club Fish Pond		
2015	\$ -	\$ 2,000
2016	2,000	2,000
2017	2,000	2,000
2018	2,000	2,000
2019	2,000	2,000
2020	2,000	2,000
Subsequent	82,000	82,000
	<u>92,000</u>	<u>94,000</u>
1875-1885 NWMP Fort		
2015	-	40,400
	<u>-</u>	<u>40,400</u>
	<u>\$ 92,000</u>	<u>\$ 134,400</u>

6. DUE FROM OTHER GOVERNMENTS

	2015	2014
Federal Government	\$ 1,688,607	\$ 2,873,207
Provincial Government	1,194,122	809,346
Other Government	33,586	32,889
	<u>\$ 2,916,315</u>	<u>\$ 3,715,442</u>

City of Fort Saskatchewan
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015, with comparative information for 2014

7. DEFERRED REVENUE

	Balance January 1, 2015	Amounts Received	Amounts Recognized	Balance December 31, 2015
Capital Government Transfers				
Provincial	\$ 5,798,760	\$ 6,222,671	\$ (3,864,140)	\$ 8,157,291
Federal	322,907	1,356,611	(1,319,172)	360,346
	6,121,667	7,579,282	(5,183,312)	8,517,637
Operating Government Transfers				
Provincial	7,505	1,591,875	(1,533,596)	65,784
Federal	-	25,000	(12,500)	12,500
	7,505	1,616,875	(1,546,096)	78,284
Other Deferred Amounts	610,266	587,721	(656,404)	541,583
	\$ 6,739,438	\$ 9,783,878	\$ (7,385,812)	\$ 9,137,504

8. LIABILITY FOR CONTAMINATED SITES

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 \$1,312,500 (2014 - \$700,000) in its consolidated financial statements, which represents management's 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, 2015, with comparative information for 2014

9. LONG-TERM DEBT

	2015	2014
Supported by:		
General Tax Levies	\$ 36,726,454	\$ 38,651,014
Utility Rates	4,604,769	5,085,583
Local Improvement Levies	-	2,513
	<u>\$ 41,331,223</u>	<u>\$ 43,739,110</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
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
2020	2,944,617	1,100,707	4,045,324
Subsequent	27,734,602	6,036,740	33,771,342
	<u>\$ 41,331,223</u>	<u>\$ 12,666,739</u>	<u>\$ 53,997,962</u>

Debentures are payable in semi-annual amounts up to the year 2035, with accompanying interest rates ranging from 2.226% to 6.375%. Debenture debt is issued on the credit and security of the City.

Debt obligations by function are as follows:

	2015	2014
General Government	\$ 14,240,843	\$ 14,853,841
Protective Services	10,007,674	10,395,604
Community Services	7,486,336	8,209,501
Infrastructure Services	4,991,601	5,194,581
Utility Services	4,604,769	5,085,583
	<u>\$ 41,331,223</u>	<u>\$ 43,739,110</u>

City of Fort Saskatchewan
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015, with comparative information for 2014

10. 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:

	2015	2014
Total Debt Limit	\$ 102,981,335	\$ 102,962,026
Total Debt	(41,331,223)	(43,739,110)
Debt Limit in Excess of Actual Debt	61,650,112	59,222,916
Service on Debt Limit	17,163,556	17,160,338
Service on Debt	(4,045,324)	(4,048,057)
Total Service on Debt Limit in Excess of Actual Debt Service Costs	\$ 13,118,232	\$ 13,112,281

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.

11. ACCUMULATED SURPLUS

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

	2015	2014
Unrestricted Surplus	\$ -	\$ -
General Operating and Capital Restricted Surplus	40,059,702	40,704,794
Invested in Tangible Capital Assets	382,793,329	338,019,228
	\$ 422,853,031	\$ 378,724,022

City of Fort Saskatchewan

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015, with comparative information for 2014

12. SALARIES AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials and the City Manager, as required by Alberta Regulation 313/2000 is as follows:

	Salary ^(a)	Benefits & Allowance ^(b)	2015 Total	2014 Total
City Manager K. Kloss	\$ 225,026	\$ 75,621	\$ 300,647	\$ 248,263
Mayor G. Katchur	81,187	4,973	86,160	73,585
Councillor F. Garritsen	39,402	3,242	42,644	34,220
Councillor B. Blizzard	38,502	3,242	41,744	34,581
Councillor S. Bossert	38,402	3,242	41,644	35,301
Councillor S. Hennig	38,102	3,242	41,344	34,401
Councillor A. Randhawa	38,202	1,644	39,846	32,427
Councillor E. Sperling	35,902	2,035	37,937	31,545

a) Salary includes regular base pay, honoraria, and per diems. The City Manager's annual salary is \$212,355. (Note: On a bi-weekly pay system normally there are 26 pay periods however every eleven years a 27th pay period occurs, as was the case in 2015, bringing the amount to \$225,026. The system also impacts the Mayor's and Councillor's salary.)

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. Included in the benefits and allowance for the City Manager is a pension allocation (MuniSERP) attributable to the years of 2013, 2014 and 2015 totalling \$59,625.

13. 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% (2014 - 11.39%) of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 15.84% (2014 - 15.84%) on pensionable earnings above this amount. Employees are required to make current service contributions under the Canada Pension Plan of 10.39% (2014 - 10.39%) of pensionable salary up to the year's maximum pensionable earnings and 14.84% (2014 - 14.84%) 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
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015, with comparative information for 2014

13. LOCAL AUTHORITIES PENSION PLAN (CONTINUED)

Contributions to the LAPP made during the year by the City on behalf of its employees amounted to \$1,705,458 (2014 - \$1,463,134). Employee contributions for current and past service were \$1,546,846 (2014 - \$1,355,350).

LAPP reported a deficiency for the overall plan as at December 31, 2014 of \$2.45 billion. Information as at December 31, 2015 was not available at the time of preparing these financial statements.

14. 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% (2014 - 3.0%) and 2.5% (2014 - 2.5%) respectively of pensionable earnings. Total current service contributions by the City to APEX in 2015 were \$9,552 (2014 - \$12,465). Total current service contributions by the employees of the City in 2015 were \$7,960 (2014 - \$10,387).

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, 2015 is \$0 (2014 - \$56,626). This amount changes as a result of withdrawing from the plan.

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.

15. LETTERS OF CREDIT

In 2015, the City held 69 (2014 - 68) Letters of Credit totaling \$20,392,479 (2014 - \$27,981,070) 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, 2015, with comparative information for 2014

16. 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, 2015, unapplied levy credits in the amount of \$951 (2014 - \$951) 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, 2015 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.

The City continues to review environmental objectives and liabilities for its activities and properties as well as any potential reclamation obligations. During 2015, the City inventoried properties that the City is responsible for to identify potential remediation obligations. All known and measurable liabilities have been recognized (Note 8).

17. FINANCIAL INSTRUMENTS

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

18. SEGMENTED DISCLOSURE

The Schedule of Segmented Disclosures - Schedule 4 has been prepared in accordance with PS2700 *Segmented Disclosure*. Segmented disclosures are intended to help users of the financial statements identify the resources allocated to support major government activities.

City of Fort Saskatchewan
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015, with comparative information for 2014

18. SEGMENTED DISCLOSURE (CONTINUED)

The segments have been selected based upon functional activities provided by the City. For each reported segment, revenues and expenses represent amounts directly attributable to the functional activity. The functional areas that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

a) General Government

General Government includes Council and Legislative services. Corporate functions also included are Financial Services, Human Resources, Health and Safety, Taxation and Assessment, Information Technology, Corporate Strategy, and Communications and Marketing.

b) Protective Services

Protective Services operates Fire Services, Municipal Enforcement, and Emergency Management and Preparedness for the City. This segment also includes police protection provided on contract by the Royal Canadian Mounted Police (RCMP). Protective Services exists to provide effective service delivery to reduce risk and promote community confidence.

c) Infrastructure Services

Infrastructure Services includes Engineering Services, Fleet Services, Storm Sewers, Roadway and Park Maintenance, and Public Transit. Infrastructure Services maintains the City's assets, such as roads, fleet equipment, and material management. This also includes the purchasing, construction, maintenance and life cycle costing of these assets.

d) Utility Services

Utility Services includes water distribution, wastewater collection and solid waste services. Solid waste services include collection, recycling and waste depot services. Utility Services coordinates the maintenance of utility infrastructure, billing, collections and meter reading within the City. These specific services are provided on a 'user pay' basis, ensuring that users pay the full cost of the utility.

e) Community Services

Community Services includes Recreation, Culture and Family and Community Support Services. Community Services is focused on providing a landscape for citizens to live an enhanced life, whether through recreation facilities, cultural experiences or social wellness.

f) Planning and Development

Planning and Development includes Planning and Economic Development. Planning and Development represents the City's interest through the development process. Economic Development focuses on business attraction and retention.

City of Fort Saskatchewan

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015, with comparative information for 2014

18. SEGMENTED DISCLOSURE (CONTINUED)

g) Library Services

The Fort Saskatchewan Public Library provides the City's residents with Library Services. The Library is administered by a separate board of directors.

19. BUDGET DATA

The budget data presented in these Consolidated Financial Statements is based upon the 2015 operating and capital budgets approved by Council on December 9, 2014. 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.

	<u>Budget</u>
Revenues	
Operating Budget	\$ 67,608,103
Capital Budget	8,956,300
Less	
Transfers from Other Funds	(4,571,240)
Proceeds on Debt Issue	(1,200,000)
Total Revenue	<u>70,793,163</u>
Expenses	
Operating Budget	67,397,871
Capital Budget	28,510,257
Less	
Transfers to Other Funds	(7,397,619)
Capital Expenditures	(28,637,257)
Debt Principal Payments	(2,459,637)
Total Expenses	<u>57,413,615</u>
Annual Surplus	<u>\$ 13,379,548</u>

City of Fort Saskatchewan
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015, with comparative information for 2014

20. COMPARATIVE INFORMATION

Certain 2014 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

21. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were received and approved for release by Council on April 26, 2016.