



CITY OF
FORT SASKATCHEWAN

Consolidated Financial Statements of

City of Fort Saskatchewan

Year Ended December 31, 2016

TABLE OF CONTENTS

	<u>Page</u>
Management's Responsibility for the Consolidated Financial Statements	1
Independent Auditors' Report	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4
Consolidated Statement of Changes in Net Debt	5
Consolidated Statement of Cash Flows	6
Schedules:	
1 - Net Municipal Taxes	7
2 - Expenses by Object	8
3- Tangible Capital Assets	9
4 - Segmented Disclosure	10
Significant Accounting Policies	12
Notes to the Consolidated Financial Statements	17

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 PricewaterhouseCoopers 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.

Troy Fleming
Acting City Manager
April 25, 2017

Jeremy Emann,
Chief Financial Officer
April 25, 2017

Auditors' Report

To be inserted

City of Fort Saskatchewan
City

City of Fort Saskatchewan
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2016, with comparative information for 2015

	Dec. 31, 2016	Dec. 31, 2015 (Restated, Note 23)
Financial Assets		
Cash	\$ 7,462,282	\$ 5,081,065
Investments (Note 2)	49,635,537	46,100,030
Net Taxes Receivable (Note 3)	478,986	435,578
Trade and Other Receivables (Note 4)	3,971,915	4,093,365
Sponsorships Receivable (Note 5)	90,000	92,000
Due From Other Governments (Note 6)	3,334,230	2,916,315
Inventory Held for Resale (Note 7)	1,299,769	44,932
	66,272,719	58,763,285
Liabilities		
Accounts Payable and Accrued Liabilities	6,796,932	5,944,802
Deposits on Account	2,046,756	2,988,824
Deferred Revenue (Note 8)	9,647,658	9,137,504
Vested Sick Leave	128,186	154,369
Liability for Contaminated Sites (Note 9)	1,499,008	1,312,500
Long-Term Debt (Note 10), (Note 11)	42,727,367	41,331,223
	62,845,907	60,869,222
Net Financial Assets (Debt)	3,426,812	(2,105,937)
Non-Financial Assets		
Tangible Capital Assets (Schedule 3)	453,104,533	424,298,230
Inventories of Supplies	505,464	406,654
Prepaid Expenses	453,990	427,762
	454,063,987	425,132,646
Accumulated Surplus (Note 12)	\$ 457,490,799	\$ 423,026,709

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, 2016, with comparative information for 2015

	2016	2016	2015
	(Budget, Note 20)		(Restated, Note 23)
Revenue			
Net Municipal Taxes (Schedule 1)	\$ 42,678,422	\$ 43,350,155	\$ 39,497,628
Sales, Rentals and User Charges	20,528,620	21,140,240	20,040,692
Fines and Penalties	2,544,800	3,342,745	3,144,724
Licenses and Permits	1,818,413	1,881,655	2,597,332
Government Transfers - Operating	1,409,224	1,630,963	1,546,096
Interest Income	668,200	783,503	686,946
Other Revenues	359,750	536,583	248,412
	70,007,429	72,665,844	67,761,830
Expenses (Schedule 2)			
Community Services	15,624,830	14,043,491	13,331,880
Utility Services	13,403,681	13,497,277	12,655,864
Infrastructure Services	10,200,344	10,622,220	10,533,597
General Government	9,554,292	8,784,121	9,066,538
Protective Services	8,614,158	8,716,393	8,373,242
Planning and Development	3,156,105	2,680,636	3,028,650
Library Services	1,005,095	933,894	888,934
Amortization of Tangible Capital Assets	-	13,090,059	11,358,275
	61,558,505	72,368,091	69,236,980
Annual Surplus (Deficit) Before Other	8,448,924	297,753	(1,475,150)
Other			
Contributed Tangible Capital Assets	-	25,662,574	39,702,132
Government Transfers - Capital	14,661,900	7,299,752	5,183,312
Developer Levies	-	1,204,011	892,393
	14,661,900	34,166,337	45,777,837
Annual Surplus	23,110,824	34,464,090	44,302,687
Accumulated Surplus, Beginning of Year	423,026,709	423,026,709	378,724,022
Accumulated Surplus, End of Year	\$ 446,137,533	\$ 457,490,799	\$ 423,026,709

The budgeted beginning accumulated surplus has not been adjusted for the restatement.

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

City of Fort Saskatchewan

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

For the Year Ended December 31, 2016, with comparative information for 2015

	2016 (Budget, Note 20)	2016	2015 (Restated, Note 23)
Annual Surplus	\$ 23,110,824	\$ 34,464,090	\$ 44,302,687
Acquisition of Tangible Capital Assets	(31,531,624)	(18,613,993)	(15,287,453)
Contributed Tangible Capital Assets	-	(25,662,574)	(39,702,132)
Amortization of Tangible Capital Assets	-	13,090,059	11,358,275
Land Reclassified as Held for Resale	-	1,244,000	-
Loss (Gain) on Disposal of Tangible Capital Assets	(117,000)	1,027,570	595,118
Proceeds on Disposal of Tangible Capital Assets	-	108,635	496,300
	(8,537,800)	5,657,787	1,762,795
Acquisition of Inventories of Supplies	-	(98,810)	(56,907)
Acquisition of Prepaid Expenses	-	(26,228)	(78,618)
	-	(125,038)	(135,525)
Change in Net Financial Assets (Debt)	(8,537,800)	5,532,749	1,627,270
Net Debt, Beginning of Year	(2,105,937)	(2,105,937)	(3,733,207)
Net Financial Assets (Debt), End of Year	\$ (10,643,737)	\$ 3,426,812	\$ (2,105,937)

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, 2016 with comparative information for 2015

	2016	2015 (Restated, Note 23)
Cash Provided By (Used In)		
Operating Activities		
Annual Surplus	\$ 34,464,090	\$ 44,302,687
Items Not Involving Cash		
Amortization of Tangible Capital Assets (Schedule 3)	13,090,059	11,358,275
Contributed Tangible Capital Assets (Schedule 3)	(25,662,574)	(39,702,132)
Loss on Disposal of Tangible Capital Assets	1,027,570	595,118
Changes in Non-Cash Assets and Liabilities		
Net Taxes Receivable (Note 3)	(43,408)	(97,684)
Trade and Other Receivables (Note 4)	121,450	3,361,772
Sponsorships Receivable (Note 5)	2,000	42,400
Due From Other Governments (Note 6)	(417,915)	799,127
Inventory Held for Resale (Note 7)	(10,837)	(7,015)
Accounts Payable and Accrued Liabilities	852,130	(3,628,609)
Deposits on Account	(942,068)	894,778
Deferred Revenue (Note 8)	510,154	2,398,066
Vested Sick Leave	(26,183)	(3,974)
Liability for Contaminated Sites (Note 9)	186,508	612,500
Inventories of Supplies	(98,810)	(56,907)
Prepaid Expenses	(26,228)	(78,618)
	<u>23,025,938</u>	<u>20,789,784</u>
Investing Activities		
Purchase of Investments (Note 2)	(64,360,507)	(38,700,000)
Sales of Investments (Note 2)	60,825,000	33,400,000
	<u>(3,535,507)</u>	<u>(5,300,000)</u>
Financing Activities		
Repayment of Long-Term Debt (Note 10), (Note 11)	(2,503,856)	(2,407,887)
Proceeds from Long-Term Debt (Note 10), (Note 11)	3,900,000	-
	<u>1,396,144</u>	<u>(2,407,887)</u>
Capital Activities		
Acquisition of Tangible Capital Assets (Schedule 3)	(18,613,993)	(15,287,453)
Proceeds on Disposal of Tangible Capital Assets	108,635	496,300
	<u>(18,505,358)</u>	<u>(14,791,153)</u>
Increase in Cash	2,381,217	(1,709,256)
Cash, Beginning of Year	5,081,065	6,790,321
Cash, End of Year	<u>\$ 7,462,282</u>	<u>\$ 5,081,065</u>
Cash Paid for Interest	1,541,468	1,640,170
Cash Received from Interest	630,847	700,333

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, 2016, with comparative information for 2015

	2016	2016	2015
	(Budget, Note 20)		
Revenue			
Residential	\$ 25,461,293	\$ 26,044,047	\$ 23,780,220
Non-Residential	28,493,650	29,328,432	26,616,204
Government Transfers in Place of Property Taxes	409,100	673,825	849,724
Special Assessments and Local Improvement Taxes	6,000	-	2,874
	54,370,043	56,046,304	51,249,022
Requisitions			
Alberta School Foundation Fund	10,026,623	10,863,014	10,147,411
Elk Island Catholic Separate Regional District	1,384,353	1,506,394	1,323,714
Heartland Housing Foundation	280,645	326,741	280,269
	11,691,621	12,696,149	11,751,394
Net Municipal Property Taxes	\$ 42,678,422	\$ 43,350,155	\$ 39,497,628

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, 2016, with comparative information for 2015

	2016 (Budget, Note 20)	2016	2015 (Restated, Note 23)
Expenses			
Salaries, Wages and Benefits	\$ 26,419,216	\$ 24,980,250	\$ 23,402,365
Contracted and General Services	23,431,838	21,982,085	22,882,993
Amortization of Tangible Capital Assets	-	13,090,059	11,358,275
Materials, Supplies and Utilities	9,404,347	9,046,168	8,818,553
Interest and Bank Charges	1,755,702	1,632,594	1,736,181
Loss (Gain) on Disposal of Tangible Capital Assets	(117,000)	1,027,570	595,118
Transfers to Individuals and Organizations	596,552	520,717	371,983
Other Expenses	67,850	88,648	71,512
	\$ 61,558,505	\$ 72,368,091	\$ 69,236,980

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, 2016, with comparative information for 2015

	Land	Land Improvements	Engineering Structures	Buildings	Machinery & Equipment	Vehicles	Assets Under Construction	2016	2015 (Restated, Note 23)
Cost									
Balance, Beginning of Year (Note 23)	\$ 91,470,055	\$ 20,413,169	\$ 329,806,695	\$ 78,759,905	\$ 16,245,575	\$ 4,981,388	\$ 2,025,696	\$ 543,702,483	\$ 490,653,271
Acquisitions	4,269,983	845,531	5,207,851	299,259	2,225,166	613,734	5,152,469	18,613,993	15,287,453
Contributions	2,355,400	-	23,186,745	-	-	120,429	-	25,662,574	39,702,132
Reclassified to held for resale	(1,244,000)	-	-	-	-	-	-	(1,244,000)	-
Disposals	-	(77,777)	(2,320,938)	-	(490,422)	(101,088)	-	(2,990,225)	(1,940,373)
Balance, End of Year	96,851,438	21,180,923	355,880,353	79,059,164	17,980,319	5,614,463	7,178,165	583,744,825	543,702,483
Accumulated Amortization									
Balance, Beginning of Year (Note 23)	-	(9,676,155)	(83,679,482)	(15,262,000)	(8,276,386)	(2,510,230)	-	(119,404,253)	(108,894,933)
Annual Amortization	-	(742,296)	(8,756,566)	(1,713,087)	(1,527,632)	(350,478)	-	(13,090,059)	(11,358,275)
Disposals	-	77,777	1,230,177	-	444,978	101,088	-	1,854,020	848,955
Balance, End of Year	-	(10,340,674)	(91,205,871)	(16,975,087)	(9,359,040)	(2,759,620)	-	(130,640,292)	(119,404,253)
Net Book Value of Tangible Capital Assets	\$ 96,851,438	\$ 10,840,249	\$ 264,674,482	\$ 62,084,077	\$ 8,621,279	\$ 2,854,843	\$ 7,178,165	\$ 453,104,533	\$ 424,298,230

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, 2016, with comparative information for 2015

	General Government	Protective Services	Infrastructure Services
Revenue			
Net Municipal Taxes	\$ 43,350,155	\$ -	\$ -
Sales, Rentals and User Charges	174,577	149,961	801,957
Fines and Penalties	267,267	3,006,994	-
Licenses and Permits	-	52,927	627,956
Government Transfers - Operating	53,000	636,560	17,787
Interest Income	770,860	-	-
Other Revenues	605	42,891	38,188
	44,616,464	3,889,333	1,485,888
Expenses			
Salaries, Wages and Benefits	5,646,702	3,070,314	3,945,446
Contracted and General Services	2,303,449	5,125,057	3,365,409
Amortization of Tangible Capital Assets	1,057,190	572,219	8,481,740
Materials, Supplies and Utilities	233,852	196,156	2,018,576
Interest and Bank Charges	571,477	312,841	177,096
Loss (Gain) on Disposal of Tangible Capital Assets	-	-	1,047,649
Transfers to Individuals and Organizations	3,800	-	68,044
Other Expenses	24,841	12,025	-
	9,841,311	9,288,612	19,103,960
Annual Surplus (Deficit) Before Other	34,775,153	(5,399,279)	(17,618,072)
Other			
Contributed Tangible Capital Assets	-	-	25,662,574
Government Transfers - Capital	-	-	4,642,675
Developer Levies	-	-	-
	-	-	30,305,249
Annual Surplus (Deficit)	\$ 34,775,153	\$ (5,399,279)	\$ 12,687,177

City of Fort Saskatchewan

SCHEDULE 4 - SEGMENTED DISCLOSURE

For the Year Ended December 31, 2016, with comparative information for 2015

Utility Services	Community Services	Planning & Development	Library Services	2016	2015 (Restated, Note 23)
\$ -	\$ -	\$ -	\$ -	43,350,155	\$ 39,497,628
16,027,729	3,836,136	133,852	16,028	21,140,240	20,040,692
46,869	-	-	21,615	3,342,745	3,144,724
-	-	1,200,772	-	1,881,655	2,597,332
-	780,862	-	142,754	1,630,963	1,546,096
-	-	-	12,643	783,503	686,946
2,149	190,243	244,594	17,913	536,583	248,412
16,076,747	4,807,241	1,579,218	210,953	72,665,844	67,761,830
1,816,352	8,212,603	1,502,974	785,859	24,980,250	23,402,365
7,251,774	2,720,982	1,090,322	125,092	21,982,085	22,882,993
1,729,464	1,023,987	11,741	213,718	13,090,059	11,358,275
4,244,894	2,332,380	320	19,990	9,046,168	8,818,553
155,533	412,694	-	2,953	1,632,594	1,736,181
8,421	(28,500)	-	-	1,027,570	595,118
440	361,413	87,020	-	520,717	371,983
19,863	31,919	-	-	88,648	71,512
15,226,741	15,067,478	2,692,377	1,147,612	72,368,091	69,236,980
850,006	(10,260,237)	(1,113,159)	(936,659)	297,753	(1,475,150)
-	-	-	-	25,662,574	39,702,132
-	2,657,077	-	-	7,299,752	5,183,312
-	-	1,204,011	-	1,204,011	892,393
-	2,657,077	1,204,011	-	34,166,337	45,777,837
\$ 850,006	\$ (7,603,160)	\$ 90,852	\$ (936,659)	\$ 34,464,090	\$ 44,302,687

City of Fort Saskatchewan

SIGNIFICANT ACCOUNTING POLICIES

For the Year Ended December 31, 2016 with comparative information for 2015

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

SIGNIFICANT ACCOUNTING POLICIES

For the Year Ended December 31, 2016 with comparative information for 2015

1. SIGNIFICANT ACCOUNTING POLICIES

c. 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.

d. 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 and stipulation 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.

e. 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.

f. Inventories Held for Resale

Inventories held for resale are items that are held for resale in the ordinary course of operations and, therefore, are expected to provide resources to discharge existing liabilities or finance future operations.

Land and other assets may be classified as inventory held for resale when Council commits to selling the assets, the asset is in a condition to be sold, the asset is publicly seen to be for sale, there is an active market for the asset, there is a plan in place to sell the asset, and it is reasonably expected that the asset will be sold to a purchaser external to the City within one year of the financial statement date. Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

g. 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.

City of Fort Saskatchewan

SIGNIFICANT ACCOUNTING POLICIES

For the Year Ended December 31, 2016 with comparative information for 2015

1. SIGNIFICANT ACCOUNTING POLICIES

h. 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.

i. 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.

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.

City of Fort Saskatchewan

SIGNIFICANT ACCOUNTING POLICIES

For the Year Ended December 31, 2016 with comparative information for 2015

1. SIGNIFICANT ACCOUNTING POLICIES

k. 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.

City of Fort Saskatchewan

SIGNIFICANT ACCOUNTING POLICIES

For the Year Ended December 31, 2016 with comparative information for 2015

1. SIGNIFICANT ACCOUNTING POLICIES

i. 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
PS3320	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

The City early adopted Assets (PS3210) effective January 1, 2016 with retroactive application with restatement. The effects of this change in accounting policy are detailed in Note 23.

City of Fort Saskatchewan
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016, with comparative information for 2015

2. INVESTMENTS

	2016	2015
Non-Cashable GIC	\$ 26,135,507	\$ 18,100,000
Cashable GIC	23,500,000	28,000,000
Corporate Shares	30	30
	<u>\$ 49,635,537</u>	<u>\$ 46,100,030</u>

The investment pool consists of cashable and non-cashable guaranteed investment certificates (GICs). The cashable GICs are redeemable upon request, bearing interest at 1.40% to 1.65% (2015 - 1.50% to 1.55%). The non-cashable GICs mature from 365 to 730 days, bearing interest at 1.85% (2015 - 1.50 to 1.85%).

3. NET TAXES RECEIVABLE

	2016	2015
Current	\$ 381,248	\$ 352,899
Arrears	97,738	82,679
	<u>\$ 478,986</u>	<u>\$ 435,578</u>

4. TRADE AND OTHER RECEIVABLES

	2016	2015
Utilities Receivable	\$ 2,035,942	\$ 2,049,777
Developer Levy Receivable	302,881	1,344,389
Other Trade Receivables	1,633,092	699,199
	<u>\$ 3,971,915</u>	<u>\$ 4,093,365</u>

City of Fort Saskatchewan
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016, with comparative information for 2015

5. SPONSORSHIPS RECEIVABLE

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

	2016	2015
Lions Club Fish Pond		
2016	\$ -	\$ 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>\$ 90,000</u>	<u>\$ 92,000</u>

6. DUE FROM OTHER GOVERNMENTS

	2016	2015
Federal Government	\$ 1,306,819	\$ 1,688,607
Provincial Government	2,021,526	1,194,122
Other Government	5,885	33,586
	<u>\$ 3,334,230</u>	<u>\$ 2,916,315</u>

7. INVENTORIES HELD FOR RESALE

	2016	2015
Land Held for Resale	\$ 1,244,000	\$ -
Other Inventory Held for Resale	55,769	44,932
	<u>\$ 1,299,769</u>	<u>\$ 44,932</u>

City of Fort Saskatchewan

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2016, with comparative information for 2015

8. DEFERRED REVENUE

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

	Balance January 1, 2016	Amounts Received	Amounts Recognized	Balance December 31, 2016
Capital Government Transfers				
Provincial	\$ 8,157,290	\$ 6,112,823	\$ (5,139,474)	\$ 9,130,639
Federal	360,346	830,132	(1,190,478)	-
	8,517,636	6,942,955	(6,329,952)	9,130,639
Operating Government Transfers				
Provincial	65,784	24,000	(75,784)	14,000
Federal	12,500	12,500	(12,500)	12,500
	78,284	36,500	(88,284)	26,500
Other Deferred Amounts	541,584	570,263	(621,328)	490,519
	\$ 9,137,504	\$ 7,549,718	\$ (7,039,564)	\$ 9,647,658

9. LIABILITY FOR CONTAMINATED SITES

In the current year, the City completed its assessment for contamination on its old snow dump site. The assessment identified soil and groundwater contamination that exceeded environmental standards. As a result, the City recorded an accrual of \$186,508 in the consolidated financial statements, which represents management's best estimate of the cost of future remediation of contamination at its old snow dump site.

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year
Public Works Yard	\$ 1,312,500	\$ -	\$ -	\$ 1,312,500
Old Snow Dump Site	-	186,508	-	186,508
	\$ 1,312,500	\$ 186,508	\$ -	\$ 1,499,008

City of Fort Saskatchewan
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016, with comparative information for 2015

10. LONG-TERM DEBT

	2016	2015
Supported by:		
General Tax Levy Debentures	\$ 36,220,765	\$ 36,726,454
Utility Rates	6,506,602	4,604,769
	<u>\$ 42,727,367</u>	<u>\$ 41,331,223</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2017	\$ 2,878,233	\$ 1,537,919	\$ 4,416,152
2018	2,992,552	1,423,600	4,416,152
2019	3,111,948	1,304,204	4,416,152
2020	3,236,668	1,179,484	4,416,152
2021	3,183,368	1,049,179	4,232,547
Subsequent	27,324,598	5,447,294	32,771,892
	<u>\$ 42,727,367</u>	<u>\$ 11,941,680</u>	<u>\$ 54,669,047</u>

Debentures are payable in semi-annual amounts up to the year 2036, 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:

	2016	2015
General Government	\$ 13,607,465	\$ 14,240,843
Protective Services	11,107,454	10,007,674
Community Services	6,721,912	7,486,336
Infrastructure Services	4,783,934	4,991,601
Utility Rates	6,506,602	4,604,769
	<u>\$ 42,727,367</u>	<u>\$ 41,331,223</u>

City of Fort Saskatchewan
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016, with comparative information for 2015

11. 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:

	2016	2015
Total Debt Limit	\$ 110,804,784	\$ 102,981,335
Total Debt	(42,727,367)	(41,331,223)
Debt Limit in Excess of Actual Debt	68,077,417	61,650,112
Service on Debt Limit	18,467,464	17,163,556
Service on Debt	(4,416,152)	(4,045,324)
Total Service on Debt Limit in Excess of Actual Debt Service Costs	\$ 14,051,312	\$ 13,118,232

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.

12. ACCUMULATED SURPLUS

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

	2016	2015
		(Restated, Note 23)
Unrestricted Surplus	\$ -	\$ -
General Operating and Capital Restricted Surplus	47,113,633	40,059,702
Invested in Tangible Capital Assets	410,377,166	382,967,007
	\$ 457,490,799	\$ 423,026,709

City of Fort Saskatchewan

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2016, with comparative information for 2015

13. 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)	2016 Total	2015 Total
City Manager K. Kloss	\$ 215,485	\$ 13,347	\$ 228,832	\$ 300,647
Mayor G. Katchur	77,346	8,105	85,451	86,160
Councillor F. Garritsen	34,558	4,553	39,111	42,644
Councillor B. Blizzard	36,458	4,563	41,021	41,744
Councillor S. Bossert	37,658	4,662	42,320	41,644
Councillor S. Hennig	35,658	4,589	40,247	41,344
Councillor A. Randhawa	35,458	2,834	38,292	39,846
Councillor E. Sperling	33,558	3,002	36,560	37,937

a) Salary includes regular base pay, honoraria, and per diems. The City Manager's annual salary is \$ 215,485. (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.

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% (2015 - 11.39%) of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 15.84% (2015 - 15.84%) on pensionable earnings above this amount. Employees are required to make current service contributions under the Canada Pension Plan of 10.39% (2015 - 10.39%) of pensionable salary up to the year's maximum pensionable earnings and 14.84% (2015 - 14.84%) 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

City of Fort Saskatchewan
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016, with comparative information for 2015

14. LOCAL AUTHORITIES PENSION PLAN

\$1,776,984 (2015 - \$1,743,256). Employee contributions for current and past service were \$1,611,208 (2015 - \$1,581,777).

LAPP reported a deficiency for the overall plan as at December 31, 2015 of \$923 million. Information as at December 31, 2016 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*. The plan supplements the LAPP for a designated class of employees. The City and these employees are required to make current service contributions to APEX of 3.0% (2015 - 3.0%) and 2.5% (2015 - 2.5%) respectively of pensionable earnings. Total current service contributions by the City to APEX in 2016 were \$8,935 (2015 - \$9,552). Total current service contributions by the employees of the City in 2016 were \$7,446 (2015 - 7,960).

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, 2016 is \$0 (2015 - \$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.

16. LETTERS OF CREDIT

In 2016, the City held 61 (2015 - 69) Letters of Credit totaling \$ 8,234,280 (2015 - \$20,392,479) in the City's favour as security for property development.

17. COMMITMENTS AND CONTINGENT LIABILITIES

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, 2016 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 9).

City of Fort Saskatchewan
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016, with comparative information for 2015

18. 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.

19. 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.

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.

City of Fort Saskatchewan

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2016, with comparative information for 2015

19. SEGMENTED DISCLOSURE

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.

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.

City of Fort Saskatchewan
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016, with comparative information for 2015

20. BUDGET DATA

The budget data presented in these consolidated financial statements is based upon the 2016 operating and capital and library budgets approved by Council on December 8, 2015 as amended on April 26, 2016. 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	\$ 73,499,040
Capital Budget	16,035,600
Less	
Transfers from Other Funds	(3,665,311)
Proceeds on Debt Issue	(1,200,000)
Total Revenue	84,669,329
Expenses	
Operating Budget	73,270,340
Capital Budget	31,531,624
Less	
Transfers to Other Funds	(8,843,485)
Capital Expenditures	(31,648,624)
Debt Principal Payments	(2,751,350)
Total Expenses	61,558,505
Annual Surplus	\$ 23,110,824

21. COMPARATIVE INFORMATION

Certain 2015 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

City of Fort Saskatchewan
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016, with comparative information for 2015

22. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were received and approved for release by Council on April 25, 2017.

23. PRIOR YEAR RESTATEMENT

In the current year, as a result of continued improvements to the tangible capital asset accounting and management systems, certain asset balances were identified that required restatement. These asset balances primarily consisted of Engineering Structures and Land Improvements which had been contributed to the City from certain developers. The adjustments made to restate the 2015 comparative figures are shown below.

The City also early adopted PSAS section 3210 Assets effective January 1, 2016 with retroactive application with restatement. The City has determined that this change in accounting policy enhances the reliability and relevance of the financial statements for users as it better matches the timing of recognition of contributed assets to the City's risks of ownership of those assets. The following summarizes the effect of the change in accounting policy on the City's financial position, financial performance and cash flows:

	As Previously Reported	Restatement	Effect of Change in Accounting Policy	As Currently Reported
Consolidated Statement of Financial Position as at December 31, 2015				
Tangible Capital Assets	\$424,124,552	\$ 39,207,154	\$ (39,033,476)	\$424,298,230
Accumulated Surplus	422,853,031	39,207,154	(39,033,476)	423,026,709
Consolidated Statement of Operations				
Amortization of Tangible Capital Assets	11,578,142	362,605	(582,472)	11,358,275
Income from Contributed Tangible Capital Assets	39,748,321	39,569,759	(39,615,948)	39,702,132
Annual Surplus	44,129,009	39,207,154	(39,033,476)	44,302,687
Note 12 Accumulated Surplus				
Invested in Tangible Capital Assets	\$382,793,329	\$ 39,207,154	\$ (39,033,476)	\$382,967,007