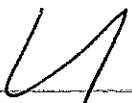


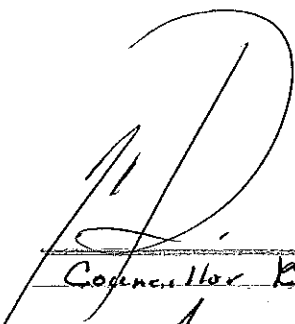
**CITY OF COLD LAKE**

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**FINANCIAL STATEMENTS**

**DECEMBER 31, 2007**

  
\_\_\_\_\_  
Mayor Craig Copeland  
  
\_\_\_\_\_  
April 30, 2008

  
\_\_\_\_\_  
Councillor Kevin Plain  
  
\_\_\_\_\_  
May 2/2008

# CITY OF COLD LAKE

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## FINANCIAL STATEMENTS

December 31, 2007

### CONTENTS

	<u>Page</u>
<b>MANAGEMENT'S REPORT</b>	3
<b>AUDITORS' REPORT</b>	4
<b>FINANCIAL STATEMENTS</b>	
Statement "1"      Statement of Financial Position	5
Statement "2"      Statement of Financial Activities and Change in Fund Balances	6
Statement "3"      Statement of Changes in Financial Position	7
Schedule "1"      Schedule of Financial Activities and Change in Fund Balance - Capital	8
Schedule "2"      Schedule of Financial Activities and Change in Fund Balance - Operating	9
Schedule "3"      Schedule of Change in Fund Balance - Reserves	10
Schedule "4"      Schedule of Equity in Capital Assets	11
Schedule "5"      Schedule of Taxes Levied	12
Schedule "6"      Schedule of Government Transfers	13
Schedule "7"      Schedule of Other Revenue	14
Schedule "8"      Schedule of Expenditures by Object	15
Notes to the Financial Statements	16 - 25

**SCANNED**

# CITY OF COLD LAKE

December 31, 2007

## MANAGEMENT'S REPORT

The accompanying financial statements and other information contained in this financial report are the responsibility of the management of the City of Cold Lake.

The financial statements have been prepared by management. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The City of Cold Lake maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the City of Cold Lake's assets are properly accounted for and adequately safeguarded.

The elected council of the City of Cold Lake are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

Councillors meet annually with management and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy themselves that each party is properly discharging its responsibilities. Councillors consider the engagement or reappointment of the external auditors and also review monthly financial reports.

The financial statements have been audited by Johnston and Petryk, Certified General Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of Council, residents and ratepayers of the City of Cold Lake. Johnston and Petryk, Certified General Accountants has full and free access to Council.

Cold Lake, Alberta  
February 22, 2008

Gordon Frank  
CAO

SCANNED

**JOHNSTON AND PETRYK** CERTIFIED GENERAL ACCOUNTANTS*in association with FABER AND COMPANY, Chartered Accountants*

#201, 4807 - 51 Street, Box 540, Stn. Main, Cold Lake, AB T9M 1P2 TEL 780.594.4441 FAX 780.594.6608

**AUDITORS' REPORT**

To the Mayor and Council of:  
**City of Cold Lake**

We have audited the **Statement of Financial Position** of the **City of Cold Lake** as at December 31, 2007 and the **Statement of Financial Activities and Change in Fund Balances** and the **Statement of Changes in Financial Position** for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the City of Cold Lake as at December 31, 2007, and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Cold Lake, Alberta  
February 22, 2008

**Certified General Accountants**

## CITY OF COLD LAKE

A44

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2007

	Note Reference	2007	2006
<b>FINANCIAL ASSETS</b>			
Cash and Short-term Deposits	2	\$ 5,639,861	\$ 8,717,933
Taxes and Grants in Place of Taxes and Other Receivables	3	345,546	292,113
Other Accounts Receivable		3,669,289	3,147,356
Prepaid Expenses		6,728	5,107
Land Held for Resale		606,089	606,089
Long-term Investments	4	3,847,377	3,775,649
		<b>14,114,890</b>	<b>16,544,247</b>
<b>CAPITAL ASSETS</b>	5	<b>99,224,446</b>	<b>77,189,437</b>
<b>INVENTORY OF SUPPLIES AND MATERIALS</b>		<b>124,223</b>	<b>121,570</b>
<b>INTANGIBLE ASSETS</b>	6	<b>37,279</b>	<b>37,279</b>
		<b>\$113,500,838</b>	<b>\$ 93,892,533</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities		\$ 5,279,731	\$ 3,130,339
Deposit Liabilities		500,018	532,572
Deferred Revenue	8	216,359	261,990
Employee Benefit Obligation	9	393,682	299,061
Long-term Debt	10	15,325,797	14,939,783
		<b>21,715,587</b>	<b>19,163,745</b>
<b>MUNICIPAL EQUITY</b>			
Capital Assets		84,402,820	62,738,291
Capital Fund, Schedule 1		-	-
Equity in Capital Assets, Schedule 4		<b>84,402,820</b>	<b>62,738,291</b>
Operating Fund, Schedule 2		9,220	146,472
Reserves, Schedule 3	11	7,373,211	11,844,025
		<b>91,785,251</b>	<b>74,728,788</b>
		<b>\$113,500,838</b>	<b>\$ 93,892,533</b>

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## CITY OF COLD LAKE

A44

STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
<b>Revenues</b>		
Net Taxes Available for Municipal Purposes - Schedule 5	\$ 11,715,703	\$ 8,663,263
Business Revitalization Zone	-	15,297
Sales and User Charges	5,478,328	4,867,879
Government Transfers, Schedule 6	9,202,381	3,391,662
Penalties and Costs on Taxes	81,815	88,194
Licenses and Permits	645,687	656,057
Fines	109,096	98,986
Franchise and Concession Contracts	427,605	402,406
Development Levies	1,505,830	362,737
Return on Investments	622,459	449,613
Rentals	585,719	512,455
Other, Schedule 7	4,462,880	7,203,832
	<b>34,837,503</b>	<b>26,712,381</b>
<b>Expenditures - Schedule 8</b>		
<b>Operating</b>		
Legislative	177,854	181,342
Administration	1,710,173	1,381,994
Police and By-law Enforcement	1,402,024	1,064,689
Fire and Emergency Services	826,536	593,544
Transportation Systems	3,018,599	2,827,142
Utility Systems	4,443,118	3,474,710
Public Health and Welfare	562,963	487,034
Planning and Development	1,573,843	943,877
Recreation and Culture	2,837,418	2,067,675
Other	74,763	183,230
	<b>16,627,291</b>	<b>13,205,237</b>
<b>Capital</b>		
Administration	36,436	19,500
Police and By-law Enforcement	57,834	75,080
Fire and Emergency Services	31,227	95,373
Transportation Systems	6,457,496	3,625,813
Utility Systems	3,714,574	2,411,771
Public Health and Welfare	-	13,680
Planning and Development	-	17,695
Recreation and Culture	11,132,205	2,669,748
	<b>21,429,772</b>	<b>8,928,660</b>
	<b>38,057,063</b>	<b>22,133,897</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(3,219,560)</b>	<b>4,578,484</b>
Capital Debt Repaid	(1,388,506)	(1,322,301)
<b>Change in Fund Balances</b>	<b>(4,608,066)</b>	<b>3,256,183</b>
<b>Opening Fund Balances</b>	<b>11,990,497</b>	<b>8,734,314</b>
<b>Closing Fund Balances</b>	<b>\$ 7,382,431</b>	<b>\$ 11,990,497</b>

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## CITY OF COLD LAKE

STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Excess of Revenues Over Expenditures	\$ (3,219,560)	\$ 4,578,484
Add (Deduct) Non-cash Items		
Increase in taxes and grants in place of taxes receivable	(53,434)	(25,288)
Increase in other accounts receivable	(523,616)	(1,000,090)
Decrease (increase) in prepaid expenses	(1,621)	32,251
Decrease (increase) in inventory of supplies and materials	(2,653)	42,436
Increase in accounts payable and accrued liabilities	2,153,520	1,649,724
Decrease in deposit liabilities	(32,554)	(80,693)
Decrease in deferred revenue	(45,631)	(60,139)
Increase in employee benefit obligation	92,177	53,972
	<b>(1,633,372)</b>	<b>5,190,657</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Increase in long-term investments	(71,727)	(228,371)
	<b>(71,727)</b>	<b>(228,371)</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
Increase in long-term debt	386,014	4,677,699
Other capital/operating transactions	(1,758,987)	(5,989,018)
	<b>(1,372,973)</b>	<b>(1,311,319)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,078,072)</b>	<b>3,650,967</b>
<b>NET CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>8,717,933</b>	<b>5,066,966</b>
<b>NET CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 5,639,861</b>	<b>\$ 8,717,933</b>
<b>NET CASH AND CASH EQUIVALENTS IS COMPRISED OF:</b>		
Cash and Short-term Deposits	\$ 5,639,861	\$ 8,717,933
	<b>\$ 5,639,861</b>	<b>\$ 8,717,933</b>

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## CITY OF COLD LAKE

A44

**SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	2007	2006
<b>REVENUES</b>		
Government Transfers	\$ 7,507,857	\$ 2,419,278
Investment Income	533,860	394,098
Development Levies:		
Development Agreement	439,253	16,376
Offsite Levies	1,066,577	346,361
Other	4,082,536	7,106,739
	<b>13,630,083</b>	<b>10,282,852</b>
<b>EXPENDITURES</b>		
Administration	36,436	19,500
Police and By-law Enforcement	57,834	75,080
Fire and Emergency Services	31,227	95,373
Transportation Systems	6,457,496	3,625,813
Utility Systems	3,714,574	2,411,771
Public Health and Welfare	-	13,680
Planning and Development	-	17,695
Recreation and Culture	11,132,205	2,669,748
	<b>21,429,772</b>	<b>8,928,660</b>
<b>Excess of Revenues over Expenditures</b>	<b>(7,799,689)</b>	<b>1,354,192</b>
Net Interfund Transfers		
To Reserves	4,739,269	(3,227,812)
From Operating	3,060,420	1,873,620
<b>Net Change In Fund Balance - Capital</b>	<b>-</b>	<b>-</b>
<b>Opening Fund Balance - Capital</b>	<b>-</b>	<b>-</b>
<b>Closing Fund Balance - Capital</b>	<b>\$ -</b>	<b>\$ -</b>

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## CITY OF COLD LAKE

A44

SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - OPERATING  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget (Unaudited)	2007	2006
<b>Revenues</b>			
Net Taxes Available for Municipal Purposes - Schedule 5	\$ 11,613,878	\$ 11,715,703	\$ 8,663,263
Business Revitalization Zone	-	-	15,297
Sales and User Charges	6,727,172	5,478,328	4,867,879
Government Transfers	1,033,298	1,694,524	972,384
Penalties and Costs on Taxes	74,000	81,815	88,195
Licenses and Permits	480,800	645,687	656,057
Fines	170,000	109,096	98,986
Franchise and Concession Contracts	390,000	427,605	402,406
Return on Investments	45,000	88,599	55,515
Rentals	528,465	585,719	512,455
Other	25,650	380,344	97,093
	<b>21,088,263</b>	<b>21,207,420</b>	<b>16,429,530</b>
<b>Expenditures</b>			
Legislative	193,124	177,854	181,342
Administration	1,639,515	1,710,173	1,381,994
Police and By-law Enforcement	1,387,611	1,402,024	1,064,689
Fire and Emergency Services	915,720	826,536	593,544
Transportation Systems	3,298,824	3,018,599	2,827,142
Utility Systems	4,220,764	4,443,118	3,474,710
Public Health and Welfare	547,924	562,963	487,034
Planning and Development	1,071,396	1,573,843	943,877
Recreation and Culture	2,921,130	2,837,418	2,067,675
Other	475,000	74,763	183,230
	<b>16,671,008</b>	<b>16,627,291</b>	<b>13,205,237</b>
<b>Excess of Revenues Over Expenditures</b>	<b>4,417,255</b>	<b>4,580,129</b>	<b>3,224,293</b>
<b>Net Interfund Transfers</b>			
To Capital Fund	(3,198,479)	(3,060,420)	(1,873,620)
To Reserves	(36,250)	(268,455)	(18,663)
Debt Repayment	(1,179,270)	(1,388,506)	(1,322,301)
<b>Change in Fund Balance Before Surplus Transfer</b>	<b>3,256</b>	<b>(137,252)</b>	<b>9,709</b>
<b>Net Change in Fund Balance - Operating</b>	<b>3,256</b>	<b>(137,252)</b>	<b>9,708</b>
<b>Opening Fund Balance - Operating</b>	<b>-</b>	<b>146,472</b>	<b>136,764</b>
<b>Closing Fund Balance - Operating</b>	<b>\$ 3,256</b>	<b>\$ 9,220</b>	<b>\$ 146,472</b>

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## CITY OF COLD LAKE

A44

**SCHEDULE OF CHANGE IN FUND BALANCE - RESERVES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>Opening Fund Balance - Reserves</b>	\$ 11,844,025	\$ 8,597,550
<b>Add/Deduct:</b>		
Transfer from Operating Fund	1,020,297	477,917
Transfer to Operating Fund	(751,842)	(459,254)
<b>Net Transfers from Operating Fund</b>	268,455	18,663
Transfer from Capital Fund	11,082,623	9,065,014
Transfer to Capital Fund	(15,821,893)	(5,837,203)
<b>Net Transfers from Capital Fund</b>	(4,739,270)	3,227,811
<b>Change in Fund Balance - Reserves</b>	(4,470,814)	3,246,475
<b>Closing Fund Balance - Reserves</b>	\$ 7,373,211	\$ 11,844,025

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## CITY OF COLD LAKE

A44

SCHEDULE OF EQUITY IN CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
<b>Acquisition of Capital Assets</b>		
Land	\$ 304,207	\$ -
Engineering Structures	20,726,243	7,367,652
Buildings	72,293	199,009
Machinery and Equipment	163,547	119,344
Vehicles	768,719	545,385
	<b>22,035,009</b>	<b>8,231,390</b>
<b>Disposal of Capital Assets (Cost)</b>		
Land	-	26,970
	-	<b>26,970</b>
<b>Capital Financing</b>		
Capital Debt Issued, Schedule 7	(1,774,520)	(6,000,000)
Capital Debt Repaid From Operating Fund, Schedule 2	1,388,506	1,322,301
	<b>(386,014)</b>	<b>(4,677,699)</b>
<b>Change in Equity Balance</b>	<b>21,648,995</b>	<b>3,526,721</b>
<b>Opening Equity Balance</b>	<b>62,738,291</b>	<b>59,211,570</b>
<b>Opening Unexpended Funds</b>	<b>(467,344)</b>	<b>(467,344)</b>
<b>Closing Unexpended Funds</b>	<b>482,878</b>	<b>467,344</b>
<b>Closing Equity Balance</b>	<b>\$ 84,402,820</b>	<b>\$ 62,738,291</b>

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## CITY OF COLD LAKE

A44

SCHEDULE OF TAXES LEVIED  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget (Unaudited)	2007	2006
<b>Taxation</b>			
Real Property Taxes	\$ 14,968,449	\$ 12,693,847	\$ 8,872,167
Linear Property Taxes	-	288,892	412,191
Government Grants in Place of Property Taxes	-	2,122,549	2,566,042
Local Improvements	616,300	614,745	664,836
	<b>15,584,749</b>	<b>15,720,033</b>	<b>12,515,236</b>
<b>Requisitions</b>			
Alberta School Foundation Fund	3,896,230	3,929,689	3,774,429
Bonnyville District Foundation	74,641	74,641	62,544
Business Revitalization Zone	-	-	15,000
	<b>3,970,871</b>	<b>4,004,330</b>	<b>3,851,973</b>
<b>Net Taxes Available for Municipal Purposes</b>	<b>\$ 11,613,878</b>	<b>\$ 11,715,703</b>	<b>\$ 8,663,263</b>

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## CITY OF COLD LAKE

A44

SCHEDULE OF GOVERNMENT TRANSFERS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
<b>Federal Transfers</b>		
Shared-cost agreements and grants	\$ 292,760	\$ 310,716
	292,760	310,716
<b>Provincial Transfers</b>		
Entitlements	36,826	37,264
Shared-cost agreements and grants	8,117,603	2,910,288
Debt interest rebates	58,397	56,012
	8,212,826	3,003,564
<b>Local Government Transfers</b>		
Shared-cost agreements and grants	696,795	77,382
<b>Total Government Transfers</b>	<b>\$ 9,202,381</b>	<b>\$ 3,391,662</b>

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**CITY OF COLD LAKE****A44****SCHEDULE OF OTHER REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	2007	2006
<b>Other Revenue</b>		
Debenture proceeds	\$ 1,774,520	\$ 6,000,000
Miscellaneous	2,688,360	1,203,832
<b>Total Other Revenue</b>	<b>\$ 4,462,880</b>	<b>\$ 7,203,832</b>

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## CITY OF COLD LAKE

A44

SCHEDULE OF EXPENDITURES BY OBJECT  
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
<b>Expenditures</b>		
Salaries, Wages and Benefits	\$ 6,030,480	\$ 4,779,612
Contracted and General Services	4,533,045	2,909,949
Purchases from Other Governments	2,379,627	2,015,173
Materials, Goods, Supplies and Utilities	1,692,112	1,412,480
Transfers to Local Boards and Agencies	7,745	595,637
Transfers to Individuals and Organizations	1,020,865	653,627
Bank Charges and Short-term Interest	12,204	11,639
Interest on Capital Long-term Debt	839,978	780,660
Other Expenditures	111,235	46,460
Capital Assets Acquired	21,429,772	8,928,660
<b>Total Expenditures</b>	<b>\$ 38,057,063</b>	<b>\$ 22,133,897</b>

SCANNED

DECEMBER 31, 2007

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the municipality are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the municipality are as follows:

**(a) Reporting Entity**

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all the organizations that are owned by the municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

The Schedule of Taxes Levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The financial statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

**(b) Basis of Accounting**

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

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

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made.

**(c) Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

**(d) Fund Accounting**

Management funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Proceeds from sales of land held for resale are recorded as operating fund activities.

**(e) Investments**

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss of value that is other than a temporary decline, the respective investment is written down to recognize the loss.



## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

*(f) Inventories*

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the average cost and first-in-first-out methods.

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes cost for land acquisition and improvements required to prepare the land for servicing, such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as capital assets under their respective function.

*(g) Capital Assets*

Capital assets are reported as expenditures in the period they are acquired. Capital assets are reported at cost except for donated assets, which are reported at estimated fair value.

Government contributions for the acquisition of capital assets are recorded as capital revenue and do not reduce the related capital asset cost.

Capital assets for government purposes are not depreciated.

*(h) Tangible Capital Assets*

Effective January 1, 2007 the City of Cold Lake adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information relating to tangible capital assets until Section 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2007, the City of Cold Lake continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2007, the City of Cold Lake has begun to process the listing and values for all tangible capital asset categories. A complete listing of assets and values for all tangible capital assets is currently underway and expected to be completed by December 31, 2008.

*(i) Requisition Over-levy and Under-levy*

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

*(j) Prepaid Local Improvements Charges*

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

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# CITY OF COLD LAKE

A44

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

**(k) Operating Fund**

The operating fund represents the amount available to offset future operational revenue requirements or the shortfall which will be financed from future operational revenues.

**(l) Capital Fund**

The capital fund represents the amount available to finance or the shortfall in financing capital projects.

**(m) Reserve Fund**

The reserve fund represents the amount set aside to finance future operating and capital expenditures. Reserves are established at the discretion of Council. Transfers to and/or from the reserve fund are reflected as an adjustment to the respective fund.

**(n) Equity in Capital Assets**

Equity in capital assets represents the municipality's net investment in its total capital assets, after deducting work in progress, the portion financed by third parties through debenture, bond and mortgage debts, long-term capital borrowing, capitalized leases and other capital liabilities which will be repaid by the municipality.

**2. CASH AND SHORT-TERM DEPOSITS**

	2007	2006
Cash Floats and Undeposited Receipts	\$ 1,750	\$ 1,450
Bank Accounts	(565,842)	(285,366)
Term Deposits and Guaranteed Investment Certificates	6,203,953	9,001,849
	\$ 5,639,861	\$ 8,717,933

**3. TAXES AND GRANTS IN PLACE OF TAXES AND OTHER RECEIVABLES**

	2007	2006
Current taxes and grants in place of taxes	\$ 304,065	\$ 240,804
Business taxes	4,283	4,167
	308,348	244,971
Non-current taxes and grants in place of taxes	45,553	51,766
	353,901	296,737
Less allowance for doubtful accounts	(8,355)	(4,624)
	\$ 345,546	\$ 292,113

SCANNED

# CITY OF COLD LAKE

A44

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

### 4. LONG-TERM INVESTMENTS

	2007	2006
Shares, Alberta Municipal Finance Corporation	\$ 40	\$ 40
Shares, Lakeland Credit Union	10,000	10,000
Farm Credit Corporation accrual note, yield rate of 6.00%, maturing May 6, 2011	335,000	335,000
Province of Ontario coupon bonds, annual equivalent yield rates between 5.72% and 5.88%, maturing between June 2, 2014 and July 13, 2014	689,325	651,434
Province of Saskatchewan coupon bonds, annual equivalent yield rates between 5.87% and 8.59%, maturing April 10, 2008	-	463,479
Province of New Brunswick coupon bonds, annual equivalent yield rate of 6.15%, maturing October 31, 2010	168,960	159,171
Province of Manitoba coupon bonds, annual equivalent yield of 4.70%, maturing June 29, 2012	481,000	-
Royal Bank of Canada bonds, yield rates between 4.00% and 5.00%, maturing between August 24, 2010 and October 4, 2012	2,000,000	2,000,000
Ontario Hydro coupon bond, annual equivalent yield rate of 4.17%, maturing April 11, 2017	163,052	156,525
	<b>\$ 3,847,377</b>	<b>\$ 3,775,649</b>

### 5. CAPITAL ASSETS

	2007	2006
Land	\$ 2,473,182	\$ 2,168,975
Engineering Structures	77,837,671	57,111,428
Buildings	10,496,970	10,424,677
Machinery and Equipment	3,657,743	3,494,196
Vehicles	4,758,880	3,990,161
	<b>\$ 99,224,446</b>	<b>\$ 77,189,437</b>

### 6. INTANGIBLE ASSETS

	2007	2006
Transportation Study	\$ 20,567	\$ 20,567
Energy Study	16,712	16,712
	<b>\$ 37,279</b>	<b>\$ 37,279</b>

SCANNED

# CITY OF COLD LAKE

A44

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

### 7. BANK INDEBTEDNESS

The City has an authorized overdraft limit in the amount of \$1,000,000 which bears interest at prime minus 0.25% and is secured by an overdraft protection agreement. At year end, the City had used no part of this limit.

### 8. DEFERRED REVENUE

	2007	2006
Prepaid Local Improvement Charges	\$ 197,974	\$ 244,275
General Deferred Revenue	18,385	17,715
	<b>\$ 216,359</b>	<b>\$ 261,990</b>

#### Prepaid Local Improvement Charges

Prepaid local improvement charges are being amortized to revenue at rates ranging from \$123 to \$19,404 per year over the next 1 to 20 years.

#### General Deferred Revenue

General deferred revenue consists of unexpended funds received in the current or previous years and relates to prepaid registrations.

### 9. EMPLOYEE BENEFIT OBLIGATIONS

	2007	2006
Vacation and Overtime	\$ 393,682	\$ 299,061

#### Vacation and Overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

SCANNED

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

### 10. LONG-TERM DEBT

	<u>2007</u>	<u>2006</u>
Tax Supported Debentures	\$ 13,407,923	\$ 13,021,909
Self Supported Debentures	1,917,874	1,917,874
	<b><u>\$ 15,325,797</u></b>	<b><u>\$ 14,939,783</u></b>

The current portion of the long-term debt amounts to \$1,102,215 (2006 - \$1,154,666).

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,102,215	\$ 809,624	\$ 1,911,839
2009	897,050	721,934	1,618,984
2010	741,903	658,683	1,400,586
2011	787,608	612,978	1,400,586
2012	836,482	564,104	1,400,586
Thereafter	<u>10,960,539</u>	<u>4,066,300</u>	<u>15,026,839</u>
	<b><u>\$ 15,325,797</u></b>	<b><u>\$ 7,433,623</u></b>	<b><u>\$ 22,759,420</u></b>

Debenture debt is payable to the Alberta Capital Finance Authority and bears interest at rates ranging from 4.699% to 12.00% per annum before Provincial subsidy and matures in various amounts between 2007 through 2026. The average annual interest rate is 8.13% for 2007 (10.69% for 2006). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9% and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the municipality.

Interest paid during the year amounted to \$839,978 (2006 - \$780,660).

# CITY OF COLD LAKE

A44

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

### 11. RESERVES

	2006	Increases	Decreases	2007
Operating Reserves:				
Administration	\$ 14,104	\$ 148,861	\$ (7,104)	\$ 155,861
Fire	1,966	-	(1,532)	434
Disaster Services	8,363	5,000	-	13,363
Roads, Streets, Walks, Lighting	252,600	-	-	252,600
Airport	6,026	66,250	-	72,276
Water Supply System	50,200	5,955	-	56,155
Cemetery	7,850	-	-	7,850
Municipal Planning	89,038	-	(80,008)	9,030
Recreation - Marina	(87,826)	87,826	-	-
Recycling	99,734	-	-	99,734
General Municipal Purposes	661,065	705,478	(662,273)	704,270
	1,103,120	1,019,370	(750,917)	1,371,573
Capital Reserves:				
Administration	43,960	178,735	-	222,695
Fire	170,406	100,000	-	270,406
Disaster Services	10,000	-	-	10,000
Roads, Streets, Walks, Lighting	1,527,495	6,834,139	(3,977,401)	4,384,234
Water Supply System	522,181	207,814	(314,494)	415,500
Transit	-	10,000	-	10,000
Buildings	30,515	-	(19,586)	10,929
Sewer and Drainage Systems	1,311,384	993,075	(405,374)	1,899,085
Family and Community Support Services	12,120	16,394	(28,514)	-
Municipal Planning	25,651	53,878	-	79,529
Subdivision	482,375	-	(461,974)	20,401
Recreation -Parks	6,483,180	-	(9,433,778)	(2,950,599)
General Municipal Purposes	104,033	2,989,833	(1,482,014)	1,611,853
Disputed and Unsettled Liabilities	17,605	-	-	17,605
	10,740,905	11,383,868	(16,123,135)	6,001,638
	<b>\$ 11,844,025</b>	<b>\$ 12,403,238</b>	<b>\$(16,874,052)</b>	<b>\$ 7,373,211</b>

Subsequent to year end, the City of Cold Lake received a Centennial Legacy grant for \$1,700,000 plus accrued interest as well as an Energy Centre Debenture for \$3,750,000 in March 2008. These funds will be used to offset the deficit in the Recreation and Parks reserve specifically for the Energy Centre.

SCANNED

# CITY OF COLD LAKE

A44

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

### 12. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and other designated officers as required by Alberta Regulation 313/2000 is as follows:

	Name of Person	Salary (a)	Allowances and Benefits (b) & (c)	2007 Total	2006 Total
Mayor	Allan Buck	\$ 30,966	\$ 22	\$ 30,988	\$ 32,095
	Craig Copeland	3,487	125	3,612	-
	Subsistence	-	-	9,156	7,910
Councillors	Craig Copeland	13,957	302	14,259	15,861
	Jean-Yves Taschereau	1,414	63	1,477	-
	Robert Buckle	1,414	81	1,495	-
	Duane Lay	1,414	63	1,477	-
	Armand Gagnier	14,617	77	14,694	14,668
	Fran Jordan	12,967	22	12,989	14,616
	Jerry Kolewaski	13,049	294	13,343	14,924
	Debra Pelechosky	15,513	363	15,876	15,777
	Kelvin Plain	13,780	305	14,085	14,839
	Hubert Rodden	1,414	61	1,475	-
	Subsistence		-	17,251	18,418
Chief Administrative Officer	Ron McCullough	33,922	7,499	41,421	135,504
	Gordon Frank	55,050	8,590	63,640	-
		<b>\$ 212,964</b>	<b>\$ 17,867</b>	<b>\$ 239,987</b>	<b>\$ 266,194</b>

- (a) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (b) The employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.
- (c) Allowances and benefit figures include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

# CITY OF COLD LAKE

A44

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

### 13. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt limits as defined by Alberta Regulation 255/00 for the City of Cold Lake be disclosed as follows:

	2007	2006
Total long-term debt limit	\$ 35,790,903	\$ 25,981,079
Total long-term debt actual	15,325,797	14,939,783
<b>Amount of debt limit unused</b>	<b>\$ 20,465,106</b>	<b>\$ 11,041,296</b>
Debt servicing limit	\$ 5,965,151	\$ 4,330,180
Debt servicing actual	1,911,839	2,228,017
<b>Amount of debt servicing limit unused</b>	<b>\$ 4,053,312</b>	<b>\$ 2,102,163</b>

The debt limit is calculated at 1.5 times revenue of the municipality (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 that 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.

### 14. CONTINGENCIES

The municipality is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the municipality could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

Within the municipality, there are residences in the Horseshoe Bay area that could collapse into Cold Lake due to unstable soil conditions. The municipality has insurance to cover costs due to damages. However, any capital improvements required to stabilize these soil conditions are uninsurable. It is uncertain as to whether any liability will be incurred therefore no amount has been accrued as a contingent liability in these financial statements.

### 15. INTEREST RATE RISK

Certain debt bears interest which fluctuates with the prime rate, as described in Note 7, thus exposing the municipality to interest rate fluctuations

SCANNED



## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007

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### 16. LOCAL AUTHORITIES PENSION PLAN

Employees of the municipality participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. LAPP serves about 133,000 people and 389 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The municipality is required to make current service contributions to the plan of 7.75% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 10.64% for the excess. Employees of the municipality are required to make current service contributions of 6.75% of pensionable salary up to the year's maximum pensionable salary and 9.64% for the excess.

Total current service contributions by the municipality to the Local Authorities Pension Plan in 2007 were \$291,712 (2006 - \$234,641). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2007 were \$256,887 (2006 - \$206,112).

### 17. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

There is presently inadequate information available to determine the accrued liability related to the cost of closure and post-closure care for the landfill site. Neither the estimated total landfill capacity nor the remaining landfill capacity is known, either at the year end date or at the date of the Auditors' Report.

It is known that during the 2007 fiscal year, the landfill will be closed to conform with directions issued by Alberta Environment. At that time, a study will be conducted by the municipality to determine the total capacity and the remaining capacity of the site. The study will include a calculated estimate of the costs of closure and post-closure and maintenance and is presently being completed.

### 18. FINANCIAL INSTRUMENTS

The municipality's financial instruments consist of cash and short-term deposits, taxes and grants in place of taxes receivable, other accounts receivable, long-term investments, accounts payable and accrued liabilities, deposit liabilities, employee benefit obligation, and long-term debt. Unless otherwise noted, it is management's opinion that the municipality is not exposed to significant interest or currency risks arising from these financial instruments.

The municipality 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 taxpayers and entities to which the municipality 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 value of the financial instruments approximates fair value.

### 19. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by Council and Management.