

CITY OF COLD LAKE

FINANCIAL STATEMENTS

DECEMBER 31, 2008

City of Cold Lake, Alberta

I certify this to be a complete, exact and true copy of the original document.

Certified this ____ day of _____
in the year of _____

Name

Signature

SCANNED

CITY OF COLD LAKE

FINANCIAL STATEMENTS

December 31, 2008

CONTENTS

	<u>Page</u>
MANAGEMENT'S REPORT	3
AUDITOR'S REPORT	4
FINANCIAL STATEMENTS	
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

CYRE & COMPANY CERTIFIED GENERAL ACCOUNTANTS

In association with FABER LLP, Chartered Accountants
201, 4807 - 51 Street, Box 540, Stn. Main, Cold Lake, AB T9M 1P2 TEL 780.594.4441 FAX 780.594.6608

CITY OF COLD LAKE

December 31, 2008

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 Cyre & Company, 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. Cyre & Company, Certified General Accountants has full and free access to Council.

Cold Lake, Alberta
February 26, 2009

Kevin Nagoya
CAO

CYRE & COMPANY CERTIFIED GENERAL ACCOUNTANTS

In association with FABER LLP, Chartered Accountants
201, 4807 - 51 Street, Box 540, Str. Main, Cold Lake, AB T9M 1P2 TEL 780.594.4441 FAX 780.594.6608

AUDITORS' REPORT

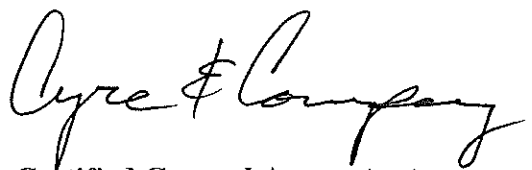
To the Mayor and Council of:
City of Cold Lake

We have audited the **Statement of Financial Position** of the **City of Cold Lake** as at December 31, 2008 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, 2008, 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 26, 2009


Certified General Accountants

CITY OF COLD LAKE

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

	Note Reference	2008	2007
FINANCIAL ASSETS			
Cash and Short-term Deposits	2	\$ 18,606,935	\$ 5,640,261
Taxes and Grants in Place of Taxes and Other Receivables	3	252,799	345,546
Other Accounts Receivable		2,877,947	3,669,289
Prepaid Expenses		1,564	6,728
Land Held for Resale		606,089	606,089
Long-term Investments	4	4,006,821	3,847,377
		26,352,155	14,115,290
CAPITAL ASSETS	5	114,824,312	99,304,368
INVENTORY OF SUPPLIES AND MATERIALS		88,980	124,223
INTANGIBLE ASSETS	6	37,279	37,279
		\$141,302,726	\$113,581,160
LIABILITIES			
Accounts Payable and Accrued Liabilities		\$ 6,687,167	\$ 5,273,374
Deposit Liabilities		1,007,515	500,018
Deferred Revenue	8	534,228	225,286
Employee Benefit Obligation	9	479,879	393,682
Long-term Debt	10	20,025,458	15,325,797
		28,734,247	21,718,157
MUNICIPAL EQUITY			
Capital Assets		95,315,937	84,482,742
Capital Fund, Schedule 1		-	-
Equity in Capital Assets, Schedule 4		95,315,937	84,482,742
Operating Fund, Schedule 2		26,111	7,050
Reserves, Schedule 3	11	17,226,431	7,373,211
		112,568,479	91,863,003
		\$141,302,726	\$113,581,160

SCANNED

The accompanying notes are an integral part of these financial statements

CYRE & COMPANY, CGAs

CITY OF COLD LAKE

STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
Revenues		
Net Taxes Available for Municipal Purposes - Schedule 5	\$ 12,472,140	\$ 11,715,703
Sales and User Charges	6,193,902	5,483,889
Government Transfers, Schedule 6	17,282,345	9,202,381
Penalties and Costs on Taxes	95,350	81,815
Licenses and Permits	709,993	649,271
Fines	87,844	109,096
Franchise and Concession Contracts	460,215	427,605
Development Levies	408,319	1,505,830
Return on Investments	615,454	622,459
Rentals	603,376	585,719
Other, Schedule 7	6,597,777	4,555,253
	45,526,715	34,939,021
Expenditures - Schedule 8		
Operating		
Legislative	220,534	177,854
Administration	2,198,795	1,710,173
Police and By-law Enforcement	1,506,767	1,402,024
Fire and Emergency Services	900,166	826,536
Transportation Systems	3,290,282	3,018,599
Utility Systems	4,613,114	4,443,118
Public Health and Welfare	693,652	655,977
Planning and Development	1,345,874	1,573,843
Recreation and Culture	3,876,291	2,845,922
Other	6,890	74,763
	18,652,365	16,728,809
Capital		
Administration	-	36,436
Police and By-law Enforcement	53,109	57,834
Fire and Emergency Services	41,216	31,227
Transportation Systems	10,107,645	6,457,496
Utility Systems	756,714	3,714,574
Planning and Development	157,666	-
Recreation and Culture	4,627,281	11,132,205
Other	97,619	-
	15,841,250	21,429,772
	34,493,615	38,158,581
Excess (Deficiency) of Revenues Over Expenditures	11,033,100	(3,219,560)
Capital Debt Repaid	(1,160,819)	(1,388,506)
Change in Fund Balances	9,872,281	(4,608,066)
Opening Fund Balances	7,380,261	11,988,327
Closing Fund Balances	\$ 17,252,542	\$ 7,380,261

SCANNED

The accompanying notes are an integral part of these financial statements

CYRE & COMPANY, CGAs

CITY OF COLD LAKE

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of Revenues Over Expenditures	\$ 11,033,100	\$ (3,219,560)
Add (Deduct) Non-cash Items		
(Decrease) Increase in taxes and grants in place of taxes receivable	92,748	(53,434)
(Decrease) Increase in other accounts receivable	791,341	(523,616)
Decrease (Increase) in prepaid expenses	5,164	(1,621)
Decrease (Increase) in inventory of supplies and materials	35,243	(2,653)
Increase in accounts payable and accrued liabilities	1,418,800	2,147,163
Decrease (Increase) in deposit liabilities	507,497	(32,554)
Decrease (Increase) in deferred revenue	308,942	(36,705)
Increase in employee benefit obligation	81,188	92,177
	14,274,023	(1,630,803)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Increase in long-term investments	(159,445)	(71,727)
	(159,445)	(71,727)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Increase in long-term debt	4,699,661	386,014
Other capital/operating transactions	(5,847,565)	(1,761,156)
	(1,147,904)	(1,375,142)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,966,674	(3,077,672)
NET CASH AND CASH EQUIVALENTS, beginning of year	5,640,261	8,717,933
NET CASH AND CASH EQUIVALENTS, end of year	\$ 18,606,935	\$ 5,640,261
NET CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash and Short-term Deposits	\$ 18,606,935	\$ 5,640,261
	\$ 18,606,935	\$ 5,640,261

SCANNED

CITY OF COLD LAKE

SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
REVENUES		
Government Transfers	\$ 15,432,499	\$ 7,507,857
Investment Income	509,101	533,860
Development Levies:		
Development Agreement	105,123	439,253
Offsite Levies	303,196	1,066,577
Other	6,405,574	4,082,536
	22,755,493	13,630,083
EXPENDITURES		
Administration	-	36,436
Police and By-law Enforcement	53,109	57,834
Fire and Emergency Services	41,216	31,227
Transportation Systems	10,107,645	6,457,496
Utility Systems	756,714	3,714,574
Public Health and Welfare	-	-
Planning and Development	157,666	-
Recreation and Culture	4,627,281	11,132,205
Other	97,619	-
	15,841,250	21,429,772
Excess (Deficiency) of Revenues over Expenditures	6,914,243	(7,799,689)
Net Interfund Transfers		
To Reserves	(9,189,574)	4,739,269
From Operating	2,275,331	3,060,420
Net Change In Fund Balance - Capital	-	-
Opening Fund Balance - Capital	-	-
Closing Fund Balance - Capital	\$ -	\$ -

SCANNED

CITY OF COLD LAKE

SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - OPERATING
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budget (Unaudited)	2008	2007
Revenues			
Net Taxes Available for Municipal Purposes - Schedule 5	\$ 12,403,637	\$ 12,472,140	\$ 11,715,703
Sales and User Charges	5,198,402	6,193,902	5,483,889
Government Transfers	2,013,261	1,849,846	1,694,524
Penalties and Costs on Taxes	74,000	95,350	81,815
Licenses and Permits	656,300	709,993	649,271
Fines	130,000	87,844	109,096
Franchise and Concession Contracts	435,000	460,215	427,605
Return on Investments	50,000	106,353	88,599
Rentals	584,265	603,376	585,719
Other	51,000	192,203	472,717
	21,595,865	22,771,222	21,308,938
Expenditures			
Legislative	205,800	220,534	177,854
Administration	2,020,471	2,198,795	1,710,173
Police and By-law Enforcement	1,628,044	1,506,767	1,402,024
Fire and Emergency Services	1,068,457	900,166	826,536
Transportation Systems	3,286,402	3,290,282	3,018,599
Utility Systems	4,829,171	4,613,114	4,443,118
Public Health and Welfare	608,277	693,652	655,977
Planning and Development	1,200,003	1,345,874	1,573,843
Recreation and Culture	3,882,046	3,876,291	2,845,922
Other	309,000	6,890	74,763
	19,037,671	18,652,365	16,728,809
Excess (Deficiency) of Revenues Over Expenditures	2,558,194	4,118,857	4,580,129
Net Interfund Transfers			
To Capital Fund	(1,422,760)	(2,275,331)	(3,060,420)
To (From) Reserves	-	(663,646)	(268,455)
Debt Repayment	(1,135,434)	(1,160,819)	(1,388,506)
Change in Fund Balance Before Surplus Transfer	-	19,061	(137,252)
Net Change in Fund Balance - Operating	-	19,061	(137,252)
Opening Fund Balance - Operating	-	7,050	144,302
Closing Fund Balance - Operating	\$ -	\$ 26,111	\$ 7,050

SCANNED

CITY OF COLD LAKE

SCHEDULE OF CHANGE IN FUND BALANCE - RESERVES FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
Opening Fund Balance - Reserves	\$ 7,373,211	\$ 11,844,025
Add/Deduct:		
Transfer from Operating Fund	1,087,152	1,020,297
Transfer to Operating Fund	(423,506)	(751,842)
Net Transfers from Operating Fund	663,646	268,455
Transfer from Capital Fund	11,419,843	11,082,623
Transfer to Capital Fund	(2,230,269)	(15,821,893)
Net Transfers from Capital Fund	9,189,574	(4,739,270)
Change in Fund Balance - Reserves	9,853,220	(4,470,814)
Closing Fund Balance - Reserves	\$ 17,226,431	\$ 7,373,211

SCANNED

CITY OF COLD LAKE

SCHEDULE OF EQUITY IN CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
Acquisition of Capital Assets		
Land	\$ -	\$ 304,207
Engineering Structures	14,937,134	20,726,243
Buildings	-	72,293
Machinery and Equipment	493,734	163,547
Vehicles	89,076	768,719
	15,519,944	22,035,009
Disposal of Capital Assets (Cost)		
Capital Financing		
Capital Debt Issued, Schedule 7	(5,860,480)	(1,774,520)
Capital Debt Repaid From Operating Fund, Schedule 2	1,160,819	1,388,506
	(4,699,661)	(386,014)
Change in Equity Balance	10,820,283	21,648,995
Opening Equity Balance	84,482,742	62,738,291
Opening Unexpended Funds	562,800	(467,344)
Closing Unexpended Funds	(549,888)	562,800
Closing Equity Balance	\$ 95,315,937	\$ 84,482,742

SCANNED

CITY OF COLD LAKE

SCHEDULE OF TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2008

	Budget (Unaudited)	2008	2007
Taxation			
Real Property Taxes	\$ 11,896,093	\$ 13,157,244	\$ 12,693,847
Linear Property Taxes	-	356,159	288,892
Government Grants in Place of Property Taxes	-	2,494,303	2,122,549
Local Improvements	507,544	513,214	614,745
	12,403,637	16,520,920	15,720,033
Requisitions			
Alberta School Foundation Fund	-	3,963,551	3,929,689
Bonnyville District Foundation	-	85,229	74,641
	-	4,048,780	4,004,330
Net Taxes Available for Municipal Purposes	\$ 12,403,637	\$ 12,472,140	\$ 11,715,703

SCANNED

CITY OF COLD LAKE

SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
Federal Transfers		
Shared-cost agreements and grants	\$ 302,880	\$ 292,760
	302,880	292,760
Provincial Transfers		
Entitlements	36,820	36,826
Shared-cost agreements and grants	16,083,908	8,117,603
Debt interest rebates	58,379	58,397
	16,179,107	8,212,826
Local Government Transfers		
Shared-cost agreements and grants	800,358	696,795
Total Government Transfers	\$ 17,282,345	\$ 9,202,381

SCANNED

CITY OF COLD LAKE**SCHEDULE OF OTHER REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	2008	2007
Other Revenue		
Debenture proceeds	\$ 5,860,480	\$ 1,774,520
Miscellaneous	737,297	2,780,733
Total Other Revenue	\$ 6,597,777	\$ 4,555,253

CITY OF COLD LAKE

SCHEDULE OF EXPENDITURES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
Expenditures		
Salaries, Wages and Benefits	\$ 6,791,306	\$ 6,076,418
Contracted and General Services	4,522,394	4,566,034
Purchases from Other Governments	2,593,213	2,379,627
Materials, Goods, Supplies and Utilities	1,858,699	1,700,535
Transfers to Other Governments	9,619	8,504
Transfers to Local Boards and Agencies	500,000	7,745
Transfers to Individuals and Organizations	1,191,108	1,026,811
Bank Charges and Short-term Interest	18,509	12,204
Interest on Capital Long-term Debt	898,868	839,978
Capital Assets Acquired	15,841,250	21,429,772
Other Expenditures	268,649	110,953
Total Expenditures	\$ 34,493,615	\$ 38,158,581

CITY OF COLD LAKE**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2008**

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.

SCANNED

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

(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 2008, the City of Cold Lake continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2008, 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, 2009.

(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.

SCANNED

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

(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

	2008	2007
Cash Floats and Undeposited Receipts	\$ 3,150	\$ 2,150
Bank Accounts	516,902	(565,842)
Term Deposits and Guaranteed Investment Certificates	18,086,883	6,203,953
	\$ 18,606,935	\$ 5,640,261

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

	2008	2007
Current taxes and grants in place of taxes	\$ 407,922	\$ 304,065
Business taxes	4,068	4,283
	411,990	308,348
Non-current taxes and grants in place of taxes	(46,413)	45,553
	365,577	353,901
Less allowance for doubtful accounts	(112,778)	(8,355)
	\$ 252,799	\$ 345,546

SCANNED

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

4. LONG-TERM INVESTMENTS

	2008	2007
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	729,419	689,325
Province of New Brunswick coupon bonds, annual equivalent yield rate of 6.15%, maturing October 31, 2010	179,351	168,960
Royal Bank of Canada bonds, yield rates between 4.00% and 5.00%, maturing between August 24, 2010 and October 4, 2012	1,000,000	2,000,000
Ontario Hydro coupon bond, annual equivalent yield rate of 4.17%, maturing April 11, 2017	169,851	163,052
Bank of Nova Scotia coupon bonds, annual equivalent yield rate of 4.63%, maturing March 27, 2013	762,048	-
Toronto Dominion Bank coupon bonds, annual equivalent yield rates between 5.38% and 4.62%, maturing on November 1, 2012	821,112	-
Province of Manitoba accrual note, matured during the year	-	481,000
	\$ 4,006,821	\$ 3,847,377

5. CAPITAL ASSETS

	2008	2007
Land	\$ 2,473,182	\$ 2,473,182
Engineering Structures	92,774,805	77,837,671
Buildings	10,496,970	10,496,970
Machinery and Equipment	4,231,399	3,737,665
Vehicles	4,847,956	4,758,880
	\$114,824,312	\$ 99,304,368

6. INTANGIBLE ASSETS

	2008	2007
Transportation Study	\$ 20,567	\$ 20,567
Energy Study	16,712	16,712
	\$ 37,279	\$ 37,279

SCANNED

CITY OF COLD LAKE

A44

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

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

	2008	2007
Prepaid Local Improvement Charges	\$ 137,620	\$ 197,975
General Deferred Revenue	396,608	27,311
	\$ 534,228	\$ 225,286

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 OBLIGATION

	2008	2007
Vacation and Overtime	\$ 479,879	\$ 393,682

Vacation and Overtime

The vacation and overtime liability is comprised of the vacation and overtime costs 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, 2008

10. LONG-TERM DEBT

	2008	2007
Tax Supported Debentures	\$ 18,107,584	\$ 13,407,923
Self Supported Debentures	1,917,874	1,917,874
	\$ 20,025,458	\$ 15,325,797

The current portion of the long-term debt amounts to \$1,135,759 (2007 - \$1,102,215).

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,135,759	\$ 988,259	\$ 2,124,018
2010	988,835	914,784	1,903,619
2011	1,045,220	858,399	1,903,619
2012	1,105,252	798,367	1,903,619
2013	907,869	690,863	1,598,732
Thereafter	<u>14,842,523</u>	<u>5,354,032</u>	<u>20,196,555</u>
	\$ 20,025,458	\$ 9,604,704	\$ 29,630,162

Debenture debt is payable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.046% to 10.250% per annum before Provincial subsidy and matures in various amounts between 2009 through 2028. The average annual interest rate is 6.60% for 2008 (8.13% for 2007). 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 \$898,868 (2007 - \$839,978).

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

11. RESERVES

	2007	Increases	Decreases	2008
Operating Reserves:				
Administration	\$ 155,861	\$ 50,000	\$ (21,125)	\$ 184,736
Fire	434	-	(434)	-
Disaster Services	13,363	-	-	13,363
Roads, Streets, Walks, Lighting	252,600	-	-	252,600
Airport	72,276	-	-	72,276
Water Supply System	56,155	8,046	-	64,201
Cemetery	7,850	-	-	7,850
Municipal Planning	9,030	95,000	-	104,030
Recreation - Parks	-	90,000	-	90,000
Recycling	99,734	-	-	99,734
General Municipal Purposes	704,270	800,000	(401,944)	1,102,326
	1,371,573	1,043,046	(423,503)	1,991,116
Capital Reserves:				
Administration	222,695	40,000	(53,109)	209,586
Fire	270,406	125,000	(40,783)	354,623
Disaster Services	10,000	-	-	10,000
Roads, Streets, Walks, Lighting	4,384,234	5,977,254	(583,826)	9,777,662
Water Supply System	423,225	54,126	(88,163)	389,188
Transit	10,000	-	-	10,000
Buildings	10,929	-	-	10,929
Sewer and Drainage Systems	1,899,085	249,069	(593,869)	1,554,285
Municipal Planning	79,529	-	-	79,529
Subdivision	20,401	-	-	20,401
Recreation -Parks	(2,950,599)	2,856,723	(274,116)	88,648
General Municipal Purposes	1,611,853	2,161,777	(596,406)	2,720,584
Disputed and Unsettled Liabilities	9,880	-	-	9,880
	6,001,638	11,463,949	(2,230,272)	15,235,315
	\$ 7,373,211	\$ 12,506,995	\$ (2,653,775)	\$ 17,226,431

In March 2008, 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. These funds were used to offset the deficit in the Recreation and Parks reserve specifically for the Energy Centre.

The reserve total \$16,426,431 is inclusive of the carryover of incomplete projects to 2009, funded wholly or partially by grants, totalling \$9,842,312.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

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)	2008 Total	2007 Total
Mayor	Allan Buck	\$ -	\$ -	\$ -	\$ 30,988
	Craig Copeland	34,407	986	35,393	3,612
	Subsistence	-	-	8,286	9,156
Councillors	Craig Copeland	-	-	-	14,259
	Jean-Yves Taschereau	14,399	326	14,725	1,477
	Robert Buckle	10,809	-	10,809	1,495
	Duane Lay	16,708	402	17,110	1,477
	Armand Gagnier	-	-	-	14,694
	Fran Jordan	-	-	-	12,989
	Jerry Kolewaski	-	-	-	13,343
	Debra Pelechosky	18,441	459	18,900	15,876
	Kelvin Plain	16,874	408	17,282	14,085
	Hubert Rodden	18,601	465	19,066	1,475
	Subsistence	-	-	33,526	17,251
Chief Administrative Officer	Kevin Nagoya	65,125	9,666	74,791	41,421
	Gordon Frank	83,896	12,624	96,520	63,640
		\$ 279,260	\$ 25,336	\$ 312,882	\$ 239,987

- (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.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008

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:

	2008	2007
Total long-term debt limit	\$ 33,575,835	\$ 35,892,421
Total long-term debt actual	20,025,458	15,325,797
Amount of debt limit unused	\$ 13,550,377	\$ 20,566,624
Debt servicing limit	\$ 5,595,973	\$ 5,990,530
Debt servicing actual	2,124,018	2,124,018
Amount of debt servicing limit unused	\$ 3,471,955	\$ 3,866,512

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

CITY OF COLD LAKE**NOTES TO THE FINANCIAL STATEMENTS****DECEMBER 31, 2008**

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 2008 were \$315,308 (2007 - \$291,712). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2008 were \$273,380 (2007 - \$256,887).

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.

In 2009, 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.

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.

20. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's presentation.