

**CITY OF COLD LAKE
FINANCIAL STATEMENTS**

DECEMBER 31, 2010

CITY OF COLD LAKE

FINANCIAL STATEMENTS

December 31, 2010

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CITY OF COLD LAKE

December 31, 2010

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 judgments. 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 Faber LLP, Chartered 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. Faber LLP, Chartered Accountants, has full and free access to Council.

Cold Lake, Alberta
March 10, 2011

Kevin Nagoya
CAO

FABER

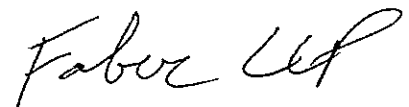
AUDITORS' REPORT

To the Mayor and Council of:
City of Cold Lake

We have audited the **Statement of Financial Position**, the **Statement of Operations**, the **Statement of Change in Net Financial Assets (Debt)** and the **Statement of Cash Flow** of the **City of Cold Lake** as at December 31, 2010. 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, 2010 and the results of its operations, the change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Edmonton, Alberta
March 10, 2011

Chartered Accountants

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CITY OF COLD LAKE

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

	Note Reference	2010	2009 Restated
FINANCIAL ASSETS			
Cash and Short-term Deposits	2	\$ 27,562,606	\$ 21,176,297
Taxes and Grants in Place of Taxes and Other Receivables	3	621,603	658,481
Other Accounts Receivable		2,199,614	2,947,681
Land Held for Resale		2,135,800	2,549,000
Long-term Investments	4	4,518,148	4,380,144
		37,037,771	31,711,603
		\$ 37,037,771	\$ 31,711,603
LIABILITIES			
Accounts Payable and Accrued Liabilities		\$ 6,866,389	\$ 5,771,624
Deposit Liabilities		741,694	866,316
Deferred Revenue	6	12,367,349	8,697,508
Employee Benefit Obligations	7	483,711	471,163
Long-term Debt	8	20,852,665	18,889,699
		41,311,808	34,696,310
NET FINANCIAL ASSETS (DEBT)		(4,274,037)	(2,984,707)
NON-FINANCIAL ASSETS			
Tangible Capital Assets		161,399,291	152,039,302
Inventory of Supplies and Materials		149,943	152,620
Prepaid Expenses		30,844	61,643
		161,580,078	152,253,565
ACCUMULATED SURPLUS (Schedule 1)	11	\$157,306,041	\$149,268,858

Contingencies - See Note 14.

CITY OF COLD LAKE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget	2010	2009
	(Unaudited)		Restated
Revenues			
Development Levies	\$ -	\$ 434,713	\$ 158,355
Fines	115,000	113,890	100,631
Franchise and Concession Contracts	592,621	642,537	562,645
Government Transfers (Schedule 4)	1,230,637	2,543,294	2,996,348
Licenses and Permits	343,500	286,112	444,894
Net Taxes Available for Municipal Purposes (Schedule 3)	14,667,676	14,734,102	13,636,516
Other	166,000	323,612	3,350,215
Penalties and Costs on Taxes	108,000	213,326	156,063
Rentals	778,041	592,194	717,932
Return on Investments	100,000	564,329	795,457
Sales and User Charges	6,047,970	6,123,800	6,484,328
Total Revenues	24,149,445	26,571,909	29,403,384
Expenses (Schedule 5)			
Administration	2,919,840	2,738,719	2,320,604
Amortization of Tangible Capital Assets	-	4,625,583	5,885,787
Fire and Emergency Services	602,150	610,841	1,042,233
Legislative	245,675	230,931	270,532
Other	2,796,012	151,674	2,000,546
Planning and Development	1,359,369	1,533,712	1,300,711
Police and By-law Enforcement	1,926,073	1,810,328	1,646,002
Public Health and Welfare	584,636	732,743	740,928
Recreation and Culture	4,512,511	4,605,976	5,461,553
Transportation Systems	3,401,704	3,228,923	3,710,693
Utility Systems	5,801,475	7,082,219	5,637,212
Total Expenses	24,149,445	27,351,649	30,016,801
Deficiency of Revenues Over Expenses Before Other	-	(779,740)	(613,417)
Other			
Government Transfers for Capital (Schedule 4)	-	8,816,923	5,077,984
Excess of Revenues Over Expenses	-	8,037,183	4,464,567
Accumulated Surplus, Beginning of Year, as Previously Stated	-	143,398,429	-
Prior Period Adjustment (Note 18)	-	5,870,429	-
Accumulated Surplus, Beginning of Year, Restated	-	149,268,858	144,804,291
Accumulated Surplus, End of Year (Schedule 1)	\$ -	\$ 157,306,041	\$ 149,268,858

The accompanying notes are an integral part of these financial statements

CITY OF COLD LAKE

STATEMENT OF CHANGE IN NET FINANCIAL DEBT FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009
		Restated
Excess of Revenues Over Expenses	\$ 8,037,183	\$ 4,464,567
Acquisition of Tangible Capital Assets	(15,237,200)	(4,462,942)
Disposal of Tangible Capital Assets	1,251,627	-
Amortization of Tangible Capital Assets	4,625,583	5,885,787
	(9,359,990)	1,422,845
Acquisition of Supplies Inventories	2,678	(63,640)
Acquisition of Prepaid Assets	30,799	(60,079)
	33,477	(123,719)
Increase in Net Debt	(1,289,330)	(3,165,441)
Net Financial Assets (Debt), Beginning of Year	(2,984,707)	180,734
Net Financial Debt, End of Year	\$ (4,274,037)	\$ (2,984,707)

The accompanying notes are an integral part of these financial statements

**FABER LLP,
CHARTERED ACCOUNTANTS**

CITY OF COLD LAKE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009 Restated
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of Revenues Over Expenditures	\$ 8,037,183	\$ 4,464,567
Add (Deduct) Non-cash Items		
Amortization of tangible capital assets	4,625,583	5,885,787
(Increase) Decrease in taxes and grants in place of taxes receivable	36,878	(405,683)
(Increase) Decrease in other accounts receivable	748,067	(69,734)
(Increase) Decrease in prepaid expenses	30,799	(60,079)
Decrease in land held for resale	413,200	621,076
(Increase) Decrease in inventories	2,678	(63,640)
(Decrease) Increase in accounts payable and accrued liabilities	1,094,765	(933,270)
Decrease in deposit liabilities	(124,622)	(141,199)
Increase in deferred revenue	3,669,841	8,181,403
(Decrease) Increase in employee benefit obligations	12,548	(8,716)
	18,546,920	17,470,512
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Acquisition of tangible capital assets	(15,237,200)	(13,392,067)
Sale of tangible capital assets	1,251,627	-
	(13,985,573)	(13,392,067)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Increase in long-term investments	(138,004)	(373,324)
	(138,004)	(373,324)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
(Decrease) Increase in long-term debt	1,962,966	(1,135,759)
	1,962,966	(1,135,759)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,386,309	2,569,362
NET CASH AND CASH EQUIVALENTS, beginning of year	21,176,297	18,606,935
NET CASH AND CASH EQUIVALENTS, end of year	\$ 27,562,606	\$ 21,176,297
NET CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash and Short-term Deposits (Note 2)	\$ 27,562,606	\$ 21,176,297
	\$ 27,562,606	\$ 21,176,297

The accompanying notes are an integral part of these financial statements

**FABER LLP,
CHARTERED ACCOUNTANTS**

CITY OF COLD LAKE

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2010

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2010	2009 Restated
BALANCE, BEGINNING OF YEAR, AS PREVIOUSLY STATED	\$ 8,430,473	\$ 7,688,782	\$127,279,174	\$143,398,429	\$ -
Prior Period Adjustment (Note 18)	-	-	5,870,429	5,870,429	-
BALANCE, BEGINNING OF YEAR, AS RESTATED	8,430,473	7,688,782	133,149,603	149,268,858	144,804,291
Excess (deficiency) of revenues over expenses	8,037,183	-	-	8,037,183	4,464,567
Unrestricted funds designated for future use	(2,476,699)	2,476,699	-	-	-
Restricted funds used for operations	1,027,586	(1,027,586)	-	-	-
Restricted funds used for tangible capital assets	-	(3,378,697)	3,378,697	-	-
Current year funds used for tangible capital assets	(11,291,987)	-	11,291,987	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets (net of amortization)	685,112	-	(685,112)	-	-
Annual amortization expense	4,625,583	-	(4,625,583)	-	-
Debtenture purchases	3,000,000	-	(3,000,000)	-	-
Long term debt repaid	(1,037,034)	-	1,037,034	-	-
Change in accumulated surplus	2,569,744	(1,929,584)	7,397,023	8,037,183	4,464,567
BALANCE, END OF YEAR	\$ 11,000,217	\$ 5,759,198	\$140,546,626	\$157,306,041	\$149,268,858

CITY OF COLD LAKE

SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Land	Land Improvement	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2010	2009 Restated
COST:								
BALANCE, BEGINNING OF YEAR	\$36,620,500	\$2,113,822	\$24,561,470	\$162,833,457	\$3,972,904	\$3,497,755	\$233,599,908	\$219,559,582
Acquisition of tangible capital assets	-	14,978	-	1,574,254	28,636	313,796	1,931,664	3,310,408
Construction-in-progress	-	-	-	12,739,020	-	-	12,739,020	10,729,918
Write down of tangible capital assets	(561,300)	(16,100)	(495,288)	(30,112)	(140,826)	(8,000)	(1,251,626)	-
BALANCE, END OF YEAR	36,059,200	2,112,700	24,066,182	177,116,619	3,860,714	3,803,551	247,018,966	233,599,908
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	1,138,471	4,482,388	72,654,136	2,198,481	1,087,130	81,560,606	75,674,819
Annual amortization	-	74,272	564,476	3,481,986	235,910	268,939	4,625,583	5,885,787
Accumulated amortization on disposals	-	(16,100)	(371,465)	(30,123)	(140,826)	(8,000)	(566,514)	-
BALANCE, END OF YEAR	-	1,196,643	4,675,399	76,105,999	2,293,565	1,348,069	85,619,675	81,560,606
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$36,059,200	\$916,057	\$19,390,783	\$101,010,620	\$1,567,149	\$2,455,482	\$161,399,291	\$152,039,302
2009 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$36,620,500	\$975,351	\$20,079,082	\$90,179,321	\$1,774,423	\$2,410,625	\$152,039,302	

The accompanying notes are an integral part of these financial statements

FABER LLP,
CHARTERED ACCOUNTANTS

CITY OF COLD LAKE

SCHEDULE OF TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget (Unaudited)	2010	2009
Taxation			
Real Property Taxes	\$ 18,617,380	\$ 15,098,830	\$ 13,414,882
Linear Property Taxes	-	263,881	330,584
Government Grants in Place of Property Taxes	-	3,318,709	3,605,921
Local Improvements	253,135	255,521	359,148
	18,870,515	18,936,941	17,710,535
Requisitions			
Alberta School Foundation Fund	4,110,968	4,110,968	3,983,899
Bonnyville District Foundation	91,871	91,871	90,120
	4,202,839	4,202,839	4,074,019
Net Taxes Available for Municipal Purposes	\$ 14,667,676	\$ 14,734,102	\$ 13,636,516

The accompanying notes are an integral part of these financial statements

**FABER LLP,
CHARTERED ACCOUNTANTS**

CITY OF COLD LAKE

SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget (Unaudited)	2010	2009
Transfers for Operating:			
Provincial Government	\$ 816,773	\$ 2,055,072	\$ 1,538,832
Federal Government	302,880	311,392	317,880
Other Local Governments	110,984	176,830	1,139,636
	1,230,637	2,543,294	2,996,348
Transfers for Capital:			
Provincial Government	-	8,816,923	5,077,984
	-	8,816,923	5,077,984
Total Government Transfers	\$ 1,230,637	\$ 11,360,217	\$ 8,074,332

The accompanying notes are an integral part of these financial statements

**FABER LLP,
CHARTERED ACCOUNTANTS**

CITY OF COLD LAKE

SCHEDULE OF EXPENSES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget (Unaudited)	2010	2009
Expenses			
Salaries, Wages and Benefits	\$ 9,522,126	\$ 8,040,262	\$ 7,578,020
Contracted and General Services	4,618,257	4,833,142	6,939,291
Materials, Goods, Supplies and Utilities	2,119,997	2,166,145	2,601,390
Purchases from Other Governments	3,237,900	2,845,561	2,749,794
Provision for Allowances	8,000	-	-
Transfers to Other Governments	-	-	701
Transfers to Local Boards and Agencies	616,400	619,625	431,938
Transfers to Individuals and Organizations	910,644	2,870,095	848,190
Interest on Capital Long-term Debt	899,913	1,001,197	969,191
Bank Charges and Short-term Interest	23,900	15,494	14,689
Other Expenditures	2,192,308	334,545	1,997,810
Amortization of Tangible Capital Assets	-	4,625,583	5,885,787
Total Expenses	\$ 24,149,445	\$ 27,351,649	\$ 30,016,801

The accompanying notes are an integral part of these financial statements

FABER LLP,
CHARTERED ACCOUNTANTS

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010

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 of the organizations that are owned or controlled by the municipality and are, therefore, accountable to the City Council for the administration of their financial affairs and resources. Included with the municipality are the following:

City of Cold Lake
Cold Lake Family and Community Support Services

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*

The financial statements are prepared using the accrual basis of accounting.

Revenues are recognized in the period in which the transactions or events occurred that give rise to the revenues. Expenses are recognized as they are incurred and 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 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 expenses 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) *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.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010

(e) 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.

(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) 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.

(h) 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 financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

(i) 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 normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets (Debt) for the year.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010

D) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized, other than land, on a straight-line basis over the estimated useful life as follows:

	YEARS
Land Improvements	15-20
Buildings	40
Engineered structures	10-40
Roadway system	50
Water system	50
Wastewater system	5-30
Other engineered structures	10
Machinery and equipment	10-25
Vehicles	10-25

No annual amortization is charged in the year of acquisition however, a full year will be amortized in the year of disposition. 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 fair value at the date of receipt and also are recorded as revenue.

III) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

IV) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

V) Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

VI) Change in Amortization Estimate

During the year, management decided on a change in estimate on the amortization of the subsurface of the roads. In previous years, the subsurface had been amortized over a period of 10 years. Upon further consideration, it was determined that the subsurface should be amortized over a period of 40 years to represent the depreciation more accurately.

2. CASH AND SHORT-TERM DEPOSITS

	2010	2009
Cash Floats and Undeposited Receipts	\$ 2,500	\$ 2,500
Bank Accounts	5,481,608	(702,607)
Term Deposits and Guaranteed Investment Certificates	22,078,498	21,876,404
	\$ 27,562,606	\$ 21,176,297

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010

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

	2010	2009
Current taxes and grants in place of taxes	\$ 763,803	\$ 769,464
Non-current taxes and grants in place of taxes	763,803 (92,200)	769,464 (61,366)
Less allowance for doubtful accounts	671,603 (50,000)	708,098 (49,617)
	\$ 621,603	\$ 658,481

4. LONG-TERM INVESTMENTS

	2010	2009
Shares, Alberta Municipal Finance Corporation	\$ 40	\$ 40
Shares, Lakeland Credit Union	10,028	10,000
Province of Ontario coupon bonds, annual equivalent yield rates between 5.72% and 5.88%, maturing between June 2, 2014 and July 13, 2014	816,743	771,847
Ontario Hydro coupon bond, annual equivalent yield rate of 4.17%, maturing April 11, 2017	184,467	177,083
Bank of Nova Scotia coupon bonds, annual equivalent yield rate of 4.63%, maturing March 27, 2013	837,118	797,331
Canadian Imperial Bank of Commerce coupon bonds, annual equivalent yield rate of 3.75%, maturing on September 9, 2015	201,814	859,100
Province of Manitoba coupon bonds, annual equivalent yield rate of 2.5%, maturing on January 1, 2012	913,128	913,128
RES Canada Housing Trust coupon bonds, annual equivalent yield of 2.03%, maturing on December 15, 2012	868,903	851,615
RES Bank of Montreal coupon bonds, annual equivalent yield of 4.87%, maturing on April 22, 2015	265,987	-
CPN Bank of Montreal coupon bonds, annual equivalent yield of 6.17%, maturing on September 28, 2018	419,920	-
	\$ 4,518,148	\$ 4,380,144

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010

5. 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.

6. DEFERRED REVENUE

	2010	2009
Prepaid Local Improvement Charges	\$ 106,241	\$ 123,240
Municipal Sustainability Initiative	2,231,429	527,893
Energy Centre Fundraising	1,564,832	-
Affordable Housing Grant	351,145	351,145
Provincial Special Grant Highway 28	5,552,863	4,260,032
Facility Enhancement Program	-	125,000
Alberta Municipal Infrastructure Program	1,440,304	1,714,473
Basic Capital Grant	798,935	329,958
Alberta Transportation	-	1,093,922
Other Deferred Revenue	321,600	171,845
Deferred Revenue	12,261,108	8,574,268
	\$ 12,367,349	\$ 8,697,508

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.

Deferred Revenue

Deferred revenue represents amounts received which will be taken into revenue in the period in which they are earned and corresponding expenditures are incurred. Unexpended funds related to the advance are supported by investments held for these projects.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010

7. EMPLOYEE BENEFIT OBLIGATIONS

	2010	2009
Vacation and Overtime	\$ 483,711	\$ 471,163
	\$ 483,711	\$ 471,163

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.

8. LONG-TERM DEBT

	2010	2009
Tax Supported Debentures	\$ 18,934,791	\$ 16,971,825
Self Supported Debentures	1,917,874	1,917,874
	\$ 20,852,665	\$ 18,889,699

The current portion of the long-term debt amounts to \$1,144,731 (2009 - \$1,102,215).

Principal and interest payments are as follows:

	Principal	Interest	Total
2011	\$ 1,144,731	\$ 983,566	\$ 2,128,297
2012	1,209,064	919,233	2,128,297
2013	1,016,167	850,802	1,866,969
2014	991,667	802,562	1,794,229
2015	978,243	753,516	1,731,759
Thereafter	15,512,793	4,851,038	20,363,831
	\$ 20,852,665	\$ 9,160,717	\$ 30,013,382

Debenture debt is payable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.046% to 9.63% per annum, before Provincial subsidy, and matures in various amounts between 2012 through 2030. The average annual interest rate is 7.21% for 2010 (7.36% for 2009). 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 City of Cold Lake.

Interest paid during the year amounted to \$1,001,197 (2009 - \$969,191).

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010

9. 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:

	2010	2009
Total long-term debt limit	\$ 36,042,923	\$ 39,610,554
Total long-term debt actual	20,852,665	18,889,699
Amount of debt limit unused	\$ 15,190,258	\$ 20,720,855
Debt servicing limit	\$ 6,007,154	\$ 6,601,759
Debt servicing actual	2,128,297	1,903,620
Amount of debt servicing limit unused	\$ 3,878,857	\$ 4,698,139

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.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2010	2009 Restated
Tangible Capital Assets (Schedule 2)	\$ 247,018,966	\$ 233,599,908
Accumulated Amortization (Schedule 2)	(85,619,675)	(81,560,606)
Long-term Debt (Note 8)	(20,852,665)	(18,889,699)
	\$ 140,546,626	\$ 133,149,603

11. ACCUMULATED SURPLUS

Accumulated surplus (deficit) consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2010	2009 Restated
Restricted surplus by agreement or legislation:		
MD waterline	\$ 34,296	\$ 34,296
CLR3	-	40,000
Slope remediation	1,013,951	-
Offsites	2,001,721	2,037,268
Provincial grants (2008)	117,392	3,636,636
Developer Contribution	99,614	69,614
Municipal reserve	88,648	88,648
	3,355,622	5,906,462
Internally Restricted:		
Corporate services	155,000	50,000
General storm	42,140	42,140
IST	300,411	267,856
Snow removal	214,000	214,000
Airport	66,250	66,250
Waste landfill	217,897	125,897
Cemetery	7,850	7,850
Parks and sportsfields	118,986	43,986
EDC air expansion	6,026	6,026
Vehicles and equipment	510,359	472,133
Roads	452,722	174,247
Lights	51,500	51,500
Buildings	67,279	67,279
Water	123,278	123,278
Electronic sign	69,878	69,878
	2,403,576	1,782,320
Unrestricted:		
General capital	9,881,014	7,311,270
General operating	1,119,203	1,119,203
	11,000,217	8,430,473
Restricted and unrestricted total	16,759,415	16,119,255
Equity in tangible capital assets	140,546,626	133,149,603
ACCUMULATED SURPLUS	\$157,306,041	\$149,268,858

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010

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:

	<u>Name of Person</u>	<u>Salary (a)</u>	<u>Allowances and Benefits (b) & (c)</u>	<u>2010 Total</u>	<u>2009 Total</u>
Mayor	Craig Copeland	\$ 38,807	\$ 1,131	\$ 39,938	\$ 37,612
	Subsistence	-	-	10,019	17,219
Councillors:	Robert Buckle	18,901	474	19,375	19,286
	Duane Lay	20,576	529	21,105	15,928
	Debra Pelechovsky	17,189	430	17,619	19,370
	Kelvin Plain	14,539	330	14,869	16,953
	Hubert Rodden	23,029	623	23,652	29,086
	Jean-Yves Taschereau	-	-	-	7,520
	Vicky Lefebvre	2,875	82	2,957	-
	Darrell MacDonald	2,987	86	3,073	-
	Chris Vining	3,100	89	3,189	-
	Subsistence	-	-	21,170	38,672
Chief Administrative Officer	Kevin Nagoya	168,857	35,793	204,650	178,416
		\$ 310,860	\$ 39,567	\$ 381,616	\$ 380,062

- (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

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010

13. 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 9.06% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.53% for the excess. Employees of the municipality are required to make current service contributions of 8.06% of pensionable salary up to the year's maximum pensionable salary and 11.53% for the excess.

Total current service contributions by the municipality to the Local Authorities Pension Plan in 2010 were \$463,411 (2009 - \$446,213). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2010 were \$416,181 (2009 - \$397,324).

14. CONTINGENCIES

The municipality is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the City 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 8, thus exposing the City to interest rate fluctuations.

16. 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.

Construction of the transfer station has been completed in conjunction with the Beaver River Waste Management Commission and is presently being operated by the City. The City will determine the estimated costs of closure and post-closure of the landfill site and had budgeted to fund \$500,000 of the closure through a debenture.

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.

CITY OF COLD LAKE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010

17. FINANCIAL INSTRUMENTS

The municipality's financial instruments consist of cash and short-term deposits, taxes and grants in place of taxes and other receivables, other accounts receivable, long-term investments, accounts payable and accrued liabilities, deposit liabilities, employee benefit obligation, and long-term debt. 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 and other receivables 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.

18. PRIOR PERIOD ADJUSTMENTS

In the previous year, the municipality underwent a change where tangible capital assets had to be amortized to better represent capital budgeting. All of the tangible capital assets original costs and remaining useful lives were determined and set up in the prior year and 2008 was restated. During the current year, it was determined that a portion of Highway 28 had not been added into the tangible capital asset listing for \$6,550,519. Also, it was noted that the North Shore waterline had been included into the tangible capital assets listing for \$680,090, however, this asset was not paid for or owned by the City of Cold Lake. The net difference between the two prior period adjustments resulted in tangible capital assets being understated by \$5,870,429 in the prior year. In Schedule 2 the prior year has been properly stated to account for the change.

19. COMPARATIVE FIGURES

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

20. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by Council and Management.