

**CITY OF COLD LAKE  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

# CITY OF COLD LAKE

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## FINANCIAL STATEMENTS

December 31, 2011

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**AUDITORS' REPORT**

To the Members of Council of the **City of Cold Lake**

We have audited the financial statements of the **City of Cold Lake**, which comprise the **Statement of Financial Position** as at December 31, 2011, and the **Statement of Operations, Statement of Change in Net Financial Assets (Debt)** and the **Statement of Cash Flows** for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the City of Cold Lake as at December 31, 2011 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 public sector accounting standards.



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## CITY OF COLD LAKE

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2011

	Note Reference	2011	2010
<b>FINANCIAL ASSETS</b>			
Cash and Short-term Deposits	2	\$ 17,580,575	\$ 27,562,606
Taxes and Grants in Place of Taxes and Other Receivables	3	830,807	621,603
Other Accounts Receivable		5,323,570	2,199,614
Land Held for Resale		1,792,000	2,135,800
Long-term Investments	4	14,002,975	4,518,148
		<b>39,529,927</b>	<b>37,037,771</b>
		<b>\$ 39,529,927</b>	<b>\$ 37,037,771</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities		\$ 9,285,701	\$ 6,866,389
Deposit Liabilities		1,479,641	741,694
Deferred Revenue	6	10,173,174	12,367,349
Employee Benefit Obligations	7	604,265	483,711
Long-term Debt	8	19,707,934	20,852,665
		<b>41,250,715</b>	<b>41,311,808</b>
<b>NET FINANCIAL ASSETS (DEBT)</b>		<b>(1,720,788)</b>	<b>(4,274,037)</b>
<b>NON-FINANCIAL ASSETS</b>			
Tangible Capital Assets		174,318,404	161,399,291
Inventory of Supplies and Materials		204,127	149,943
Prepaid Expenses		22,197	30,844
		<b>174,544,728</b>	<b>161,580,078</b>
<b>ACCUMULATED SURPLUS (Schedule 1)</b>	11	<b>\$172,823,940</b>	<b>\$157,306,041</b>

Contingencies - See Note 14.



**CITY OF COLD LAKE**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budget	2011	2010
	(Unaudited)		
<b>Revenues</b>			
Development Levies	\$ -	\$ 745,283	\$ 434,713
Fines	100,000	110,361	113,890
Franchise and Concession Contracts	650,628	661,029	642,537
Government Transfers (Schedule 4)	1,092,756	1,360,633	2,543,294
Licenses and Permits	371,000	410,191	286,112
Net Taxes Available for Municipal Purposes (Schedule 3)	15,551,091	15,740,622	14,734,102
Other	97,001	232,412	323,612
Penalties and Costs on Taxes	132,000	208,931	213,326
Rentals	675,200	685,772	592,194
Return on Investments	50,000	406,930	564,329
Sales and User Charges	6,277,157	6,394,318	6,123,800
<b>Total Revenues</b>	<b>24,996,833</b>	<b>26,956,482</b>	<b>26,571,909</b>
<b>Expenses (Schedule 5)</b>			
Administration	2,956,486	2,814,521	2,738,719
Amortization of Tangible Capital Assets	-	4,588,638	4,625,583
Fire and Emergency Services	671,443	609,718	610,841
Legislative	326,600	336,526	230,931
Other	3,188,129	32,500	151,674
Planning and Development	1,228,183	1,177,978	1,116,688
Police and By-law Enforcement	2,297,569	2,247,740	1,810,328
Public Health and Welfare	661,672	813,771	732,743
Recreation and Culture	4,386,945	3,964,818	4,605,976
Transportation Systems	3,639,739	3,922,211	3,228,923
Utility Systems	5,640,067	6,343,968	7,082,219
Loss on disposal of assets	-	378,688	417,024
<b>Total Expenses</b>	<b>24,996,833</b>	<b>27,231,077</b>	<b>27,351,649</b>
<b>Deficiency of Revenues Over Expenses Before Other</b>	<b>-</b>	<b>(274,595)</b>	<b>(779,740)</b>
<b>Other</b>			
Government Transfers for Capital (Schedule 4)	-	12,950,783	8,816,923
Public Contributions for Capital	-	2,841,711	-
<b>Excess of Revenues Over Expenses</b>	<b>-</b>	<b>15,517,899</b>	<b>8,037,183</b>
<b>Accumulated Surplus, Beginning of Year, as Previously Stated</b>	<b>-</b>	<b>157,306,041</b>	<b>143,398,429</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>-</b>	<b>5,870,429</b>
<b>Accumulated Surplus, Beginning of Year, Restated</b>	<b>-</b>	<b>-</b>	<b>149,268,858</b>
<b>Accumulated Surplus, End of Year (Schedule 1)</b>	<b>\$ -</b>	<b>\$ 172,823,940</b>	<b>\$ 157,306,041</b>

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, 2011

	2011	2010
<b>Excess of Revenues Over Expenses</b>	<b>\$ 15,517,899</b>	<b>\$ 8,037,183</b>
Acquisition of Tangible Capital Assets	(18,596,139)	(15,237,200)
Disposal of Tangible Capital Assets	1,088,388	1,251,627
Amortization of Tangible Capital Assets	4,588,638	4,625,583
	(12,919,113)	(9,359,990)
Acquisition of Supplies Inventories	(54,184)	2,678
Acquisition of Prepaid Assets	8,647	30,799
	(45,537)	33,477
<b>Increase (Decrease) in Net Debt</b>	<b>2,553,249</b>	<b>(1,289,330)</b>
<b>Net Financial Debt, Beginning of Year</b>	<b>(4,274,037)</b>	<b>(2,984,707)</b>
<b>Net Financial Debt, End of Year</b>	<b>\$ (1,720,788)</b>	<b>\$ (4,274,037)</b>

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, 2011

	2011	2010
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Excess of Revenues Over Expenditures	\$ 15,517,899	\$ 8,037,183
Add (Deduct) Non-cash Items		
Amortization of tangible capital assets	4,588,638	4,625,583
(Increase) Decrease in taxes and grants in place of taxes receivable	(209,204)	36,878
(Increase) Decrease in other accounts receivable	(3,123,956)	748,067
Decrease in prepaid expenses	8,647	30,799
Decrease in land held for resale	343,800	413,200
(Increase) Decrease in inventories	(54,184)	2,678
Increase in accounts payable and accrued liabilities	2,419,312	1,094,765
Decrease (Increase) in deposit liabilities	737,946	(124,622)
Decrease (Increase) in deferred revenue	(2,194,174)	3,669,841
Increase in employee benefit obligations	120,554	12,548
	<b>18,155,278</b>	<b>18,546,920</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
Acquisition of tangible capital assets	(18,596,139)	(15,237,200)
Sale of tangible capital assets	1,088,387	1,251,627
	<b>(17,507,752)</b>	<b>(13,985,573)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Increase in long-term investments	(9,484,826)	(138,004)
	<b>(9,484,826)</b>	<b>(138,004)</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
(Decrease) Increase in long-term debt	(1,144,731)	1,962,966
	<b>(1,144,731)</b>	<b>1,962,966</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(9,982,031)</b>	<b>6,386,309</b>
<b>NET CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>27,562,606</b>	<b>21,176,297</b>
<b>NET CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 17,580,575</b>	<b>\$ 27,562,606</b>
<b>NET CASH AND CASH EQUIVALENTS IS COMPRISED OF:</b>		
Cash and Short-term Deposits (Note 2)	\$ 17,580,575	\$ 27,562,606
	<b>\$ 17,580,575</b>	<b>\$ 27,562,606</b>

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, 2011

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2011	2010
<b>BALANCE, BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>	\$ 11,000,217	\$ 5,759,198	\$140,546,626	\$157,306,041	\$143,398,429
Prior Period Adjustment	-	-	-	-	5,870,429
<b>BALANCE, BEGINNING OF YEAR, AS RESTATE</b>				<b>157,306,041</b>	<b>149,268,858</b>
Excess of revenues over expenses	15,517,899	-	-	15,517,899	8,037,183
Unrestricted funds designated for future use	(2,147,667)	2,147,667	-	-	-
Restricted funds used for operations	92,000	(92,000)	-	-	-
Restricted funds used for tangible capital assets	-	(294,797)	294,797	-	-
Current year funds used for tangible capital assets	(16,983,664)	-	16,983,664	-	-
Contributed tangible capital assets	(1,317,678)	-	1,317,678	-	-
Disposal of tangible capital assets (net of amortization)	1,088,388	-	(1,088,388)	-	-
Annual amortization expense	4,588,638	-	(4,588,638)	-	-
Debtenture purchases	-	-	-	-	-
Long term debt repaid	(1,144,731)	-	1,144,731	-	-
Change in accumulated surplus	(306,815)	1,760,870	14,063,844	15,517,899	8,037,183
<b>BALANCE, END OF YEAR</b>	<b>\$ 10,693,402</b>	<b>\$ 7,520,068</b>	<b>\$154,610,470</b>	<b>\$172,823,940</b>	<b>\$157,306,041</b>

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**FABER LLP,  
CHARTERED ACCOUNTANTS**



## CITY OF COLD LAKE

SCHEDULE OF TANGIBLE CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Land	Land Improvement	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2011	2010
<b>COST:</b>								
BALANCE, BEGINNING 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
Reclassification	-	(796,155)	(1,524,047)	2,313,051	7,151.			
BALANCE (restated), BEGINNING OF YEAR	36,059,200	1,316,545	22,542,135	179,429,670	3,867,865	3,803,551	247,018,966	233,599,908
Acquisition of tangible capital assets	-		70,594	4,472,675			4,543,269	1,931,664
Construction-in-progress	-	-	-	14,052,870	-	-	14,052,870	12,739,020
Write down of tangible capital assets	(944,100)		(195,786)	(1,044,119)			(2,184,005)	(1,251,626)
BALANCE, END OF YEAR	35,115,100	1,316,545	22,416,943	196,911,097	3,867,865	3,803,551	263,431,100	247,018,966
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	1,196,643	4,675,399	76,105,999	2,293,565	1,348,069	85,619,675	81,560,606
Reclassification	-		(654,228)	654,228				
BALANCE (restated), BEGINNING OF YEAR		1,196,643	4,021,171	76,760,227	2,293,565	1,348,069	85,619,675	81,560,606
Annual amortization	-	56,981	574,193	3,439,028	212,753	305,683	4,588,638	4,625,583
Accumulated amortization on disposals	-		(195,786)	(899,831)			(1,095,617)	(566,514)
BALANCE, END OF YEAR	-	1,253,624	4,399,578	79,299,424	2,506,318	1,653,752	89,112,696	85,619,675
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>								
	\$35,115,100	\$62,921	\$18,671,593	\$116,957,445	\$1,361,547	\$2,149,799	\$174,318,404	\$161,399,291
<b>2010 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>								
	\$36,620,500	\$119,902	\$18,520,964	\$102,669,443	\$1,574,300	\$2,455,482	\$161,399,291	

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, 2011

	Budget (Unaudited)	2011	2010
<b>Taxation</b>			
Real Property Taxes	\$ 16,238,154	\$ 16,424,473	\$ 15,098,830
Linear Property Taxes	263,881	263,881	263,881
Government Grants in Place of Property Taxes	3,318,709	3,318,709	3,318,709
Local Improvements	233,319	256,631	255,521
	<b>20,054,063</b>	<b>20,263,694</b>	<b>18,936,941</b>
<b>Requisitions</b>			
Alberta School Foundation Fund	4,409,330	4,429,001	4,110,968
Bonnyville District Foundation	93,642	94,071	91,871
	<b>4,502,972</b>	<b>4,523,072</b>	<b>4,202,839</b>
<b>Net Taxes Available for Municipal Purposes</b>	<b>\$ 15,551,091</b>	<b>\$ 15,740,622</b>	<b>\$ 14,734,102</b>

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, 2011

	Budget (Unaudited)	2011	2010
<b>Transfers for Operating:</b>			
Provincial Government	\$ 693,012	\$ 842,911	\$ 2,055,072
Federal Government	312,000	311,392	311,392
Other Local Governments	87,744	206,330	176,830
	<b>1,092,756</b>	<b>1,360,633</b>	<b>2,543,294</b>
<b>Transfers for Capital:</b>			
Provincial Government	-	12,950,783	8,816,923
<b>Total Government Transfers</b>	<b>\$ 1,092,756</b>	<b>\$ 14,311,416</b>	<b>\$ 11,360,217</b>

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, 2011

	Budget (Unaudited)	2011	2010
<b>Expenses</b>			
Salaries, Wages and Benefits	\$ 9,598,279	\$ 8,443,954	\$ 8,040,262
Contracted and General Services	4,831,823	4,879,292	4,833,142
Materials, Goods, Supplies and Utilities	2,195,120	2,598,484	2,166,145
Purchases from Other Governments	3,503,900	3,392,512	2,845,561
Provision for Allowances	8,000	-	-
Transfers to Other Governments	-	17,336	-
Transfers to Local Boards and Agencies	308,200	308,200	619,625
Transfers to Individuals and Organizations	876,855	1,590,746	2,870,095
Interest on Capital Long-term Debt	1,283,465	966,636	1,001,197
Bank Charges and Short-term Interest	23,100	22,316	15,494
Other Expenditures	2,368,091	44,275	(82,479)
Amortization of Tangible Capital Assets	-	4,588,638	4,625,583
Loss on disposal of tangible capital assets		378,688	417,024
<b>Total Expenses</b>	<b>\$ 24,996,833</b>	<b>\$ 27,231,077</b>	<b>\$ 27,351,649</b>

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, 2011**

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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 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, 2011

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**(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, 2011

### 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	
Roadway system	10-40
Water system	50
Wastewater system	50
Other engineered structures	5-30
Machinery and equipment	10
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

	2011	2010
Cash Floats and Undeposited Receipts	\$ 2,600	\$ 2,500
Bank Accounts	7,390,477	5,481,608
Term Deposits and Guaranteed Investment Certificates	10,187,498	22,078,498
	<b>\$ 17,580,575</b>	<b>\$ 27,562,606</b>

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

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

	2011	2010
Current taxes and grants in place of taxes	\$ 973,007	\$ 763,803
Non-current taxes and grants in place of taxes	973,007 (92,200)	763,803 (92,200)
Less allowance for doubtful accounts	880,807 (50,000)	671,603 (50,000)
	<b>\$ 830,807</b>	<b>\$ 621,603</b>

### 4. LONG-TERM INVESTMENTS

	2011	2010
Shares, Alberta Municipal Finance Corporation	\$ 40	\$ 40
Shares, Lakeland Credit Union	10,028	10,028
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	-
	<b>\$ 14,002,975</b>	<b>\$ 4,518,148</b>



# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

### 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 (2010 - nil).

### 6. DEFERRED REVENUE

	2011	2010
Prepaid Local Improvement Charges	\$ 84,674	\$ 106,241
Municipal Sustainability Initiative	1,536,723	2,231,429
Energy Centre Fundraising	-	1,564,832
Affordable Housing Grant	351,145	351,145
Provincial Special Grant Highway 28	4,531,691	5,552,863
Alberta Municipal Infrastructure Program	963,084	1,440,304
Basic Capital Grant	1,526,351	798,935
NDCC/Fed Gas	984,432	-
Other Deferred Revenue	195,074	321,600
Deferred Revenue	10,088,500	12,261,108
	\$ 10,173,174	\$ 12,367,349

#### Prepaid Local Improvement Charges

Prepaid local improvement charges are being amortized to revenue at rates ranging from \$123 to \$7,529 per year over the next 1 to 16 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, 2011

### 7. EMPLOYEE BENEFIT OBLIGATIONS

	2011	2010
Vacation and Overtime	\$ 604,265	\$ 483,711
	<b>\$ 604,265</b>	<b>\$ 483,711</b>

#### 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

	2011	2010
Tax Supported Debentures	\$ 19,707,934	\$ 20,852,665
Self Supported Debentures	-	-
	<b>\$ 19,707,934</b>	<b>\$ 20,852,665</b>

The current portion of the long-term debt amounts to \$1,209,064 (2010 - \$1,144,731).

Principal and interest payments are as follows:

	Principal	Interest	Total
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
2016	1,023,852	707,906	1,731,758
Thereafter	14,488,941	4,143,131	18,632,072
	<b>\$ 19,707,934</b>	<b>\$ 8,177,150</b>	<b>\$ 27,885,084</b>

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 2011 (7.21% for 2010). 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 \$966,636 (2010 - \$1,001,197).

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

### 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:

	2011	2010
Total long-term debt limit	\$ 38,393,774	\$ 36,042,923
Total long-term debt actual	19,707,934	20,852,665
<b>Amount of debt limit unused</b>	<b>\$ 18,685,840</b>	<b>\$ 15,190,258</b>
Debt servicing limit	\$ 6,398,962	\$ 6,007,154
Debt servicing actual	2,128,297	2,128,297
<b>Amount of debt servicing limit unused</b>	<b>\$ 4,270,665</b>	<b>\$ 3,878,857</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.

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

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### 10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2011	2010
Tangible Capital Assets (Schedule 2)	\$ 263,431,101	\$ 247,018,966
Accumulated Amortization (Schedule 2)	(89,112,697)	(85,619,675)
Long-term Debt (Note 8)	(19,707,934)	(20,852,665)
	<b>\$ 154,610,470</b>	<b>\$ 140,546,626</b>

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# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

### 11. ACCUMULATED SURPLUS

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

	2011	2010
<b>Restricted surplus by agreement or legislation:</b>		
MD waterline	\$ 34,296	\$ 34,296
CLR3	-	-
Slope remediation	933,255	1,013,951
Offsites	1,867,504	2,001,721
Storm Pond	175,000	-
Provincial grants (2008)	117,392	117,392
Developer Contribution	385,678	99,614
Municipal reserve	132,648	88,648
	<b>3,645,773</b>	<b>3,355,622</b>
<b>Internally Restricted:</b>		
Corporate services	63,000	155,000
Annexation Analysis	100,000	-
Non profit groups	295,677	-
General storm	42,140	42,140
IST	300,411	300,411
Snow removal	214,000	214,000
Airport	66,250	66,250
Waste landfill	217,897	217,897
Cemetery	7,850	7,850
Parks and sportsfields	118,986	118,986
EDC air expansion	6,026	6,026
Vehicles and equipment	717,859	510,359
Roads	452,722	452,722
Lights	51,500	51,500
Buildings	586,561	67,279
Water	123,278	123,278
Electronic sign	69,878	69,878
	<b>3,434,035</b>	<b>2,403,576</b>
<b>Unrestricted:</b>		
General capital	10,014,459	9,881,014
General operating	1,119,203	1,119,203
	<b>11,133,662</b>	<b>11,000,217</b>
 Restricted and unrestricted total	 18,213,470	 16,759,415
Equity in tangible capital assets	154,610,470	140,546,626
<b>ACCUMULATED SURPLUS</b>	<b>\$172,823,940</b>	<b>\$157,306,041</b>

# CITY OF COLD LAKE

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

### 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)	2011 Total	2010 Total
Mayor	Craig Copeland	\$ 50,325	\$ 1,511	\$ 51,836	\$ 39,938
	Subsistence	-	-	11,958	10,019
Councillors:	Robert Buckle	30,562	859	31,421	19,375
	Duane Lay	25,275	685	25,960	21,105
	Debra Pelechovsky	-	-	-	17,619
	Kelvin Plain	25,735	700	26,435	14,869
	Hubert Rodden	-	-	-	23,652
	Jean-Yves Taschereau	-	-	-	-
	Vicky Lefebvre	29,212	815	30,027	2,957
	Darrell MacDonald	25,050	677	25,727	3,073
	Chris Vining	27,525	759	28,284	3,189
	Subsistence	-	-	40,068	21,170
Chief Administrative Officer	Kevin Nagoya	192,543	35,426	227,969	204,650
		\$ 406,227	\$ 41,432	\$ 499,685	\$ 381,616

- (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, 2011

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### 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 200,000 people and 428 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 9.49% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.13% for the excess. Employees of the municipality are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.13% for the excess.

Total current service contributions by the municipality to the Local Authorities Pension Plan in 2011 were \$498,860 (2010 - \$463,411). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2011 were \$450,082 (2010 - \$416,181).

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### 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.

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### 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.

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### 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, 2011**

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### **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.

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### **18 COMPARATIVE FIGURES**

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

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### **19. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements have been approved by Council and Management.