CITY OF COLD LAKE
FINANCIAL STATEMENTS

DECEMBER 31, 2009

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FINANCIAL STATEMENTS

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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, 2009

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 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
March 5, 2010

Kevin Nagoya
CAO

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

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, 2009. 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, 2009 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.

Cyre & Company

Certified General Accountants

Cold Lake, Alberta
March 5, 2010

CITY OF COLD LAKE

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009

	Note Reference	2009	2008 (Restated)
FINANCIAL ASSETS			
Cash and Short-term Deposits	2	$ 21,176,297	$ 18,606,935
Taxes and Grants in Place of Taxes and Other Receivables	3	658,481	252,799
Other Accounts Receivable		2,947,681	2,877,947
Land Held for Resale		2,549,000	3,170,076
Long-term Investments	4	4,380,144	4,006,821
		31,711,603	**28,914,578**
		$ 31,711,603	**$ 28,914,578**
LIABILITIES			
Accounts Payable and Accrued Liabilities		$ 5,771,624	$ 6,704,886
Deposit Liabilities		866,316	1,007,515
Deferred Revenue	6	8,697,508	516,106
Employee Benefit Obligations	7	471,163	479,879
Long-term Debt	8	18,889,699	20,025,458
		34,696,310	**28,733,844**
NET FINANCIAL ASSETS (DEBT)		**(2,984,707)**	**180,734**
NON-FINANCIAL ASSETS			
Tangible Capital Assets	10	146,168,873	138,662,584
Inventory of Supplies and Materials		152,620	88,980
Prepaid Expenses		61,643	1,564
		146,383,136	**138,753,128**
ACCUMULATED SURPLUS	12	**$143,398,429**	**$138,933,862**

The accompanying notes are an integral part of these financial statements

CITY OF COLD LAKE

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budget (Unaudited)	2009	2008 (Restated)
Revenues			
Net Taxes Available for Municipal Purposes (Schedule 2)	$ -	$ 13,636,516	$ 12,472,140
Sales and User Charges	-	6,484,328	6,193,902
Government Transfers (Schedule 3)	-	2,678,468	1,546,967
Return on Investments	-	795,457	611,482
Penalties and Costs on Taxes	-	156,063	95,350
Development Levies	-	158,355	408,319
Licenses and Permits	-	444,894	709,993
Fines	-	100,631	87,844
Franchise and Concession Contracts	-	562,645	460,215
Rentals	-	717,932	603,376
Other	-	3,350,215	233,919
Total Revenues	-	**29,085,504**	**23,423,507**
Expenses (Schedule 4)			
Legislative	-	270,532	220,534
Administration	-	2,320,604	2,198,795
Police and By-law Enforcement	-	1,646,002	1,559,875
Fire and Emergency Services	-	1,042,233	941,382
Transportation Systems	-	3,710,693	3,277,892
Utility Systems	-	5,637,212	4,613,114
Public Health and Welfare	-	740,928	693,652
Planning and Development	-	1,300,711	1,506,740
Recreation and Culture	-	5,461,553	3,799,091
Amortization of Tangible Capital Assets		5,885,787	4,890,273
Other	-	2,000,546	(358,067)
Total Expenses	-	**30,016,801**	**23,343,281**
Excess (Deficiency) of Revenues Over Expenses Before Other	-	**(931,297)**	**80,226**
Other			
Government Transfers for Capital (Schedule 3)	-	5,395,864	15,735,378
Excess (Deficiency) of Revenues Over Expenses	-	**4,464,567**	**15,815,604**
Accumulated Surplus, Beginning of Year	-	138,933,862	123,118,258
Accumulated Surplus, End of Year	$ -	**$ 143,398,429**	**$ 138,933,862**

The accompanying notes are an integral part of these financial statements

CITY OF COLD LAKE

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budget (Unaudited)	2009	2008 (Restated)
Excess (Deficiency) of Revenues Over Expenses	$ -	$ 4,464,567	$ 15,815,604
Acquisition of Tangible Capital Assets	-	(4,462,942)	(12,969,099)
Amortization of Tangible Capital Assets	-	5,885,787	4,890,273
	-	1,422,845	(8,078,826)
Acquisition of Supplies Inventories	-	(63,640)	35,243
Acquisition of Prepaid Assets	-	(60,079)	5,164
	-	(123,719)	40,407
(Increase) Decrease in Net Debt	-	(3,165,441)	7,777,185
Net Financial Assets (Debt), Beginning of Year	-	180,734	(7,596,451)
Net Financial Assets (Debt), End of Year	$ -	**$ (2,984,707)**	**$ 180,734**

The accompanying notes are an integral part of these financial statements

CITY OF COLD LAKE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008 (Restated)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess of Revenues Over Expenditures	$ 4,464,567	$ 15,815,604
Add (Deduct) Non-cash Items		
Amortization of tangible capital assets	5,885,787	4,890,273
(Increase) Decrease in taxes and grants in place of taxes receivable	(405,683)	99,747
(Increase) Decrease in other accounts receivable	(69,734)	791,341
(Increase) Decrease in prepaid expenses	(60,079)	5,164
(Increase) Decrease in land held for resale	621,076	(2,563,987)
(Increase) Decrease in inventories	(63,640)	35,243
(Increase) Decrease in intangible assets	-	37,279
(Decrease) Increase in accounts payable and accrued liabilities	(933,270)	1,424,519
(Decrease) Increase in deposit liabilities	(141,199)	507,497
(Decrease) Increase in deferred revenue	8,181,403	290,820
(Decrease) Increase in employee benefit obligations	(8,716)	86,197
	17,470,512	**21,419,697**
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Acquisition of tangible capital assets	(13,392,067)	(13,545,814)
Sale of land	-	552,576
	(13,392,067)	**(12,993,238)**
CASH FLOWS USED IN INVESTING ACTIVITIES		
Increase in long-term investments	(373,324)	(159,445)
	(373,324)	**(159,445)**
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
(Decrease) Increase in long-term debt	(1,135,759)	4,699,661
	(1,135,759)	**4,699,661**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,569,362**	**12,966,675**
NET CASH AND CASH EQUIVALENTS, beginning of year	18,606,935	5,640,260
NET CASH AND CASH EQUIVALENTS, end of year	**$ 21,176,297**	**$ 18,606,935**
NET CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash and Short-term Deposits (Note 2)	$ 21,176,297	$ 18,606,935
	$ 21,176,297	**$ 18,606,935**

The accompanying notes are an integral part of these financial statements

CITY OF COLD LAKE

SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Land	Land Improvement	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2009	2008 (Restated)
COST:								
BALANCE, BEGINNING OF YEAR	$36,620,500	$1,082,907	$24,242,567	$146,678,138	$3,000,093	$2,741,526	**$214,365,731**	$200,527,849
Acquisition of tangible capital assets			318,903	2,081,302	153,974	756,229	3,310,408	13,545,814
Construction-in-progress				10,081,666			10,081,666	292,068
BALANCE, END O YEAR	36,620,500	1,082,907	24,561,470	158,841,106	3,154,067	3,497,755	**227,757,805**	214,365,731
ACCUMULATEDAMORTIZATION								
BALANCE, BEGINNING OF YEAR		458,838	3,876,324	68,583,740	1,903,863	880,382	75,703,147	70,812,874
Annual amortization		42,862	606,064	4,890,679	139,432	206,748	5,885,785	4,890,273
Accumulated amortization on disposals								
BALANCE, END OF YEAR		501,700	4,482,388	73,474,419	2,043,295	1,087,130	**81,588,932**	75,703,147
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	**$36,620,500**	**$581,207**	**$20,079,082**	**$85,366,687**	**$1,110,772**	**$2,410,625**	**$146,168,873**	$138,662,584
2008 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS (RESTATED)	$36,620,500	$624,069	$20,366,242	$78,094,398	$1,096,231	$1,861,144	$138,662,584	

The accompanying notes are an integral part of these financial statements

CITY OF COLD LAKE

SCHEDULE OF TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budget (Unaudited)	2009	2008
Taxation			
Real Property Taxes	$ -	$ 13,414,882	$ 13,157,244
Linear Property Taxes	-	330,584	260,843
Government Grants in Place of Property Taxes	-	3,605,921	2,589,619
Local Improvements	-	359,148	513,214
	-	**17,710,535**	**16,520,920**
Requisitions			
Alberta School Foundation Fund	-	3,983,899	3,963,551
Bonnyville District Foundation	-	90,120	85,229
	-	**4,074,019**	**4,048,780**
Net Taxes Available for Municipal Purposes	**$ -**	**$ 13,636,516**	**$ 12,472,140**

CITY OF COLD LAKE

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budget (Unaudited)	2009	2008
Transfers for Operating:			
Provincial Government	$ -	$ 1,538,832	$ 746,609
Other Local Governments	-	1,139,636	800,358
	-	**2,678,468**	**1,546,967**
Transfers for Capital:			
Provincial Government	-	5,077,984	15,432,498
Federal Government	-	317,880	302,880
	-	**5,395,864**	**15,735,378**
Total Government Transfers	**$ -**	**$ 8,074,332**	**$ 17,282,345**

CITY OF COLD LAKE

SCHEDULE OF EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008 (Restated)
Expenses		
Salaries, Wages and Benefits	$ 7,578,020	$ 6,791,306
Contracted and General Services	6,939,291	4,616,718
Materials, Goods, Supplies and Utilities	2,601,390	2,016,365
Purchases from Other Governments	2,749,794	2,593,213
Transfers to Other Governments	701	9,619
Transfers to Local Boards and Agencies	431,938	500,000
Transfers to Individuals and Organizations	848,190	1,191,108
Interest on Capital Long-term Debt	969,191	898,868
Bank Charges and Short-term Interest	14,689	18,509
Other Expenditures	1,997,810	(182,698)
Amortization of Tangible Capital Assets	5,885,787	4,890,273
Total Expenses	**$ 30,016,801**	**$ 23,343,281**

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.

(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.

I) 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	10-30
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.

2. CASH AND SHORT-TERM DEPOSITS

	2009	2008
Cash Floats and Undeposited Receipts	$ 2,500	$ 3,150
Bank Accounts	(702,607)	516,902
Term Deposits and Guaranteed Investment Certificates	21,876,404	18,086,883
	$ 21,176,297	**$ 18,606,935**

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

	2009	2008
Current taxes and grants in place of taxes	$ 769,464	$ 407,922
Business taxes	-	4,068
	769,464	411,990
Non-current taxes and grants in place of taxes	(61,366)	(46,413)
	708,098	365,577
Less allowance for doubtful accounts	(49,617)	(112,778)
	$ 658,481	**$ 252,799**

4. LONG-TERM INVESTMENTS

	2009	2008
Shares, Alberta Municipal Finance Corporation	$ 40	$ 40
Shares, Lakeland Credit Union	10,000	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	771,847	729,419
Ontario Hydro coupon bond, annual equivalent yield rate of 4.17%, maturing April 11, 2017	177,083	169,851
Bank of Nova Scotia coupon bonds, annual equivalent yield rate of 4.63%, maturing March 27, 2013	797,331	762,048
Canadian Imperial Bank of Commerce coupon bonds, annual equivalent yield rate of 3.75%, maturing on September 9, 2015	859,100	-
Province of Manitoba coupon bonds,annual equivalent yield rate of 2.5%, maturing on January 1, 2012	913,128	-
RES Canada Housing Trust coupon bonds, annual equivalent yield of 2.03%, maturing on December 15, 2012	851,615	-
Farm Credit Corporation accrual note, yield rate of 6.00%, maturing May 6, 2011	-	335,000
Province of New Brunswick coupon bonds, annual equivalent yield rate of 6.15%, maturing October 31, 2010	-	179,351
Royal Bank of Canada accrual note, yield rate of 5.00%, maturing October 4, 2012	-	1,000,000
Toronto Dominion Bank coupon bonds, annual equivalent yield rates between 5.38% and 4.62%, maturing on November 1, 2012	-	821,112
	$ 4,380,144	**$ 4,006,821**

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

		2009		2008
Prepaid Local Improvement Charges	$	**105,518**	$	**137,620**
Deferred Revenue				
Municipal Sustainability Initiative		527,893		169,194
Affordable Housing Grant		351,145		-
Provincial Special Grant Highway 28		4,260,032		-
Facility Enhancement Program		125,000		-
Alberta Municipal Infrastructure Program		1,714,473		-
Basic Capital Grant		329,958		-
Alberta Transportation		1,093,922		-
Other Deferred Revenue		400,603		209,292
		8,803,026		**378,486**
	$	**8,697,508**	$	**516,106**

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.

7. EMPLOYEE BENEFIT OBLIGATION

		2009		2008
Vacation and Overtime	$	471,163	$	475,095
Post-employment Benefits		-		4,784
	$	**471,163**	**$**	**479,879**

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

	2009	2008
Tax Supported Debentures	$ 16,971,825	$ 18,107,584
Self Supported Debentures	1,917,874	1,917,874
	$ 18,889,699	**$ 20,025,458**

The current portion of the long-term debt amounts to $988,836 (2008 - $1,102,215).

Principal and interest payments are as follows:

	Principal	Interest	Total
2010	$ 988,836	$ 914,784	$ 1,903,620
2011	1,045,220	858,399	1,903,619
2012	1,105,252	798,367	1,903,619
2013	907,869	734,422	1,642,291
2014	878,688	690,863	1,569,551
Thereafter	13,963,834	4,663,169	18,627,003
	$ 18,889,699	**$ 8,660,004**	**$ 27,549,703**

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 2010 through 2028. The average annual interest rate is 7.36% for 2009 6.60% for 2008). 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 $969,191 (2008 - $898,868).

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:

	2009	2008
Total long-term debt limit	$ 39,610,554	$ 32,814,810
Total long-term debt actual	18,889,699	20,025,458
Amount of debt limit unused	**$ 20,720,855**	**$ 12,789,352**
Debt servicing limit	$ 6,601,759	$ 5,469,135
Debt servicing actual	1,903,620	2,124,018
Amount of debt servicing limit unused	**$ 4,698,139**	**$ 3,345,117**

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.

10. TANGIBLE CAPITAL ASSETS

	2009	2008 (Restated)
Net Book Value		
Land	$ 36,620,500	$ 36,620,500
Land Improvements	581,207	624,069
Buildings	20,079,082	20,366,242
Engineered Structures		
Roadway system	49,151,602	44,943,663
Roadway system - construction-in-progress	3,641,171	292,068
Water Distribution system	14,552,375	14,371,449
Wastewater treatment system	17,183,071	17,680,649
Other Engineered Structures	838,469	806,569
Machinery, equipment and furnishings	1,110,771	1,096,231
Vehicles	2,410,625	1,861,144
	$146,168,873	**$138,662,584**

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2009	2008
Tangible Capital Assets (Schedule 1)	$ 227,757,805	$ 214,365,731
Accumulated Amortization (Schedule 1)	(81,588,932)	(75,703,147)
Long-term Debt (Note 8)	(18,889,699)	(20,025,458)
	$ 127,279,174	$ 118,637,126

12. ACCUMULATED SURPLUS

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

	2009	2008 (Restated)
Restricted surplus by agreement or legislation:		
MD water	$ 34,296	$ 34,296
CLR3	40,000	-
Offsites	2,037,268	1,878,913
Provincial grants (2008)	3,636,636	9,461,601
Developer Contribution	69,614	69,614
Municipal reserve	88,648	88,648
	5,906,462	**11,533,072**
Internally Restricted:		
Tangible asset project	50,000	50,000
General storm	42,140	42,140
IST	267,856	267,856
Snow removal	214,000	214,000
Airport	66,250	66,250
Waste landfill	125,897	125,897
Cemetery	7,850	7,850
Parks and sportsfields	43,986	99,651
Economic development	6,026	6,026
Vehicles and equipment	472,133	857,829
Roads	174,247	174,247
Lights	51,500	51,500
Buildings	67,279	(320,711)
Water	123,278	123,278
Electronic sign	69,878	69,878
	1,782,320	**1,835,691**
Unrestricted:		
General capital	7,311,270	5,808,771
General operating	1,119,203	1,119,202
	8,430,473	**6,927,973**
Restricted and unrestricted total	16,119,255	20,296,736
Equity in tangible capital assets	127,279,174	118,637,126
ACCUMULATED SURPLUS	**$143,398,429**	**$138,933,862**

13. 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)	2009 Total	2008 Total
Mayor	Craig Copeland	$ 36,551	$ 1,061	$ 37,612	$ 34,407
	Subsistence	-	-	17,219	8,286
Councillors	Jean-Yves Taschereau	7,339	181	7,520	14,399
	Robert Buckle	18,812	474	19,286	10,809
	Duane Lay	15,562	366	15,928	16,708
	Debra Pelechosky	18,894	476	19,370	18,441
	Kelvin Plain	16,554	399	16,953	16,874
	Hubert Rodden	28,299	787	29,086	18,601
	Subsistence	-	-	38,672	43,557
Chief Administrative Officer	Kevin Nagoya	152,731	6,000	158,731	65,125
	Gordon Frank	-	-	-	83,896
		$ 294,742	**$ 9,744**	**$ 360,377**	**$ 331,103**

(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.

14. 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 8.46% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.66% for the excess. Employees of the municipality are required to make current service contributions of 7.46% of pensionable salary up the year's maximum pensionable salary and 10.66% for the excess.

Total current service contributions by the municipality to the Local Authorities Pension Plan in 2009 were $446,213 (2008 - $315,308). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2009 were $397,324 (2008 - $273,380).

15. 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.

16. 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.

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.

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.

18. 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.

19. PRIOR PERIOD ADJUSTMENTS

Effective January 1, 2009 the City of Cold Lake has restated its financial staements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook, which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions has been included in income. These adjustments are as follows:

		2008
Adjustments to opening accumulated surplus:		
As previously reported	$	91,863,003
Adjustment to net book value of tangible capital assets		31,255,255
As restated	$	123,118,258

		2008
Adjustments to deficiency of revenues over expenses:		
As previously reported	$	11,033,100
Tangible capital assets recorded but previously expensed		9,672,777
Annual amortization expense		(4,890,273)
As restated	$	15,815,604

		2008
Adjustments to tangible capital assets:		
As previously reported	$	114,824,311
Adjustment to historical cost of tangible capital assets		99,541,420
Accumulated amortization recorded		(75,703,147)
As restated	$	138,662,584

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

20. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by Council and Management.