

**COUNTY OF PAINTEARTH NO. 18
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

**COUNTY OF PAINT EARTH NO. 18
FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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ENDEAVOR

CHARTERED ACCOUNTANTS

TIM L. ELL, B. Mgmt., C.A. *
JEFF M. FAUPEL, B. Mgmt., C.A.*
MONICA N. FAUPEL, B. Mgmt., C.A.*

302-2nd Avenue W.
Box 2110, Hanna,
Alberta T0J 1P0

Phone: (403) 854-4421
Fax: (403) 854-2023

5015 Victoria Avenue
Box 720, Coronation,
Alberta T0C 1C0

Phone: (403) 578-4014
Fax: (403) 578-3561

INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the County of Paintearth No. 18, which comprise the statement of financial position as at December 31, 2012 and the statement of operations, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the County of Paintearth No. 18 as at December 31, 2012, the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

HANNA, ALBERTA
MARCH 13, 2013


CHARTERED ACCOUNTANTS

COUNTY OF PAINT EARTH NO. 18
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

	2012	2011
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 10,973,042	\$ 10,749,727
Receivables		
Taxes and grants in place of taxes (Note 3)	566,071	324,548
Trade and other receivables	166,762	87,923
Receivables from other governments	468,206	2,096,791
Land inventory held for resale	1,364,029	1,330,531
Investments (Note 4)	<u>4,273</u>	<u>2,724</u>
	<u>13,542,383</u>	<u>14,592,244</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,610,106	1,467,214
Deferred revenue (Note 5)	1,628,418	2,265,514
Gravel reclamation payable	439,775	542,271
Long-term debt (Note 6)	<u>3,610,695</u>	<u>4,066,666</u>
	<u>7,288,994</u>	<u>8,341,665</u>
NET FINANCIAL ASSETS	<u>6,253,389</u>	<u>6,250,579</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	43,511,392	40,229,627
Inventory for consumption	7,308,205	7,713,333
Prepaid expenses	203,590	141,378
Gravel reserves for development	<u>1,435,435</u>	<u>1,435,435</u>
	<u>52,458,622</u>	<u>49,519,773</u>
ACCUMULATED SURPLUS	<u>\$ 58,712,011</u>	<u>\$ 55,770,352</u>
	COMMITMENTS (SEE NOTE 12)	
	CONTINGENCIES (SEE NOTE 13)	

COUNTY OF PAINT EARTH NO. 18
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget (Unaudited)	2012	2011
REVENUE			
Net municipal taxes (Schedule 2)	\$ 10,383,770	\$ 10,178,955	\$ 10,157,463
User fees and sale of goods	215,190	434,620	199,107
Government transfers for operating (Schedule 3)	892,272	869,045	894,120
Investment income	115,000	148,577	149,716
Penalties and costs on taxes	55,310	88,911	55,308
Licenses and permits	154,900	143,454	136,068
Insurance proceeds		4,731	
Other	15,350	16,887	10,516
Gain on disposal of tangible capital assets			<u>67,895</u>
Total Revenue	<u>11,831,792</u>	<u>11,885,180</u>	<u>11,670,193</u>
EXPENSES			
Legislative	314,040	301,373	284,047
Administration	1,815,870	2,211,651	1,573,549
Protective services	255,160	253,315	254,685
Transportation	6,515,880	6,442,743	6,256,016
Water supply and distribution	360,080	644,827	274,860
Wastewater treatment and disposal	72	72	72
Waste management			1,519
Public health and welfare	189,420	201,588	177,557
Land use planning, zoning and development	270,650	245,701	201,132
Economic/agricultural development	532,550	471,425	420,888
Parks and recreation	305,650	304,833	303,506
Culture	<u>33,030</u>	<u>37,148</u>	<u>30,113</u>
Total Expenses	<u>10,592,402</u>	<u>11,114,676</u>	<u>9,777,944</u>
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	1,239,390	770,504	1,892,249
Government transfers for capital (Schedule 3)		<u>2,171,158</u>	<u>2,333,586</u>
EXCESS OF REVENUE OVER EXPENSES	1,239,390	2,941,662	4,225,835
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>55,770,350</u>	<u>55,770,350</u>	<u>51,544,515</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 57,009,740</u>	<u>\$ 58,712,012</u>	<u>\$ 55,770,350</u>

COUNTY OF PAINT EARTH NO. 18
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget (Unaudited)	2012	2011
EXCESS OF REVENUE OVER EXPENSES			
	\$ <u>1,239,390</u>	\$ <u>2,941,662</u>	\$ <u>4,225,835</u>
Acquisition of tangible capital assets		(5,481,315)	(5,212,282)
Proceeds on sale of tangible capital assets		239,219	477,834
Amortization of tangible capital assets		1,918,473	1,729,545
(Gain) loss on sale of tangible capital assets	<u> </u>	<u>41,862</u>	<u>61,449</u>
		<u>(3,281,761)</u>	<u>(2,943,454)</u>
Change in decrease(increase) in prepaid expenses		(62,212)	(5,859)
Change in decrease (increase) in inventory for consumption	<u> </u>	<u>405,127</u>	<u>(588,264)</u>
		<u>342,915</u>	<u>(594,123)</u>
(INCREASE) DECREASE IN NET DEBT	1,239,390	2,816	688,258
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>6,250,573</u>	<u>6,250,573</u>	<u>5,562,315</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 7,489,963</u>	<u>\$ 6,253,389</u>	<u>\$ 6,250,573</u>

COUNTY OF PAINTEARTH NO. 18
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

2012

2011

**NET INFLOW(OUTFLOWS) OF CASH RELATED TO
THE FOLLOWING ACTIVITIES:**

OPERATING

Excess of revenues over expenses	\$ 2,941,662	\$ 4,225,835
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization on tangible capital assets	1,918,473	1,729,545
Gain(loss) on sale of tangible capital assets	<u>41,862</u>	<u>61,449</u>
	4,901,997	6,016,829
Changes in net financial asset(debt) items:		
Decrease(increase) in taxes and grants in place of taxes receivable	(241,523)	(3,672)
Decrease(increase) in trade and other receivables	(78,840)	67,642
Decrease(increase) in receivables from other governments	1,628,586	3,796,979
Decrease (increase) in land inventory held for resale	(33,498)	(956,261)
Decrease (increase) in inventory	405,127	(588,264)
Decrease(increase) in prepaid expenses	(62,212)	(5,859)
Decrease (increase) in long term investments	(1,549)	410
Increase(decrease) in accounts payable and accrued liabilities	40,390	(159,989)
Increase(decrease) in deferred revenue	<u>(637,096)</u>	<u>577,513</u>
Cash provided by (applied to) operating transactions	<u>5,921,382</u>	<u>8,745,328</u>

CAPITAL

Acquisition of tangible capital assets	(5,481,315)	(5,212,282)
Proceeds on sale of tangible capital assets	<u>239,219</u>	<u>477,834</u>
Cash provided by (applied to) capital transactions	<u>(5,242,096)</u>	<u>(4,734,448)</u>

FINANCING

Long term debt repaid	<u>(455,971)</u>	<u>(466,667)</u>
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CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR

223,315 3,544,213

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

10,749,727 7,205,514

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 10,973,042 \$ 10,749,727

Cash and cash equivalents is made up of:

Cash and temporary investments (Note 2)	\$ <u>10,973,042</u>	\$ <u>10,749,727</u>
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COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2012	2011
COST:								
BALANCE, BEGINNING OF YEAR	\$ 502,957	\$ 695,001	\$ 4,544,172	\$ 40,608,586	\$ 10,585,594	\$ 3,149,625	\$ 60,085,935	\$ 55,555,627
Acquisition of tangible capital assets	6,820		348,476	2,907,171	1,329,739	889,109	5,481,315	9,404,817
Construction-in-progress					(699,109)	(40,591)	(739,700)	(4,189,179)
Disposal of tangible capital assets								(685,330)
BALANCE, END OF YEAR	<u>509,777</u>	<u>695,001</u>	<u>4,892,648</u>	<u>43,515,757</u>	<u>11,216,224</u>	<u>3,998,143</u>	<u>64,827,550</u>	<u>60,085,935</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR		146,967	449,452	15,060,070	3,125,212	1,074,605	19,856,306	18,269,451
Annual amortization		26,318	94,366	915,045	627,519	255,225	1,918,473	1,729,545
Accumulated amortization adjustments					(420,059)	(38,561)	(458,620)	(142,690)
BALANCE, END OF YEAR		<u>173,285</u>	<u>543,818</u>	<u>15,975,115</u>	<u>3,332,672</u>	<u>1,291,269</u>	<u>21,316,159</u>	<u>19,856,306</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 509,777</u>	<u>\$ 521,716</u>	<u>\$ 4,348,830</u>	<u>\$ 27,540,642</u>	<u>\$ 7,883,552</u>	<u>\$ 2,706,874</u>	<u>\$ 43,511,391</u>	<u>\$ 40,229,629</u>

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2012
Schedule 2

	Budget (Unaudited)	2012	2011
TAXATION			
Residential land and improvement taxes	\$ 12,909,981	\$ 5,459,910	\$ 6,767,618
Non-residential linear property taxes	<u> </u>	<u>7,236,122</u>	<u>5,842,867</u>
	<u>12,909,981</u>	<u>12,696,032</u>	<u>12,610,485</u>
REQUISITIONS			
Alberta School Foundation Fund	2,137,771	2,128,634	2,106,058
Seniors requisition	<u>388,440</u>	<u>388,443</u>	<u>346,964</u>
	<u>2,526,211</u>	<u>2,517,077</u>	<u>2,453,022</u>
NET MUNICIPAL TAXES	<u>\$ 10,383,770</u>	<u>\$ 10,178,955</u>	<u>\$ 10,157,463</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2012
Schedule 3

	Budget (Unaudited)	2012	2011
TRANSFERS FOR OPERATING			
Provincial government	\$ 892,272	\$ 862,816	\$ 894,120
Local governments	<u> </u>	<u>6,229</u>	<u> </u>
	<u>892,272</u>	<u>869,045</u>	<u>894,120</u>
TRANSFERS FOR CAPITAL			
Provincial government	<u> </u>	1,696,757	1,188,660
Federal government	<u> </u>	<u>474,401</u>	<u>1,144,926</u>
	<u> </u>	<u>2,171,158</u>	<u>2,333,586</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 892,272</u>	<u>\$ 3,040,203</u>	<u>\$ 3,227,706</u>

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2012

Schedule 4

	Budget (Unaudited)	2012	2011
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 3,894,210	\$ 3,654,555	\$ 3,166,138
Contracted and general services	1,086,640	1,017,436	674,470
Materials, goods, supplies and utilities	2,781,150	2,878,134	3,062,671
Provision for allowances	7,000	1,617	4,212
Transfers to other government		205,686	
Transfers to local boards and agencies		556,756	
Transfers to individuals and organizations	689,450	724,023	869,258
Bank charges and short term interest	136,650	116,135	142,304
Amortization of tangible capital assets	1,853,802	1,918,472	1,729,547
Loss on disposal of tangible capital assets	141,500	41,862	129,344
Other expenses	2,000		
	<u>\$ 10,592,402</u>	<u>\$ 11,114,676</u>	<u>\$ 9,777,944</u>

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2012

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2012	2011
BALANCE, BEGINNING OF YEAR	\$ 2,484,495	\$ 13,056,229	\$ 40,229,627	\$ 55,770,351	\$ 51,544,516
Excess of revenues over expenses	2,941,662			2,941,662	4,225,835
Unrestricted funds designated for future use	(5,000,000)	5,000,000			
Restricted funds used for operations	3,813,114	(3,813,114)			
Current year funds used for tangible capital assets	(5,481,315)		5,481,315		
Disposal of tangible capital assets	281,079		(281,079)		
Annual amortization expense	1,918,472		(1,918,472)		
Change in accumulated surplus	(1,526,988)	1,186,886	3,281,764	2,941,662	4,225,835
BALANCE, END OF YEAR	\$ 957,507	\$ 14,243,115	\$ 43,511,391	\$ 58,712,013	\$ 55,770,351

COUNTY OF PAINTEARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the County of Paintearth No. 18 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 county are as follows:

a) Reporting Entity

The consolidated 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 county and are, therefore, accountable to the county Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The 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. The accrual basis of accounting records revenue as it is earned and measurable. 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 purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

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 expenditure 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 in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1.. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

f) 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.

g) Inventories for Resale

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

h) Prepaid Local Improvement 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.

i) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the county is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

j) 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.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1.. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

k) 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 consolidated 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 on a straight-line basis over the estimated useful life as follows:

	YEARS
Land improvements	15-25
Buildings	25-50
Engineering structures	
Water system	45-75
Wastewater system	45-75
Other engineered structures	10-75
Machinery and equipment	5-20
Heavy equipment	Unit of output(hours)
Vehicles	10-25

In the year of acquisition of a capital asset, annual amortization is charged based on the number of months owned and in the year of disposal no amortization is charged. 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.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. CASH AND TEMPORARY INVESTMENTS

	2012	2011
Cash	\$ 10,973,042	\$ 10,449,727
Temporary investments		300,000
	\$ 10,973,042	\$ 10,749,727

Temporary investments are short-term deposits with original maturities of six months or less.

Included in cash and temporary investments are restricted amount of \$1,628,418 (2011 - \$2,265,514) which relates to conditional grant revenues that have not yet been expended on the purposes intended.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2012	2011
Current taxes and grants in place receivables	\$ 291,739	\$ 154,213
Arrears taxes	286,344	180,730
	578,083	334,943
Less: allowance for doubtful accounts	(12,012)	(10,395)
	\$ 566,071	\$ 324,548

4. INVESTMENTS

	2012		2011	
	Cost	Market Value	Cost	Market Value
Other institutional and private corporation bonds	\$ 4,273	\$ 2,724	\$ 2,724	\$ 2,724

5. DEFERRED REVENUE

	2012	2011
Alberta Municipal Infrastructure Program	\$	\$ 246,882
Municipal Sustainability Initiative	1,628,033	1,665,077
Federal Gas Tax Fund		353,170
Burma Park Donation	385	385
	\$ 1,628,418	\$ 2,265,514

Municipal Sustainability Initiative

Funding was received in 2011 and 2012 from Municipal Sustainability Initiative. The use of these funds is restricted to eligible capital projects, as approved under the funding agreement. Unexpended funds related to these advances are supported by temporary investments held exclusively for this funding (refer Note 2).

COUNTY OF PAINTEARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

6. LONG TERM DEBT

	<u>2012</u>	<u>2011</u>
Tax supported loans	\$ <u>3,610,695</u>	\$ <u>4,066,666</u>

The current portion of the long-term debt amounts to \$466,667 (2011 - \$466,667)

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 466,667	\$ 115,200	\$ 581,867
2014	466,667	100,267	566,934
2015	466,667	85,333	552,000
2016	466,667	70,400	537,067
2017	466,667	55,467	522,134
Thereafter	<u>1,277,360</u>	<u>76,800</u>	<u>1,354,160</u>
	<u>\$ 3,610,695</u>	<u>\$ 503,467</u>	<u>\$ 4,114,162</u>

ATB financial loan bears interest at prime plus 0.2% is and is repayable in annual instalments of principal and interest, The loan matures July 31, 2020.

The County's total cash payments for interest in 2012 were \$126,396 (2011 - \$143,929).

7. DEBT LIMITS

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

	<u>2012</u>	<u>2011</u>
Total debt limit	\$ 17,827,770	\$ 17,505,290
Total debt	<u>3,610,695</u>	<u>4,066,666</u>
Amount of debit limit unused	<u>\$ 14,217,075</u>	<u>\$ 13,438,624</u>
Debt servicing limit	\$ 2,971,295	\$ 2,917,548
Debt servicing	<u>581,867</u>	<u>596,800</u>
Amount of debt servicing limit unused	<u>\$ 2,389,428</u>	<u>\$ 2,320,748</u>

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.

COUNTY OF PAINTEARTH NO. 18
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DECEMBER 31, 2012

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2012</u>	<u>2011</u>
Tangible capital assets	\$ 64,827,550	\$ 60,085,935
Accumulated amortization	<u>(21,316,159)</u>	<u>(19,856,306)</u>
	<u>\$ 43,511,391</u>	<u>\$ 40,229,629</u>

9. ACCUMULATED SURPLUS

	<u>2012</u>	<u>2011</u>
Unrestricted surplus	\$ 957,507	\$ 2,484,494
Restricted surplus:		
Operating:		
General legislative	1,082,917	832,917
General administration	209,179	389,000
Roads, streets, walks, lighting	2,523,915	2,456,046
Culture	10,000	10,000
Subdivision land and development	1,867,928	1,935,139
Operating contingency	130,000	130,000
Capital:		
Administration	43,732	70,000
Fire fighting & preventive services	822,600	522,600
Roads, streets, walks, lighting	2,575,871	3,320,836
Water and wastewater	4,075,798	3,064,517
Economic development	50,340	30,000
Agricultural services	699,131	228,472
Recreation, parks and culture	151,702	66,702
Equity in Tangible Capital Assets	<u>43,511,391</u>	<u>40,229,629</u>
	<u>\$ 58,712,011</u>	<u>\$ 55,770,352</u>

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
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10. SALARY AND BENEFITS

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

	<u>2012</u>			<u>2011</u>
	<u>Salary</u>	<u>Benefits & allowances</u>	<u>Total</u>	<u>Total</u>
Councillors:				
Reeve Glazier	\$ 26,106	\$ 4,704	\$ 30,810	\$ 22,102
Councillor Bunbury	13,933	883	14,816	13,424
Councillor Dahmer	11,666	3,777	15,443	12,021
Councillor Elliott	13,360	3,883	17,243	16,756
Councillor Hewitt	14,033	3,922	17,955	15,491
Councillor Nibourg	10,933	3,730	14,663	12,133
Councillor Weber	17,793	3,473	21,266	16,372
Chief Administrative Officer	143,920	28,207	172,127	166,040
Designated Officer (1 Position)	101,576		101,576	90,410

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

2. 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.

3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

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11. LOCAL AUTHORITIES PENSION PLAN

Employees of the county participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 133,000 people and 3889 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 county is required to make current service contributions to the LAPP of 8.91% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.74% on pensionable earnings above this amount. Employees of the county are required to make current service contributions of 9.91% of pensionable salary up to the year's maximum pensionable salary and 13.74% on pensionable salary above this amount.

Total current service contributions by the county to the LAPP in 2012 were \$241,812 (2011 - \$197,680). Total current service contributions by the employees of the county to the Local Authorities Pension Plan in 2012 were \$216,420 (2011 - \$178,919).

At December 31, 2011, the LAPP disclosed an actuarial deficiency of \$4.635 billion.

12. COMMITMENTS

The Shirley McClellan Regional Water Services Commission is constituted under the Municipal Government Act and was approved by the Province of Alberta Order in Council on October 10, 2007 of which the County, as a member, has a 9.96% equity involvement. The County is committed to funding its share of any net capital requirements and, accordingly, paid to the Commission \$506,660 of its share of the Phase 1 capital costs during the year.

The County is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of membership, the County 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.

The County has provided a loan guarantee to TD Bank Financial Group for certain indebtedness of the Coronation Seed Cleaning Co-op Ltd. At December 31, 2012 the Co-op was indebted for \$NIL (2011 - \$NIL). In addition, the County of Paintearth has also provided a loan guarantee to TD Bank Financial Group for an operating loan not to exceed \$40,000.

The County has also provided a loan guarantee to ATB Financial for an operating loan not to exceed \$36,000 for certain indebtedness of East Central Ambulance Association.

The County has additionally provided a loan guarantee in the amount of \$126,925 to ATB Financial for certain indebtedness to the Paintearth Economic Partnership Society. At December 31, 2012 the Paintearth Economic Partnership Society was indebted for \$NIL (2011 - \$NIL).

The County is committed to the development of 42 acres of land intended as an industrial subdivision, the full estimated cost of which is not fully determinable at this time.

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13. CONTINGENCIES

The County is currently in final negotiations and determinations regarding a material non-linear taxation assessment appeal for 2012. While an adjustment and potential refund is likely payable to the taxpayer, the amount is undeterminable at this time.

14. FINANCIAL INSTRUMENTS

The county's financial instruments consist of cash and temporary investments, accounts receivable, investments, deferred revenue, accounts payable and long term debt. It is management's opinion that the county is not exposed to significant interest or currency risks arising from these financial instruments.

The county is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the county 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 instrument approximates fair value.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

16. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
