

**COUNTY OF PAINTEARTH NO. 18  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**COUNTY OF PAINT EARTH NO. 18  
FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**CONTENTS**

|   | <b>Page</b> |
|---|-------------|
| <b>AUDITOR'S REPORT</b>                                   | 2           |
| <b>FINANCIAL STATEMENTS</b>                               |             |
| Consolidated Statement of Financial Position              | 3           |
| Consolidated Statement of Operations                      | 4           |
| Consolidated Statement of Changes in Net Financial Assets | 5           |
| Consolidated Statement of Cash Flows                      | 6           |
| Schedule of Tangible Capital Assets                       | 7           |
| Schedule of Property and Other Taxes                      | 8           |
| Schedule of Government Transfers                          | 8           |
| Schedule of Consolidated Expenses by Object               | 9           |
| Schedule of Changes in Accumulated Surplus                | 10          |
| Notes to Financial Statements                             | 11 - 21     |

# ENDEAVOR

## CHARTERED ACCOUNTANTS

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

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

### 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, 2011 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, 2011, 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  
MAY 9, 2012



CHARTERED ACCOUNTANTS

**COUNTY OF PAINT EARTH NO. 18**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2011**

|   | <b>2011</b>                        | <b>2010<br/>(Restated)</b> |
|---|------------------------------------|----------------------------|
| <b>FINANCIAL ASSETS</b>                     |                                    |                            |
| Cash and temporary investments (Note 2)     | \$ 10,749,727                      | \$ 7,205,514               |
| Receivables                                 |                                    |                            |
| Taxes and grants in place of taxes (Note 3) | 324,548                            | 320,876                    |
| Trade and other receivables                 | 87,923                             | 155,565                    |
| Receivables from other governments          | 2,096,791                          | 5,893,771                  |
| Land inventory held for resale              | 1,330,531                          | 374,270                    |
| Investments (Note 4)                        | <u>2,724</u>                       | <u>3,134</u>               |
|   | <u>14,592,244</u>                  | <u>13,953,130</u>          |
| <b>LIABILITIES</b>                          |                                    |                            |
| Accounts payable and accrued liabilities    | 1,467,214                          | 1,662,178                  |
| Deferred revenue (Note 5)                   | 2,265,514                          | 1,688,003                  |
| Gravel reclamation payable                  | 542,271                            | 507,301                    |
| Long-term debt (Note 6)                     | <u>4,066,666</u>                   | <u>4,533,333</u>           |
|   | <u>8,341,665</u>                   | <u>8,390,815</u>           |
| <b>NET FINANCIAL ASSETS</b>                 | <u>6,250,579</u>                   | <u>5,562,315</u>           |
| <b>NON-FINANCIAL ASSETS</b>                 |                                    |                            |
| Tangible capital assets (Note 8)            | 40,229,627                         | 37,286,177                 |
| Inventory for consumption                   | 7,713,333                          | 7,125,069                  |
| Prepaid expenses                            | 141,378                            | 135,519                    |
| Gravel reserves for development             | <u>1,435,435</u>                   | <u>1,435,435</u>           |
|   | <u>49,519,773</u>                  | <u>45,982,200</u>          |
| <b>ACCUMULATED SURPLUS</b>                  | <u>\$ 55,770,352</u>               | <u>\$ 51,544,515</u>       |
|   | <b>COMMITMENTS (SEE NOTE 13)</b>   |                            |
|   | <b>CONTINGENCIES (SEE NOTE 14)</b> |                            |

**COUNTY OF PAINT EARTH NO. 18**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

|   | Budget<br>(Unaudited) | 2011                 | 2010<br>(Restated)   |
|---|-----------------------|----------------------|----------------------|
| <b>REVENUE</b>  |                       |                      |                      |
| Net municipal taxes (Schedule 2)                      | \$ 10,182,436         | \$ 10,157,463        | \$ 10,045,248        |
| User fees and sale of goods                           | 176,770               | 199,107              | 154,503              |
| Government transfers for operating (Schedule 3)       | 894,008               | 894,120              | 896,277              |
| Investment income                                     | 75,000                | 149,716              | 77,252               |
| Penalties and costs on taxes                          | 50,000                | 55,308               | 57,160               |
| Licenses and permits                                  | 35,000                | 136,068              | 46,868               |
| Insurance proceeds                                    |                       |                      | 2,740                |
| Other   | 15,450                | 10,516               | 15,436               |
| Gain on disposal of tangible capital assets           | <u>6,788</u>          | <u>67,895</u>        | <u>312,525</u>       |
| <b>Total Revenue</b>                                  | <u>11,435,452</u>     | <u>11,670,193</u>    | <u>11,608,009</u>    |
| <b>EXPENSES</b>                                       |                       |                      |                      |
| Legislative   | 283,860               | 284,047              | 320,396              |
| Administration  | 1,578,190             | 1,573,549            | 1,337,415            |
| Protective services                                   | 263,450               | 254,685              | 180,141              |
| Transportation  | 7,063,906             | 6,256,016            | 6,765,138            |
| Water supply and distribution                         | 274,465               | 274,860              | 400,371              |
| Wastewater treatment and disposal                     | 72                    | 72                   | 72                   |
| Waste management                                      |                       | 1,519                |                      |
| Public health and welfare                             | 170,405               | 177,557              | 158,545              |
| Land use planning, zoning and development             | 201,110               | 201,132              | 179,417              |
| Economic/agricultural development                     | 469,270               | 420,888              | 426,997              |
| Parks and recreation                                  | 296,180               | 303,506              | 262,051              |
| Culture   | <u>39,000</u>         | <u>30,113</u>        | <u>30,687</u>        |
| <b>Total Expenses</b>                                 | <u>10,639,908</u>     | <u>9,777,944</u>     | <u>10,061,230</u>    |
| <b>EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER</b> |                       |                      |                      |
|   | <u>795,544</u>        | <u>1,892,249</u>     | 1,546,779            |
| Government transfers for capital (Schedule 3)         |                       | <u>2,333,586</u>     | <u>4,793,371</u>     |
| <b>EXCESS OF REVENUE OVER EXPENSES</b>                | 795,544               | 4,225,835            | 6,340,150            |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>         | <u>51,544,515</u>     | <u>51,544,515</u>    | <u>45,204,365</u>    |
| <b>ACCUMULATED SURPLUS, END OF YEAR</b>               | <u>\$ 52,340,059</u>  | <u>\$ 55,770,350</u> | <u>\$ 51,544,515</u> |

**COUNTY OF PAINT EARTH NO. 18**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

|  | Budget<br>(Unaudited) | 2011                | 2010<br>(Restated)  |
|--|-----------------------|---------------------|---------------------|
| <b>EXCESS OF REVENUE OVER EXPENSES</b>                     |                       |                     |                     |
|  | \$ <u>795,544</u>     | \$ <u>4,225,835</u> | \$ <u>6,340,150</u> |
| Acquisition of tangible capital assets                     | (4,303,723)           | (5,212,282)         | (9,912,050)         |
| Proceeds on sale of tangible capital assets                | 470,150               | 477,834             | 980,160             |
| Amortization of tangible capital assets                    |                       | 1,729,545           | 1,705,254           |
| (Gain) loss on sale of tangible capital assets             | <u>(6,788)</u>        | <u>61,449</u>       | <u>(97,869)</u>     |
|  | <u>(3,840,361)</u>    | <u>(2,943,454)</u>  | <u>(7,324,505)</u>  |
| Change in decrease(increase) in prepaid expenses           |                       | (5,859)             | (45,176)            |
| Change in decrease (increase) in inventory for consumption |                       | <u>(588,264)</u>    | <u>313,215</u>      |
|  |                       | <u>(594,123)</u>    | <u>268,039</u>      |
| <b>(INCREASE) DECREASE IN NET DEBT</b>                     | 3,044,817             | 688,258             | (716,316)           |
| <b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>             | <u>5,562,315</u>      | <u>5,562,315</u>    | <u>6,278,631</u>    |
| <b>NET FINANCIAL ASSETS, END OF YEAR</b>                   | <u>\$ 2,517,498</u>   | <u>\$ 6,250,573</u> | <u>\$ 5,562,315</u> |

**COUNTY OF PAINT EARTH NO. 18**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**2011**                      **2010**  
**(Restated)**

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

|   |                      |                     |
|---|----------------------|---------------------|
| <b>OPERATING</b>  |                      |                     |
| Excess of revenues over expenses  | \$ 4,225,835         | \$ 6,340,150        |
| Non-cash items included in excess(shortfall) of revenues over expenses: |                      |                     |
| Amortization on tangible capital assets                                 | 1,729,545            | 1,705,254           |
| Gain(loss) on sale of tangible capital assets                           | <u>61,449</u>        | <u>(97,869)</u>     |
|   | 6,016,829            | 7,947,535           |
| Changes in net financial asset(debt) items:                             |                      |                     |
| Decrease(increase) in taxes and grants in place of taxes receivable     | \$ (3,672)           | \$ (96,159)         |
| Decrease(increase) in trade and other receivables                       | 67,642               | (179,830)           |
| Decrease(increase) in receivables from other governments                | 3,796,979            | (5,295,411)         |
| Decrease (increase) in land inventory held for resale                   | (956,261)            | (75,016)            |
| Decrease (increase) in inventory  | (588,264)            | 313,215             |
| Decrease(increase) in prepaid expenses                                  | (5,859)              | (45,176)            |
| Decrease (increase) in long term investments                            | 410                  | 25                  |
| Increase(decrease) in accounts payable and accrued liabilities          | (159,986)            | 875,804             |
| Increase(decrease) in deferred revenue                                  | <u>577,510</u>       | <u>720,647</u>      |
| Cash provided by (applied to) operating transactions                    | <u>8,745,328</u>     | <u>4,165,634</u>    |
| <b>CAPITAL</b>  |                      |                     |
| Acquisition of tangible capital assets                                  | (5,212,282)          | (9,912,050)         |
| Proceeds on sale of tangible capital assets                             | <u>477,834</u>       | <u>980,160</u>      |
| Cash provided by (applied to) capital transactions                      | <u>(4,734,448)</u>   | <u>(8,931,890)</u>  |
| <b>FINANCING</b>  |                      |                     |
| Long term debt repaid   | <u>(466,667)</u>     | <u>(466,667)</u>    |
| <b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>                   | 3,544,213            | (5,232,923)         |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                     | <u>7,205,514</u>     | <u>12,438,437</u>   |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                           | <u>\$ 10,749,727</u> | <u>\$ 7,205,514</u> |
| <b>Cash and cash equivalents is made up of:</b>                         |                      |                     |
| Cash and temporary investments (Note 2)                                 | <u>\$ 10,749,727</u> | <u>\$ 7,205,514</u> |

**COUNTY OF PAINTEARTH NO. 18**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

Schedule 1

|  | Land                     | Land Improvements        | Buildings                  | Engineered Structures       | Machinery & Equipment      | Vehicles                   | 2011                        | 2010 (Restated)             |
|--|--------------------------|--------------------------|----------------------------|-----------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| <b>COST:</b>                                     |                          |                          |                            |                             |                            |                            |                             |                             |
| BALANCE, BEGINNING OF YEAR                       | \$ 502,958               | \$ 503,745               | \$ 4,684,217               | \$ 36,481,849               | \$ 10,367,955              | \$ 3,014,903               | \$ 55,555,627               | \$ 47,940,034               |
| Acquisition of tangible capital assets           | 750                      | 191,533                  | 19,489                     | 8,315,916                   | 299,476                    | 577,653                    | 9,404,817                   | 5,324,985                   |
| Construction-in-progress                         |                          |                          |                            | (4,189,179)                 |                            |                            | (4,189,179)                 | 4,587,066                   |
| Disposal of tangible capital assets              | <u>751</u>               | <u>(277)</u>             | <u>(159,534)</u>           |                             | <u>(81,837)</u>            | <u>(442,931)</u>           | <u>(685,330)</u>            | <u>(2,296,458)</u>          |
| BALANCE, END OF YEAR                             | <u>502,957</u>           | <u>695,001</u>           | <u>4,544,172</u>           | <u>40,608,586</u>           | <u>10,585,594</u>          | <u>3,149,625</u>           | <u>60,085,935</u>           | <u>55,555,627</u>           |
| <b>ACCUMULATED AMORTIZATION:</b>                 |                          |                          |                            |                             |                            |                            |                             |                             |
| BALANCE, BEGINNING OF YEAR                       |                          | 126,040                  | 361,120                    | 14,321,467                  | 2,448,994                  | 1,011,830                  | 18,269,451                  | 17,978,360                  |
| Annual amortization                              |                          | 21,204                   | 91,486                     | 738,603                     | 694,736                    | 183,516                    | 1,729,545                   | 1,705,254                   |
| Accumulated amortization adjustments             |                          | <u>(277)</u>             | <u>(3,154)</u>             |                             | <u>(18,518)</u>            | <u>(120,741)</u>           | <u>(142,690)</u>            | <u>(1,414,163)</u>          |
| BALANCE, END OF YEAR                             |                          | <u>146,967</u>           | <u>449,452</u>             | <u>15,060,070</u>           | <u>3,125,212</u>           | <u>1,074,605</u>           | <u>19,856,306</u>           | <u>18,269,451</u>           |
| <b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b> | <b>\$ <u>502,957</u></b> | <b>\$ <u>548,034</u></b> | <b>\$ <u>4,094,720</u></b> | <b>\$ <u>25,548,516</u></b> | <b>\$ <u>7,460,382</u></b> | <b>\$ <u>2,075,020</u></b> | <b>\$ <u>40,229,629</u></b> | <b>\$ <u>37,286,176</u></b> |



**COUNTY OF PAINT EARTH NO. 18**  
**SCHEDULE OF PROPERTY AND OTHER TAXES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**Schedule 2**

|  | Budget<br>(Unaudited) | 2011                 | 2010                 |
|--|-----------------------|----------------------|----------------------|
| <b>TAXATION</b>                              |                       |                      |                      |
| Residential land and improvement taxes       | \$ 7,166,542          | \$ 6,767,618         | \$ 8,571,005         |
| Non-residential linear property taxes        | 5,468,919             | 5,842,867            | 3,904,474            |
| Government grants in place of property taxes | <u>12,635,461</u>     | <u>12,610,485</u>    | <u>12,475,768</u>    |
| <b>REQUISITIONS</b>                          |                       |                      |                      |
| Alberta School Foundation Fund               | 2,106,060             | 2,106,058            | 2,136,784            |
| Seniors requisition                          | <u>346,965</u>        | <u>346,964</u>       | <u>293,736</u>       |
|  | <u>2,453,025</u>      | <u>2,453,022</u>     | <u>2,430,520</u>     |
| <b>NET MUNICIPAL TAXES</b>                   | <u>\$ 10,182,436</u>  | <u>\$ 10,157,463</u> | <u>\$ 10,045,248</u> |

**SCHEDULE OF GOVERNMENT TRANSFERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**Schedule 3**

|                                   | Budget<br>(Unaudited) | 2011                | 2010<br>(Restated)  |
|-----------------------------------|-----------------------|---------------------|---------------------|
| <b>TRANSFERS FOR OPERATING</b>    |                       |                     |                     |
| Provincial government             | \$ <u>894,008</u>     | \$ <u>894,120</u>   | \$ <u>896,277</u>   |
| <b>TRANSFERS FOR CAPITAL</b>      |                       |                     |                     |
| Provincial government             |                       | 1,188,660           | 3,286,401           |
| Federal government                |                       | <u>1,144,926</u>    | <u>1,506,970</u>    |
|                                   |                       | <u>2,333,586</u>    | <u>4,793,371</u>    |
| <b>TOTAL GOVERNMENT TRANSFERS</b> | <u>\$ 894,008</u>     | <u>\$ 3,227,706</u> | <u>\$ 5,689,648</u> |

**COUNTY OF PAINT EARTH NO. 18**  
**SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**Schedule 4**

|   | Budget<br>(Unaudited) | 2011                | 2010<br>(Restated)   |
|---|-----------------------|---------------------|----------------------|
| <b>CONSOLIDATED EXPENSES BY OBJECT</b>      |                       |                     |                      |
| Salaries, wages and benefits                | \$ 3,579,800          | \$ 3,166,138        | \$ 2,933,834         |
| Contracted and general services             | 1,033,750             | 674,470             | 817,792              |
| Materials, goods, supplies and utilities    | 3,136,700             | 3,062,671           | 3,336,952            |
| Provision for allowances                    | 4,500                 | 4,212               | 4,500                |
| Transfers to individuals and organizations  | 675,755               | 869,258             | 913,923              |
| Bank charges and short term interest        | 145,000               | 142,304             | 134,292              |
| Amortization of tangible capital assets     | 1,948,127             | 1,729,547           | 1,705,281            |
| Loss on disposal of tangible capital assets | 116,276               | 129,344             | 214,656              |
|   | <u>\$ 10,639,908</u>  | <u>\$ 9,777,944</u> | <u>\$ 10,061,230</u> |

**COUNTY OF PAINTEARTH NO. 18**  
**SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

Schedule 5

|   | Unrestricted<br>Surplus | Restricted<br>Surplus | Equity in Tangible<br>Capital Assets | 2011          | 2010<br>Restated |
|---|-------------------------|-----------------------|--------------------------------------|---------------|------------------|
| <b>BALANCE, BEGINNING OF YEAR</b>                   | \$ 2,455,898            | \$ 11,802,443         | \$ 37,286,175                        | \$ 51,544,516 | \$ 45,204,365    |
| Excess of revenues over expenses                    | 4,225,835               |                       |                                      | 4,225,835     | 6,340,151        |
| Unrestricted funds designated for future use        | (3,855,000)             | 3,855,000             |                                      |               |                  |
| Restricted funds used for operations                | 2,601,214               | (2,601,214)           |                                      |               |                  |
| Current year funds used for tangible capital assets | (5,212,282)             |                       | 5,212,282                            |               |                  |
| Disposal of tangible capital assets                 | 539,283                 |                       | (539,283)                            |               |                  |
| Annual amortization expense                         | 1,729,547               |                       | (1,729,547)                          |               |                  |
| Change in accumulated surplus                       | 28,597                  | 1,253,786             | 2,943,452                            | 4,225,835     | 6,340,151        |
| <b>BALANCE, END OF YEAR</b>                         | \$ 2,484,495            | \$ 13,056,229         | \$ 40,229,627                        | \$ 55,770,351 | \$ 51,544,516    |

**COUNTY OF PAINTEARTH NO. 18**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

---

**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, 2011**

---

**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, 2011**

---

**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:

|                             | <b>YEARS</b>             |
|-----------------------------|--------------------------|
| 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<br>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, 2011**

**2. CASH AND TEMPORARY INVESTMENTS**

|                       | <b>2011</b>   | <b>2010</b>  |
|-----------------------|---------------|--------------|
| Cash                  | \$ 10,449,727 | \$ 505,514   |
| Temporary investments | 300,000       | 6,700,000    |
|                       | \$ 10,749,727 | \$ 7,205,514 |

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

Included in cash and temporary investments are restricted amount of \$2,265,514 (2010 - \$1,688,003) 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**

|   | <b>2011</b> | <b>2010</b> |
|---|-------------|-------------|
| Current taxes and grants in place receivables | \$ 154,213  | \$ 194,340  |
| Arrears taxes                                 | 180,730     | 140,908     |
|   | 334,943     | 335,248     |
| Less: allowance for doubtful accounts         | (10,395)    | (14,372)    |
|   | \$ 324,548  | \$ 320,876  |

**4. INVESTMENTS**

|   | <b>2011</b> |              | <b>2010</b> |              |
|---|-------------|--------------|-------------|--------------|
|   | Cost        | Market Value | Cost        | Market Value |
| Other institutional and private corporation bonds | \$ 2,724    | \$ 2,724     | \$ 3,134    | \$ 3,134     |

COUNTY OF PAINT EARTH NO. 18  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**5. DEFERRED REVENUE**

|  | <u>2011</u>         |           | <u>2010</u><br><u>(Restated)</u> |
|--|---------------------|-----------|----------------------------------|
| Alberta Municipal Infrastructure Program | \$ 247,267          | \$        | 248,922                          |
| Municipal Sustainability Initiative      | 1,665,077           |           | 412,789                          |
| Federal Gas Tax Fund                     | 353,170             |           | 231,757                          |
| Basic Municipal Transportation Grant     |                     |           | 17,055                           |
| Building Canada Fund                     |                     |           | <u>777,480</u>                   |
|  | <u>\$ 2,265,514</u> | <u>\$</u> | <u>1,688,003</u>                 |

**Alberta Municipal Infrastructure Program**

Funding was received in 2009 from Alberta Municipal Infrastructure Program. 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).

**Municipal Sustainability Initiative**

Funding was received in 2010 and 2011 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).

**Federal Gas Tax Fund (New Deal for Cities and Communities)**

Funding was received in 2009, 2010, and 2011 from Federal Gas Tax Fund (former New Deal for Cities and Communities). 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 PAINT EARTH NO. 18**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**6. LONG TERM DEBT**

|                     | <u>2011</u>         | <u>2010</u>         |
|---------------------|---------------------|---------------------|
| Tax supported loans | \$ <u>4,066,666</u> | \$ <u>4,533,333</u> |

The current portion of the long-term debt amounts to \$466,667 (2010 - \$466,667)

Principal and interest repayments are as follows:

|            | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|------------|---------------------|-------------------|---------------------|
| 2012       | \$ 466,667          | \$ 130,133        | \$ 596,800          |
| 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             |
| Thereafter | <u>1,733,331</u>    | <u>132,266</u>    | <u>1,865,597</u>    |
|            | <u>\$ 4,066,666</u> | <u>\$ 633,599</u> | <u>\$ 4,700,265</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.

Interest on long-term debt amounted to \$142,304 (2010 - \$131,459).

The County's total cash payments for interest in 2011 were \$143,929 (2010 - \$131,459).

**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>2011</u>          | <u>2010</u>          |
|---------------------------------------|----------------------|----------------------|
| Total debt limit                      | \$ 18,120,198        | \$ 18,413,466        |
| Total debt                            | <u>4,066,666</u>     | <u>4,575,000</u>     |
| Amount of debit limit unused          | <u>\$ 14,053,532</u> | <u>\$ 13,838,466</u> |
| Debt servicing limit                  | \$ 3,020,033         | \$ 3,068,911         |
| Debt servicing                        | <u>596,800</u>       | <u>605,511</u>       |
| Amount of debt servicing limit unused | <u>\$ 2,423,233</u>  | <u>\$ 2,463,400</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 PAINT EARTH NO. 18  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2011

**8. TANGIBLE CAPITAL ASSETS**

|                               | <u>2011</u>                   | <u>2010</u><br><u>(Restated)</u> |
|-------------------------------|-------------------------------|----------------------------------|
|                               | <u>Net<br/>Book<br/>Value</u> | <u>Net<br/>Book<br/>Value</u>    |
| Land                          | \$ 332,775                    | \$ 332,776                       |
| Land - in progress            | 170,182                       | 170,182                          |
| Land improvements             | 548,034                       | 377,705                          |
| Buildings                     | 4,094,720                     | 4,323,097                        |
| Buildings - in progress       |                               |                                  |
| Engineered structures         |                               |                                  |
| Roadway systems               | 16,607,998                    | 17,176,175                       |
| Roadway systems - in progress | 63,939                        | 48,859                           |
| Water systems                 | 8,858,668                     | 728,186                          |
| Water systems - in progress   |                               | 4,189,179                        |
| Waste water systems           | 1,548                         | 1,620                            |
| Storm systems                 | 16,363                        | 16,363                           |
| Other machinery and equipment | 7,460,381                     | 7,918,962                        |
| Motor vehicles                | <u>2,075,019</u>              | <u>2,003,073</u>                 |
|                               | <u>\$ 40,229,627</u>          | <u>\$ 37,286,177</u>             |

**9. EQUITY IN TANGIBLE CAPITAL ASSETS**

|                          | <u>2011</u>          | <u>2010</u><br><u>(Restated)</u> |
|--------------------------|----------------------|----------------------------------|
| Tangible capital assets  | \$ 60,085,935        | \$ 55,555,627                    |
| Accumulated amortization | <u>(19,856,306)</u>  | <u>(18,269,451)</u>              |
|                          | <u>\$ 40,229,629</u> | <u>\$ 37,286,176</u>             |

COUNTY OF PAINT EARTH NO. 18  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2011

**10. ACCUMULATED SURPLUS**

|                                     | 2011          | 2010<br>(Restated) |
|-------------------------------------|---------------|--------------------|
| Unrestricted surplus                | \$ 2,484,494  | \$ 2,455,898       |
| Restricted surplus:                 |               |                    |
| Operating:                          |               |                    |
| General legislative                 | 832,917       | 840,119            |
| General administration              | 389,000       | 389,000            |
| Roads, streets, walks, lighting     | 2,456,046     | 1,961,480          |
| Culture                             | 10,000        | 10,000             |
| Subdivision land and development    | 1,935,139     | 913,133            |
| Operating contingency               | 130,000       | 130,000            |
| Capital:                            |               |                    |
| Administration                      | 70,000        | 70,000             |
| Fire fighting & preventive services | 522,600       | 522,600            |
| Roads, streets, walks, lighting     | 3,320,836     | 3,666,776          |
| Water and wastewater                | 3,064,517     | 2,970,159          |
| Economic development                | 30,000        | 30,000             |
| Agricultural services               | 228,472       | 228,472            |
| Recreation, parks and culture       | 66,702        | 70,702             |
| Equity in Tangible Capital Assets   | 40,229,629    | 37,286,176         |
|                                     | \$ 55,770,352 | \$ 51,544,515      |

**COUNTY OF PAINT EARTH NO. 18**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**11. 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:

|                                 | 2011      |                       |           | 2010      |
|---------------------------------|-----------|-----------------------|-----------|-----------|
|                                 | Salary    | Benefits & allowances | Total     | Total     |
| Councillors:                    |           |                       |           |           |
| Reeve Glazier                   | \$ 18,466 | \$ 3,636              | \$ 22,102 | \$ 31,892 |
| Councillor Bunbury              | 12,683    | 741                   | 13,424    | 27,888    |
| Councillor Dahmer               | 8,960     | 3,061                 | 12,021    | 5,920     |
| Councillor Elliott              | 13,426    | 3,330                 | 16,756    | 5,009     |
| Councillor Hewitt               | 12,233    | 3,258                 | 15,491    | 31,924    |
| Councillor Koenraad             |           |                       |           | 28,269    |
| Councillor Nibourg              | 9,067     | 3,066                 | 12,133    | 4,689     |
| Councillor Nichols              |           |                       |           | 20,245    |
| Councillor Richardson           |           |                       |           | 29,096    |
| Councillor Weber                | 13,550    | 2,822                 | 16,372    | 29,393    |
| Chief Administrative Officer    | 139,725   | 26,315                | 166,040   | 160,447   |
| Designated Officer (1 Position) | 90,410    |                       | 90,410    | 84,102    |

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.

**COUNTY OF PAINT EARTH NO. 18**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

---

**12. 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 200,000 people and 421 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 9.49% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.13% on pensionable earnings above this amount. Employees of the county are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.13% on pensionable salary above this amount.

Total current service contributions by the county to the LAPP in 2011 were \$197,680 (2010 - \$186,859). Total current service contributions by the employees of the county to the Local Authorities Pension Plan in 2011 were \$178,919 (2010 - \$170,231).

At December 31, 2010, the LAPP disclosed an actuarial deficiency of \$4.635 billion.

---

**13. COMMITMENTS**

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 of Paintearth has provided a loan guarantee to TD Bank Financial Group for certain indebtedness of the Coronation Seed Cleaning Co-op Ltd. At December 31, 2011 the Co-op was indebted for \$NIL (2010 - \$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 of Paintearth 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 of Paintearth 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, 2011 the Paintearth Economic Partnership Society was indebted for \$NIL (2010 - \$41,667).

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.

---

**14. CONTINGENCIES**

The County is currently in negotiation regarding a material non-linear taxation assessment appeal. While an adjustment and potential refund is likely payable to the taxpayer, the amount is not undeterminable at this time.

---

**COUNTY OF PAINT EARTH NO. 18**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

---

**15. 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.

---

**16. PRIOR PERIOD ADJUSTMENTS**

The county has restated its financial statements as a result of amendments to water tangible capital asset ownership allocations and funding of these tangible capital assets. As a result of these prior period adjustments tangible capital asset has been restated from \$36,709,953 to \$37,286,177, receivables from other governments has been restated from \$6,490,302 to \$5,893,771, deferred revenue has been restated from \$3,095,175 to \$1,688,003, and accumulated surplus has been restated from \$50,157,651 to \$51,544,516.

---

**17. COMPARATIVE FIGURES**

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

---

**18. APPROVAL OF FINANCIAL STATEMENTS**

Council and management have approved these financial statements.

---