



Gitzel Krejci Dand Peterson

CHARTERED ACCOUNTANTS

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FLAGSTAFF COUNTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

FLAGSTAFF COUNTY
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012

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INDEPENDENT AUDITORS' REPORT

TO: The Reeve and Council

We have audited the accompanying financial statements of the Flagstaff County, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations, changes 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 Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 financial statements present fairly, in all material respects, the financial position of the Flagstaff County as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of Matter

A significant area requiring the use of management's estimates was the gravel inventory and the gravel reclamation valuation. Significant changes in the value of gravel and its reclamation costs could result in changes in inventory and liability amounts.

April 17, 2013
Stettler, Alberta

Gitzel Krejci Dand Peterson
CHARTERED ACCOUNTANTS

FLAGSTAFF COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

	2012	2011
	\$	\$
FINANCIAL ASSETS		
Cash and short term investments (Note 2)	22,475,262	21,858,844
Taxes and grants in place of taxes receivable (Note 3)	497,839	663,635
Trade and other receivables	1,745,976	590,208
Note receivable (Note 4)	209,968	209,968
Long-term investments (Note 5)	<u>428,127</u>	<u>419,618</u>
	<u>25,357,172</u>	<u>23,742,273</u>
LIABILITIES		
Accounts payable and accrued liabilities	727,198	609,954
Deposit liabilities	255,270	255,270
Employee benefit obligation (Note 8)	274,444	236,502
Trust funds (Note 6)	13,314	11,201
Deferred revenue (Note 7)	1,586,553	1,848,348
Gravel reclamation liability (Note 9)	516,379	373,163
Long-term gravel royalties payable (Note 10)	1,271,636	1,200,641
Capital lease obligation (Note 11)	<u>28,008</u>	<u>60,755</u>
	<u>4,672,802</u>	<u>4,595,834</u>
NET FINANCIAL ASSETS (DEBT)	<u>20,684,370</u>	<u>19,146,439</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	72,804,784	71,725,454
Inventory of materials and supplies	9,364,643	5,967,511
Prepaid expenses	<u>124,511</u>	<u>231,451</u>
	<u>82,293,938</u>	<u>77,924,416</u>
ACCUMULATED SURPLUS (Schedule 1)	<u>102,978,308</u>	<u>97,070,855</u>
Contingencies - See Note 18		

FLAGSTAFF COUNTY

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget \$ (Unaudited)	2012 \$	2011 \$
REVENUES			
Net municipal property taxes (Schedule 3)	17,512,787	17,535,670	16,348,647
Sales and user fees	578,140	626,497	805,130
Government transfers for operating (Schedule 4)	1,078,635	987,873	993,590
Investment income	130,000	225,009	201,610
Penalties and costs on taxes	100,000	215,340	116,304
Licenses and permits	90,000	111,711	152,991
Rentals	13,700	19,329	13,717
Gain on disposal of tangible capital assets	-	22,948	39,575
Fines and other	<u>37,000</u>	<u>43,760</u>	<u>46,969</u>
Total revenue	<u>19,540,262</u>	<u>19,788,137</u>	<u>18,718,533</u>
EXPENSES (Schedule 5)			
Legislative	326,680	341,064	303,710
Administration	2,614,595	2,486,778	2,256,201
Protective services	983,525	868,040	835,534
Roads, streets, walks, lighting	11,139,190	9,864,999	9,318,316
Waste management	423,065	419,157	244,132
Family, Community and Public Health	714,602	807,753	382,507
Ag services and development	1,476,375	1,088,284	1,382,402
Recreation, parks and culture	<u>886,500</u>	<u>780,753</u>	<u>572,198</u>
Total expenses	<u>18,564,532</u>	<u>16,656,828</u>	<u>15,295,000</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER	975,730	3,131,309	3,423,533
OTHER			
Government transfers for capital (Schedule 4)	<u>917,413</u>	<u>2,776,144</u>	<u>2,336,211</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	1,893,143	5,907,453	5,759,744
ACCUMULATED SURPLUS – BEGINNING OF YEAR	<u>97,070,855</u>	<u>97,070,855</u>	<u>91,311,111</u>
ACCUMULATED SURPLUS – END OF YEAR	<u>98,963,998</u>	<u>102,978,308</u>	<u>97,070,855</u>

FLAGSTAFF COUNTY

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget \$ (Unaudited)	2012 \$	2011 \$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	<u>1,893,143</u>	<u>5,907,453</u>	<u>5,759,744</u>
Acquisition of tangible capital assets	(7,069,115)	(6,054,519)	(7,052,527)
Proceeds on disposal of tangible capital assets	988,900	1,023,400	496,673
Amortization of tangible capital assets	3,510,880	3,605,553	3,327,741
Net (Gain) loss on sale of tangible capital assets	<u>-</u>	<u>346,236</u>	<u>58,924</u>
	<u>(2,569,335)</u>	<u>(1,079,330)</u>	<u>(3,169,189)</u>
Net use (acquisition) of supplies inventories	(3,015,143)	(3,397,132)	973,176
Net use (acquisition) of prepaid assets	<u>-</u>	<u>106,940</u>	<u>(113,716)</u>
	<u>(3,015,143)</u>	<u>(3,290,192)</u>	<u>859,460</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(3,691,335)	1,537,931	3,450,015
NET FINANCIAL ASSETS (DEBT)			
- BEGINNING OF YEAR	<u>19,146,439</u>	<u>19,146,439</u>	<u>15,696,424</u>
NET FINANCIAL ASSETS (DEBT)			
- END OF YEAR	<u>15,455,104</u>	<u>20,684,370</u>	<u>19,146,439</u>

FLAGSTAFF COUNTY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
	\$	\$
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	5,907,453	5,759,744
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	3,605,553	3,327,741
Net (gain) loss on disposal of tangible capital assets	346,236	58,924
Non-cash changes to operations (net change):		
Taxes and trade receivables	(989,972)	171,669
Prepaid expenses	106,940	(113,716)
Inventory	(3,397,132)	973,176
Accounts payable and accrued liabilities	155,186	(1,077,649)
Trust funds	2,113	1,070
Deferred revenue	(261,795)	232,358
Long term gravel royalties payable	70,995	-
Gravel reclamation liability	<u>143,216</u>	<u>(425,821)</u>
Net cash provided by (used in) operating activities	<u>5,688,793</u>	<u>8,907,496</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(6,054,519)	(7,052,527)
Proceeds on sale of tangible capital assets	<u>1,023,400</u>	<u>496,673</u>
Cash applied to capital transactions	<u>(5,031,119)</u>	<u>(6,555,854)</u>
INVESTING ACTIVITIES		
Decrease (increase) in restricted cash or cash equivalents	130,844	(360,516)
Loan receivable (advance) repayment	-	(209,968)
Long term investments	<u>(8,509)</u>	<u>(4,372)</u>
Net cash provided by (used in) investing activities	<u>122,335</u>	<u>(574,856)</u>
FINANCING ACTIVITIES		
Long-term debt repaid	<u>(32,747)</u>	<u>(50,549)</u>
Net cash provided by (used in) financing activities	<u>(32,747)</u>	<u>(50,549)</u>
CHANGE IN CASH AND CASH EQUIVALENTS – DURING THE YEAR	747,262	1,726,237
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	<u>20,452,248</u>	<u>18,726,011</u>
CASH AND CASH EQUIVALENTS- END OF YEAR	<u>21,199,510</u>	<u>20,452,248</u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash and short term investments (Note 2)	22,475,262	21,858,844
Less: Restricted portion of cash and short term investments (Note 2)	<u>(1,275,752)</u>	<u>(1,406,596)</u>
	<u>21,199,510</u>	<u>20,452,248</u>

FLAGSTAFF COUNTY

SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2012 \$	2011 \$
BALANCE, BEGINNING OF YEAR	<u>6,291,618</u>	<u>19,114,538</u>	<u>71,664,699</u>	<u>97,070,855</u>	<u>91,311,111</u>
Excess (deficiency) of revenues over expenses	5,907,453	-	-	5,907,453	5,759,744
Unrestricted funds designated for future use	(2,805,403)	2,805,403	-	-	-
Restricted funds used for operations	-	-	-	-	-
Restricted funds used for tangible capital assets	-	(1,023,400)	1,023,400	-	-
Current year funds used for tangible capital assets	(5,031,119)	-	5,031,119	-	-
Disposal of tangible capital assets	346,236	1,023,400	(1,369,636)	-	-
Annual amortization expense	3,605,553	-	(3,605,553)	-	-
Long term debt repaid	(32,747)	-	32,747	-	-
Change in accumulated surplus	<u>1,989,973</u>	<u>2,805,403</u>	<u>1,112,077</u>	<u>5,907,453</u>	<u>5,759,744</u>
BALANCE, END OF YEAR	<u>8,281,591</u>	<u>21,919,941</u>	<u>72,776,776</u>	<u>102,978,308</u>	<u>97,070,855</u>



FLAGSTAFF COUNTY

SCHEDULE 2 - SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Land and Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2012	2011
	\$	\$	\$	\$	\$	\$	\$
COST:							
BALANCE - BEGINNING OF YEAR	548,801	8,592,540	110,828,079	12,895,225	3,567,950	136,432,595	130,658,607
Acquisition of tangible capital assets	250,224	35,779	3,133,390	2,231,463	403,663	6,054,519	7,052,528
Disposal of tangible capital assets	-	-	(526,480)	(1,855,846)	(67,917)	(2,450,243)	(1,278,540)
BALANCE - END OF YEAR	<u>799,025</u>	<u>8,628,319</u>	<u>113,434,989</u>	<u>13,270,842</u>	<u>3,903,696</u>	<u>140,036,871</u>	<u>136,432,595</u>
ACCUMULATED AMORTIZATION:							
BALANCE - BEGINNING OF YEAR	-	740,639	58,152,383	3,816,224	1,997,895	64,707,141	62,102,342
Annual amortization	305	177,034	2,312,899	907,780	207,535	3,605,553	3,327,741
Accumulated amortization on disposals	-	-	(208,200)	(804,490)	(67,917)	(1,080,607)	(722,942)
BALANCE - END OF YEAR	<u>305</u>	<u>917,673</u>	<u>60,257,082</u>	<u>3,919,514</u>	<u>2,137,513</u>	<u>67,232,087</u>	<u>64,707,141</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>798,720</u>	<u>7,710,646</u>	<u>53,177,907</u>	<u>9,351,328</u>	<u>1,766,183</u>	<u>72,804,784</u>	<u>71,725,454</u>
2011 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>548,801</u>	<u>7,851,901</u>	<u>52,675,696</u>	<u>9,079,001</u>	<u>1,570,055</u>	<u>71,725,454</u>	

FLAGSTAFF COUNTY

SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget \$ (Unaudited)	2012 \$	2011 \$
TAXATION			
Real property taxes	9,730,983	9,718,932	9,150,979
Linear property taxes	11,700,073	11,730,313	11,077,534
Government grants in place of property taxes	<u>2,331</u>	<u>2,331</u>	<u>1,157</u>
	<u>21,433,387</u>	<u>21,451,576</u>	<u>20,229,670</u>
REQUISITIONS			
Flagstaff Foundation	268,802	268,802	258,532
Alberta Education Funds	<u>3,651,798</u>	<u>3,647,104</u>	<u>3,622,491</u>
	<u>3,920,600</u>	<u>3,915,906</u>	<u>3,881,023</u>
NET MUNICIPAL PROPERTY TAXES	<u>17,512,787</u>	<u>17,535,670</u>	<u>16,348,647</u>

SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget \$ (Unaudited)	2012 \$	2011 \$
TRANSFERS FOR OPERATING:			
Provincial government	1,040,900	912,042	973,928
Other local government	<u>37,735</u>	<u>75,831</u>	<u>19,662</u>
	1,078,635	987,873	993,590
TRANSFERS FOR CAPITAL			
Provincial government	<u>917,413</u>	<u>2,776,144</u>	<u>2,336,211</u>
TOTAL GOVERNMENT TRANSFERS	<u>1,996,048</u>	<u>3,764,017</u>	<u>3,329,801</u>

FLAGSTAFF COUNTY

SCHEDULE 5 –CONSOLIDATED EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget \$ (Unaudited)	2012 \$	2011 \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits .	6,384,930	6,139,992	5,345,004
Contracted and general services	2,673,242	1,878,779	2,822,316
Materials, goods, supplies and utilities	4,493,495	3,117,066	2,448,918
Provision for (recovery of) allowances	2,350	36,146	2,172
Transfers to other governments, local boards and individuals	1,494,615	1,508,992	1,247,876
Bank charges and short-term interest	500	643	83
Interest on long-term debt	-	473	2,391
Amortization of tangible capital assets	3,515,400	3,605,553	3,327,741
Loss on disposal of tangible capital assets	<u>-</u>	<u>369,184</u>	<u>98,499</u>
	<u>18,564,532</u>	<u>16,656,828</u>	<u>15,295,000</u>

FLAGSTAFF COUNTY

SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED

	General Government	Protective Services	Transportation	Waste Management	Family, Community &	Ag Service & Development	Recreation, Parks & Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Net municipal taxes	17,535,670	-	-	-	-	-	-	17,535,670
Sales and user fees	186,661	93,345	170,536	134,667	-	28,082	13,206	626,497
Government transfers	414,469	12,653	2,638,134	-	240,900	225,419	232,442	3,764,017
Investment income	225,009	-	-	-	-	-	-	225,009
Other revenues	333,261	27,224	-	-	-	29,655	-	390,140
	<u>18,695,070</u>	<u>133,222</u>	<u>2,808,670</u>	<u>134,667</u>	<u>240,900</u>	<u>283,156</u>	<u>245,648</u>	<u>22,541,333</u>
EXPENSES								
Salaries, wages and benefits	1,544,645	358,793	3,404,957	134,516	-	575,536	121,545	6,139,992
Contract and general services	806,020	353,261	224,766	75	278,699	187,496	28,462	1,878,779
Materials, goods, supplies and Utilities	163,895	70,142	2,696,021	-	13,448	156,991	16,569	3,117,066
Transfers	-	21,036	4,189	284,566	515,606	70,990	612,605	1,508,992
Other expenses	37,262	-	-	-	-	-	-	37,262
	<u>2,551,822</u>	<u>803,232</u>	<u>6,329,933</u>	<u>419,157</u>	<u>807,753</u>	<u>991,013</u>	<u>779,181</u>	<u>12,682,091</u>
NET REVENUE, BEFORE AMORTIZATION & GAINS OR LOSSES	<u>16,143,248</u>	<u>(670,010)</u>	<u>(3,521,263)</u>	<u>(284,490)</u>	<u>(566,853)</u>	<u>(707,857)</u>	<u>(533,533)</u>	<u>9,859,242</u>
Gain on disposal of capital assets	-	-	22,948	-	-	-	-	22,948
(Loss) on disposal of capital assets	(17,258)	-	(336,110)	-	-	(15,816)	-	(369,184)
Amortization expense	(258,762)	(64,808)	(3,198,956)	-	-	(81,455)	(1,572)	(3,605,553)
NET REVENUE	<u>15,867,228</u>	<u>(734,818)</u>	<u>(7,033,381)</u>	<u>(284,490)</u>	<u>(566,853)</u>	<u>(805,128)</u>	<u>(535,105)</u>	<u>5,907,453</u>

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment. Actual results could differ from these estimates.

A significant area requiring the use of management's estimates was the gravel inventory and the gravel reclamation valuations. Significant changes in the value of gravel and its reclamation costs could result in large changes in inventory and liability amounts.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies adopted as follows:

a. Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, and changes in financial position of the reporting entity which comprises all the organizations that are accountable for the administration of their financial affairs and resources to the council and are owned or controlled by the municipality.

The schedule of taxes levied also includes operating requisitions for many educational, health care, 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 basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred with the exception of pension expenditures as disclosed in Note 1.e.

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.

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

c. Government Transfers

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, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

d. Interest on Long-Term Debt

Interest on long-term debt is recorded as an expenditure as payment is made and is accrued for long-term debt interest payable at the end of the year.

e. Pension Expenditure

The county participates in a multi-employer defined benefit pension plan. The plan is accounted for as a defined contribution plan.

Contributions for current and past service pension benefits are recorded as expenditures in the year in which they become due.

f. Taxes and Grants in Place of Taxes Receivables

Current and arrears taxes and grants in place of taxes receivables consist of current tax levies and tax levies of prior years which remain outstanding at December 31st.

g. Investments

Investments are recorded at cost. Investment premiums and discounts are amortized proportionately over the term of the respective investments. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

h. Inventories of Materials and Supplies

Inventories of materials and supplies are valued at the lower of cost and replacement cost with cost determined by the average cost method.

i. Allowances for Operating Assets

Allowances for asset valuations are netted against the related asset. Increases in allowances are recorded as an expenditure while decreases in allowances are recorded as a revenue in the operating fund.

j. Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowings. These levies are collectible 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.

k. Allowances for Operating Assets

Allowances for asset valuations are netted against the related asset. Increases in allowances are recorded as an expenditure while decreases in allowances are recorded as a revenue in the operating fund.

l. Gravel Reclamation Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the County is required to fund the reclamation of its gravel pits. Closure and post-closure activities include the final clay cover, landscaping and visual inspection. The requirement is being accrued based on the usable tonnes of gravel as it is crushed at these sites and is reduced by reclamation work performed during the year.

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

m. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, accounts with banks and short-term, highly liquid investments.

n. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

The municipality's financial instruments consist of cash, accounts receivable, long-term investments, accounts payable and capital leases. It is administration's opinion that the municipality is not exposed to significant interest or currency risks. The fair values approximate their carrying values, unless otherwise noted.

o. Over-levies and Under-levies

Over-levies and under-levies arise from the difference between the actual 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. When the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property taxes. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

p. 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.

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES -- Continued

p. (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
Buildings	25 - 50
Engineered structures	
Roads	40
Bridges	Variable
Machinery and equipment	5 - 15
Vehicles	10 - 25

The annual amortization charge in the year of acquisition is prorated based on the number of months that the asset was owned during the year. Assets under construction are not amortized until the asset is available for productive use. Assets are not amortized in the year of disposal.

(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.

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

2. CASH AND SHORT TERM INVESTMENTS

	2012	2011
	\$	\$
Cash	<u>22,475,262</u>	<u>21,858,844</u>

Included in cash are the following restricted amounts:

Restricted to cover trust liabilities	13,314	11,201
Received from Provincial grants and held exclusively for Capital projects (Note 7)	<u>1,262,438</u>	<u>1,395,395</u>
	<u>1,275,752</u>	<u>1,406,596</u>

3. TAXES RECEIVABLE

	2012	2011
	\$	\$
Current	395,625	406,004
Arrears	138,360	257,631
Allowance for doubtful accounts	<u>(36,146)</u>	<u>-</u>
	<u>497,839</u>	<u>663,635</u>

4. NOTE RECEIVABLE

	2012	2011
	\$	\$
Receivable regarding communications tower	<u>209,968</u>	<u>209,968</u>

This receivable has a three year grace period commencing in 2011 after which principal payments are due in equal annual instalments over 15 years. There is no interest on the Note. Ownership of the site remains with the County until the Note is paid in full.

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

5. LONG-TERM INVESTMENTS

	2012	2011
	\$	\$
Battle River Credit Union - shared investment plan	411,952	403,443
Alberta Municipal Finance Corporation - shares, at cost	140	140
United Farms of Alberta - co-operative equity	3,109	3,109
AAMD&C - dividend reserve	2,926	2,926
Sedgewick Co-operative - equity	<u>10,000</u>	<u>10,000</u>
	<u>428,127</u>	<u>419,618</u>

6. TRUST FUNDS

The Flagstaff County administers the following trust:

	2012	2011
	\$	\$
Community Reserve	<u>13,314</u>	<u>11,201</u>

7. DEFERRED REVENUE

	2012	2011
	\$	\$
Community Resource Officer	-	(2,600)
FIP	-	6,610
Historical Sites	1,473	1,473
Rescue Unit	70,800	64,081
Grazing program	4,308	4,793
Federal Gas Tax grant / New Deals	601,165	400,485
Alberta Municipal Infrastructure Program	-	169,132
Municipal Sustainability Initiative - Operating	247,534	378,596
Municipal Sustainability Initiative – Capital	<u>661,273</u>	<u>825,778</u>
	<u>1,586,553</u>	<u>1,848,348</u>

Funding in the amount of \$1,262,438 (2011 - \$1,395,395) is from various capital grants. The use of these funds is restricted to eligible capital projects, as approved under the funding agreement, which are scheduled for completion in 2013. Unexpended funds related to the advance are supported by cash of \$1,262,438 (2011 - \$1,395,395) held exclusively for these projects (Note 2).

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

8. EMPLOYEE BENEFIT OBLIGATION

	2012	2011
	\$	\$
Vacation	<u>274,444</u>	<u>236,502</u>

The vacation liability is comprised of the vacation that employees are deferring to future years. Employees have earned the benefits and are entitled to these benefits within the next budgetary year.

9. GRAVEL RECLAMATION LIABILITY

The accrued liability has been estimated for the closure and post-closure of two gravel sites. This cost has been allocated over the usable tonnes of gravel at these sites and is being accrued at the rate of \$0.75 per tonne and is reduced by reclamation work performed during the year.

10. LONG-TERM GRAVEL ROYALTY PAYABLE

	2012	2011
	\$	\$
Gravel royalty agreement are due as follows:	<u>1,271,636</u>	<u>1,200,641</u>

Gravel royalty repayments are due as follows:

2013	-	335,498
2014	-	335,497
2015	-	200,000
2016	-	200,000
2017	-	<u>200,641</u>

\$ 1,271,636

This payable is unsecured and non-interest bearing.

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

11. CAPITAL LEASE OBLIGATION

	2012	2011
	\$	\$
Capital lease obligations	<u>28,008</u>	<u>60,755</u>

The current portion of long term debt amounts to \$28,008 (2011 - \$44,339).

Principal and interest repayments are due as follows:

	Principal	Interest	Total
	\$	\$	\$
2013	<u>28,008</u>	<u>733</u>	<u>28,741</u>
	<u>28,008</u>	<u>733</u>	<u>28,741</u>

The long term debt was borrowed for capital purposes. Capital leases due \$28,008 per annum, bear interest at rates ranging from 0% to 3.7% per annum, and mature 2013. They are secured by equipment with a carrying value of \$35,624. Interest on long term debt amounted to \$473 (2011 - \$2,391). The County's total cash payments for interest in 2012 were \$473 (2011 - \$2,391).

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

12. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by regulation for the municipality be disclosed as follows:

	2012	2011
	\$	\$
Total debt limit	29,682,206	28,077,800
Total debt	<u>28,008</u>	<u>60,755</u>
Amount total debt limit unused	<u>29,654,198</u>	<u>28,017,045</u>
Service on debt limit	4,947,034	4,679,633
Service on debt	<u>28,741</u>	<u>45,230</u>
Amount service on debt limit unused	<u>4,918,293</u>	<u>4,634,403</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 guideline 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.

13. FINANCIAL INSTRUMENTS

Credit Risk

The County is subject to credit risk with respect to taxes and grants in place 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.

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

14. RESERVES

Reserves for operating and capital activities changed as follows:

	2011	Increases	Decreases	2012
	\$	\$	\$	\$
Operating reserves:				
General	12,039,979	-	-	12,039,979
Administration	162,526	-	-	162,526
Special projects	1,134,891	361,187	-	1,496,078
Fire	30,000	-	-	30,000
Ambulance	25,723	-	-	25,723
Emergency road repair	40,000	-	-	40,000
Public works - gravel	1,250,000	1,200,000	-	2,450,000
Agriculture	278,969	-	-	278,969
Economic development	261,467	-	-	261,467
Recreation	177,576	23,600	-	201,176
Cemetery grants	-	30,185	-	30,185
	<u>15,401,131</u>	<u>1,614,972</u>	<u>-</u>	<u>17,016,103</u>
Capital reserves:				
General equipment	1,693,423	215,231	-	1,908,654
Public works	780,744	610,800	-	1,391,544
Shop/grader shed	699,000	164,000	-	863,000
Fire	307,072	133,500	-	440,572
Office building	233,168	66,900	-	300,068
	<u>3,713,407</u>	<u>1,190,431</u>	<u>-</u>	<u>4,903,838</u>
Total	<u>19,114,538</u>	<u>2,805,403</u>	<u>-</u>	<u>21,919,941</u>

15. EQUITY IN TANGIBLE CAPITAL ASSETS

	2012	2011
	\$	\$
Tangible capital assets (Schedule 2)	140,036,871	136,432,595
Accumulated amortization (Schedule 2)	(67,232,087)	(64,707,141)
Capital long term debt (Note 11)	<u>(28,008)</u>	<u>(60,755)</u>
	<u>72,776,776</u>	<u>71,664,699</u>

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

16. SALARY & BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by provincial regulation is as follows:

	-----2012			2011
	Salary(1)	Benefits Allowances(2&3)	Total	Total
	\$	\$	\$	\$
Councillor Division 1	35,000	4,110	39,110	32,418
Councillor Division 2	35,583	4,779	40,362	33,358
Councillor Division 3	37,917	4,699	42,616	38,935
Councillor Division 4	35,000	4,699	39,699	33,358
Councillor Division 5	35,000	4,699	39,699	33,358
Councillor Division 6	35,000	4,699	39,699	33,358
Councillor Division 7	35,000	4,699	39,699	33,358
Chief Administrative Officer	166,260	29,070	195,330	161,270
Designated Officer (1 position)	110,658	21,613	132,271	123,575

- (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 planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

17. LOCAL AUTHORITIES PENSION PLAN

Employees of the Flagstaff County participate in the Local Authorities Pension Plan (L.A.P.P.), which is covered by the Public Sector Pension Plans Act. The plan serves about 214,328 people and 423 employers. It is financed by employer and employee contributions and investment earnings of the L.A.P.P. Fund.

Contributions for current service are recorded as expenditures in the year in which they become due. The Flagstaff County is required to make current service contributions to the Plan of 9.91% of pensionable earnings up to the CPP maximum reasonable earnings and 13.74% of any excess earnings. Employees of the Flagstaff County are required to make current service contributions of 8.91% of pensionable salary up to the year's maximum pensionable salary and 12.74% on pensionable salary above this amount.

Total current and past service contributions by the Flagstaff County to the Local Authorities Pension Plan in 2012 were \$385,638 (2011 - \$306,997). Total current and past service contributions by the employees of the Flagstaff County to the Local Authorities Pension Plan in 2012 were \$351,554 (2011 - \$278,359).

At December 31, 2011 the Plan disclosed an actuarial deficiency of \$4.6 billion.

18. CONTINGENCIES

The Flagstaff County is a member of the Genesis Reciprocal Insurance Exchange. Under the terms of membership, the Flagstaff 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 Flagstaff County, and all other incorporated municipalities within the geographical boundaries of the Flagstaff County provide funds for the operation of the Waste Management Authority. The Authority is accumulating reserves to fund any future site cleanup obligations. The member municipalities may be liable for future costs in excess of the reserves.

The Flagstaff County through joint agreement provide funds for the operation of the Family and Community Support services. The amounts presented in this financial statement represent only the Flagstaff County portion of contributions made to F.C.S.S.

19. COMMITMENTS

The County is committed to the following payments subsequent to year end:

Heavy equipment	\$1,419,480
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FLAGSTAFF COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

20. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

21. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2012 were approved by Council on April 25, 2012 and are for information purposes. These amounts have not been audited.