

**COUNTY OF PAINTEARTH NO. 18
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

**COUNTY OF PAINT EARTH NO. 18
FINANCIAL STATEMENTS
DECEMBER 31, 2013**

CONTENTS

	Page
AUDITOR'S REPORT	2
FINANCIAL STATEMENTS	
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 - 19

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, 2013 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, 2013, 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 6, 2014


CHARTERED ACCOUNTANTS

COUNTY OF PAINT EARTH NO. 18
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	2013	2012 (Restated)
FINANCIAL ASSETS		
Cash (Note 2)	\$ 10,944,785	\$ 10,973,042
Receivables		
Taxes and grants in place of taxes (Note 3)	1,026,841	566,071
Trade and other receivables	180,535	166,762
Receivables from other governments	238,855	468,206
Land inventory held for resale	784,668	766,483
Investments (Note 4)	<u>2,851</u>	<u>4,273</u>
	<u>13,178,535</u>	<u>12,944,837</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,564,714	1,610,106
Deferred revenue (Note 5)	1,654,231	1,637,857
Gravel reclamation payable	425,654	490,082
Long-term debt (Note 6)	<u>3,144,028</u>	<u>3,610,695</u>
	<u>6,788,627</u>	<u>7,348,740</u>
	<u>6,389,908</u>	<u>5,596,097</u>
NET FINANCIAL ASSETS		
NON-FINANCIAL ASSETS		
Tangible capital assets	45,389,849	44,105,013
Inventory for consumption	7,233,006	7,308,205
Prepaid expenses	263,272	203,590
Gravel reserves for development	<u>1,435,435</u>	<u>1,435,435</u>
	<u>54,321,562</u>	<u>53,052,243</u>
ACCUMULATED SURPLUS	<u>\$ 60,711,470</u>	<u>\$ 58,648,340</u>

COMMITMENTS (SEE NOTE 12)

COUNTY OF PAINT EARTH NO. 18
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget (Unaudited)	2013	2012 (Restated)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 10,410,120	\$ 10,400,224	\$ 10,178,955
User fees and sale of goods	231,320	585,867	434,620
Government transfers for operating (Schedule 3)	848,774	858,015	869,045
Investment income	150,000	148,574	148,577
Penalties and costs on taxes	70,000	154,654	88,911
Licenses and permits	154,500	124,119	143,454
Insurance proceeds			4,731
Other	11,530	54,616	16,887
Gain on disposal of tangible capital assets		<u>5,675</u>	
Total Revenue	<u>11,876,244</u>	<u>12,331,744</u>	<u>11,885,180</u>
EXPENSES			
Legislative	307,970	257,961	301,373
Administration	1,729,400	1,633,001	2,211,651
Protective services	277,071	296,945	258,684
Transportation	7,463,107	8,476,315	6,493,050
Water supply and distribution	534,900	479,898	644,827
Wastewater treatment and disposal	72	72	72
Public health and welfare	217,012	196,761	201,588
Land use planning, zoning and development	224,530	302,559	255,428
Economic/agricultural development	562,150	505,751	471,425
Parks and recreation	316,040	340,326	304,833
Culture	<u>38,030</u>	<u>30,950</u>	<u>37,148</u>
Total Expenses	<u>11,670,282</u>	<u>12,520,539</u>	<u>11,180,079</u>
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	205,962	(188,795)	705,101
Government transfers for capital (Schedule 3)	<u>2,528,324</u>	<u>2,251,923</u>	<u>2,171,158</u>
EXCESS OF REVENUE OVER EXPENSES	2,734,286	2,063,128	2,876,259
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>58,648,340</u>	<u>58,648,340</u>	<u>55,772,081</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 61,382,626</u>	<u>\$ 60,711,468</u>	<u>\$ 58,648,340</u>

COUNTY OF PAINT EARTH NO. 18
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget (Unaudited)	2013	2012 (Restated)
EXCESS OF REVENUE OVER EXPENSES			
	\$ 2,734,286	\$ 2,063,128	\$ 2,876,259
Acquisition of tangible capital assets	(4,389,079)	(3,874,505)	(5,537,825)
Proceeds on sale of tangible capital assets	457,500	314,630	239,219
Amortization of tangible capital assets	1,934,062	2,246,044	1,933,567
(Gain) loss on sale of tangible capital assets	<u> </u>	<u>28,992</u>	<u>41,862</u>
	<u>(1,997,517)</u>	<u>(1,284,839)</u>	<u>(3,323,177)</u>
Change in decrease(increase) in prepaid expenses		(59,682)	(62,212)
Change in decrease (increase) in inventory for consumption		<u>75,199</u>	<u>405,127</u>
		<u>15,517</u>	<u>342,915</u>
(INCREASE) DECREASE IN NET DEBT	736,769	793,806	(104,003)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>5,596,097</u>	<u>5,596,097</u>	<u>5,700,100</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 6,332,866</u>	<u>\$ 6,389,903</u>	<u>\$ 5,596,097</u>

COUNTY OF PAINT EARTH NO. 18
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012 (Restated)
NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 2,063,128	\$ 2,876,259
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization	2,246,044	1,933,567
Loss on disposal of tangible capital assets	<u>28,992</u>	<u>41,862</u>
	4,338,164	4,851,688
Changes in net financial asset(debt) items:		
Decrease (increase) in taxes and grants in place of taxes receivables	(460,770)	(241,523)
Decrease(increase) in trade and other receivables	(13,743)	(78,840)
Decrease(increase) in receivables from other governments	229,351	1,628,586
Decrease (increase) in land inventory held for resale	(18,185)	(33,498)
Decrease (increase) in inventory	75,199	405,127
Decrease(increase) in prepaid expenses	(59,682)	(62,212)
Decrease (increase) in long term investments	1,422	(1,549)
Increase(decrease) in accounts payable and accrued liabilities	(109,845)	90,699
Increase(decrease) in deferred revenue	<u>16,374</u>	<u>(637,096)</u>
Cash provided by (applied to) operating transactions	<u>3,998,285</u>	<u>5,921,382</u>
CAPITAL		
Acquisition of tangible capital assets	(3,874,505)	(5,481,315)
Proceeds on sale of tangible capital assets	<u>314,630</u>	<u>239,219</u>
Cash provided by (applied to) capital transactions	<u>(3,559,875)</u>	<u>(5,242,096)</u>
FINANCING		
Repayment on loans	<u>(466,667)</u>	<u>(455,971)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(28,257)	223,315
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>10,973,042</u>	<u>10,749,727</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,944,785</u>	<u>\$ 10,973,042</u>
Cash and cash equivalents is made up of:		
Cash (Note 2)	<u>\$ 10,944,785</u>	<u>\$ 10,973,042</u>

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2013	2012 (Restated)
COST:								
BALANCE, BEGINNING OF YEAR	\$ 1,107,323	\$ 695,001	\$ 4,892,648	\$ 43,515,757	\$ 11,216,224	\$ 4,054,653	\$ 65,481,606	\$ 60,683,481
Acquisition of tangible capital assets	26,666		108,823	1,885,314	1,356,678	480,139	3,857,620	5,537,825
Construction-in-progress				16,885			16,885	
Disposal of tangible capital assets					(387,239)	(164,402)	(551,641)	(739,700)
BALANCE, END OF YEAR	<u>1,133,989</u>	<u>695,001</u>	<u>5,001,471</u>	<u>45,417,956</u>	<u>12,185,663</u>	<u>4,370,390</u>	<u>68,804,470</u>	<u>65,481,606</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	9,728	173,285	543,818	15,975,115	3,378,014	1,296,635	21,376,595	19,901,648
Annual amortization	7,967	26,212	100,248	956,109	856,508	299,000	2,246,044	1,933,567
Accumulated amortization adjustments					(165,039)	(42,979)	(208,018)	(458,620)
BALANCE, END OF YEAR	<u>17,695</u>	<u>199,497</u>	<u>644,066</u>	<u>16,931,224</u>	<u>4,069,483</u>	<u>1,552,656</u>	<u>23,414,621</u>	<u>21,376,595</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,116,294</u>	<u>\$ 495,504</u>	<u>\$ 4,357,405</u>	<u>\$ 28,486,732</u>	<u>\$ 8,116,180</u>	<u>\$ 2,817,734</u>	<u>\$ 45,389,849</u>	<u>\$ 44,105,011</u>

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2013
Schedule 2

	Budget (Unaudited)	2013	2012
TAXATION			
Residential land and improvement taxes	\$ 5,689,414	\$ 5,679,478	\$ 5,459,910
Non-residential linear property taxes	<u>7,403,344</u>	<u>7,403,384</u>	<u>7,236,122</u>
	<u>13,092,758</u>	<u>13,082,862</u>	<u>12,696,032</u>
REQUISITIONS			
Alberta School Foundation Fund	2,183,468	2,183,468	2,128,634
Seniors requisition	<u>499,170</u>	<u>499,170</u>	<u>388,443</u>
	<u>2,682,638</u>	<u>2,682,638</u>	<u>2,517,077</u>
NET MUNICIPAL TAXES	<u>\$ 10,410,120</u>	<u>\$ 10,400,224</u>	<u>\$ 10,178,955</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2013
Schedule 3

	Budget (Unaudited)	2013	2012
TRANSFERS FOR OPERATING			
Provincial government	\$ 848,774	\$ 837,765	\$ 862,816
Local governments	<u> </u>	<u>20,250</u>	<u>6,229</u>
	<u>848,774</u>	<u>858,015</u>	<u>869,045</u>
TRANSFERS FOR CAPITAL			
Provincial government	2,528,324	2,132,849	1,696,757
Federal government	<u> </u>	<u>119,074</u>	<u>474,401</u>
	<u>2,528,324</u>	<u>2,251,923</u>	<u>2,171,158</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 3,377,098</u>	<u>\$ 3,109,938</u>	<u>\$ 3,040,203</u>

COUNTY OF PAINT EARTH NO. 18
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2013

Schedule 4

	Budget (Unaudited)	2013	2012 (Restated)
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 4,771,406	\$ 4,143,353	\$ 3,654,557
Contracted and general services	1,514,960	1,149,614	1,017,436
Materials, goods, supplies and utilities	2,430,616	3,985,604	2,928,441
Provision for allowances	7,000	5,887	1,617
Transfers to other government			205,686
Transfers to local boards and agencies		10,899	556,756
Transfers to individuals and organizations	806,488	758,875	724,023
Bank charges and short term interest	130,000	105,499	116,134
Amortization of tangible capital assets	1,934,062	2,246,045	1,933,567
Loss on disposal of tangible capital assets	73,750	34,666	41,862
Other expenses	2,000	80,097	
	<u>\$ 11,670,282</u>	<u>\$ 12,520,539</u>	<u>\$ 11,180,079</u>

COUNTY OF PAINTEARTH NO. 18
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2013

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2013	2012 Restated
BALANCE, BEGINNING OF YEAR	\$ 893,836	\$ 14,243,115	\$ 43,511,391	\$ 58,648,342	\$ 55,772,081
Excess of revenues over expenses	2,063,128			2,063,128	2,876,259
Unrestricted funds designated for future use	(1,119,711)	1,119,711			
Restricted funds used for operations	41,205	(41,205)			
Effect of prior period adjustments	(593,619)		593,619		
Current year funds used for tangible capital assets	(3,874,505)		3,874,505		
Disposal of tangible capital assets	343,621		(343,621)		
Annual amortization expense	2,246,045		(2,246,045)		
Change in accumulated surplus	(893,836)	1,078,506	1,878,458	2,063,128	2,876,259
BALANCE, END OF YEAR	\$	\$ 15,321,621	\$ 45,389,849	\$ 60,711,470	\$ 58,648,340

COUNTY OF PAINTEARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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, 2013

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, 2013

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	45-75
Water system	45-75
Wastewater system	10-75
Other engineered structures	5-20
Machinery and equipment	Unit of
Heavy equipment	output(hours)
	10-25
Vehicles	

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, 2013

2. CASH

	<u>2013</u>	<u>2012</u>
Cash	\$ <u>10,944,785</u>	\$ <u>10,973,042</u>

Included in the cash account are restricted amount of \$1,654,231 (2012 - \$1,637,857) 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

	<u>2013</u>	<u>2012</u>
Current taxes and grants in place receivables	\$ 517,427	\$ 291,739
Arrears taxes	<u>511,290</u>	<u>286,344</u>
	1,028,717	578,083
Less: allowance for doubtful accounts	<u>(1,876)</u>	<u>(12,012)</u>
	<u>\$ 1,026,841</u>	<u>\$ 566,071</u>

4. INVESTMENTS

	<u>2013</u>		<u>2012</u>	
	Cost	Market Value	Cost	Market Value
AAMD&C	<u>\$ 2,851</u>	<u>\$ 2,851</u>	<u>\$ 4,273</u>	<u>\$ 4,273</u>

5. DEFERRED REVENUE

	<u>2013</u>	<u>2012</u>
Municipal Sustainability Initiative	\$ 1,653,846	\$ 1,637,472
Burma Park Donation	<u>385</u>	<u>385</u>
	<u>\$ 1,654,231</u>	<u>\$ 1,637,857</u>

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 PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

6. LONG TERM DEBT

	<u>2013</u>	<u>2012</u>
Tax supported loans	\$ <u>3,144,028</u>	\$ <u>3,610,695</u>

The current portion of the long-term debt amounts to \$466,667 (2012 - \$466,667)

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 466,667	\$ 94,321	\$ 560,988
2015	466,667	80,321	546,988
2016	466,667	66,321	532,988
2017	466,667	52,321	518,988
2018	466,667	38,321	504,988
Thereafter	<u>810,693</u>	<u>34,642</u>	<u>845,335</u>
	<u>\$ 3,144,028</u>	<u>\$ 366,247</u>	<u>\$ 3,510,275</u>

ATB financial loan bears interest at prime rate 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 \$113,289 (2012 - \$135,426).

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>2013</u>	<u>2012</u>
Total debt limit	\$ 18,497,616	\$ 17,827,770
Total debt	<u>3,144,028</u>	<u>3,610,695</u>
Amount of debit limit unused	<u>\$ 15,353,588</u>	<u>\$ 14,217,075</u>
Debt servicing limit	\$ 3,082,936	\$ 2,971,295
Debt servicing	<u>560,988</u>	<u>581,867</u>
Amount of debt servicing limit unused	<u>\$ 2,521,948</u>	<u>\$ 2,389,428</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, 2013

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2013</u>	<u>2012</u>
Tangible capital assets	\$ 68,804,470	\$ 65,481,606
Accumulated amortization	<u>(23,414,621)</u>	<u>(21,376,595)</u>
	<u>\$ 45,389,849</u>	<u>\$ 44,105,011</u>

9. ACCUMULATED SURPLUS

	<u>2013</u>	<u>2012</u>
Unrestricted surplus	\$	\$ 300,215
Restricted surplus:		
Operating:		
General legislative	1,085,812	1,082,917
General administration	209,179	209,179
Roads, streets, walks, lighting	2,909,915	2,523,915
Culture	10,000	10,000
Subdivision land and development	1,867,928	1,867,928
Operating contingency	130,000	130,000
Capital:		
Administration	121,889	43,732
Fire fighting & preventive services	843,071	822,600
Roads, streets, walks, lighting	3,029,337	2,575,871
Water and wastewater	4,203,207	4,075,798
Economic development	55,296	50,340
Agricultural services	736,762	699,131
Recreation, parks and culture	119,222	151,702
Equity in Tangible Capital Assets	<u>45,389,849</u>	<u>44,105,011</u>
	<u>\$ 60,711,467</u>	<u>\$ 58,648,339</u>

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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:

	2013			2012
	<u>Salary</u>	<u>Benefits & allowances</u>	<u>Total</u>	<u>Total</u>
Councillors:				
Reeve Glazier	\$ 35,750	\$ 5,338	\$ 41,088	\$ 36,763
Councillor Bunbury	19,030	1,104	20,134	17,831
Councillor Dahmer	15,530	4,141	19,671	18,311
Councillor Elliott	22,365	4,646	27,011	20,324
Councillor Hewitt	18,980	4,337	23,317	20,803
Councillor Nibourg	11,850	3,379	15,229	17,445
Councillor Weber	20,940	3,666	24,606	25,446
Councillor Blumhagen	3,050	715	3,765	
Chief Administrative Officer	158,267	31,126	189,393	172,127
Designated Officer (2 Positions)	133,520	5,935	139,455	102,368

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 PAINTEARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 223,643 people and 428 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The county is required to make current service contributions to the LAPP of 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.47% on pensionable earnings above this amount. Employees of the county are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

Total current service contributions by the county to the LAPP in 2013 were \$280,821 (2012 - \$241,812). Total current service contributions by the employees of the county to the Local Authorities Pension Plan in 2013 were \$256,481 (2012 - \$216,420).

At December 31, 2013, the LAPP disclosed an actuarial deficiency of \$4.98 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.

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, 2013 the Co-op was indebted for \$NIL (2012 - \$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 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.

13. FINANCIAL INSTRUMENTS

The county's financial instruments consist of cash, 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.

COUNTY OF PAINT EARTH NO. 18
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

14. PRIOR PERIOD ADJUSTMENTS

The county has restated its financial statements as a result of the reclassification and recognition of various items including; reclassification of industrial subdivision land from land held for resale and the corresponding amortization, to be allocated based on the removal of the asset, the acquisition and amortization of a tangible capital asset not previously recognized, inclusion of additional costs associated with gravel reclamation not previously recorded, the modification and amendment to amortization based on the review of the originally determined useful life of agricultural service board equipment and an adjustment to increase deferred revenue as a result of the amendment to the annual statement of funding and expenditures as reviewed and approved by municipal affairs. As a result land held for resale decreased by \$597,546, deferred revenue increased by \$9,439, gravel reclamation payable increased by \$40,307, tangible capital assets increased by \$593,621, total expenses increased by \$65,403, and overall accumulated surplus was reduced by \$63,672 as a result of the various adjustments.

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.
