



Gitzel Krejci Dand Peterson

CHARTERED ACCOUNTANTS

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FLAGSTAFF COUNTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

FLAGSTAFF COUNTY
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013

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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, 2013, 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, 2013, 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.

Stettler, Alberta

April 16, 2014

Gitzel Krejci Dand Peterson
CHARTERED ACCOUNTANTS

FLAGSTAFF COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	2013	2012
	\$	\$
FINANCIAL ASSETS		
Cash and short term investments (Note 2)	24,284,546	22,475,262
Taxes and grants in place of taxes receivable (Note 3)	1,000,541	497,839
Trade and other receivables	1,385,086	1,745,976
Note receivable (Note 4)	209,968	209,968
Long-term investments (Note 5)	<u>444,700</u>	<u>428,127</u>
	<u>27,324,841</u>	<u>25,357,172</u>
LIABILITIES		
Accounts payable and accrued liabilities	873,750	727,198
Deposit liabilities	280,270	255,270
Employee benefit obligation (Note 8)	285,946	274,444
Trust funds (Note 6)	18,873	13,314
Deferred revenue (Note 7)	2,187,306	1,586,553
Gravel reclamation liability (Note 9)	518,924	516,379
Long-term gravel royalties payable (Note 10)	936,138	1,271,636
Capital lease obligation (Note 11)	<u>65,300</u>	<u>28,008</u>
	<u>5,166,507</u>	<u>4,672,802</u>
NET FINANCIAL ASSETS (DEBT)	<u>22,158,334</u>	<u>20,684,370</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	74,102,940	72,804,784
Inventory of materials and supplies	11,126,986	9,364,643
Prepaid expenses	<u>153,506</u>	<u>124,511</u>
	<u>85,383,432</u>	<u>82,293,938</u>
ACCUMULATED SURPLUS (Schedule 1)	<u>107,541,766</u>	<u>102,978,308</u>
Contingencies - See Note 18		

FLAGSTAFF COUNTY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget \$ (Unaudited)	2013 \$	2012 \$
REVENUES			
Net municipal property taxes (Schedule 3)	18,660,213	18,633,241	17,535,670
Sales and user fees	765,510	1,249,362	626,497
Government transfers for operating (Schedule 4)	950,559	950,056	987,873
Investment income	185,000	257,820	225,009
Penalties and costs on taxes	100,000	189,065	215,340
Licenses and permits	65,000	120,567	111,711
Rentals	16,200	19,773	19,329
Gain on disposal of tangible capital assets	-	101,343	22,948
Fines and other	61,500	73,589	43,760
Total revenue	<u>20,803,982</u>	<u>21,594,816</u>	<u>19,788,137</u>
EXPENSES (Schedule 5)			
Legislative	376,255	345,678	341,064
Administration	2,795,775	2,602,246	2,486,778
Protective services	1,028,890	961,668	868,040
Public works	11,675,325	11,714,206	9,864,999
Waste management	443,189	442,849	419,157
Family, Community and Public Health	610,359	557,732	807,753
Ag services and development	1,330,560	1,272,967	1,088,284
Recreation, parks and culture	984,920	1,008,331	780,753
Total expenses	<u>19,245,273</u>	<u>18,905,677</u>	<u>16,656,828</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER	1,558,709	2,689,139	3,131,309
OTHER			
Government transfers for capital (Schedule 4)	<u>1,533,561</u>	<u>1,874,319</u>	<u>2,776,144</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	3,092,270	4,563,458	5,907,453
ACCUMULATED SURPLUS – BEGINNING OF YEAR	<u>102,978,308</u>	<u>102,978,308</u>	<u>97,070,855</u>
ACCUMULATED SURPLUS – END OF YEAR	<u>106,070,578</u>	<u>107,541,766</u>	<u>102,978,308</u>

FLAGSTAFF COUNTY

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget \$ (Unaudited)	2013 \$	2012 \$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	<u>3,092,270</u>	<u>4,563,458</u>	<u>5,907,453</u>
Acquisition of tangible capital assets	(6,680,791)	(6,152,610)	(6,054,519)
Proceeds on disposal of tangible capital assets	709,450	740,219	1,023,400
Amortization of tangible capital assets	3,784,300	3,728,699	3,605,553
Net (Gain) loss on sale of tangible capital assets	<u>-</u>	<u>385,536</u>	<u>346,236</u>
	<u>(2,187,041)</u>	<u>(1,298,156)</u>	<u>(1,079,330)</u>
Net use (acquisition) of supplies inventories	(1,137,375)	(1,762,343)	(3,397,132)
Net use (acquisition) of prepaid assets	<u>-</u>	<u>(28,995)</u>	<u>106,940</u>
	<u>(1,137,375)</u>	<u>(1,791,338)</u>	<u>(3,290,192)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(232,146)	1,473,964	1,537,931
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	<u>20,684,370</u>	<u>20,684,370</u>	<u>19,146,439</u>
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	<u>20,452,224</u>	<u>22,158,334</u>	<u>20,684,370</u>

FLAGSTAFF COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
	\$	\$
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	4,563,458	5,907,453
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	3,728,699	3,605,553
Net (gain) loss on disposal of tangible capital assets	385,536	346,236
Non-cash changes to operations (net change):		
Taxes and trade receivables	(141,812)	(989,972)
Prepaid expenses	(28,995)	106,940
Inventory	(1,762,343)	(3,397,132)
Accounts payable and accrued liabilities	183,054	155,186
Trust funds	5,559	2,113
Deferred revenue	600,753	(261,795)
Long term gravel royalties payable	(335,498)	70,995
Gravel reclamation liability	<u>2,545</u>	<u>143,216</u>
Net cash provided by (used in) operating activities	<u>7,200,956</u>	<u>5,688,793</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(6,152,610)	(6,054,519)
Proceeds on sale of tangible capital assets	<u>740,219</u>	<u>1,023,400</u>
Cash applied to capital transactions	<u>(5,412,391)</u>	<u>(5,031,119)</u>
INVESTING ACTIVITIES		
Decrease (increase) in restricted cash or cash equivalents	(768,897)	130,844
Long term investments	<u>(16,573)</u>	<u>(8,509)</u>
Net cash provided by (used in) investing activities	<u>(785,470)</u>	<u>122,335</u>
FINANCING ACTIVITIES		
Capital lease obligation issued	80,554	-
Capital lease obligation repaid	<u>(43,262)</u>	<u>(32,747)</u>
Net cash provided by (used in) financing activities	<u>37,292</u>	<u>(32,747)</u>
CHANGE IN CASH AND CASH EQUIVALENTS – DURING THE YEAR	1,040,387	747,262
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	<u>21,199,510</u>	<u>20,452,248</u>
CASH AND CASH EQUIVALENTS- END OF YEAR	<u>22,239,897</u>	<u>21,199,510</u>
CASH AND CASH EQUIVALENTS:		
Cash and short term investments (Note 2)	24,284,546	22,475,262
Less: Restricted portion of cash and short term investments (Note 2)	<u>(2,044,649)</u>	<u>(1,275,752)</u>
	<u>22,239,897</u>	<u>21,199,510</u>

FLAGSTAFF COUNTY

SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2013 \$	2012 \$
BALANCE, BEGINNING 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>
Excess (deficiency) of revenues over expenses	4,563,458	-	-	4,563,458	5,907,453
Unrestricted funds designated for future use	(2,306,500)	2,306,500	-	-	-
Restricted funds used for operations	580,892	(580,892)	-	-	-
Restricted funds used for tangible capital assets	-	(740,219)	740,219	-	-
Current year funds used for tangible capital assets	(5,412,391)	-	5,412,391	-	-
Disposal of tangible capital assets	385,536	740,219	(1,125,755)	-	-
Annual amortization expense	3,728,699	-	(3,728,699)	-	-
Capital lease obligation issued	80,554	-	(80,554)	-	-
Capital lease obligation repaid	(43,262)	-	43,262	-	-
Change in accumulated surplus	<u>1,576,986</u>	<u>1,725,608</u>	<u>1,260,864</u>	<u>4,563,458</u>	<u>5,907,453</u>
BALANCE, END OF YEAR	<u><u>9,858,577</u></u>	<u><u>23,645,549</u></u>	<u><u>74,037,640</u></u>	<u><u>107,541,766</u></u>	<u><u>102,978,308</u></u>

FLAGSTAFF COUNTY

SCHEDULE 2 - SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Land and Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2013	2012
	\$	\$	\$	\$	\$	\$	\$
COST:							
BALANCE - BEGINNING OF YEAR	799,025	8,628,319	113,434,989	13,270,842	3,903,696	140,036,871	136,432,595
Acquisition of tangible capital assets	53,994	10,138	3,626,123	2,065,426	396,929	6,152,610	6,054,519
Disposal of tangible capital assets	-	-	(725,846)	(1,409,600)	(101,538)	(2,236,984)	(2,450,243)
BALANCE - END OF YEAR	<u>853,019</u>	<u>8,638,457</u>	<u>116,335,266</u>	<u>13,926,668</u>	<u>4,199,087</u>	<u>143,952,497</u>	<u>140,036,871</u>
ACCUMULATED AMORTIZATION:							
BALANCE - BEGINNING OF YEAR	305	917,673	60,257,082	3,919,514	2,137,513	67,232,087	64,707,141
Annual amortization	916	180,104	2,325,247	983,409	239,023	3,728,699	3,605,553
Accumulated amortization on disposals	-	-	(289,253)	(725,438)	(96,538)	(1,111,229)	(1,080,607)
BALANCE - END OF YEAR	<u>1,221</u>	<u>1,097,777</u>	<u>62,293,076</u>	<u>4,177,485</u>	<u>2,279,998</u>	<u>69,849,557</u>	<u>67,232,087</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>851,798</u>	<u>7,540,680</u>	<u>54,042,190</u>	<u>9,749,183</u>	<u>1,919,089</u>	<u>74,102,940</u>	<u>72,804,784</u>
2012 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>	

FLAGSTAFF COUNTY
SCHEDULE 3 – PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget \$ (Unaudited)	2013 \$	2012 \$
TAXATION			
Real property taxes	10,291,083	10,267,839	9,718,932
Linear property taxes	12,453,257	12,454,808	11,730,313
Government grants in place of property taxes	<u>2,645</u>	<u>2,662</u>	<u>2,331</u>
	<u>22,746,985</u>	<u>22,725,309</u>	<u>21,451,576</u>
REQUISITIONS			
Flagstaff Foundation	288,907	288,907	268,802
Alberta Education Funds	<u>3,797,865</u>	<u>3,803,161</u>	<u>3,647,104</u>
	<u>4,086,772</u>	<u>4,092,068</u>	<u>3,915,906</u>
NET MUNICIPAL PROPERTY TAXES	<u>18,660,213</u>	<u>18,633,241</u>	<u>17,535,670</u>

SCHEDULE 4 – GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget \$ (Unaudited)	2013 \$	2012 \$
TRANSFERS FOR OPERATING:			
Provincial government	929,559	929,340	912,042
Other local government	<u>21,000</u>	<u>20,716</u>	<u>75,831</u>
	950,559	950,056	987,873
TRANSFERS FOR CAPITAL			
Provincial government	<u>1,533,561</u>	<u>1,874,319</u>	<u>2,776,144</u>
TOTAL GOVERNMENT TRANSFERS	<u>2,484,120</u>	<u>2,824,375</u>	<u>3,764,017</u>

FLAGSTAFF COUNTY

SCHEDULE 5 –CONSOLIDATED EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget \$ (Unaudited)	2013 \$	2012 \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	6,762,065	6,656,574	6,139,992
Contracted and general services	3,174,769	2,580,164	1,878,779
Materials, goods, supplies and utilities	4,317,750	4,170,879	3,117,066
Provision for (recovery of) allowances	1,500	-	36,146
Transfers to other governments, local boards and individuals	1,192,689	1,280,230	1,508,992
Bank charges and short-term interest	500	670	643
Interest on long-term debt	-	1,582	473
Amortization of tangible capital assets	3,796,000	3,728,699	3,605,553
Loss on disposal of tangible capital assets	-	486,879	369,184
	<u>19,245,273</u>	<u>18,905,677</u>	<u>16,656,828</u>

FLAGSTAFF COUNTY

SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED

	General Government	Protective Services	Transportation	Water & Waste Management	Family, Community & Public Health	Ag Service & Development	Recreation, Parks & Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Net municipal taxes	18,633,241	-	-	-	-	-	-	18,633,241
Sales and user fees	189,914	128,238	725,190	139,500	-	30,089	36,431	1,249,362
Government transfers	45,389	103,324	1,803,792	-	454,167	246,029	171,674	2,824,375
Investment income	257,820	-	-	-	-	-	-	257,820
Other revenues	<u>365,481</u>	<u>18,324</u>	<u>2,528,982</u>	<u>139,500</u>	<u>454,167</u>	<u>19,189</u>	<u>208,105</u>	<u>402,994</u>
	<u>19,491,845</u>	<u>249,886</u>	<u>2,528,982</u>	<u>139,500</u>	<u>454,167</u>	<u>295,307</u>	<u>208,105</u>	<u>23,367,792</u>
EXPENSES								
Salaries, wages and benefits	1,511,488	385,109	3,785,039	138,200	-	654,699	182,039	6,656,574
Contract and general services	989,828	435,547	613,970	35	252,744	231,956	56,084	2,580,164
Materials, goods, supplies and								
Utilities	158,953	62,024	3,544,921	1,925	13,601	290,303	99,152	4,170,879
Transfers	-	19,464	8,150	302,689	287,730	10,990	651,207	1,280,230
Other expenses	2,252	-	-	-	-	-	-	2,252
	<u>2,662,521</u>	<u>902,144</u>	<u>7,952,080</u>	<u>442,849</u>	<u>554,075</u>	<u>1,187,948</u>	<u>988,482</u>	<u>14,690,099</u>
NET REVENUE, BEFORE AMORTIZATION & GAINS OR LOSSES	16,829,324	(652,258)	(5,423,098)	(303,349)	(99,908)	(892,641)	(780,377)	8,677,693
Gain on disposal of capital assets	7,386	7,350	86,607	-	-	-	-	101,343
(Loss) on disposal of capital assets	(39,713)	-	(440,155)	-	-	(7,011)	-	(486,879)
Amortization expense	<u>(245,690)</u>	<u>(59,524)</u>	<u>(3,279,515)</u>	<u>(42,456)</u>	<u>(3,657)</u>	<u>(78,008)</u>	<u>(19,849)</u>	<u>(3,728,699)</u>
EXCESS OF REVENUE OVER EXPENSES (Note 20)	<u>16,551,307</u>	<u>(704,432)</u>	<u>(9,056,161)</u>	<u>(345,805)</u>	<u>(103,565)</u>	<u>(977,660)</u>	<u>(800,226)</u>	<u>4,563,458</u>

FLAGSTAFF COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013

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, 2013

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. 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.

k. Cash and Cash Equivalents

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

l. 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.

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

m. 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.

n. 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.

o. (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 pro-rated 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, 2013

2. CASH AND SHORT TERM INVESTMENTS

	2013	2012
	\$	\$
Cash	<u>24,284,546</u>	<u>22,475,262</u>

Included in cash are the following restricted amounts:

Restricted to cover trust liabilities	18,873	13,314
Received from Provincial grants and held exclusively for Capital projects (Note 7)	<u>2,025,776</u>	<u>1,262,438</u>
	<u>2,044,649</u>	<u>1,275,752</u>

3. TAXES RECEIVABLE

	2013	2012
	\$	\$
Current	796,122	395,625
Arrears	240,565	138,360
Allowance for doubtful accounts	<u>(36,146)</u>	<u>(36,146)</u>
	<u>1,000,541</u>	<u>497,839</u>

4. NOTE RECEIVABLE

	2013	2012
	\$	\$
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, 2013

5. LONG-TERM INVESTMENTS

	2013	2012
	\$	\$
Battle River Credit Union - patronage shares	428,767	411,952
Alberta Municipal Finance Corporation - shares, at cost	140	140
United Farms of Alberta - co-operative equity	3,126	3,109
AAMD&C - dividend reserve	2,667	2,926
Sedgewick Co-operative - patronage equity	<u>10,000</u>	<u>10,000</u>
	<u>444,700</u>	<u>428,127</u>

6. TRUST FUNDS

The Flagstaff County administers the following trust:

	2013	2012
	\$	\$
Community Reserve	<u>18,873</u>	<u>13,314</u>

7. DEFERRED REVENUE

	2013	2012
	\$	\$
Historical Sites	1,473	1,473
Rescue Unit	88,269	70,800
Grazing program	4,709	4,308
Federal Gas Tax grant / New Deals	-	601,165
Municipal Sustainability Initiative - Operating	67,079	247,534
Municipal Sustainability Initiative - Capital	<u>2,025,776</u>	<u>661,273</u>
	<u>2,187,306</u>	<u>1,586,553</u>

Funding in the amount of \$2,025,776 (2012 - \$1,262,438) is from 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 2014. Unexpended funds related to the advance are supported by cash of \$2,025,776 (2012 - \$1,262,438) held exclusively for these projects (Note 2).

FLAGSTAFF COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

8. EMPLOYEE BENEFIT OBLIGATION

	2013	2012
	\$	\$
Vacation	<u>285,946</u>	<u>274,444</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

	2013	2012
	\$	\$
Gravel royalty agreement are due as follows:	<u>936,138</u>	<u>1,271,636</u>

Gravel royalty repayments are due as follows:

2014	-		335,497
2015	-		200,000
2016	-		200,000
2017	-		<u>200,641</u>
			<u>\$ 936,138</u>

This payable is unsecured and non-interest bearing.

FLAGSTAFF COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

11. CAPITAL LEASE OBLIGATION

	2013	2012
	\$	\$
Capital lease obligations	<u>65,300</u>	<u>28,008</u>

Principal and interest repayments are due as follows:

	Principal	Interest
	\$	\$
2014	17,734	1,718
2015	18,619	833
2016	13,198	62
2017	10,500	-
2018	<u>5,249</u>	<u>-</u>
	<u>65,300</u>	<u>2,613</u>

The long term debt was borrowed for capital purposes. Capital leases, bear interest at rates ranging from 0% to 11.6% per annum, and mature 2018. They are secured by equipment with a carrying value of \$61,403.

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

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:

	2013	2012
	\$	\$
Total debt limit	32,892,224	29,682,206
Total debt	<u>65,300</u>	<u>28,008</u>
 Amount total debt limit unused	 <u><u>32,826,924</u></u>	 <u><u>29,654,198</u></u>
 Service on debt limit	 5,398,704	 4,947,034
Service on debt	<u>19,452</u>	<u>28,741</u>
 Amount service on debt limit unused	 <u><u>5,379,252</u></u>	 <u><u>4,918,293</u></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, 2013

14. RESERVES

Reserves for operating and capital activities changed as follows:

	2012	Increases	Decreases	2013
	\$	\$	\$	\$
Operating reserves:				
General	12,039,979	-	-	12,039,979
Administration	162,526	-	-	162,526
Special projects	1,496,078	35,000	-	1,531,078
Fire	30,000	-	-	30,000
Ambulance	25,723	-	-	25,723
Emergency road repair	40,000	-	-	40,000
Public works - gravel	2,450,000	-	429,632	2,020,368
Airport	-	27,800	-	27,800
Agriculture	278,969	-	-	278,969
Economic development	261,467	-	22,000	239,467
Recreation	201,176	250,000	-	451,176
Cemetery grants	30,185	-	2,500	27,685
	<u>17,016,103</u>	<u>312,800</u>	<u>454,132</u>	<u>16,874,771</u>
Capital reserves:				
General equipment	1,908,654	-	-	1,908,654
Public works	1,391,544	1,233,700	-	2,625,244
Shop/grader shed	863,000	760,000	-	1,623,000
Fire	440,572	-	126,760	313,812
Office building	300,068	-	-	300,068
	<u>4,903,838</u>	<u>1,993,700</u>	<u>126,760</u>	<u>6,770,778</u>
Total	<u><u>21,919,941</u></u>	<u><u>2,306,500</u></u>	<u><u>580,892</u></u>	<u><u>23,645,549</u></u>

15. EQUITY IN TANGIBLE CAPITAL ASSETS

	2013	2012
	\$	\$
Tangible capital assets (Schedule 2)	143,952,497	140,036,871
Accumulated amortization (Schedule 2)	(69,849,557)	(67,232,087)
Capital long term debt (Note 11)	<u>(65,300)</u>	<u>(28,008)</u>
	<u><u>74,037,640</u></u>	<u><u>72,776,776</u></u>

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

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:

	-----2013			2012
	Salary(1)	Benefits Allowances(2&3)	Total	Total
	\$	\$	\$	\$
Councillor Division 1	35,385	3,836	39,221	39,110
Councillor Division 2	38,924	5,516	44,440	40,362
Councillor Division 3	35,385	5,012	40,397	42,616
Councillor Division 4	35,385	5,012	40,397	39,699
Councillor Division 5	35,385	5,012	40,397	39,699
Councillor Division 6	35,385	5,319	40,704	39,699
Councillor Division 7	35,385	5,012	40,397	39,699
Chief Administrative Officer	168,088	29,745	197,833	195,330
Designated Officer (1 position)	114,951	24,242	139,193	132,271

- (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, 2013

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 223,643 people and 428 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 10.43% of pensionable earnings up to the CPP maximum reasonable earnings and 14.47% of any excess earnings. Employees of the Flagstaff 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 and past service contributions by the Flagstaff County to the Local Authorities Pension Plan in 2013 were \$438,166 (2012 - \$385,638). Total current and past service contributions by the employees of the Flagstaff County to the Local Authorities Pension Plan in 2013 were \$400,964 (2012 - \$351,554).

At December 31, 2012 the Plan disclosed an actuarial deficiency of \$4.977 billion.

18. CONTINGENCIES

The County is a member of the Genesis 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, and all other incorporated municipalities within the geographical boundaries of the 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 County through joint agreement provides funds for the operation of the Family and Community Support services. The amounts presented in this financial statement represent only the County portion of contributions made to F.C.S.S.

The County, along with other municipalities in the geographical area, receives requisitions from the Flagstaff Housing Authority. The Authority unilaterally determines these amounts and they may vary dependent upon projected funding requirements.

The County has an agreement with other municipalities in its geographical area to assist with firefighting equipment and operations.

FLAGSTAFF COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

19. COMMITMENTS

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

Heavy equipment	\$1,743,780
Construction Tender approved	468,490

20. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

21. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2013 were approved by Council on May 9, 2013 and are for information purposes. These amounts have not been audited.