



Gitzel Krejci Dand Peterson

CHARTERED ACCOUNTANTS

*BARRY D. GITZEL, B. COMM., CA *PEGGY WEINZIERL, B. COMM., CA *SCOTT A. ST. ARNAUD, B. COMM., CA *JOLENE KOBI, B. COMM., CA
*JUSTIN TANNER, B. MGT., CA *ERIC A. PETERSON, BA., CA (Associate) *ROBERT J. KREJCI, CA (Associate)

4912 - 51 St.
P.O. Box 460
STETTLER, AB T0C 2L0
PHONE: 403-742-4431
TOLL FREE: 1-877-742-4431
FAX: 403-742-1266
E-mail: gkdpc@gkdpc.com
Web Site: www.gkdpc.com

FLAGSTAFF COUNTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

FLAGSTAFF COUNTY
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2014

	Page
Auditors' Report	1
Statement of Financial Position	2
Statement of Operations	3
Statement of Changes in Net Financial Assets (Debt)	4
Statement of Cash Flows	5
Schedule 1 – Changes in Accumulated Surplus	6
Schedule 2 – Schedule of Tangible Capital Assets	7
Schedule 3 – Property and Other Taxes	8
Schedule 4 – Government Transfers	8
Schedule 5 – Expenses by Object	9
Schedule 6 – Segmented Disclosure	10
Notes to Financial Statements	11 - 22



INDEPENDENT AUDITORS' REPORT

TO: The Reeve and Council

We have audited the accompanying financial statements of the Flagstaff County, which comprise the statement of financial position as at December 31, 2014, and the 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.

Managements' 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.

Auditors' 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, 2014, 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

March 25, 2015

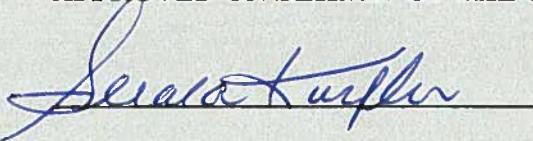
Gitzel Krejci Dand Peterson
CHARTERED ACCOUNTANTS

FLAGSTAFF COUNTY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

	2014	2013
FINANCIAL ASSETS		
Cash and short term investments (Note 3)	\$ 26,373,942	\$ 24,284,546
Taxes and grants in place of taxes receivable (Note 4)	663,052	1,000,541
Trade and other receivables	3,026,895	1,385,086
Note receivable (Note 5)	195,270	209,968
Long-term investments (Note 6)	<u>451,481</u>	<u>444,700</u>
	<u>30,710,640</u>	<u>27,324,841</u>
 LIABILITIES		
Accounts payable and accrued liabilities	1,266,784	873,750
Deposit liabilities	226,500	280,270
Employee benefit obligation (Note 9)	301,882	285,946
Trust funds (Note 7)	20,534	18,873
Deferred revenue (Note 8)	3,857,595	2,187,306
Long-term gravel royalties payable (Note 11)	702,603	936,138
Gravel reclamation liability (Note 10)	469,814	518,924
Capital lease obligation (Note 12)	<u>47,566</u>	<u>65,300</u>
	<u>6,893,278</u>	<u>5,166,507</u>
 NET FINANCIAL ASSETS (DEBT)	 <u>23,817,362</u>	 <u>22,158,334</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	75,322,991	74,102,940
Inventory of materials and supplies	12,073,279	11,126,986
Prepaid expenses	<u>153,663</u>	<u>153,506</u>
	<u>87,549,933</u>	<u>85,383,432</u>
 ACCUMULATED SURPLUS (Schedule 1)	 \$ <u>111,367,295</u>	 \$ <u>107,541,766</u>

Contingencies - See Note 19

APPROVED ON BEHALF OF THE COUNCIL:



FLAGSTAFF COUNTY

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (Unaudited)	2014	2013
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 19,564,384	\$ 19,781,438	\$ 18,633,241
Sales and user fees	965,775	1,233,399	1,249,362
Government transfers for operating (Schedule 4)	670,637	599,420	950,056
Investment income	202,500	258,014	257,820
Penalties and costs on taxes	140,000	273,926	189,065
Licenses and permits	95,000	77,583	120,567
Rentals	22,000	44,698	19,773
Gain on disposal of tangible capital assets	-	43,262	101,343
Fines and other	<u>32,000</u>	<u>29,670</u>	<u>73,589</u>
Total revenue	<u>21,692,296</u>	<u>22,341,410</u>	<u>21,594,816</u>
EXPENSES (Schedule 5)			
Legislative	395,015	348,532	345,678
Administration	2,733,120	2,491,838	2,602,246
Protective services	1,077,810	933,913	961,668
Public works	12,477,564	11,609,242	11,714,206
Water and Waste management	493,742	482,053	442,849
Family, Community and Public Health	627,192	432,160	557,732
Ag services and development	1,679,950	1,316,833	1,272,967
Recreation, parks and culture	1,321,195	1,071,543	1,008,331
Provision for uncollectable taxes	-	647,038	-
Total expenses	<u>20,805,588</u>	<u>19,333,152</u>	<u>18,905,677</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER	886,708	3,008,258	2,689,139
OTHER			
Government transfers for capital (Schedule 4)	<u>640,781</u>	<u>817,271</u>	<u>1,874,319</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	1,527,489	3,825,529	4,563,458
ACCUMULATED SURPLUS – BEGINNING OF YEAR		<u>107,541,766</u>	<u>102,978,308</u>
ACCUMULATED SURPLUS – END OF YEAR		<u>\$ 111,367,295</u>	<u>\$ 107,541,766</u>

FLAGSTAFF COUNTY

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (Unaudited)	2014	2013
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ <u>1,527,489</u>	\$ <u>3,825,529</u>	\$ <u>4,563,458</u>
Acquisition of tangible capital assets	(7,148,325)	(5,816,018)	(6,152,610)
Proceeds on disposal of tangible capital assets	758,878	747,915	740,219
Amortization of tangible capital assets	3,954,943	3,891,314	3,728,699
Net (Gain) loss on sale of tangible capital assets	<u>-</u>	<u>(43,262)</u>	<u>385,536</u>
	<u>(2,434,504)</u>	<u>(1,220,051)</u>	<u>(1,298,156)</u>
Net use (acquisition) of supplies inventories	(641,500)	(946,293)	(1,762,343)
Net use (acquisition) of prepaid assets	<u>-</u>	<u>(157)</u>	<u>(28,995)</u>
	<u>(641,500)</u>	<u>(946,450)</u>	<u>(1,791,338)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,548,515)	1,659,028	1,473,964
NET FINANCIAL ASSETS (DEBT) BEGINNING OF YEAR		<u>22,158,334</u>	<u>20,684,370</u>
NET FINANCIAL ASSETS (DEBT) - END OF YEAR		\$ <u>23,817,362</u>	\$ <u>22,158,334</u>

FLAGSTAFF COUNTY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	\$ 3,825,529	\$ 4,563,458
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	3,891,314	3,728,699
Net (gain) loss on disposal of tangible capital assets	(43,262)	385,536
Non-cash changes to operations (net change):		
Taxes and trade receivables	(1,289,622)	(141,812)
Prepaid expenses	(157)	(28,995)
Inventory	(946,293)	(1,762,343)
Accounts payable and accrued liabilities	355,200	183,054
Trust funds	1,661	5,559
Deferred revenue	1,670,289	600,753
Long term gravel royalties payable	(233,535)	(335,498)
Gravel reclamation liability	<u>(49,110)</u>	<u>2,545</u>
Net cash provided by (used in) operating activities	<u>7,182,014</u>	<u>7,200,956</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(5,816,018)	(6,152,610)
Proceeds on sale of tangible capital assets	<u>747,915</u>	<u>740,219</u>
Cash applied to capital transactions	<u>(5,068,103)</u>	<u>(5,412,391)</u>
INVESTING ACTIVITIES		
Decrease (increase) in restricted-cash or cash equivalents	(1,588,451)	(768,897)
Long term investments	<u>(6,781)</u>	<u>(16,573)</u>
Net cash provided by (used in) investing activities	<u>(1,595,232)</u>	<u>(785,470)</u>
FINANCING ACTIVITIES		
Capital lease obligation issued	-	80,554
Capital lease obligation repaid	<u>(17,734)</u>	<u>(43,262)</u>
Net cash provided by (used in) financing activities	<u>(17,734)</u>	<u>37,292</u>
CHANGE IN CASH AND CASH EQUIVALENTS – DURING THE YEAR	500,945	1,040,387
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	<u>22,239,897</u>	<u>21,199,510</u>
CASH AND CASH EQUIVALENTS- END OF YEAR	<u>22,740,842</u>	<u>22,239,897</u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash and short term investments (Note 3)	26,373,942	24,284,546
Less: Restricted portion of cash and short term investments (Note 3)	<u>(3,633,100)</u>	<u>(2,044,649)</u>
	<u>\$ 22,740,842</u>	<u>\$ 22,239,897</u>

FLAGSTAFF COUNTY

SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2014

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2014	2013
BALANCE - BEGINNING OF YEAR	\$ 9,858,577	\$ 23,645,549	\$ 74,037,640	\$ 107,541,766	\$ 102,978,308
Excess (deficiency) of revenues over expenses	3,825,529	-	-	3,825,529	4,563,458
Unrestricted funds designated for future use	(1,795,641)	1,795,641	-	-	-
Restricted funds used for operations	543,310	(543,310)	-	-	-
Restricted funds used for tangible capital assets	-	(747,915)	747,915	-	-
Current year funds used for tangible capital assets	(5,068,103)	-	5,068,103	-	-
Disposal of tangible capital assets	(43,262)	747,915	(704,653)	-	-
Annual amortization expense	3,891,314	-	(3,891,314)	-	-
Capital lease obligation issued	-	-	-	-	-
Capital lease obligation repaid	(17,734)	-	17,734	-	-
Change in accumulated surplus	1,335,413	1,252,331	1,237,785	3,825,529	4,563,458
BALANCE - END OF YEAR	\$ 11,193,990	\$ 24,897,880	\$ 75,275,425	\$ 111,367,295	\$ 107,541,766

FLAGSTAFF COUNTY

SCHEDULE 2 - SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2014

	Land and Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2014	2013
COST:							
BALANCE - BEGINNING OF YEAR	\$ 853,019	\$ 8,638,457	\$ 116,335,266	\$ 13,926,668	\$ 4,199,087	\$ 143,952,497	\$ 140,036,871
Acquisition of tangible capital assets	53,759	486,634	3,006,783	2,124,607	144,235	5,816,018	6,152,610
Disposal of tangible capital assets	-	-	(171,105)	(1,458,646)	(82,104)	(1,711,855)	(2,236,984)
BALANCE - END OF YEAR	<u>906,778</u>	<u>9,125,091</u>	<u>119,170,944</u>	<u>14,592,629</u>	<u>4,261,218</u>	<u>148,056,660</u>	<u>143,952,497</u>
ACCUMULATED AMORTIZATION:							
BALANCE - BEGINNING OF YEAR	1,221	1,097,777	62,293,076	4,177,485	2,279,998	69,849,557	67,232,087
Annual amortization	9,596	180,807	2,373,539	1,084,858	242,514	3,891,314	3,728,699
Accumulated amortization on disposals	-	-	(171,105)	(753,993)	(82,104)	(1,007,202)	(1,111,229)
BALANCE - END OF YEAR	<u>10,817</u>	<u>1,278,584</u>	<u>64,495,510</u>	<u>4,508,350</u>	<u>2,440,408</u>	<u>72,733,669</u>	<u>69,849,557</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>895,961</u>	<u>7,846,507</u>	<u>54,675,434</u>	<u>10,084,279</u>	<u>1,820,810</u>	<u>75,322,991</u>	<u>74,102,940</u>
2013 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>	



FLAGSTAFF COUNTY

SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (Unaudited)	2014	2013
TAXATION			
Real property taxes	\$ 10,464,154	\$ 10,683,449	\$ 10,267,839
Linear property taxes	13,197,775	13,197,775	12,454,808
Government grants in place of property taxes	<u>2,823</u>	<u>2,823</u>	<u>2,662</u>
	<u>23,664,752</u>	<u>23,884,047</u>	<u>22,725,309</u>
REQUISITIONS			
Flagstaff Foundation	341,671	341,671	288,907
Alberta Education Funds	<u>3,758,697</u>	<u>3,760,938</u>	<u>3,803,161</u>
	<u>4,100,368</u>	<u>4,102,609</u>	<u>4,092,068</u>
NET MUNICIPAL PROPERTY TAXES	\$ <u>19,564,384</u>	\$ <u>19,781,438</u>	\$ <u>18,633,241</u>

SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (Unaudited)	2014	2013
TRANSFERS FOR OPERATING:			
Provincial government	\$ 657,637	\$ 586,904	\$ 929,340
Other local government	<u>13,000</u>	<u>12,516</u>	<u>20,716</u>
	670,637	599,420	950,056
TRANSFERS FOR CAPITAL			
Provincial government	<u>640,781</u>	<u>817,271</u>	<u>1,874,319</u>
TOTAL GOVERNMENT TRANSFERS	\$ <u>1,311,418</u>	\$ <u>1,416,691</u>	\$ <u>2,824,375</u>

FLAGSTAFF COUNTY

SCHEDULE 5 –EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (Unaudited)	2014	2013
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 7,448,415	\$ 6,995,044	\$ 6,656,574
Contracted and general services	3,536,024	2,322,649	2,580,164
Materials, goods, supplies and utilities	4,508,700	4,021,020	4,170,879
Provision for (recovery of) allowances	1,700	649,272	-
Transfers to other governments, local boards and individuals	1,604,381	1,451,790	1,280,230
Bank charges and short-term interest	500	345	670
Interest on long-term debt	1,718	1,718	1,582
Amortization of tangible capital assets	3,704,150	3,891,314	3,728,699
Loss on disposal of tangible capital assets	<u>-</u>	<u>-</u>	<u>486,879</u>
	\$ <u>20,805,588</u>	\$ <u>19,333,152</u>	\$ <u>18,905,677</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	\$ 19,781,438	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,781,438
Sales and user fees	190,519	145,587	664,552	132,833	-	60,524	39,384	1,233,399
Government transfers	-	17,516	706,881	-	313,900	188,359	190,035	1,416,691
Investment income	258,014	-	-	-	-	-	-	258,014
Other revenues	365,676	13,523	-	-	8,500	38,178	-	425,877
	<u>20,595,647</u>	<u>176,626</u>	<u>1,371,433</u>	<u>132,833</u>	<u>322,400</u>	<u>287,061</u>	<u>229,419</u>	<u>23,115,419</u>
EXPENSES								
Salaries, wages and benefits	1,531,536	385,978	4,049,017	124,209	-	735,118	169,186	6,995,044
Contract and general services	887,170	391,744	618,953	1,773	98,206	259,649	65,154	2,322,649
Materials, goods, supplies and Utilities	157,616	64,269	3,524,862	3,329	16,049	227,472	27,423	4,021,020
Transfers	-	19,464	4,182	310,286	314,249	14,744	788,865	1,451,790
Provision for uncollectable taxes	647,038	-	-	-	-	-	-	647,038
Other expenses	4,297	-	-	-	-	-	-	4,297
	<u>3,227,657</u>	<u>861,455</u>	<u>8,197,014</u>	<u>439,597</u>	<u>428,504</u>	<u>1,236,983</u>	<u>1,050,628</u>	<u>15,441,838</u>
NET REVENUE, BEFORE AMORTIZATION & GAINS OR LOSSES	17,367,990	(684,829)	(6,825,581)	(306,764)	(106,104)	(949,922)	(821,209)	7,673,581
Gain on disposal of capital assets	-	-	39,309	-	-	3,953	-	43,262
Loss on disposal of capital assets	-	-	-	-	-	-	-	-
Amortization expense	(259,751)	(72,458)	(3,412,228)	(42,456)	(3,656)	(79,850)	(20,915)	(3,891,314)
EXCESS OF REVENUE OVER EXPENSES (Note 21)	\$ <u>17,108,239</u>	\$ <u>(757,287)</u>	\$ <u>(10,198,500)</u>	\$ <u>(349,220)</u>	\$ <u>(109,760)</u>	\$ <u>(1,025,819)</u>	\$ <u>(842,124)</u>	\$ <u>3,825,529</u>

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

The 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 Chartered Professional Accountants of Canada. 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 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.f.

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, 2014

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(c) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(j) 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.

(k) 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.

(l) Cash and Cash Equivalents

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

(m) 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.

(n) 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.

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(o) 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 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
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.

2. RECENT ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED

The following accounting standards have been issued by the Chartered Professional Accountants of Canada but are not yet effective. The municipality is currently evaluating the effect of adopting these standards on their financial statements.

Section PS 3260 – Liability for Contaminated Sites

This new section establishes recognition, measurement, and disclosure standards for liabilities relating to contaminated sites of governments and those organizations applying the CPA Public Sector Accounting Handbook. This section is effective for fiscal periods beginning on or after April 1, 2014.

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

3. CASH AND SHORT TERM INVESTMENTS

	2014	2013
Cash	\$ <u>26,373,942</u>	\$ <u>24,284,546</u>

Included in cash are the following restricted amounts:

Restricted to cover trust liabilities	20,534	18,873
Received from Provincial grants and held exclusively for Capital projects (Note 8)	<u>3,612,566</u>	<u>2,025,776</u>
	\$ <u>3,633,100</u>	\$ <u>2,044,649</u>

4. TAXES RECEIVABLE

	2014	2013
Current	\$ 637,565	\$ 796,122
Arrears	326,205	240,565
Allowance for doubtful accounts	<u>(300,718)</u>	<u>(36,146)</u>
	\$ <u>663,052</u>	\$ <u>1,000,541</u>

During the year bad debts expense in the amount of \$647,152 has been recorded relating to management estimates of uncollectable taxes.

5. NOTE RECEIVABLE

	2014	2013
Receivable regarding communications tower	\$ <u>195,270</u>	\$ <u>209,968</u>

Principal payments are due in equal annual instalments of \$13,998 annually 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.

6. LONG-TERM INVESTMENTS

	2014	2013
Battle River Credit Union - patronage shares	\$ 436,215	\$ 428,767
Alberta Municipal Finance Corporation - shares, at cost	140	140
United Farms of Alberta - co-operative equity	3,140	3,126
AAMD&C - dividend reserve	1,439	2,667
Sedgewick Co-operative - patronage equity	<u>10,547</u>	<u>10,000</u>
	\$ <u>451,481</u>	\$ <u>444,700</u>

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

7. TRUST FUNDS

The Flagstaff County administers the following trust:

	2014	2013
Community Reserve	\$ <u>20,534</u>	\$ <u>18,873</u>

8. DEFERRED REVENUE

	2014	2013
Historical Sites	\$ 1,473	\$ 1,473
Rescue Unit	92,446	88,269
Grazing program	6,029	4,709
Community Resource Officer	46,000	-
Municipal Sustainability Initiative - Operating	99,081	67,079
Municipal Sustainability Initiative - Capital	<u>3,612,566</u>	<u>2,025,776</u>
	\$ <u>3,857,595</u>	\$ <u>2,187,306</u>

Funding in the amount of \$3,612,566 (2013 - \$2,025,776) 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 2015. Unexpended funds related to the advance are supported by cash of \$3,612,566 (2013 - \$2,025,776) held exclusively for these projects (Note 3).

9. EMPLOYEE BENEFIT OBLIGATION

	2014	2013
Vacation	\$ 301,882	\$ 285,946

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.

10. 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.

FLAGSTAFF COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

11. LONG-TERM GRAVEL ROYALTY PAYABLE

	2014	2013
Gravel royalty agreement are due as follows:	\$ 702,603	\$ 936,138

Gravel royalty repayments are due as follows:

2015	-	\$	301,962	
2016	-	\$	200,000	
2017	-		<u>200,641</u>	
		\$	<u>702,603</u>	

This payable is unsecured and non-interest bearing.

12. CAPITAL LEASE OBLIGATION

	2014	2013
Capital lease obligations	\$ <u>47,566</u>	\$ <u>65,300</u>

Principal and interest repayments are due as follows:

	Principal		Interest
2015	\$ 18,619	\$	833
2016	13,198		62
2017	10,500		-
2018	<u>5,249</u>		<u>-</u>
	<u>\$ 47,566</u>	\$	<u>895</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 \$42,251.

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

13. 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:

	2014	2013
Total debt limit	\$ 33,512,115	\$ 32,892,224
Total debt	<u>47,566</u>	<u>65,300</u>
Amount total debt limit unused	<u>33,464,549</u>	<u>32,826,924</u>
Service on debt limit	5,585,353	5,398,704
Service on debt	<u>19,452</u>	<u>19,452</u>
Amount service on debt limit unused	\$ <u>5,565,901</u>	\$ <u>5,379,252</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.

14. 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, 2014

15. RESERVES

Reserves for operating and capital activities changed as follows:

	2013	Increases	Decreases	2014
Operating reserves:				
General	\$ 12,039,979	\$ -	\$ -	\$ 12,039,979
Administration	162,526	244,500	-	407,026
Special projects	1,531,078	192,600	-	1,723,678
Fire	30,000	-	-	30,000
Ambulance	25,723	-	-	25,723
Emergency road repair	40,000	-	-	40,000
Public works - gravel	2,020,368	-	132,500	1,887,868
Airport	27,800	129,700	-	157,500
Agriculture	278,969	216,800	-	495,769
Economic development	239,467	91,800	-	331,267
Recreation	451,176	88,150	-	539,326
Cemetery grants	27,685	40,981	-	68,666
	<u>16,874,771</u>	<u>1,004,531</u>	<u>132,500</u>	<u>17,746,802</u>
Capital reserves:				
General equipment	1,908,654	-	110,742	1,797,912
Public works	2,625,244	474,135	-	3,099,379
Shop/grader shed	1,623,000	189,875	-	1,812,875
Fire	313,812	127,100	-	440,912
Office building	300,068	-	300,068	-
	<u>6,770,778</u>	<u>791,110</u>	<u>410,810</u>	<u>7,151,078</u>
Total	\$ <u>23,645,549</u>	\$ <u>1,795,641</u>	\$ <u>543,310</u>	\$ <u>24,897,880</u>

16. EQUITY IN TANGIBLE CAPITAL ASSETS

	2014	2013
Tangible capital assets (Schedule 2)	\$ 148,056,660	\$ 143,952,497
Accumulated amortization (Schedule 2)	(72,733,669)	(69,849,557)
Capital long term debt (Note 12)	<u>(47,566)</u>	<u>(65,300)</u>
	\$ <u>75,275,425</u>	\$ <u>74,037,640</u>

FLAGSTAFF COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

17. 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:

	2014			2013	
	Salary(1)	Benefits Allowances(2&3)	Total	Total	
Councillor Division 1	\$ 35,880	\$ 4,223	\$ 40,103	\$	39,221
Councillor Division 2	39,468	5,983	45,451		44,439
Councillor Division 3	35,880	5,436	41,316		40,397
Councillor Division 4	35,880	5,436	41,316		40,397
Councillor Division 5	35,880	5,436	41,316		40,397
Councillor Division 6	35,880	5,436	41,316		40,704
Councillor Division 7	35,880	5,436	41,316		40,397
Chief Administrative Officer	170,441	32,262	202,703		197,833
Designated Officer (1 position)	\$ 120,058	\$ 24,242	\$ 144,300	\$	139,193

- (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, 2014

18. 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 230,534 people and 418 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 11.39% of pensionable earnings up to the CPP maximum reasonable earnings and 15.84% of any excess earnings.

Employees of the Flagstaff County are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current and past service contributions by the Flagstaff County to the Local Authorities Pension Plan in 2014 were \$508,841 (2013 - \$438,166). Total current and past service contributions by the employees of the Flagstaff County to the Local Authorities Pension Plan in 2014 were \$469,595 (2013 - \$400,964).

At December 31, 2013 the Plan disclosed an actuarial deficiency of \$4.86 billion.

19. 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, 2014

20. COMMITMENTS

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

Heavy equipment	\$ 1,271,200
Construction Tender approved	\$ 80,000

Communication systems agreement to June 2016 at \$7,800 per annum.

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

22. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2014 were approved by Council on May 7, 2014 and are for information purposes. These amounts have not been audited.