

SMOKY LAKE COUNTY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2012

INDEPENDENT AUDITOR'S REPORT

To the Reeve and Council of the Smoky Lake County

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Smoky Lake County, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations, changes in net financial assets 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 judgment, 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 Smoky Lake County as at December 31, 2012, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

ST. PAUL, ALBERTA
March 28, 2013

Joly, M^cCarthy & Dion
CHARTERED ACCOUNTANTS

**SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
Financial assets		
Cash	\$ 9,387,243	\$ 10,516,262
Taxes and grants in place receivable (note 2)	652,246	531,692
Receivables from other governments	472,912	1,344,859
Trade and other receivables	828,013	484,286
Investment in Gas Alberta Inc. (note 4)	67,962	67,962
Investment in Corridor Communications Inc. (note 5)	<u>1,116,932</u>	<u>916,932</u>
	<u>12,525,308</u>	<u>13,861,993</u>
Liabilities		
Accounts payable and accrued liabilities	1,520,220	1,793,081
Employee obligations (note 3)	522,813	178,309
Deposit liabilities	70,965	52,465
Deferred revenue (note 6)	610,354	1,335,008
Tax sale surplus	48,332	47,802
Long-term debt (note 7)	<u>11,670</u>	<u>16,802</u>
	<u>2,784,354</u>	<u>3,423,467</u>
Net financial assets	<u>9,740,954</u>	<u>10,438,526</u>
Non-financial assets		
Tangible capital assets	35,058,401	32,902,622
Inventory (note 9)	1,399,024	1,083,176
Prepaid expenses	<u>110,938</u>	<u>107,726</u>
	<u>36,568,363</u>	<u>34,093,524</u>
Accumulated surplus (note 11)	\$ <u>46,309,317</u>	\$ <u>44,532,050</u>

Contingent liabilities (note 13)

ON BEHALF OF THE SMOKY LAKE COUNTY



Reeve



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**SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budget</u> (unaudited)	<u>2012</u>	<u>2011</u>
Revenue			
Net municipal taxes (schedule 3)	\$ 8,454,175	\$ 8,468,437	\$ 7,849,519
Sales of goods and services	621,660	614,067	473,103
Government transfers for operating (schedule 4)	1,474,203	1,369,836	1,217,703
Investment income	47,300	88,592	103,820
Penalties and costs of taxes	39,400	98,335	88,612
Licenses and permits	45,000	155,615	40,246
Provincial fines	--	--	65
Special levies and taxes	18,154	27,462	25,279
Insurance recoveries	50,000	66,019	59,783
Rentals and leases	22,000	29,947	35,505
Natural gas	<u>3,037,912</u>	<u>2,518,775</u>	<u>3,005,360</u>
	<u>13,809,804</u>	<u>13,437,085</u>	<u>12,898,995</u>
Expenses			
Legislative	425,847	410,259	391,482
Administration	1,504,709	1,799,064	1,268,563
Protective services	654,709	621,537	486,414
Transportation	7,916,141	6,083,402	5,507,682
Water and wastewater	367,912	336,315	319,956
Landfill	313,127	384,601	306,541
Further Education	51,480	61,884	52,684
Agriculture services	653,209	634,836	667,491
Municipal planning, community and economic development	471,234	471,518	454,084
Recreation and culture	476,522	428,528	510,653
Natural gas	<u>2,883,698</u>	<u>2,503,662</u>	<u>2,978,072</u>
	<u>15,718,588</u>	<u>13,735,606</u>	<u>12,943,622</u>
Deficiency of revenues over expenses before other	(1,908,784)	(298,521)	(44,627)
Other			
Gain on disposal of tangible capital assets	213,000	107,712	93,942
Government transfers for capital (schedule 4)	4,734,148	1,856,763	3,413,314
Transfer from local boards or agencies	<u>--</u>	<u>111,313</u>	<u>--</u>
Excess of revenues over expenses	3,038,364	1,777,267	3,462,629
Accumulated surplus, beginning of year	<u>44,532,050</u>	<u>44,532,050</u>	<u>41,069,421</u>
Accumulated surplus, end of year	<u>\$ 47,570,414</u>	<u>\$ 46,309,317</u>	<u>\$ 44,532,050</u>

SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budget</u> (unaudited)	<u>2012</u>	<u>2011</u>
Excess of revenues over expenses	\$ <u>3,038,364</u>	\$ <u>1,777,267</u>	\$ <u>3,462,629</u>
Acquisition of tangible capital assets	(6,731,025)	(4,459,776)	(6,900,466)
Proceeds on disposal of tangible capital assets	500,000	339,038	859,737
Amortization of tangible capital assets	1,444,503	2,072,671	1,702,901
Gain on disposal of tangible capital assets	<u>(213,000)</u>	<u>(107,712)</u>	<u>(93,942)</u>
	<u>(4,999,522)</u>	<u>2,155,779</u>	<u>(4,431,770)</u>
Acquisition of inventory	--	(2,151,841)	(4,123,133)
Use of inventory	--	1,835,993	4,526,609
Acquisition of prepaid assets	--	(107,534)	(107,726)
Use of prepaid assets	<u>--</u>	<u>104,322</u>	<u>93,765</u>
	<u>--</u>	<u>(319,060)</u>	<u>389,515</u>
Decrease in net financial assets	(1,961,158)	(697,572)	(579,626)
Net financial assets, beginning of year	<u>10,438,526</u>	<u>10,438,526</u>	<u>11,018,152</u>
Net financial assets, end of year	\$ <u>8,477,368</u>	\$ <u>9,740,954</u>	\$ <u>10,438,526</u>

SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenues over expenses	\$ 1,777,267	\$ 3,462,629
Non-cash items included		
Amortization of tangible capital assets	2,072,671	1,702,901
Gain on disposal of tangible capital assets	(107,712)	(93,942)
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes and grants in place receivable	(120,554)	(29,755)
Receivables from other governments	871,947	(240,339)
Trade and other receivables	(343,727)	187,347
Inventory	(315,848)	403,476
Prepaid expenses	(3,212)	(13,961)
Increase (decrease) in		
Accounts payable and accrued liabilities	(272,861)	1,051,990
Employee obligations	344,504	24,059
Deposit liabilities	18,500	(10,375)
Deferred revenue	(724,654)	(224,052)
Tax sale surplus	<u>530</u>	<u>523</u>
	<u>3,196,851</u>	<u>6,220,501</u>
Capital		
Acquisition of tangible capital assets	(4,459,776)	(6,900,466)
Proceeds on disposal of tangible capital assets	<u>339,038</u>	<u>859,737</u>
	<u>(4,120,738)</u>	<u>(6,040,729)</u>
Investing		
Investment in Corridor Communications Inc.	(200,000)	(732,478)
Investment in Gas Alberta Inc.	<u>--</u>	<u>(56)</u>
	<u>(200,000)</u>	<u>(732,534)</u>
Financing		
Loans receivable collected	--	12,000
Long-term debt repaid	<u>(5,132)</u>	<u>(4,713)</u>
	<u>(5,132)</u>	<u>7,287</u>
Change in cash during the year	(1,129,019)	(545,475)
Cash, beginning of year	<u>10,516,262</u>	<u>11,061,737</u>
Cash, end of year	\$ <u>9,387,243</u>	\$ <u>10,516,262</u>

SMOKY LAKE COUNTY
SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted Surplus</u>	<u>Restricted Surplus</u>	<u>Equity in Tangible Capital Assets</u>	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ <u>3,419,945</u>	\$ <u>8,226,285</u>	\$ <u>32,885,820</u>	\$ <u>44,532,050</u>	\$ <u>41,069,421</u>
Excess of revenues over expenses	1,777,267	--	--	1,777,267	3,462,629
Unrestricted funds designated for future use	(857,311)	857,311	--	--	--
Restricted funds used for operations	5,411	(5,411)	--	--	--
Restricted funds used for tangible capital assets	--	(1,658,154)	1,658,154	--	--
Current year funds used for tangible capital assets	(2,801,622)	--	2,801,622	--	--
Disposal of tangible capital assets	231,326	--	(231,326)	--	--
Annual amortization expense	2,072,671	--	(2,072,671)	--	--
Long-term debt repaid	<u>(5,132)</u>	<u>--</u>	<u>5,132</u>	<u>--</u>	<u>--</u>
Change in accumulated surplus	<u>422,610</u>	<u>(806,254)</u>	<u>2,160,911</u>	<u>1,777,267</u>	<u>3,462,629</u>
Balance, end of year	\$ <u>3,842,555</u>	\$ <u>7,420,031</u>	\$ <u>35,046,731</u>	\$ <u>46,309,317</u>	\$ <u>44,532,050</u>

SMOKY LAKE COUNTY
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Engineered Structures</u>	<u>Machinery & Equipment</u>	<u>Vehicles</u>	<u>2012</u>	<u>2011</u>
Cost								
Balance, beginning of year	\$ 4,756,091	\$ 823,732	\$ 4,257,030	\$ 36,825,658	\$ 8,557,284	\$ 4,196,596	\$ 59,416,391	\$ 53,486,801
Acquisition of tangible capital assets	--	39,520	14,109	1,764,835	651,702	844,257	3,314,423	5,462,330
Construction-in-progress	--	--	--	1,145,353	--	--	1,145,353	1,438,137
Disposal of tangible capital assets	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(375,020)</u>	<u>(165,716)</u>	<u>(540,736)</u>	<u>(970,877)</u>
Balance, end of year	<u>4,756,091</u>	<u>863,252</u>	<u>4,271,139</u>	<u>39,735,846</u>	<u>8,833,966</u>	<u>4,875,137</u>	<u>63,335,431</u>	<u>59,416,391</u>
Accumulated amortization								
Balance, beginning of year	--	563,526	932,727	19,987,485	2,977,720	2,052,311	26,513,769	25,015,949
Annual amortization	--	36,579	67,131	1,215,011	511,911	242,039	2,072,671	1,702,901
Accumulated amortization on disposals	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(161,410)</u>	<u>(148,000)</u>	<u>(309,410)</u>	<u>(205,081)</u>
Balance, end of year	<u>--</u>	<u>600,105</u>	<u>999,858</u>	<u>21,202,496</u>	<u>3,328,221</u>	<u>2,146,350</u>	<u>28,277,030</u>	<u>26,513,769</u>
Net book value of tangible capital assets	<u>\$ 4,756,091</u>	<u>\$ 263,147</u>	<u>\$ 3,271,281</u>	<u>\$ 18,533,350</u>	<u>\$ 5,505,745</u>	<u>\$ 2,728,787</u>	<u>\$ 35,058,401</u>	<u>\$ 32,902,622</u>
2011 Net book value of tangible capital assets	<u>\$ 4,756,091</u>	<u>\$ 260,206</u>	<u>\$ 3,324,303</u>	<u>\$ 16,838,173</u>	<u>\$ 5,579,564</u>	<u>\$ 2,144,285</u>	<u>\$ 32,902,622</u>	

**SMOKY LAKE COUNTY
SCHEDULE 3 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budget</u> (unaudited)	<u>2012</u>	<u>2011</u>
Levies			
Residential and farmland	\$ 2,540,222	\$ 2,561,525	\$ 2,361,021
Non-residential	622,966	616,385	519,138
Machinery and equipment	1,423,941	1,419,676	1,355,017
Linear property	6,096,114	6,096,115	5,754,529
Grants in place	<u>45,335</u>	<u>45,933</u>	<u>43,642</u>
	<u>10,728,578</u>	<u>10,739,634</u>	<u>10,033,347</u>
Requisitions			
Alberta School Foundation Fund	1,897,753	1,894,547	1,804,213
Smoky Lake Foundation	<u>376,650</u>	<u>376,650</u>	<u>379,615</u>
	<u>2,274,403</u>	<u>2,271,197</u>	<u>2,183,828</u>
Net municipal taxes	<u>\$ 8,454,175</u>	<u>\$ 8,468,437</u>	<u>\$ 7,849,519</u>

SCHEDULE 4 - GOVERNMENT TRANSFERS

Transfers for operations			
Provincial	\$ 1,363,683	\$ 1,297,405	\$ 1,152,264
Other local governments	<u>110,520</u>	<u>72,431</u>	<u>65,439</u>
	1,474,203	1,369,836	1,217,703
Transfers for capital			
Provincial	<u>4,734,148</u>	<u>1,856,763</u>	<u>3,413,314</u>
Total government transfers	<u>\$ 6,208,351</u>	<u>\$ 3,226,599</u>	<u>\$ 4,631,017</u>

SCHEDULE 5 - CONSOLIDATED EXPENSES BY OBJECT

Expenses			
Salaries, wages and benefits	\$ 5,621,581	\$ 5,510,437	\$ 5,012,533
Contracted and general services	3,444,559	2,813,643	2,285,833
Purchases from other governments	97,000	87,868	95,370
Materials, goods, supplies and utilities	3,059,903	1,647,142	1,934,485
Provision for allowances and bad debts	--	193,774	1,710
Transfers to individuals and organizations	249,919	153,948	121,310
Bank charges and short-term interest	12,300	10,017	7,585
Interest on long-term debt	6,223	1,209	1,643
Tax adjustments	5,000	12,120	1,607
Natural gas purchases	1,777,600	1,232,777	1,778,645
Amortization of tangible capital assets	<u>1,444,503</u>	<u>2,072,671</u>	<u>1,702,901</u>
Total expenses	<u>\$ 15,718,588</u>	<u>\$ 13,735,606</u>	<u>\$ 12,943,622</u>

SMOKY LAKE COUNTY
SCHEDULE 6 – SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Agriculture</u>	<u>Community Services</u>	<u>Recreation and Culture</u>	<u>Gas</u>	<u>Total</u>
Revenue									
Net municipal taxes	\$ 8,468,437	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 8,468,437
Government transfers	195,501	10,000	1,966,181	70,000	228,360	414,080	180,400	162,077	3,226,599
User fees and sales of goods	42,324	169,732	245,659	140,541	14,826	985	--	2,518,775	3,132,842
Investment income	76,875	--	--	--	--	--	--	11,717	88,592
Other revenues	<u>194,217</u>	<u>111,548</u>	<u>103,501</u>	<u>37,131</u>	<u>--</u>	<u>144,375</u>	<u>7,974</u>	<u>(2,343)</u>	<u>596,403</u>
	<u>8,977,354</u>	<u>291,280</u>	<u>2,315,341</u>	<u>247,672</u>	<u>243,186</u>	<u>559,440</u>	<u>188,374</u>	<u>2,690,226</u>	<u>15,512,873</u>
Expenses									
Salaries and wages	904,305	210,461	2,517,392	303,072	377,380	231,328	187,708	778,791	5,510,437
Contract and general services	536,883	205,731	1,318,223	224,648	104,798	158,258	45,630	219,472	2,813,643
Goods and supplies	253,551	104,718	921,013	84,563	115,733	95,058	65,686	1,327,465	2,967,787
Transfers to others	18,297	--	--	5,564	--	48,758	81,329	--	153,948
Long-term debt interest	--	--	--	1,209	--	--	--	--	1,209
Other expenses	<u>209,453</u>	<u>--</u>	<u>--</u>	<u>1,110</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>5,348</u>	<u>215,911</u>
	<u>1,922,489</u>	<u>520,910</u>	<u>4,756,628</u>	<u>620,166</u>	<u>597,911</u>	<u>533,402</u>	<u>380,353</u>	<u>2,331,076</u>	<u>11,662,935</u>
Net revenue before amortization	7,054,865	(229,630)	(2,441,287)	(372,494)	(354,725)	26,038	(191,979)	359,150	3,849,938
Amortization expense	<u>(286,834)</u>	<u>(100,627)</u>	<u>(1,326,774)</u>	<u>(100,750)</u>	<u>(36,925)</u>	<u>--</u>	<u>(48,175)</u>	<u>(172,586)</u>	<u>(2,072,671)</u>
Net revenue	<u>\$ 6,768,031</u>	<u>\$ (330,257)</u>	<u>\$ (3,768,061)</u>	<u>\$ (473,244)</u>	<u>\$ (391,650)</u>	<u>\$ 26,038</u>	<u>\$ (240,154)</u>	<u>\$ 186,564</u>	<u>\$ 1,777,267</u>

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. Significant Accounting Policies

The consolidated financial statements of the Smoky Lake County are the representations of management prepared in accordance with Canadian 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, 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. Included with the county is the Smoky Lake Heritage Board.

The schedule of taxes levied also includes requisitions for education 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) Cash

Cash is defined as petty cash and cash in chequing and savings accounts adjusted for outstanding cheques and deposits.

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. Significant Accounting Policies - continued

(d) Investments

Investments are recorded at amortized cost. 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.

(e) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards 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 amount of revenues and expenses during the reporting period. Such estimates include the amortization of capital assets and provision for doubtful accounts. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported as earnings in the period in which they become known.

(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) 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.

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.

(h) 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 for the year.

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. Significant Accounting Policies – continued

(h) Non-Financial Assets - continued

(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 costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

	<u>Years</u>
Land improvements	10-25
Buildings	50
Engineered structures	
Roadway system	15
Water systems	18-40
Wastewater systems	18-40
Bridges	50-150
Gas distribution system	40-50
Machinery and equipment	20-30
Vehicles	10-20

One-half of the annual amortization is charged in the year of acquisition. 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) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

2. Taxes and Grants in Place Receivable

	<u>2012</u>	<u>2011</u>
Current	\$ 462,433	\$ 412,239
Arrears	409,252	145,118
Less allowance for doubtful accounts	(219,439)	(25,665)
	\$ <u>652,246</u>	\$ <u>531,692</u>

3. Employee Obligations

	<u>2012</u>	<u>2011</u>
Accrued holiday pay	\$ 224,497	\$ 176,609
Accrued retirement benefits	95,870	--
Accrued wages	56,450	--
Accrued sick leave	143,796	--
Canada savings bonds	<u>2,200</u>	<u>1,700</u>
	\$ <u>522,813</u>	\$ <u>178,309</u>

SMOKY LAKE COUNTY
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4. Investment in Gas Alberta Ltd.

Effective June 30, 1998, Gas Alberta, a branch of Alberta Transportation and Utilities, was privatized and operations assumed by Gas Alberta Inc. The shareholders of Gas Alberta Inc. are predominantly made up of members of the Federation of Alberta Gas Co-ops.

The county has entered into a five-year gas supply contract, which renews automatically each year, to purchase natural gas exclusively from Gas Alberta Inc.

The county's investment in Gas Alberta Inc. consists of:

	<u>2012</u>	<u>2011</u>
Class A common shares	\$ 462	\$ 462
Loan receivable	<u>67,500</u>	<u>67,500</u>
	<u>\$ 67,962</u>	<u>\$ 67,962</u>

The loan is non-interest bearing and is secured by a debenture. The loan is due upon the expiration of the contract and may be repaid earlier at Gas Albert Inc.'s option or in the event the county no longer holds any of the Class A common shares.

5. Investment in Corridor Communications Inc.

	<u>2012</u>	<u>2011</u>
379,429 Class B common shares (179,429 shares)	\$ 424,286	\$ 224,286
675,608 Class G preferred shares	675,608	678,608
Shareholder's loan balance	<u>17,038</u>	<u>17,038</u>
	<u>\$ 1,116,932</u>	<u>\$ 919,932</u>

6. Deferred Revenue

	<u>2012</u>	<u>2011</u>
New Deal for Cities and Communities	\$ --	\$ 209,146
Municipal Sustainability Initiative – Capital	429,481	600,644
Municipal Sustainability Initiative – Operating	32,043	90,087
Regional Partnership Initiative - JEDI	18,796	--
Basic Municipal Transportation	14,733	14,733
Advanced Education	18,765	12,936
Rural Connection Broadband	--	187,500
Family school liaison program	15,096	15,096
Regional collaboration	12,500	50,000
Natural gas sales	68,940	124,866
Insurance advance – fire truck	<u>--</u>	<u>30,000</u>
	<u>\$ 610,354</u>	<u>\$ 1,335,008</u>

Funding from various grant programs, organizations and individuals, in the amount of \$610,354 remained unspent at the end of the current year. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements or as indicated by the donors. Most of the projects are scheduled for completion in 2013.

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

7. Long-Term Debt	<u>2012</u>	<u>2011</u>
Debenture – tax supported (Warspite)	\$ <u>11,670</u>	\$ <u>16,802</u>

Principal and interest repayments for each of the next two years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 5,587	\$ 1,036	\$ 6,623
2014	<u>6,083</u>	<u>540</u>	<u>6,623</u>
	\$ <u>11,670</u>	\$ <u>1,576</u>	\$ <u>13,246</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at 8.875% per annum and matures in 2014. The average annual interest rate is 8.875% for 2012 (8.875% for 2011).

Debenture debt is issued on the credit and security of the county at large.

Interest on long-term debt amounted to \$1,209 (2011 - \$1,643).

The county's cash payment for interest paid on long-term debt was \$1,491 (2011 - \$1,909).

8. 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 Smoky Lake County be disclosed as follows:

	<u>2012</u>	<u>2011</u>
Total debt limit	\$ 20,484,165	\$ 19,489,405
Total debt (including loan guarantee)	<u>(105,003)</u>	<u>(121,802)</u>
Debt limit remaining	\$ <u>2,038,266</u>	\$ <u>19,367,603</u>
Debt servicing limit	\$ 3,414,027	\$ 3,248,234
Debt servicing	<u>(6,623)</u>	<u>(6,623)</u>
Debt servicing limit remaining	\$ <u>3,407,404</u>	\$ <u>3,241,611</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.

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

9. Inventory	<u>2012</u>	<u>2011</u>
Public works	\$ 472,807	\$ 387,185
Gravel (valued at crushing cost)	790,161	581,805
A.S.B.	<u>66,611</u>	<u>56,041</u>
	1,329,579	1,025,031
Gas Utility	<u>69,445</u>	<u>58,145</u>
	<u>\$ 1,399,024</u>	<u>\$ 1,083,176</u>

10. Equity in Tangible Capital Assets	<u>2012</u>	<u>2011</u>
Tangible capital assets (schedule 2)	\$ 63,335,431	\$ 59,416,391
Accumulated amortization (schedule 2)	(28,277,030)	(26,513,769)
Long-term debt (note 7)	<u>(11,670)</u>	<u>(16,802)</u>
	<u>\$ 35,046,731</u>	<u>\$ 32,885,820</u>

11. Accumulated Surplus

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	<u>2012</u>	<u>2011</u>
Unrestricted surplus	\$ <u>3,842,555</u>	\$ <u>3,419,945</u>
Restricted surplus		
Capital		
Building	80,874	80,874
General	2,392,118	2,392,118
Regional landfill	566,870	853,290
Transportation	250,000	1,202,145
Gravel pit reclamation	272,338	253,049
Gravel pit development	80,331	42,801
Fire	409,500	269,500
Street sweeper	19,211	13,613
Water	25,000	--
Regional waterline	1,000,000	750,000
Road development	108,874	89,567
Municipal reserve	<u>27,894</u>	<u>26,909</u>
	5,233,010	5,973,866
Municipal general	1,220,473	1,475,124
Gas	<u>966,548</u>	<u>777,295</u>
Total restricted	<u>7,420,031</u>	<u>8,226,285</u>
Equity in tangible capital assets (note 10)	<u>35,046,731</u>	<u>32,885,820</u>
	<u>\$ 46,309,317</u>	<u>\$ 44,532,050</u>

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

12. Segmented Disclosure

The Smoky Lake County provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1.

Refer to Schedule 6 – Segmented Disclosure.

13. Contingent Liabilities

(a) Insurance

The county is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, it could become liable for its proportional 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.

(b) Smoky Lake Agricultural Society

The county has guaranteed one-half of a prime rate loan at the Canadian Imperial Bank of Commerce for the Smoky Lake Agricultural Society. As at December 31, 2012 the loan was in good standing and the balance was \$186,666, therefore the county's guarantee would be limited to \$93,333.

(c) Evergreen Regional Waste Management Services Commission

Smoky Lake County is a member of the Evergreen Regional Waste Management Services Commission. Each participating municipality funds a portion of the Commission's deficit based on their proportionate tippage for the year. The expense is accounted for as a current transaction in the year the county is invoiced.

14. Operating Loan

The county has a prime less ¼% authorized operating line of \$5,000,000 with the Alberta Treasury Branch. No balance was outstanding as at December 31, 2012.

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

15. Salary and Benefits Disclosure

Disclosure of salaries and benefits for municipal officials and the chief administrative officer as required by Alberta Regulation 313/2000 is as follows:

		2012		
		Salary	Benefits & Allow.	Expenses
		(1)	(2)	(3)
Reeve	Cholak	\$ 56,650	\$ 10,755	\$ 27,676
Councillors	Bobocel	48,925	7,140	28,343
	Danyluk	49,783	9,978	19,882
	Orichowski	48,925	9,882	24,851
	Cherniwchan	<u>50,642</u>	<u>10,075</u>	<u>24,870</u>
Total 2012 legislative costs		\$ <u>254,925</u>	\$ <u>47,830</u>	\$ <u>125,622</u>
Chief Administrative Officer	Ollikka	\$ <u>127,652</u>	\$ <u>25,704</u>	\$ <u>15,060</u>

		2011		
		Salary	Benefits & Allow.	Expenses
		(1)	(2)	(3)
Reeve	Cholak	\$ 55,000	\$ 10,218	\$ 25,992
Councillors	Bobocel	47,500	6,839	26,077
	Danyluk	48,542	9,489	21,626
	Orichowski	48,958	9,536	22,412
	Cherniwchan	<u>47,500</u>	<u>9,371</u>	<u>23,443</u>
Total 2011 legislative costs		\$ <u>247,500</u>	\$ <u>45,453</u>	\$ <u>119,550</u>
Chief Administrative Officer	Ollikka	\$ <u>123,000</u>	\$ <u>23,936</u>	\$ <u>13,939</u>

- (1) Salary includes regular base pay, gross honoraria, Reeve remuneration and any other direct cash remuneration. These amounts are included in Legislative, Development, ASB, and Natural Gas functional expenses.
- (2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including Canada Pension Plan, Employment Insurance, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, and professional memberships.
- (3) Expenses include travel, mileage, meals, accommodation, registration fees and other expenses.

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

16. 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 214,328 people and 423 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The county is required to make current service contributions to the LAPP of 9.91% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.74% on pensionable earnings above this amount. Employees of the county are required to make current service contributions of 8.91% of pensionable salary up to the year's maximum pensionable salary and 12.74% on pensionable salary above this amount.

Total current service contributions by the county to the LAPP in 2012 were \$220,558 (2011 - \$200,369). Total current service contributions by the employees of the county to the LAPP in 2012 were \$200,816 (2011 - \$181,647).

At December 31, 2011, the LAPP disclosed an actuarial deficiency of \$4.64 billion.

17. Financial Instruments

The county's financial instruments consist of cash, receivables, long-term investments, loans receivable, accounts payable and accrued liabilities, 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 receivable 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 instruments approximates fair value.

18. Approval of Financial Statements

Council and Management have approved these financial statements.