

**County of Northern Lights**  
**Financial Statements**  
**December 31, 2012**

# County of Northern Lights

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## MANAGEMENT'S REPORT

The accompanying consolidated financial statements and other information contained in this Financial Report are the responsibility of the management of the **County of Northern Lights**.

These consolidated financial statements have been prepared by management. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The County of Northern Lights maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the County of Northern Lights assets are appropriately accounted for and adequately safeguarded.

The elected Council of the County of Northern Lights are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Council meets annually with management to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Doyle & Company, Chartered Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the County of Northern Lights. Doyle & Company has full and free access to the County's Council.

Theresa Van Oort  
Chief Administrative Officer

## AUDITORS' REPORT

To the Members of Council

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the **County of Northern Lights**, which comprise the statement of financial position as at December 31, 2012 and the statements of operations, change in net financial assets and the statement of 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 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 whether the consolidated financial statements are free from material misstatement.

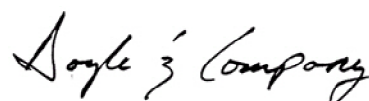
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparations 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, these consolidated financial statements present fairly, in all material respects, the financial position of the County of Northern Lights as at December 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta  
March 26, 2013



Chartered Accountants

**County of Northern Lights**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2012**

	2012	2011
	\$	(Restated) \$
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	5,433,727	1,934,521
Restricted cash (Note 2)	29,905,122	28,017,006
Receivables		
Taxes and grants in lieu receivable	392,992	382,188
Trade and other receivables (Note 3)	1,516,860	2,621,367
Investments (Note 4)	71	71
	<b>37,248,772</b>	<b>32,955,153</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	2,396,021	1,445,353
Deferred revenue	-	106,197
Long-term liabilities (Note 6)	2,394,670	956,483
Landfill reclamation costs (Note 7)	88,335	88,335
Gravel reclamation costs	893,693	747,385
	<b>5,772,719</b>	<b>3,343,753</b>
<b>NET FINANCIAL ASSETS</b>	<b>31,476,053</b>	<b>29,611,400</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	45,813,587	44,366,171
Inventory for consumption	1,843,172	2,042,637
Prepaid expenses	133,797	127,638
	<b>47,790,556</b>	<b>46,536,446</b>
<b>ACCUMULATED SURPLUS (Schedule 1, Note 10)</b>	<b>79,266,609</b>	<b>76,147,846</b>

The accompanying notes form part of these financial statements.

**County of Northern Lights**  
**Consolidated Statement of Operations**  
**For the year ended December 31, 2012**

	Budget (Unaudited) \$	2012 \$	2011 (Restated) \$
<b>REVENUE</b>			
Net municipal taxes (Schedule 3)	14,506,117	14,534,090	14,008,448
User fees and sales of goods	567,210	1,001,855	616,717
Government transfers (Schedule 4)	1,171,721	1,183,391	1,006,281
Investment income	450,000	620,362	935,154
Oil well drilling taxes	20,000	22,437	16,535
<b>Total Revenues</b>	<b>16,715,048</b>	<b>17,362,135</b>	<b>16,583,135</b>
<b>EXPENSES</b>			
Administrative services	1,438,728	1,587,494	1,517,301
Council and other legislative services	1,221,600	1,178,812	1,078,280
Protective services	748,516	716,797	1,689,486
Transportation services	8,544,696	8,137,871	7,919,922
Agricultural services	816,410	788,210	743,605
Utilities and environmental services	2,708,682	2,677,400	2,521,641
Planning and development services	275,117	206,644	239,575
Family and community support services	125,061	125,061	125,061
Economic development and community services	360,575	308,306	255,276
Recreation and cultural services	902,698	375,373	498,357
<b>Total Expenses</b>	<b>17,142,083</b>	<b>16,101,968</b>	<b>16,588,504</b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<b>(427,035)</b>	<b>1,260,167</b>	<b>(5,369)</b>
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	6,613,526	1,858,596	4,779,719
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>6,186,491</b>	<b>3,118,763</b>	<b>4,774,350</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>-</b>	<b>76,147,846</b>	<b>71,373,496</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>6,186,491</b>	<b>79,266,609</b>	<b>76,147,846</b>

The accompanying notes form part of these financial statements.

**County of Northern Lights**  
**Consolidated Statement of Change in Net Financial Assets**  
**For the year ended December 31, 2012**

	Budget (Unaudited) \$	2012 \$	2011 (Restated) \$
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>6,186,491</b>	<b>3,118,763</b>	4,774,350
Acquisition of tangible capital assets	(10,687,612)	(3,963,845)	(6,884,777)
Proceeds on disposal of tangible capital asset	295,000	219,920	177,149
Amortization of tangible capital assets	1,869,042	2,340,491	1,863,350
Loss (gain) on disposal of tangible capital assets	-	(43,982)	2,656
	<b>(8,523,570)</b>	<b>(1,447,416)</b>	(4,841,622)
Acquisition of supplies inventories	-	-	(485,713)
Acquisition of prepaid assets	-	(133,797)	(127,640)
Use of supplies inventories	-	199,465	-
Use of prepaid assets	-	127,638	127,926
	-	<b>193,306</b>	(485,427)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(2,337,079)</b>	<b>1,864,653</b>	(552,699)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	-	<b>29,611,400</b>	30,164,099
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>(2,337,079)</b>	<b>31,476,053</b>	29,611,400

The accompanying notes form part of these financial statements.

**County of Northern Lights**  
**Consolidated Statement of Cash Flows**  
**For the year ended December 31, 2012**

	2012	2011
	\$	(Restated) \$
<b>OPERATING</b>		
Excess of revenue over expenditures	3,118,763	4,774,350
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	2,340,491	1,863,350
Loss (gain) on disposal of tangible capital assets	(43,982)	2,656
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(10,804)	207,410
Decrease (increase) in trade and other receivables	1,104,507	2,070,342
Decrease (increase) in prepaid expenditures	(6,159)	288
Decrease (increase) in inventory for consumption	199,465	(485,713)
Increase (decrease) in accounts payable and accrued liabilities	950,668	(236,450)
Increase (decrease) in deferred revenue	(106,197)	106,197
Increase (decrease) in reclamation liability costs	146,308	146,308
Cash from operations	7,693,060	8,448,738
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(3,963,845)	(6,884,777)
Proceeds on disposal of tangible capital assets	219,920	177,149
Cash applied to capital transactions	(3,743,925)	(6,707,628)
<b>FINANCING</b>		
Long-term liabilities issued	1,500,000	-
Long-term liabilities repaid	(61,813)	(67,727)
Cash applied to financing transactions	1,438,187	(67,727)
<b>CHANGE IN CASH DURING THE YEAR</b>	<b>5,387,322</b>	<b>1,673,383</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>29,951,527</b>	<b>28,278,144</b>
<b>CASH, END OF YEAR</b>	<b>35,338,849</b>	<b>29,951,527</b>

The accompanying notes form part of these financial statements.



**County of Northern Lights**  
**Schedule of Changes in Accumulated Surplus - Schedule 1**  
**For the year ended December 31, 2012**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2012 \$	2011 \$
<b>Balance, Beginning of Year, as originally stated</b>	4,239,402	28,017,006	43,409,688	75,666,096	70,891,746
Prior period adjustment (Note 16)	481,750	-	-	481,750	481,750
<b>Balance, Beginning of Year, as restated</b>	<b>4,721,152</b>	<b>28,017,006</b>	<b>43,409,688</b>	<b>76,147,846</b>	<b>71,373,496</b>
Excess of revenue over expenses	3,118,763	-	-	3,118,763	4,774,350
Unrestricted funds designated for future use	(9,300,184)	9,300,184	-	-	-
Restricted funds used for tangible capital assets	-	(1,512,068)	1,512,068	-	-
Current years funds used for tangible capital assets	(2,451,777)	-	2,451,777	-	-
Disposal of tangible capital assets	175,938	-	(175,938)	-	-
Annual amortization expense	2,340,491	-	(2,340,491)	-	-
Long-term liabilities obtained	1,500,000	-	(1,500,000)	-	-
Long-term liabilities repaid	(61,813)	-	61,813	-	-
Change in accumulated surplus	(4,678,582)	7,788,116	9,229	3,118,763	4,774,350
<b>Balance, End of Year</b>	<b>42,570</b>	<b>35,805,122</b>	<b>43,418,917</b>	<b>79,266,609</b>	<b>76,147,846</b>

The accompanying notes form part of these financial statements.

**County of Northern Lights**  
**Schedule of Tangible Capital Assets - Schedule 2**  
**For the year ended December 31, 2012**

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2012 \$	2011 \$
<b>COST:</b>							
Balance, Beginning of Year	761,091	4,232,360	52,546,362	4,466,697	2,782,858	<b>64,789,368</b>	58,576,198
Acquisition of tangible capital assets	6,435	344,289	96,680	1,136,779	252,343	<b>1,836,526</b>	6,504,047
Construction-in-progress	-	-	2,127,319	-	-	<b>2,127,319</b>	380,730
Disposal of tangible capital assets	-	-	(189,688)	(713,775)	(278,038)	<b>(1,181,501)</b>	(671,607)
<b>Balance, End of Year</b>	<b>767,526</b>	<b>4,576,649</b>	<b>54,580,673</b>	<b>4,889,701</b>	<b>2,757,163</b>	<b>67,571,712</b>	<b>64,789,368</b>
<b>ACCUMULATED AMORTIZATION:</b>							
Balance, Beginning of Year	-	1,146,832	15,977,890	1,860,950	1,437,525	<b>20,423,197</b>	9,051,650
Annual amortization	-	107,283	1,601,252	430,799	201,157	<b>2,340,491</b>	1,863,350
Accumulated amortization on disposals	-	-	(169,573)	(565,452)	(270,538)	<b>(1,005,563)</b>	(491,803)
<b>Balance, End of Year</b>	<b>-</b>	<b>1,254,115</b>	<b>17,409,569</b>	<b>1,726,297</b>	<b>1,368,144</b>	<b>21,758,125</b>	<b>20,423,197</b>
<b>NET BOOK VALUE</b>	<b>767,526</b>	<b>3,322,534</b>	<b>37,171,104</b>	<b>3,163,404</b>	<b>1,389,019</b>	<b>45,813,587</b>	<b>44,366,171</b>
<b>2011 NET BOOK VALUE</b>	<b>761,891</b>	<b>3,085,528</b>	<b>36,568,472</b>	<b>2,605,747</b>	<b>1,345,333</b>	<b>44,366,171</b>	

The accompanying notes form part of these financial statements.

**County of Northern Lights**  
**Schedule of Property and Other Taxes - Schedule 3**  
**For the year ended December 31, 2012**

	Budget (Unaudited) \$	2012 \$	2011 \$
<b>TAXATION</b>			
Real property taxes	9,292,950	9,231,894	8,783,101
Linear property taxes	8,750,000	8,983,129	8,741,978
Government grants in place of property taxes	19,000	24,553	18,594
Penalties and costs	100,000	89,058	124,336
	<b>18,161,950</b>	<b>18,328,634</b>	17,668,009
<b>REQUISITIONS</b>			
Provincial School Foundation Fund	3,304,584	3,444,762	3,297,994
Senior Foundation	351,249	349,782	361,567
	<b>3,655,833</b>	<b>3,794,544</b>	3,659,561
<b>NET MUNICIPAL TAXES</b>	<b>14,506,117</b>	<b>14,534,090</b>	14,008,448

The accompanying notes form part of these financial statements.

**County of Northern Lights**  
**Schedule of Government Transfers - Schedule 4**  
**For the year ended December 31, 2012**

	Budget (Unaudited) \$	2012 \$	2011 \$
<b><u>OPERATING</u></b>			
<b>FEDERAL TRANSFERS</b>			
Shared-cost agreements and grants	574,276	574,276	587,309
<b>PROVINCIAL TRANSFERS</b>			
Shared-cost agreements and grants	567,445	599,115	418,972
<b>LOCAL GOVERNMENT TRANSFERS</b>			
Shared-cost agreements and grants	30,000	10,000	-
	<b>1,171,721</b>	<b>1,183,391</b>	<b>1,006,281</b>
<b><u>CAPITAL</u></b>			
<b>PROVINCIAL TRANSFERS</b>			
Shared-cost agreements and grants	6,613,526	1,858,596	4,779,719

The accompanying notes form part of these financial statements.

**County of Northern Lights**  
**Schedule of Consolidated Expenditures by Object - Schedule 5**  
**For the year ended December 31, 2012**

	Budget (Unaudited) \$	2012 \$	2011 \$
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	3,452,074	3,308,192	3,195,422
Contracted and general services	8,458,922	5,913,839	6,149,409
Materials, goods and utilities	1,907,397	1,430,459	1,146,263
Transfers to local boards and agencies	3,289,690	3,075,359	4,189,851
Interest on long-term liabilities	34,000	33,629	44,209
Amortization of tangible capital assets	-	2,340,491	1,863,350
	<b>17,142,083</b>	<b>16,101,969</b>	<b>16,588,504</b>

The accompanying notes form part of these financial statements.

**County of Northern Lights**  
**Schedule of Segmented Disclosure - Schedule 6**  
**For the year ended December 31, 2012**

	Administrative Services \$	Council & Legislative Services \$	Protective Services \$	Transportation Services \$	Agricultural Services \$	Utilities & Environmental Services \$
<b>REVENUE</b>						
Net municipal taxes	14,534,091	-	-	-	-	-
Government transfer	1,747,007	-	-	1,014,374	168,459	5,600
User fees and sales of goods	75,424	-	43,417	590,669	11,075	262,358
Investment income	620,360	-	-	-	-	-
Oil well drilling taxes	22,437	-	-	-	-	-
	16,999,319	-	43,417	1,605,043	179,534	267,958
<b>EXPENSES</b>						
Salaries, wages and benefits	743,958	126,172	129,162	1,633,159	147,265	336,881
Contract and general services	650,766	130,442	410,588	3,545,471	477,780	403,054
Materials, goods and utilities	95,424	7,978	38,754	1,089,564	74,545	84,628
Transfers to local boards and agencies	-	914,220	69,781	-	72,873	1,530,000
Interest on long-term liabilities	-	-	-	32,113	-	1,516
	1,490,148	1,178,812	648,285	6,300,307	772,463	2,356,079
<b>NET REVENUE BEFORE AMORTIZATION</b>						
	15,509,171	(1,178,812)	(604,868)	(4,695,264)	(592,929)	(2,088,121)
Amortization expense	97,346	-	68,512	1,837,565	15,746	321,322
<b>NET REVENUE</b>	15,411,825	(1,178,812)	(673,380)	(6,532,829)	(608,675)	(2,409,443)

The accompanying notes form part of these financial statements.

**County of Northern Lights**  
**Schedule of Segmented Disclosure - Schedule 6**  
**For the year ended December 31, 2012**

	<b>Planning &amp; Development Services</b>	<b>Family &amp; Community Support Services</b>	<b>Economic Development &amp; Community Services</b>	<b>Recreation &amp; Cultural Services</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>						
Net municipal taxes	-	-	-	-	<b>14,534,091</b>	14,008,448
User fees and sales of goods	14,480	-	4,434	-	<b>1,001,857</b>	616,717
Government transfer	-	100,048	6,498	-	<b>3,041,986</b>	5,786,000
Investment income	-	-	-	-	<b>620,360</b>	935,154
Oil well drilling taxes	-	-	-	-	<b>22,437</b>	16,535
	14,480	100,048	10,932	-	<b>19,220,731</b>	21,362,854
<b>EXPENSES</b>						
Salaries, wages and benefits	41,105	-	150,490	-	<b>3,308,192</b>	3,195,422
Contract and general services	165,539	-	102,640	27,559	<b>5,913,839</b>	6,149,409
Materials, goods and utilities	-	-	39,566	-	<b>1,430,459</b>	1,146,263
Transfers to local boards and agencies	-	125,061	15,610	347,814	<b>3,075,359</b>	4,189,851
Interest on long-term liabilities	-	-	-	-	<b>33,629</b>	44,209
	206,644	125,061	308,306	375,373	<b>13,761,478</b>	14,725,154
<b>NET REVENUE BEFORE AMORTIZATION</b>						
	(192,164)	(25,013)	(297,374)	(375,373)	<b>5,459,253</b>	6,637,700
Amortization expense	-	-	-	-	<b>2,340,491</b>	1,863,350
<b>NET REVENUE</b>	(192,164)	(25,013)	(297,374)	(375,373)	<b>3,118,762</b>	4,774,350

The accompanying notes form part of these financial statements.

**County of Northern Lights**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**DESCRIPTION OF OPERATIONS**

The County of Northern Lights is a local government authority providing municipal services. The County is empowered through bylaws and policies approved by Council and pursuant to the Municipal Government Act.

**1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the County of Northern Lights are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the county are as follows:

**a) Reporting Entity**

These financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the County's 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 record 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 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 assets are acquired.

**c) Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.



**County of Northern Lights**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**2. SIGNIFICANT ACCOUNTING POLICIES - continued**

**(d) Investments**

Investments are recorded at fair market value.

**(e) Inventories for Resale**

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

**f) Landfill Closure and Post-Closure Liability**

Pursuant to the Alberta Environmental Protection and Enhancement Act, the County is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

**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, the 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.

**County of Northern Lights**  
**Notes to the Financial Statements**  
**December 31, 2012**

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**2. SIGNIFICANT ACCOUNTING POLICIES - 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 cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land	
Land Improvements	15-20
Buildings	25-50
Engineered structures	10-75
Machinery and equipment	5-20
Vehicles	3-20

Annual amortization is charged in the year of disposal and not 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. Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operation leases and the related lease payments are charges to expenses as incurred.

**iv. Inventories**

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

**County of Northern Lights**  
**Notes to the Financial Statements**  
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**2. CASH AND TEMPORARY INVESTMENTS**

	<b>2012</b>	<b>2011</b>
	\$	\$
Petty cash	450	450
Cash	2,479,514	1,627,864
Investments	32,858,885	28,323,213
Less: restricted cash	<b>(29,905,122)</b>	<b>(28,017,006)</b>
	<b>5,433,727</b>	<b>1,934,521</b>

Investments represent funds invested with the Alberta Treasury Branch.

The investments include both a mixture of high grade corporate and government bonds earning an interest rate of between 3.05% and 5.14% and mutual funds invested in high interest savings accounts.

Restricted cash represents the balance of surplus funds that have been allocated to both operating and capital reserve accounts.

**3. TRADE AND OTHER RECEIVABLES**

	<b>2012</b>	<b>2011</b>
	\$	(Restated) \$
Trade and other receivables	811,330	1,978,747
GST receivable	228,282	165,372
Receivable from other governments	481,750	481,750
	<b>1,521,362</b>	<b>2,625,869</b>
Less: Allowance for uncollectible trade and other receivables	<b>(4,502)</b>	<b>(4,502)</b>
	<b>1,516,860</b>	<b>2,621,367</b>

**4. INVESTMENTS**

	<b>2012</b>	<b>2011</b>
	\$	\$
Alberta Municipal Financing Corporation Shares - at cost	70	70
Servus Credit Union - at cost	1	1
	<b>71</b>	<b>71</b>

**County of Northern Lights**  
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**5. EMPLOYEE BENEFIT OBLIGATIONS**

	<b>2012</b>	<b>2011</b>
	\$	\$
Vacation and overtime	<b>139,682</b>	138,711

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

**6. LONG-TERM LIABILITIES**

	<b>2012</b>	<b>2011</b>
	\$	\$
Alberta Capital Finance Authority - 4000213	-	8,238
Alberta Capital Finance Authority - 4001014	<b>894,670</b>	948,245
Alberta Capital Finance Authority - 4001468	<b>1,500,000</b>	-
	<b>2,394,670</b>	956,483

The Alberta Capital Finance Authority loan 4001014 is due September 2025 and is repayable over a 15 year period in semi-annual instalments of \$43,094 including interest charged at 3.488%.

The Alberta Capital Finance Authority loan 4001468 is due December 2027 and is repayable over a 15 year period in semi-annual instalments of \$60,820 including interest charged at 2.627%.

Interest on long-term liabilities amounted to \$32,612 (2011 - \$34,433).

Principal and interest repayments are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
	\$	\$	\$
2013	138,236	69,592	207,828
2014	142,377	65,451	207,828
2015	146,644	61,184	207,828
2016	151,041	56,787	207,828
2017	155,573	52,255	207,828
Thereafter	1,660,799	245,094	1,905,893
	2,394,670	550,363	2,945,033

**County of Northern Lights**  
**Notes to the Financial Statements**  
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**7. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY**

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 40 years after closure using a discount rate of 6% and assuming annual inflation of 2%.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 1,728 cubic metres. The estimated remaining capacity if the landfill site is 850 cubic metres. The existing landfill site is expected to reach capacity in approximately the year 2022 to 2024.

The County has not designated assets for settling closure and post-closure liabilities.

The liability at December 31, 2012 is \$88,335 (2011 - \$88,335) represents the present value of closure and post-closure costs.

**8. DEBT LIMIT**

Section 276(2) of the Municipal Government Act requires that total debt limit as defined by Alberta Regulation 255/00 for the County of Northern Lights be disclosed as follow:

	<b>2012</b>	<b>2011</b>
	\$	\$
Total Debt Limit	<b>26,043,203</b>	24,874,703
Total Debt	<b>2,394,670</b>	956,483
Debt Limit Available	<b>23,648,533</b>	23,918,220
Debt Service Limit	<b>4,340,534</b>	4,145,784
Debt Service	<b>138,236</b>	61,815
Debt Service Limit Available	<b>4,202,298</b>	4,083,969

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 which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

**County of Northern Lights**  
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**9. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<b>2012</b>	<b>2011</b>
	\$	\$
Tangible capital assets (Schedule 1)	<b>67,571,712</b>	64,789,368
Accumulated amortization (Schedule 1)	<b>(21,758,125)</b>	(20,423,197)
Long-term liabilities (Note 6)	<b>(2,394,670)</b>	(956,483)
	<b>43,418,917</b>	43,409,688

**10. ACCUMULATED SURPLUS**

	<b>2012</b>	<b>2011</b>
	\$	(Restated) \$
Unrestricted surplus	<b>42,570</b>	4,721,152
Restricted surplus		
Operating reserves		
Financial stabilization	<b>4,431,173</b>	3,310,000
Highway 35 access road	<b>124,665</b>	124,665
Rate stabilization fund	<b>4,358,632</b>	4,358,632
Municipal reserve	<b>62,074</b>	58,354
Capital reserves		
Airport	<b>439,952</b>	197,470
Agriculture service board	<b>108,650</b>	106,000
Capital facility	<b>512,063</b>	422,071
Financial management	<b>77,317</b>	75,431
Fire protection	<b>2,445,328</b>	2,285,675
Fleet replacement	<b>3,298,865</b>	4,730,458
Intermunicipal	<b>5,861,574</b>	2,840,547
Recreation	<b>304,521</b>	297,092
Sewer	<b>883,715</b>	862,157
Transportation		
Road construction	<b>3,594,343</b>	3,240,099
Municipal sustainability initiative	<b>1,144,736</b>	697,113
Water upgrading	<b>7,952,513</b>	4,411,242
new	<b>205,001</b>	-
Equity in tangible capital assets	<b>43,418,917</b>	43,409,688
	<b>79,266,609</b>	76,147,846

**County of Northern Lights**  
**Notes to the Financial Statements**  
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**11. SALARY AND BENEFITS DISCLOSURE**

	<u>2012</u>			<u>2011</u>	
	<u>Salary (1)</u>	<u>Benefits &amp; Allowances (2)</u>	<u>Expenses</u>	<u>Total</u>	<u>Total</u>
	\$	\$	\$	\$	\$
Kamieniecki, Edward - Reeve	16,470	685	1,893	19,048	14,932
Councillors					
Anderson, Cheryl	26,705	1,149	8,371	36,225	36,933
Foster, Ken	2,415	105	544	3,064	3,791
Halabisky, Belinda	24,570	1,043	9,587	35,200	30,922
Harbaruk, Joan	23,100	970	6,994	31,064	29,574
Reese, Brent	17,745	705	4,212	22,662	16,148
Ungarian, Terry	18,670	751	7,503	26,924	21,423
Chief Administrative Officer	132,950	26,435	1,849	161,234	158,045

- (1) Salary includes regular base pay, overtime, honoraria and any other direct cash remuneration.
- (2) Consists of employer's share of all employee benefits and contributions or payments made on behalf of employees including Canada Pension Plan, employment insurance, Workers' Compensation Board, health care, dental coverage, group life insurance, accidental death and dismemberment insurance, long and short term disability plans, retirement pension professional memberships and tuition.

**12. 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 153,000 people and 404 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 \$234,640 (2011 - \$221,269). Total current service contributions by the employees of the County to the LAPP in 2012 were \$216,258 (2011 - \$200,077).

**County of Northern Lights**  
**Notes to the Financial Statements**  
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**13. CONTINGENCIES**

- (1) The County is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the 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 Alberta Society for Pension Reform has filed suit seeking entitlement to pension benefits. The likelihood of this suit being successful and the amount of any Court award is not presently determinable.

- (2) A claim has been filed against the County, regarding additional work done on the Vista Creek road, in the amount of \$2,797,742.

The likelihood of recovery against the County is undetermined, the County filed a statement of defence and also counterclaimed for \$346,403.

- (3) A claim has been filed against the County, regarding the termination of a lease relating to premises located at the Manning Airport, in the amount of \$750,000 for damages and \$250,00 for loss of business.

The likelihood of recovery against the County is undetermined.

- (4) A claim has been filed against the County, regarding work done on the road west of the County administration building as well as on the service road along the east side of highway 35, in the amount of \$1,262,990.

The likelihood of recovery against the County is undetermined.

**14. FINANCIAL INSTRUMENTS**

The County's financial instruments consist of cash and temporary investments, receivables, accounts payable and accrued liabilities and long-term debt. It is management's opinion that the County is not exposed to significant interest, currency or credit risk arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

**15. PRIOR PERIOD ADJUSTMENT**

A accounts receivable of \$481,750 has been recorded, from the Town of Manning, along with a corresponding increase in the County of Northern Lights unrestricted surplus. This adjustment is the result of a change in the cost allocation, of the Manning water treatment plant, between the Town of Manning and the County of Northern Lights.

**16. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by Council and Management.