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INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council of Lac La Biche County

We have audited the accompanying consolidated financial statements of Lac La Biche County, which comprise the consolidated statement of financial position as at December 31, 2011, the consolidated statements of operations and accumulated surplus, change in net financial assets (net debt) and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 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 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 our 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, we consider internal control relevant to the entity's preparation 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 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 consolidated financial position of Lac La Biche County as at December 31, 2011, and its consolidated results of operations, its consolidated change in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

September 24, 2012
Edmonton, Canada

LAC LA BICHE COUNTY
Consolidated Financial Statements
Year Ended December 31, 2011

Lac La Biche County
Consolidated Statement of Financial Position
As at December 31, 2011

	2011 \$	2010 \$ <i>(Note 21)</i>
Financial Assets		
Cash - Note 3	39,642,959	41,375,946
Receivables		
Taxes and grants in place of taxes receivable - Note 4	833,793	645,573
Due from governments - Note 5	1,853,259	3,511,887
Trade and other receivables	2,242,713	1,388,978
Investments - Note 6	52,496	5,050,202
	44,625,220	51,972,586
Liabilities		
Accounts payable and accrued liabilities	6,822,774	13,134,067
Employee benefit obligations - Note 7	339,698	368,815
Deposit liabilities - Note 8	1,014,353	748,911
Deferred revenue - Note 9	2,080,820	3,253,717
Provision for landfill closure and post-closure costs - Note 10	3,656,261	3,656,261
Long term debt - Note 11	49,646,363	54,798,645
	63,560,269	75,960,416
Net Financial Assets (Debt)	(18,935,049)	(23,987,830)
Non-Financial Assets		
Tangible capital assets - Schedule 2, Note 13	290,477,324	283,703,277
Inventory for consumption - Note 14	1,129,293	1,106,624
Prepaid expenses	138,418	250,529
	291,745,035	285,060,430
Accumulated Surplus - Schedule 1, Note 21	272,809,986	261,072,600

Contingencies - Note 18

See accompanying notes to consolidated financial statements

Approved by Mayor and Council



Lac La Biche County
Consolidated Statement of Operations
For the Year Ended December 31, 2011

	Budget \$ (Unaudited)	2011 \$	2010 \$ (Note 21)
Revenue			
Net municipal taxes (Schedule 3)	32,637,816	32,555,486	31,903,356
User fees and sales of goods	5,844,652	7,143,092	5,620,309
Government transfers for operating (Schedule 4)	1,225,974	1,697,255	1,092,635
Investment income	400,000	600,754	532,399
Penalties and costs on taxes	83,500	153,236	199,305
Rentals	129,450	236,324	163,528
Gain on disposal of tangible capital assets	-	120,901	526,898
Licenses, permits and fines	462,270	570,678	602,862
Other	106,868	262,562	119,368
Total revenue	40,890,530	43,340,288	40,760,660
Expenses (Schedule 5)			
Legislative	1,839,783	1,842,472	1,547,675
Administration	5,629,629	3,633,244	5,414,849
Fire protection and safety services	645,902	628,522	1,171,639
Bylaw enforcement	643,862	795,029	447,329
Roads, streets, walks, lighting	7,237,300	15,901,827	13,729,274
Water supply and distribution	1,231,796	2,039,859	1,677,931
Wastewater treatment and disposal	870,316	1,382,266	1,048,243
Waste management	1,261,918	1,073,739	928,665
Natural gas	2,855,472	1,836,975	2,193,494
Family and community support	437,587	387,710	358,363
Land use planning, zoning and development	1,304,739	1,191,015	1,337,390
Economic and agricultural development	1,397,348	885,475	310,289
Parks and recreation	5,945,782	8,762,276	5,475,430
Culture	-	294,791	499,558
Total expenses	31,301,434	40,655,200	36,140,129
Excess of revenue over expenses - before other	9,589,096	2,685,088	4,620,531
Other			
Contributions of tangible capital assets	-	-	59,000
Government transfers for capital (Schedule 4)	13,716,915	9,052,298	4,303,072
Excess of revenues over expenses	23,306,011	11,737,386	8,982,603
Accumulated surplus - beginning of the year (Note 21)	261,072,600	261,072,600	252,089,997
Accumulated surplus - end of the year	284,378,611	272,809,986	261,072,600

See accompanying notes to consolidated financial statements

Lac La Biche County
Consolidated Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2011

	Budget \$ (Unaudited)	2011 \$	2010 \$ (Note 21)
Excess of revenues over expenses	23,306,011	11,737,386	8,982,603
Acquisition of tangible capital assets	(21,424,740)	(16,694,281)	(48,739,309)
Contributed tangible capital assets	-	-	(59,000)
Proceeds on disposal of tangible capital assets	165,200	399,500	599,739
Amortization of tangible capital assets	-	9,641,635	8,528,973
Gain on disposal of tangible capital assets	-	(120,901)	(526,898)
	(21,259,540)	(6,774,047)	(40,196,495)
Acquisition of inventories for consumption	(700,000)	(22,669)	(320,526)
Use (acquisition) of prepaid expenses	(30,000)	112,111	(1,936)
	(730,000)	89,442	(322,462)
Decrease (increase) in net debt	1,316,471	5,052,781	(31,536,354)
Net Financial Assets (Debt), beginning of year	(23,987,830)	(23,987,830)	7,548,524
Net Financial Assets (Debt), end of year	(22,671,359)	(18,935,049)	(23,987,830)

See accompanying notes to consolidated financial statements

Lac La Biche County
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2011

	2011 \$	2010 \$ (Note 21)
Operating		
Excess of revenue over expenses	11,737,386	8,982,603
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	9,641,635	8,528,973
Gain on disposal of tangible capital assets	(120,901)	(526,898)
Tangible capital assets received as contributions	-	(59,000)
Net changes in non-cash charges to operations		
(Increase) decrease in taxes and grants in place of taxes receivable	(188,220)	229,014
Decrease in due from governments	1,658,628	3,259,400
Increase in trade and other receivables	(853,735)	(363,593)
Decrease in prepaid expenses	112,111	12,834
Increase in inventories for consumption	(22,669)	(320,526)
Increase (decrease) in accounts payable and accrued liabilities	(6,340,410)	353,031
Decrease in provision for landfill closure and post-closure costs	-	(85,498)
Increase (decrease) in deposit liabilities and deferred revenue	(907,455)	1,471,494
<i>Net cash provided by operating transactions</i>	14,716,370	21,481,834
Capital		
Acquisition of tangible capital assets	(16,694,281)	(48,739,309)
Proceeds on disposal of tangible capital assets	399,500	599,739
<i>Net cash applied to capital transactions</i>	(16,294,781)	(48,139,570)
Investing		
Decrease (increase) in restricted cash	1,172,897	(1,449,623)
Proceeds from investments, net	4,997,706	10,996,027
<i>Net cash provided by investing transactions</i>	6,170,603	9,546,404
Financing		
Long-term debt issued	-	16,025,000
Long-term debt repaid	(5,152,282)	(3,033,583)
<i>Net cash (used in) provided by financing transactions</i>	(5,152,282)	12,991,417
Change in cash position during the year	(560,090)	(4,119,915)
Cash position, beginning of year	38,122,229	42,242,144
Cash position, end of year	37,562,139	38,122,229
Cash position is made up of:		
Cash (Note 3)	39,642,959	41,375,946
Less: restricted portion of cash (Note 3)	(2,080,820)	(3,253,717)
	37,562,139	38,122,229

See accompanying notes to consolidated financial statements

Lac La Biche County
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2011
Schedule 1

	Budget (Unaudited)	Unrestricted Surplus	Restricted operating reserves	Restricted Capital reserves	Equity in Capital Assets	2011 \$	2010 \$ (Note 21)
Balance, beginning of year (Note 21)	2,424,762	2,424,762	14,527,786	15,215,420	228,904,632	261,072,600	252,089,997
Excess of revenues over expenses	23,306,011	11,737,386	-	-	-	11,737,386	8,982,603
Unrestricted funds designated for future use	-	(129,053)	129,053	-	-	-	-
Restricted funds used for operations	3,845,943	621,000	(121,000)	(500,000)	-	-	-
Current year funds used for tangible capital assets	(21,424,740)	(16,694,281)	-	-	16,694,281	-	-
Disposals of tangible capital assets	165,200	631,319	-	-	(631,319)	-	-
Accumulated amortization of disposed assets	-	(352,720)	-	-	352,720	-	-
Annual amortization expense	-	9,641,635	-	-	(9,641,635)	-	-
Long term debt repaid	(5,152,282)	(5,152,282)	-	-	5,152,282	-	-
Change in accumulated surplus	740,132	303,004	8,053	(500,000)	11,926,329	11,737,386	8,982,603
Balance, end of year	3,164,894	2,727,766	14,535,839	14,715,420	240,830,961	272,809,986	261,072,600

See accompanying notes to consolidated financial statements

Lac La Biche County
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2011
Schedule 2

Cost	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Assets under construction	2011		2010	
								\$	\$	\$	\$
Balance, beginning of year (Note 21)	46,541,896	8,604,366	59,501,513	264,429,708	14,830,419	4,428,364	5,814,002	404,150,268	356,345,113		
Acquisition of tangible capital assets	-	671,919	5,480,040	5,636,568	1,546,006	410,888	2,948,860	16,694,281	48,798,309		
Disposal of tangible capital assets	-	-	-	-	(631,319)	-	-	(631,319)	(993,154)		
Balance, end of year	46,541,896	9,276,285	64,981,553	270,066,276	15,745,106	4,839,252	8,762,862	420,213,230	404,150,268		
Accumulated amortization											
Balance, beginning of year	-	2,270,704	6,897,456	105,790,419	2,858,583	2,629,829	-	120,446,991	112,838,331		
Annual amortization	-	661,128	1,208,689	6,444,197	1,015,139	312,482	-	9,641,635	8,528,973		
Accumulated amortization on disposals	-	-	-	-	(352,720)	-	-	(352,720)	(920,313)		
Balance, end of year	-	2,931,832	8,106,145	112,234,616	3,521,002	2,942,311	-	129,735,906	120,446,991		
Net book value of tangible capital assets	46,541,896	6,344,453	56,875,408	157,831,660	12,224,104	1,896,941	8,762,862	290,477,324	283,703,277		
2010 Net book value of tangible capital assets (Note 21)	46,541,896	6,333,662	52,604,057	158,639,289	11,971,836	1,798,535	5,814,002	-	283,703,277		

See accompanying notes to consolidated financial statements

Lac La Biche County
Schedule of Property and Other Taxes
For the Year Ended December 31, 2011
Schedule 3

	Budget \$ (Unaudited)	2011 \$	2010 \$ (Note 21)
Taxation			
Real property taxes	19,227,627	18,983,670	16,879,748
Linear property	21,820,797	21,824,684	22,986,925
Government grants in place of property taxes	286,522	286,521	227,526
Special assessments and local improvement taxes	371,000	535,965	96,598
	41,705,946	41,630,840	40,190,797
Requisitions			
Alberta School Foundation Fund	7,824,196	7,831,474	7,175,814
Greater North Foundation	1,243,934	1,243,880	1,111,627
	9,068,130	9,075,354	8,287,441
Net Municipal Taxes	32,637,816	32,555,486	31,903,356

See accompanying notes to consolidated financial statements

Lac La Biche County
Schedule of Government Transfers
For the Year Ended December 31, 2011
Schedule 4

	Budget \$ (Unaudited)	2011 \$	2010 \$ (Note 21)
Transfers for operating			
Provincial Government	985,034	1,619,682	1,092,635
Federal Government	240,940	4,515	-
Other Local Governments	-	73,058	-
	1,225,974	1,697,255	1,092,635
Transfers for Capital			
Provincial Government	13,716,915	8,808,708	4,303,072
Federal Government	-	222,320	-
Other Local Governments	-	21,270	-
	13,716,915	9,052,298	4,303,072
Total Government Transfers	14,942,889	10,749,553	5,395,707

See accompanying notes to consolidated financial statements

Lac La Biche County
Schedule of Consolidated Expenses by Object
For the Year Ended December 31, 2011
Schedule 5

	Budget \$ (Unaudited)	2011 \$	2010 \$ (Note 21)
Consolidated Expenses by Object			
Salaries, wages and benefits	12,627,184	12,554,112	10,763,690
Contracted and general services	8,012,748	7,820,242	5,864,381
Materials, goods, supplies and utilities	6,227,336	7,558,806	6,598,617
Provision for allowances	20,400	(260,220)	161,671
Transfers to local boards and agencies	2,082,552	1,000,451	2,052,891
Bank charges and short term interest	10,500	35,205	14,514
Interest on long term debt	2,320,714	2,304,969	2,155,392
Amortization of tangible capital assets	-	9,641,635	8,528,973
	31,301,434	40,655,200	36,140,129

See accompanying notes to consolidated financial statements

Lac La Biche County
Schedule of Segmented Disclosure
For the Year Ended December 31, 2011
Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Other	Total \$
Revenue								
Net municipal taxes	-	-	-	-	-	-	32,555,486	32,555,486
Government transfers	-	39,223	759,443	17,748	225,449	655,392	-	1,697,255
User fees and sales of goods	515,502	225,306	223,470	4,503,771	318,423	997,871	358,749	7,143,092
Investment income	-	-	-	-	-	374	600,380	600,754
Other revenues	56,200	179,086	351,942	49	445,303	158,229	152,892	1,343,701
	571,702	443,615	1,334,855	4,521,568	989,175	1,811,866	33,667,507	43,340,288
Expenses								
Salaries, wages and benefits	2,789,445	776,860	2,749,159	1,578,767	1,014,758	3,645,123	-	12,554,112
Contracted and general services	2,607,344	295,355	2,018,932	966,200	844,591	1,085,820	-	7,820,242
Materials, goods, supplies and utilities	351,874	238,858	3,373,870	1,981,121	132,197	1,480,886	-	7,558,806
Transfers to local boards and agencies	-	112,478	-	100,000	84,944	703,029	-	1,000,451
Interest on long term debt	-	-	30,034	350,519	-	1,924,416	-	2,304,969
Other expenses	(252,941)	-	-	19,875	-	8,051	-	(225,015)
Amortization of tangible capital assets	-	-	7,729,832	1,334,357	-	577,446	-	9,641,635
	5,495,722	1,423,551	15,901,827	6,332,839	2,076,490	9,424,771	-	40,655,200
Net revenue before other	(4,924,020)	(979,936)	(14,566,972)	(1,811,271)	(1,087,315)	(7,612,905)	33,667,507	2,685,088
Other								
Government transfers for capital	-	21,270	2,136,042	222,320	-	3,962,016	2,710,650	9,052,298
Net revenue (expenses)	(4,924,020)	(958,666)	(12,430,930)	(1,588,951)	(1,087,315)	(3,650,889)	36,378,157	11,737,386

See accompanying notes to consolidated financial statements

LAC LA BICHE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

1. Significant accounting policies

The consolidated financial statements of the County 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:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, changes in net financial assets (debt) and cash flows 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 Council for the administration of their financial affairs and resources. Included with the County are the following:

Lac La Biche County Library Board

Taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity. The County is also a member of various other boards and commissions that are not included in the government reporting entity.

The consolidated statements exclude trust assets that are administered by the County for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

Basis of accounting

The consolidated 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.

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.

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LAC LA BICHE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

1. Significant accounting policies (*continued*)

Cash

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

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.

Prepaid local improvement charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

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 sites based on usage.

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LAC LA BICHE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

1. Significant accounting policies *(continued)*

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 consolidated 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.

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LAC LA BICHE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

1. Significant accounting policies (*continued*)

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

a) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Land improvements	3-45
Buildings	15-50
Engineered structures	
Water system	25-75
Wastewater system	25-75
Other engineered structures	3-60
Machinery and equipment	5-40
Vehicles	10-15

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

b) 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.

c) Leases

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

d) Inventories for consumption

Inventories for consumption are recorded at the lower of cost and replacement cost, with cost determined on an average cost basis.

e) Works of art, cultural and historical tangible capital assets

Works of art, cultural and historical assets are not recorded as tangible capital assets but are disclosed.

LAC LA BICHE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

2. Recent accounting pronouncements published but not yet adopted

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants (CICA) but are not yet effective. The County is currently evaluating the effect of adopting these standards on their consolidated financial statements.

Section PS 3410 - Government Transfers

This section establishes standards on how to account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective. This section is effective for fiscal periods beginning on or after April 1, 2012.

Section PS 3510 – Tax Revenue

This new standard establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in financial statements. This section is effective for fiscal periods beginning on or after April 1, 2012.

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 CICA Public Sector Accounting Handbook. This section is effective for fiscal periods beginning on or after April 1, 2014.

3. Cash

	2011	2010
Cash	\$ 39,642,959	\$ 41,375,946

Council has designated funds of \$14,535,839 (2010 - \$14,527,786) included in the above amounts for equipment replacement.

Included in cash is a restricted amount of \$2,080,820 (2010 – \$3,253,717) comprised of deferred revenue.

4. Taxes and grants in place of taxes receivable

	2011	2010
Current taxes and grants in place of taxes	\$ 490,790	\$ 615,587
Arrears taxes	813,271	569,873
	1,304,061	1,185,460
Less: allowance for doubtful accounts	(470,268)	(534,662)
Less: requisition over-levy	-	(5,225)
	\$ 833,793	\$ 645,573

LAC LA BICHE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

5. Centennial Legacies Grant

The Centennial Legacies Grant of \$1,376,617 plus interest has been approved for the Lac La Biche Library Project completed in 2011. The amount of \$1,385,189 has been included in receivables under Due from governments. The grant and related interest is being held in a government of Alberta Consolidated Cash Investment Trust Fund on behalf of the County.

6. Investments

	2011		2010	
	Cost	Market value	Cost	Market Value
Term deposits	\$ 1,618	\$ 1,618	\$ 5,001,367	\$ 5,001,367
Patronage equity - Servus Credit Union	50,466	50,466	48,423	48,423
Gas Alberta Inc., 412 Class A shares	412	412	412	412
	\$ 52,496	\$ 52,496	\$ 5,050,202	\$ 5,050,202

Term deposits have effective interest rates of 2% (2010 – 2% to 2.25%) and mature in December 2014.

7. Employee benefit obligations

	2011	2010
Vacation	\$ 288,636	\$ 331,774
Overtime	51,062	37,041
	\$ 339,698	\$ 368,815

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.

8. Deposit liabilities

Deposit liabilities are comprised of deposits received from developers and the proceeds from the sale of tax recovery properties acquired by the County in excess of the amount of any property tax arrears and penalties on the properties.

LAC LA BICHE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

9. Deferred revenue

	2011	2010
Prepaid local improvement charges	\$ 400,392	\$ 320,845
Sponsorship agreements	1,181,347	941,676
Alberta Regional Waste Water Treatment Plant	449,081	39,042
Early Childhood Development Mapping Initiative	50,000	-
New Deal	-	1,627,617
Street Improvement program	-	210,240
Disaster Services exercises	-	15,343
Municipal Sponsorship	-	98,954
	\$ 2,080,820	\$ 3,253,717

Prepaid local improvement charges are being amortized to revenue at varying interest rates between 4% and 7% from 2012 to 2026.

Sponsorship agreements are being amortized to revenue on a straight line basis per agreement over the next 3 to 13 years.

Funding received from the various grant programs noted above are restricted to the eligible operating and capital projects as approved in the funding agreements. Unexpended funds related to the funding advances are supported by restricted cash (see Note 3).

10. 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 25 years after closure using a discount rate of 4.31% and assuming annual inflation of 2%.

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

	2011	2010
Estimated closure costs	\$ 1,947,240	\$ 1,947,240
Estimated post-closure costs	1,709,021	1,709,021
Estimated total liability	\$ 3,656,261	\$ 3,656,261

LAC LA BICHE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

11. Long term debt

	2011	2010
<p>Debenture debt is repayable to the Alberta Capital Finance Authority and is repayable in semi-annual blended payments of \$241,920 and bears interest at 4.307% per annum and matures in September 2015. The debenture was to finance the east and west sewer line.</p>	\$ 1,781,000	\$ 2,186,205
<p>Debenture debt is repayable to the Alberta Capital Finance Authority and is repayable in semi-annual blended payments of \$2,830 and bears interest at 4.805% per annum and matures in September 2022. The debenture was to finance Clear Water Cove subdivision primary water and sewer.</p>	47,916	51,155
<p>Debenture debt is repayable to the Alberta Capital Finance Authority and is repayable in semi-annual blended payments of \$6,840 and bears interest at 4.805% per annum and matures in September 2022. The debenture was to finance Bulk Station road base paving.</p>	115,835	123,667
<p>Debenture debt is repayable to the Alberta Capital Finance Authority and is repayable in semi-annual blended payments of \$34,438 and bears interest at 4.805% per annum and matures in September 2022. The debenture was to finance Sunset Bay subdivision water and sewer utility services.</p>	583,181	622,609
<p>Debenture debt is repayable to the Alberta Capital Finance Authority and is repayable in semi-annual blended payments of \$5,781 and bears interest at 4.805% per annum and matures in September 2022. The debenture was to finance Plamondon curb and sidewalk replacement and water and sewer utilities.</p>	97,905	104,524
<p>Debenture debt is repayable to the Alberta Capital Finance Authority and is repayable in semi-annual blended payments of \$5,842 and bears interest at 4.805% per annum and matures in September 2022. The debenture was to finance Gauthier base paving, curb and gutter replacement.</p>	98,938	105,627
<p>Debenture debt is repayable to the Alberta Capital Finance Authority and is repayable in annual blended payments of \$26,024 and bears interest at 6.000% per annum and matures in April 2023. The debenture was to finance Lac La Biche town water and sewer.</p>	218,180	230,380
<p>Debenture debt is repayable to the Alberta Capital Finance Authority and is repayable in semi-annual blended payments of \$263,130 and bears interest at 3.770% per annum and matures in December 2015. The debenture was to finance East and west sewer line.</p>	1,914,868	2,344,721

(continues)

LAC LA BICHE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

11. Long term debt (*continued*)

	2011	2010
<p>Debenture debt is repayable to the Alberta Capital Finance Authority and is repayable in semi-annual blended payments of \$14,231 and bears interest at 4.565% per annum and matures in December 2023. The debenture was to finance Lac La Biche town base paving on 99 Ave.</p>	260,741	276,750
<p>Debenture debt is repayable to the Alberta Capital Finance Authority and is repayable in semi-annual blended payments of \$69,140 and bears interest at 4.565% per annum and matures in December 2023. The debenture was to finance Lakeview Estate water and sewer.</p>	1,266,813	1,344,591
<p>Debenture debt is repayable to the Alberta Capital Finance Authority and is repayable in semi-annual blended payments of \$4,872 and bears interest at 4.565% per annum and matures in December 2023. The debenture was to finance Plamondon infrastructure upgrading on Main Ave.</p>	89,272	94,753
<p>Debenture debt is repayable to the Alberta Capital Finance Authority and is repayable in semi-annual blended payments of \$4,872 and bears interest at 4.565% per annum and matures in December 2023. The debenture was to finance Bulk Station road water and sewer.</p>	89,272	94,753
<p>Debenture debt is repayable to the Alberta Capital Finance Authority and is repayable in semi-annual blended payments of \$2,980,329 and bears interest at 4.315% per annum and matures in June 2020. The debenture was to finance Multipurpose recreation centre (Bold Centre).</p>	42,039,036	46,055,271
<p>Debenture debt is repayable to the Alberta Capital Finance Authority and is repayable in annual blended payments of \$182,779 and bears interest at 5.375% per annum and matures in December 2018. The debenture was to finance Water Treatment Plant.</p>	1,043,406	1,163,639
	\$ 49,646,363	\$ 54,798,645

(continues)

LAC LA BICHE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

11. Long term debt (*continued*)

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 5,376,719	\$ 2,100,538	\$ 7,477,257
2013	5,610,963	1,866,294	7,477,257
2014	5,855,445	1,621,816	7,477,261
2015	6,110,612	1,366,646	7,477,258
2016	5,356,605	1,110,552	6,467,157
Thereafter	<u>21,336,019</u>	<u>2,046,409</u>	<u>23,382,428</u>
	<u>\$ 49,646,363</u>	<u>\$ 10,112,255</u>	<u>\$ 59,758,618</u>

The current portion of the long term debt amounts to \$5,376,719 (2010 - \$5,152,283)

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

Interest on long term debt amounted to \$2,304,969 (2010 - \$2,155,392).

The County's total cash payments for interest in 2011 were \$2,324,975.

12. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the County be disclosed as follows:

	<u>2011</u>	<u>2010</u>
Total debt limit	\$ 65,010,432	\$ 61,140,990
Total debt	<u>49,646,363</u>	<u>54,798,645</u>
Amount of debt limit unused	<u>\$ 15,364,069</u>	<u>\$ 6,342,345</u>
Percentage used (%)	76.37	89.53
Debt servicing limit	\$ 10,835,072	\$ 10,190,165
Debt servicing	<u>(7,477,257)</u>	<u>(7,477,257)</u>
Amount of debt servicing limit unused	<u>\$ 3,357,815</u>	<u>\$ 2,712,908</u>
Percentage used (%)	69.01	73.30

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) 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 County. Rather, the financial statements must be interpreted as a whole.

LAC LA BICHE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

13. Equity in tangible capital assets

	2011	2010 <i>(Note 21)</i>
Tangible capital assets (Schedule 2)	\$420,213,232	\$404,150,268
Accumulated amortization (Schedule 2)	129,735,908	120,446,991
Subtotal	290,477,324	283,703,277
Long term debt (Note 9)	(49,646,363)	(54,798,645)
	\$240,830,961	\$228,904,632

14. Inventory for consumption

	2011	2010
Gravel	\$ 618,981	\$ 528,632
Chemicals	44,776	53,463
Public works and general municipal materials and supplies	465,536	524,529
	\$ 1,129,293	\$ 1,106,624

LAC LA BICHE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

15. Accumulated surplus

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

	2011	2010 (Note 21)
Unrestricted surplus	\$ 2,727,766	\$ 2,424,762
Restricted operating reserves	-	-
Airport	9,916	9,916
Landfill	2,331	2,331
Recreation	106,630	25,028
General operations	722,401	722,401
Carry over projects	9,099,172	9,099,172
Plamondon	5,510	5,510
Fire	207,944	207,944
Emergency services	50,000	50,000
Gravel	-	121,000
Snow and ice control	76,000	76,000
Weather operations - oil/calcium	(9,440)	(9,440)
Oiling	600,000	600,000
Base paving - overlay & chip	596,000	596,000
Base paving - general	783,951	783,951
Base paving - Egg Lake	1,500,000	1,500,000
Landfill reclamation	250,000	250,000
Walking trails	206,000	206,000
Municipal reserve parks/school	328,053	280,602
Mail run days	1,367	1,367
Restricted capital reserves		
Library	52,396	52,396
Literacy program	8,488	8,488
Office equipment	100,000	100,000
Fire equipment	470,000	470,000
Bylaw equipment	60,000	60,000
Pickup	183,000	183,000
Heavy equipment	1,229,856	1,229,856
Building replacement	1,183,000	1,183,000
Water and sewer mains	113,000	113,000
Water and sewer expansion	538,645	538,645
Water and sewer serving	976,724	976,724
ASB equipment	150,000	150,000
Recreation/multiplex	6,122,061	6,622,061
Admin equipment	12,000	12,000
Recycling facility	1,084,201	1,084,201
Gas service charge	88,091	88,091
Capital subdivision / land development	11,704	11,704
Recreation equipment	116	116
Water	15,000	15,000
Natural gas lines and expansion	97,088	97,088
Water and sewer expansion	1,813,101	1,813,101
Highway 36 water	101,116	101,116

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LAC LA BICHE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

15. Accumulated surplus <i>(continued)</i>	2011	2010
Offsite levies	110,002	110,002
Unfunded landfill post closure	195,835	195,835
Equity in tangible capital assets	240,830,961	228,904,632
	\$272,809,986	\$261,072,600

16. Segmented disclosure

The County provides a range of services to its ratepayers that are reported through municipal departments. 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 consolidated financial statements as disclosed in Note 1 and align with the primary municipal departments.

Refer to the Schedule of Segmented Disclosure (schedule 6).

LAC LA BICHE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

17. Salary and benefits disclosure

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

	Salary	(1)	2011 Benefits & allowances (2)	Total	2010 Total			
Peter Kyrilchuk - Mayor	\$	43,894	\$	4,120	\$	48,014	\$	38,511
Aurel Langevin - Deputy Mayor		31,534		4,888		36,422		5,225
Gail Broadbent		28,945		5,621		34,566		6,182
Alvin Kumpula		36,385		5,913		42,298		6,653
Mary Jane Siebold		29,825		5,686		35,511		6,662
John Nowak		27,105		4,919		32,024		5,443
Guy Piquette		27,265		5,623		32,888		5,782
Tim Thompson		31,265		5,705		36,970		6,182
Eugene Uganecz		32,565		4,203		36,768		33,174
Cecilia Quist		-		-		-		26,799
Grigorii Bochkarev		-		-		-		23,621
Terry Colosimo		-		-		-		23,492
Gordon Coutney		-		-		-		19,497
Philip Lane		-		-		-		23,076
David Lozinski		-		-		-		22,106
Heather Stromquist		-		-		-		24,569
Chief Administrative Officer		809,411 (3)		7,732		817,143		233,203
	\$	1,098,194	\$	54,410	\$	1,152,604	\$	510,177

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. Salary includes retirement benefits of \$640,633 to the CAO from January 1, 2011 to October 25, 2011 and additional wages of \$1,000 per month to the Acting CAO from October 25, 2011 to December 31, 2011.

LAC LA BICHE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

18. 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 206,000 people and 421 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 9.49% (2010 - 9.06%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.13% (2010 - 12.53%) on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 8.49% (2010 - 8.06%) of pensionable salary up to the year's maximum pensionable salary and 12.13% (2010 - 11.53%) on pensionable salary above this amount.

Total current service contributions by the County to the LAPP in 2011 were \$624,894 (2010 - \$531,634). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2011 were \$564,667 (2010 - \$477,088).

At December 31, 2011, the LAPP disclosed an actuarial deficiency of \$5.415 billion.

19. Contingencies

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 County is a member of a reciprocal insurance exchange (GENESIS) to cover its liability insurance needs. GENESIS was previously referred to as Jubilee Reciprocal Insurance Exchange (JRIE). A Statement of Claim was filed in 2004 by some of the previous subscribers of JRIE. The statement of claim requests the return of surplus funds in the amount of \$3,820,516. 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.

20. Financial instruments

The County's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, deposit 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 instrument approximates fair value.

LAC LA BICHE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

21. Comparative figures

The comparative figures have been adjusted as follows:

	2011
Adjustments to opening unrestricted surplus:	
As previously reported	\$ 1,950,465
2009 adjustments	
Recognize New Deal grant money	228,314
Defer prepaid local improvements	(123,275)
Recognize well drilling equipment tax	78,665
Subtotal	2,134,169
2010 adjustments	
Recognize Alberta Regional Waste Water Treatment Plant grant	469,237
Defer prepaid local improvements	(197,570)
Recognize well drilling equipment tax	152,174
Adjustment to net book value of tangible capital assets due to understated holdback	(82,028)
Remove intercompany transfer account for library operations	(51,220)
As restated	\$ 2,424,762
2010 Adjustments to excess of revenues over expenses:	
As previously reported	\$ 8,609,982
Recognize Alberta Regional Waste Water Treatment Plant grant due to expenditures	469,237
Defer prepaid local improvements	(197,570)
Recognize well drilling equipment tax in proper period	152,174
Remove intercompany transfer account for library operations	(51,220)
As restated	\$ 8,982,603
2010 Adjustments to tangible capital assets:	
As previously reported	\$283,621,249
Adjustment to net book value of tangible capital assets due to holdback understated	82,028
As restated	\$283,703,277
2010 Adjustments to equity in tangible capital assets	
As previously reported	\$228,822,604
Adjustment to net book value of tangible capital assets due to holdback understated	82,028
	\$228,904,632

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LAC LA BICHE COUNTY
Notes to Consolidated Financial Statements
Year Ended December 31, 2011

21. Comparative figures (*continued*)

Some of the comparative figures have been reclassified to conform to the current year's presentation.

22. Subsequent events

Effective January 1, 2012, the Province of Alberta transferred lands within the County comprising the Cold Lake Air Weapons Range (CLAWR) to Improvement District No. 349. To help compensate the County for the decrease in municipal property tax assessment from the CLAWR, the province transferred approximately 16 townships of land with potential future industrial assessment growth to the County from the Regional Municipality of Wood Buffalo. In addition, the Province is providing a total of \$29 million of compensatory funding over a five year period for the years 2012 through to 2017.

23. Approval of financial statements

Council and Management have approved these consolidated financial statements.

24. Budget amounts

Budget amounts are included for information purposes only and are not audited. It should be noted that the budget is not PSAB compliant in that it does not include an estimate for amortization of tangible capital assets.