

SMOKY LAKE COUNTY GAS UTILITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

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

| | <u>2012</u> | <u>2011</u> |
|---|--------------------|---------------------|
| Financial assets | | |
| Due from general operating fund | \$ 668,912 | \$ 678,681 |
| Receivables (net of allowance) | 514,507 | 379,826 |
| Investment in Gas Alberta Inc. (note 3) | <u>67,962</u> | <u>67,962</u> |
| | <u>1,251,381</u> | <u>1,126,469</u> |
| Liabilities | | |
| Accounts payable | 271,791 | 201,102 |
| Meter deposits payable | 7,725 | 6,225 |
| Deferred revenue | <u>68,940</u> | <u>124,866</u> |
| | <u>348,456</u> | <u>332,193</u> |
| Net financial assets | <u>902,925</u> | <u>794,276</u> |
| Non-financial assets | | |
| Inventory | 69,445 | 58,145 |
| Prepaid expenses | 26,709 | 27,578 |
| Tangible capital assets (note 4) | <u>3,055,976</u> | <u>2,988,492</u> |
| | <u>3,152,130</u> | <u>3,074,215</u> |
| Accumulated surplus (note 5) | <u>\$4,055,055</u> | <u>\$ 3,868,491</u> |

ON BEHALF OF THE SMOKY LAKE COUNTY

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**SMOKY LAKE COUNTY GAS UTILITY
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>314,214</u> | \$ <u>186,564</u> | \$ <u>59,700</u> |
| Acquisition of tangible capital assets | (299,000) | (245,668) | (57,296) |
| Amortization of tangible capital assets | -- | 172,586 | 167,295 |
| Proceeds on disposal of tangible capital assets | -- | 3,255 | 4,600 |
| Gain (loss) on disposal of tangible capital assets | <u>--</u> | <u>2,343</u> | <u>(2,329)</u> |
| | (299,000) | (67,484) | 112,270 |
| Acquisition of inventory | -- | (91,634) | (58,923) |
| Use of inventory | -- | 80,334 | 49,033 |
| Acquisition of prepaid assets | -- | (26,710) | (27,578) |
| Use of prepaid assets | <u>--</u> | <u>27,579</u> | <u>17,008</u> |
| | <u>--</u> | <u>(10,431)</u> | <u>(20,460)</u> |
| Increase in net financial assets | 15,214 | 108,649 | 151,510 |
| Net financial assets, beginning of year | <u>794,276</u> | <u>794,276</u> | <u>642,766</u> |
| Net financial assets, end of year | \$ <u>809,490</u> | \$ <u>902,925</u> | \$ <u>794,276</u> |

**SMOKY LAKE COUNTY GAS UTILITY
SCHEDULE OF 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>102,704</u> | \$ <u>777,295</u> | \$ <u>2,988,492</u> | \$ <u>3,868,491</u> | \$ <u>3,808,791</u> |
| Excess (deficiency) of revenues over expenses | 186,564 | -- | -- | 186,564 | 59,700 |
| Funds designated for future use | (189,253) | 189,253 | -- | -- | -- |
| Current year funds used for tangible capital assets | (245,668) | -- | 245,668 | -- | -- |
| Disposal of tangible capital assets | 5,598 | -- | (5,598) | -- | -- |
| Annual amortization expense | <u>172,586</u> | -- | <u>(172,586)</u> | -- | -- |
| Change in accumulated surplus | <u>(70,173)</u> | <u>189,253</u> | <u>67,484</u> | <u>186,564</u> | <u>59,700</u> |
| Balance, end of year | \$ <u>32,531</u> | \$ <u>966,548</u> | \$ <u>3,055,976</u> | \$ <u>4,055,055</u> | \$ <u>3,868,491</u> |

**SMOKY LAKE COUNTY GAS UTILITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

1. Significant Accounting Policies

(a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenses, and change in net financial assets of the reporting entity which comprises the entire gas utility. These statements exclude all other municipal operations.

(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) Measurement Uncertainty

The preparation of financial statements 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 expenses during the 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 in earnings in the period in which they become known.

(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.

**SMOKY LAKE COUNTY GAS UTILITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

3. Investment in Gas Alberta Inc.

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 Alberta Inc.'s option or in the event the county no longer holds any of the Class A common shares.

4. Tangible Capital Assets

| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net Book Value</u> | |
|--------------------------|---------------------|-------------------------------------|-----------------------|---------------------|
| | | | <u>2012</u> | <u>2011</u> |
| Distribution system | \$ 6,433,216 | \$ 4,017,863 | \$ 2,415,353 | \$ 2,547,070 |
| Construction in progress | 158,070 | -- | 158,070 | -- |
| Buildings | 128,707 | 19,306 | 109,401 | 111,975 |
| Machinery and equipment | 248,753 | 82,216 | 166,537 | 143,358 |
| Vehicles | <u>345,695</u> | <u>139,080</u> | <u>206,615</u> | <u>186,089</u> |
| | <u>\$ 7,314,441</u> | <u>\$ 4,258,465</u> | <u>\$ 3,055,976</u> | <u>\$ 2,988,492</u> |

5. 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 | \$ 32,531 | \$ 102,704 |
| Restricted surplus | | |
| Capital | 904,799 | 777,295 |
| Automatic Meter Reading | 61,749 | -- |
| Equity in tangible capital assets | <u>3,055,976</u> | <u>2,988,492</u> |
| | <u>\$ 4,055,055</u> | <u>\$ 3,868,491</u> |