

BRAZEAU COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of Brazeau County

We have audited the statement of financial position of Brazeau County as at December 31, 2015 and the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of Brazeau County as at December 31, 2015 and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta
April 19, 2016


Hawkins Epp Dumont LLP
Chartered Accountants

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**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

To His Worship the Reeve and Members of Council of Brazeau County

The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

The financial statements are the responsibility of management, prepared in accordance with Canadian public sector accounting standards. They necessarily include some amounts that are based on the best estimates and judgments of management.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of financial statements.

Hawkings Epp Dumont LLP, Chartered Accountants, have been appointed by County Council to express an opinion on the County's financial statements.

Marco Schoeninger
Chief Administrative Officer

Brenda Christie
Director of Corporate Services

BRAZEAU COUNTY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 29,265,979	\$ 26,087,361
Accounts receivable <i>(Note 3)</i>	1,209,924	2,689,190
Land held for resale	14,870	14,870
Investments <i>(Note 4)</i>	<u>14,393,953</u>	<u>12,422,049</u>
	<u>44,884,726</u>	<u>41,213,470</u>
LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 6)</i>	3,690,695	4,596,945
Deposit liabilities	337,753	503,948
Deferred revenue <i>(Note 7)</i>	3,581,924	1,428,591
Contaminated sites <i>(Note 8)</i>	632,500	-
Long-term debt <i>(Note 9)</i>	<u>2,910,048</u>	<u>3,257,900</u>
	<u>11,152,920</u>	<u>9,787,384</u>
NET FINANCIAL ASSETS	<u>33,731,806</u>	<u>31,426,086</u>
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 11)</i>	174,015,030	171,292,770
Inventories for consumption <i>(Note 10)</i>	3,352,035	3,732,278
Prepaid expenses	<u>220,877</u>	<u>242,595</u>
	<u>177,587,942</u>	<u>175,267,643</u>
ACCUMULATED SURPLUS (NOTE 12)	<u>\$211,319,748</u>	<u>\$206,693,729</u>
Contingencies <i>(Note 14)</i>		

ON BEHALF OF COUNCIL:

BRAZEAU COUNTY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u> (Budget) (Note 21)	<u>2015</u> (Actual)	<u>2014</u> (Actual)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 29,093,968	\$ 29,351,288	\$ 28,761,603
Oil well drilling taxes	2,000,000	1,315,033	3,258,253
Investment income	616,000	706,758	707,470
Government transfers for operating (Schedule 3)	584,146	566,761	904,698
User fees and sale of goods	503,527	517,920	584,956
Licenses, permits, rentals and fines	252,700	278,974	273,346
Sales to other governments	193,600	165,769	182,796
Other	111,128	103,281	27,831
Penalties on taxes	71,400	90,465	74,772
Developer Levies	<u>25,000</u>	<u>32,679</u>	<u>6,361</u>
	<u>33,451,469</u>	<u>33,128,928</u>	<u>34,782,086</u>
EXPENSES			
Roads, streets, walks and lighting	13,018,105	11,232,960	9,272,218
General and administration	4,718,808	4,296,577	3,727,635
Common equipment pool	1,735,366	2,220,192	3,067,129
Economic and agricultural development	2,327,385	1,878,123	1,368,258
Land use planning, zoning and development	1,511,886	1,866,542	629,344
Parks and recreation	2,208,715	1,531,409	1,251,448
Water supply and distribution	1,248,324	1,101,438	1,063,996
Firefighting services	1,471,637	1,078,959	1,084,713
Culture - libraries	687,269	865,318	524,372
Policing	820,404	671,251	612,840
Waste management	608,291	592,348	517,609
Council	527,410	515,577	476,101
Wastewater treatment and disposal	663,217	474,828	484,870
Family and community support services	301,049	297,232	267,436
Disaster and emergency measures	150,595	130,705	116,318
Storm	<u>275,519</u>	<u>25,221</u>	<u>40,726</u>
	<u>32,273,980</u>	<u>28,778,680</u>	<u>24,505,013</u>
ANNUAL SURPLUS BEFORE OTHER REVENUE (EXPENSES)	<u>1,177,489</u>	<u>4,350,248</u>	<u>10,277,073</u>
OTHER REVENUE (EXPENSES)			
Government transfers for capital (Schedule 3)	5,094,558	809,144	2,478,593
Cash in lieu of parks	21,218	30,093	6,179
Loss on disposal of tangible capital assets	<u>-</u>	<u>(563,466)</u>	<u>(605,218)</u>
	<u>5,115,776</u>	<u>275,771</u>	<u>1,879,554</u>
ANNUAL SURPLUS	6,293,265	4,626,019	12,156,627
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>206,693,729</u>	<u>206,693,729</u>	<u>194,537,102</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$212,986,994</u>	<u>\$211,319,748</u>	<u>\$206,693,729</u>

BRAZEAU COUNTY
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u> (Budget) (Note 21)	<u>2015</u> (Actual)	<u>2014</u> (Actual)
ANNUAL SURPLUS	\$ <u>6,293,265</u>	\$ <u>4,626,019</u>	\$ <u>12,156,627</u>
Acquisition of tangible capital assets	(24,854,440)	(10,493,425)	(15,311,793)
Proceeds on disposal of tangible capital assets	421,500	396,566	166,420
Amortization of tangible capital assets	6,734,469	6,811,133	6,059,763
Loss on disposal of tangible capital assets	<u>-</u>	<u>563,466</u>	<u>605,218</u>
	<u>(17,698,471)</u>	<u>(2,722,260)</u>	<u>(8,480,392)</u>
Use (acquisition) of supplies inventory	-	380,243	(371,588)
Use (acquisition) of prepaid expenses	<u>-</u>	<u>21,718</u>	<u>(70,960)</u>
	<u>-</u>	<u>401,961</u>	<u>(442,548)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(11,405,206)	2,305,720	3,233,687
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>31,426,086</u>	<u>31,426,086</u>	<u>28,192,399</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u><u>20,020,880</u></u>	\$ <u><u>33,731,806</u></u>	\$ <u><u>31,426,086</u></u>

BRAZEAU COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
OPERATING ACTIVITIES		
Annual surplus	\$ 4,626,019	\$ 12,156,627
Non-cash items included in annual surplus		
Loss on disposal of tangible capital assets	563,466	605,218
Loss (gain) on sale of investments	(1,200)	104,800
Amortization of investment premium/discounts	384,554	268,394
Amortization of tangible capital assets	6,811,133	6,059,763
Change in non-cash working capital balances:		
Accounts receivable	1,479,266	3,512,815
Prepaid expenses	21,718	(70,960)
Accounts payable and accrued liabilities	(906,250)	(737,997)
Deferred revenue	2,153,333	611,980
Inventories for consumption	380,243	(371,588)
Contaminated sites	632,500	-
Deposit liabilities	<u>(166,195)</u>	<u>204,493</u>
	<u>15,978,587</u>	<u>22,343,545</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(10,493,425)	(15,311,793)
Proceeds on disposal of tangible capital assets	<u>396,566</u>	<u>166,420</u>
	<u>(10,096,859)</u>	<u>(15,145,373)</u>
FINANCING ACTIVITIES		
Long-term debt principal repayments	<u>(347,852)</u>	<u>(1,421,303)</u>
INVESTMENT ACTIVITIES		
Acquisition of investments	(5,356,458)	(4,090,961)
Proceeds on sale of investments	<u>3,001,200</u>	<u>2,895,101</u>
	<u>(2,355,258)</u>	<u>(1,195,860)</u>
INCREASE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	3,178,618	4,581,009
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>26,087,361</u>	<u>21,506,352</u>
CASH AND TEMPORARY INVESTMENTS , END OF YEAR	<u>\$ 29,265,979</u>	<u>\$ 26,087,361</u>

BRAZEAU COUNTY

Schedule 1

SCHEDULE OF EQUITY IN TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
BALANCE, BEGINNING OF YEAR,	168,034,870	158,457,845
Acquisition of tangible capital assets	10,493,425	15,311,793
Cost of tangible capital assets disposed of	(5,111,401)	(2,232,083)
Accumulated amortization of tangible capital assets disposed of	4,151,369	1,460,445
Amortization of tangible capital assets	(6,811,133)	(6,059,763)
Long-term debt issued	-	-
Long-term capital debt repayments	<u>347,852</u>	<u>1,096,633</u>
BALANCE, END OF YEAR	<u>\$171,104,982</u>	<u>\$168,034,870</u>

Equity in Tangible Capital Assets is Comprised of the Following:

Tangible capital assets (Note 11)	\$174,015,030	\$171,292,770
Long-term capital debt	<u>(2,910,048)</u>	<u>(3,257,900)</u>
	<u>\$171,104,982</u>	<u>\$168,034,870</u>

BRAZEAU COUNTY

Schedule 2

SCHEDULE OF PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u> (Budget) (Note 21)	<u>2015</u> (Actual)	<u>2014</u> (Actual)
TAXATION			
Real property taxes	\$ 14,563,333	\$ 14,825,612	\$ 14,796,402
Linear property taxes	25,633,852	25,597,589	24,240,579
Government grants in lieu of property taxes	<u>12,582</u>	<u>12,582</u>	<u>11,271</u>
	<u>40,209,767</u>	<u>40,435,783</u>	<u>39,048,252</u>
REQUISITIONS			
Alberta School Foundation Fund	(10,325,452)	(10,325,452)	(9,520,867)
Brazeau Seniors Foundation	<u>(940,347)</u>	<u>(940,347)</u>	<u>(951,627)</u>
	<u>(11,265,799)</u>	<u>(11,265,799)</u>	<u>(10,472,494)</u>
OTHER TAXES			
Aggregate levy	<u>150,000</u>	<u>181,304</u>	<u>185,845</u>
NET MUNICIPAL TAXES	<u>\$ 29,093,968</u>	<u>\$ 29,351,288</u>	<u>\$ 28,761,603</u>

BRAZEAU COUNTY

Schedule 3

SCHEDULE OF GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u> (Budget) (Note 21)	<u>2015</u> (Actual)	<u>2014</u> (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 573,646	\$ 554,239	\$ 875,308
Local governments	10,500	12,522	23,609
Federal government	<u>-</u>	<u>-</u>	<u>5,781</u>
	<u>584,146</u>	<u>566,761</u>	<u>904,698</u>
TRANSFERS FOR CAPITAL			
Provincial government	5,075,909	790,194	2,351,744
Local governments	<u>18,649</u>	<u>18,950</u>	<u>126,849</u>
	<u>5,094,558</u>	<u>809,144</u>	<u>2,478,593</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 5,678,704</u>	<u>\$ 1,375,905</u>	<u>\$ 3,383,291</u>

BRAZEAU COUNTY

Schedule 4

SCHEDULE OF SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General Administration</u>	<u>Recreation and Culture</u>	<u>Protective Services</u>	<u>Public Works and Transportation Services</u>	<u>Utilities</u>	<u>All Other</u>	<u>Total</u>
REVENUE							
Net municipal taxes	\$ 1,305,382	\$ 2,054,865	\$ 1,300,068	\$ 8,033,590	\$ 1,592,914	\$ 15,064,469	\$ 29,351,288
Oil well drilling taxes	1,315,033	-	-	-	-	-	1,315,033
Investment income	706,758	-	-	-	-	-	706,758
Government transfers	-	128,661	92,515	-	-	345,585	566,761
User fees and sales of goods	11,766	-	-	221,478	245,744	38,932	517,920
All other	144,636	36,800	144,548	16,761	1,035	48,414	392,194
Licenses, permits, rentals and fines	<u>-</u>	<u>8,750</u>	<u>112,901</u>	<u>-</u>	<u>-</u>	<u>157,323</u>	<u>278,974</u>
	<u>3,483,575</u>	<u>2,229,076</u>	<u>1,650,032</u>	<u>8,271,829</u>	<u>1,839,693</u>	<u>15,654,723</u>	<u>33,128,928</u>
EXPENSES							
Salaries, wages and benefits	1,816,386	149,568	427,978	3,778,986	481,596	2,246,471	8,900,985
Contract and general services	1,123,530	236,584	341,757	2,536,165	556,043	1,100,059	5,894,138
Materials, goods and supplies	197,048	46,808	61,198	2,303,940	105,004	175,701	2,889,699
Transfers to other governments	-	1,044,916	654,680	61,053	511,685	264,542	2,536,876
Transfers to boards, agencies and organizations	-	751,200	8,000	-	-	66,071	825,271
Interest on long-term debt	-	-	-	-	80,142	-	80,142
Other expenses (recovery)	<u>346,611</u>	<u>-</u>	<u>156,419</u>	<u>(408,315)</u>	<u>105,223</u>	<u>640,498</u>	<u>840,436</u>
	<u>3,483,575</u>	<u>2,229,076</u>	<u>1,650,032</u>	<u>8,271,829</u>	<u>1,839,693</u>	<u>4,493,342</u>	<u>21,967,547</u>
NET REVENUE (DEFICIT) BEFORE AMORTIZATION	-	-	-	-	-	11,161,381	11,161,381
Amortization of tangible capital assets	<u>813,001</u>	<u>167,651</u>	<u>230,882</u>	<u>5,206,544</u>	<u>328,922</u>	<u>64,133</u>	<u>6,811,133</u>
NET REVENUE (DEFICIT)	<u>\$ (813,001)</u>	<u>\$ (167,651)</u>	<u>\$ (230,882)</u>	<u>\$ (5,206,544)</u>	<u>\$ (328,922)</u>	<u>\$ 11,097,248</u>	<u>\$ 4,350,248</u>

BRAZEAU COUNTY

Schedule 5

SCHEDULE OF SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>General Administration</u>	<u>Recreation and Culture</u>	<u>Protective Services</u>	<u>Public Works and Transportation Services</u>	<u>Utilities</u>	<u>All Other</u>	<u>Total</u>
REVENUE							
Net municipal taxes	\$ -	\$ 1,466,005	\$ 1,078,918	\$ 7,402,363	\$ 1,503,008	\$ 17,311,309	\$ 28,761,603
Oil well drilling taxes	3,258,253	-	-	-	-	-	3,258,253
Government transfers	21,362	132,046	99,308	289,858	-	362,124	904,698
Investment income	707,470	-	-	-	-	-	707,470
User fees and sales of goods	12,345	-	-	282,550	271,922	18,139	584,956
Licenses, permits, rentals and fines	-	8,398	119,112	-	-	145,836	273,346
All other	<u>65,262</u>	<u>-</u>	<u>161,789</u>	<u>11,197</u>	<u>22,264</u>	<u>31,248</u>	<u>291,760</u>
	<u>4,064,692</u>	<u>1,606,449</u>	<u>1,459,127</u>	<u>7,985,968</u>	<u>1,797,194</u>	<u>17,868,656</u>	<u>34,782,086</u>
EXPENSES							
Salaries, wages and benefits	1,515,274	49,834	410,065	3,133,813	415,364	1,508,971	7,033,321
Contract and general services	1,037,941	128,597	240,277	2,419,889	485,841	722,224	5,034,769
Materials, goods and supplies	236,503	15,260	64,318	2,787,661	94,921	68,779	3,267,442
Transfers to other governments	-	939,487	575,542	69,623	611,863	257,881	2,454,396
Transfers to boards, agencies and organizations	-	473,271	8,000	-	-	108,033	589,304
Interest on long-term debt	2,825	-	-	3,403	88,780	-	95,008
Other expenses (recovery)	<u>134,120</u>	<u>-</u>	<u>160,925</u>	<u>(428,421)</u>	<u>100,425</u>	<u>3,961</u>	<u>(28,990)</u>
	<u>2,926,663</u>	<u>1,606,449</u>	<u>1,459,127</u>	<u>7,985,968</u>	<u>1,797,194</u>	<u>2,669,849</u>	<u>18,445,250</u>
NET REVENUE (DEFICIT) BEFORE AMORTIZATION	1,138,029	-	-	-	-	15,198,807	16,336,836
Amortization of tangible capital assets	<u>800,976</u>	<u>154,876</u>	<u>207,518</u>	<u>4,588,480</u>	<u>247,843</u>	<u>60,070</u>	<u>6,059,763</u>
NET REVENUE (DEFICIT)	<u>\$ 337,053</u>	<u>\$ (154,876)</u>	<u>\$ (207,518)</u>	<u>\$ (4,588,480)</u>	<u>\$ (247,843)</u>	<u>\$ 15,138,737</u>	<u>\$ 10,277,073</u>

The accompanying notes are an integral part of the financial statements

BRAZEAU COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representations of Brazeau County (the "County") management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the County are as follows:

(a) Reporting Entity

These financial statements include the assets, liabilities, revenue and expenditures and changes in equity balances and in financial position of the County. This entity is comprised of all the organizations that are owned or controlled by the County and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied includes requisitions for education and senior foundations that are not part of the municipal reporting entity.

(b) Basis of Accounting

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

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 are recognized in the financial statements as revenue in the period in which the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(c) Cash and Temporary Investments

Cash and temporary investments include items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have a maturity of one year or less at acquisition.

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized 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. Gains on principal protected notes are recognized as income when sold.

Investment income is reported as revenue in the period earned. When required by the funding government or related act, investment income earned on deferred revenue is added to the investment, and forms part of the deferred revenue balance.

(e) Inventories for Consumption

Inventories are valued at the lower of cost and net realizable value with cost determined by the average cost method.

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

(CONT'D)

BRAZEAU COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) 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 their estimated useful lives as follows:

Land improvements	15 - 30 years
Buildings	20 - 50 years
Engineered structures	
Roadways	
Gravel	20 years
Top	20 years
Base	30 years
Bridges and culverts	30 - 142 years
Wastewater systems	20 - 75 years
Water systems	35 - 75 years
Machinery and equipment	10 - 20 years
Vehicles	10 - 20 years

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.

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

Works of art for display are not recorded as tangible capital assets but are disclosed.

(g) Tax Revenue

Property tax revenue is based on market value of assessments determined in accordance with the *Municipal Government Act*. Tax rates are established annually. Taxation revenues are recorded at the time tax notices are issued. Assessments are subject to appeal.

Construction and borrowing costs associated with local improvement projects are recovered through annual special property tax assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the County and are recognized as revenue in the year they are levied.

(h) Excess Collections and Under-levies

Excess collections and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the excess collection is accrued as a liability and shown as an "other" operating expenditure.

In situations where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and reflected as operating revenue.

(i) Post Employment Benefits

Upon full retirement, after the age of fifty-five (55), County employees are entitled to be paid out between twenty-five (25%) and fifty percent (50%) of their remaining accumulated sick leave days proportionate their length of service. The cost of this post employment benefit is recognized as an expense as the employees provide service.

(CONT'D)

BRAZEAU COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

(k) Use of Estimates

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

The County has used estimates to determine an allowance for doubtful accounts, accrued liabilities, post employment benefits, contaminated sites and the useful lives of tangible capital assets.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2015</u>	<u>2014</u>
Cash	\$ 4,067,082	\$ 3,905,273
Temporary investments	<u>25,198,897</u>	<u>22,182,088</u>
	<u>\$ 29,265,979</u>	<u>\$ 26,087,361</u>

Temporary investments are comprised of a deposit account and guaranteed investment certificates bearing interest at rates ranging from 1.42% - 1.50% and maturing January 2016.

3. ACCOUNTS RECEIVABLE

	<u>2015</u>	<u>2014</u>
Trade and other	\$ 724,280	\$ 1,572,215
Taxes and grants in lieu	360,107	385,910
Receivable from other governments	<u>125,537</u>	<u>731,065</u>
	<u>\$ 1,209,924</u>	<u>\$ 2,689,190</u>

Taxes and grants in lieu consist of the following:

Current taxes	\$ 560,943	\$ 311,789
Tax arrears	<u>125,920</u>	<u>155,859</u>
	686,863	467,648
Less: Allowance for impairment	<u>(326,756)</u>	<u>(81,738)</u>
	<u>\$ 360,107</u>	<u>\$ 385,910</u>

BRAZEAU COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

4. INVESTMENTS

	<u>2015</u>		<u>2014</u>	
	<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>
Corporate bonds	\$ 9,693,837	\$ 9,801,428	\$ 9,422,049	\$ 9,549,736
Principal protected notes	4,700,116	4,567,541	-	-
Step-up note	-	-	<u>3,000,000</u>	<u>3,006,045</u>
	<u>\$ 14,393,953</u>	<u>\$ 14,368,969</u>	<u>\$ 12,422,049</u>	<u>\$ 12,555,781</u>

Corporate bonds have effective interest rates between 2.18% to 3.56% (2014 - 2.50% - 3.56%) with maturity dates from December 2017 to March 2027.

The market value of the bonds and principal protected notes are based on quoted market values. The market value of the bonds and principal protected notes fluctuate with changes in market interest rates and indices. Market values are based on market conditions at a certain point in time and as such, may not be reflective of future fair values.

5. CREDIT FACILITY

The County has a demand revolving operating credit facility to a maximum of \$2,000,000 bearing interest at prime less 1.00% per annum. The credit facility was not drawn upon as of December 31, 2015 or 2014.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2015</u>	<u>2014</u>
Trade and other accounts payable	\$ 3,188,768	\$ 4,145,340
Accrued vacation pay	384,377	336,302
Post employment benefits (Note 1 (i))	<u>117,550</u>	<u>115,303</u>
	<u>\$ 3,690,695</u>	<u>\$ 4,596,945</u>

7. DEFERRED REVENUE

Deferred revenue is comprised of the following amounts which have been received from third parties for a specified purpose. Additions are comprised of both contributions and interest earned during the year. These amounts are recognized as revenue in the period in which the related costs are incurred.

	<u>2014</u>	<u>Additions</u>	<u>Revenue Recognized</u>	<u>2015</u>
Municipal Sustainability Initiative	\$ 106,360	\$ 3,225,925	\$ (793,065)	\$ 2,539,220
Federal Gas Tax Fund	952,223	13,331	-	965,554
Other	51,252	284	-	51,536
Major Community Facilities Program	25,260	354	-	25,614
Rural Development	<u>293,496</u>	<u>-</u>	<u>(293,496)</u>	<u>-</u>
	<u>\$ 1,428,591</u>	<u>\$ 3,239,894</u>	<u>\$ (1,086,561)</u>	<u>\$ 3,581,924</u>

BRAZEAU COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

8. CONTAMINATED SITES

In June 2010, the Public Sector Accounting Board issued this accounting standard effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into the air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The County adopted this accounting standard prospectively effective January 1, 2015.

Based on an external consultant's report, the County has ascertained liabilities for two contaminated sites due to soil contamination. The County has accepted responsibility to perform remediation work on the two parcels of land for soil contamination. The remediation will result in the removal of an estimated 5,750 cubic meters of soil from both sites. Currently, there is no time frame as to when the remediation will be completed. This estimated liability is based on an estimated 5,750 cubic meters of soil being excavated and disposed off-lease.

9. LONG-TERM DEBT

	<u>2015</u>	<u>2014</u>
Alberta Capital Financing Authority debentures bearing interest at rates ranging from 2.499% to 5.750% per annum maturing in 2023.	<u>\$ 2,910,048</u>	<u>\$ 3,257,900</u>
Tax supported loans	<u>\$ 2,875,992</u>	\$ 3,220,560
Self supported loans	<u>34,056</u>	<u>37,340</u>
	<u>\$ 2,910,048</u>	<u>\$ 3,257,900</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 356,704	\$ 71,628	\$ 428,332
2017	365,785	62,547	428,332
2018	375,101	53,231	428,332
2019	384,658	43,674	428,332
2020	394,462	33,870	428,332
Thereafter	<u>1,033,338</u>	<u>40,208</u>	<u>1,073,546</u>
	<u>\$ 2,910,048</u>	<u>\$ 305,158</u>	<u>\$ 3,215,206</u>

Interest on long-term debt amounted to \$80,142 (2014 - \$95,008).

The County's total cash payments for interest in 2015 were \$80,480 (2014 - \$95,628).

10. INVENTORIES FOR CONSUMPTION

	<u>2015</u>	<u>2014</u>
Sand and gravel	<u>\$ 3,126,509</u>	\$ 3,443,147
Parts, chemicals, and other	<u>225,526</u>	<u>289,131</u>
	<u>\$ 3,352,035</u>	<u>\$ 3,732,278</u>

BRAZEAU COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

11. TANGIBLE CAPITAL ASSETS

	<u>2015</u> Net Book Value	<u>2014</u> Net Book Value
Engineered structures		
Roadways	\$ 112,836,390	\$ 111,436,533
Wastewater systems	5,965,923	6,112,285
Water systems	9,550,309	2,314,601
Storm systems	<u>1,134,610</u>	<u>1,151,398</u>
	129,487,232	121,014,817
Buildings	19,928,584	19,949,056
Machinery and equipment	8,564,377	7,461,933
Land	5,786,853	5,757,838
Land improvements	3,807,044	3,909,750
Vehicles	3,477,325	3,240,142
Construction in progress	<u>2,963,615</u>	<u>9,959,234</u>
	<u>\$ 174,015,030</u>	<u>\$ 171,292,770</u>

	Cost Beginning of Year	Additions	Disposals	Transfers	Cost End of Year
Engineering structures					
Roadways	\$ 340,102,426	\$ 4,415,946	\$ (4,174,323)	\$ 1,773,436	\$ 342,117,485
Wastewater systems	8,445,693	-	-	-	8,445,693
Water systems	3,307,083	128,783	-	7,242,338	10,678,204
Storm systems	<u>1,263,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,263,612</u>
	353,118,814	4,544,729	(4,174,323)	9,015,774	362,504,994
Machinery and equipment	10,642,075	2,002,773	(794,500)	266,042	12,116,390
Vehicles	5,215,459	618,766	(142,578)	-	5,691,647
Buildings	23,686,667	826,130	-	50,000	24,562,797
Land	5,757,838	29,015	-	-	5,786,853
Land improvements	5,368,515	92,984	-	42,831	5,504,330
Construction in progress	<u>9,959,234</u>	<u>2,379,028</u>	<u>-</u>	<u>(9,374,647)</u>	<u>2,963,615</u>
	<u>\$ 413,748,602</u>	<u>\$ 10,493,425</u>	<u>\$ (5,111,401)</u>	<u>\$ -</u>	<u>\$ 419,130,626</u>

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered structures					
Roadways	\$ 228,665,893	\$ 4,227,585	\$ (3,612,383)	\$ -	\$ 229,281,095
Wastewater systems	2,333,408	146,362	-	-	2,479,770
Water systems	992,482	135,413	-	-	1,127,895
Storm systems	<u>112,214</u>	<u>16,788</u>	<u>-</u>	<u>-</u>	<u>129,002</u>
	232,103,997	4,526,148	(3,612,383)	-	233,017,762
Machinery, equipment, and furnishings	3,180,142	782,537	(410,666)	-	3,552,013
Vehicles	1,975,317	367,325	(128,320)	-	2,214,322
Buildings	3,737,611	896,602	-	-	4,634,213
Land improvements	<u>1,458,765</u>	<u>238,521</u>	<u>-</u>	<u>-</u>	<u>1,697,286</u>
	<u>\$ 242,455,832</u>	<u>\$ 6,811,133</u>	<u>\$ (4,151,369)</u>	<u>\$ -</u>	<u>\$ 245,115,596</u>

BRAZEAU COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

12. ACCUMULATED SURPLUS

	<u>2015</u>	<u>2014</u>
Unrestricted surplus	\$ 4,029,267	\$ 5,166,309
Restricted surplus		
Operating restricted surplus (Note 13)	2,135,847	3,217,107
Capital restricted surplus (Note 13)	34,049,652	30,275,443
Equity in tangible capital assets (Schedule 1)	<u>171,104,982</u>	<u>168,034,870</u>
	<u>\$ 211,319,748</u>	<u>\$ 206,693,729</u>

13. RESTRICTED SURPLUS

	<u>2015</u>	<u>2014</u>
OPERATING RESTRICTED SURPLUS		
General operating	\$ <u>2,135,847</u>	\$ <u>3,217,107</u>
CAPITAL RESTRICTED SURPLUS		
Roads	9,860,547	7,982,453
Major facility capital investment	7,509,336	6,292,897
Equipment replacement	3,765,459	3,517,098
Deferred projects	3,308,955	4,143,014
Buildings	2,851,479	2,045,733
Engineering structures	1,946,973	1,551,369
Resource road	1,885,431	945,138
Fire equipment	1,113,958	839,896
Alternate energy program	510,217	-
Cultural facilities	338,256	321,711
Parks-cash in lieu	252,161	273,263
Utility servicing	199,025	95,040
Alberta water and wastewater	184,302	310,165
Sewer capital replacement	132,880	93,971
Alternate land use services	102,043	-
Water capital replacement	55,283	38,561
Off-site levies	33,347	-
Gravel deposit	-	514,737
Coulee road	-	<u>1,310,397</u>
	<u>34,049,652</u>	<u>30,275,443</u>
	<u>\$ 36,185,499</u>	<u>\$ 33,492,550</u>

14. CONTINGENCIES

Insurance Exchange

The County is a member of the Alberta Municipal Insurance Exchange. Under the terms of membership, the County could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

BRAZEAU COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

15. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and temporary investments, investments, accounts receivable, 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.

The County is exposed to credit risk with respect to receivables. Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their obligations. The County is exposed to the credit risk associated with fluctuations in the oil and gas industry as a significant portion of the property taxes outstanding at December 31, 2015 relate to linear property and are receivable from companies in the oil and gas industry. The large number and diversity of customers minimizes the County's credit risk.

Unless otherwise noted, the carrying value of the financial instruments approximates their fair value.

16. LOCAL AUTHORITIES PENSION PLAN

Union employees of the County participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the *Public Sector Pension Plans Act*. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

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

The County is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 10.39% of pensionable earnings up to the year's maximum pensionable earnings and 14.84% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2015 were \$284,572 (2014 - \$220,034). Total current service contributions by the employees of the County to the LAPP in 2015 were \$261,941 (2014 - \$202,237).

At December 31, 2014 the Plan disclosed an actuarial deficit of \$2,454.6 million (2013 - \$4,861.5 million).

17. CONTRACTUAL OBLIGATIONS

Under a Recreation and Culture Cost-sharing Agreement with the Town of Drayton Valley (the Town"), the County and the Town agree to share the operating costs of recreation facilities on a 50 / 50 basis. The term of the agreement is January 1, 2015 to December 31, 2017. Under the terms of the agreement, the County has agreed to pay the Town an annual contribution of \$872,364 for the Town's net operating costs of the Town's facilities. Commencing in 2016, the County's contribution is to be adjusted annually by the annual increase in the Alberta Consumer Price Index as supplied by Statistics Canada.

BRAZEAU COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

18. REMUNERATION AND BENEFITS DISCLOSURE

Disclosure of remuneration and benefits for elected municipal officials, the County Manager and designated officers as required by Alberta Regulation 313/2000 is as follows:

	<u>Remuneration</u>	<u>Benefits and Allowances</u>	<u>2015</u> <u>Total</u>	<u>2014</u> <u>Total</u>
Reeve and Councillors				
S. Mahan	\$ 56,265	\$ 11,823	\$ 68,088	\$ 51,465
M. Gressler	50,921	11,524	62,445	52,347
R. Moir	49,516	11,197	60,713	57,522
M. Thompson	46,465	11,084	57,549	49,502
B. Guyon (Reeve)	46,999	9,243	56,242	-
K. Westerlund	39,025	10,811	49,836	47,293
A. Heinrich	39,416	5,122	44,538	44,319
P. Vos (Reeve)	-	-	-	40,133
	<u>\$ 328,607</u>	<u>\$ 70,804</u>	<u>\$ 399,411</u>	<u>\$ 342,581</u>
Chief Administrative Officer	<u>\$ 199,777</u>	<u>\$ 49,069</u>	<u>\$ 248,846</u>	<u>\$ 243,216</u>
Designated Officers (10)	<u>\$ 963,370</u>	<u>\$ 225,922</u>	<u>\$ 1,189,292</u>	<u>\$ 840,137</u>

- 1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration including per diem amounts.
- 2) Employer's share of all employee benefits and contributions or payments made on behalf of employees, including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
- 3) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees, and the employer's share of the costs of any additional taxable benefits.

19. SEGMENTED INFORMATION

The County provides a wide range of services to its citizens. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1. For additional information see the Schedule of Segment Disclosure (Schedule 4).

BRAZEAU COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

20. DEBT LIMITS

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits, as defined by Alberta Regulation 255/00, for the County be disclosed as follows:

	<u>2015</u>	<u>2014</u>
Total debt limit	\$ 49,629,059	\$ 52,330,329
Total debt	(2,910,048)	(3,257,900)
Loan guarantees	<u>-</u>	<u>(372,672)</u>
Amount of debt limit unused	<u>\$ 46,719,011</u>	<u>\$ 48,699,757</u>
Service on debt limit	\$ 8,271,510	\$ 8,721,722
Service on debt	<u>(428,332)</u>	<u>(428,332)</u>
Amount of debt servicing limit unused	<u>\$ 7,843,178</u>	<u>\$ 8,293,390</u>

The debt limit is calculated at 1.5 times revenue of the County (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limits 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 County. Rather, the financial statements must be interpreted as a whole.

21. BUDGET FIGURES

The budget figures presented in these financial statements are based on the amended budget approved by Council on April 7, 2015.

	<u>Original</u>	<u>Amendments</u>	<u>Amended</u>
REVENUE			
Approved operating budget	33,442,661	8,808	33,451,469
EXPENSES			
Approved operating budget	<u>31,770,635</u>	<u>503,345</u>	<u>32,273,980</u>
ANNUAL OPERATING SURPLUS	<u>\$ 1,672,026</u>	<u>\$ (494,537)</u>	<u>\$ 1,177,489</u>
	<u>Original</u>	<u>Amendments</u>	<u>Amended</u>
ANNUAL CAPITAL BUDGET	<u>\$ 24,854,440</u>	<u>\$ 448,855</u>	<u>\$ 25,303,295</u>

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.