

BRAZEAU COUNTY
Financial Statements
For the Year Ended December 31, 2021

INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of Brazeau County

Opinion

We have audited the financial statements of Brazeau County (the County), which comprise the statement of financial position as at December 31, 2021 and the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the County as at December 31, 2021 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the County in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such 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.

In preparing the financial statements, management is responsible for assessing the County's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the County or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (Council) are responsible for overseeing the County's financial reporting process.

(continues)



Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control.
- Evaluate the appropriateness of accounting policies and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including significant deficiencies in internal control that we identify during our audit.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
April 19, 2022

**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

To the Reeve and 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.

Metrix Group LLP, Chartered Professional Accountants, have been appointed by County Council to express an opinion on the County's financial statements.

Shawn McKerry
Interim Chief Administrative Officer

Colin Swap
General Manager of Finance

BRAZEAU COUNTY
Statement of Financial Position
As at December 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 31,410,655	\$ 27,489,379
Accounts receivable (Note 3)	1,637,926	1,391,611
Land held for resale	14,870	14,870
Investments (Note 4)	17,214,778	16,780,185
	50,278,229	45,676,045
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	4,970,857	3,830,771
Deposit liabilities	63,155	61,899
Deferred revenue (Note 6)	5,261,489	2,982,515
Contaminated sites (Note 7)	733,842	700,208
Long-term debt (Note 9)	9,198,758	10,481,875
	20,228,101	18,057,268
NET FINANCIAL ASSETS	30,050,128	27,618,777
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	198,758,718	203,534,442
Inventories for consumption (Note 11)	4,972,289	5,335,894
Prepaid expenses	244,780	245,860
	203,975,787	209,116,196
ACCUMULATED SURPLUS (NOTE 12)	\$ 234,025,915	\$ 236,734,973

Contingencies (Note 14)

ON BEHALF OF COUNCIL:

BRAZEAU COUNTY
Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2021

	2021 (Budget) (Note 20)	2021 (Actual)	2020 (Actual)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 23,195,156	\$ 23,294,086	\$ 24,304,238
Government transfers for operating (Schedule 3)	680,781	3,407,392	1,405,856
Investment income	370,000	670,876	965,012
User fees and sale of goods	491,342	653,684	416,980
Licenses, permits, rentals and fines	253,622	235,169	218,033
Sales to other governments	182,925	185,577	197,694
Penalties on taxes	142,124	155,414	153,981
Other	15,176	88,942	12,860
Oil well drilling taxes	-	-	314,464
	25,331,126	28,691,140	27,989,118
EXPENSES			
Roads, streets, walks and lighting	9,545,410	12,008,870	12,407,557
Parks and recreation	6,063,499	4,721,164	1,142,696
Common equipment pool	1,252,086	4,450,819	3,114,071
General and administration	2,586,321	3,256,636	2,688,362
Economic and agricultural development	2,442,245	2,212,503	2,528,189
Policing	1,105,285	988,237	678,825
Water supply and distribution	745,046	967,401	662,609
Land use planning, zoning and development	1,325,596	956,285	902,116
Firefighting services	808,103	833,118	882,288
Council	728,109	685,401	486,760
Wastewater treatment and disposal	338,051	676,364	1,135,967
Waste management	511,094	531,528	728,539
Culture - libraries	534,105	454,492	1,876,205
Family and community support services	266,119	251,251	259,766
Disaster and emergency measures	-	28,208	19,101
Ambulance and first aid	25,542	25,542	15,542
Storm	25,438	24,752	24,404
Cemetaries	25,000	2,181	9,170
	28,327,049	33,074,752	29,562,167
ANNUAL SURPLUS (DEFICIT)			
BEFORE OTHER REVENUE (EXPENSES)	(2,995,923)	(4,383,612)	(1,573,049)
OTHER REVENUE (EXPENSES)			
Government transfers for capital (Schedule 3)	1,947,444	1,766,872	3,494,908
Other	-	24,069	16,027
Cash in lieu of parks	10,000	4,296	9,208
Loss on disposal of tangible capital assets	-	(120,683)	(309,408)
	1,957,444	1,674,554	3,210,735
ANNUAL SURPLUS (DEFICIT)	(1,038,479)	(2,709,058)	1,637,686
ACCUMULATED SURPLUS, BEGINNING OF YEAR	236,734,973	236,734,973	235,097,287
ACCUMULATED SURPLUS, END OF YEAR	\$ 235,696,494	\$ 234,025,915	\$ 236,734,973

BRAZEAU COUNTY
Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2021

	2021 (Budget) (Note 20)	2021 (Actual)	2020 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ (1,038,479)	\$ (2,709,058)	\$ 1,637,686
Purchase of tangible capital assets	(8,325,575)	(5,058,996)	(10,824,774)
Proceeds on disposal of tangible capital assets	166,689	81,496	225,028
Amortization of tangible capital assets	-	9,632,541	9,269,643
Loss on disposal of tangible capital assets	-	120,683	309,408
	(8,158,886)	4,775,724	(1,020,695)
Use (acquisition) of inventory for consumption	-	363,605	133,215
Use (acquisition) of prepaid expenses	-	1,080	27,980
	-	364,685	161,195
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(9,197,365)	2,431,351	778,186
NET FINANCIAL ASSETS, BEGINNING OF YEAR	27,618,777	27,618,777	26,840,591
NET FINANCIAL ASSETS, END OF YEAR	\$ 18,421,412	\$ 30,050,128	\$ 27,618,777

BRAZEAU COUNTY
Statement of Cash Flows
For the Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (2,709,058)	\$ 1,637,686
Non-cash items included in annual surplus		
Loss on disposal of tangible capital assets	120,683	309,408
Amortization of investment premium/discounts	2,947	40,591
Amortization of tangible capital assets	9,632,541	9,269,643
Change in non-cash working capital balances:		
Accounts receivable	(246,315)	957,984
Prepaid expenses	1,080	27,980
Accounts payable and accrued liabilities	1,140,086	(870,625)
Deferred revenue	2,278,974	416,999
Inventories for consumption	363,605	133,215
Contaminated sites	33,634	5,097
Deposit liabilities	1,256	(19,839)
	10,619,433	11,908,139
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(5,058,996)	(10,824,774)
Proceeds on disposal of tangible capital assets	81,496	225,028
	(4,977,500)	(10,599,746)
FINANCING ACTIVITIES		
Long-term debt principal repayments	(1,283,117)	(1,250,328)
	(1,283,117)	(1,250,328)
INVESTMENT ACTIVITIES		
Acquisition of investments	(8,708,090)	(7,700,439)
Proceeds on sale of investments	8,270,550	7,312,883
	(437,540)	(387,556)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	3,921,276	(329,491)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	27,489,379	27,818,870
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 31,410,655	\$ 27,489,379

BRAZEAU COUNTY
Schedule of Equity in Tangible Capital Assets
For the Year Ended December 31, 2021

Schedule 1

	2021	2020
BALANCE, BEGINNING OF YEAR	\$ 194,031,950	\$ 191,786,973
Acquisition of tangible capital assets	5,058,996	10,824,774
Cost of tangible capital assets disposed of	(402,425)	(5,563,256)
Accumulated amortization of tangible capital assets disposed of	200,246	5,028,820
Amortization of tangible capital assets	(9,632,541)	(9,269,643)
Long-term debt proceeds used in the year	-	(26,046)
Long-term capital debt repayments	1,283,117	1,250,328
BALANCE, END OF YEAR	\$ 190,539,343	\$ 194,031,950

Equity in Tangible Capital Assets is Comprised of the Following:

Tangible capital assets net book value	\$ 198,758,718	\$ 203,534,442
Long-term debt used for tangible capital assets	(8,219,375)	(9,502,492)
	\$ 190,539,343	\$ 194,031,950

BRAZEAU COUNTY
Schedule of Property and Other Taxes
For the Year Ended December 31, 2021

Schedule 2

	2021 (Budget) (Note 20)	2021 (Actual)	2020 (Actual)
TAXATION			
Real property taxes	\$ 12,963,209	\$ 13,040,568	\$ 13,219,677
Linear property taxes	20,656,876	20,655,007	21,571,063
Government grants in lieu of property taxes	8,109	8,109	8,008
	<u>33,628,194</u>	<u>33,703,684</u>	<u>34,798,748</u>
REQUISITIONS			
Alberta School Foundation Fund	(9,614,625)	(9,594,487)	(9,698,301)
Brazeau Seniors Foundation	(766,148)	(762,180)	(759,666)
Designated industrial property	(177,265)	(170,607)	(187,798)
	<u>(10,558,038)</u>	<u>(10,527,274)</u>	<u>(10,645,765)</u>
OTHER TAXES			
Community aggregate levy	125,000	117,676	151,255
NET MUNICIPAL TAXES	<u>\$ 23,195,156</u>	<u>\$ 23,294,086</u>	<u>\$ 24,304,238</u>

BRAZEAU COUNTY
Schedule of Government Transfers
For the Year Ended December 31, 2021

Schedule 3

	2021 (Budget) <i>(Note 20)</i>	2021 (Actual)	2020 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 591,932	\$ 3,363,771	\$ 1,351,456
Local governments	88,849	43,621	54,400
	680,781	3,407,392	1,405,856
TRANSFERS FOR CAPITAL			
Provincial government	1,947,444	1,397,910	3,494,908
Local governments	-	186,346	-
Federal government	-	182,616	-
	1,947,444	1,766,872	3,494,908
TOTAL GOVERNMENT TRANSFERS	\$ 2,628,225	\$ 5,174,264	\$ 4,900,764

BRAZEAU COUNTY
Schedule of Segmented Information
For the Year Ended December 31, 2021

Schedule 4

	General Administration	Recreation and Culture	Protective Services	Public Works and Transportation Services	Utilities	All Other	Total
REVENUE							
Net municipal taxes	\$ 1,274,293	\$ 2,261,481	\$ 1,388,195	\$ 8,595,919	\$ 1,247,324	\$ 8,526,874	\$ 23,294,086
Government transfers	262,067	2,548,573	-	-	-	596,752	3,407,392
Investment income	670,876	-	-	-	-	-	670,876
User fees and sales of goods	17,976	130,106	-	251,457	237,009	17,136	653,684
All other	171,510	-	150,164	97,763	-	10,496	429,933
Licenses, permits, rentals and fines	-	-	86,229	59,616	-	89,324	235,169
	2,396,722	4,940,160	1,624,588	9,004,755	1,484,333	9,240,582	28,691,140
EXPENSES							
Salaries, wages and benefits	1,339,769	293,688	362,844	3,837,985	536,596	2,211,077	8,581,959
Transfers to other governments	-	4,334,503	484,101	68,000	-	246,251	5,132,855
Contract and general services	1,141,017	96,426	167,326	1,210,645	549,497	1,179,507	4,344,418
Materials, goods and supplies	122,341	28,704	56,835	3,746,467	139,529	204,501	4,298,377
Other expenses	17,229	-	523,795	6,585	135,571	35,912	719,092
Transfers to boards, agencies and organizations	-	186,839	29,542	-	-	114,405	330,786
Interest on long-term debt	1,842	-	145	135,073	123,140	-	260,200
Bad debts (recovery)	(225,476)	-	-	-	-	-	(225,476)
	2,396,722	4,940,160	1,624,588	9,004,755	1,484,333	3,991,653	23,442,211
NET REVENUE (DEFICIT) BEFORE AMORTIZATION							
	-	-	-	-	-	5,248,929	5,248,929
Amortization of tangible capital assets	859,913	235,496	250,517	7,479,687	690,959	115,969	9,632,541
NET REVENUE (DEFICIT)	\$ (859,913)	\$ (235,496)	\$ (250,517)	\$ (7,479,687)	\$ (690,959)	\$ 5,132,960	\$ (4,383,612)

BRAZEAU COUNTY
Schedule of Segmented Information
For The Year Ended December 31, 2020

Schedule 5

	General Administration	Recreation and Culture	Protective Services	Public Works and Transportation Services	Utilities	All Other	Total
REVENUE							
Net municipal taxes	\$ -	\$ 2,531,364	\$ 950,196	\$ 8,190,842	\$ 1,647,904	\$ 10,983,932	\$ 24,304,238
Government transfers	529,817	168,917	-	-	-	707,122	1,405,856
Investment income	965,012	-	-	-	-	-	965,012
User fees and sales of goods	7,977	87,394	-	93,256	211,008	17,345	416,980
All other	135,503	-	151,506	45,980	-	31,546	364,535
Oil well drilling taxes	314,464	-	-	-	-	-	314,464
Licenses, permits, rentals and fines	-	-	77,392	45,981	-	94,660	218,033
	1,952,773	2,787,675	1,179,094	8,376,059	1,858,912	11,834,605	27,989,118
EXPENSES							
Salaries, wages and benefits	1,439,624	322,649	441,945	4,003,991	506,698	2,300,216	9,015,123
Contract and general services	692,852	95,515	200,883	1,316,803	612,990	1,220,286	4,139,329
Materials, goods and supplies	107,956	29,730	49,434	3,069,106	159,552	227,906	3,643,684
Transfers to other governments	-	2,195,349	492,162	42,535	299,374	243,141	3,272,561
Interest on long-term debt	1,977	-	195	145,863	147,050	-	295,085
Transfers to boards, agencies and organizations	-	160,459	19,542	-	-	77,319	257,320
Other expenses (recovery)	13,262	-	144,806	(202,239)	133,248	7,346	96,423
Bad debts	(427,001)	-	-	-	-	-	(427,001)
	1,828,670	2,803,702	1,348,967	8,376,059	1,858,912	4,076,214	20,292,524
NET REVENUE (DEFICIT) BEFORE AMORTIZATION							
	124,103	(16,027)	(169,873)	-	-	7,758,391	7,696,594
Amortization of tangible capital assets	859,692	215,199	246,789	7,169,972	668,202	109,789	9,269,643
NET REVENUE (DEFICIT)	\$ (735,589)	\$ (231,226)	\$ (416,662)	\$ (7,169,972)	\$ (668,202)	\$ 7,648,602	\$ (1,573,049)

The accompanying notes are an integral part of the financial statements

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 expenses 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 Cash Equivalents

Cash and cash equivalents 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)

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.

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

(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)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) 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.

(k) 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.

(l) 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.

(m) New Accounting Standards not yet Adopted

Effective for fiscal years beginning on or after April 1, 2022, *PS 3280 Asset Retirement Obligations* provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

Effective for fiscal years beginning on or after April 1, 2023, *PS 3400 Revenue* provides guidance on how to account for and report revenue, and specifically, it addresses revenue arising from exchange transactions and unilateral transactions

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2021

2. CASH AND CASH EQUIVALENTS

	2021	2020
Operating bank accounts	\$ 9,695,516	\$ 8,013,968
Temporary investments	21,715,139	14,087,642
Savings bank accounts	-	5,387,769
	\$ 31,410,655	\$ 27,489,379

Temporary investments consist of 31-90 day notice on amount accounts.

3. ACCOUNTS RECEIVABLE

	2021	2020
Taxes and grants in place of taxes	\$ 851,779	\$ 645,776
Trade and other	556,759	488,729
Receivables from other governments	229,388	257,106
	\$ 1,637,926	\$ 1,391,611
Taxes and grants in place of taxes consist of the following:		
Current taxes	465,836	524,924
Tax arrears	603,359	563,831
	1,069,195	1,088,755
Less: Allowance for doubtful taxes	(217,416)	(442,979)
	\$ 851,779	\$ 645,776

4. INVESTMENTS

	2021		2020	
	Carrying Value	Market Value	Carrying Value	Market Value
Corporate bonds	\$ 12,015,978	\$ 12,007,097	\$ 11,887,485	\$ 12,306,171
Principal-protected notes	5,198,800	5,192,610	4,892,700	4,823,090
	\$ 17,214,778	\$ 17,199,707	\$ 16,780,185	\$ 17,129,261

Corporate bonds have coupon interest rates between 1.610% to 4.859% (2020 - 1.85% - 5.22%) with maturity dates from June 2022 to January 2033.

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.

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2021

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Trade and other accounts payable	\$ 4,369,316	\$ 3,162,850
Accrued vacation pay	444,153	455,114
Post-employment benefits (Note 1 (i))	112,983	160,649
Accrued interest on long-term debt	44,405	52,158
	\$ 4,970,857	\$ 3,830,771

6. 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.

	2020	Additions	Revenue Recognized	2021
Municipal Sustainability Initiative - capital	\$ 2,509,587	\$ 3,423,554	\$(2,405,284)	\$ 3,527,857
Municipal Stimulus Program	44,869	2,083,048	(966,366)	1,161,551
Canada Community-Building Fund	-	826,554	(411,143)	415,411
Other	54,324	55,201	(54,324)	55,201
Alberta Community Partnership	83,699	418	(32,030)	52,087
Family and Community Support Services	-	49,382	-	49,382
Municipal Operating Support Transfer	262,067	-	(262,067)	-
Major Community Facilities Program	27,969	-	(27,969)	-
	\$ 2,982,515	\$ 6,438,157	\$(4,159,183)	\$ 5,261,489

7. CONTAMINATED SITES

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.

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.

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2021

8. CREDIT FACILITY

The County has a demand revolving operating credit facility to a maximum of \$2,000,000 bearing interest at 3.45% per annum. The credit facility was not drawn upon as of December 31, 2021.

9. LONG-TERM DEBT

	2021	2020
Alberta Capital Financing Authority debentures bearing interest at rates ranging from 2.30% to 5.75% per annum maturing between 2023 and 2034.	\$ 9,000,484	\$10,267,397
Obligation under capital leases for solar panels, bearing interest and a rate of 1.57%, maturing 2032.	198,274	214,478
	\$ 9,198,758	\$10,481,875
Tax supported debt	\$ 9,188,767	\$10,467,293
Self supported debt	9,991	14,582
	\$ 9,198,758	\$10,481,875

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,316,793	\$ 234,128	\$ 1,550,921
2023	1,139,910	199,424	1,339,334
2024	950,564	171,753	1,122,317
2025	975,864	146,319	1,122,183
2026	1,001,850	120,199	1,122,049
Thereafter	3,813,777	342,138	4,155,915
	\$ 9,198,758	\$ 1,213,961	\$10,412,719

Interest on long-term debt amounted to \$260,200 (2020 - \$295,085).

The County's total cash payments for interest in 2021 were \$267,931 (2020 - \$297,326).

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2021

10. TANGIBLE CAPITAL ASSETS

	<u>2021</u> Net Book Value	2020 Net Book Value
Engineered Structures		
Roadways	\$ 130,540,790	\$ 131,653,201
Wastewater systems	15,937,509	16,290,812
Water systems	13,367,547	13,656,537
Storm systems	<u>1,033,886</u>	<u>1,050,664</u>
	160,879,732	162,651,214
Buildings	14,859,627	15,793,609
Machinery and equipment	6,598,698	7,725,636
Land	6,477,601	6,456,529
Land improvements	4,925,377	5,155,568
Vehicles	2,720,412	2,864,046
Construction in progress	<u>2,297,271</u>	<u>2,887,840</u>
	\$ 198,758,718	\$ 203,534,442

	Cost Beginning of Year	Additions	Disposals	Transfers	Cost End of Year
Engineering Structures					
Roadways	\$ 365,227,158	\$ 1,019,940	\$ -	\$ 3,720,227	\$ 369,967,325
Wastewater systems	20,072,186	-	-	-	20,072,186
Water systems	16,046,337	-	-	-	16,046,337
Storm systems	<u>1,263,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,263,612</u>
	402,609,293	1,019,940	-	3,720,227	407,349,460
Machinery and equipment	16,360,056	414,714	(155,750)	-	16,619,020
Vehicles	6,443,324	262,920	(117,122)	-	6,589,122
Buildings	25,019,623	-	-	-	25,019,623
Land	6,456,529	21,072	-	-	6,477,601
Land improvements	8,294,664	-	-	81,139	8,375,803
Construction in progress	<u>2,887,840</u>	<u>3,340,350</u>	<u>(129,553)</u>	<u>(3,801,366)</u>	<u>2,297,271</u>
	\$ 468,071,329	\$ 5,058,996	\$ (402,425)	\$ -	\$ 472,727,900

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered Structures					
Roadways	\$ 233,573,957	\$ 5,852,578	\$ -	\$ -	\$ 239,426,535
Wastewater systems	3,781,374	353,303	-	-	4,134,677
Water systems	2,389,800	288,990	-	-	2,678,790
Storm systems	<u>212,948</u>	<u>16,778</u>	<u>-</u>	<u>-</u>	<u>229,726</u>
	239,958,079	6,511,649	-	-	246,469,728
Machinery, equipment, and furnishings	8,634,420	1,474,140	(88,238)	-	10,020,322
Vehicles	3,579,278	401,440	(112,008)	-	3,868,710
Buildings	9,226,014	933,982	-	-	10,159,996
Land improvements	<u>3,139,096</u>	<u>311,330</u>	<u>-</u>	<u>-</u>	<u>3,450,426</u>
	\$ 264,536,887	\$ 9,632,541	\$ (200,246)	\$ -	\$ 273,969,182

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2021

11. INVENTORIES FOR CONSUMPTION

	2021	2020
Sand and gravel	\$ 4,726,102	\$ 5,064,392
Parts, chemicals, and other	246,187	271,502
	\$ 4,972,289	\$ 5,335,894

12. ACCUMULATED SURPLUS

	2021	2020
Unrestricted surplus	\$ 20,187,346	\$ 16,898,427
Restricted surplus		
Operating restricted surplus (Note 13)	815,757	790,661
Capital restricted surplus (Note 13)	22,483,469	25,013,935
Equity in tangible capital assets (Schedule 1)	190,539,343	194,031,950
	\$ 234,025,915	\$ 236,734,973

13. RESTRICTED SURPLUS

	2021	2020
OPERATING RESTRICTED SURPLUS		
General operating	\$ 815,757	\$ 790,661
CAPITAL RESTRICTED SURPLUS		
Deferred projects	\$ 6,858,241	\$ 6,721,252
Roads	3,180,407	1,834,879
Engineering structures	2,988,696	1,420,358
Equipment replacement	2,380,189	2,906,509
Deferred capital projects	1,915,006	5,072,102
Fire equipment	1,547,968	1,489,334
Major facility capital investment	684,514	738,456
Buildings	596,906	2,405,542
Sewer capital replacement	472,573	422,097
Cultural facilities	325,404	395,393
Water capital replacement	307,677	281,917
Committed funds	275,645	267,165
Parks-cash in lieu	324,922	292,485
Alternate energy program	188,570	258,231
Recreation facilities (Willey West)	170,453	-
Alternate land use services	100,244	263,252
Alberta water and wastewater	58,234	56,442
Off-site levies	45,093	43,706
Utility servicing	37,131	35,988
Land surplus	24,973	24,205
Cemetary - perpetual care fund	2,106	2,041
Economic development	(1,483)	82,581
	\$ 22,483,469	\$ 25,013,935

14. CONTINGENCIES

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.

The County is a defendant in various lawsuits as at December 31, 2021. Where the outcome of a claim against the County is considered likely to result in a loss and the amount of the loss can be reasonably estimated, accrued liabilities have been recorded. Where the resulting potential losses, if any, cannot be determined or the occurrence of future events is unknown, accrued liabilities have not been established.

15. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and cash equivalents, 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, 2021 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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 8.39% of pensionable earnings up to the year's maximum pensionable earnings and 12.84% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2021 were \$245,203 (2020 - \$261,182). Total current service contributions by the employees of the County to the LAPP in 2021 were \$221,253 (2020 - \$236,923).

At December 31, 2020 the Plan disclosed an actuarial surplus of \$4.96 billion (2019 - \$7.91 billion).

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2021

17. 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:

			2021	2020
	Remuneration	Benefits and Allowances	Total	Total
Reeve and Councillors				
B. Guyon (Reeve)	\$ 54,522	\$ 16,409	\$ 70,931	\$ 80,061
D. Wiltse	41,118	14,865	55,983	52,936
K. Westerlund	37,468	14,516	51,984	54,363
S. Wheale (Jan-Oct)	31,698	12,764	44,462	46,754
A. Heinrich	36,976	6,200	43,176	45,406
H. Swan (Jan-Oct)	30,529	11,918	42,447	59,696
M. Gressler (Jan-Oct)	28,947	12,768	41,715	51,671
R. SWAP (Oct-Dec)	7,794	2,353	10,147	-
D. Ekstrom (Oct-Dec)	6,773	2,283	9,056	-
C. Brooks (Oct-Dec)	7,124	1,469	8,593	-
	\$ 282,949	\$ 95,545	\$ 378,494	\$ 390,887
Chief Administrative Officer (2)	\$ 162,507	\$ 5,431	\$ 167,938	\$ 165,408
Designated Officers (7)	\$ 750,377	\$ 181,567	\$ 931,944	\$ 886,511

- 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.

18. 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
For the Year Ended December 31, 2021

19. 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:

	2021	2020
Total debt limit	\$ 43,036,710	\$ 41,983,677
Total debt	(9,198,758)	(10,481,875)
Amount of debt limit unused	\$ 33,837,952	\$ 31,501,802
Service on debt limit	\$ 7,172,785	\$ 6,997,280
Service on debt	(1,550,921)	(1,551,057)
Amount of debt servicing limit unused	\$ 5,621,864	\$ 5,446,223

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.

20. BUDGET FIGURES

The budget figures presented in these financial statements are based on the budget approved by Council on April 7, 2021.

The table below reconciles the approved budget figures reported in these financial statements.

Annual surplus (deficit)	\$ (1,038,479)
Deduct:	
Purchase of capital assets	(8,325,575)
Add back:	
Transfers from operating reserves	4,965,359
Transfers from capital reserves	4,516,612
Proceeds on sale of tangible capital assets	166,689
	\$ 284,606

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.