



Financial Statements

BRAZEAU COUNTY
Financial Statements
For the Year Ended December 31, 2020

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, 2020 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, 2020 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.

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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 20, 2021

**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, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 27,489,379	\$ 27,818,870
Accounts receivable (Note 3)	1,391,611	2,349,595
Land held for resale	14,870	14,870
Investments (Note 4)	16,780,185	16,433,220
	45,676,045	46,616,555
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	3,830,771	4,701,396
Deposit liabilities	61,899	81,738
Deferred revenue (Note 6)	2,982,515	2,565,516
Contaminated sites (Note 7)	700,208	695,111
Long-term debt (Note 9)	10,481,875	11,732,203
	18,057,268	19,775,964
NET FINANCIAL ASSETS	27,618,777	26,840,591
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	203,534,442	202,513,747
Inventories for consumption (Note 11)	5,335,894	5,469,109
Prepaid expenses	245,860	273,840
	209,116,196	208,256,696
ACCUMULATED SURPLUS (NOTE 12)	\$ 236,734,973	\$ 235,097,287

Contingencies (Note 14)

ON BEHALF OF COUNCIL:

BRAZEAU COUNTY
Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2020

	2020 (Budget) (Note 21)	2020 (Actual)	2019 (Actual)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 24,427,787	\$ 24,304,238	\$ 25,719,326
Government transfers for operating (Schedule 3)	786,129	1,405,856	571,296
Investment income	547,500	965,012	1,432,155
User fees and sale of goods	426,906	329,586	427,933
Oil well drilling taxes	500,000	314,464	622,113
Licenses, permits, rentals and fines	292,838	305,427	310,820
Sales to other governments	185,863	197,694	186,700
Penalties on taxes	143,400	153,981	153,659
Other	36,202	12,860	103,878
	27,346,625	27,989,118	29,527,880
EXPENSES			
Roads, streets, walks and lighting	15,586,171	12,407,557	12,873,078
Common equipment pool	3,328,689	3,114,071	2,807,722
General and administration	3,418,140	2,688,362	4,325,979
Economic and agricultural development	2,990,332	2,528,189	2,517,422
Culture - libraries	2,986,015	1,876,205	1,559,009
Parks and recreation	6,471,789	1,142,696	1,779,173
Wastewater treatment and disposal	926,606	1,135,967	997,656
Land use planning, zoning and development	1,142,966	902,116	1,065,337
Firefighting services	1,090,704	882,288	919,096
Waste management	658,469	728,539	707,288
Policing	782,170	678,825	626,976
Water supply and distribution	744,948	662,609	891,953
Council	645,397	486,760	600,929
Family and community support services	267,619	259,766	263,044
Storm	42,216	24,404	33,520
Disaster and emergency measures	57,734	19,101	3,490
Ambulance and first aid	15,542	15,542	15,542
Cemetaries	44,882	9,170	5,101
	41,200,389	29,562,167	31,992,315
ANNUAL SURPLUS (DEFICIT)			
BEFORE OTHER REVENUE (EXPENSES)	(13,853,764)	(1,573,049)	(2,464,435)
OTHER REVENUE (EXPENSES)			
Government transfers for capital (Schedule 3)	3,039,995	3,494,908	4,926,339
Cash in lieu of parks	10,000	9,208	2,349
Other	153,032	16,027	76,180
Loss on disposal of tangible capital assets	-	(309,408)	(522,804)
	3,203,027	3,210,735	4,482,064
ANNUAL SURPLUS (DEFICIT)	(10,650,737)	1,637,686	2,017,629
ACCUMULATED SURPLUS, BEGINNING OF YEAR	235,097,287	235,097,287	233,079,658
ACCUMULATED SURPLUS, END OF YEAR	\$ 224,446,550	\$ 236,734,973	\$ 235,097,287

The accompanying notes are an integral part of the financial statements

BRAZEAU COUNTY
Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2020

	2020 (Budget) (Note 21)	2020 (Actual)	2019 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ (10,650,737)	\$ 1,637,686	\$ 2,017,629
Purchase of tangible capital assets	-	(10,824,774)	(22,421,990)
Proceeds on disposal of tangible capital assets	232,000	225,028	484,717
Amortization of tangible capital assets	9,758,319	9,269,643	8,427,173
Loss on disposal of tangible capital assets	-	309,408	522,804
	9,990,319	(1,020,695)	(12,987,296)
Use (acquisition) of supplies inventory	-	133,215	476,443
Use (acquisition) of prepaid expenses	-	27,980	(54,950)
	-	161,195	421,493
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(660,418)	778,186	(10,548,174)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	26,840,591	26,840,591	37,388,765
NET FINANCIAL ASSETS, END OF YEAR	\$ 26,180,173	\$ 27,618,777	\$ 26,840,591

BRAZEAU COUNTY
Statement of Cash Flows
For the Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ 1,637,686	\$ 2,017,629
Non-cash items included in annual surplus		
Loss on disposal of tangible capital assets	309,408	522,804
Loss (gain) on sale of investments	-	(152,170)
Amortization of investment premium/discounts	40,591	36,546
Amortization of tangible capital assets	9,269,643	8,427,173
Change in non-cash working capital balances:		
Accounts receivable	957,984	(135,791)
Prepaid expenses	27,980	(54,950)
Accounts payable and accrued liabilities	(870,625)	(530,841)
Deferred revenue	416,999	(1,839,103)
Inventories for consumption	133,215	476,443
Contaminated sites	5,097	15,288
Deposit liabilities	(19,839)	(39,828)
	11,908,139	8,743,200
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(10,824,774)	(22,421,990)
Proceeds on disposal of tangible capital assets	225,028	484,717
	(10,599,746)	(21,937,273)
FINANCING ACTIVITIES		
Long-term debt issued	-	2,800,000
Long-term debt principal repayments	(1,250,328)	(1,063,659)
	(1,250,328)	1,736,341
INVESTMENT ACTIVITIES		
Acquisition of investments	(7,700,439)	(4,308,600)
Proceeds on sale of investments	7,312,883	3,804,310
	(387,556)	(504,290)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(329,491)	(11,962,022)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	27,818,870	39,780,892
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 27,489,379	\$ 27,818,870

BRAZEAU COUNTY
Schedule of Equity in Tangible Capital Assets
For the Year Ended December 31, 2020

Schedule 1

	2020	2019
BALANCE, BEGINNING OF YEAR	\$191,786,973	\$180,133,400
Acquisition of tangible capital assets	10,824,774	22,421,990
Cost of tangible capital assets disposed of	(5,563,256)	(2,382,134)
Accumulated amortization of tangible capital assets disposed of	5,028,820	1,374,612
Amortization of tangible capital assets	(9,269,643)	(8,427,173)
Long-term debt proceeds used in the year	(26,046)	(2,397,381)
Long-term capital debt repayments	1,250,328	1,063,659
BALANCE, END OF YEAR	\$194,031,950	\$191,786,973

Equity in Tangible Capital Assets is Comprised of the Following:

Tangible capital assets net book value	\$203,534,442	\$202,513,747
Long-term debt used for tangible capital assets	(9,502,492)	(10,726,774)
	\$194,031,950	\$191,786,973

BRAZEAU COUNTY
Schedule of Property and Other Taxes
For the Year Ended December 31, 2020

Schedule 2

	2020 (Budget) (Note 21)	2020 (Actual)	2019 (Actual)
TAXATION			
Real property taxes	\$ 13,229,712	\$ 13,219,677	\$ 14,344,666
Linear property taxes	21,567,767	21,571,063	21,720,554
Government grants in lieu of property taxes	8,008	8,008	8,121
	34,805,487	34,798,748	36,073,341
REQUISITIONS			
Alberta School Foundation Fund	(9,554,034)	(9,698,301)	(9,517,549)
Brazeau Seniors Foundation	(759,666)	(759,666)	(753,465)
Designated industrial property	(189,000)	(187,798)	(199,463)
	(10,502,700)	(10,645,765)	(10,470,477)
OTHER TAXES			
Community aggregate levy	125,000	151,255	116,462
NET MUNICIPAL TAXES	\$ 24,427,787	\$ 24,304,238	\$ 25,719,326

BRAZEAU COUNTY
Schedule of Government Transfers
For the Year Ended December 31, 2020

Schedule 3

	2020 (Budget) (Note 21)	2020 (Actual)	2019 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 726,787	\$ 1,351,456	\$ 533,238
Local governments	59,342	54,400	38,058
	<u>786,129</u>	<u>1,405,856</u>	<u>571,296</u>
TRANSFERS FOR CAPITAL			
Provincial government	3,039,995	3,494,908	4,751,339
Local governments	-	-	175,000
	<u>3,039,995</u>	<u>3,494,908</u>	<u>4,926,339</u>
TOTAL GOVERNMENT TRANSFERS	\$ 3,826,124	\$ 4,900,764	\$ 5,497,635

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

Schedule 4

	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
All other	135,503	16,027	151,506	45,980	-	15,519	364,535
User fees and sales of goods	7,977	-	-	93,256	211,008	17,345	329,586
Oil well drilling taxes	314,464	-	-	-	-	-	314,464
Licenses, permits, rentals and fines	-	87,394	77,392	45,981	-	94,660	305,427
	1,952,773	2,803,702	1,179,094	8,376,059	1,858,912	11,818,578	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 (recovery)	(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	-	(169,873)	-	-	7,742,364	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)	\$ (215,199)	\$ (416,662)	\$ (7,169,972)	\$ (668,202)	\$ 7,632,575	\$ (1,573,049)

BRAZEAU COUNTY
Schedule of Segmented Information
For The Year Ended December 31, 2019

Schedule 5

	General Administration	Recreation and Culture	Protective Services	Public Works and Transportation Services	Utilities	All Other	Total
REVENUE							
Net municipal taxes	\$ 1,232,228	\$ 2,929,728	\$ 1,054,352	\$ 8,983,194	\$ 1,722,094	\$ 9,797,730	\$ 25,719,326
Investment income	1,432,155	-	-	-	-	-	1,432,155
Oil well drilling taxes	622,113	-	-	-	-	-	622,113
Government transfers	-	121,504	-	-	3,239	446,553	571,296
All other	182,502	76,180	145,420	106,642	-	(66,507)	444,237
User fees and sales of goods	10,735	-	-	158,673	235,467	23,058	427,933
Licenses, permits, rentals and fines	-	18,694	114,652	64,661	-	112,813	310,820
	3,479,733	3,146,106	1,314,424	9,313,170	1,960,800	10,313,647	29,527,880
EXPENSES							
Salaries, wages and benefits	1,669,940	288,617	335,353	3,961,031	479,957	2,444,208	9,179,106
Contract and general services	760,503	134,684	191,447	1,374,812	871,087	1,358,063	4,690,596
Materials, goods and supplies	97,782	30,245	56,074	4,065,046	139,157	217,854	4,606,158
Transfers to other governments	-	2,478,155	499,036	32,701	185,311	244,919	3,440,122
Bad debts	936,509	-	-	-	-	-	936,509
Transfers to boards, agencies and organizations	-	214,405	19,542	-	-	67,491	301,438
Interest on long-term debt	1,917	-	166	106,959	169,782	-	278,824
Other expenses (recovery)	13,082	-	212,806	(227,379)	115,506	18,374	132,389
	3,479,733	3,146,106	1,314,424	9,313,170	1,960,800	4,350,909	23,565,142
NET REVENUE (DEFICIT) BEFORE AMORTIZATION							
	-	-	-	-	-	5,962,738	5,962,738
Amortization of tangible capital assets	846,246	192,076	250,680	6,401,149	636,099	100,923	8,427,173
NET REVENUE (DEFICIT)	\$ (846,246)	\$ (192,076)	\$ (250,680)	\$ (6,401,149)	\$ (636,099)	\$ 5,861,815	\$ (2,464,435)

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, 2020

2. CASH AND CASH EQUIVALENTS

	2020	2019
Operating bank accounts	\$ 8,013,968	\$ 7,799,687
Savings bank accounts	5,387,769	7,051,584
Temporary investments	14,087,642	12,967,599
	\$ 27,489,379	\$ 27,818,870

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

3. ACCOUNTS RECEIVABLE

	2020	2019
Taxes and grants in place of taxes	\$ 645,776	\$ 575,359
Trade and other	488,729	767,652
Receivables from other governments	257,106	1,006,584
	\$ 1,391,611	\$ 2,349,595
Taxes and grants in place of taxes consist of the following:		
Current taxes	524,924	1,151,396
Tax arrears	563,831	293,986
	1,088,755	1,445,382
Less: Allowance for doubtful taxes	(442,979)	(870,023)
	\$ 645,776	\$ 575,359

4. INVESTMENTS

	2020		2019	
	Carrying Value	Market Value	Carrying Value	Market Value
Corporate bonds	\$ 11,887,485	\$ 12,306,171	\$ 10,908,037	\$ 10,905,944
Principal-protected notes	4,892,700	4,823,090	5,525,183	5,604,606
	\$ 16,780,185	\$ 17,129,261	\$ 16,433,220	\$ 16,510,550

Corporate bonds have effective interest rates between 1.85% to 5.22% (2019 - 2.58% - 6.63%) with maturity dates from September 2021 to October 2031.

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, 2020

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Trade and other accounts payable	\$ 3,162,850	\$ 4,148,872
Accrued vacation pay	455,114	377,642
Post-employment benefits (Note 1 (i))	160,649	116,892
Accrued interest on long-term debt	52,158	57,990
	\$ 3,830,771	\$ 4,701,396

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.

	2019	Additions	Revenue Recognized	2020
Municipal Sustainability Initiative - capital	\$ 2,423,884	\$ 2,580,474	\$(2,494,771)	\$ 2,509,587
Municipal Operating Support Transfer	-	791,884	(529,817)	262,067
Alberta Community Partnership	83,699	-	-	83,699
Other	29,964	70,349	(45,989)	54,324
Municipal Stimulus Program	-	50,000	(5,131)	44,869
Major Community Facilities Program	27,969	-	-	27,969
	\$ 2,565,516	\$ 3,492,707	\$(3,075,708)	\$ 2,982,515

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, 2020

8. 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, 2020 or 2019.

9. LONG-TERM DEBT

	2020	2019
Alberta Capital Financing Authority debentures bearing interest at rates ranging from 2.30% to 5.75% per annum maturing between 2023 and 2034.	\$10,267,397	\$11,501,633
Obligation under capital leases for solar panels, bearing interest and a rate of 1.57%, maturing 2032.	214,478	230,570
	\$10,481,875	\$11,732,203
Tax supported debt	\$10,467,293	\$11,713,279
Self supported debt	14,582	18,924
	\$10,481,875	\$11,732,203

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,283,126	\$ 267,931	\$ 1,551,057
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
Thereafter	4,815,618	462,336	5,277,954
	\$10,481,875	\$ 1,481,891	\$11,963,766

Interest on long-term debt amounted to \$295,086 (2019 - \$278,824).

The County's total cash payments for interest in 2020 were \$297,326 (2019 - \$265,917).

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2020

10. TANGIBLE CAPITAL ASSETS

	<u>2020</u> Net Book Value	2019 Net Book Value
Engineered Structures		
Roadways	\$ 131,653,201	\$ 117,980,191
Wastewater systems	16,290,812	15,698,129
Water systems	13,656,537	12,297,360
Storm systems	<u>1,050,664</u>	<u>1,067,488</u>
	162,651,214	147,043,168
Buildings	15,793,609	16,256,116
Machinery and equipment	7,725,636	8,604,126
Land	6,456,529	6,418,264
Land improvements	5,155,568	5,093,564
Vehicles	2,864,046	2,982,153
Construction in progress	<u>2,887,840</u>	<u>16,116,356</u>
	\$ <u>203,534,442</u>	\$ <u>202,513,747</u>

	Cost Beginning of Year	Additions	Disposals	Transfers	Cost End of Year
Engineering Structures					
Roadways	\$ 350,714,563	\$ 306,317	\$ (4,720,608)	\$ 18,926,886	\$ 365,227,158
Wastewater systems	19,131,482	-	-	940,704	20,072,186
Water systems	14,408,262	-	-	1,638,075	16,046,337
Storm systems	<u>1,263,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,263,612</u>
	385,517,919	306,317	(4,720,608)	21,505,665	402,609,293
Machinery and equipment	15,947,865	866,593	(494,657)	40,255	16,360,056
Vehicles	6,317,234	361,112	(235,022)	-	6,443,324
Buildings	24,562,798	-	-	456,825	25,019,623
Land	6,418,264	30,093	-	8,172	6,456,529
Land improvements	7,929,375	67,685	-	297,604	8,294,664
Construction in progress	<u>16,116,356</u>	<u>9,192,974</u>	<u>(112,969)</u>	<u>(22,308,521)</u>	<u>2,887,840</u>
	\$ <u>462,809,811</u>	\$ <u>10,824,774</u>	\$ <u>(5,563,256)</u>	\$ <u>-</u>	\$ <u>468,071,329</u>

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered Structures					
Roadways	\$ 232,734,372	\$ 5,432,161	\$ (4,592,576)	\$ -	\$ 233,573,957
Wastewater systems	3,433,353	348,021	-	-	3,781,374
Water systems	2,110,902	278,898	-	-	2,389,800
Storm systems	<u>196,124</u>	<u>16,824</u>	<u>-</u>	<u>-</u>	<u>212,948</u>
	238,474,751	6,075,904	(4,592,576)	-	239,958,079
Machinery, equipment, and furnishings	7,343,739	1,589,562	(298,881)	-	8,634,420
Vehicles	3,335,081	381,560	(137,363)	-	3,579,278
Buildings	8,306,682	919,332	-	-	9,226,014
Land improvements	<u>2,835,811</u>	<u>303,285</u>	<u>-</u>	<u>-</u>	<u>3,139,096</u>
	\$ <u>260,296,064</u>	\$ <u>9,269,643</u>	\$ <u>(5,028,820)</u>	\$ <u>-</u>	\$ <u>264,536,887</u>

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2020

11. INVENTORIES FOR CONSUMPTION

	2020	2019
Sand and gravel	\$ 5,064,392	\$ 5,139,668
Parts, chemicals, and other	271,502	329,441
	\$ 5,335,894	\$ 5,469,109

12. ACCUMULATED SURPLUS

	2020	2019
Unrestricted surplus	\$ 16,898,425	\$ 11,383,588
Restricted surplus		
Operating restricted surplus (Note 13)	790,662	471,894
Capital restricted surplus (Note 13)	25,013,936	31,454,832
Equity in tangible capital assets (Schedule 1)	194,031,950	191,786,973
	\$ 236,734,973	\$ 235,097,287

13. RESTRICTED SURPLUS

	2020	2019
OPERATING RESTRICTED SURPLUS		
General operating	\$ 790,662	\$ 471,894
CAPITAL RESTRICTED SURPLUS		
Deferred capital projects	\$ 5,072,102	\$ 7,848,436
Deferred projects	6,721,252	4,527,971
Equipment replacement	2,906,509	2,719,588
Buildings	2,405,542	2,407,943
Roads	1,834,879	3,133,480
Fire equipment	1,489,334	1,430,518
Engineering structures	1,420,358	1,691,573
Major facility capital investment	738,456	5,296,324
Sewer capital replacement	422,097	407,321
Cultural facilities	395,394	381,552
Parks-cash in lieu	292,485	228,293
Water capital replacement	281,917	256,394
Committed funds	267,165	311,113
Alternate land use services	263,252	406,280
Alternate energy program	258,231	286,077
Economic development	82,581	-
Alberta water and wastewater	56,442	54,466
Off-site levies	43,706	42,176
Utility servicing	35,988	-
Land surplus	24,205	23,357
Cemetary - perpetual care fund	2,041	1,970
	\$ 25,013,936	\$ 31,454,832

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, 2020. 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, 2020 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 2020 were \$261,182 (2019 - \$267,920). Total current service contributions by the employees of the County to the LAPP in 2020 were \$236,923 (2019 - \$242,305).

At December 31, 2019 the Plan disclosed an actuarial surplus of \$7.91 billion (2018 - \$3.47 billion).

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2020

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:

			2020	2019
	Remuneration	Benefits and Allowances	Total	Total
Reeve and Councillors				
B. Guyon (Reeve)	\$ 64,070	\$ 15,991	\$ 80,061	\$ 97,416
H. Swan	45,237	14,459	59,696	66,863
D. Wiltse	39,021	13,915	52,936	64,001
M. Gressler	37,186	14,485	51,671	60,278
S. Wheale	33,642	13,112	46,754	50,046
A. Heinrich	39,323	6,083	45,406	55,260
K. Westerlund	40,276	14,087	54,363	49,603
	\$ 298,755	\$ 92,132	\$ 390,887	\$ 443,467
Chief Administrative Officer	\$ 131,320	\$ 34,088	\$ 165,408	\$ 159,886
Designated Officers (8)	\$ 715,906	\$ 170,605	\$ 886,511	\$ 1,072,128

- 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).

19. UNCERTAINTY DUE TO COVID-19

On March 11, 2020, the World Health Organization declared a global pandemic which has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused significant disruptions to businesses, governments, and other organizations resulting in an economic slow-down and increased volatility. Governments have responded with significant monetary and fiscal interventions designed to stabilize economic conditions.

While COVID-19 has not significantly impacted the County's operations or financial condition to date, the rapidly evolving event, including health and safety conditions, economic environment and resulting government measures, creates a high level of uncertainty and risk that may have a financial impact on the County's activities, operations and financial condition in the future.

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2020

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:

	2020	2019
Total debt limit	\$ 41,983,677	\$ 44,291,820
Total debt	(10,481,875)	(11,732,203)
Amount of debt limit unused	\$ 31,501,802	\$ 32,559,617
Service on debt limit	\$ 6,997,280	\$ 7,381,970
Service on debt	(1,551,057)	(1,551,057)
Amount of debt servicing limit unused	\$ 5,446,223	\$ 5,830,913

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 budget approved by Council on April 22, 2020.

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

Annual surplus (deficit)	\$ (10,650,737)
Deduct:	
Purchase of capital assets	(13,194,204)
Add back:	
Transfers from operating reserves	7,334,528
Transfers from capital reserves	8,343,191
Proceeds on sale of tangible capital assets	232,000
	\$ (7,935,222)

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.