

BRAZEAU COUNTY
Financial Statements
For the Year Ended December 31, 2019

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, 2019 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, 2019 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 21, 2020

**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.

Jocelyn Whaley
Chief Administrative Officer

General Manager of Finance

BRAZEAU COUNTY
Statement of Financial Position
As at December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 27,818,870	\$ 39,780,892
Accounts receivable (Note 3)	2,349,595	2,213,804
Land held for resale	14,870	14,870
Investments (Note 4)	16,433,220	15,813,306
	46,616,555	57,822,872
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	4,701,396	5,232,237
Deposit liabilities	81,738	121,566
Deferred revenue (Note 6)	2,565,516	4,404,619
Contaminated sites (Note 7)	695,111	679,823
Long-term debt (Note 9)	11,732,203	9,995,862
	19,775,964	20,434,107
	26,840,591	37,388,765
NET FINANCIAL ASSETS		
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	202,513,747	189,526,451
Inventories for consumption (Note 11)	5,469,109	5,945,552
Prepaid expenses	273,840	218,890
	208,256,696	195,690,893
	\$ 235,097,287	\$ 233,079,658

Contingencies (Note 14)

ON BEHALF OF COUNCIL:

BRAZEAU COUNTY
Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2019

	2019 (Budget) (Note 20)	2019 (Actual)	2018 (Actual)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 25,709,971	\$ 25,719,326	\$ 25,585,209
Investment income	910,000	1,432,155	1,425,664
Oil well drilling taxes	1,000,000	622,113	840,032
Government transfers for operating (Schedule 3)	562,903	571,296	599,426
User fees and sale of goods	417,449	427,933	474,956
Licenses, permits, rentals and fines	212,467	310,820	238,837
Sales to other governments	38,766	186,700	200,614
Penalties on taxes	103,300	153,659	116,649
Other	21,890	103,878	54,266
	28,976,746	29,527,880	29,535,653
EXPENSES			
Roads, streets, walks and lighting	13,539,030	12,873,078	12,158,363
General and administration	3,854,755	4,325,979	5,962,258
Common equipment pool	3,015,601	2,807,722	2,482,288
Economic and agricultural development	3,137,832	2,517,422	1,661,982
Parks and recreation	1,998,719	1,779,173	1,639,210
Culture - libraries	3,116,237	1,559,009	494,695
Land use planning, zoning and development	1,315,559	1,065,337	1,353,968
Wastewater treatment and disposal	809,365	997,656	1,051,809
Firefighting services	1,128,120	919,096	1,025,598
Water supply and distribution	738,185	891,953	691,819
Waste management	641,998	707,289	691,920
Policing	758,202	626,976	597,945
Council	684,638	600,929	560,112
Family and community support services	271,119	263,044	265,044
Storm	54,493	33,520	32,316
Ambulance and first aid	15,542	15,542	15,542
Cemetaries	31,127	5,100	11,144
Disaster and emergency measures	71,563	3,490	35,203
	35,182,085	31,992,315	30,731,216
ANNUAL SURPLUS (DEFICIT)			
BEFORE OTHER REVENUE (EXPENSES)	(6,205,339)	(2,464,435)	(1,195,563)
OTHER REVENUE (EXPENSES)			
Government transfers for capital (Schedule 3)	4,612,205	4,926,339	7,011,802
Cash in lieu of parks	23,950	2,349	8,917
Other	76,031	76,180	-
Contributed tangible capital assets	-	-	177,250
Loss on disposal of tangible capital assets	-	(522,804)	(1,914,639)
	4,712,186	4,482,064	5,283,330
ANNUAL SURPLUS	(1,493,153)	2,017,629	4,087,767
ACCUMULATED SURPLUS, BEGINNING OF YEAR	233,079,658	233,079,658	228,991,891
ACCUMULATED SURPLUS, END OF YEAR	\$ 231,586,505	\$ 235,097,287	\$ 233,079,658

BRAZEAU COUNTY
Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2019

	2019 (Budget) (Note 20)	2019 (Actual)	2018 (Actual)
ANNUAL SURPLUS	\$ (1,493,153)	\$ 2,017,629	\$ 4,087,767
Purchase of tangible capital assets	(43,574,530)	(22,421,990)	(15,864,267)
Contributed tangible capital assets	-	-	(177,250)
Proceeds on disposal of tangible capital assets	-	484,717	119,364
Amortization of tangible capital assets	9,184,287	8,427,173	8,713,955
Loss on disposal of tangible capital assets	-	522,804	1,914,639
	(34,390,243)	(12,987,296)	(5,293,559)
Use (acquisition) of supplies inventory	-	476,443	(1,181,534)
Use (acquisition) of prepaid expenses	-	(54,950)	(7,242)
	-	421,493	(1,188,776)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(35,883,396)	(10,548,174)	(2,394,568)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	37,388,765	37,388,765	39,783,333
NET FINANCIAL ASSETS, END OF YEAR	\$ 1,505,369	\$ 26,840,591	\$ 37,388,765

BRAZEAU COUNTY
Statement of Cash Flows
For the Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Annual surplus	\$ 2,017,629	\$ 4,087,767
Non-cash items included in annual surplus		
Loss on disposal of tangible capital assets	522,804	1,914,639
Loss (gain) on sale of investments	(152,170)	(9,744)
Amortization of investment premium/discounts	36,546	48,166
Amortization of tangible capital assets	8,427,173	8,713,955
Tangible capital assets received as contributions	-	(177,250)
Change in non-cash working capital balances:		
Accounts receivable	(135,791)	(398,913)
Prepaid expenses	(54,950)	(7,242)
Accounts payable and accrued liabilities	(530,841)	1,500,800
Deferred revenue	(1,839,103)	(2,722,866)
Inventories for consumption	476,443	(1,181,534)
Contaminated sites	15,288	19,837
Deposit liabilities	(39,828)	(229,154)
	8,743,200	11,558,461
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(22,421,990)	(15,864,267)
Proceeds on disposal of tangible capital assets	484,717	119,364
	(21,937,273)	(15,744,903)
FINANCING ACTIVITIES		
Long-term debt issued	2,800,000	3,000,000
Long-term debt principal repayments	(1,063,659)	(957,627)
	1,736,341	2,042,373
INVESTMENT ACTIVITIES		
Acquisition of investments	(4,308,600)	(4,050,870)
Proceeds on sale of investments	3,804,310	3,616,236
	(504,290)	(434,634)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(11,962,022)	(2,578,703)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	39,780,892	42,359,595
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 27,818,870	\$ 39,780,892

BRAZEAU COUNTY
Schedule of Equity in Tangible Capital Assets
For the Year Ended December 31, 2019

Schedule 1

	2019	2018
BALANCE, BEGINNING OF YEAR	\$180,133,400	\$177,713,490
Acquisition of tangible capital assets	22,421,990	16,041,517
Cost of tangible capital assets disposed of	(2,382,134)	(3,230,567)
Accumulated amortization of tangible capital assets disposed of	1,374,612	1,196,563
Amortization of tangible capital assets	(8,427,173)	(8,713,955)
Long-term debt proceeds used in the year	(2,397,381)	(3,831,275)
Long-term capital debt repayments	1,063,659	957,627
BALANCE, END OF YEAR	\$191,786,973	\$180,133,400

Equity in Tangible Capital Assets is Comprised of the Following:

Tangible capital assets net book value	\$202,513,747	\$189,526,451
Long-term debt used for tangible capital assets	(10,726,774)	(9,393,051)
	\$191,786,973	\$180,133,400

BRAZEAU COUNTY
Schedule of Property and Other Taxes
For the Year Ended December 31, 2019

Schedule 2

	2019 (Budget) (Note 20)	2019 (Actual)	2018 (Actual)
TAXATION			
Real property taxes	\$ 14,395,491	\$ 14,344,666	\$ 14,785,978
Linear property taxes	21,712,997	21,720,554	21,010,659
Government grants in lieu of property taxes	8,121	8,121	8,122
	36,116,609	36,073,341	35,804,759
REQUISITIONS			
Alberta School Foundation Fund	(9,624,266)	(9,517,549)	(9,619,515)
Brazeau Seniors Foundation	(753,628)	(753,465)	(746,082)
Designated industrial property	(198,058)	(199,463)	-
	(10,575,952)	(10,470,477)	(10,365,597)
OTHER TAXES			
Community aggregate levy	169,314	116,462	146,047
NET MUNICIPAL TAXES	\$ 25,709,971	\$ 25,719,326	\$ 25,585,209

BRAZEAU COUNTY
Schedule of Government Transfers
For the Year Ended December 31, 2019

Schedule 3

	2019 (Budget) (Note 20)	2019 (Actual)	2018 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 558,058	\$ 533,238	\$ 583,854
Local governments	4,845	38,058	15,572
	562,903	571,296	599,426
TRANSFERS FOR CAPITAL			
Provincial government	4,437,205	4,751,339	7,011,802
Local governments	175,000	175,000	-
	4,612,205	4,926,339	7,011,802
TOTAL GOVERNMENT TRANSFERS	\$ 5,175,108	\$ 5,497,635	\$ 7,611,228

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

Schedule 4

	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
Transfers to boards, agencies and organizations	-	214,405	19,542	-	-	67,491	301,438
Bad debts	936,509	-	-	-	238	-	936,747
Interest on long-term debt	1,917	-	166	106,959	169,782	-	278,824
Other expenses (recovery)	13,082	-	212,806	(227,379)	115,268	18,374	132,151
	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)

BRAZEAU COUNTY
Schedule of Segmented Information
For The Year Ended December 31, 2018

Schedule 5

	General Administration	Recreation and Culture	Protective Services	Public Works and Transportation Services	Utilities	All Other	Total
REVENUE							
Net municipal taxes	\$ 2,559,065	\$ 1,809,312	\$ 1,100,931	\$ 7,863,119	\$ 1,603,842	\$ 10,648,940	\$ 25,585,209
Investment income	1,425,664	-	-	-	-	-	1,425,664
Oil well drilling taxes	840,032	-	-	-	-	-	840,032
Government transfers	-	116,724	5,000	-	-	477,702	599,426
User fees and sales of goods	11,246	-	-	181,670	252,465	29,575	474,956
All other	145,076	-	172,874	51,167	75	2,337	371,529
Licenses, permits, rentals and fines	-	16,789	86,829	-	-	135,219	238,837
	4,981,083	1,942,825	1,365,634	8,095,956	1,856,382	11,293,773	29,535,653
EXPENSES							
Salaries, wages and benefits	1,803,737	206,159	383,066	3,737,430	519,331	2,268,628	8,918,351
Contract and general services	2,666,067	161,124	200,600	716,992	868,662	1,121,956	5,735,401
Materials, goods and supplies	215,643	42,147	73,378	3,998,556	130,407	42,845	4,502,976
Transfers to other governments	-	1,297,721	577,910	40,164	34,670	257,419	2,207,884
Transfers to boards, agencies and organizations	-	235,674	19,542	-	-	60,320	315,536
Bad debts	261,962	-	-	-	-	-	261,962
Interest on long-term debt	2,234	-	176	50,857	193,234	-	246,501
Other expenses (recovery)	31,440	-	110,962	(448,043)	110,078	24,213	(171,350)
	4,981,083	1,942,825	1,365,634	8,095,956	1,856,382	3,775,381	22,017,261
NET REVENUE (DEFICIT) BEFORE AMORTIZATION							
	-	-	-	-	-	7,518,392	7,518,392
Amortization of tangible capital assets	981,175	191,079	308,655	6,577,013	579,165	76,868	8,713,955
NET REVENUE (DEFICIT)	\$ (981,175)	\$ (191,079)	\$ (308,655)	\$ (6,577,013)	\$ (579,165)	\$ 7,441,524	\$ (1,195,563)

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, 2021, *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, 2022, *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, 2019

2. CASH AND CASH EQUIVALENTS

	2019	2018
Operating bank accounts	\$ 7,799,687	\$ 9,240,714
Savings bank accounts	7,051,584	540,178
Temporary investments	12,967,599	30,000,000
	\$ 27,818,870	\$ 39,780,892

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

3. ACCOUNTS RECEIVABLE

	2019	2018
Receivables from other governments	\$ 1,006,584	\$ 834,143
Trade and other	767,652	762,027
Taxes and grants in place of taxes	575,359	617,634
	\$ 2,349,595	\$ 2,213,804
Taxes and grants in place of taxes consist of the following:		
Current taxes	1,151,396	790,664
Tax arrears	293,986	74,375
	1,445,382	865,039
Less: Allowance for taxes	(870,023)	(247,405)
	\$ 575,359	\$ 617,634

4. INVESTMENTS

	2019		2018	
	Carrying Value	Market Value	Carrying Value	Market Value
Corporate bonds	\$ 10,908,037	\$ 10,905,944	\$ 10,364,023	\$ 10,221,047
Principal-protected notes	5,525,183	5,604,606	5,449,283	5,244,816
	\$ 16,433,220	\$ 16,510,550	\$ 15,813,306	\$ 15,465,863

Corporate bonds have effective interest rates between 2.58% to 6.63% (2018 - 2.90% - 5.22%) with maturity dates from February 2020 to January 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, 2019

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Trade and other accounts payable	\$ 4,148,872	\$ 4,758,813
Accrued vacation pay	377,642	335,586
Post-employment benefits (Note 1 (i))	116,892	92,893
Accrued interest on long-term debt	57,990	44,945
	\$ 4,701,396	\$ 5,232,237

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.

	2018	Additions	Revenue Recognized	2019
Municipal Sustainability Initiative - capital	\$ 3,917,323	\$ 1,684,017	\$(3,177,456)	\$ 2,423,884
Alberta Community Partnership	81,018	2,681	-	83,699
Major Community Facilities Program	27,048	921	-	27,969
Other	29,803	29,964	(29,803)	29,964
Federal Gas Tax Fund	349,427	845,508	(1,194,935)	-
	\$ 4,404,619	\$ 2,563,091	\$(4,402,194)	\$ 2,565,516

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, 2019

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, 2019 or 2018.

9. LONG-TERM DEBT

	2019	2018
Alberta Capital Financing Authority debentures bearing interest at rates ranging from 2.30% to 5.75% per annum maturing between 2023 and 2034.	\$11,501,633	\$ 9,749,317
Obligation under capital leases for solar panels, bearing interest and a rate of 1.57%, maturing 2032.	230,570	246,545
	\$11,732,203	\$ 9,995,862
Tax supported debt	\$11,713,279	\$ 9,972,832
Self supported debt	18,924	23,030
	\$11,732,203	\$ 9,995,862

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,250,337	\$ 300,858	\$ 1,551,195
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
Thereafter	5,791,473	608,655	6,400,128
	\$11,732,203	\$ 1,782,749	\$13,514,952

Interest on long-term debt amounted to \$278,824 (2018 - \$246,500).

The County's total cash payments for interest in 2019 were \$265,917 (2018 - \$246,778).

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2019

10. TANGIBLE CAPITAL ASSETS

	<u>2019</u> Net Book Value	2018 Net Book Value
Engineered Structures		
Roadways	\$ 117,980,191	\$ 112,720,687
Wastewater systems	15,698,129	15,373,431
Water systems	12,297,360	11,930,808
Storm systems	<u>1,067,488</u>	<u>1,084,266</u>
	147,043,168	141,109,192
Buildings	16,256,116	17,155,586
Machinery and equipment	8,604,126	7,832,481
Land	6,418,264	6,117,306
Land improvements	5,093,564	5,226,966
Vehicles	2,982,153	2,758,051
Construction in progress	<u>16,116,356</u>	<u>9,326,869</u>
	\$ <u>202,513,747</u>	\$ <u>189,526,451</u>

	Cost Beginning of Year	Additions	Disposals	Transfers	Cost End of Year
Engineering Structures					
Roadways	\$ 341,375,502	\$ 735,722	\$ (729,103)	\$ 9,332,442	\$ 350,714,563
Wastewater systems	18,470,166	-	-	661,316	19,131,482
Water systems	13,778,486	-	-	629,776	14,408,262
Storm systems	<u>1,263,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,263,612</u>
	374,887,766	735,722	(729,103)	10,623,534	385,517,919
Machinery and equipment	14,196,840	3,085,970	(1,334,945)	-	15,947,865
Vehicles	5,909,262	494,257	(309,379)	223,094	6,317,234
Buildings	24,562,798	-	-	-	24,562,798
Land	6,117,306	70,412	-	230,546	6,418,264
Land improvements	7,769,113	160,262	-	-	7,929,375
Construction in progress	<u>9,326,869</u>	<u>17,875,368</u>	<u>(8,707)</u>	<u>(11,077,174)</u>	<u>16,116,356</u>
	\$ <u>442,769,954</u>	\$ <u>22,421,991</u>	\$ <u>(2,382,134)</u>	\$ <u>-</u>	\$ <u>462,809,811</u>

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered Structures					
Roadways	\$ 228,654,815	\$ 4,808,660	\$ (729,103)	\$ -	\$ 232,734,372
Wastewater systems	3,096,735	336,618	-	-	3,433,353
Water systems	1,847,678	263,224	-	-	2,110,902
Storm systems	<u>179,346</u>	<u>16,778</u>	<u>-</u>	<u>-</u>	<u>196,124</u>
	233,778,574	5,425,280	(729,103)	-	238,474,751
Machinery, equipment, and furnishings	6,364,359	1,452,220	(472,840)	-	7,343,739
Vehicles	3,151,211	356,539	(172,669)	-	3,335,081
Buildings	7,407,212	899,470	-	-	8,306,682
Land improvements	<u>2,542,147</u>	<u>293,664</u>	<u>-</u>	<u>-</u>	<u>2,835,811</u>
	\$ <u>253,243,503</u>	\$ <u>8,427,173</u>	\$ <u>(1,374,612)</u>	\$ <u>-</u>	\$ <u>260,296,064</u>

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2019

11. INVENTORIES FOR CONSUMPTION

	2019	2018
Sand and gravel	\$ 5,139,668	\$ 5,602,924
Parts, chemicals, and other	329,441	342,628
	\$ 5,469,109	\$ 5,945,552

12. ACCUMULATED SURPLUS

	2019	2018
Unrestricted surplus	\$ 11,383,588	\$ 8,525,271
Restricted surplus		
Operating restricted surplus (Note 13)	471,894	1,435,995
Capital restricted surplus (Note 13)	31,454,832	42,984,992
Equity in tangible capital assets (Schedule 1)	191,786,973	180,133,400
	\$ 235,097,287	\$ 233,079,658

13. RESTRICTED SURPLUS

	2019	2018
OPERATING RESTRICTED SURPLUS		
General operating	\$ 471,894	\$ 1,435,995
CAPITAL RESTRICTED SURPLUS		
Deferred capital projects	\$ 7,848,436	\$ 7,758,450
Major facility capital investment	5,296,324	8,293,270
Deferred projects	4,527,971	4,319,579
Roads	3,133,480	6,972,873
Equipment replacement	2,719,588	5,434,416
Buildings	2,407,943	3,247,744
Engineering structures	1,691,573	1,495,651
Fire equipment	1,430,518	1,186,203
Sewer capital replacement	407,321	397,685
Alternate land use services	406,280	409,579
Cultural facilities	381,552	372,246
Committed funds	311,113	429,282
Alternate energy program	286,077	1,999,163
Water capital replacement	256,394	248,377
Parks-cash in lieu	228,293	314,915
Alberta water and wastewater	54,466	53,138
Off-site levies	42,176	41,147
Land surplus	23,357	11,274
Cemetary - perpetual care fund	1,970	-
	\$ 31,454,832	\$ 42,984,992

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, 2019. 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, 2019 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 2019 were \$267,920 (2018 - \$277,586). Total current service contributions by the employees of the County to the LAPP in 2019 were \$242,305 (2018 - \$253,427).

At December 31, 2018 the Plan disclosed an actuarial surplus of \$3.47 billion (2017 - \$4.84 billion).

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2019

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:

			2019	2018
	Remuneration	Benefits and Allowances	Total	Total
Reeve and Councillors				
B. Guyon (Reeve)	\$ 80,654	\$ 16,762	\$ 97,416	\$ 90,882
H. Swan	51,947	14,916	66,863	58,141
D. Wiltse	49,061	14,940	64,001	55,526
M. Gressler	45,679	14,599	60,278	54,556
S. Wheale	36,672	13,374	50,046	50,005
A. Heinrich	48,367	6,893	55,260	46,650
K. Westerlund	36,055	13,548	49,603	44,857
	\$ 348,435	\$ 95,032	\$ 443,467	\$ 400,617
Chief Administrative Officer	\$ 128,686	\$ 31,200	\$ 159,886	\$ 78,299
Designated Officers (8)	\$ 869,258	\$ 202,870	\$ 1,072,128	\$ 1,396,802

- 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, 2019

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:

	2019	2018
Total debt limit	\$ 44,291,820	\$ 44,303,480
Total debt	(11,732,203)	(9,995,862)
Amount of debt limit unused	\$ 32,559,617	\$ 34,307,618
Service on debt limit	\$ 7,381,970	\$ 7,383,913
Service on debt	(1,551,195)	(1,329,591)
Amount of debt servicing limit unused	\$ 5,830,775	\$ 6,054,322

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 amended budget approved by Council on April 24, 2019.

21. COMPARATIVE FIGURES

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

22. SUBSEQUENT EVENT

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization and on March 17, 2020 the Province of Alberta declared a public health emergency. Many businesses and individuals in a vast array of sectors may experience an economic loss due to COVID-19 which may have a financial effect on the County. An estimate of the potential financial impact cannot be made at this time.

23. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.