

BRAZEAU COUNTY
Financial Statements
For the year ended December 31, 2017



INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of Brazeau County

We have audited the statement of financial position of Brazeau County as at December 31, 2017 and the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Brazeau County as at December 31, 2017 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.

METRIX GROUP LLP

Chartered Professional Accountants

April 17, 2018
Edmonton, Alberta



**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

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

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

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

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

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

Jocelyn Whaley
Interim Chief Administrative Officer

Brenda Christie
Director of Corporate Services

BRAZEAU COUNTY
Statement of Financial Position
As at December 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 42,359,595	\$ 34,562,436
Accounts receivable (Note 3)	1,814,891	1,679,988
Land held for resale	14,870	14,870
Investments (Note 4)	<u>15,417,094</u>	<u>14,963,722</u>
	<u>59,606,450</u>	<u>51,221,016</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	3,731,437	2,258,546
Deposit liabilities	350,720	370,220
Deferred revenue (Note 7)	7,127,485	5,118,827
Contaminated sites (Note 8)	659,986	644,518
Long-term debt (Note 9)	<u>7,953,489</u>	<u>3,007,990</u>
	<u>19,823,117</u>	<u>11,400,101</u>
NET FINANCIAL ASSETS	<u>39,783,333</u>	<u>39,820,915</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	184,232,892	175,648,522
Inventories for consumption (Note 11)	4,764,018	4,326,163
Prepaid expenses	<u>211,648</u>	<u>178,302</u>
	<u>189,208,558</u>	<u>180,152,987</u>
ACCUMULATED SURPLUS (NOTE 12)	<u>\$ 228,991,891</u>	<u>\$ 219,973,902</u>
Contingencies (Note 15)		

ON BEHALF OF COUNCIL:

BRAZEAU COUNTY
Statement of Operations and Accumulated Surplus
For the year ended December 31, 2017

	<u>2017</u> (Budget) (Note 23)	<u>2017</u> (Actual)	<u>2016</u> (Actual)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 25,308,562	\$ 25,203,131	\$ 28,381,726
Oil well drilling taxes	600,000	1,246,422	702,512
Investment income	533,200	979,528	978,485
Government transfers for operating (Schedule 3)	696,333	687,277	574,577
User fees and sale of goods	429,114	387,982	404,442
Licenses, permits, rentals and fines	209,683	188,428	257,845
Penalties on taxes	90,650	130,505	122,432
Sales to other governments	172,518	108,148	177,448
Other	142,918	72,998	198,122
Developer Levies	<u>26,651</u>	<u>-</u>	<u>3,887</u>
	<u>28,209,629</u>	<u>29,004,419</u>	<u>31,801,476</u>
EXPENSES			
Roads, streets, walks and lighting	12,779,100	11,212,385	10,178,167
General and administration	4,989,737	4,718,058	3,925,220
Common equipment pool	2,937,779	2,589,721	1,810,001
Economic and agricultural development	2,172,164	1,716,654	1,719,391
Parks and recreation	2,408,586	1,642,080	1,579,742
Land use planning, zoning and development	1,839,265	1,446,886	1,290,232
Firefighting services	1,859,127	1,294,331	1,097,924
Water supply and distribution	765,748	681,615	677,278
Policing	871,259	681,488	708,922
Waste management	569,024	640,314	623,664
Culture - libraries	681,190	622,989	482,948
Council	692,025	595,952	551,440
Wastewater treatment and disposal	771,841	582,621	483,925
Family and community support services	293,869	262,269	271,094
Storm	412,703	49,831	48,275
Disaster and emergency measures	60,613	28,336	26,557
Ambulance and first aid	<u>14,402</u>	<u>14,402</u>	<u>14,402</u>
	<u>34,118,432</u>	<u>28,779,932</u>	<u>25,489,182</u>
ANNUAL SURPLUS (DEFICIT)			
BEFORE OTHER REVENUE (EXPENSES)	<u>(5,908,803)</u>	<u>224,487</u>	<u>6,312,294</u>
OTHER REVENUE (EXPENSES)			
Government transfers for capital (Schedule 3)	7,244,389	1,137,137	2,887,296
Cash in lieu of parks	22,620	4,142	6,961
Contributed tangible capital assets (Note 14)	69,000	7,914,900	195,067
Loss on disposal of tangible capital assets	<u>-</u>	<u>(262,677)</u>	<u>(747,464)</u>
	<u>7,336,009</u>	<u>8,793,502</u>	<u>2,341,860</u>
ANNUAL SURPLUS	1,427,206	9,017,989	8,654,154
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>219,973,902</u>	<u>219,973,902</u>	<u>211,319,748</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 221,401,108</u>	<u>\$ 228,991,891</u>	<u>\$ 219,973,902</u>

BRAZEAU COUNTY
Statement of Changes in Net Financial Assets
For the year ended December 31, 2017

	<u>2017</u> (Budget) (Note 23)	<u>2017</u> (Actual)	<u>2016</u> (Actual)
ANNUAL SURPLUS	\$ <u>1,427,206</u>	\$ <u>9,017,989</u>	\$ <u>8,654,154</u>
Purchase of tangible capital assets	(21,892,327)	(9,357,467)	(9,792,282)
Contributed tangible capital assets	-	(7,914,900)	(195,067)
Proceeds on disposal of tangible capital assets	-	628,917	430,203
Amortization of tangible capital assets	7,696,927	7,796,403	7,176,190
Loss on disposal of tangible capital assets	<u>-</u>	<u>262,677</u>	<u>747,464</u>
	<u>(14,195,400)</u>	<u>(8,584,370)</u>	<u>(1,633,492)</u>
Use (acquisition) of supplies inventory	-	(437,855)	(974,128)
Use (acquisition) of prepaid expenses	<u>-</u>	<u>(33,346)</u>	<u>42,575</u>
	<u>-</u>	<u>(471,201)</u>	<u>(931,553)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(12,768,194)	(37,582)	6,089,109
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>39,820,915</u>	<u>39,820,915</u>	<u>33,731,806</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 27,052,721</u>	<u>\$ 39,783,333</u>	<u>\$ 39,820,915</u>

BRAZEAU COUNTY
Statement of Cash Flows
For the year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Annual surplus	\$ 9,017,989	\$ 8,654,154
Non-cash items included in annual surplus		
Loss on disposal of tangible capital assets	262,677	747,464
Loss (gain) on sale of investments	(65,381)	(93,477)
Amortization of investment premium/discounts	218,349	219,510
Amortization of tangible capital assets	7,796,403	7,176,190
Tangible capital assets received as contributions	(7,914,900)	(195,067)
Change in non-cash working capital balances:		
Accounts receivable	(134,903)	(470,064)
Prepaid expenses	(33,346)	42,575
Accounts payable and accrued liabilities	1,472,891	(1,432,149)
Deferred revenue	2,008,658	1,536,903
Inventories for consumption	(437,855)	(974,128)
Contaminated sites	15,468	12,018
Deposit liabilities	(19,500)	32,467
	<u>12,186,550</u>	<u>15,256,396</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(9,357,467)	(9,792,282)
Proceeds on disposal of tangible capital assets	<u>628,917</u>	<u>430,203</u>
	<u>(8,728,550)</u>	<u>(9,362,079)</u>
FINANCING ACTIVITIES		
Long-term debt issued	5,503,500	555,521
Long-term debt principal repayments	<u>(558,001)</u>	<u>(457,579)</u>
	<u>4,945,499</u>	<u>97,942</u>
INVESTMENT ACTIVITIES		
Acquisition of investments	(2,371,721)	(3,556,463)
Proceeds on sale of investments	<u>1,765,381</u>	<u>2,860,661</u>
	<u>(606,340)</u>	<u>(695,802)</u>
INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	7,797,159	5,296,457
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>34,562,436</u>	<u>29,265,979</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 42,359,595</u>	<u>\$ 34,562,436</u>

BRAZEAU COUNTY
Schedule of Equity in Tangible Capital Assets
For the year ended December 31, 2017

Schedule 1

	<u>2017</u>	<u>2016</u>
BALANCE, BEGINNING OF YEAR	\$172,640,532	\$171,104,982
Acquisition of tangible capital assets	17,272,367	9,987,349
Cost of tangible capital assets disposed of	(3,917,467)	(12,513,873)
Accumulated amortization of tangible capital assets disposed of	3,025,873	11,336,206
Amortization of tangible capital assets	(7,796,403)	(7,176,190)
Long-term debt proceeds used during the year	(4,069,413)	(555,521)
Long-term capital debt repayments	<u>558,001</u>	<u>457,579</u>
BALANCE, END OF YEAR	<u>\$177,713,490</u>	<u>\$172,640,532</u>

Equity in Tangible Capital Assets is Comprised of the Following:

Tangible capital assets net book value	\$184,232,892	\$175,648,522
Long-term debt used for tangible capital assets	<u>(6,519,402)</u>	<u>(3,007,990)</u>
	<u>\$177,713,490</u>	<u>\$172,640,532</u>

BRAZEAU COUNTY
Schedule of Property and Other Taxes
For the year ended December 31, 2017

Schedule 2

	<u>2017</u> (Budget) (Note 23)	<u>2017</u> (Actual)	<u>2016</u> (Actual)
TAXATION			
Real property taxes	\$ 14,473,734	\$ 14,606,938	\$ 14,679,200
Linear property taxes	21,883,817	21,660,348	24,937,003
Government grants in lieu of property taxes	<u>14,095</u>	<u>8,433</u>	<u>11,364</u>
	<u>36,371,646</u>	<u>36,275,719</u>	<u>39,627,567</u>
REQUISITIONS			
Alberta School Foundation Fund	(10,472,038)	(10,472,038)	(10,733,917)
Brazeau Seniors Foundation	<u>(750,954)</u>	<u>(750,954)</u>	<u>(678,784)</u>
	<u>(11,222,992)</u>	<u>(11,222,992)</u>	<u>(11,412,701)</u>
OTHER TAXES			
Community aggregate levy	<u>159,908</u>	<u>150,404</u>	<u>166,860</u>
NET MUNICIPAL TAXES	<u>\$ 25,308,562</u>	<u>\$ 25,203,131</u>	<u>\$ 28,381,726</u>

BRAZEAU COUNTY
Schedule of Government Transfers
For the year ended December 31, 2017

Schedule 3

	<u>2017</u> (Budget) (Note 23)	<u>2017</u> (Actual)	<u>2016</u> (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 693,833	\$ 674,806	\$ 562,609
Local governments	<u>2,500</u>	<u>12,471</u>	<u>11,968</u>
	<u>696,333</u>	<u>687,277</u>	<u>574,577</u>
TRANSFERS FOR CAPITAL			
Provincial government	<u>7,244,389</u>	<u>1,137,137</u>	<u>2,887,296</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 7,940,722</u>	<u>\$ 1,824,414</u>	<u>\$ 3,461,873</u>

BRAZEAU COUNTY
Schedule of Segmented Information
For the year ended December 31, 2017

Schedule 4

	<u>General Administration</u>	<u>Recreation and Culture</u>	<u>Protective Services</u>	<u>Public Works and Transportation Services</u>	<u>Utilities</u>	<u>All Other</u>	<u>Total</u>
REVENUE							
Net municipal taxes	\$ 1,377,723	\$ 1,912,438	\$ 1,604,462	\$ 7,814,802	\$ 1,166,368	\$ 11,327,338	\$ 25,203,131
Oil well drilling taxes	1,246,422	-	-	-	-	-	1,246,422
Investment income	979,528	-	-	-	-	-	979,528
Government transfers	76,543	135,323	-	-	-	475,411	687,277
User fees and sales of goods	10,446	-	-	103,873	256,738	16,925	387,982
All other	141,483	18,560	75,394	27,478	1,990	46,746	311,651
Licenses, permits, rentals and fines	-	10,592	68,987	-	-	108,849	188,428
	<u>3,832,145</u>	<u>2,076,913</u>	<u>1,748,843</u>	<u>7,946,153</u>	<u>1,425,096</u>	<u>11,975,269</u>	<u>29,004,419</u>
EXPENSES							
Salaries, wages and benefits	2,336,073	194,818	412,489	3,784,996	517,999	2,373,128	9,619,503
Contract and general services	1,210,586	113,177	241,768	1,482,270	561,949	1,189,807	4,799,557
Materials, goods and supplies	185,420	34,589	94,308	3,044,543	127,511	76,997	3,563,368
Transfers to other governments	-	1,061,632	762,925	30,930	-	244,919	2,100,406
Transfers to boards, agencies and organizations	6,800	672,697	25,402	-	-	48,021	752,920
Interest on long-term debt	2,164	-	170	1,229	105,701	-	109,264
Other expenses (recovery)	91,102	-	211,781	(397,815)	111,936	21,507	38,511
	<u>3,832,145</u>	<u>2,076,913</u>	<u>1,748,843</u>	<u>7,946,153</u>	<u>1,425,096</u>	<u>3,954,379</u>	<u>20,983,529</u>
NET REVENUE (DEFICIT) BEFORE AMORTIZATION	-	-	-	-	-	8,020,890	8,020,890
Amortization of tangible capital assets	<u>885,914</u>	<u>188,156</u>	<u>269,714</u>	<u>5,905,785</u>	<u>479,454</u>	<u>67,380</u>	<u>7,796,403</u>
NET REVENUE (DEFICIT)	<u>\$ (885,914)</u>	<u>\$ (188,156)</u>	<u>\$ (269,714)</u>	<u>\$ (5,905,785)</u>	<u>\$ (479,454)</u>	<u>\$ 7,953,510</u>	<u>\$ 224,487</u>

BRAZEAU COUNTY
Schedule of Segmented Information
For The Year Ended December 31, 2016

Schedule 5

	<u>General Administration</u>	<u>Recreation and Culture</u>	<u>Protective Services</u>	<u>Public Works and Transportation Services</u>	<u>Utilities</u>	<u>All Other</u>	<u>Total</u>
REVENUE							
Net municipal taxes	\$ 1,198,091	\$ 1,678,185	\$ 1,367,492	\$ 6,478,783	\$ 1,084,925	\$ 16,574,250	\$ 28,381,726
Investment income	978,485	-	-	-	-	-	978,485
Oil well drilling taxes	702,512	-	-	-	-	-	702,512
Government transfers	-	130,844	5,690	-	-	438,043	574,577
All other	191,839	60,683	146,115	36,038	43,342	23,872	501,889
User fees and sales of goods	10,538	-	-	112,848	232,705	48,351	404,442
Licenses, permits, rentals and fines	-	9,650	77,068	-	-	171,127	257,845
	<u>3,081,465</u>	<u>1,879,362</u>	<u>1,596,365</u>	<u>6,627,669</u>	<u>1,360,972</u>	<u>17,255,643</u>	<u>31,801,476</u>
EXPENSES							
Salaries, wages and benefits	1,902,237	180,179	445,628	3,725,209	513,438	2,307,259	9,073,950
Contract and general services	879,207	146,394	217,210	714,339	566,738	1,013,299	3,537,187
Materials, goods and supplies	194,155	34,189	73,057	2,647,713	99,042	122,765	3,170,921
Transfers to other governments	-	915,069	655,429	49,941	-	62,005	1,682,444
Transfers to boards, agencies and organizations	-	603,531	19,402	-	-	244,919	867,852
Interest on long-term debt	-	-	-	-	71,281	-	71,281
Other expenses (recovery)	105,866	-	185,639	(509,534)	110,473	16,912	(90,644)
	<u>3,081,465</u>	<u>1,879,362</u>	<u>1,596,365</u>	<u>6,627,668</u>	<u>1,360,972</u>	<u>3,767,159</u>	<u>18,312,991</u>
NET REVENUE (DEFICIT) BEFORE AMORTIZATION							
	-	-	-	1	-	13,488,484	13,488,485
Amortization of tangible capital assets	843,754	183,327	251,439	5,408,775	423,895	65,000	7,176,190
NET REVENUE (DEFICIT)	<u>\$ (843,754)</u>	<u>\$ (183,327)</u>	<u>\$ (251,439)</u>	<u>\$ (5,408,774)</u>	<u>\$ (423,895)</u>	<u>\$ 13,423,484</u>	<u>\$ 6,312,295</u>

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 and shown as an "other" operating expenditure.

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

(i) Post Employment Benefits

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

(CONT'D)

BRAZEAU COUNTY
Notes to Financial Statements
For the year ended December 31, 2017

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.

2. CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
Operating bank accounts	\$ 7,359,432	\$ 7,116,207
Savings bank accounts	17,955,089	10,446,229
Guaranteed Investment Certificates	<u>17,045,074</u>	<u>17,000,000</u>
	<u>\$ 42,359,595</u>	<u>\$ 34,562,436</u>

Guaranteed Investment Certificates bear interest at rates of 1.90% (2016 - 1.55% - 1.80%) and maturing in October 2018.

3. ACCOUNTS RECEIVABLE

	<u>2017</u>	<u>2016</u>
Trade and other	\$ 875,418	\$ 1,074,912
Taxes and grants in place of taxes	538,901	424,204
Receivable from other governments	<u>400,572</u>	<u>180,872</u>
	<u>\$ 1,814,891</u>	<u>\$ 1,679,988</u>
Taxes and grants in place of taxes consist of the following:		
Current taxes	\$ 478,539	\$ 581,394
Tax arrears	<u>60,362</u>	<u>245,825</u>
	538,901	827,219
Less: Allowance for taxes	<u>-</u>	<u>(403,015)</u>
	<u>\$ 538,901</u>	<u>\$ 424,204</u>

BRAZEAU COUNTY
Notes to Financial Statements
For the year ended December 31, 2017

4. INVESTMENTS

	<u>2017</u>		<u>2016</u>	
	<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>
Corporate bonds	\$ 10,149,211	\$ 10,270,589	\$ 9,825,839	\$ 9,941,972
Principal-protected notes	<u>5,267,883</u>	<u>5,233,642</u>	<u>5,137,883</u>	<u>5,187,152</u>
	<u>\$ 15,417,094</u>	<u>\$ 15,504,231</u>	<u>\$ 14,963,722</u>	<u>\$ 15,129,124</u>

Corporate bonds have effective interest rates between 2.93% to 5.22% (2016 - 2.93% - 4.07%) with maturity dates from June 2019 to April 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.

5. CREDIT FACILITY

The County has a demand revolving operating credit facility to a maximum of \$2,000,000 bearing interest at prime less 1.00% per annum. The credit facility was not drawn upon as of December 31, 2017 or 2016.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2017</u>	<u>2016</u>
Trade and other accounts payable	\$ 3,264,388	\$ 1,726,297
Accrued vacation pay	381,697	426,618
Post employment benefits (Note 1 (i))	<u>85,352</u>	<u>105,631</u>
	<u>\$ 3,731,437</u>	<u>\$ 2,258,546</u>

7. DEFERRED REVENUE

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

	<u>2016</u>	<u>Additions</u>	<u>Revenue Recognized</u>	<u>2017</u>
Municipal Sustainability Initiative	\$ 4,124,556	\$ 3,076,229	\$(1,013,308)	\$ 6,187,477
Federal Gas Tax Fund	781,549	12,090	(25,921)	767,718
Alberta Community Partnership	136,166	68,198	(58,463)	145,901
Major Community Facilities Program	25,973	416	-	26,389
Other	<u>50,583</u>	<u>-</u>	<u>(50,583)</u>	<u>-</u>
	<u>\$ 5,118,827</u>	<u>\$ 3,156,933</u>	<u>\$(1,148,275)</u>	<u>\$ 7,127,485</u>

8. 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.

9. LONG-TERM DEBT

	<u>2017</u>	<u>2016</u>
Alberta Capital Financing Authority debentures bearing interest at rates ranging from 2.499% to 5.750% per annum maturing between 2023 and 2027.	\$ 7,691,059	\$ 2,553,344
Obligation under capital leases for solar panels, bearing interest and a rate of 1.57%, maturing 2032.	<u>262,430</u>	<u>454,646</u>
	<u>\$ 7,953,489</u>	<u>\$ 3,007,990</u>
Tax supported debt	\$ 7,926,576	\$ 2,977,406
Self supported debt	<u>26,913</u>	<u>30,584</u>
	<u>\$ 7,953,489</u>	<u>\$ 3,007,990</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 877,992	\$ 201,089	\$ 1,079,081
2019	900,748	178,193	1,078,941
2020	924,106	154,696	1,078,802
2021	948,082	130,582	1,078,664
2022	972,693	105,834	1,078,527
Thereafter	<u>3,329,868</u>	<u>239,145</u>	<u>3,569,013</u>
	<u>\$ 7,953,489</u>	<u>\$ 1,009,539</u>	<u>\$ 8,963,028</u>

Interest on long-term debt amounted to \$109,264 (2016 - \$71,281).

The County's total cash payments for interest in 2017 were \$69,536 (2016 - \$71,628).

BRAZEAU COUNTY
Notes to Financial Statements
For the year ended December 31, 2017

10. TANGIBLE CAPITAL ASSETS

	2017	2016
	Net Book	Net Book
	Value	Value
Engineered Structures		
Roadways	\$ 112,857,044	\$ 111,388,056
Water systems	12,080,646	9,842,941
Wastewater systems	10,163,651	7,190,109
Storm systems	<u>1,101,044</u>	<u>1,117,822</u>
	136,202,385	129,538,928
Buildings	18,120,331	19,024,297
Machinery and equipment	8,608,595	8,141,004
Land	6,096,224	6,082,149
Land improvements	5,404,273	5,502,555
Vehicles	3,225,200	3,238,990
Construction in progress	<u>6,575,884</u>	<u>4,120,599</u>
	<u>\$ 184,232,892</u>	<u>\$ 175,648,522</u>

	Cost				Cost
	Beginning of	Additions	Disposals	Transfers	End of
	Year				Year
Engineering Structures					
Roadways	\$ 334,187,500	\$ 2,575,674	\$ (2,542,688)	\$ 3,426,127	\$ 337,646,613
Wastewater systems	9,825,218	3,163,138	-	-	12,988,356
Water systems	11,192,423	2,477,901	-	-	13,670,324
Storm systems	<u>1,263,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,263,612</u>
	356,468,753	8,216,713	(2,542,688)	3,426,127	365,568,905
Machinery and equipment	12,311,768	1,803,099	(1,271,145)	700,608	13,544,330
Vehicles	5,593,877	227,008	(103,634)	239,392	5,956,643
Buildings	24,562,797	1	-	-	24,562,798
Land	6,082,149	14,075	-	-	6,096,224
Land improvements	7,464,159	190,060	-	-	7,654,219
Construction in progress	<u>4,120,599</u>	<u>6,821,412</u>	<u>-</u>	<u>(4,366,127)</u>	<u>6,575,884</u>
	<u>\$ 416,604,102</u>	<u>\$ 17,272,368</u>	<u>\$ (3,917,467)</u>	<u>\$ -</u>	<u>\$ 429,959,003</u>

	Accumulated				Accumulated
	Amortization	Current	Disposals	Transfers	Amortization
	Beginning of	Amortization			End of
	Year				Year
Engineered Structures					
Roadways	\$ 222,799,444	\$ 4,518,106	\$ (2,527,981)	\$ -	\$ 224,789,569
Wastewater systems	2,635,109	189,596	-	-	2,824,705
Water systems	1,349,482	240,196	-	-	1,589,678
Storm systems	<u>145,790</u>	<u>16,778</u>	<u>-</u>	<u>-</u>	<u>162,568</u>
	226,929,825	4,964,676	(2,527,981)	-	229,366,520
Machinery, equipment, and furnishings	4,170,764	1,196,165	(431,194)	-	4,935,735
Vehicles	2,354,887	443,253	(66,697)	-	2,731,443
Buildings	5,538,500	903,967	-	-	6,442,467
Land improvements	<u>1,961,604</u>	<u>288,342</u>	<u>-</u>	<u>-</u>	<u>2,249,946</u>
	<u>\$ 240,955,580</u>	<u>\$ 7,796,403</u>	<u>\$ (3,025,872)</u>	<u>\$ -</u>	<u>\$ 245,726,111</u>

BRAZEAU COUNTY
Notes to Financial Statements
For the year ended December 31, 2017

11. INVENTORIES FOR CONSUMPTION

	<u>2017</u>	<u>2016</u>
Sand and gravel	\$ 4,432,105	\$ 4,066,782
Parts, chemicals, and other	<u>331,913</u>	<u>259,381</u>
	<u>\$ 4,764,018</u>	<u>\$ 4,326,163</u>

12. ACCUMULATED SURPLUS

	<u>2017</u>	<u>2016</u>
Unrestricted surplus	\$ 4,341,522	\$ 7,431,096
Restricted surplus		
Operating restricted surplus (<i>Note 13</i>)	1,385,698	1,346,777
Capital restricted surplus (<i>Note 13</i>)	45,551,181	38,555,497
Equity in tangible capital assets (<i>Schedule 1</i>)	<u>177,713,490</u>	<u>172,640,532</u>
	<u>\$ 228,991,891</u>	<u>\$ 219,973,902</u>

13. RESTRICTED SURPLUS

	<u>2017</u>	<u>2016</u>
OPERATING RESTRICTED SURPLUS		
General operating	\$ <u>1,385,698</u>	\$ <u>1,346,777</u>
CAPITAL RESTRICTED SURPLUS		
Major facility capital investment	11,525,748	9,473,589
Committed funds	6,998,281	6,002,326
Roads	6,440,506	6,745,262
Equipment replacement	4,839,289	4,518,635
Deferred projects	4,515,740	3,287,269
Buildings	3,687,989	2,979,475
Resource road	1,729,342	910,350
Alternate energy program	1,713,249	1,500,723
Engineering structures	1,428,762	1,025,675
Fire equipment	1,010,655	736,287
Alternate land use services	382,700	210,950
Cultural facilities	359,208	349,119
Parks-cash in lieu	297,046	263,310
Sewer capital replacement	216,819	174,510
Utility servicing	211,353	205,416
Water capital replacement	92,631	73,767
Alberta water and wastewater	51,277	49,836
Off-site levies	39,706	38,424
Land surplus	<u>10,880</u>	<u>10,574</u>
	<u>45,551,181</u>	<u>38,555,497</u>
	<u>\$ 46,936,879</u>	<u>\$ 39,902,274</u>

14. CONTRIBUTED TANGIBLE CAPITAL ASSETS

A total of \$7,914,900 in land, land improvements, and engineered structures were contributed to the County in 2017 (2016 - \$195,067) and were recorded at their estimated fair value at the time received.

15. 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.

16. 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, 2017 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.

17. LOCAL AUTHORITIES PENSION PLAN

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

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

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

Total current service contributions by the County to the LAPP in 2017 were \$307,727 (2016 - \$327,424). Total current service contributions by the employees of the County to the LAPP in 2017 were \$283,505 (2016 - \$301,582).

At December 31, 2016 the Plan disclosed an actuarial deficit of \$637 million (2015 - \$923 million).

18. CONTRACTUAL OBLIGATIONS

Under a Recreation and Culture Cost-sharing Agreement with the Town of Drayton Valley (the Town") expiring December 31, 2018, the County and the Town agree to share the operating costs of recreation facilities on a 50 / 50 basis. Under the terms of the agreement, the County has agreed to pay the Town an annual contribution of \$872,364 for the Town's net operating costs of the Town's facilities. Commencing in 2016, the County's contribution is to be adjusted annually by the annual increase in the Alberta Consumer Price Index as supplied by Statistics Canada.

19. REMUNERATION AND BENEFITS DISCLOSURE

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

	<u>Remuneration</u>	<u>Benefits and Allowances</u>	<u>2017 Total</u>	<u>2016 Total</u>
Reeve and Councillors				
S. Mahan	\$ 28,543	\$ 9,513	\$ 38,056	\$ 58,114
M. Gressler	33,759	11,252	45,011	53,878
R. Moir	32,407	10,801	43,208	56,150
M. Thompson	35,186	11,727	46,913	48,243
B. Guyon (Reeve)	61,520	20,505	82,025	80,251
K. Westerlund	34,495	11,497	45,992	51,549
A. Heinrich	35,075	11,691	46,766	46,496
H. Swan	4,757	1,586	6,343	-
S. Wheale	5,804	1,934	7,738	-
D. Wiltse	<u>5,386</u>	<u>1,795</u>	<u>7,181</u>	<u>-</u>
	<u>\$ 276,932</u>	<u>\$ 92,301</u>	<u>\$ 369,233</u>	<u>\$ 394,681</u>
Chief Administrative Officer	<u>\$ 468,448</u>	<u>\$ 50,983</u>	<u>\$ 519,431</u>	<u>\$ 254,567</u>
Designated Officers (11)	<u>\$ 1,212,167</u>	<u>\$ 285,010</u>	<u>\$ 1,497,177</u>	<u>\$ 1,247,248</u>

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

20. 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, 2017

21. DEBT LIMITS

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

	<u>2017</u>	<u>2016</u>
Total debt limit	\$ 43,506,629	\$ 47,702,214
Total debt	<u>(7,953,489)</u>	<u>(3,007,990)</u>
Amount of debt limit unused	<u>\$ 35,553,140</u>	<u>\$ 44,694,224</u>
Service on debt limit	\$ 7,251,105	\$ 7,950,369
Service on debt	<u>(1,079,081)</u>	<u>(626,214)</u>
Amount of debt servicing limit unused	<u>\$ 6,172,024</u>	<u>\$ 7,324,155</u>

The debt limit is calculated at 1.5 times revenue of the County (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities, which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the County. Rather, the financial statements must be interpreted as a whole.

22. COMPARATIVE FIGURES

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

23. BUDGET FIGURES

The budget figures presented in these financial statements are based on the amended budget approved by Council on April 4, 2017.

	<u>Original</u>	<u>Amendments</u>	<u>Amended</u>
REVENUE			
Approved operating budget	28,920,930	(711,301)	28,209,629
EXPENSES			
Approved operating budget	<u>34,474,509</u>	<u>(356,077)</u>	<u>34,118,432</u>
ANNUAL OPERATING SURPLUS	<u>\$ (5,553,579)</u>	<u>\$ (355,224)</u>	<u>\$ (5,908,803)</u>
	<u>Original</u>	<u>Amendments</u>	<u>Amended</u>
ANNUAL CAPITAL BUDGET	<u>\$ 21,892,327</u>	<u>\$ -</u>	<u>\$ 21,892,327</u>

24. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.