

BRAZEAU COUNTY
Financial Statements
For the Year Ended December 31, 2018

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, 2018 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, 2018 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.



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 16, 2019

**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

Colin Swap
General Manager of Finance

BRAZEAU COUNTY
Statement of Financial Position
As at December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	39,780,892	42,359,595
Accounts receivable <i>(Note 3)</i>	2,213,804	1,814,891
Land held for resale	14,870	14,870
Investments <i>(Note 4)</i>	15,813,306	15,417,094
	57,822,872	59,606,450
LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 6)</i>	5,232,237	3,731,437
Deposit liabilities	121,566	350,720
Deferred revenue <i>(Note 7)</i>	4,404,619	7,127,485
Contaminated sites <i>(Note 8)</i>	679,823	659,986
Long-term debt <i>(Note 9)</i>	9,995,862	7,953,489
	20,434,107	19,823,117
NET FINANCIAL ASSETS	37,388,765	39,783,333
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 10)</i>	189,526,451	184,232,892
Inventories for consumption <i>(Note 11)</i>	5,945,552	4,764,018
Prepaid expenses	218,890	211,648
	195,690,893	189,208,558
ACCUMULATED SURPLUS (NOTE 12)	\$ 233,079,658	\$ 228,991,891

Contingencies *(Note 14)*

ON BEHALF OF COUNCIL:

BRAZEAU COUNTY
Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2018

	2018 (Budget) (Note 22)	2018 (Actual)	2017 (Actual)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 29,789,101	25,585,209	25,203,131
Investment income	760,000	1,425,664	979,528
Oil well drilling taxes	1,200,000	840,032	1,246,422
Government transfers for operating (Schedule 3)	663,659	599,426	687,277
User fees and sale of goods	420,122	474,956	387,982
Licenses, permits, rentals and fines	218,678	238,837	188,428
Sales to other governments	215,124	200,614	108,148
Penalties on taxes	94,500	116,649	130,505
Other	100,151	54,266	72,998
	33,461,335	29,535,653	29,004,419
EXPENSES			
Roads, streets, walks and lighting	13,373,507	12,158,363	11,212,385
General and administration	6,257,889	5,962,258	4,718,058
Common equipment pool	3,190,238	2,482,288	2,589,721
Economic and agricultural development	2,072,718	1,661,982	1,716,654
Parks and recreation	1,996,499	1,639,210	1,642,080
Land use planning, zoning and development	1,698,254	1,353,968	1,446,886
Wastewater treatment and disposal	786,762	1,051,809	582,621
Firefighting services	1,197,092	1,025,598	1,294,331
Waste management	613,172	691,920	640,314
Water supply and distribution	732,084	691,819	681,615
Policing	835,193	597,945	681,488
Council	755,391	560,112	595,952
Culture - libraries	547,660	494,695	622,989
Family and community support services	270,869	265,044	261,044
Disaster and emergency measures	78,076	35,203	28,336
Storm	113,854	32,316	49,831
Ambulance and first aid	15,542	15,542	14,402
Cemetaries	27,083	11,144	1,225
	34,561,883	30,731,216	28,779,932
ANNUAL SURPLUS (DEFICIT)			
BEFORE OTHER REVENUE (EXPENSES)	(1,100,548)	(1,195,563)	224,487
OTHER REVENUE (EXPENSES)			
Government transfers for capital (Schedule 3)	14,561,909	7,011,802	1,137,137
Cash in lieu of parks	23,538	8,917	4,142
Contributed tangible capital assets (Note)	-	177,250	7,914,900
Loss on disposal of tangible capital assets	-	(1,914,639)	(262,677)
	14,585,447	5,283,330	8,793,502
ANNUAL SURPLUS	13,484,899	4,087,767	9,017,989
ACCUMULATED SURPLUS, BEGINNING OF YEAR	228,991,891	228,991,891	219,973,902
ACCUMULATED SURPLUS, END OF YEAR	\$ 242,476,790	\$ 233,079,658	\$ 228,991,891

BRAZEAU COUNTY
Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2018

	2018 (Budget) (Note 22)	2018 (Actual)	2017 (Actual)
ANNUAL SURPLUS	\$ 13,484,899	\$ 4,087,767	\$ 9,017,989
Purchase of tangible capital assets	(32,752,918)	(15,864,267)	(9,357,467)
Contributed tangible capital assets	-	(177,250)	(7,914,900)
Proceeds on disposal of tangible capital assets	-	119,364	628,917
Amortization of tangible capital assets	8,204,355	8,713,955	7,796,403
Loss on disposal of tangible capital assets	-	1,914,639	262,677
	(24,548,563)	(5,293,559)	(8,584,370)
Use (acquisition) of supplies inventory	-	(1,181,534)	(437,855)
Use (acquisition) of prepaid expenses	-	(7,242)	(33,346)
	-	(1,188,776)	(471,201)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(11,063,664)	(2,394,568)	(37,582)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	39,783,333	39,783,333	39,820,915
NET FINANCIAL ASSETS, END OF YEAR	\$ 28,719,669	\$ 37,388,765	\$ 39,783,333

BRAZEAU COUNTY
Statement of Cash Flows
For the Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Annual surplus	\$ 4,087,767	\$ 9,017,989
Non-cash items included in annual surplus		
Loss on disposal of tangible capital assets	1,914,639	262,677
Loss (gain) on sale of investments	(9,744)	(65,381)
Amortization of investment premium/discounts	48,166	218,349
Amortization of tangible capital assets	8,713,955	7,796,403
Tangible capital assets received as contributions	(177,250)	(7,914,900)
Change in non-cash working capital balances:		
Accounts receivable	(398,913)	(134,903)
Prepaid expenses	(7,242)	(33,346)
Accounts payable and accrued liabilities	1,500,800	1,472,891
Deferred revenue	(2,722,866)	2,008,658
Inventories for consumption	(1,181,534)	(437,855)
Contaminated sites	19,837	15,468
Deposit liabilities	(229,154)	(19,500)
	11,558,461	12,186,550
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(15,864,267)	(9,357,467)
Proceeds on disposal of tangible capital assets	119,364	628,917
	(15,744,903)	(8,728,550)
FINANCING ACTIVITIES		
Long-term debt issued	3,000,000	5,503,500
Long-term debt principal repayments	(957,627)	(558,001)
	2,042,373	4,945,499
INVESTMENT ACTIVITIES		
Acquisition of investments	(4,050,870)	(2,371,721)
Proceeds on sale of investments	3,616,236	1,765,381
	(434,634)	(606,340)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(2,578,703)	7,797,159
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	42,359,595	34,562,436
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 39,780,892	\$ 42,359,595

BRAZEAU COUNTY
Schedule of Equity in Tangible Capital Assets
For the Year Ended December 31, 2018

Schedule 1

	2018	2017
BALANCE, BEGINNING OF YEAR	\$177,713,490	\$172,640,532
Acquisition of tangible capital assets	16,041,517	17,272,367
Cost of tangible capital assets disposed of	(3,230,567)	(3,917,467)
Accumulated amortization of tangible capital assets disposed of	1,196,563	3,025,873
Amortization of tangible capital assets	(8,713,955)	(7,796,403)
Long-term debt proceeds used in the year	(3,831,275)	(4,069,413)
Long-term capital debt repayments	957,627	558,001
BALANCE, END OF YEAR	\$180,133,400	\$177,713,490

Equity in Tangible Capital Assets is Comprised of the Following:

Tangible capital assets net book value	\$189,526,451	\$184,232,892
Long-term debt used for tangible capital assets	(9,393,051)	(6,519,402)
	\$180,133,400	\$177,713,490

BRAZEAU COUNTY
Schedule of Property and Other Taxes
For the Year Ended December 31, 2018

Schedule 2

	2018 (Budget) (Note 22)	2018 (Actual)	2017 (Actual)
TAXATION			
Real property taxes	\$ 14,464,469	\$ 14,785,978	\$ 14,606,938
Linear property taxes	25,595,107	21,010,659	21,660,348
Government grants in lieu of property taxes	14,240	8,122	8,433
	40,073,816	35,804,759	36,275,719
REQUISITIONS			
Alberta School Foundation Fund	(9,705,035)	(9,619,515)	(10,472,038)
Brazeau Seniors Foundation	(746,082)	(746,082)	(750,954)
	(10,451,117)	(10,365,597)	(11,222,992)
OTHER TAXES			
Community aggregate levy	166,402	146,047	150,404
NET MUNICIPAL TAXES	\$ 29,789,101	\$ 25,585,209	\$ 25,203,131

BRAZEAU COUNTY
Schedule of Government Transfers
For the Year Ended December 31, 2018

Schedule 3

	2018 (Budget) (Note 22)	2018 (Actual)	2017 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 657,346	\$ 599,426	\$ 674,806
Local governments	6,313	-	12,471
	663,659	599,426	687,277
TRANSFERS FOR CAPITAL			
Provincial government	14,386,909	7,011,802	1,137,137
Local governments	175,000	-	-
	14,561,909	7,011,802	1,137,137
TOTAL GOVERNMENT TRANSFERS	\$ 15,225,568	\$ 7,611,228	\$ 1,824,414

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

Schedule 4

	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	\$ 1,134,583	\$ 7,863,119	\$ 1,600,663	\$ 10,618,467	\$ 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	-	3,179	474,523	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	53,177	-	-	168,871	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	3,742,600	519,331	2,268,628	8,923,521
Contract and general services	2,666,067	161,124	200,600	716,992	868,662	1,121,955	5,735,400
Materials, goods and supplies	215,643	42,147	73,378	3,993,386	130,407	42,845	4,497,806
Transfers to other governments	-	1,009,631	577,910	40,164	34,670	244,919	1,907,294
Transfers to boards, agencies and organizations	-	523,764	19,542	-	-	72,820	616,126
Interest on long-term debt	2,234	-	176	50,857	193,234	-	246,501
Other expenses (recovery)	293,402	-	110,962	(448,043)	110,078	24,213	90,612
	4,981,083	1,942,825	1,365,634	8,095,956	1,856,382	3,775,380	22,017,260
NET REVENUE (DEFICIT) BEFORE AMORTIZATION							
	-	-	-	-	-	7,518,393	7,518,393
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)	\$ 7,441,525	\$ (1,195,562)

BRAZEAU COUNTY
Schedule of Segmented Information
For The Year Ended December 31, 2017

Schedule 5

	General Administration	Recreation and Culture	Protective Services	Public Works and Transportation Services	Utilities	All Other	Total
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
All other	141,483	18,560	75,394	27,478	1,990	46,746	311,651
User fees and sales of goods	10,446	-	-	103,873	256,738	16,925	387,982
Licenses, permits, rentals and fines	-	10,592	68,987	-	-	108,849	188,428
	3,832,145	2,076,913	1,748,843	7,946,153	1,425,096	11,975,269	29,004,419
EXPENSES							
Salaries, wages and benefits	2,336,073	194,818	412,489	3,790,998	517,999	2,373,128	9,625,505
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	3,038,541	127,511	76,997	3,557,366
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
	3,832,145	2,076,913	1,748,843	7,946,153	1,425,096	3,954,379	20,983,529
NET REVENUE (DEFICIT) BEFORE AMORTIZATION							
	-	-	-	-	-	8,020,890	8,020,890
Amortization of tangible capital assets	885,914	188,156	269,714	5,905,785	479,454	67,380	7,796,403
NET REVENUE (DEFICIT)	\$ (885,914)	\$ (188,156)	\$ (269,714)	\$ (5,905,785)	\$ (479,454)	\$ 7,953,510	\$ 224,487

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)

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2018

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

	2018	2017
Operating bank accounts	\$ 9,240,714	\$ 7,359,432
Savings bank accounts	540,178	17,955,089
Guaranteed Investment Certificates	30,000,000	17,045,074
	\$ 39,780,892	\$ 42,359,595

Guaranteed Investment Certificates bear interest at rates between 2.61% - 2.68% (2017 - 1.90%) and maturing between August and September 2019.

3. ACCOUNTS RECEIVABLE

	2018	2017
Trade and other	\$ 762,027	\$ 875,418
Taxes and grants in place of taxes	617,634	538,901
Goods and Services Tax	834,143	400,572
	\$ 2,213,804	\$ 1,814,891
Taxes and grants in place of taxes consist of the following:		
Current taxes	790,664	478,539
Tax arrears	74,375	60,362
	865,039	538,901
Less: Allowance for taxes	(247,405)	-
	\$ 617,634	\$ 538,901

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2018

4. INVESTMENTS

	2018		2017	
	Carrying Value	Market Value	Carrying Value	Market Value
Corporate bonds	\$ 10,364,023	\$ 10,221,047	\$ 10,149,211	\$ 10,270,589
Principal-protected notes	5,449,283	5,244,816	5,267,883	5,233,642
	\$ 15,813,306	\$ 15,465,863	\$ 15,417,094	\$ 15,504,231

Corporate bonds have effective interest rates between 2.9% to 5.22% (2017 - 2.93% - 5.22%) with maturity dates from February 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, 2018 or 2017.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Trade and other accounts payable	\$ 4,758,813	\$ 3,219,165
Accrued vacation pay	335,586	381,697
Accrued interest on long-term debt	44,945	45,223
Post employment benefits (Note 1 (i))	92,893	85,352
	\$ 5,232,237	\$ 3,731,437

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.

	2017	Additions	Revenue Recognized	2018
Municipal Sustainability Initiative	\$ 6,187,477	\$ 4,294,535	\$(6,564,689)	\$ 3,917,323
Federal Gas Tax Fund	767,718	9,942	(428,233)	349,427
Alberta Community Partnership	145,901	53,648	(118,531)	81,018
Major Community Facilities Program	26,389	659	-	27,048
Other	-	29,803	-	29,803
	\$ 7,127,485	\$ 4,388,587	\$(7,111,453)	\$ 4,404,619

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2018

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

	2018	2017
Alberta Capital Financing Authority debentures bearing interest at rates ranging from 2.671% to 5.75% per annum maturing between 2023 and 2033.	\$ 9,749,317	\$ 7,691,059
Obligation under capital leases for solar panels, bearing interest and a rate of 1.57%, maturing 2032.	246,545	262,430
	\$ 9,995,862	\$ 7,953,489
Tax supported debt	\$ 9,972,832	\$ 7,926,576
Self supported debt	23,030	26,913
	\$ 9,995,862	\$ 7,953,489

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,063,675	\$ 265,916	\$ 1,329,591
2020	1,092,034	237,419	1,329,453
2021	1,121,164	208,150	1,329,314
2022	1,151,087	178,090	1,329,177
2023	970,375	147,216	1,117,591
Thereafter	4,597,527	485,727	5,083,254
	\$ 9,995,862	\$ 1,522,518	\$11,518,380

Interest on long-term debt amounted to \$246,500 (2017 - \$109,264).

The County's total cash payments for interest in 2018 were \$246,778 (2017 - \$69,536).

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2018

10. TANGIBLE CAPITAL ASSETS

	<u>2018</u> Net Book Value	2017 Net Book Value
Engineered Structures		
Roadways	\$ 112,720,687	\$ 112,857,044
Wastewater systems	15,373,431	10,163,651
Water systems	11,930,808	12,080,646
Storm systems	<u>1,084,266</u>	<u>1,101,044</u>
	141,109,192	136,202,385
Buildings	17,155,586	18,120,331
Machinery and equipment	7,832,481	8,608,595
Land	6,117,306	6,096,224
Land improvements	5,226,966	5,404,273
Vehicles	2,758,051	3,225,200
Construction in progress	<u>9,326,869</u>	<u>6,575,884</u>
	<u>\$ 189,526,451</u>	<u>\$ 184,232,892</u>

	Cost Beginning of Year	Additions	Disposals	Transfers	Cost End of Year
Engineering Structures					
Roadways	\$ 337,646,613	\$ -	\$ (3,051,107)	\$ 6,779,996	\$ 341,375,502
Wastewater systems	12,988,356	-	-	5,481,810	18,470,166
Water systems	13,670,324	108,162	-	-	13,778,486
Storm systems	<u>1,263,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,263,612</u>
	365,568,905	108,162	(3,051,107)	12,261,806	374,887,766
Machinery and equipment	13,544,330	703,704	(51,194)	-	14,196,840
Vehicles	5,956,643	-	(47,381)	-	5,909,262
Buildings	24,562,798	-	-	-	24,562,798
Land	6,096,224	21,082	-	-	6,117,306
Land improvements	7,654,219	-	-	114,894	7,769,113
Construction in progress	<u>6,575,884</u>	<u>15,208,570</u>	<u>(80,885)</u>	<u>(12,376,700)</u>	<u>9,326,869</u>
	<u>\$ 429,959,003</u>	<u>\$ 16,041,518</u>	<u>\$ (3,230,567)</u>	<u>\$ -</u>	<u>\$ 442,769,954</u>

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered Structures					
Roadways	\$ 224,789,569	\$ 4,990,197	\$ (1,124,951)	-	\$ 228,654,815
Wastewater systems	2,824,705	272,030	-	-	3,096,735
Water systems	1,589,678	258,000	-	-	1,847,678
Storm systems	<u>162,568</u>	<u>16,778</u>	<u>-</u>	<u>-</u>	<u>179,346</u>
	229,366,520	5,537,005	(1,124,951)	-	233,778,574
Machinery, equipment, and furnishings	4,935,735	1,478,913	(50,289)	-	6,364,359
Vehicles	2,731,443	441,091	(21,323)	-	3,151,211
Buildings	6,442,467	964,745	-	-	7,407,212
Land improvements	<u>2,249,946</u>	<u>292,201</u>	<u>-</u>	<u>-</u>	<u>2,542,147</u>
	<u>\$ 245,726,111</u>	<u>\$ 8,713,955</u>	<u>\$ (1,196,563)</u>	<u>\$ -</u>	<u>\$ 253,243,503</u>

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2018

11. INVENTORIES FOR CONSUMPTION

	2018	2017
Sand and gravel	\$ 5,602,924	\$ 4,432,105
Parts, chemicals, and other	342,628	331,913
	\$ 5,945,552	\$ 4,764,018

12. ACCUMULATED SURPLUS

	2018	2017
Unrestricted surplus	\$ 8,525,271	\$ 4,341,522
Restricted surplus		
Operating restricted surplus (Note 13)	1,435,995	1,385,698
Capital restricted surplus (Note 13)	42,984,992	45,551,181
Equity in tangible capital assets (Schedule 1)	180,133,400	177,713,490
	\$ 233,079,658	\$ 228,991,891

13. RESTRICTED SURPLUS

	2018	2017
OPERATING RESTRICTED SURPLUS		
General operating	\$ 1,435,995	\$ 1,385,698
CAPITAL RESTRICTED SURPLUS		
Major facility capital investment	\$ 8,293,270	\$ 11,525,748
Deferred capital projects	7,758,450	-
Roads	6,972,873	6,440,506
Equipment replacement	5,434,416	4,839,289
Deferred projects	4,319,579	4,515,740
Buildings	3,247,744	3,687,989
Alternate energy program	1,999,163	1,713,249
Engineering structures	1,495,651	1,428,762
Fire equipment	1,186,203	1,010,655
Committed funds	429,282	6,998,281
Alternate land use services	409,579	382,700
Sewer capital replacement	397,685	216,819
Cultural facilities	372,246	359,208
Parks-cash in lieu	314,915	297,046
Water capital replacement	248,377	92,631
Alberta water and wastewater	53,138	51,277
Off-site levies	41,147	39,706
Land surplus	11,274	10,880
Resource road	-	1,729,342
Utility servicing	-	211,353
	\$ 42,984,992	\$ 45,551,181

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.

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, 2018 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 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 9.39% of pensionable earnings up to the year's maximum pensionable earnings and 13.84% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2018 were \$277,586 (2017 - \$307,727). Total current service contributions by the employees of the County to the LAPP in 2018 were \$253,427 (2017 - \$283,505).

At December 31, 2017 the Plan disclosed an actuarial surplus of \$4.84 billion (2016 - \$637 million deficit).

17. 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.

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2018

18. REMUNERATION AND BENEFITS DISCLOSURE

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

			2018	2017
	Remuneration	Benefits and Allowances	Total	Total
Reeve and Councillors				
B. Guyon (Reeve)	\$ 76,228	\$ 14,654	\$ 90,882	\$ 82,025
H. Swan	45,136	13,005	58,141	6,343
D. Wiltse	42,368	13,158	55,526	7,181
M. Gressler	42,838	11,718	54,556	45,011
S. Wheale	37,506	12,499	50,005	7,738
A. Heinrich	40,572	6,078	46,650	46,766
K. Westerlund	32,875	11,982	44,857	45,992
S. Mahan	-	-	-	38,056
R. Moir	-	-	-	43,208
M. Thompson	-	-	-	46,913
	\$ 317,523	\$ 83,094	\$ 400,617	\$ 369,233
Chief Administrative Officer	\$ 62,672	\$ 15,627	\$ 78,299	\$ 519,431
Designated Officers (13)	\$ 1,182,660	\$ 214,142	\$ 1,396,802	\$ 1,497,177

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

19. SEGMENTED INFORMATION

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

BRAZEAU COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2018

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:

	2018	2017
Total debt limit	\$ 44,303,480	\$ 43,506,629
Total debt	(9,995,862)	(7,953,489)
Amount of debt limit unused	\$ 34,307,618	\$ 35,553,140
Service on debt limit	\$ 7,383,913	\$ 7,251,105
Service on debt	(1,329,591)	(1,079,081)
Amount of debt servicing limit unused	\$ 6,054,322	\$ 6,172,024

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. COMPARATIVE FIGURES

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

22. BUDGET FIGURES

The budget figures presented in these financial statements are based on the amended budget approved by Council on May 4, 2018.

	Original	Amendments	Amended
REVENUE			
Approved operating budget	\$ 36,527,166	\$ (3,065,831)	\$ 33,461,335
EXPENSES			
Approved operating budget	36,169,377	(1,607,494)	34,561,883
ANNUAL OPERATING SURPLUS	\$ 357,789	\$ (1,458,337)	\$ (1,100,548)
	<u>Original</u>	<u>Amendments</u>	<u>Amended</u>
ANNUAL CAPITAL BUDGET	\$ 32,752,918	\$ -	\$ 32,752,918

23. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.