

BRAZEAU COUNTY
DRAYTON VALLEY, ALBERTA
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

HAWKINGS EPP DUMONT LLP
Chartered Accountants

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AUDITORS' REPORT

To His Worship the Reeve and Members of Council of Brazeau County
Drayton Valley, Alberta

We have audited the consolidated statement of financial position of the Brazeau County (County) as at December 31, 2003, and the consolidated statements of financial activities, and changes in financial position for the year then ended. These financial statements are the responsibility of the County's administration. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the County's administration, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the County as at December 31, 2003 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with the accounting principles for local governments established by the Canadian Institute of Chartered Accountants.

Edmonton, Alberta
February 20, 2004

Hawkings Epp Dumont LLP

HAWKINGS EPP DUMONT LLP
Chartered Accountants

Founding Partners

F.J. Bruha, CA (Deceased)

A.W. Whelan, CA (Retired)

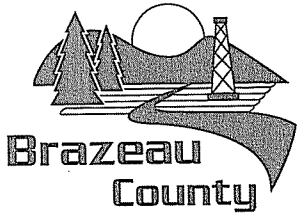
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Brazeau County

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To His Worship the Reeve and Members of Council of Brazeau County
Drayton Valley, Alberta

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

The consolidated financial statements are prepared by management, in accordance with generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. They necessarily include some amounts that are based on the best estimates and judgements 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.

Hawkings Epp Dumont LLP, Chartered Accountants, have been appointed by County Council to express an opinion on the County's consolidated financial statements.

Ken Porter, FCA
County Manager

Deb Welsh
Director of Finance

Offices Located At: 5516 Industrial Road, Drayton Valley

**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

To His Worship the Reeve and Members of Council of Brazeau County
Drayton Valley, Alberta

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The consolidated financial statements are prepared by management, in accordance with generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. They necessarily include some amounts that are based on the best estimates and judgements of management.

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Ken Porter, FCA
County Manager

Deb Welsh
Director of Finance

BRAZEAU COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2003

	<u>2003</u>	<u>2002</u> (Restated) (Note 16)
<u>ASSETS</u>		
Financial Assets		
Cash and temporary investments (Note 2)	\$ 6,416,934	\$ 6,654,513
Accounts receivable (Note 3)	1,069,329	1,275,539
Prepaid expenses	87,072	44,015
Debt charges recoverable (Note 5)	<u>221,389</u>	<u>256,981</u>
	7,794,724	8,231,048 (1)
Physical Assets (Note 4)	<u>47,989,209</u>	<u>43,248,512</u>
	<u>\$ 55,783,933</u>	<u>\$ 51,479,560</u>

<u>LIABILITIES</u>		
Liabilities		
Accounts payable and accrued liabilities	\$ 1,643,725	\$ 939,858
Deferred revenue (Note 6)	193,321	24,039
Debentures payable (Note 7)	<u>467,552</u>	<u>579,965</u>
	5 990,120	6,602,106 (1)-(2)
	<u>2,304,598</u>	<u>1,543,862</u> (2)
Contingency (Note 11)		

<u>MUNICIPAL POSITION</u>		
Operating Fund (Schedule 1)	537,854	500,804
Capital Fund (Schedule 2)	770,431	1,069,413
Equity in Physical Assets	47,743,046	42,925,528
Reserves (Schedule 3) (Note 8)	<u>4,428,004</u>	<u>5,439,953</u>
	<u>53,479,335</u>	<u>49,935,698</u>
	<u>\$ 55,783,933</u>	<u>\$ 51,479,560</u>

ON BEHALF OF THE COUNTY COUNCIL:

See accompanying notes to consolidated financial statements.

BRAZEAU COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>2003</u>	<u>2002</u> (Note 16)
Revenue		
Net municipal property taxes (Schedule 4)	\$ 10,758,127	\$ 10,019,744
Sales of goods and services	197,492	258,090
Penalties on taxes	82,469	69,435
Licenses and permits	22,850	28,090
Fines	68,245	44,791
Return on investments	321,077	262,306
Rentals	79,594	67,936
Provincial and federal government grants	755,807	1,433,404
Other	229,166	864,940
Proceeds on disposition of physical assets	28,354	239,614
Cash in lieu of parks	<u>1,000</u>	<u>5,070</u>
	<u>12,544,181</u>	<u>13,293,420</u>
Expenditures		
Council	153,985	138,010
General and administration	1,371,571	1,135,233
Policing	129,005	92,116
Firefighting services	313,490	278,154
Disaster and emergency measures	(16,318)	44
Ambulance and first aid	96,542	102,022
Bylaw enforcement	12,356	12,254
Common and equipment pool	1,055,968	896,118
Roads, streets, walks and lighting	7,665,446	6,994,320
Cemetaries	463	330
Water supply and distribution	208,317	268,191
Wastewater treatment and disposal	98,921	107,061
Waste management	835,687	370,300
Family and community support services	183,080	175,628
Economic and agricultural development	369,376	333,242
Land use planning, zoning and development	224,183	185,146
Parks and recreation	825,955	352,756
Culture - libraries	<u>213,212</u>	<u>111,574</u>
	<u>13,741,239</u>	<u>11,552,499</u>
Excess (Deficiency) of Revenue Over Expenditures	(1,197,058)	1,740,921
Net Transfers from Reserves	1,298,349	321,353
Principal Repaid on Debentures Issued on Physical Assets	(76,822)	(72,034)
Transfer of Operating Surplus to Reserves	<u>(286,401)</u>	<u>(972,914)</u>
Change in Fund Balances	<u>\$ (261,932)</u>	<u>\$ 1,017,326</u>

See accompanying notes to consolidated financial statements.

BRAZEAU COUNTY

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>2003</u>	<u>2002</u> (Note 16)
Cash Provided by (Used in)		
Operating Activities		
Excess (deficiency) of revenue over expenditures	\$ (1,197,058)	\$ 1,740,921
Change in non-cash working capital balances		
Accounts receivable	206,210	962,522
Prepaid expenses	(43,057)	(2,806)
Accounts payable and accrued liabilities	703,867	(815,340)
Deferred revenue	<u>169,282</u>	<u>(80,987)</u>
	<u>(160,756)</u>	<u>1,804,310</u>
Investing Activities		
Debt charges received	35,590	33,626
Recoverable costs received	<u>-</u>	<u>62,196</u>
	<u>35,590</u>	<u>95,822</u>
Financing Activities		
Debenture principal repaid	<u>(112,413)</u>	<u>(105,661)</u>
Increase (Decrease) in Cash and Temporary Investments During the Year	(237,579)	1,794,471
Cash and Temporary Investments, Beginning of Year	<u>6,654,513</u>	<u>4,860,042</u>
Cash and Temporary Investments, End of Year	<u>\$ 6,416,934</u>	<u>\$ 6,654,513</u>

See accompanying notes to consolidated financial statements.

BRAZEAU COUNTY

SCHEDULE 1

SCHEDULE OF OPERATING FUND ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>2003</u> (Budget) (Note 17)	<u>2003</u> (Actual)	<u>2002</u> (Actual) (Note 16)
Revenue			
Net municipal property taxes (Schedule 4)	\$ 10,768,535	\$ 10,758,127	\$ 10,019,744
Sales of goods and services	269,190	197,492	258,090
Penalties on taxes	71,550	82,469	69,435
Licenses and permits	30,700	22,850	28,090
Fines	38,500	68,245	44,791
Return on investments	175,000	321,077	262,306
Rentals	53,000	79,594	67,936
Provincial, federal and local government grants	634,221	506,866	684,347
Other	<u>164,594</u>	<u>229,166</u>	<u>747,834</u>
	<u>12,205,290</u>	<u>12,265,886</u>	<u>12,182,573</u>
Expenditures			
Council	149,052	153,985	138,010
General and administration	1,137,074	1,369,305	1,083,259
Policing	89,574	84,768	92,116
Firefighting services	288,590	273,544	233,833
Disaster and emergency measures	3,801	(16,318)	44
Ambulance and first aid	96,542	96,542	102,022
Bylaw enforcement	13,390	12,356	12,254
Common and equipment pool	1,009,823	1,055,968	896,118
Roads, streets, and lights	3,332,188	2,774,138	2,512,724
Water supply and distribution	92,825	84,756	71,923
Wastewater treatment and disposal	85,616	75,096	100,252
Waste management	415,157	835,687	370,300
Family and community support services	183,086	183,080	175,628
Cemetaries	5,500	463	330
Economic and agricultural development	437,545	369,376	333,242
Land use planning, zoning and development	333,520	224,183	185,146
Parks and recreation	799,751	645,919	349,958
Culture - libraries	<u>409,051</u>	<u>213,212</u>	<u>111,574</u>
	<u>8,882,085</u>	<u>8,436,060</u>	<u>6,768,733</u>
Excess of Revenue Over Expenditures	<u>3,323,205</u>	<u>3,829,826</u>	<u>5,413,840</u>
Net Interfund Transfers			
Repayment of capital long-term debt	(76,822)	(76,822)	(72,034)
Transfer to reserve fund	(290,626)	(1,161,164)	(581,841)
Transfer to capital fund	<u>(2,955,757)</u>	<u>(2,268,389)</u>	<u>(3,748,293)</u>
	<u>(3,323,205)</u>	<u>(3,506,375)</u>	<u>(4,402,168)</u>
Increase in Fund Balance	-	323,451	1,011,672
Operating Fund, Beginning of Year	-	500,804	462,046
Transfer to Reserve Fund	<u>-</u>	<u>(286,401)</u>	<u>(972,914)</u>
Operating Fund, End of Year	<u>\$ -</u>	<u>\$ 537,854</u>	<u>\$ 500,804</u>

See accompanying notes to consolidated financial statements.

BRAZEAU COUNTY

SCHEDULE 2

SCHEDULE OF CAPITAL FUND ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>2003</u> (Budget) (Note 17)	<u>2003</u> (Actual)	<u>2002</u> (Actual) (Note 16)
Revenue			
Provincial and federal grants	\$ 309,667	\$ 248,941	\$ 749,057
Cash in lieu of parks	-	1,000	5,070
Proceeds on disposition of capital assets	58,000	28,354	239,614
Other	<u>-</u>	<u>-</u>	<u>117,106</u>
	<u>367,667</u>	<u>278,295</u>	<u>1,110,847</u>
Expenditures			
General and administration	343,000	2,266	51,974
Policing	39,893	44,237	-
Firefighting services	244,672	39,946	44,321
Roads, streets, walks and lighting	5,009,138	4,891,308	4,481,596
Wastewater treatment and disposal	190,600	23,825	6,809
Water supply and distribution	337,525	123,561	196,268
Parks and recreation	<u>110,000</u>	<u>180,036</u>	<u>2,798</u>
	<u>6,274,828</u>	<u>5,305,179</u>	<u>4,783,766</u>
Deficiency of Revenue Over Expenditures	<u>(5,907,161)</u>	<u>(5,026,884)</u>	<u>(3,672,919)</u>
Net Interfund Transfers			
Net transfers from reserve fund	1,996,502	2,459,513	903,194
Net transfers from operating fund	<u>2,972,328</u>	<u>2,268,389</u>	<u>3,748,293</u>
	<u>4,968,830</u>	<u>4,727,902</u>	<u>4,651,487</u>
Change in Capital Fund Balance	(938,331)	(298,982)	978,568
Capital Fund, Beginning of Year	<u>938,331</u>	<u>1,069,413</u>	<u>90,845</u>
Capital Fund, End of Year	<u>\$ -</u>	<u>\$ 770,431</u>	<u>\$ 1,069,413</u>

See accompanying notes to consolidated financial statements.

BRAZEAU COUNTY

SCHEDULE 3

SCHEDULE OF CHANGE IN RESERVE FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>2003</u>	<u>2002</u> (Restated) (Note 16)
Balance, Beginning of Year, As Previously Stated	\$ 5,439,953	\$ 6,648,128
Prior Period Adjustment (Note 16)	<u>-</u>	<u>(1,859,736)</u>
Balance, Beginning of Year, As Restated	5,439,953	4,788,392
Add (Deduct)		
Transfer to capital fund	(2,459,513)	(903,194)
Transfer from operating surplus	286,401	972,914
Transfer from (to) operations	<u>1,161,163</u>	<u>581,841</u>
Balance, End of Year (Note 8)	<u>\$ 4,428,004</u>	<u>\$ 5,439,953</u>

See accompanying notes to consolidated financial statements.

BRAZEAU COUNTY

SCHEDULE 4

SCHEDULE OF PROPERTY TAXES LEVIED

FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>2003</u> (Budget) (Note 17)	<u>2003</u> (Actual)	<u>2002</u> (Actual) (Note 16)
Taxation			
Real property taxes	\$ 5,410,784	\$ 5,482,481	\$ 5,002,206
Linear property taxes	13,343,588	13,385,853	12,933,026
Government grants in lieu of property taxes	<u>12,951</u>	<u>13,313</u>	<u>13,110</u>
	<u>18,767,323</u>	<u>18,881,647</u>	<u>17,948,342</u>
Requisitions			
School Foundation Project	(7,821,607)	(7,946,339)	(7,751,186)
Brazeau Seniors Foundation	<u>(177,181)</u>	<u>(177,181)</u>	<u>(177,412)</u>
	<u>(7,998,788)</u>	<u>(8,123,520)</u>	<u>(7,928,598)</u>
Net Municipal Property Tax	<u>\$10,768,535</u>	<u>\$10,758,127</u>	<u>\$10,019,744</u>

See accompanying notes to consolidated financial statements.

BRAZEAU COUNTY

SCHEDULE 5

SCHEDULE OF OPERATING EXPENDITURES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>2003</u> (Budget)	<u>2003</u> (Actual)	<u>2002</u> (Actual) (Note 16)
Salaries, wages and benefits	\$ 2,802,662	\$ 2,678,908	\$ 2,490,500
Contracted and general services	2,287,437	1,988,642	1,414,240
Materials, goods and utilities	1,541,352	1,259,402	1,573,095
Provision for allowances	258,622	239,373	15,522
Transfers to other governments	1,074,215	1,482,841	997,814
Transfers to local boards and agencies	238,621	231,988	199,499
Transfers to individuals and organizations	641,910	518,388	36,653
Bank charges	100	-	555
Interest on long-term debt	37,166	36,518	40,855
Physical assets acquired	<u>6,274,828</u>	<u>5,305,179</u>	<u>4,783,766</u>
	<u>\$15,156,913</u>	<u>\$13,741,239</u>	<u>\$11,552,499</u>

See accompanying notes to consolidated financial statements.

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are the representations of the County's management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the County are as follows:

(a) Reporting Entity

These consolidated financial statements include the assets, liabilities, revenue and expenditures 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.

(b) Fund Accounting

For reporting purposes, established funds consist of the operating fund and the capital fund. Transfers between funds are recorded as adjustments to the appropriate equity account. Capital fund debt principal payments are recorded as a transfer amount and capital fund interest payments are recorded as an operating fund expenditure. Proceeds from the sales of land held for resale are recorded as operating fund revenue.

The operating and capital funds are further segregated by functions which relate to specific areas of activity.

These consolidated financial statements include the consolidated results of the operating, capital and reserve funds. Gross recoveries representing internal operating charges between functions for the provision of goods or services are excluded from these consolidated financial statements.

(c) Pension Expenditures

The County participates in a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan. Under this method, contributions for current and past service pension benefits are recorded as expenditures in the year they become due.

(d) Government Transfers

Government transfers are recognized in these consolidated financial statements as revenue in the period that the events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met by the County and reasonable estimates of the amounts can be made.

(e) Investments

Investments are recorded at cost.

(f) Inventory

Gravel inventory is recorded at the lower of cost or net realizable value.

(g) Physical Assets

Physical assets are reported as expenditures in the period they are acquired and are recorded at cost.

Government grants for the acquisition of physical assets are recorded as revenue in the capital fund and do not reduce the related physical asset cost.

No amortization is recorded on physical assets.

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2003

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures pursuant to joint capital undertakings. The recoveries are recorded at a value that equals the offsetting portion of the unmatured debenture.

(i) Prepaid Local Improvements

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.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on the straight-line basis over the remaining term of the related borrowings. In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

(j) Allowances for Operating and Physical Assets

Allowances for asset valuations are recorded against the related assets and are segregated between operating and capital purposes. Increases in allowances are recorded as expenditures, while decreases in allowances are recorded as revenue in the respective operating and capital funds.

(k) Reserves for Future Expenditures

The reserve fund has been established at the discretion of Council to set aside amounts for future operating and capital expenditures. Transfers to and/or from reserves are reflected as adjustments to the respective fund.

(l) Equity in Physical Assets

Equity in physical assets represents the County's net investment in its total physical assets after deducting the portion financed by third parties through debentures and other capital liabilities.

(m) 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.

Requisitions tax-rates in the subsequent year are adjusted for any excess collections or under-levies of the prior year. Amounts previously accrued for excess collections are included in "other" operating revenue.

(n) Provision for Solid Waste Landfill Rehabilitation

The Alberta Environmental Protection Act sets out regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is being provided for over the estimated remaining life of the landfill site based on usage. The annual provision is reported as an operating fund expenditure, and the accumulated provision is reported as a liability on the consolidated statement of financial position.

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2003

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial Instruments

The County's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable and other liabilities, and debentures payable. It is management's opinion that the County is not exposed to significant interest, currency, or credit risk arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximates their carrying value.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2003</u>	<u>2002</u>
Cash (overdraft)	\$ (82,707)	\$ 461,082
Temporary investments	<u>6,499,641</u>	<u>6,193,431</u>
	<u>\$ 6,416,934</u>	<u>\$ 6,654,513</u>

Temporary investments consist of term deposits bearing interest at 2.8% with maturity dates no greater than 90 days.

3. ACCOUNTS RECEIVABLE

	<u>2003</u>	<u>2002</u>
Taxes and grants in lieu	\$ 568,268	\$ 618,148
Receivable from other governments	394,706	269,258
Trade and other	<u>260,608</u>	<u>388,133</u>
	1,223,582	1,275,539
Less: Allowance for doubtful accounts	<u>(154,253)</u>	<u>-</u>
	<u>\$ 1,069,329</u>	<u>\$ 1,275,539</u>

A significant portion of the property taxes outstanding at December 31, 2003 relate to linear property and, therefore, are receivable from companies in the oil and gas industry. Therefore, the County is exposed to the credit risk associated with fluctuations in that industry. In addition, accounts receivable includes \$114,500 in dispute. The County has made no allowance for this receivable as management believes that they will be able to collect this amount.

4. PHYSICAL ASSETS

	<u>2003</u>	<u>2002</u>
Capital Assets		
Land	\$ 503,708	\$ 503,708
Equipment	5,603,712	5,333,076
Vehicles	1,264,746	1,241,244
Buildings	1,562,680	1,536,588
Engineering structures	<u>37,603,800</u>	<u>32,837,551</u>
	46,538,646	41,452,167
Gravel Inventory	<u>1,450,563</u>	<u>1,796,345</u>
	<u>\$ 47,989,209</u>	<u>\$ 43,248,512</u>

\$31M PAID

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2003

5. DEBT CHARGES RECOVERABLE

	<u>2003</u>	<u>2002</u>
Current debt charges recoverable	\$ 37,672	\$ 35,591
Non-current debt charges recoverable	<u>183,717</u>	<u>221,390</u>
	<u>\$ 221,389</u>	<u>\$ 256,981</u>

Principal and interest payments are receivable as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 37,672	\$ 12,981	\$ 50,653
2005	39,873	10,779	50,652
2006	42,204	8,448	50,652
2007	44,671	5,981	50,652
2008	47,283	3,370	50,653
Thereafter	<u>9,686</u>	<u>605</u>	<u>10,291</u>
	<u>\$ 221,389</u>	<u>\$ 42,164</u>	<u>\$ 263,553</u>

The County has undertaken a joint landfill development project with the Town of Drayton Valley. In 1999, the County assumed additional long-term financing totalling \$74,856, however the full amount plus interest at 6.25% is recoverable from the Drayton Valley Regional Sanitary Landfill Authority. The amount is recoverable in annual payments of \$10,291 including interest and matures October 15, 2009. During 1998, the County assumed long-term financing totalling \$300,612. The full amount plus interest at 5.75% is also recoverable from the Drayton Valley Regional Sanitary Landfill Authority. The amount is recoverable in annual payments of \$40,361 including interest and matures December 15, 2008.

6. DEFERRED REVENUE

Deferred revenue consists of the following amounts, which have been received from third parties for a specified purpose. These amounts are recognized as revenue in the period in which the related expenditures are incurred.

	<u>2003</u>	<u>2002</u>
Provincial government conditional transfers	\$ 163,473	\$ -
Prepaid local improvements	20,305	23,489
Other	<u>9,543</u>	<u>550</u>
	<u>\$ 193,321</u>	<u>\$ 24,039</u>

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2003

7. DEBENTURES PAYABLE

	<u>2003</u>	<u>2002</u>
Supported by general tax levies	\$ 345,179	\$ 441,196
Supported by special levies	<u>122,373</u>	<u>138,769</u>
	<u>\$ 467,552</u>	<u>\$ 579,965</u>

Principle and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 85,918	\$ 29,941	\$ 115,859
2005	78,112	23,977	102,089
2006	82,880	19,209	102,089
2007	80,309	14,142	94,451
2008	55,457	9,265	64,722
Thereafter	<u>84,876</u>	<u>32,785</u>	<u>117,661</u>
	<u>\$ 467,552</u>	<u>\$ 129,319</u>	<u>\$ 596,871</u>

Debenture debt is repayable to Alberta Capital Financing Authority and bears interest at rates ranging from 5.75% to 12% per annum and matures in years 2004 through 2023.

Interest on long-term debt amounted to \$36,518 (2002 - \$40,855).

The County's total cash payments for interest in 2003 were \$37,165.

8. RESERVES

	<u>2003</u>	<u>2002</u> (Note 16)
Operating Reserves		
General operating	\$ 2,019,869	\$ 3,708,606
Family and community support services	-	30,555
Senior citizens' transportation grant	2,661	7,661
Crushing	314,151	-
Breton Library	90,000	60,000
Rural recreation initiative	<u>121,622</u>	<u>266,501</u>
	<u>2,548,303</u>	<u>4,073,323</u>
Capital Reserves		
Equipment replacement	1,046,894	929,955
Fire equipment	375,000	275,000
Cash in lieu of parks	37,675	111,675
Breton fire station	100,000	50,000
Resource road reserve	<u>320,132</u>	<u>-</u>
	<u>1,879,701</u>	<u>1,366,630</u>
	<u>\$ 4,428,004</u>	<u>\$ 5,439,953</u>

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2003

9. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Accounts payable and accrued liabilities include \$62,361 which represents the County's share of the estimated total closure and post-closure care costs of \$1,004,155 for the Drayton Valley Regional Sanitary Landfill Authority landfill site. The estimated liability for these costs is the present value of future cash flows associated with closure and post-closure costs discounted at a rate of return equal to 6%. The estimated liability for these costs is recognized over the life of the site using the net present value of the total estimated costs of closure and post-closure care, pro-rated on the basis of the current capacity utilized over the total estimated capacity of the site.

It is estimated remaining capacity of the current phase of the site is approximately 26% of its total capacity and its estimated remaining life is 12 years, after which the period for post-closure care is estimated to be 30 years.

10. COMMITMENTS

Under various cost sharing agreements, the County is responsible for an agreed share (based on usage by the residents) of the operating deficit of various agencies in order to secure the right to the use of the facilities for the County's residents. These agreements provide for the reimbursement of the operating deficit for each fiscal period within a specified time period after the fiscal period end.

11. CONTINGENT LIABILITY

The County is defendant in a lawsuit related to alleged property contamination amounting to \$750,000. At present, the outcome is not determinable. The amount of any future settlement would be accounted for as a current transaction in the year of settlement.

12. TRUST FUNDS

Trust funds result when proceeds from property sales exceed the outstanding tax arrears at the time of sale, plus the return on those funds. At December 31, 2003, \$6,934 (2002 - \$6,744) was held in a segregated trust account and may be payable, on application, to the previous owner. These trust funds are not included on the balance sheet.

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2003

13. 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>2003</u>		<u>2002</u>
	<u>Remuneration</u>	<u>Benefits and Allowances</u>	<u>Total</u>
		<u>Total</u>	<u>Total</u>
Reeve and Councillors			
B. Guyon	\$ 43,892	\$ 1,865	\$ 45,757
J. Starling	26,084	1,056	27,140
A. Heinrich	20,682	1,099	21,781
D. Ellis	24,351	1,417	25,768
R. Sekura	<u>19,720</u>	<u>1,032</u>	<u>20,752</u>
	<u>\$ 134,729</u>	<u>\$ 6,469</u>	<u>\$ 141,198</u>
County Manager	<u>\$ 82,043</u>	<u>\$ 2,400</u>	<u>\$ 84,443</u>
			<u>\$ 81,686</u>

Remuneration includes regular base pay, gross honoraria and any other direct cash remuneration.

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. Benefits and allowances for the County Manager includes a \$2,400 travel allowance.

14. PENSION COSTS

Employees of the County participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 133,000 people and 389 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

The County is required to make current service contributions to the Plan of 5.525% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 7.4% for the excess.

Total current service contributions by the County to the LAPP in 2003 were \$32,351 (2002 - \$34,500). Total current service contributions by the employees of the County of Brazeau to the LAPP in 2003 were \$26,542 (2003 - \$27,700).

At December 31, 2002, the Plan disclosed an actuarial deficit of \$673.0 million.

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2003

15. 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>2003</u>	<u>2002</u>
Total debt limit	\$ 18,442,860	\$ 18,816,545
Total debt	<u>467,552</u>	<u>579,965</u>
Amount of debt limit unused	<u>\$ 17,975,308</u>	<u>\$ 18,236,580</u>
Service on debt limit	\$ 3,073,810	\$ 3,136,091
Service on debt	<u>115,859</u>	<u>149,578</u>
Amount of debt servicing limit unused	<u>\$ 2,957,951</u>	<u>\$ 2,986,513</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.

16. COMPARATIVE FIGURES

Prior to 2003, gravel inventory included in Physical Assets was reported as a capital reserve rather than being reported as a component of Equity in Physical Assets. The 2003 financial statements contain a retroactive adjustment to correct for this by decreasing the 2002 opening reserve fund balance by \$1,859,736, reducing reclassifications from reserves to Equity In Physical Assets by \$63,391, and increasing the 2002 Equity in Physical Assets balance by \$1,796,345.

Comparative figures were audited by a firm of chartered accountants other than Hawkings Epp Dumont LLP.

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

17. BUDGET FIGURES

Budget figures are presented for information purposes only and are unaudited.

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.