

**BRAZEAU COUNTY**  
**DRAYTON VALLEY, ALBERTA**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**HAWKINGS EPP DUMONT LLP**  
**Chartered Accountants**

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P.J. Dirks, CA\*

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K.A. van Roijen, CGA  
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T.G. Dodd, CA

\*Professional Corporation

# 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 Brazeau County (County) as at December 31, 2004, 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, 2004 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  
March 11, 2005

HAWKINGS EPP DUMONT LLP  
Chartered Accountants

#### Founding Partners

F.J. Bruha, CA (Deceased)

A.W. Whelan, CA (Retired)

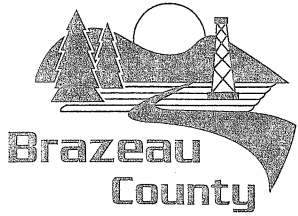
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# Brazeau County

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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 of the Canadian Institute of Chartered Accountants. 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.

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

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Ken Porter, FCA  
County Manager

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Deb Welsh  
Director of Finance

**BRAZEAU COUNTY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2004**

	<u>2004</u>	<u>2003</u> (Restated) (Note 18)
<u>ASSETS</u>		
Financial Assets		
Cash and temporary investments (Note 2)	\$ 4,223,218	\$ 6,416,934
Accounts receivable (Note 3)	796,881	1,069,329
Prepaid expenses	87,981	87,072
Debt charges recoverable (Note 5)	<u>183,718</u>	<u>221,389</u>
	5,291,798	7,794,724
Physical Assets (Note 4)	<u>16,929,911</u>	<u>16,769,960</u>
	<u>\$ 22,221,709</u>	<u>\$ 24,564,684</u>
<u>LIABILITIES</u>		
Liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 1,192,186	\$ 1,643,725
Deferred revenue (Note 7)	415,525	193,321
Debentures payable (Note 8)	<u>381,634</u>	<u>467,552</u>
	<u>1,989,345</u>	<u>2,304,598</u>
Contingency (Note 12)		
<u>MUNICIPAL EQUITY</u>		
Operating Fund (Schedule 1)	537,854	537,854
Capital Fund (Schedule 2)	369,706	770,431
Reserves (Schedule 3) (Note 9)	<u>2,592,811</u>	<u>4,428,004</u>
	3,500,371	5,736,289
Equity in Physical Assets (Schedule 4)	<u>16,731,993</u>	<u>16,523,797</u>
Total Municipal Equity	<u>20,232,364</u>	<u>22,260,086</u>
ON BEHALF OF THE COUNTY COUNCIL:	<u>\$ 22,221,709</u>	<u>\$ 24,564,684</u>

See accompanying notes to consolidated financial statements.

**BRAZEAU COUNTY**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>2004</u>	<u>2003</u> (Note 19)
Revenue		
Net municipal property taxes (Schedule 5)	\$ 11,179,307	\$ 10,753,417
Sales to other governments	38,361	7,784
Sales of goods and services	218,329	184,803
Penalties on taxes	65,303	82,469
Licenses and permits	196,192	128,577
Fines	47,462	68,245
Return on investments	232,479	328,359
Rentals	70,394	79,594
Insurance proceeds	1,078	-
Provincial and federal government grants	1,193,831	755,807
Other	-	3,650
Proceeds on disposition of capital assets	447,200	28,354
Cash in lieu of parks	-	1,000
Local improvements	56,527	53,990
Local government transfers	<u>31,742</u>	<u>30,687</u>
	<u>13,778,205</u>	<u>12,506,736</u>
Expenditures		
Council	184,191	153,985
General and administration	1,275,127	1,334,126
Policing	107,869	129,005
Firefighting services	257,562	313,490
Disaster and emergency measures	3,381	(16,318)
Ambulance and first aid	118,160	96,542
Bylaw enforcement	11,612	12,356
Common and equipment pool	2,027,154	1,055,968
Roads, streets, walks and lighting	9,540,482	7,665,446
Cemetaries	500	463
Water supply and distribution	248,338	208,317
Wastewater treatment and disposal	197,093	98,921
Waste management	259,203	835,687
Family and community support services	195,427	183,080
Economic and agricultural development	479,445	369,376
Land use planning, zoning and development	250,209	224,183
Parks and recreation	620,334	825,955
Culture - libraries	<u>189,789</u>	<u>213,212</u>
	<u>15,965,876</u>	<u>13,703,794</u>
Excess (Deficiency) of Revenue Over Expenditures	(2,187,671)	(1,197,058)
Principal Repaid on Debentures Issued on Physical Assets	<u>(48,246)</u>	<u>(76,822)</u>
Change in Fund Balances	(2,235,917)	(1,273,880)
Fund Balances, Beginning of Year	<u>5,736,289</u>	<u>7,010,169</u>
Fund Balances, End of Year	<u>\$ 3,500,372</u>	<u>\$ 5,736,289</u>

See accompanying notes to consolidated financial statements.

**BRAZEAU COUNTY**  
**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>2004</u>	<u>2003</u> (Note 19)
Cash Provided by (Used in)		
Operating Activities		
Excess (deficiency) of revenue over expenditures	\$ (2,187,671)	\$ (1,197,058)
Change in non-cash working capital balances		
Accounts receivable	272,448	206,210
Prepaid expenses	(909)	(43,057)
Accounts payable and accrued liabilities	(451,539)	703,867
Deferred revenue	<u>222,204</u>	<u>169,282</u>
	<u>(2,145,467)</u>	<u>(160,756)</u>
Investing Activities		
Debt charges received	<u>37,669</u>	<u>35,590</u>
Financing Activities		
Debenture principal repaid	<u>(85,918)</u>	<u>(112,413)</u>
Increase (Decrease) in Cash and Temporary Investments During the Year	(2,193,716)	(237,579)
Cash and Temporary Investments, Beginning of Year	<u>6,416,934</u>	<u>6,654,513</u>
Cash and Temporary Investments, End of Year	<u>\$ 4,223,218</u>	<u>\$ 6,416,934</u>

See accompanying notes to consolidated financial statements.

## BRAZEAU COUNTY

## SCHEDULE 1

## SCHEDULE OF OPERATING FUND ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u> (Budget) (Note 20)	<u>2004</u> (Actual)	<u>2003</u> (Actual) (Note 19)
Revenue			
Net municipal property taxes (Schedule 5)	\$ 11,174,697	\$ 11,179,307	\$ 10,753,417
Sales to other governments	8,740	38,361	7,784
Sales of goods and services	4,566,937	218,329	184,803
Penalties on taxes	71,100	65,303	82,469
Licenses and permits	126,920	196,192	128,577
Fines	45,500	47,462	68,245
Return on investments	182,000	232,479	328,359
Rentals	70,000	70,394	79,594
Insurance proceeds	1,000	1,078	-
Provincial, federal and local government grants	1,588,721	990,558	506,866
Local improvements	53,714	56,527	53,990
Local government transfers	23,131	31,742	30,687
Other	-	-	3,650
	<u>17,912,460</u>	<u>13,127,732</u>	<u>12,228,441</u>
Expenditures			
Council	154,961	184,191	153,985
General and administration	1,185,595	1,265,717	1,331,860
Policing	108,845	107,869	84,768
Firefighting services	374,147	257,562	273,544
Disaster and emergency measures	5,490	3,381	(16,318)
Ambulance and first aid	118,160	118,160	96,542
Bylaw enforcement	13,000	11,612	12,356
Common and equipment pool	943,683	1,004,440	1,055,968
Roads, streets, walks and lights	14,345,972	9,535,639	2,774,138
Water supply and distribution	67,831	83,159	84,756
Wastewater treatment and disposal	75,056	148,441	75,096
Waste management	432,724	259,203	835,687
Family and community support services	186,845	195,427	183,080
Cemetaries	5,500	500	463
Economic and agricultural development	442,145	383,445	369,376
Land use planning, zoning and development	264,003	250,209	224,183
Parks and recreation	603,805	610,182	645,919
Culture - libraries	454,361	189,789	213,212
	<u>19,782,123</u>	<u>14,608,926</u>	<u>8,398,615</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(1,869,663)</u>	<u>(1,481,194)</u>	<u>3,829,826</u>
Net Interfund Transfers			
Repayment of capital long-term debt	(48,246)	(48,246)	(76,822)
Transfer from (to) reserve fund	1,852,923	638,877	(1,161,164)
Transfer from (to) capital fund	64,986	(23,938)	(2,268,389)
	<u>1,869,663</u>	<u>566,693</u>	<u>(3,506,375)</u>
Change in Operating Fund Balance	-	(914,501)	323,451
Operating Fund, Beginning of Year	-	537,854	500,804
Transfer From (To) Reserve Fund	-	914,501	(286,401)
Operating Fund, End of Year	<u>\$ -</u>	<u>\$ 537,854</u>	<u>\$ 537,854</u>

See accompanying notes to consolidated financial statements.

## BRAZEAU COUNTY

## SCHEDULE 2

## SCHEDULE OF CAPITAL FUND ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u> (Budget) (Note 20)	<u>2004</u> (Actual)	<u>2003</u> (Actual) (Note 19)
Revenue			
Provincial and federal grants	\$ 408,167	\$ 203,273	\$ 248,941
Cash in lieu of parks	-	-	1,000
Proceeds on disposition of capital assets	<u>350,000</u>	<u>447,200</u>	<u>28,354</u>
	<u>758,167</u>	<u>650,473</u>	<u>278,295</u>
Expenditures			
General and administration	58,000	9,410	2,266
Policing	-	-	44,237
Firefighting services	301,000	-	39,946
Common equipment pool	16,400	1,022,714	-
Roads, streets, walks and lighting	660,277	4,843	4,891,308
Wastewater treatment and disposal	150,000	48,652	23,825
Water supply and distribution	363,700	165,179	123,561
Subdivision and land development	-	96,000	-
Parks and recreation	-	<u>10,152</u>	<u>180,036</u>
	<u>1,549,377</u>	<u>1,356,950</u>	<u>5,305,179</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(791,210)</u>	<u>(706,477)</u>	<u>(5,026,884)</u>
Net Interfund Transfers			
Net transfers from reserve fund	200,277	281,814	2,459,513
Net transfers from operating fund	<u>178,567</u>	<u>23,938</u>	<u>2,268,389</u>
	<u>378,844</u>	<u>305,752</u>	<u>4,727,902</u>
Change in Capital Fund Balance	(412,366)	(400,725)	(298,982)
Capital Fund, Beginning of Year	<u>412,366</u>	<u>770,431</u>	<u>1,069,413</u>
Capital Fund, End of Year	<u>\$ -</u>	<u>\$ 369,706</u>	<u>\$ 770,431</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, 2004

	<u>2004</u>	<u>2003</u>
Balance, Beginning of Year	\$ <u>4,428,004</u>	\$ <u>5,439,953</u>
Add (Deduct)		
Transfer to capital fund	(281,814)	(2,459,513)
Transfer from (to) operating surplus	(914,501)	286,401
Transfer from (to) operations	<u>(638,878)</u>	<u>1,161,163</u>
Change in Reserve Fund Balance	<u>(1,835,193)</u>	<u>(1,011,949)</u>
Balance, End of Year (Note 9)	\$ <u>2,592,811</u>	\$ <u>4,428,004</u>

See accompanying notes to consolidated financial statements.

**BRAZEAU COUNTY**  
**SCHEDULE OF EQUITY IN PHYSICAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**SCHEDULE 4**

	<u>2004</u>	<u>2003</u>
Capital Assets Acquired During the Year (Schedule 2)	\$ 1,356,950	\$ 5,305,179
Disposal of Capital Assets (Cost)	(752,953)	(218,700)
Change in Gravel Inventory for Consumption	(444,047)	(345,783)
Capital Financing		
Repayment of capital long-term debt from operating fund (Schedule 1)	<u>48,246</u>	<u>76,822</u>
Change in Equity in Physical Assets	<u>208,196</u>	<u>4,817,518</u>
Equity in Physical Assets, Beginning of Year, as Previously Stated	16,523,797	42,925,528
Change in Accounting Policy (Note 18)	<u>-</u>	<u>(31,219,249)</u>
Equity in Physical Assets, Beginning of Year, as Restated	<u>16,523,797</u>	<u>11,706,279</u>
Equity in Physical Assets, End of Year	<u>\$ 16,731,993</u>	<u>\$ 16,523,797</u>

Equity in Physical Assets is Comprised of the Following:

Capital Assets	\$ 15,923,395	\$ 15,319,397
Gravel Inventory for Consumption	1,006,516	1,450,563
Long-term Capital Debt	<u>(197,918)</u>	<u>(246,163)</u>
	<u>\$ 16,731,993</u>	<u>\$ 16,523,797</u>

See accompanying notes to consolidated financial statements.

BRAZEAU COUNTY

SCHEDULE 5

SCHEDULE OF PROPERTY TAXES LEVIED

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u> (Budget) (Note 20)	<u>2004</u> (Actual)	<u>2003</u> (Actual) (Note 19)
Taxation			
Real property taxes	\$ 5,684,880	\$ 5,668,799	\$ 5,477,771
Linear property taxes	13,730,920	13,748,454	13,385,853
Government grants in lieu of property taxes	<u>12,792</u>	<u>12,791</u>	<u>13,313</u>
	<u>19,428,592</u>	<u>19,430,044</u>	<u>18,876,937</u>
Requisitions			
School Foundation Project	(8,079,849)	(8,076,691)	(7,946,339)
Brazeau Seniors Foundation	<u>(174,046)</u>	<u>(174,046)</u>	<u>(177,181)</u>
	<u>(8,253,895)</u>	<u>(8,250,737)</u>	<u>(8,123,520)</u>
Net Municipal Property Tax	<u>\$11,174,697</u>	<u>\$11,179,307</u>	<u>\$10,753,417</u>

See accompanying notes to consolidated financial statements.

## BRAZEAU COUNTY

## SCHEDULE 6

## SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u> (Budget) (Note 20)	<u>2004</u> (Actual)	<u>2003</u> (Actual) (Note 19)
Salaries, wages and benefits	\$ 2,825,083	\$ 2,770,309	\$ 2,678,908
Contracted and general services	13,857,561	8,976,946	2,281,869
Materials, goods and utilities	1,172,051	1,295,956	1,261,121
Provision for allowances	253,649	54,725	239,373
Transfers to other governments	1,184,698	1,024,521	1,480,546
Transfers to local boards and agencies	286,011	268,751	231,988
Transfers to individuals and organizations	173,029	188,350	188,292
Bank charges	100	47	-
Interest on long-term debt	29,941	29,321	36,518
Capital assets acquired	<u>1,549,377</u>	<u>1,356,950</u>	<u>5,305,179</u>
	<u>\$ 21,331,500</u>	<u>\$ 15,965,876</u>	<u>\$ 13,703,794</u>

See accompanying notes to consolidated financial statements.

**BRAZEAU COUNTY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2004**

**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) Capital Assets

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

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

No amortization is recorded on capital assets.

**BRAZEAU COUNTY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**DECEMBER 31, 2004**

**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) 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.

(l) 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.

(m) 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, 2004**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(n) Post Employment Benefits

Upon full retirement, after the age of fifty-five (55), County employees are entitled to be paid out for a maximum of twenty-five per cent (25%) of their remaining accumulated sick leave days. The cost of this post employment benefit is recognized as an expense as the employees provide service. The total expense recognized by the County in 2004 was \$29,443.

In accordance with Public Sector Accounting Board Handbook Section 3255 the County has adopted this change in accounting policy on a prospective basis commencing January 1, 2004.

(o) Use of Estimates

The preparation of the financial statements in accordance with local government accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(p) Operating Fund

Operating fund represents the amounts available to offset future operational revenue requirements.

(q) Capital Fund

Capital fund represents the amounts available to finance capital projects.

(r) Reserve Fund

Reserve fund represents the amounts set aside to finance future operating and capital expenditures. Reserves are established at the discretion of Council. Transfers to and/or from the reserve fund are reflected as an adjustment to the respective fund.

**2. CASH AND TEMPORARY INVESTMENTS**

	<u>2004</u>	<u>2003</u>
Cash (overdraft)	\$ 970,053	\$ (82,707)
Temporary investments	<u>3,253,165</u>	<u>6,499,641</u>
	<u>\$ 4,223,218</u>	<u>\$ 6,416,934</u>

Temporary investments consist of a term deposit bearing interest at 2.68% maturing January 30, 2005.

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2004

**3. ACCOUNTS RECEIVABLE**

	<u>2004</u>	<u>2003</u>
Taxes and grants in lieu	\$ 452,599	\$ 568,268
Receivable from other governments	456,720	394,706
Trade and other	<u>85,141</u>	<u>260,608</u>
	994,460	1,223,582
Less: Allowance for doubtful accounts	<u>(197,579)</u>	<u>(154,253)</u>
	<u>\$ 796,881</u>	<u>\$ 1,069,329</u>

A significant portion of the property taxes outstanding at December 31, 2004 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 from the Town of Drayton Valley which is being negotiated. The County has made no allowance for this receivable as management believes the County will be able to collect this amount.

**4. PHYSICAL ASSETS**

	<u>2004</u>	<u>2003</u> (Restated) (Note 18)
Capital Assets		
Land	\$ 599,708	\$ 503,708
Machinery & equipment	5,877,485	5,603,712
Vehicles	1,250,904	1,264,746
Buildings	1,596,916	1,562,680
Engineering structures	<u>6,598,382</u>	<u>6,384,551</u>
	15,923,395	15,319,397
Gravel Inventory for Consumption	<u>1,006,516</u>	<u>1,450,563</u>
	<u>\$ 16,929,911</u>	<u>\$ 16,769,960</u>



**BRAZEAU COUNTY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**DECEMBER 31, 2004**

**5. DEBT CHARGES RECOVERABLE**

	<u>2004</u>	<u>2003</u>
Current debt charges recoverable	\$ 39,873	\$ 37,672
Non-current debt charges recoverable	<u>143,845</u>	<u>183,717</u>
	<u>\$ 183,718</u>	<u>\$ 221,389</u>

Principal and interest payments are receivable as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2009	<u>9,687</u>	<u>605</u>	<u>10,292</u>
	<u>\$ 183,718</u>	<u>\$ 29,183</u>	<u>\$ 212,901</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. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2004</u>	<u>2003</u>
Trade and other accounts payable	\$ 1,056,422	\$ 1,551,501
Accrued vacation pay	106,321	92,224
Post employment benefits (Note 1 (n))	<u>29,443</u>	<u>-</u>
	<u>\$ 1,192,186</u>	<u>\$ 1,643,725</u>

**7. 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>2004</u>	<u>2003</u>
Provincial government conditional transfers	\$ 378,410	\$ 163,473
Prepaid local improvements	17,121	20,305
Other	<u>19,994</u>	<u>9,543</u>
	<u>\$ 415,525</u>	<u>\$ 193,321</u>

**BRAZEAU COUNTY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**DECEMBER 31, 2004**

**8. DEBENTURES PAYABLE**

	<u>2004</u>	<u>2003</u>
Supported by general tax levies	\$ 270,494	\$ 345,179
Supported by special levies	<u>111,140</u>	<u>122,373</u>
	<u>\$ 381,634</u>	<u>\$ 467,552</u>

Principle and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2009	18,569	5,792	24,361
Thereafter	<u>66,307</u>	<u>26,992</u>	<u>93,299</u>
	<u>\$ 381,634</u>	<u>\$ 99,377</u>	<u>\$ 481,011</u>

Debenture debt is repayable to Alberta Capital Financing Authority and bears interest at rates ranging from 5.75% to 9.75% per annum and matures in years 2006 through 2023.

Interest on long-term debt amounted to \$29,321 (2003 - \$36,518).

The County's total cash payments for interest in 2004 were \$29,941 (2003 - \$37,165).

**9. RESERVES**

	<u>2004</u>	<u>2003</u>
<b>Operating Reserves</b>		
Resource road reserve	\$ 519,611	\$ 320,132
Breton Library	120,000	90,000
General operating	97,181	2,019,869
Rural recreation initiative	54,176	121,622
Senior citizens' transportation grant	-	2,661
Crushing	<u>-</u>	<u>314,151</u>
	<u>790,968</u>	<u>2,868,435</u>
<b>Capital Reserves</b>		
Equipment replacement	1,151,549	1,046,894
Fire equipment	437,619	375,000
Breton fire station	175,000	100,000
Cash in lieu of parks	<u>37,675</u>	<u>37,675</u>
	<u>1,801,843</u>	<u>1,559,569</u>
	<u>\$ 2,592,811</u>	<u>\$ 4,428,004</u>

**BRAZEAU COUNTY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**DECEMBER 31, 2004**

**10. 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 \$1,040,417 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 24% of its total capacity and its estimated remaining life is 11 years, after which the period for post-closure care is estimated to be 29 years.

**11. COMMITMENTS**

(a) Roadway Projects

The County is committed to further costs for various construction projects, which are budgeted to be completed during the 2005 fiscal year, in the amount of \$3,319,143.

(b) Cost-Sharing Agreements

Under various cost-sharing agreements, the County is responsible for an agreed share (based on usage by the residents) of the operating costs 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.

**12. 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.

**13. 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, 2004, \$7,082 (2003 - \$6,934) 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, 2004**

**14. 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>2004 Benefits and Allowances</u>	<u>Total</u>	<u>2003 Total</u>
Reeve and Councillors				
B. Guyon	\$ 38,414	\$ 1,736	\$ 40,150	\$ 45,757
J. Starling	14,355	792	15,147	27,140
A. Heinrich	21,175	1,273	22,448	21,781
D. Ellis	29,655	1,277	30,932	25,786
R. Sekura	21,265	1,050	22,315	20,752
B. Kitching	5,390	168	5,558	-
G. Mastre	4,510	126	4,636	-
T. Mitchell	4,210	123	4,333	-
W. Tweedle	7,643	250	7,893	-
D. Walton	<u>4,080</u>	<u>115</u>	<u>4,195</u>	<u>-</u>
	<u>\$ 150,697</u>	<u>\$ 6,910</u>	<u>\$ 157,607</u>	<u>\$ 141,216</u>
County Manager	<u>\$ 83,913</u>	<u>\$ 2,400</u>	<u>\$ 86,313</u>	<u>\$ 84,443</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.

**15. LOCAL AUTHORITIES PENSION PLAN**

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 serves about 133,000 people and 389 employers. The LAPP 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 LAPP of 6.602% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 8.477% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2004 were \$45,897 (2003 - \$38,069). Total current service contributions by the employees of the County to the LAPP in 2004 were \$39,006 (2003 - \$30,821).

At December 31, 2003, the Plan disclosed an actuarial deficit of \$1.4 billion.

**BRAZEAU COUNTY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**DECEMBER 31, 2004**

**16. 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>2004</u>	<u>2003</u>
Total debt limit	\$ 20,359,313	\$ 18,386,693
Total debt	<u>381,634</u>	<u>467,552</u>
Amount of debt limit unused	<u>\$ 19,977,679</u>	<u>\$ 17,919,141</u>
Service on debt limit	\$ 3,393,219	\$ 3,064,449
Service on debt	<u>102,089</u>	<u>115,859</u>
Amount of debt servicing limit unused	<u>\$ 3,291,130</u>	<u>\$ 2,948,590</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.

**17. FINANCIAL INSTRUMENTS**

The County's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable and accrued 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.

**18. CHANGE IN ACCOUNTING POLICY**

Effective January 1, 2004, the County changed its accounting policy with respect to the capitalization of roadways to conform with industry standards for rural municipalities. Previously, the County accounted for roadway expenditures as capital fund expenditures. Commencing January 1, 2004 these costs are accounted for as operating fund expenditures.

The change in accounting policy has been applied retroactively and comparative figures have been restated by decreasing capital assets (engineering structures) and equity in physical assets by \$31,219,249.

**19. COMPARATIVE FIGURES**

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

**BRAZEAU COUNTY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**DECEMBER 31, 2004**

**20. BUDGET FIGURES**

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

**21. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by Council.