

BRAZEAU COUNTY

DRAYTON VALLEY, ALBERTA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

HAWKINGS EPP DUMONT LLP

Chartered Accountants

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AUDITORS' REPORT

To the Members of Brazeau County Council
Drayton Valley, Alberta

We have audited the consolidated statement of financial position of Brazeau County (the "County") as at December 31, 2005, 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, 2005 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.



Edmonton, Alberta
February 24, 2006

HAWKINGS EPP DUMONT LLP
Chartered Accountants

Founding Partners

F.J. Bruha, CA (Deceased)
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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 Canadian generally accepted accounting principles. 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.

Ken Porter, FCA
County Manager

Deb Welsh
Director of Finance

BRAZEAU COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2005

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 6,261,457	\$ 4,223,218
Accounts receivable (Note 3)	1,456,792	796,881
Prepaid expenses	97,862	87,981
Debt charges recoverable (Note 5)	<u>143,844</u>	<u>183,718</u>
	7,959,955	5,291,798
Physical Assets (Note 4)	<u>18,657,602</u>	<u>16,929,911</u>
	<u>\$ 26,617,557</u>	<u>\$ 22,221,709</u>
<u>LIABILITIES</u>		
Liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 2,174,963	\$ 1,192,186
Deferred revenue (Note 7)	1,525,991	415,525
Long-term debt (Note 8)	<u>303,523</u>	<u>381,634</u>
	<u>4,004,477</u>	<u>1,989,345</u>
Contingency (Note 12)		
<u>MUNICIPAL EQUITY</u>		
Operating Fund (Schedule 1)	633,447	537,854
Capital Fund (Schedule 2)	162,511	369,706
Reserves (Schedule 3) (Note 9)	<u>3,319,198</u>	<u>2,592,811</u>
	4,115,156	3,500,371
Equity in Physical Assets (Schedule 4)	<u>18,497,924</u>	<u>16,731,993</u>
Total Municipal Equity	<u>22,613,080</u>	<u>20,232,364</u>
	<u>\$ 26,617,557</u>	<u>\$ 22,221,709</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, 2005

	<u>2005</u>	<u>2004</u>
Revenue		
Net municipal property taxes (Schedule 5)	\$ 12,692,756	\$ 11,179,307
Provincial and federal government grants	1,442,711	1,193,831
Sales of goods and services	231,255	218,329
Licenses and permits	246,256	196,192
Return on investments	227,979	232,479
Proceeds on disposition of capital assets	189,138	447,200
Local government transfers	113,692	31,742
Penalties on taxes	60,586	65,303
Rentals	60,352	70,394
Fines	53,681	47,462
Cash in lieu of parks	48,571	-
Local improvements	45,377	56,527
Other	35,602	-
Sales to other governments	36,174	38,361
Insurance proceeds	<u>1,325</u>	<u>1,078</u>
	<u>15,485,455</u>	<u>13,778,205</u>
Expenditures		
Roads, streets, walks and lighting	6,713,344	9,540,482
Common and equipment pool	2,382,993	2,027,154
General and administration	1,397,307	1,275,127
Waste management	731,255	259,203
Economic and agricultural development	639,335	383,445
Parks and recreation	626,758	620,334
Firefighting services	320,067	257,562
Subdivision land and development	305,000	96,000
Wastewater treatment and disposal	298,257	197,093
Land use planning, zoning and development	261,614	250,209
Water supply and distribution	236,598	248,338
Culture - libraries	230,626	189,789
Council	214,991	184,191
Family and community support services	199,300	195,427
Ambulance and first aid	126,356	118,160
Policing	108,891	107,869
Disaster and emergency measures	27,713	3,381
Bylaw enforcement	10,086	11,612
Cemetaries	<u>1,941</u>	<u>500</u>
	<u>14,832,432</u>	<u>15,965,876</u>
Excess (Deficiency) of Revenue Over Expenditures	653,023	(2,187,671)
Capital Debt Repayments	<u>(38,239)</u>	<u>(48,246)</u>
Change in Fund Balances	614,784	(2,235,917)
Fund Balances, Beginning of Year	<u>3,500,372</u>	<u>5,736,289</u>
Fund Balances, End of Year	<u>\$ 4,115,156</u>	<u>\$ 3,500,372</u>

See accompanying notes to consolidated financial statements.

BRAZEAU COUNTY

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>2005</u>	<u>2004</u>
Cash Provided by (Used in)		
Operating Activities		
Excess (deficiency) of revenue over expenditures	\$ 653,023	\$ (2,187,671)
Change in non-cash working capital balances		
Accounts receivable	(659,911)	272,448
Prepaid expenses	(9,881)	(909)
Accounts payable and accrued liabilities	982,777	(451,539)
Deferred revenue	<u>1,110,466</u>	<u>222,204</u>
	<u>2,076,474</u>	<u>(2,145,467)</u>
Investing Activities		
Debt charges received	<u>39,876</u>	<u>37,669</u>
Financing Activities		
Debenture principal repaid	<u>(78,111)</u>	<u>(85,918)</u>
Increase (Decrease) in Cash and Cash Equivalents During the Year	2,038,239	(2,193,716)
Cash and Cash Equivalents, Beginning of Year	<u>4,223,218</u>	<u>6,416,934</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,261,457</u>	<u>\$ 4,223,218</u>

See accompanying notes to consolidated financial statements.

BRAZEAU COUNTY

SCHEDULE 1

SCHEDULE OF OPERATING FUND ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>2005</u> (Budget) (Note 19)	<u>2005</u> (Actual)	<u>2004</u> (Actual)
Revenue			
Net municipal property taxes (Schedule 5)	\$ 12,626,627	\$ 12,692,756	\$ 11,179,307
Provincial, federal and local government grants	2,302,488	1,434,965	990,558
Sales of goods and services	201,840	231,255	218,329
Licenses and permits	151,000	246,256	196,192
Return on investments	127,000	227,979	232,479
Penalties on taxes	70,700	60,586	65,303
Rentals	70,000	60,352	70,394
Fines	50,500	53,681	47,462
Local improvements	45,377	45,377	56,527
Local government transfers	20,929	20,779	31,742
Sales to other governments	3,500	36,174	38,361
Insurance proceeds	<u>1,000</u>	<u>1,325</u>	<u>1,078</u>
	<u>15,670,961</u>	<u>15,111,485</u>	<u>13,127,732</u>
Expenditures			
Roads, streets, walks and lights	8,011,005	6,713,344	9,535,639
General and administration	1,188,675	1,232,940	1,265,717
Common and equipment pool	1,037,454	1,202,557	1,004,440
Parks and recreation	457,704	626,758	610,182
Waste management	390,254	731,255	259,203
Economic and agricultural development	554,458	396,154	383,445
Firefighting services	384,730	276,712	257,562
Land use planning, zoning and development	301,761	261,614	250,209
Wastewater treatment and disposal	215,868	242,114	148,441
Culture - libraries	340,553	230,626	189,789
Council	186,486	214,991	184,191
Family and community support services	194,529	199,300	195,427
Ambulance and first aid	126,356	126,356	118,160
Policing	117,731	108,891	107,869
Water supply and distribution	66,527	71,392	83,159
Disaster and emergency measures	57,965	27,713	3,381
Bylaw enforcement	14,000	10,086	11,612
Cemetaries	5,500	1,941	500
Other	<u>250,000</u>	<u>-</u>	<u>-</u>
	<u>13,901,556</u>	<u>12,674,744</u>	<u>14,608,926</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>1,769,405</u>	<u>2,436,741</u>	<u>(1,481,194)</u>
Net Interfund Transfers			
Capital debt repayments	(38,248)	(38,238)	(48,246)
Transfer from (to) reserve fund	(891,584)	(837,622)	638,877
Transfer from (to) capital fund	<u>(839,573)</u>	<u>(1,020,275)</u>	<u>(23,938)</u>
	<u>(1,769,405)</u>	<u>(1,896,135)</u>	<u>566,693</u>
Change in Operating Fund Balance	-	540,606	(914,501)
Operating Fund, Beginning of Year	-	537,854	537,854
Transfer From (to) Reserve Fund	<u>-</u>	<u>(445,013)</u>	<u>914,501</u>
Operating Fund, End of Year	<u>\$ -</u>	<u>\$ 633,447</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, 2005

	<u>2005</u> (Budget) (Note 19)	<u>2005</u> (Actual)	<u>2004</u> (Actual)
Revenue			
Proceeds on disposition of capital assets	\$ 194,000	\$ 189,138	\$ 447,200
Local government transfers	-	92,913	-
Cash in lieu of parks	-	48,571	-
Other	40,000	35,602	-
Provincial and federal grants	<u>138,644</u>	<u>7,746</u>	<u>203,273</u>
	<u>372,644</u>	<u>373,970</u>	<u>650,473</u>
Expenditures			
Common equipment pool	1,245,508	1,180,436	1,022,714
Subdivision and land development	-	305,000	96,000
Economic and agricultural development	247,554	243,181	-
Water supply and distribution	50,000	165,206	165,179
General and administration	200,000	164,367	9,410
Wastewater treatment and disposal	150,000	56,143	48,652
Firefighting services	11,000	43,355	-
Roads, streets, walks and lighting	-	-	4,843
Policing	26,918	-	-
Parks and recreation	<u>-</u>	<u>-</u>	<u>10,152</u>
	<u>1,930,980</u>	<u>2,157,688</u>	<u>1,356,950</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(1,558,336)</u>	<u>(1,783,718)</u>	<u>(706,477)</u>
Net Interfund Transfers			
Net transfers from reserve fund	511,106	556,248	281,814
Net transfers from operating fund	<u>857,173</u>	<u>1,020,275</u>	<u>23,938</u>
	<u>1,368,279</u>	<u>1,576,523</u>	<u>305,752</u>
Change in Capital Fund Balance	(190,057)	(207,195)	(400,725)
Capital Fund, Beginning of Year	<u>190,057</u>	<u>369,706</u>	<u>770,431</u>
Capital Fund, End of Year	\$ <u>-</u>	\$ <u>162,511</u>	\$ <u>369,706</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, 2005

	<u>2005</u>	<u>2004</u>
Balance, Beginning of Year	\$ <u>2,592,811</u>	\$ <u>4,428,004</u>
Add (Deduct)		
Transfer to capital fund	(556,248)	(281,814)
Transfer from (to) operating surplus	445,013	(914,501)
Transfer from (to) operations	<u>837,622</u>	<u>(638,878)</u>
Change in Reserve Fund Balance	<u>726,387</u>	<u>(1,835,193)</u>
Balance, End of Year (Note 9)	\$ <u>3,319,198</u>	\$ <u>2,592,811</u>

See accompanying notes to consolidated financial statements.

BRAZEAU COUNTY
SCHEDULE OF EQUITY IN PHYSICAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE 4

	<u>2005</u>	<u>2004</u>
Capital Assets Acquired During the Year (Schedule 2)	\$ 2,157,688	\$ 1,356,950
Disposal of Capital Assets (Cost)	(621,461)	(752,953)
Change in Inventory for Consumption	191,466	(444,047)
Capital Financing		
Capital debt repayment (Schedule 1)	<u>38,238</u>	<u>48,246</u>
Change in Equity in Physical Assets	1,765,931	208,196
Equity in Physical Assets, Beginning of Year	<u>16,731,993</u>	<u>16,523,797</u>
Equity in Physical Assets, End of Year	<u>\$ 18,497,924</u>	<u>\$ 16,731,993</u>

Equity in Physical Assets is Comprised of the Following:

Capital assets	\$ 17,459,620	\$ 15,923,395
Inventory for consumption	1,197,982	1,006,516
Long-term capital debt	<u>(159,678)</u>	<u>(197,918)</u>
	<u>\$ 18,497,924</u>	<u>\$ 16,731,993</u>

See accompanying notes to consolidated financial statements.

BRAZEAU COUNTY

SCHEDULE 5

SCHEDULE OF PROPERTY TAXES LEVIED

FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>2005</u> (Budget) (Note 19)	<u>2005</u> (Actual)	<u>2004</u> (Actual)
Taxation			
Real property taxes	\$ 5,901,747	\$ 5,916,709	\$ 5,668,799
Linear property taxes	14,910,584	14,962,345	13,748,454
Government grants in lieu of property taxes	<u>13,100</u>	<u>12,506</u>	<u>12,791</u>
	<u>20,825,431</u>	<u>20,891,560</u>	<u>19,430,044</u>
Requisitions			
Alberta School Foundation Fund	(8,025,199)	(8,025,199)	(8,076,691)
Brazeau Seniors Foundation	<u>(173,605)</u>	<u>(173,605)</u>	<u>(174,046)</u>
	<u>(8,198,804)</u>	<u>(8,198,804)</u>	<u>(8,250,737)</u>
Net Municipal Property Tax	<u>\$12,626,627</u>	<u>\$12,692,756</u>	<u>\$11,179,307</u>

See accompanying notes to consolidated financial statements.

BRAZEAU COUNTY

SCHEDULE 6

SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>2005</u> (Budget) (Note 19)	<u>2005</u> (Actual)	<u>2004</u> (Actual)
Contracted and general services	\$ 7,204,672	\$ 5,807,740	\$ 8,977,879
Salaries, wages and benefits	3,152,481	3,037,814	2,770,309
Capital assets acquired	1,930,980	2,157,688	1,356,950
Materials, goods and utilities	1,414,115	1,644,284	1,295,023
Transfers to other governments	1,326,762	1,677,349	1,024,521
Transfers to local boards and agencies	286,896	298,029	268,751
Transfers to individuals and organizations	242,303	143,171	188,350
Provision for allowances	250,000	42,743	54,725
Interest on long-term debt	23,977	23,378	29,321
Bank charges	<u>100</u>	<u>236</u>	<u>47</u>
	<u>\$ 15,832,286</u>	<u>\$ 14,832,432</u>	<u>\$ 15,965,876</u>

See accompanying notes to consolidated financial statements.

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are the representations of the County's management prepared in accordance with Canadian generally accepted accounting principles. 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) 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.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(c) Fund Accounting

Funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Proceeds from land sales are recorded as operating fund revenue.

(d) Investments

Investments are recorded at cost.

(e) 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.

(f) Inventories

Inventories for consumption are valued at the lower of cost or net realizable value with cost determined by the average cost method.

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2005

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(h) 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.

(i) 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.

(j) 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.

(k) Operating Fund

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

(l) Capital Fund

Capital fund represents the amounts available to finance capital projects.

(m) 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.

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2005

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) 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.

(o) 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 2005 was \$2,450 (2004 - \$29,443).

(p) Use of Estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles 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.

2. CASH AND CASH EQUIVALENTS

	<u>2005</u>	<u>2004</u>
Cash	\$ 6,261,457	\$ 970,063
Cash equivalents	<u>-</u>	<u>3,253,155</u>
	<u>\$ 6,261,457</u>	<u>\$ 4,223,218</u>

3. ACCOUNTS RECEIVABLE

	<u>2005</u>	<u>2004</u>
Taxes and grants in lieu	\$ 471,954	\$ 452,599
Receivable from other governments	430,882	456,720
Trade and other	<u>774,792</u>	<u>85,141</u>
	1,677,628	994,460
Less: Allowance for doubtful accounts	<u>(220,836)</u>	<u>(197,579)</u>
	<u>\$ 1,456,792</u>	<u>\$ 796,881</u>

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2005

4. PHYSICAL ASSETS

	<u>2005</u>	<u>2004</u>
Capital Assets		
Engineering structures	\$ 6,819,731	\$ 6,598,382
Machinery and equipment	6,469,115	5,877,485
Buildings	1,949,085	1,596,916
Vehicles	1,316,981	1,250,904
Land	<u>904,708</u>	<u>599,708</u>
	17,459,620	15,923,395
Inventory for Consumption		
Gravel	1,013,823	1,006,516
Other	<u>184,159</u>	<u>-</u>
	<u>1,197,982</u>	<u>1,006,516</u>
	<u>\$ 18,657,602</u>	<u>\$ 16,929,911</u>

5. DEBT CHARGES RECOVERABLE

	<u>2005</u>	<u>2004</u>
Current debt charges recoverable	\$ 42,204	\$ 39,873
Non-current debt charges recoverable	<u>101,640</u>	<u>143,845</u>
	<u>\$ 143,844</u>	<u>\$ 183,718</u>

Principal and interest payments are receivable as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 42,204	\$ 8,448	\$ 50,652
2007	44,671	5,981	50,652
2008	47,283	3,370	50,653
2009	<u>9,686</u>	<u>605</u>	<u>10,291</u>
	<u>\$ 143,844</u>	<u>\$ 18,404</u>	<u>\$ 162,248</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 Aspen Waste Management 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 Aspen Waste Management Authority. The amount is recoverable in annual payments of \$40,361 including interest and matures December 15, 2008.

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2005

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2005</u>	<u>2004</u>
Trade and other accounts payable	\$ 2,026,802	\$ 1,056,422
Accrued vacation pay	116,267	106,321
Post employment benefits (Note 1 (o))	<u>31,894</u>	<u>29,443</u>
	<u>\$ 2,174,963</u>	<u>\$ 1,192,186</u>

7. DEFERRED REVENUE

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

	<u>2005</u>	<u>2004</u>
Provincial government conditional transfers	\$ 1,479,218	\$ 378,410
Other	32,090	19,994
Prepaid local improvements	<u>14,683</u>	<u>17,121</u>
	<u>\$ 1,525,991</u>	<u>\$ 415,525</u>

8. LONG-TERM DEBT

	<u>2005</u>	<u>2004</u>
Supported by general tax levies	\$ 205,705	\$ 270,494
Supported by special levies	<u>97,818</u>	<u>111,140</u>
	<u>\$ 303,523</u>	<u>\$ 381,634</u>

Principle and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 82,880	\$ 19,209	\$ 102,089
2007	80,309	14,142	94,451
2008	55,457	9,264	64,721
2009	18,569	5,792	24,361
2010	9,655	4,414	14,069
Thereafter	<u>56,653</u>	<u>22,579</u>	<u>79,232</u>
	<u>\$ 303,523</u>	<u>\$ 75,400</u>	<u>\$ 378,923</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 \$23,378 (2004 - \$29,321).

The County's total cash payments for interest in 2005 were \$23,977 (2004 - \$29,941).

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2005

9. RESERVES

	<u>2005</u>	<u>2004</u>
Operating Reserves		
Resource road reserve	\$ 703,603	\$ 519,611
General operating	542,193	97,181
Breton Library	200,000	120,000
Rural recreation initiative	54,176	54,176
Breton Centra-plex	<u>30,000</u>	<u>-</u>
	<u>1,529,972</u>	<u>790,968</u>
Capital Reserves		
Equipment replacement	975,211	1,151,549
Fire equipment	509,264	437,619
Breton fire station	275,000	175,000
Cash in lieu of parks	<u>29,751</u>	<u>37,675</u>
	<u>1,789,226</u>	<u>1,801,843</u>
	<u>\$ 3,319,198</u>	<u>\$ 2,592,811</u>

10. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Accounts payable and accrued liabilities include \$97,850 (2004 - \$62,361) which represents the County's share of the estimated total closure and post-closure care costs of \$1,105,346 (2004 - \$1,040,417) for the Aspen Waste Management Authority (formerly 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 22% of its total capacity and its estimated remaining life is 10 years, after which the period for post-closure care is estimated to be 30 years.

11. COMMITMENTS

Under a cost-sharing agreement with the Town of Drayton Valley, the County is responsible for its share (based on usage by County residents) of the operating costs for various services (Omni-plex, swimming pool, airport, and fire) and facilities in order to secure the right to the use of the facilities for the County's residents.

12. CONTINGENCY

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.

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2005

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, 2005, \$7,261 (2004 - \$7,082) 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.

14. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and cash equivalents, 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, 2005 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.

15. 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>2005 Benefits and Allowances</u>	<u>Total</u>	<u>2004 Total</u>
Reeve and Councillors				
W. Tweedle	\$ 35,000	\$ 1,127	\$ 36,127	\$ 7,893
D. Ellis	26,470	5,326	31,796	30,932
B. Kitching	25,865	5,065	30,930	5,558
A. Heinrich	24,950	2,466	27,416	22,448
T. Mitchell	23,220	632	23,852	4,333
D. Walton	21,380	4,840	26,220	4,195
G. Mastre	19,790	516	20,306	4,636
R. Sekura	-	-	-	22,315
J. Starling	-	-	-	15,147
B. Guyon	-	-	-	40,150
	<u>\$ 176,675</u>	<u>\$ 19,972</u>	<u>\$ 196,647</u>	<u>\$ 157,607</u>
County Manager	<u>\$ 92,228</u>	<u>\$ 2,400</u>	<u>\$ 94,628</u>	<u>\$ 86,313</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.

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2005

16. 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 is financed by employer and employee contributions and investment earnings of the LAPP Fund.

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

The County is required to make current service contributions to the LAPP of 7.40% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 10.14% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 6.40% of pensionable earnings up to the year's maximum pensionable earnings and 9.14% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2005 were \$60,071 (2004 - \$45,987). Total current service contributions by the employees of the County to the LAPP in 2005 were \$52,115 (2004 - \$39,006).

At December 31, 2004, the Plan disclosed an actuarial deficit of \$1,288,924,000.

17. 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>2005</u>	<u>2004</u>
Total debt limit	\$ 23,216,564	\$ 20,362,398
Total debt	<u>303,523</u>	<u>381,634</u>
Amount of debt limit unused	<u>\$ 22,913,041</u>	<u>\$ 19,980,764</u>
Service on debt limit	\$ 3,869,427	\$ 3,393,733
Service on debt	<u>102,089</u>	<u>102,089</u>
Amount of debt servicing limit unused	<u>\$ 3,767,338</u>	<u>\$ 3,291,644</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.

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2005

18. COMPARATIVE FIGURES

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

19. BUDGET FIGURES

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

20. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.