

# **BRAZEAU COUNTY**

**DRAYTON VALLEY, ALBERTA**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

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

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**E.A. Hawkins, CA\***  
**M.H. Epp, CA, CMA\***  
**W.L. Dumont, CA\***  
**P.J. Dirks, CA\***

**T.D. Tinney, CA\***  
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T.G. Dodd, CA\*  
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J.M. Kennedy, CA

\*Professional Corporation

# 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, 2006, 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, 2006 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.

*Hawkings Epp Dumont LLP*

Edmonton, Alberta  
March 2, 2007

HAWKINGS EPP DUMONT LLP  
Chartered Accountants

#### Founding Partners

F.J. Bruha, CA (Deceased)

A.W. Whelan, CA (Retired)

#### Stony Plain Office

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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 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, 2006**

	<u>2006</u>	<u>2005</u>
<b><u>ASSETS</u></b>		
<b>Financial Assets</b>		
Cash and cash equivalents (Note 2)	\$ 8,035,901	\$ 6,261,457
Accounts receivable (Note 3)	2,442,569	1,456,792
Prepaid expenses	96,597	97,862
Debt charges recoverable (Note 4)	<u>101,640</u>	<u>143,844</u>
	10,676,707	7,959,955
<b>Physical Assets (Note 5)</b>	<u>21,803,932</u>	<u>18,657,602</u>
	<u>\$ 32,480,639</u>	<u>\$ 26,617,557</u>

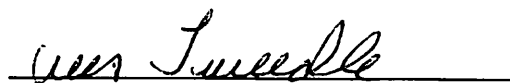
**LIABILITIES AND MUNICIPAL EQUITY**

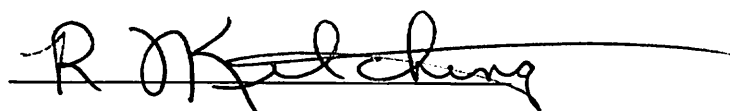
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 2,153,511	\$ 2,174,963
Deposit liabilities	61,143	32,090
Deferred revenue (Note 7)	1,236,784	1,493,901
Long-term debt (Note 8)	<u>220,643</u>	<u>303,523</u>
	<u>3,672,081</u>	<u>4,004,477</u>
<b>Contingencies (Note 11)</b>		

**MUNICIPAL EQUITY**

<b>Fund Balances</b>		
Operating fund (Schedule 1)	743,663	633,447
Capital fund (Schedule 2)	-	162,511
Reserves (Schedule 3) (Note 9)	<u>6,379,966</u>	<u>3,319,198</u>
	7,123,629	4,115,156
<b>Equity in Physical Assets (Schedule 4)</b>	<u>21,684,929</u>	<u>18,497,924</u>
<b>Total Municipal Equity</b>	<u>28,808,558</u>	<u>22,613,080</u>
	<u>\$ 32,480,639</u>	<u>\$ 26,617,557</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, 2006**

	<u>2006</u>	<u>2005</u>
Revenue		
Net municipal property taxes (Schedule 5)	\$ 14,936,874	\$ 12,692,756
Provincial and federal government grants	2,589,986	1,442,711
Sales to other governments (Note 17)	565,309	36,174
Return on investments	409,453	227,979
Licenses and permits	326,216	246,256
Sales of goods and services	222,644	231,255
Proceeds on disposition of capital assets	150,209	189,138
Rentals	102,861	60,352
Fines	65,401	53,681
Penalties on taxes	64,744	60,586
Local improvements	45,377	45,377
Cash in lieu of parks	32,253	48,571
Local government transfers	21,294	113,692
Other	13,333	35,602
Insurance proceeds	<u>1,940</u>	<u>1,325</u>
	<u>19,547,894</u>	<u>15,485,455</u>
Expenditures		
Roads, streets, walks and lighting	6,664,173	6,713,344
Common equipment pool	2,641,821	2,382,993
General and administration	1,735,514	1,397,307
Waste management (Note 17)	1,424,943	731,255
Parks and recreation	972,779	626,758
Economic and agricultural development	556,091	639,335
Culture - libraries	427,906	230,626
Firefighting services	359,445	320,067
Water supply and distribution	348,630	236,598
Land use planning, zoning and development	277,111	261,614
Other	215,555	-
Family and community support services	203,378	199,300
Wastewater treatment and disposal	189,368	298,257
Ambulance and first aid	168,613	126,356
Council	146,931	214,991
Policing	120,418	108,891
Disaster and emergency measures	33,261	27,713
Bylaw enforcement	11,167	10,086
Cemetaries	1,641	1,941
Subdivision land and development	<u>-</u>	<u>305,000</u>
	<u>16,498,745</u>	<u>14,832,432</u>
Excess of Revenue over Expenditures	3,049,149	653,023
Capital Debt Repayments	<u>(40,676)</u>	<u>(38,239)</u>
Change in Fund Balances	3,008,473	614,784
Fund Balances, Beginning of Year	<u>4,115,156</u>	<u>3,500,372</u>
Fund Balances, End of Year	<u>\$ 7,123,629</u>	<u>\$ 4,115,156</u>

See accompanying notes to consolidated financial statements.

**BRAZEAU COUNTY**

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u>	<u>2005</u>
Cash Provided by (Used in)		
Operating Activities		
Excess of revenue over expenditures	\$ 3,049,149	\$ 653,023
Change in non-cash working capital balances		
Accounts receivable	(985,777)	(659,911)
Prepaid expenses	1,265	(9,881)
Accounts payable and accrued liabilities	(21,452)	982,777
Deferred revenue	(257,120)	1,110,466
Deposit liabilities	<u>29,053</u>	<u>-</u>
	<u>1,815,118</u>	<u>2,076,474</u>
Investing Activities		
Debt charges received	<u>42,206</u>	<u>39,876</u>
Financing Activities		
Debenture principal repaid	<u>(82,880)</u>	<u>(78,111)</u>
Increase in Cash and Cash Equivalents During the Year	1,774,444	2,038,239
Cash and Cash Equivalents, Beginning of Year	<u>6,261,457</u>	<u>4,223,218</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,035,901</u>	<u>\$ 6,261,457</u>

See accompanying notes to consolidated financial statements.

**BRAZEAU COUNTY**

**SCHEDULE 1**

**SCHEDULE OF OPERATING FUND ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u> (Budget) (Note 19)	<u>2006</u> (Actual)	<u>2005</u> (Actual)
<b>Revenue</b>			
Net municipal property taxes (Schedule 5)	\$ 14,941,542	\$ 14,936,874	\$ 12,692,756
Provincial, federal and local government grants	3,995,930	2,392,386	1,434,965
Sales to other governments (Note 17)	3,000	565,309	36,174
Return on investments	358,258	398,877	227,979
Licenses and permits	186,100	326,216	246,256
Sales of goods and services	213,915	222,644	231,255
Rentals	93,500	102,861	60,352
Fines	60,500	65,401	53,681
Penalties on taxes	70,700	64,744	60,586
Local improvements	42,939	45,377	45,377
Local government transfers	19,098	21,294	20,779
Other	400,000	13,333	-
Insurance proceeds	<u>1,000</u>	<u>1,940</u>	<u>1,325</u>
	<u>20,386,482</u>	<u>19,157,256</u>	<u>15,111,485</u>
<b>Expenditures</b>			
Roads, streets, walks and lighting	10,043,033	6,664,173	6,713,344
General and administration	1,351,953	1,350,778	1,232,940
Common equipment pool	1,203,522	1,344,875	1,202,557
Waste management (Note 17)	472,262	1,315,498	731,255
Parks and recreation	1,102,374	742,229	626,758
Economic and agricultural development	603,737	486,405	396,154
Culture - libraries	441,143	427,906	230,626
Firefighting services	363,496	316,529	276,712
Land use planning, zoning and development	340,832	277,111	261,614
Other	215,555	215,555	-
Family and community support services	205,890	203,378	199,300
Ambulance and first aid	132,748	168,613	126,356
Water supply and distribution	205,710	165,994	71,392
Council	209,840	146,931	214,991
Wastewater treatment and disposal	117,886	112,201	242,114
Policing	119,197	105,548	108,891
Disaster and emergency measures	32,510	33,261	27,713
Bylaw enforcement	15,000	11,167	10,086
Cemetaries	<u>5,500</u>	<u>1,641</u>	<u>1,941</u>
	<u>17,182,188</u>	<u>14,089,793</u>	<u>12,674,744</u>
<b>Excess of Revenue over Expenditures</b>	<u>3,204,294</u>	<u>5,067,463</u>	<u>2,436,741</u>
<b>Net Interfund Transfers</b>			
Capital debt repayments	(40,676)	(40,676)	(38,238)
Transfer from (to) reserve fund	(1,820,784)	(620,533)	(837,622)
Transfer from (to) capital fund	<u>(1,558,389)</u>	<u>(2,800,709)</u>	<u>(1,020,275)</u>
	<u>(3,419,849)</u>	<u>(3,461,918)</u>	<u>(1,896,135)</u>
<b>Change in Operating Fund Balance</b>	(215,555)	1,605,545	540,606
<b>Operating Fund, Beginning of Year</b>	-	633,447	537,854
<b>Transfer from (to) Reserve Fund</b>	<u>-</u>	<u>(1,495,329)</u>	<u>(445,013)</u>
<b>Operating Fund, End of Year</b>	\$ <u>-</u>	\$ <u>743,663</u>	\$ <u>633,447</u>

See accompanying notes to consolidated financial statements.

## BRAZEAU COUNTY

## SCHEDULE 2

## SCHEDULE OF CAPITAL FUND ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>2006</u> (Budget) (Note 19)	<u>2006</u> (Actual)	<u>2005</u> (Actual)
Revenue			
Provincial and federal grants	\$ 98,800	\$ 197,600	\$ 7,746
Proceeds on disposition of capital assets	159,000	150,209	189,138
Cash in lieu of parks	-	32,253	48,571
Return on investments	-	10,576	-
Other	-	-	35,602
Local government transfers	-	-	92,913
	<u>257,800</u>	<u>390,638</u>	<u>373,970</u>
Expenditures			
Common equipment pool	1,274,280	1,296,946	1,180,436
General and administration	251,000	384,736	164,367
Waste management	166,940	109,445	-
Parks and recreation	216,366	230,550	-
Water supply and distribution	100,000	182,636	165,206
Wastewater treatment and disposal	100,000	77,167	56,143
Economic and agricultural development	54,871	69,686	243,181
Firefighting services	47,916	42,916	43,355
Policing	-	14,870	-
Subdivision and land development	-	-	305,000
	<u>2,211,373</u>	<u>2,408,952</u>	<u>2,157,688</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>(1,953,573)</u>	<u>(2,018,314)</u>	<u>(1,783,718)</u>
Net Interfund Transfers			
Net transfers from (to) reserve fund	666,683	(944,906)	556,248
Net transfers from operating fund	<u>1,720,902</u>	<u>2,800,709</u>	<u>1,020,275</u>
	<u>2,387,585</u>	<u>1,855,803</u>	<u>1,576,523</u>
Change in Capital Fund Balance	434,012	(162,511)	(207,195)
Capital Fund, Beginning of Year	<u>162,511</u>	<u>162,511</u>	<u>369,706</u>
Capital Fund, End of Year	<u>\$ 596,523</u>	<u>\$ -</u>	<u>\$ 162,511</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, 2006**

	<u>2006</u>	<u>2005</u>
Balance, Beginning of Year	\$ <u>3,319,198</u>	\$ <u>2,592,811</u>
Add (Deduct)		
Transfer to capital fund	944,906	(556,248)
Transfer from operating surplus	1,495,329	445,013
Transfer from operations	<u>620,533</u>	<u>837,622</u>
Change in Reserve Fund Balance	<u>3,060,768</u>	<u>726,387</u>
Balance, End of Year (Note 9)	\$ <u>6,379,966</u>	\$ <u>3,319,198</u>

See accompanying notes to consolidated financial statements.

**BRAZEAU COUNTY**  
**SCHEDULE OF EQUITY IN PHYSICAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**SCHEDULE 4**

	<u>2006</u>	<u>2005</u>
Capital Assets Acquired During the Year (Schedule 2)	\$ 2,408,952	\$ 2,157,688
Disposal of Capital Assets (Cost)	(341,652)	(621,461)
Change in Inventory for Consumption	1,079,029	191,466
Capital Financing		
Capital debt repayment (Schedule 1)	<u>40,676</u>	<u>38,238</u>
Change in Equity in Physical Assets	3,187,005	1,765,931
Equity in Physical Assets, Beginning of Year	<u>18,497,924</u>	<u>16,731,993</u>
Equity in Physical Assets, End of Year	<u>\$ 21,684,929</u>	<u>\$ 18,497,924</u>

Equity in Physical Assets is Comprised of the Following:

Capital assets	\$ 19,526,921	\$ 17,459,620
Inventory for consumption	2,277,011	1,197,982
Long-term capital debt	<u>(119,003)</u>	<u>(159,678)</u>
	<u>\$ 21,684,929</u>	<u>\$ 18,497,924</u>

See accompanying notes to consolidated financial statements.

**BRAZEAU COUNTY**

**SCHEDULE 5**

**SCHEDULE OF PROPERTY TAXES LEVIED**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u> (Budget) (Note 19)	<u>2006</u> (Actual)	<u>2005</u> (Actual)
Taxation			
Real property taxes	\$ 7,050,383	\$ 7,032,223	\$ 5,916,709
Linear property taxes	16,025,069	16,037,299	14,962,345
Government grants in lieu of property taxes	<u>9,395</u>	<u>9,103</u>	<u>12,506</u>
	<u>23,084,847</u>	<u>23,078,625</u>	<u>20,891,560</u>
Requisitions			
Alberta School Foundation Fund	(7,959,824)	(7,958,270)	(8,025,199)
Brazeau Seniors Foundation	<u>(183,481)</u>	<u>(183,481)</u>	<u>(173,605)</u>
	<u>(8,143,305)</u>	<u>(8,141,751)</u>	<u>(8,198,804)</u>
Net Municipal Property Tax	<u>\$14,941,542</u>	<u>\$14,936,874</u>	<u>\$12,692,756</u>

See accompanying notes to consolidated financial statements.

**BRAZEAU COUNTY****SCHEDULE 6****SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT****FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u> (Budget) (Note 19)	<u>2006</u> (Actual)	<u>2005</u> (Actual)
Contracted and general services	\$ 9,501,618	\$ 5,591,615	\$ 5,870,066
Salaries, wages and benefits	3,474,947	3,424,289	3,037,814
Capital assets acquired	2,211,373	2,408,952	2,157,688
Materials, goods and utilities	1,981,044	2,323,192	1,581,958
Transfers to other governments	1,663,240	2,179,074	1,677,349
Transfers to local boards and agencies	373,506	354,072	298,029
Transfers to individuals and organizations	169,171	169,003	143,171
Provision for allowances	-	29,361	42,743
Interest on long-term debt	18,562	18,562	23,378
Bank charges	<u>100</u>	<u>625</u>	<u>236</u>
	<u>\$ 19,393,561</u>	<u>\$ 16,498,745</u>	<u>\$ 14,832,432</u>

See accompanying notes to consolidated financial statements.

**BRAZEAU COUNTY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2006**

**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, 2006**

**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) Operating Fund**

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

**(k) 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.

**(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.

**BRAZEAU COUNTY**

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

**DECEMBER 31, 2006**

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

(m) 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 2006 was \$3,886 (2005 - \$2,450).

(n) 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>2006</u>	<u>2005</u>
Cash	\$ 2,035,901	\$ 6,261,457
Cash equivalents	<u>6,000,000</u>	<u>-</u>
	<u>\$ 8,035,901</u>	<u>\$ 6,261,457</u>

Cash equivalents consist of a term deposit bearing interest at 4.4% maturing January 26, 2007.

**3. ACCOUNTS RECEIVABLE**

	<u>2006</u>	<u>2005</u>
Receivable from other governments (Note 17)	\$ 2,107,052	\$ 430,882
Taxes and grants in lieu	460,097	471,954
Trade and other	<u>122,643</u>	<u>774,792</u>
	2,689,792	1,677,628
Less: Allowance for doubtful taxes	<u>(247,223)</u>	<u>(220,836)</u>
	<u>\$ 2,442,569</u>	<u>\$ 1,456,792</u>

**BRAZEAU COUNTY**

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

**DECEMBER 31, 2006**

**4. DEBT CHARGES RECOVERABLE**

	<u>2006</u>	<u>2005</u>
Current debt charges recoverable	\$ 44,671	\$ 42,204
Non-current debt charges recoverable	<u>56,969</u>	<u>101,640</u>
	<u>\$ 101,640</u>	<u>\$ 143,844</u>

Principal and interest payments are receivable as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 101,640</u>	<u>\$ 9,956</u>	<u>\$ 111,596</u>

The County previously undertook 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 Town of Drayton Valley (formerly 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 the Town of Drayton Valley (formerly the Aspen Waste Management Authority). The amount is recoverable in annual payments of \$40,361 including interest and matures December 15, 2008.

**5. PHYSICAL ASSETS**

	<u>2006</u>	<u>2005</u>
Capital Assets		
Machinery and equipment	\$ 7,823,154	\$ 6,469,115
Engineering structures	7,419,529	6,819,731
Buildings	1,953,060	1,949,085
Vehicles	1,426,470	1,316,981
Land	<u>904,708</u>	<u>904,708</u>
	19,526,921	17,459,620
Inventory for Consumption		
Gravel	2,072,007	1,013,823
Other	<u>205,004</u>	<u>184,159</u>
	<u>2,277,011</u>	<u>1,197,982</u>
	<u>\$ 21,803,932</u>	<u>\$ 18,657,602</u>



**BRAZEAU COUNTY**

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

**DECEMBER 31, 2006**

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2006</u>	<u>2005</u>
Trade and other accounts payable (Note 17)	\$ 1,968,964	\$ 2,026,802
Accrued vacation pay	148,768	116,267
Post employment benefits (Note 1 (m))	<u>35,779</u>	<u>31,894</u>
	<u>\$ 2,153,511</u>	<u>\$ 2,174,963</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>2006</u>	<u>2005</u>
Provincial government conditional transfers	\$ 1,224,539	\$ 1,479,218
Prepaid local improvements	<u>12,245</u>	<u>14,683</u>
	<u>\$ 1,236,784</u>	<u>\$ 1,493,901</u>

**8. LONG-TERM DEBT**

	<u>2006</u>	<u>2005</u>
Supported by general tax levies	\$ 129,754	\$ 192,383
Supported by special levies	<u>90,889</u>	<u>111,140</u>
	<u>\$ 220,643</u>	<u>\$ 303,523</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2011	10,496	3,573	14,069
Thereafter	<u>46,157</u>	<u>19,007</u>	<u>65,164</u>
	<u>\$ 220,643</u>	<u>\$ 56,192</u>	<u>\$ 276,835</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 2007 through 2023.

Interest on long-term debt amounted to \$18,562 (2005 - \$23,378).

The County's total cash payments for interest in 2006 were \$19,209 (2005 - \$23,977).

**BRAZEAU COUNTY**

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

**DECEMBER 31, 2006**

**9. RESERVES**

	<u>2006</u>	<u>2005</u>
Operating Reserves		
General operating	\$ 2,037,522	\$ 542,194
Resource road reserve	1,159,836	703,604
Overlay	400,000	-
Rural recreation initiative	48,476	54,176
Breton Library	-	200,000
Breton Centra-plex	-	<u>30,000</u>
	<u>3,645,834</u>	<u>1,529,974</u>
Capital Reserves		
Equipment replacement	912,952	975,211
Administration building construction	717,828	-
Fire equipment	516,348	509,264
Breton fire station	375,000	275,000
Cash in lieu of parks	112,004	29,749
Administration building renovations	<u>100,000</u>	<u>-</u>
	<u>2,734,132</u>	<u>1,789,224</u>
	<u>\$ 6,379,966</u>	<u>\$ 3,319,198</u>

**10. 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.

**11. CONTINGENCIES**

(a) Guarantee

The County has provided its financial institution with a continuing guarantee in the amount of \$130,795 in favour of the Pembina Education Society.

(b) Insurance Exchange

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, 2006**

**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, 2006, \$7,546 (2005 - \$7,261) 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.

**13. 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, 2006 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.

**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>2006 Benefits and Allowances</u>	<u>Total</u>	<u>2005 Total</u>
<b>Reeve and Councillors</b>				
W. Tweedle	\$ 32,500	\$ 55	\$ 32,555	\$ 36,127
B. Kitching	23,785	4,532	28,317	30,930
A. Heinrich	19,970	2,345	22,315	27,416
D. Walton	16,360	3,582	19,942	26,220
T. Mitchell	16,370	406	16,776	23,852
G. Mastre	15,055	360	15,415	20,306
D. Ellis	<u>4,540</u>	<u>1,724</u>	<u>6,264</u>	<u>31,796</u>
	<u>\$ 128,580</u>	<u>\$ 13,004</u>	<u>\$ 141,584</u>	<u>\$ 196,647</u>
<b>County Manager</b>	<u>\$ 98,006</u>	<u>\$ 2,400</u>	<u>\$ 100,406</u>	<u>\$ 94,628</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, 2006

**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 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 7.75% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 10.64% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 6.75% of pensionable earnings up to the year's maximum pensionable earnings and 9.64% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2006 were \$74,823 (2005 - \$60,071). Total current service contributions by the employees of the County to the LAPP in 2006 were \$65,514 (2005 - \$52,115).

At December 31, 2005, the Plan disclosed an actuarial deficit of \$864 million (2004 - \$1.3 billion).

**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>2006</u>	<u>2005</u>
Total debt limit	\$ 29,015,652	\$ 23,216,564
Total debt	<u>220,643</u>	<u>303,523</u>
Amount of debt limit unused	<u>\$ 28,795,009</u>	<u>\$ 22,913,041</u>
Service on debt limit	\$ 4,835,942	\$ 3,869,427
Service on debt	<u>94,451</u>	<u>102,089</u>
Amount of debt servicing limit unused	<u>\$ 4,741,491</u>	<u>\$ 3,767,338</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, 2006**

**17. REALIGNMENT OF ASPEN WASTE MANAGEMENT AUTHORITY**

Prior to January 1, 2006, the Town of Drayton Valley ("the Town") and the County were joint owners of the Aspen Waste Management Authority ("the Authority"). Effective December 31, 2005, the Town and the County discontinued joint activities and separated their respective interests with respect to the operation of the Authority.

Under the terms of the Realignment Agreement, the County is obligated to pay the Town \$116,367 in requisitions, its share of the accumulated operating deficit of \$235,763, and its share of the landfill closure and post-closure liability in the amount of \$931,642. Accounts payable and accrued liabilities include \$1,283,772 and waste management expenses include \$881,485 arising from this transaction.

The Town is obligated to pay the County for the County's share of its interest in the physical assets of the Authority in the amount of \$545,423 which is included in accounts receivable and sales to other governments.

**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.