

BRAZEAU COUNTY

DRAYTON VALLEY, ALBERTA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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, 2007, 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, 2007 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 22, 2008

HAWKINGS EPP DUMONT LLP
Chartered Accountants

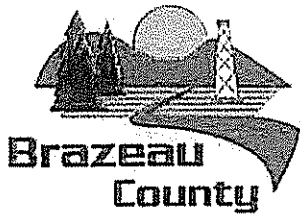
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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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 the responsibility of management, prepared 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

**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

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

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Ken Porter, FCA
County Manager

Deb Welsh
Director of Finance

BRAZEAU COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 12,353,631	\$ 8,035,901
Accounts receivable (Note 3)	3,471,531	2,442,569
Prepaid expenses	94,179	96,597
Debt charges recoverable (Note 4)	<u>56,969</u>	<u>101,640</u>
	15,976,310	10,676,707
Physical Assets		
Inventory for consumption (Note 5)	1,937,470	2,277,011
Capital assets (Note 6)	<u>30,044,488</u>	<u>19,526,921</u>
	<u>31,981,958</u>	<u>21,803,932</u>
	<u>\$ 47,958,268</u>	<u>\$ 32,480,639</u>

LIABILITIES AND MUNICIPAL EQUITY

Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 893,740	\$ 2,153,511
Deposit liabilities	118,042	61,143
Deferred revenue (Note 8)	2,586,266	1,236,784
Long-term debt (Note 9)	<u>1,626,334</u>	<u>220,643</u>
	<u>5,224,382</u>	<u>3,672,081</u>

Contingencies (Note 12)

MUNICIPAL EQUITY

Fund Balances		
Operating fund (Schedule 1)	250,000	743,663
Reserves (Schedule 3) (Note 10)	<u>12,071,293</u>	<u>6,379,966</u>
	12,321,293	7,123,629
Equity in Physical Assets (Schedule 4)	<u>30,412,593</u>	<u>21,684,929</u>
Total Municipal Equity	<u>42,733,886</u>	<u>28,808,558</u>
	<u>\$ 47,958,268</u>	<u>\$ 32,480,639</u>

ON BEHALF OF THE COUNTY COUNCIL:

BRAZEAU COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
Revenue		
Net municipal property taxes (Schedule 5)	\$ 18,678,380	\$ 14,936,874
Provincial and federal government grants	5,755,520	2,589,986
Return on investments	626,993	409,453
Sales of goods and services	341,055	222,644
Licenses and permits	275,666	326,216
Proceeds on disposition of capital assets	231,648	150,209
Rentals	108,750	102,861
Cash in lieu of parks	77,332	32,253
Fines	66,909	65,401
Penalties on taxes	64,157	64,744
Local improvements	37,811	45,377
Sales to other governments	35,715	565,309
Local government transfers	18,677	21,294
Other	40,922	13,333
Insurance proceeds	<u>88</u>	<u>1,940</u>
	<u>26,359,623</u>	<u>19,547,894</u>
Expenditures		
Roads, streets, walks and lighting	10,282,034	6,664,173
Common equipment pool	2,990,676	2,641,821
General and administration	2,647,957	1,735,514
Wastewater treatment and disposal	1,682,708	189,368
Parks and recreation	858,096	972,779
Economic and agricultural development	843,795	556,091
Waste management	829,131	1,424,943
Culture - libraries	653,841	427,906
Firefighting services	522,444	359,445
Land use planning, zoning and development	400,975	277,111
Ambulance and first aid	246,279	168,613
Family and community support services	208,783	203,378
Council	145,976	146,931
Policing	175,418	120,418
Water supply and distribution	106,182	348,630
Bylaw enforcement	10,258	11,167
Disaster and emergency measures	1,937	33,261
Cemeteries	5,831	1,641
Other	<u>-</u>	<u>215,555</u>
	<u>22,612,321</u>	<u>16,498,745</u>
Excess of Revenue over Expenditures	3,747,302	3,049,149
New capital debt issued	1,486,000	-
Capital Debt Repayments	<u>(35,638)</u>	<u>(40,677)</u>
Change in Fund Balances	5,197,664	3,008,472
Fund Balances, Beginning of Year	<u>7,123,629</u>	<u>4,115,157</u>
Fund Balances, End of Year	<u>\$ 12,321,293</u>	<u>\$ 7,123,629</u>

See accompanying notes to consolidated financial statements.

BRAZEAU COUNTY

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
Cash Provided by (Used in)		
Operating Activities		
Excess of revenue over expenditures	\$ 3,747,302	\$ 3,049,149
Change in non-cash working capital balances		
Accounts receivable	(1,028,962)	(985,777)
Prepaid expenses	2,418	1,265
Accounts payable and accrued liabilities	(1,259,771)	(21,452)
Deferred revenue	1,349,480	(257,120)
Deposit liabilities	<u>56,899</u>	<u>29,053</u>
	<u>2,867,366</u>	<u>1,815,118</u>
Investing Activities		
Debt charges received	<u>44,673</u>	<u>42,206</u>
Financing Activities		
Debt issued	1,486,000	-
Debenture principal repaid	<u>(80,309)</u>	<u>(82,880)</u>
Increase in Cash and Cash Equivalents During the Year	4,317,730	1,774,444
Cash and Cash Equivalents, Beginning of Year	<u>8,035,901</u>	<u>6,261,457</u>
Cash and Cash Equivalents, End of Year	<u>\$ 12,353,631</u>	<u>\$ 8,035,901</u>

BRAZEAU COUNTY

SCHEDULE 1

SCHEDULE OF OPERATING FUND ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u> (Budget) (Note 18)	<u>2007</u> (Actual)	<u>2006</u> (Actual)
Revenue			
Net municipal property taxes (Schedule 5)	\$ 18,676,625	\$ 18,678,380	\$ 14,936,874
Provincial, federal and local government grants	1,042,696	1,277,858	2,392,386
Return on investments	408,258	626,993	398,877
Sales of goods and services	242,401	341,055	222,644
Licenses and permits	218,000	275,666	326,216
Rentals	88,594	108,750	102,861
Fines	55,800	66,909	65,401
Penalties on taxes	65,700	64,157	64,744
Local improvements	42,939	37,811	45,377
Sales to other governments	13,000	35,715	565,309
Local government transfers	16,631	18,677	21,294
Other	-	720	13,333
Insurance proceeds	1,000	88	1,940
	<u>20,871,644</u>	<u>21,532,779</u>	<u>19,157,256</u>
Expenditures			
Roads, streets, walks and lighting	4,586,356	4,310,539	6,664,173
Common equipment pool	1,306,440	1,510,037	1,344,875
General and administration	1,439,663	1,477,325	1,350,778
Economic and agricultural development	769,345	819,865	486,405
Culture - libraries	730,884	653,841	427,906
Parks and recreation	601,310	621,666	742,229
Waste management	447,558	462,119	1,315,498
Firefighting services	575,298	425,596	316,529
Land use planning, zoning and development	559,786	400,975	277,111
Ambulance and first aid	246,279	246,279	168,613
Family and community support services	209,480	208,783	203,378
Council	196,101	145,976	146,931
Policing	158,076	134,122	105,548
Water supply and distribution	92,055	100,428	165,994
Wastewater treatment and disposal	166,152	88,438	112,201
Bylaw enforcement	15,000	10,258	11,167
Cemeteries	5,500	5,831	1,641
Disaster and emergency measures	5,310	1,937	33,261
Other	-	-	215,555
	<u>12,110,593</u>	<u>11,624,015</u>	<u>14,089,793</u>
Excess of Revenue over Expenditures	<u>8,761,051</u>	<u>9,908,764</u>	<u>5,067,463</u>
Net Interfund Transfers			
Capital debt repayments	(9,071)	(35,638)	(40,676)
Transfer from (to) reserve fund	(1,003,095)	11,556	(620,533)
Transfer from (to) capital fund	<u>(7,748,885)</u>	<u>(7,970,614)</u>	<u>(2,800,709)</u>
	<u>(8,761,051)</u>	<u>(7,994,696)</u>	<u>(3,461,918)</u>
Change in Operating Fund Balance	-	1,914,068	1,605,545
Operating Fund, Beginning of Year	-	743,663	633,447
Transfer from (to) Reserve Fund	-	<u>(2,407,731)</u>	<u>(1,495,329)</u>
Operating Fund, End of Year	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 743,663</u>

See accompanying notes to consolidated financial statements.

BRAZEAU COUNTY

SCHEDULE 2

SCHEDULE OF CAPITAL FUND ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u> (Budget) (Note 18)	<u>2007</u> (Actual)	<u>2006</u> (Actual)
Revenue			
Provincial and federal grants	\$ 6,091,258	\$ 4,477,662	\$ 197,600
Proceeds on disposition of capital assets	239,750	231,648	150,209
Cash in lieu of parks	31,367	77,332	32,253
Other	-	40,202	-
Return on investments	<u>-</u>	<u>-</u>	<u>10,576</u>
	<u>6,362,375</u>	<u>4,826,844</u>	<u>390,638</u>
Expenditures			
Roads, streets, walks and lighting	9,478,607	5,971,495	-
Wastewater treatment and disposal	1,736,848	1,594,270	77,167
Common equipment pool	1,414,098	1,480,639	1,296,946
General and administration	249,917	1,170,632	384,736
Waste management	451,879	367,012	109,445
Parks and recreation	648,611	236,430	230,550
Firefighting services	1,190,034	96,848	42,916
Policing	50,000	41,296	14,870
Economic and agricultural development	26,830	23,930	69,686
Water supply and distribution	<u>5,800</u>	<u>5,754</u>	<u>182,636</u>
	<u>15,252,624</u>	<u>10,988,306</u>	<u>2,408,952</u>
Excess (Deficiency) of Revenue over Expenditures	<u>(8,890,249)</u>	<u>(6,161,462)</u>	<u>(2,018,314)</u>
Net Interfund Transfers			
Net transfers from (to) reserve fund	(1,658,636)	(3,295,152)	(944,906)
Net transfers from operating fund	7,748,885	7,970,614	2,800,709
New debt issued	<u>2,800,000</u>	<u>1,486,000</u>	<u>-</u>
	<u>8,890,249</u>	<u>6,161,462</u>	<u>1,855,803</u>
Change in Capital Fund Balance	-	-	(162,511)
Capital Fund, Beginning of Year	<u>-</u>	<u>-</u>	<u>162,511</u>
Capital Fund, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BRAZEAU COUNTY

SCHEDULE 3

SCHEDULE OF CHANGE IN RESERVE FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
Balance, Beginning of Year	\$ <u>6,379,966</u>	\$ <u>3,319,198</u>
Add (Deduct)		
Transfer to capital fund	3,295,152	944,906
Transfer from operating surplus	2,407,731	1,495,329
Transfer from operations	<u>(11,556)</u>	<u>620,533</u>
Change in Reserve Fund Balance	<u>5,691,327</u>	<u>3,060,768</u>
Balance, End of Year (Note 10)	<u>\$12,071,293</u>	<u>\$ 6,379,966</u>

BRAZEAU COUNTY
SCHEDULE OF EQUITY IN PHYSICAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 4

	<u>2007</u>	<u>2006</u>
Capital Assets Acquired During the Year (Schedule 2)	\$ 10,988,306	\$ 2,408,952
Original Costs of Capital Assets Disposed	(470,739)	(341,652)
Change in Inventory for Consumption	(339,541)	1,079,029
Capital Financing		
Capital debt issued (Schedule 2)	(1,486,000)	-
Capital debt repayment (Schedule 1)	<u>35,638</u>	<u>40,676</u>
Change in Equity in Physical Assets	8,727,664	3,187,005
Equity in Physical Assets, Beginning of Year	<u>21,684,929</u>	<u>18,497,924</u>
Equity in Physical Assets, End of Year	<u>\$ 30,412,593</u>	<u>\$ 21,684,929</u>

Equity in Physical Assets is Comprised of the Following:

Capital assets	\$ 30,044,488	\$ 19,526,921
Inventory for consumption	1,937,470	2,277,011
Long-term capital debt	<u>(1,569,365)</u>	<u>(119,003)</u>
	<u>\$ 30,412,593</u>	<u>\$ 21,684,929</u>

BRAZEAU COUNTY

SCHEDULE 5

SCHEDULE OF PROPERTY TAXES LEVIED

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u> (Budget) (Note 18)	<u>2007</u> (Actual)	<u>2006</u> (Actual)
Taxation			
Real property taxes	\$ 8,534,585	\$ 8,533,252	\$ 7,032,223
Linear property taxes	18,629,813	18,626,415	16,037,299
Government grants in lieu of property taxes	<u>9,122</u>	<u>9,122</u>	<u>9,103</u>
	<u>27,173,520</u>	<u>27,168,789</u>	<u>23,078,625</u>
Requisitions			
Alberta School Foundation Fund	(8,302,821)	(8,296,335)	(7,958,270)
Brazeau Seniors Foundation	<u>(194,074)</u>	<u>(194,074)</u>	<u>(183,481)</u>
	<u>(8,496,895)</u>	<u>(8,490,409)</u>	<u>(8,141,751)</u>
Net Municipal Property Tax	<u>\$18,676,625</u>	<u>\$18,678,380</u>	<u>\$14,936,874</u>

BRAZEAU COUNTY

SCHEDULE 6

SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2007</u> (Budget) (Note 18)	<u>2007</u> (Actual)	<u>2006</u> (Actual)
Capital assets acquired	\$ 15,252,624	\$ 10,988,306	\$ 2,408,952
Salaries, wages and benefits	4,011,365	3,982,269	3,424,289
Contracted and general services	3,672,375	3,318,080	5,575,103
Materials, goods and utilities	1,974,268	2,064,331	2,340,211
Transfers to other governments	1,411,757	1,402,033	2,179,074
Transfers to local boards and agencies	513,234	459,585	354,072
Transfers to individuals and organizations	485,864	369,561	168,496
Interest on long-term debt	40,076	13,508	18,562
Provision for allowances	1,554	12,983	29,361
Bank charges	<u>100</u>	<u>1,665</u>	<u>625</u>
	<u>\$ 27,363,217</u>	<u>\$ 22,612,321</u>	<u>\$ 16,498,745</u>

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007

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, 2007

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Capital Assets

Capital assets are reported as expenditures in the period they are acquired.

Capital assets are recorded at cost except for donated assets, which are recorded at estimated fair value.

Government contributions for the acquisition of capital assets are recorded as capital revenue and do not reduce the related property and equipment costs.

Capital assets are currently not amortized. Amortization is expected to be presented in the financial statements in the 2009 fiscal year.

(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, 2007

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 2007 was \$135 (2006 - \$3,886).

(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>2007</u>	<u>2006</u>
Cash	\$ 609,234	\$ 2,035,901
Cash equivalents	<u>11,744,397</u>	<u>6,000,000</u>
	<u>\$12,353,631</u>	<u>\$ 8,035,901</u>

Cash equivalents consist of two term deposits bearing interest at 4.73% and 4.78% maturing March, 2008 and a discount note bearing interest at 5.25% maturing January 2008.

3. ACCOUNTS RECEIVABLE

	<u>2007</u>	<u>2006</u>
Receivable from other governments	\$ 3,098,226	\$ 2,107,052
Taxes and grants in lieu	264,813	460,097
Trade and other	<u>108,492</u>	<u>122,643</u>
	3,471,531	2,689,792
Less: Allowance for doubtful taxes	<u>-</u>	<u>(247,223)</u>
	<u>\$ 3,471,531</u>	<u>\$ 2,442,569</u>

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2007

4. DEBT CHARGES RECOVERABLE

	<u>2007</u>	<u>2006</u>
Current debt charges recoverable	\$ 47,283	\$ 44,671
Non-current debt charges recoverable	<u>9,686</u>	<u>56,969</u>
	<u>\$ 56,969</u>	<u>\$ 101,640</u>

Principal and interest payments are receivable as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 47,283	\$ 3,370	\$ 50,653
2009	<u>9,686</u>	<u>605</u>	<u>10,291</u>
	<u>\$ 56,969</u>	<u>\$ 3,975</u>	<u>\$ 60,944</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 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. INVENTORY FOR CONSUMPTION

	<u>2007</u>	<u>2006</u>
Gravel	\$ 1,724,359	\$ 2,072,007
Parts, chemicals, and other	<u>213,111</u>	<u>205,004</u>
	<u>\$ 1,937,470</u>	<u>\$ 2,277,011</u>

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2007

6. CAPITAL ASSETS

	Cost Beginning of <u>Year</u>	<u>Additions</u>	<u>Disposals</u>	Cost End of <u>Year</u>
Engineering Structures				
Roadways	\$ -	\$ 5,971,495	\$ -	\$ 5,971,495
Wastewater systems	3,636,184	1,594,269	-	5,230,453
Water systems	3,137,712	22,193	-	3,159,905
Parks and transfer stations	<u>645,633</u>	<u>488,874</u>	-	<u>1,134,507</u>
	7,419,529	8,076,831	-	15,496,360
Machinery and equipment	7,823,154	1,134,080	(380,168)	8,577,066
Vehicles	1,426,470	799,142	(90,571)	2,135,041
Buildings	1,953,060	77,698	-	2,030,758
Land	<u>904,708</u>	<u>900,555</u>	-	<u>1,805,263</u>
	<u>\$ 19,526,921</u>	<u>\$ 10,988,306</u>	<u>\$ (470,739)</u>	<u>\$ 30,044,488</u>

(a) Public Sector Guideline 7 (PSG-7)

Effective January 1, 2007, the County adopted PSG-7 of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until *Section 3150 - Tangible Capital Assets* of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

As of December 31, 2007, the County has a listing of capital assets including their original cost and year of acquisition for most of its capital assets. The County recently undertook a road study which provides details on the number and types of roads in the County. The County has also identified and mapped out its water and sewer lines. The County anticipates applying costing methods to these classes of capital assets when these become available. It is expected the County will be applying the new tangible capital asset recommendations contained in *Section 3150* effective January 1, 2009.

(b) Change in Accounting Policy

Effective January 1, 2007, the County changed its accounting policy and commenced capitalizing capital costs related to roadways. Previously the County accounted for these costs as operating fund expenditures. This change in accounting policy has been applied prospectively. The County anticipates adjusting for all capital roadway expenditures incurred prior to the 2007 fiscal year-end in its 2009 financial statements.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2007</u>	<u>2006</u>
Trade and other accounts payable	\$ 679,349	\$ 1,968,964
Accrued vacation pay	178,477	148,768
Post employment benefits (Note 1 (m))	<u>35,914</u>	<u>35,779</u>
	<u>\$ 893,740</u>	<u>\$ 2,153,511</u>

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2007

8. 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>2007</u>	<u>2006</u>
Provincial government conditional transfers	\$ 2,576,251	\$ 1,224,539
Prepaid local improvements	<u>10,015</u>	<u>12,245</u>
	<u>\$ 2,586,266</u>	<u>\$ 1,236,784</u>

9. LONG-TERM DEBT

	<u>2007</u>	<u>2006</u>
Supported by general tax levies	\$ 1,542,970	\$ 129,754
Supported by special levies	<u>83,364</u>	<u>90,889</u>
	<u>\$ 1,626,334</u>	<u>\$ 220,643</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 327,505	\$ 71,334	\$ 398,839
2009	302,648	55,829	358,477
2010	306,299	41,887	348,186
2011	320,261	27,925	348,186
2012	326,240	13,305	339,545
Thereafter	<u>43,381</u>	<u>16,352</u>	<u>59,733</u>
	<u>\$ 1,626,334</u>	<u>\$ 226,632</u>	<u>\$ 1,852,966</u>

Debenture debt is repayable to Alberta Capital Financing Authority and bears interest at rates ranging from 4.375% to 9.750% per annum and matures in years 2007 through 2023.

Interest on long-term debt amounted to \$13,508 (2006 - \$18,562).

The County's total cash payments for interest in 2007 were \$14,142 (2006 - \$19,209).

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2007

10. RESERVES

	<u>2007</u>	<u>2006</u>
Operating Reserves		
General operating	\$ 3,000,000	\$ 2,037,523
Resource road reserve	1,612,860	1,159,837
Overlay	800,000	400,000
Rural recreation initiative	<u>36,920</u>	<u>48,476</u>
	<u>5,449,780</u>	<u>3,645,836</u>
Capital Reserves		
Administration building construction	2,463,080	717,828
Roads	2,000,000	-
Equipment replacement	985,850	912,952
Breton fire station	475,000	375,000
Fire equipment	469,500	516,348
Cash in lieu of parks	112,900	112,002
Utilities	70,683	-
Administration building renovations	<u>44,500</u>	<u>100,000</u>
	<u>6,621,513</u>	<u>2,734,130</u>
	<u>\$12,071,293</u>	<u>\$ 6,379,966</u>

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. CONTINGENCIES

(a) Guarantee

The County has provided its financial institution with a continuing guarantee in the amount of \$119,056 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, 2007

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, 2007, \$4,128 (2006 - \$7,546) 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, 2007 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>2007 Benefits and Allowances</u>	<u>Total</u>	<u>2006 Total</u>
Reeve and Councillors				
W. Tweedle (Reeve)	\$ 34,650	\$ 8,405	\$ 43,055	\$ 32,555
B. Kitching	25,130	8,736	33,866	28,317
A. Heinrich	20,050	4,138	24,188	22,315
G. Mastre	13,760	1,217	14,977	15,415
T. Mitchell	10,575	970	11,545	16,776
D. Konelsky	6,500	1,083	7,583	-
M. Schwab	5,820	1,530	7,350	-
P. Monteith	5,175	1,394	6,569	-
P. Vos	3,680	75	3,755	-
D. Walton	-	-	-	19,942
D. Ellis	-	-	-	6,264
	<u>\$ 125,340</u>	<u>\$ 27,548</u>	<u>\$ 152,888</u>	<u>\$ 141,584</u>
County Manager	<u>\$ 103,697</u>	<u>\$ 2,400</u>	<u>\$ 106,097</u>	<u>\$ 100,406</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, 2007

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 7.75% 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 2007 were \$80,995 (2006 - \$74,823). Total current service contributions by the employees of the County to the LAPP in 2007 were \$70,910 (2006 - \$65,514).

At December 31, 2006, the Plan disclosed an actuarial deficit of \$746.7 million (2005 - \$863.6 million).

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>2007</u>	<u>2006</u>
Total debt limit	\$ 32,822,942	\$ 29,025,441
Total debt	<u>1,626,334</u>	<u>220,643</u>
Amount of debt limit unused	<u>\$ 31,196,608</u>	<u>\$ 28,804,798</u>
Service on debt limit	\$ 5,470,490	\$ 4,837,574
Service on debt	<u>398,839</u>	<u>102,089</u>
Amount of debt servicing limit unused	<u>\$ 5,071,651</u>	<u>\$ 4,735,485</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, 2007

18. BUDGET FIGURES

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

19. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.