

BRAZEAU COUNTY

DRAYTON VALLEY, ALBERTA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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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, 2008, 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, 2008 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 20, 2009

HAWKINGS EPP DUMONT LLP
Chartered Accountants



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 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

BRAZEAU COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 16,268,674	\$ 12,353,631
Accounts receivable (Note 3)	4,089,940	3,471,531
Prepaid expenses	121,323	94,179
Debt charges recoverable (Note 4)	<u>9,686</u>	<u>56,969</u>
	20,489,623	15,976,310
Physical Assets		
Inventory for consumption (Note 5)	2,064,139	1,937,470
Capital assets (Note 6)	<u>42,887,493</u>	<u>30,044,488</u>
	<u>44,951,632</u>	<u>31,981,958</u>
	<u>\$ 65,441,255</u>	<u>\$ 47,958,268</u>

LIABILITIES AND MUNICIPAL EQUITY

Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 2,832,646	\$ 893,740
Deposit liabilities	89,126	118,042
Deferred revenue (Note 8)	1,741,762	2,586,266
Long-term debt (Note 9)	<u>3,290,394</u>	<u>1,626,334</u>
	<u>7,953,928</u>	<u>5,224,382</u>

Contingencies (Note 12)

MUNICIPAL EQUITY

Fund Balances		
Operating fund (Schedule 1)	250,000	250,000
Reserves (Schedule 3) (Note 10)	<u>15,566,403</u>	<u>12,071,293</u>
	15,816,403	12,321,293
Equity in Physical Assets (Schedule 4)	<u>41,670,924</u>	<u>30,412,593</u>
Total Municipal Equity	<u>57,487,327</u>	<u>42,733,886</u>
	<u>\$ 65,441,255</u>	<u>\$ 47,958,268</u>

ON BEHALF OF THE COUNTY COUNCIL:

BRAZEAU COUNTY

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
Revenue		
Net municipal property taxes (Schedule 5)	\$ 20,379,861	\$ 18,678,380
Provincial and federal government grants (Schedule 6)	7,300,862	5,755,520
Interest	670,117	626,993
Proceeds on disposition of capital assets	497,810	231,648
Sales of goods and services (Schedule 6)	290,068	341,055
Licenses and permits	196,054	275,666
Cash in lieu of parks	116,531	77,332
Rentals	88,440	108,750
Fines	57,576	66,909
Penalties on taxes	55,111	64,157
Local improvements	45,595	37,811
Sales to other governments	19,984	35,715
Local government transfers	14,089	18,677
Other	13,693	40,922
Insurance proceeds	<u>-</u>	<u>88</u>
	<u>29,745,791</u>	<u>26,359,623</u>
Expenditures		
Roads, streets, walks and lighting	16,024,531	10,282,034
Common equipment pool	3,686,571	2,990,676
General and administration	2,172,399	2,647,957
Firefighting services	1,261,877	522,444
Parks and recreation	949,691	858,096
Economic and agricultural development	778,421	843,795
Land use planning, zoning and development	572,356	400,975
Culture - libraries	469,062	653,841
Wastewater treatment and disposal	444,811	1,682,708
Waste management	384,006	829,131
Water supply and distribution	266,715	106,182
Ambulance and first aid	244,686	246,279
Council	239,664	145,976
Policing	228,585	175,418
Family and community support services	225,063	208,783
Bylaw enforcement	10,324	10,258
Disaster and emergency measures	2,842	1,937
Cemeteries	<u>420</u>	<u>5,831</u>
	<u>27,962,024</u>	<u>22,612,321</u>
Excess of Revenue over Expenditures (Schedule 6)	1,783,767	3,747,302
New Capital Debt Issued	1,996,118	1,486,000
Capital Debt Repayments	<u>(284,775)</u>	<u>(35,638)</u>
Change in Fund Balances	3,495,110	5,197,664
Fund Balances, Beginning of Year	<u>12,321,293</u>	<u>7,123,629</u>
Fund Balances, End of Year	<u>\$ 15,816,403</u>	<u>\$ 12,321,293</u>

See accompanying notes to consolidated financial statements.

BRAZEAU COUNTY

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
Cash Provided by (Used in)		
Operating Activities		
Excess of revenue over expenditures	\$ 1,783,767	\$ 3,747,302
Change in non-cash working capital balances		
Accounts receivable	(618,409)	(1,028,962)
Prepaid expenses	(27,144)	2,418
Accounts payable and accrued liabilities	1,938,906	(1,259,771)
Deferred revenue	(844,504)	1,349,480
Deposit liabilities	<u>(28,916)</u>	<u>56,899</u>
	<u>2,203,700</u>	<u>2,867,366</u>
Investing Activities		
Debt charges received	<u>47,283</u>	<u>44,673</u>
Financing Activities		
Debt issued	1,996,118	1,486,000
Debenture principal repaid	<u>(332,058)</u>	<u>(80,309)</u>
Increase in Cash and Cash Equivalents During the Year	3,915,043	4,317,730
Cash and Cash Equivalents, Beginning of Year	<u>12,353,631</u>	<u>8,035,901</u>
Cash and Cash Equivalents, End of Year	<u>\$ 16,268,674</u>	<u>\$ 12,353,631</u>

BRAZEAU COUNTY

SCHEDULE 1

SCHEDULE OF OPERATING FUND ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2008</u> (Budget) (Note 19)	<u>2008</u> (Actual)	<u>2007</u> (Actual)
Revenue			
Net municipal property taxes (Schedule 5)	\$ 20,478,369	\$ 20,379,861	\$ 18,678,380
Provincial, federal and local government grants	1,503,868	1,190,196	1,277,858
Interest	458,258	670,117	626,993
Sales of goods and services	295,758	290,068	341,055
Licenses and permits	291,000	196,054	275,666
Rentals	84,847	88,440	108,750
Fines	101,500	57,576	66,909
Penalties on taxes	65,605	55,111	64,157
Local improvements	35,580	45,595	37,811
Sales to other governments	5,500	19,984	35,715
Local government transfers	15,370	14,089	18,677
Other	2,500	360	720
Insurance proceeds	1,000	-	88
	<u>23,339,155</u>	<u>23,007,451</u>	<u>21,532,779</u>
Expenditures			
Roads, streets, walks and lighting	5,192,940	5,286,854	4,310,539
General and administration	2,137,535	2,120,943	1,477,325
Common equipment pool	1,591,368	1,801,030	1,510,037
Parks and recreation	669,992	741,238	621,666
Economic and agricultural development	1,305,650	737,166	819,865
Land use planning, zoning and development	647,518	572,356	400,975
Firefighting services	725,927	486,785	425,596
Culture - libraries	567,737	469,062	653,841
Waste management	546,931	344,721	462,119
Ambulance and first aid	244,686	244,686	246,279
Council	246,225	239,664	145,976
Family and community support services	218,293	225,063	208,783
Wastewater treatment and disposal	308,326	190,413	88,438
Policing	230,374	178,508	134,122
Water supply and distribution	93,195	143,533	100,428
Bylaw enforcement	15,000	10,324	10,258
Disaster and emergency measures	2,860	2,842	1,937
Cemeteries	5,500	420	5,831
	<u>14,750,057</u>	<u>13,795,608</u>	<u>11,624,015</u>
Excess of Revenue over Expenditures	<u>8,589,098</u>	<u>9,211,843</u>	<u>9,908,764</u>
Net Interfund Transfers			
Capital debt repayments	(280,222)	(284,775)	(35,638)
Transfer from (to) reserve fund	910,086	133,444	11,556
Transfer from (to) capital fund	<u>(9,218,962)</u>	<u>(7,280,833)</u>	<u>(7,970,614)</u>
	<u>(8,589,098)</u>	<u>(7,432,164)</u>	<u>(7,994,696)</u>
Change in Operating Fund Balance	-	1,779,679	1,914,068
Operating Fund, Beginning of Year	-	250,000	743,663
Transfer from (to) Reserve Fund	<u>-</u>	<u>(1,779,679)</u>	<u>(2,407,731)</u>
Operating Fund, End of Year	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 250,000</u>

See accompanying notes to consolidated financial statements.

BRAZEAU COUNTY

SCHEDULE 2

SCHEDULE OF CAPITAL FUND ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2008</u> (Budget) (Note 19)	<u>2008</u> (Actual)	<u>2007</u> (Actual)
Revenue			
Provincial and federal grants	\$ 12,948,654	\$ 6,110,666	\$ 4,477,662
Proceeds on disposition of capital assets	449,000	497,810	231,648
Cash in lieu of parks	-	116,531	77,332
Other	<u>-</u>	<u>13,333</u>	<u>40,202</u>
	<u>13,397,654</u>	<u>6,738,340</u>	<u>4,826,844</u>
Expenditures			
Roads, streets, walks and lighting	14,684,402	10,737,677	5,971,495
Common equipment pool	1,751,969	1,885,541	1,480,639
Firefighting services	2,082,132	775,092	96,848
Wastewater treatment and disposal	300,000	254,398	1,594,270
Parks and recreation	256,976	208,453	236,430
Water supply and distribution	4,600,454	123,182	5,754
General and administration	47,423	51,456	1,170,632
Policing	60,970	50,077	41,296
Economic and agricultural development	44,847	41,255	23,930
Waste management	<u>147,000</u>	<u>39,285</u>	<u>367,012</u>
	<u>23,976,173</u>	<u>14,166,416</u>	<u>10,988,306</u>
Excess (Deficiency) of Revenue over Expenditures	<u>(10,578,519)</u>	<u>(7,428,076)</u>	<u>(6,161,462)</u>
Net Interfund Transfers			
Net transfers from (to) reserve fund	(636,561)	(1,848,875)	(3,295,152)
Net transfers from operating fund	9,218,962	7,280,833	7,970,614
New debt issued	<u>1,996,118</u>	<u>1,996,118</u>	<u>1,486,000</u>
	<u>10,578,519</u>	<u>7,428,076</u>	<u>6,161,462</u>
Change in Capital Fund Balance	-	-	-
Capital Fund, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</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, 2008

	<u>2008</u>	<u>2007</u>
Balance, Beginning of Year	\$ <u>12,071,293</u>	\$ <u>6,379,966</u>
Add (Deduct)		
Transfer to capital fund	1,848,875	3,295,152
Transfer from operating surplus	1,779,679	2,407,731
Transfer from operations	<u>(133,444)</u>	<u>(11,556)</u>
Change in Reserve Fund Balance	<u>3,495,110</u>	<u>5,691,327</u>
Balance, End of Year (Note 10)	\$ <u>15,566,403</u>	\$ <u>12,071,293</u>

BRAZEAU COUNTY

SCHEDULE 4

SCHEDULE OF EQUITY IN PHYSICAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
Capital Assets Acquired During the Year (Schedule 2)	\$ 14,166,416	\$ 10,988,306
Original Costs of Capital Assets Disposed	(1,323,411)	(470,739)
Change in Inventory for Consumption	126,669	(339,541)
Capital Financing		
Capital debt issued (Schedule 2)	(1,996,118)	(1,486,000)
Capital debt repayment (Schedule 1)	<u>284,775</u>	<u>35,638</u>
Change in Equity in Physical Assets	11,258,331	8,727,664
Equity in Physical Assets, Beginning of Year	<u>30,412,593</u>	<u>21,684,929</u>
Equity in Physical Assets, End of Year	<u>\$ 41,670,924</u>	<u>\$ 30,412,593</u>

Equity in Physical Assets is Comprised of the Following:

Capital assets	\$ 42,887,493	\$ 30,044,488
Inventory for consumption	2,064,139	1,937,470
Long-term capital debt	<u>(3,280,708)</u>	<u>(1,569,365)</u>
	<u>\$ 41,670,924</u>	<u>\$ 30,412,593</u>

BRAZEAU COUNTY

SCHEDULE 5

SCHEDULE OF PROPERTY TAXES LEVIED

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2008</u> (Budget) (Note 19)	<u>2008</u> (Actual)	<u>2007</u> (Actual)
Taxation			
Real property taxes	\$ 10,576,574	\$ 10,453,114	\$ 8,533,252
Linear property taxes	18,785,475	18,796,504	18,626,415
Government grants in lieu of property taxes	<u>6,521</u>	<u>6,521</u>	<u>9,122</u>
	<u>29,368,570</u>	<u>29,256,139</u>	<u>27,168,789</u>
Requisitions			
Alberta School Foundation Fund	(8,635,000)	(8,621,777)	(8,296,335)
Brazeau Seniors Foundation	<u>(255,201)</u>	<u>(254,501)</u>	<u>(194,074)</u>
	<u>(8,890,201)</u>	<u>(8,876,278)</u>	<u>(8,490,409)</u>
Net Municipal Property Tax	<u>\$ 20,478,369</u>	<u>\$ 20,379,861</u>	<u>\$ 18,678,380</u>

BRAZEAU COUNTY

SCHEDULE 6

CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2008

	General Administration	Parks and Recreation	Protective Services	Roads Streets, Walks and Lighting	Utilities	All Other	Total
Taxation	\$ 1,200,416	\$ 937,428	\$ 1,573,806	\$ 9,376,295	\$ 998,817	\$ 6,293,099	\$ 20,379,861
Provincial and Federal government transfers	47,118	8,000	161,341	6,478,530	-	605,873	7,300,862
Interest	670,117	-	-	-	-	-	670,117
Other	245,892	-	-	205	18,486	342,490	607,073
Proceeds on disposition of capital assets	-	-	-	-	-	497,810	497,810
Sales of goods and services	8,856	4,263	-	169,501	78,230	29,218	290,068
	<u>2,172,399</u>	<u>949,691</u>	<u>1,735,147</u>	<u>16,024,531</u>	<u>1,095,533</u>	<u>7,768,490</u>	<u>29,745,791</u>
Capital assets acquired	51,454	208,453	825,169	10,737,677	416,866	1,926,797	14,166,416
Materials, goods, and contracted and general services	1,179,574	15,905	103,156	3,055,333	411,832	1,898,000	6,663,800
Salaries, wages, and benefits	781,943	85,700	118,947	2,061,619	170,418	1,379,866	4,598,493
Transfers to other governments	-	578,109	338,604	10,273	67,917	434,836	1,429,739
Transfers to local boards and organizations	-	19,056	318,333	76,297	20,142	286,096	719,924
Insurance	94,007	-	8,133	-	-	27,474	129,614
Repairs and maintenance	16,615	42,468	20,323	-	-	28,261	107,667
Interest on long term debt	-	-	-	77,302	8,358	-	85,660
Utilities	48,806	-	2,482	6,030	-	3,393	60,711
	<u>2,172,399</u>	<u>949,691</u>	<u>1,735,147</u>	<u>16,024,531</u>	<u>1,095,533</u>	<u>5,984,723</u>	<u>27,962,024</u>
Excess of Revenue over Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,783,767	\$ 1,783,767

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

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) 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.

(e) Inventories

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

(f) 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.

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) 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.

(h) 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.

(i) Operating Fund

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

(j) 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.

(k) Equity in Physical Assets

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

(l) 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.

(m) 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.

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2008

2. CASH AND CASH EQUIVALENTS

	<u>2008</u>	<u>2007</u>
Cash	\$ 10,769,555	\$ 609,234
Cash equivalents	<u>5,499,119</u>	<u>11,744,397</u>
	<u>\$ 16,268,674</u>	<u>\$ 12,353,631</u>

Cash equivalents consist of term deposits bearing interest at rates between 1.60% and 3.45% maturing between January and April 2009.

3. ACCOUNTS RECEIVABLE

	<u>2008</u>	<u>2007</u>
Receivable from other governments	\$ 3,014,415	\$ 3,098,226
Taxes and grants in lieu	298,411	264,813
Trade and other	<u>777,114</u>	<u>108,492</u>
	4,089,940	3,471,531
Less: Allowance for doubtful taxes	<u>-</u>	<u>-</u>
	<u>\$ 4,089,940</u>	<u>\$ 3,471,531</u>

4. DEBT CHARGES RECOVERABLE

	<u>2008</u>	<u>2007</u>
Current debt charges recoverable	\$ 9,686	\$ 47,283
Non-current debt charges recoverable	<u>-</u>	<u>9,686</u>
	<u>\$ 9,686</u>	<u>\$ 56,969</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.

5. INVENTORY FOR CONSUMPTION

	<u>2008</u>	<u>2007</u>
Gravel	\$ 1,719,594	\$ 1,724,359
Parts, chemicals, and other	<u>344,545</u>	<u>213,111</u>
	<u>\$ 2,064,139</u>	<u>\$ 1,937,470</u>

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2008

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	\$ 10,737,679	\$ -	\$ 16,709,174
Wastewater systems	5,230,453	254,398	-	5,484,851
Water systems	3,159,905	123,182	-	3,283,087
Parks and transfer stations	<u>1,134,507</u>	<u>247,738</u>	-	<u>1,382,245</u>
	15,496,360	11,362,997	-	26,859,357
Machinery and equipment	8,577,066	2,090,864	(1,086,180)	9,581,750
Vehicles	2,135,041	413,219	(237,231)	2,311,029
Buildings	2,030,758	299,336	-	2,330,094
Land	<u>1,805,263</u>	-	-	<u>1,805,263</u>
	<u>\$ 30,044,488</u>	<u>\$ 14,166,416</u>	<u>\$ (1,323,411)</u>	<u>\$ 42,887,493</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, 2008, 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.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2008</u>	<u>2007</u>
Trade and other accounts payable	\$ 2,638,306	\$ 679,349
Accrued vacation pay	164,156	178,477
Post employment benefits (Note 1 (m))	<u>30,184</u>	<u>35,914</u>
	<u>\$ 2,832,646</u>	<u>\$ 893,740</u>

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2008

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>2008</u>	<u>2007</u>
Provincial government conditional transfers	\$ 1,741,762	\$ 2,576,251
Prepaid local improvements	<u> -</u>	<u> 10,015</u>
	<u>\$ 1,741,762</u>	<u>\$ 2,586,266</u>

9. LONG-TERM DEBT

	<u>2008</u>	<u>2007</u>
Supported by general tax levies	\$ 3,219,757	\$ 1,542,970
Supported by special levies	<u> 70,637</u>	<u> 83,364</u>
	<u>\$ 3,290,394</u>	<u>\$ 1,626,334</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 676,727	\$ 113,349	\$ 790,076
2010	691,767	88,018	779,785
2011	717,459	62,326	779,785
2012	737,341	35,628	772,969
2013	426,654	12,199	438,853
Thereafter	<u> 40,446</u>	<u> 13,857</u>	<u> 54,303</u>
	<u>\$ 3,290,394</u>	<u>\$ 325,377</u>	<u>\$ 3,615,771</u>

Debenture debt is repayable to Alberta Capital Financing Authority and bears interest at rates ranging from 3.046% to 9.750% per annum and matures in years 2009 through 2023.

Interest on long-term debt amounted to \$85,660 (2007 - \$13,508).

The County's total cash payments for interest in 2008 were \$71,334 (2007 - \$14,142).

BRAZEAU COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2008

10. RESERVES

	<u>2008</u>	<u>2007</u>
Operating Reserves		
General operating	\$ 3,000,000	\$ 3,000,000
Resource road reserve	1,711,578	1,612,860
Overlay	1,600,000	800,000
Rural recreation initiative	<u>-</u>	<u>36,920</u>
	<u>6,311,578</u>	<u>5,449,780</u>
Capital Reserves		
Administration building construction	4,446,238	2,463,080
Roads	3,000,000	2,000,000
Equipment replacement	583,758	985,850
Breton fire station	575,000	475,000
Fire equipment	212,173	469,500
Cash in lieu of parks	197,475	112,900
Utilities	145,682	70,683
Administration building renovations	<u>94,499</u>	<u>44,500</u>
	<u>9,254,825</u>	<u>6,621,513</u>
	<u>\$15,566,403</u>	<u>\$12,071,293</u>

11. COMMITMENTS

Under a cost-sharing agreement with the Town of Drayton Valley dated September 20, 2007, the County has agreed to pay the Town of Drayton Valley a grant of \$73.64 per capita for operating costs of the Town recreation facilities (Omni-plex and swimming pool). The grant is to be adjusted annually, beginning in 2008, by the annual increase in the Alberta Consumer Price Index as supplied by Statistics Canada. The term of the agreement is four years, commencing January 1, 2007.

12. CONTINGENCIES

(a) Guarantee

The County has provided its financial institution with a continuing guarantee in the amount of \$104,342 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, 2008

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, 2008 \$975 (2007 - \$4,128) 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, 2008 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>2008</u>		<u>2007</u>
	<u>Remuneration</u>	<u>Benefits and Allowances</u>	<u>Total</u>
		<u>Total</u>	<u>Total</u>
Reeve and Councillors			
W. Tweedle (Reeve)	\$ 38,110	\$ 9,982	\$ 48,092
B. Kitching	26,300	8,173	34,473
A. Heinrich	23,650	4,561	28,211
G. Mastre	-	-	14,977
T. Mitchell	-	-	11,545
D. Konelsky	24,890	7,646	32,536
M. Schwab	25,475	5,848	31,323
P. Monteith	22,540	4,683	27,223
P. Vos	<u>15,030</u>	<u>1,592</u>	<u>16,622</u>
	<u>\$ 175,995</u>	<u>\$ 42,485</u>	<u>\$ 218,480</u>
County Manager	<u>\$ 128,930</u>	<u>\$ 2,400</u>	<u>\$ 131,330</u>
			<u>\$ 106,097</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, 2008

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 2008 were \$97,778 (2007 - \$80,995). Total current service contributions by the employees of the County to the LAPP in 2008 were \$85,840 (2007 - \$70,910).

At December 31, 2007, the Plan disclosed an actuarial deficit of \$1,183.3 billion (2006 - \$746.7 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>2008</u>	<u>2007</u>
Total debt limit	\$ 35,452,688	\$ 32,822,942
Total debt	<u>3,290,394</u>	<u>1,626,334</u>
Amount of debt limit unused	\$ <u>32,162,294</u>	\$ <u>31,196,608</u>
Service on debt limit	\$ 5,908,781	\$ 5,470,490
Service on debt	<u>790,076</u>	<u>398,839</u>
Amount of debt servicing limit unused	\$ <u>5,118,705</u>	\$ <u>5,071,651</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.