

BRAZEAU COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

**BRAZEAU COUNTY
FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of Brazeau County

We have audited the accompanying financial statements of Brazeau County, which comprise the statement of financial position as at December 31, 2013 and the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Managements' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Brazeau County as at December 31, 2013 and the results of its operations, the changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Edmonton, Alberta
April 15, 2014

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.

The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

The financial statements are the responsibility of management, prepared in accordance with Canadian public sector accounting standards. They necessarily include some amounts that are based on the best estimates and judgements 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 financial statements.

Marco Schoeninger
Chief Administrative Officer

Brenda Christie
Director of Corporate Services

Statement of Financial Position
As at December 31, 2013

	2013	2012 Restated (Note 21)
FINANCIAL ASSETS		
Cash and temporary investments (Note 3)	\$ 21,506,352	\$ 29,289,668
Accounts receivable (Note 4)	6,202,005	6,711,650
Land for resale inventory	14,870	14,870
Investments (Note 6)	11,599,383	-
	<u>39,322,610</u>	<u>36,016,188</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	5,334,942	4,677,269
Deposit liabilities	299,455	162,876
Deferred revenue (Note 9)	816,611	834,844
Long term debt (Note 10)	4,679,203	4,181,961
	<u>11,130,211</u>	<u>9,856,950</u>
NET FINANCIAL ASSETS	<u>28,192,399</u>	<u>26,159,238</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	162,812,378	153,111,600
Inventory for consumption (Note 12)	3,360,690	3,336,081
Prepaid expenses	171,635	146,596
	<u>166,344,703</u>	<u>156,594,277</u>
ACCUMULATED SURPLUS (Note 13)	<u>\$ 194,537,102</u>	<u>\$ 182,753,515</u>

Contingencies (Note 18)

The accompanying notes are an integral part of these financial statements.

**Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2013**

	2013 Budget (Note 23)	2013 Actual	2012 Actual Restated (Note 21)
REVENUE			
Net municipal taxes (Schedule 3)	\$ 26,060,236	\$ 26,182,170	\$ 24,183,711
Oil Well Drilling Equipment Tax	1,650,000	2,706,932	2,923,849
Government transfers for operating (Schedule 4)	914,225	872,222	4,033,722
Sales to other governments	344,200	192,564	238,933
User fees and sales of goods	702,032	561,013	553,613
Investment income	260,000	591,520	421,496
Penalties and costs on taxes	68,160	77,605	74,966
Licenses, permits, rentals & fines	204,100	245,925	202,501
Other	152,200	87,834	166,662
	<u>\$ 30,355,153</u>	<u>\$ 31,517,785</u>	<u>\$ 32,799,453</u>
EXPENSES			
Legislative (Council)	\$ 375,549	\$ 391,304	\$ 353,998
General and Administration	3,522,128	3,514,660	3,051,175
Policing	684,598	529,469	393,173
Fire Services	946,398	887,224	812,686
Disaster and emergency services	45,924	82,095	18,455
Common equipment pool	1,711,453	1,400,771	1,836,252
Transportation	10,078,679	10,153,608	10,885,294
Storm	27,000	16,788	39,360
Water supply and distribution	1,607,080	727,596	321,878
Wastewater treatment and disposal	474,253	423,394	442,597
Waste management	503,295	521,636	490,492
Family and community services, public health and welfare	287,989	265,176	253,589
Land use planning, zoning and development	565,939	489,896	347,326
Economic/agricultural development	1,723,603	1,210,748	1,179,698
Parks & recreation	1,448,627	1,221,905	1,460,326
Culture	356,350	353,905	263,387
	<u>\$ 24,358,865</u>	<u>\$ 22,190,175</u>	<u>\$ 22,149,686</u>
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER INCOME	<u>5,996,288</u>	<u>9,327,610</u>	<u>10,649,767</u>
OTHER INCOME (EXPENSE)			
Government transfers for capital (Schedule 4)	\$ 5,105,866	\$ 3,674,171	\$ 1,260,521
Contributed tangible capital assets	-	-	192,665
Cash-in-lieu of parks	20,000	24,178	15,496
Loss on disposal of tangible capital assets due to annexation (Note 19)	-	-	(6,001,125)
Gain (Loss) on disposal of tangible capital assets	(100,000)	(1,242,372)	411,996
	<u>\$ 5,025,866</u>	<u>\$ 2,455,977</u>	<u>\$ (4,120,447)</u>
EXCESS OF REVENUE OVER EXPENSES	<u>11,022,154</u>	<u>11,783,587</u>	<u>6,529,320</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>182,753,515</u>	<u>182,753,515</u>	<u>176,224,195</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 193,775,669</u>	<u>\$ 194,537,102</u>	<u>\$ 182,753,515</u>

The accompanying notes are an integral part of these financial statements.

**Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2013**

	2013 Budget (Note 23)	2013 Actual	2012 Actual
EXCESS OF REVENUES OVER EXPENSES	\$ 11,022,154	\$ 11,783,587	\$ 6,529,320
Acquisition of tangible capital assets	(26,391,975)	(17,421,114)	(7,914,922)
Proceeds on disposal of tangible capital assets	712,900	835,705	1,192,807
Amortization of tangible capital assets	5,132,000	5,642,265	5,745,502
Loss on disposal of tangible capital assets due to annexation	-	-	6,001,125
Gain (loss) on disposal of tangible capital assets	100,000	1,242,372	(411,996)
	<u>(20,447,075)</u>	<u>(9,700,772)</u>	<u>4,612,516</u>
Use (acquisition) of supplies inventory	-	(24,609)	(206,338)
Use (acquisition) of prepaid expenses	-	(25,045)	15,765
		<u>(49,654)</u>	<u>(190,573)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	<u>(9,424,921)</u>	<u>2,033,161</u>	<u>10,951,263</u>
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>26,197,822</u>	<u>26,159,238</u>	<u>15,207,975</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 16,772,901</u>	<u>\$ 28,192,399</u>	<u>\$ 26,159,238</u>

The accompanying notes are an integral part of these financial statements.

Statement of Cashflows
For the Year Ended December 31, 2013

	2013	2012
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING ACTIVITIES		
Excess of revenues over expenses	<u>\$ 11,783,587</u>	<u>\$ 6,529,320</u>
Non-cash items included in excess (deficiencies) of revenues over expenses:		
Amortization of tangible capital assets	5,642,265	5,745,502
Amortization of investment premium/discounts	202,822	-
Loss on disposal of tangible capital assets	1,242,372	5,589,129
Tangible capital assets received as contributions	-	(192,665)
Change in non-cash working capital balances:		
Accounts receivable	509,645	2,653,346
Prepaid expenses	(25,039)	15,765
Accounts payable and accrued liabilities	657,673	646,870
Deferred revenue	(18,233)	470,959
Land held for resale	-	(1,962)
Inventories for consumption	(24,609)	(206,338)
Deposit liabilities	136,579	(97,881)
Net change in cash from operating activities	<u>20,107,062</u>	<u>21,152,045</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(17,421,114)	(7,722,257)
Proceeds on disposal of tangible capital assets	835,705	1,192,807
Net change in cash from capital activities	<u>(16,585,409)</u>	<u>(6,529,450)</u>
INVESTMENT ACTIVITIES		
Acquisition of investments	(11,802,212)	-
Maturity of investments	-	-
Net change in cash from investment activities	<u>(11,802,212)</u>	<u>-</u>
FINANCING ACTIVITIES		
Long-term debt issued	3,721,634	-
Long-term debt principal repayments	(3,224,391)	(4,296,872)
Net change in cash from financing activities	<u>497,243</u>	<u>(4,296,872)</u>
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	<u>(7,783,316)</u>	10,325,723
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>29,289,668</u>	18,963,945
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	<u><u>\$ 21,506,352</u></u>	<u><u>\$ 29,289,668</u></u>

The accompanying notes are an integral part of these financial statements.

**Schedule of Tangible Capital Assets
For the Year Ended December 31, 2013
Schedule 1**

								2013	2012 Restated (Note 21)
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Assets Under Construction		
COST:									
BALANCE, BEGINNING OF YEAR	\$ 5,584,803	\$ 3,557,429	\$ 21,874,299	\$ 340,275,556	\$ 9,065,878	\$ 4,666,531	\$ 3,149,107	\$ 388,173,603	\$ 392,755,768
Acquisition of tangible capital assets	142,895	430,880		2,896,050	2,041,256	167,593	11,742,440	17,421,114	7,914,922
Transfer of assets under construction		1,380,206		50,547	722	84,541	(1,516,016)	-	
Disposal of tangible capital assets				(2,993,332)	(1,587,819)	(344,674)		(4,925,825)	(12,497,087)
BALANCE, END OF YEAR	\$ 5,727,698	\$ 5,368,515	\$ 21,874,299	\$ 340,228,821	\$ 9,520,037	\$ 4,573,991	\$ 13,375,531	\$ 400,668,892	\$ 388,173,603
ACCUMULATED AMORTIZATION:									
BALANCE, BEGINNING OF YEAR	\$ -	\$ 1,027,194	\$ 2,059,910	\$ 227,292,625	\$ 2,861,128	\$ 1,821,146	\$ -	\$ 235,062,003	\$ 235,031,644
Annual amortization		197,444	802,775	3,804,545	564,213	273,288		5,642,265	5,745,502
Accumulated amortization on disposals				(1,872,410)	(719,995)	(255,349)		(2,847,754)	(5,715,143)
BALANCE, END OF YEAR	\$ -	\$ 1,224,638	\$ 2,862,685	\$ 229,224,760	\$ 2,705,346	\$ 1,839,085	\$ -	\$ 237,856,514	\$ 235,062,003
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 5,727,698	\$ 4,143,877	\$ 19,011,614	\$ 111,004,061	\$ 6,814,691	\$ 2,734,906	\$ 13,375,531	\$ 162,812,378	\$ 153,111,600
2012 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS AS RESTATED	\$ 5,584,803	\$ 2,530,235	\$ 19,814,389	\$ 112,982,931	\$ 6,204,750	\$ 2,845,385	\$ 3,149,107		

a) Contributed Tangible Capital Assets

Contributed capital assets are recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$0 (2012 - \$192,655).

Schedule of Equity in Tangible Capital Assets
For the Year Ended December 31, 2013
Schedule 2

	2013	2012 Restated (Note 21)
BALANCE, BEGINNING OF YEAR	\$ 149,578,985	\$ 150,219,308
Acquisition of tangible capital assets	17,421,114	7,914,922
Cost of tangible capital assets disposed of	(4,925,825)	(12,497,087)
Accumulated amortization of tangible capital assets disposed of	2,847,754	5,715,143
Amortization of tangible capital assets	(5,642,265)	(5,745,502)
New long-term capital debt	(3,721,634)	
Long-term capital debt repayments	2,899,716	3,972,201
BALANCE, END OF YEAR	<u>\$ 158,457,845</u>	<u>\$ 149,578,985</u>

Equity in tangible capital assets is comprised of the following:

Tangible capital assets (Schedule 1)	\$ 162,812,378	\$ 153,111,600
Long-term capital debt	(4,354,533)	(3,532,615)
	<u>\$ 158,457,845</u>	<u>\$ 149,578,985</u>

The accompanying notes are an integral part of these financial statements.

**Schedule of Property and Other Taxes
For the Year Ended December 31, 2013
Schedule 3**

	2013 Budget (Note 23)	2013 Actual	2012 Actual
TAXATION			
Real property taxes	\$ 13,673,232	\$ 13,695,491	\$ 12,705,238
Linear property taxes	22,336,798	22,348,272	20,591,809
Government grants in place of property taxes	11,343	11,360	7,865
	<u>36,021,373</u>	<u>36,055,123</u>	<u>33,304,912</u>
REQUISITIONS			
Alberta School Foundation Fund	(9,182,636)	(9,182,636)	(8,475,204)
Brazeau Seniors Foundation	(951,305)	(951,305)	(916,963)
	<u>(10,133,941)</u>	<u>(10,133,941)</u>	<u>(9,392,167)</u>
OTHER TAXES			
Aggregate levy	150,000	186,753	248,162
Local improvements	22,804	74,235	22,804
	<u>172,804</u>	<u>260,988</u>	<u>270,966</u>
NET MUNICIPAL TAXES	<u>\$ 26,060,236</u>	<u>\$ 26,182,170</u>	<u>\$ 24,183,711</u>

The accompanying notes are an integral part of these financial statements.

**Schedule of Government Transfers
For the Year Ended December 31, 2013
Schedule 4**

	2013 Budget (Note 23)	2013 Actual	2012 Actual
TRANSFERS FOR OPERATING:			
Federal Government	\$ 13,100	\$ 5,469	\$ -
Provincial Government	878,290	852,189	1,450,506
Local Governments	22,835	14,564	2,583,216
	<u>914,225</u>	<u>872,222</u>	<u>4,033,722</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	4,560,866	3,298,953	1,260,521
Local Governments	545,000	375,218	-
	<u>5,105,866</u>	<u>3,674,171</u>	<u>1,260,521</u>
	<u>\$ 6,020,091</u>	<u>\$ 4,546,393</u>	<u>\$ 5,294,243</u>

The accompanying notes are an integral part of these financial statements.

**Schedule of Segmented Disclosure
For the Year Ended December 31, 2013
Schedule 5**

	General Administration	Protective Services	Public Works & Transportation Services	Utilities	Planning & Development	Recreation & Culture	All Other	2013	2012
REVENUE									
Net municipal taxes	\$ -	\$ 953,757	\$ 7,112,991	\$ 952,645	\$ 314,970	\$ 1,160,861	\$ 15,686,946	\$ 26,182,170	\$ 24,183,711
Government transfers		15,243	289,858			221,689	345,432	872,222	4,033,722
Sales to other governments	830	160,000	6,015	6,300			19,419	192,564	238,933
User fees, sales of goods	12,920		150,711	382,251	10,975		4,156	561,013	553,613
Investment income	591,520							591,520	421,496
Penalties & cost on taxes	77,605							77,605	74,966
Well Drilling Equipment Tax	2,706,932							2,706,932	2,923,848
Licenses, permits, rentals & fines		103,911			131,817	7,900	2,297	245,925	202,501
Other revenue	12,068	1,978	1,519	250	20,064	42,207	9,748	87,834	166,663
	\$ 3,401,875	\$ 1,234,889	\$ 7,561,094	\$ 1,341,446	\$ 477,826	\$ 1,432,657	\$ 16,067,998	\$ 31,517,785	\$ 32,799,453
EXPENSES									
Salaries & wages	1,621,938	414,905	3,045,609	386,119	286,340	38,024	934,831	6,727,766	5,630,258
Contract & general services	793,549	182,747	2,366,863	366,170	175,158	92,220	404,479	4,381,186	5,495,633
Purchases from other governments	718	20,182	3,073	91,457	19,345			134,775	123,260
Materials, goods & supplies	189,894	75,863	2,358,494	74,307	5,524	20,951	95,575	2,820,608	2,517,186
Transfers to other governments		533,252	69,907	371,000		853,248	253,991	2,081,398	2,137,226
Transfers to boards, agencies, organizations		7,940				428,214	76,920	513,074	604,395
Bank charges & short-term interest	3,413							3,413	7,308
Long-term debt interest	45,307		11,836	52,393				109,536	161,827
Other expenses	70,842		(294,688)					(223,846)	(272,908)
	\$ 2,725,661	\$ 1,234,889	\$ 7,561,094	\$ 1,341,446	\$ 486,367	\$ 1,432,657	\$ 1,765,796	\$ 16,547,910	\$ 16,404,185
EXCESS OF REVENUE OVER EXPENSES, BEFORE AMORTIZATION	\$ 676,214	\$ -	\$ -	\$ -	\$ (8,541)	\$ -	\$ 14,302,202	\$ 14,969,875	\$ 16,395,268
Amortization expense	(786,134)	(207,012)	(4,230,520)	(243,582)	(933)	(124,704)	(49,380)	(5,642,265)	(5,745,502)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE:	\$ (109,920)	\$ (207,012)	\$ (4,230,520)	\$ (243,582)	\$ (9,474)	\$ (124,704)	\$ 14,252,822	\$ 9,327,610	\$ 10,649,766

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements
For the Year Ended December 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Brazeau County (the "County") are the representations of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the County are as follows:

(a) Reporting Entity

These 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.

The schedule of taxes levied also includes requisitions for education and other external organizations that are not part of the municipal reporting entity.

(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) Use of Estimates

The preparation of the financial statements in accordance with Canadian public sector accounting standards 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. Such estimates include amortization of tangible capital assets, inventory for consumption, accrued vacation payable and post employment benefits. Actual results could differ from those estimates.

(d) Investments

Investments consists of bonds recorded at amortized cost. Investment premiums and discounts are amortized over the term of the respective investments. When there has been a loss in value other than a temporary decline, the respective investment is written down to recognize the loss.

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment, and forms part of the deferred revenue balance.

Notes to Financial Statements
For the Year Ended December 31, 2013

(e) 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.

Requisition 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.

(f) 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 fifty per cent (50%) of their remaining accumulated sick leave days. The cost of this post employment benefit is recognized as an expense as the employees provide service.

(g) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realized value. Cost includes costs for the land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks, and street lighting are recorded as physical assets under the respective function.

(h) Tax Revenue

Property tax revenue is based on market value assessments determined in accordance with the *Municipal Government Act*. Tax rates are established annually. Taxation revenues are recorded at the time tax notices are issued. Assessments are subject to appeal.

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 and are recognized as revenue in the year they are levied.

(i) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

(j) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

(i) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Notes to Financial Statements
For the Year Ended December 31, 2013

	Years
Land improvements	15 - 30
Buildings	20 - 50
Engineered structures	
Roadway system	
Gravel	20
Top	20
Base	30
Grade	40
Bridges and culverts	30 - 142
Water system	35 - 75
Wastewater system	20 - 75
Storm system	75
Machinery and equipment	10 - 20
Vehicles	10 - 20

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt, and also are recorded as revenue.

(iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(iv) Inventories of Supplies

Inventories for consumption include roadway maintenance materials, vehicle, equipment and facility parts, supplies and materials. Inventories are valued at the lower of cost or net realizable value with cost determined by the average cost method.

(v) Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets and are not amortized but are disclosed.

(k) Equity in Tangible Capital Assets

Equity in tangible capital assets is included within accumulated surplus. It represents the investment in tangible capital assets, after deducting the portion financed by long-term debt.

2. CHANGE IN ACCOUNTING POLICY

The County has adopted Public Sector Accounting Board (PSAB) Section 3510 Tax Revenue. Section 3510 requires governments to recognize taxes as assets and revenue when the taxable event occurs. The change in accounting policy is applied prospectively and resulted in previously unrecorded revenue of \$66,343 being recognized as property tax revenue in 2013.

Notes to Financial Statements
For the Year Ended December 31, 2013

3. CASH AND TEMPORARY INVESTMENTS

	2013	2012
Cash	\$ 6,706,352	\$ 8,249,698
Temporary Investments	14,800,000	21,039,970
	\$ 21,506,352	\$ 29,289,668

Temporary investments are comprised of guaranteed investment certificates and term deposits with local financial institutions and investment firms, with interest rates ranging from 1.53% to 1.95% and mature at dates between January 2014 and March 2014.

4. ACCOUNTS RECEIVABLE

	2013	2012
Receivable from other governments	\$ 4,699,337	\$ 4,613,261
Trade and other	1,025,366	1,620,562
Taxes and grants in lieu (Note 5)	477,302	477,827
	\$ 6,202,005	\$ 6,711,650

5. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2013	2012
Current taxes	\$ 309,409	\$ 306,281
Tax arrears	167,893	174,798
	\$ 477,302	\$ 481,079
Less: allowance for doubtful accounts		\$ (3,252)
	\$ 477,302	\$ 477,827

6. INVESTMENTS

	2013		2012	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Bonds	8,599,393	8,437,405		
Step-up Note	3,000,000	2,911,116	-	-
	11,599,393	11,348,521	-	-

Bonds have effective interest rates of 2.35% to 5% (2012 - nil) with maturity dates from December 2017 to June 2023.

The market value of bonds is based on quoted market values. The market value of the bonds fluctuates with changes in market interest rates. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. Market values are based on market conditions at a certain point in time and as such, may not be reflective of future fair values. The carry amounts exclude accrued interest receivable in the amount of \$ (2012 - nil) which has been included in accounts receivable.

Notes to Financial Statements
For the Year Ended December 31, 2013

7. CREDIT FACILITY

The County has a demand revolving operating credit facility to a maximum of \$2,000,000 bearing interest at prime less .85% per annum. The credit facility was not drawn upon as of December 31, 2013.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013	2012
Trade and other accounts payable	\$ 4,901,566	\$ 4,322,914
Accrued vacation payable	337,112	269,820
Post employment benefits (Note 1 (f))	96,264	84,535
	\$ 5,334,942	\$ 4,677,269

9. DEFERRED REVENUE

	Balance at December 31, 2012	2013 Additions	2013 Amount recognized in revenue	2013 Total
Basic Municipal Transportation Grant	\$ 103,036	\$ 291,507	\$ (289,858)	\$ 104,685
Community Initiatives Program	873		(873)	-
Drayton Valley & District Soccer Association	76,196	981	-	77,177
Federal Gas Tax Fund	537,355	8,598		545,953
Major Community Facilities Program	24,470	393		24,863
Agriculture Service Board Grant	-	13,000		13,000
Other	92,914	319	(42,300)	50,933
	\$ 834,844	\$ 314,798	\$ (333,031)	\$ 816,611

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

10. LONG TERM DEBT

	2013	2012
Tax supported loans	\$ 4,638,759	\$ 4,138,581
Self supported debentures	40,444	43,380
	\$ 4,679,203	\$ 4,181,961

The current portion of long-term debt amounts to \$1,421,302 (2012 - \$3,224,391)

	2013	2012
Toronto Dominion loan bearing interest at prime less 0.550% requiring semi-annual principal repayments of \$1,307,750 plus interest maturing August 2014.	\$ 1,082,080	\$ 4,138,581
Alberta Capital Financing Authority debenture bearing interest rates between 2.4987% to 5.750% per annum maturing in the year 2023.	3,597,123	43,380
	4,679,203	4,181,961

Notes to Financial Statements
For the Year Ended December 31, 2013

Principal and interest payments are due as follows:

	Principal	Interest	Total
2014	\$ 1,421,302	\$ 95,480	\$ 1,516,782
2015	347,852	80,480	428,332
2016	356,704	71,628	428,332
2017	365,785	62,547	428,332
2018	375,101	53,231	428,332
Thereafter	1,812,459	117,751	1,930,210
	<u>\$ 4,679,203</u>	<u>\$ 481,117</u>	<u>\$ 5,160,320</u>

Debenture debt is issued at the credit and security of the County at large.

Interest on long-term debt amounted to \$109,536 (2012 - \$161,826).

The County's total cash payments for interest in 2013 were \$106,955 (2012 - \$167,750)

11. 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:

	2013	2012
Total debt limit	\$ 47,276,678	\$ 49,199,180
Total debt	4,679,203	4,181,961
Loan guarantees (Note 18)	755,947	1,166,338
Amount of debt limit unused	<u>\$ 41,841,528</u>	<u>\$ 43,850,881</u>
Service on debt limit	\$ 7,879,446	\$ 8,199,863
Service on debt	1,516,782	3,201,293
Amount of debt servicing limit unused	<u>\$ 6,362,664</u>	<u>\$ 4,998,570</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.

12. INVENTORY FOR CONSUMPTION

	2013	2012
Sand and gravel	\$ 3,108,041	\$ 3,129,291
Parts, chemicals, and other	252,649	206,790
	<u>\$ 3,360,690</u>	<u>\$ 3,336,081</u>

Notes to Financial Statements
For the Year Ended December 31, 2013

13. ACCUMULATED SURPLUS

	<u>2013</u>	<u>2012</u>
		Restated (Note 21)
Unrestricted surplus	\$ 5,851,277	\$ 6,723,700
Restricted surplus:		
General Operating	3,117,953	3,036,755
Deferred Projects	3,022,675	4,252,427
Equipment Replacement	2,304,166	2,703,839
Major Facility Capital Investment	4,217,119	2,091,298
AB Water Wastewater	2,380,939	-
Coulee Road	1,270,009	1,766,245
Fire Equipment	700,907	542,969
Parks - Cash in lieu	300,362	305,801
Gravel Deposit	498,872	485,881
Resources Road	2,420,953	1,578,863
Buildings	2,575,384	5,407,193
Engineered Structures	1,304,201	946,683
Roads	5,680,332	2,965,134
Cultural Facilities	311,795	303,676
Utility Servicing	43,651	42,515
Water Capital Replacement	22,773	6,205
Sewer Capital Replacement	55,889	15,346
	<u>36,079,257</u>	<u>33,174,530</u>
Equity in tangible capital assets (Schedule 2)	<u>158,457,845</u>	<u>149,578,985</u>
	<u>\$ 194,537,102</u>	<u>\$ 182,753,515</u>

14. SEGMENTED INFORMATION

The County provides a wide range of services to its citizens. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment, and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1. For additional information see the Schedule of Segmented Disclosure (Schedule 5).

Notes to Financial Statements
For the Year Ended December 31, 2013

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:

	Remuneration	Benefits & Allowances	2013	2012
			Total	Total
Reeve and Councillors				
W. Tweedle (Reeve)	\$ 27,676	\$ 5,940	\$ 33,616	\$ 41,346
P. Vos (Reeve)	5,198	459	5,657	
S. Mahan	32,052	8,082	40,134	41,806
B. Kitching	24,324	5,990	30,314	39,676
R. Moir	4,371	1,267	5,638	
D. Konelsky	21,797	6,630	28,427	36,799
M. Gressler	4,749	1,266	6,015	
K. Westerlund	27,534	7,933	35,467	30,690
A. Heinrich	25,422	4,969	30,391	27,916
P. Monteith	18,667	6,094	24,761	33,729
M. Thompson	4,843	1,283	6,126	
	<u>\$ 196,633</u>	<u>\$ 49,913</u>	<u>\$ 246,546</u>	<u>\$ 251,962</u>
County Managers				
Marco Schoeninger	187,955	28,212	216,167	197,738
Ron McCullough	-	-	-	11,484
	<u>\$ 187,955</u>	<u>\$ 28,212</u>	<u>\$ 216,167</u>	<u>\$ 209,222</u>
Designated Officers (5)	\$ 598,285	\$ 114,777	\$ 713,062	\$ 571,042

- 1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, and any other direct cash remuneration including per diem amounts.
- 2) Employer's share of all employee benefits and contributions or payments made on behalf of employees, including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
- 3) Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits, including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

Notes to Financial Statements
For the Year Ended December 31, 2013

16. LOCAL AUTHORITIES PENSION PLAN

Union 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 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan, and 14.47% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 9.43% of pensionable earnings up to the year's maximum pensionable earnings, and 13.47% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2013 were \$192,815 (2012 - \$169,334). Total current service contributions by the employees of the County to the LAPP in 2013 were \$176,019 (2012 - \$153,493).

At December 31, 2012 the Plan disclosed an actuarial deficit of \$4,977.3 million (2011 - \$4,639.3 million).

17. COMMITMENTS

Under a cost-sharing agreement with the Town of Drayton Valley dated December 6, 2011, the County has agreed to pay the Town of Drayton Valley a grant of \$806,000 for operating costs of the Town recreation facilities (Omni-plex, swimming pool and other recreation facilities). The grant is to be adjusted annually beginning in 2013, by the annual increase in the Alberta Consumer Price Index as supplied by Statistics Canada. The term of the agreement is three years: January 1, 2012 and expires December 31, 2014.

18. CONTINGENCIES

(a) **Brazeau Seniors Foundation Guarantee**

In 2010, Brazeau County provided a guarantee to the Royal Bank of Canada (RBC) in the amount of \$1,916,500, with respect to the Brazeau Seniors Foundation \$2,500,000 borrowing from the RBC for the construction of the Shangri-La Lodge project. As at December 31, 2013 the guarantee has been reduced to \$775,947.

(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.

19. ANNEXATION - TOWN OF DRAYTON VALLEY

In 2012, the Town of Drayton Valley annexed 1,831 hectares (approximately 28.3 quarter sections) of land from Brazeau County. There were two phases to the annexation during the year; both of them retroactive to January 1, 2012. As part of the Annexation Agreement of November 2010, the Town of Drayton Valley made a cash payment to the County in the amount of \$2,550,553. Brazeau County transferred land, roads, water and wastewater assets with a net book value of \$5,756,465 to the Town, and recorded a loss on disposal. Additionally, the County lost \$77,151,640 in property assessment to the Town of Drayton Valley as a result of the annexation.

Notes to Financial Statements
For the Year Ended December 31, 2013

20. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and temporary investments, accounts receivable, investments, 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, 2013 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.

21. RESTATEMENT

During 2013, it was discovered that machinery and equipment disposed of in 2009 was not recorded. The effect of this correction was to decrease the 2012 opening balance of tangible capital assets and accumulated surplus by \$161,704

In 2013, it was also discovered that certain roads within the area annexed by the Town of Drayton Valley had not been disposed of in 2012. The affect of this correction was to decrease tangible capital assets, increase loss on disposal of tangible capital assets due to annexation, and decrease excess of revenue over expenses and accumulated surplus by \$244,660.

Furthermore, an additional road, not related to annexation, was not disposed of in 2012. The affect of this correction being to decrease tangible capital assets, decrease gain on disposal of tangible capital assets, decrease excess of revenue over expenses and accumulated surplus by \$68,055. Amortization of tangible capital assets on the above noted roads should not have been recorded in 2012. Therefore the 2012 amortization expense has been decreased by \$38,584 and excess of revenue over expenses and accumulated surplus have been increased by \$38,584.

These changes have been applied retroactively and prior periods have been restated.

Accumulated Surplus as at January 1, 2012

	2012
Accumulated surplus as previously reported	\$ 176,385,899
Restatement:	
Tangible capital assets	(161,704)
Accumulated surplus at January 1, 2012, as restated	\$ 176,224,195

Accumulated Surplus as at December 31, 2012

	2013
Accumulated surplus as previously reported less opening balance adjustment above	\$ 183,189,350
Restatement:	
Tangible capital assets	(161,704)
Loss on disposal of tangible capital assets due to annexation	(244,660)
Gain (Loss) on disposal of tangible capital assets	(68,055)
Amortization of tangible capital assets	38,584
Accumulated surplus at December 31, 2012, as restated	\$ 182,753,515

22. COMPARATIVE FIGURES

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

Notes to Financial Statements
For the Year Ended December 31, 2013

23. BUDGET FIGURES

The 2012 budget figures which appear in these financial statements have not been audited. Budgets established for capital acquisitions and their related financing are calculated on a project by project basis. As these transactions may be carried out over a number of years, they are not directly comparable with current year actual amounts.

The unaudited budget data is presented based upon the 2013 budget approved by Council. While amortization was included in the budget, it was removed for the calculation of the taxation requirement.

24. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.