



# Brazeau County

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[www.brazeau.ab.ca](http://www.brazeau.ab.ca)

May 8, 2015

Hawkings Epp Dumont LLP  
Mayfield Square I  
10476 Mayfield Road  
Edmonton Alberta T5P 4P4

Dear Sir:

Re: Client representation letter

This representation letter is provided in connection with your audit of the financial statements of Brazeau County for the year ended December 31, 2014, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

We confirm that (to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves):

## Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated August 21, 2014, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
- All events subsequent to the date of the financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.

## Information Provided

- We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

All transactions have been recorded in the accounting records and are reflected in the financial statements.

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.

#### **General**

1. We have reviewed, approved and recorded all of the following:
  - a) Adjusting journal entries you prepared or changed;
  - b) Account codes you determined or changed;
  - c) Transactions you classified; and
  - d) Accounting records you prepared or changed.
2. We have responded fully to all inquiries made to us and have made available to you all accounting and financial records and related data of the County during your audit.
3. We believe the effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
4. We believe that the significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.
5. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
6. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
7. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.

8. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

9. We have disclosed to you, and the County has complied with, all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

10. There have been no events subsequent to the balance sheet date up to the date hereof that would require recognition or disclosure in the financial statements. Further, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and the related notes.

11. The minute books of the County are a complete record of all meetings and resolutions of council throughout the period and to the present date.

Yours truly,

**BRAZEAU COUNTY**



\_\_\_\_\_  
Mr. Marco Schoeninger, CAO  
May 8, 2015  
Date signed



\_\_\_\_\_  
Ms. Brenda Christie, Director of Corporate Services  
May 8, 2015  
Date signed

**BRAZEAU COUNTY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

## INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of Brazeau County

We have audited the statement of financial position of Brazeau County as at December 31, 2014 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.

### *Management's 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' judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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, 2014 and the results of its operations, 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  
May 5, 2015



Hawkings Epp Dumont LLP  
Chartered Accountants

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**MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL REPORTING**

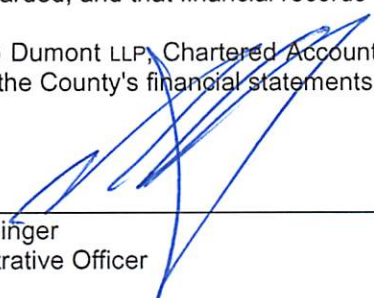
To His Worship the Reeve and Members of Council of Brazeau County

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 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 financial statements.



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Marco Schoeninger  
Chief Administrative Officer



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Brenda Christie  
Director of Corporate Services

**BRAZEAU COUNTY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	\$ 26,087,361	\$ 21,506,352
Accounts receivable (Note 3)	2,689,190	6,202,005
Land held for resale	14,870	14,870
Investments (Note 4)	<u>12,422,049</u>	<u>11,599,383</u>
	<u>41,213,470</u>	<u>39,322,610</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	4,596,945	5,334,942
Deposit liabilities	503,948	299,455
Deferred revenue (Note 7)	1,428,591	816,611
Long-term debt (Note 8)	<u>3,257,900</u>	<u>4,679,203</u>
	<u>9,787,384</u>	<u>11,130,211</u>
<b>NET FINANCIAL ASSETS</b>	<u>31,426,086</u>	<u>28,192,399</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 10)	171,292,770	162,812,378
Inventories for consumption (Note 9)	3,732,278	3,360,690
Prepaid expenses	<u>242,595</u>	<u>171,635</u>
	<u>175,267,643</u>	<u>166,344,703</u>
<b>ACCUMULATED SURPLUS (NOTE 11)</b>	<u>\$206,693,729</u>	<u>\$194,537,102</u>
Contingencies (Note 13)		

**ON BEHALF OF COUNCIL:**

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**BRAZEAU COUNTY**

**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u> (Budget) (Note 20)	<u>2014</u> (Actual)	<u>2013</u> (Actual)
<b>REVENUE</b>			
Net municipal taxes (Schedule 2)	\$ 28,582,471	\$ 28,761,603	\$ 26,182,170
Oil well drilling taxes	2,500,000	3,258,253	2,706,932
Government transfers for operating (Schedule 3)	879,070	904,698	872,222
Investment income	616,000	707,470	591,520
User fees and sale of goods	483,669	584,956	561,013
Licenses, permits, rentals and fines	255,386	273,346	245,925
Sales to other governments	184,265	182,796	192,564
Penalties on taxes	69,660	74,772	77,605
Other	165,632	27,831	87,834
Developer Levies	<u>-</u>	<u>6,361</u>	<u>-</u>
	<u>33,736,153</u>	<u>34,782,086</u>	<u>31,517,785</u>
<b>EXPENSES</b>			
Roads, streets, walks and lighting	11,397,934	9,272,218	10,153,608
General and administration	3,872,406	3,727,635	3,514,660
Common equipment pool	3,019,390	3,067,129	1,400,771
Economic and agricultural development	1,871,003	1,368,258	1,210,748
Parks and recreation	1,459,069	1,251,448	1,221,905
Firefighting services	1,280,997	1,084,713	887,224
Water supply and distribution	1,578,496	1,063,996	727,596
Land use planning, zoning and development	994,439	629,344	489,896
Policing	701,208	612,840	529,469
Culture - libraries	675,859	524,372	353,905
Waste management	520,143	517,609	521,636
Wastewater treatment and disposal	1,707,371	484,870	423,394
Council	392,038	476,101	391,304
Family and community support services	297,989	267,436	265,176
Disaster and emergency measures	40,164	116,318	82,095
Storm	<u>233,095</u>	<u>40,726</u>	<u>16,788</u>
	<u>30,041,601</u>	<u>24,505,013</u>	<u>22,190,175</u>
<b>ANNUAL SURPLUS BEFORE OTHER REVENUE (EXPENSES)</b>	<u>3,694,552</u>	<u>10,277,073</u>	<u>9,327,610</u>
<b>OTHER REVENUE (EXPENSES)</b>			
Government transfers for capital (Schedule 3)	4,417,960	2,478,593	3,674,171
Cash in lieu of parks	20,600	6,179	24,178
Loss on disposal of tangible capital assets	<u>-</u>	<u>(605,218)</u>	<u>(1,242,372)</u>
	<u>4,438,560</u>	<u>1,879,554</u>	<u>2,455,977</u>
<b>ANNUAL SURPLUS</b>	8,133,112	12,156,627	11,783,587
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>194,537,102</u>	<u>194,537,102</u>	<u>182,753,515</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	\$ <u>202,670,214</u>	\$ <u>206,693,729</u>	\$ <u>194,537,102</u>



**BRAZEAU COUNTY**  
**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u> (Budget) (Note 20)	<u>2014</u> (Actual)	<u>2013</u> (Actual)
<b>ANNUAL SURPLUS</b>	\$ 8,133,112	\$ 12,156,627	\$ 11,783,587
Acquisition of tangible capital assets	(27,874,720)	(15,311,793)	(17,421,114)
Proceeds on disposal of tangible capital assets	240,500	166,420	835,705
Amortization of tangible capital assets	6,022,000	6,059,763	5,642,265
Loss on disposal of tangible capital assets	<u>-</u>	<u>605,218</u>	<u>1,242,372</u>
	<u>(21,612,220)</u>	<u>(8,480,392)</u>	<u>(9,700,772)</u>
Use (acquisition) of supplies inventory	-	(371,588)	(24,609)
Use (acquisition) of prepaid expenses	<u>-</u>	<u>(70,960)</u>	<u>(25,045)</u>
	<u>-</u>	<u>(442,548)</u>	<u>(49,654)</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(13,479,108)	3,233,687	2,033,161
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>28,192,399</u>	<u>28,192,399</u>	<u>26,159,238</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>\$ 14,713,291</u>	<u>\$ 31,426,086</u>	<u>\$ 28,192,399</u>

**BRAZEAU COUNTY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 12,156,627	\$ 11,783,587
Non-cash items included in annual surplus		
Loss on disposal of tangible capital assets	605,218	1,242,372
Loss on sale of investments	104,800	-
Amortization of investment premium/discounts	268,394	202,822
Amortization of tangible capital assets	6,059,763	5,642,265
Change in non-cash working capital balances:		
Accounts receivable	3,512,815	509,645
Prepaid expenses	(70,960)	(25,039)
Accounts payable and accrued liabilities	(737,997)	657,673
Deferred revenue	611,980	(18,233)
Inventories for consumption	(371,588)	(24,609)
Deposit liabilities	<u>204,493</u>	<u>136,579</u>
	<u>22,343,545</u>	<u>20,107,062</u>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(15,311,793)	(17,421,114)
Proceeds on disposal of tangible capital assets	<u>166,420</u>	<u>835,705</u>
	<u>(15,145,373)</u>	<u>(16,585,409)</u>
<b>FINANCING ACTIVITIES</b>		
Long-term debt issued	-	3,721,634
Long-term debt principal repayments	<u>(1,421,303)</u>	<u>(3,224,391)</u>
	<u>(1,421,303)</u>	<u>497,243</u>
<b>INVESTMENT ACTIVITIES</b>		
Acquisition of investments	(4,090,961)	(11,802,212)
Proceeds on sale of investments	<u>2,895,101</u>	<u>-</u>
	<u>(1,195,860)</u>	<u>(11,802,212)</u>
<b>INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR</b>	4,581,009	(7,783,316)
<b>CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR</b>	<u>21,506,352</u>	<u>29,289,668</u>
<b>CASH AND TEMPORARY INVESTMENTS , END OF YEAR</b>	<u>\$ 26,087,361</u>	<u>\$ 21,506,352</u>

**BRAZEAU COUNTY**  
**SCHEDULE OF EQUITY IN TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**SCHEDULE 1**

	<u>2014</u>	<u>2013</u>
<b>BALANCE, BEGINNING OF YEAR,</b>	158,457,845	149,578,985
Acquisition of tangible capital assets	15,311,793	17,421,114
Cost of tangible capital assets disposed of	(2,232,083)	(4,925,825)
Accumulated amortization of tangible capital assets disposed of	1,460,445	2,847,754
Amortization of tangible capital assets	(6,059,763)	(5,642,265)
Long-term debt issued	-	(3,721,634)
Long-term capital debt repayments	<u>1,096,633</u>	<u>2,899,716</u>
<b>BALANCE, END OF YEAR</b>	<b><u>\$168,034,870</u></b>	<b><u>\$158,457,845</u></b>

Equity in Tangible Capital Assets is Comprised of the Following:

Tangible capital assets (Note 10)	\$171,292,770	\$162,812,378
Long-term capital debt	<u>(3,257,900)</u>	<u>(4,354,533)</u>
	<b><u>\$168,034,870</u></b>	<b><u>\$158,457,845</u></b>

## BRAZEAU COUNTY

## SCHEDULE 2

## SCHEDULE OF PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u> (Budget) (Note 20)	<u>2014</u> (Actual)	<u>2013</u> (Actual)
<b>TAXATION</b>			
Real property taxes	\$ 14,649,728	\$ 14,796,402	\$ 13,695,491
Linear property taxes	24,243,966	24,240,579	22,348,272
Government grants in lieu of property taxes	<u>11,271</u>	<u>11,271</u>	<u>11,360</u>
	<u>38,904,965</u>	<u>39,048,252</u>	<u>36,055,123</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	(9,520,867)	(9,520,867)	(9,182,636)
Brazeau Seniors Foundation	<u>(951,627)</u>	<u>(951,627)</u>	<u>(951,305)</u>
	<u>(10,472,494)</u>	<u>(10,472,494)</u>	<u>(10,133,941)</u>
<b>OTHER TAXES</b>			
Aggregate levy	150,000	185,845	186,753
Local improvements	<u>-</u>	<u>-</u>	<u>74,235</u>
	<u>150,000</u>	<u>185,845</u>	<u>260,988</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 28,582,471</u>	<u>\$ 28,761,603</u>	<u>\$ 26,182,170</u>

BRAZEAU COUNTY

SCHEDULE 3

SCHEDULE OF GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u> (Budget) (Note 20)	<u>2014</u> (Actual)	<u>2013</u> (Actual)
<b>TRANSFERS FOR OPERATING</b>			
Provincial government	\$ 838,470	\$ 875,308	\$ 852,189
Local governments	33,000	23,609	14,564
Federal government	<u>7,600</u>	<u>5,781</u>	<u>5,469</u>
	<u>879,070</u>	<u>904,698</u>	<u>872,222</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	4,264,660	2,351,744	3,298,953
Local governments	<u>153,300</u>	<u>126,849</u>	<u>375,218</u>
	<u>4,417,960</u>	<u>2,478,593</u>	<u>3,674,171</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 5,297,030</u>	<u>\$ 3,383,291</u>	<u>\$ 4,546,393</u>

**BRAZEAU COUNTY**

**SCHEDULE 4**

**SCHEDULE OF SEGMENTED INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General Administration</u>	<u>Recreation and Culture</u>	<u>Protective Services</u>	<u>Public Works and Transportation Services</u>	<u>Utilities</u>	<u>All Other</u>	<u>Total</u>
<b>REVENUE</b>							
Net municipal taxes	\$ -	\$ 1,466,005	\$ 1,078,918	\$ 7,402,364	\$ 1,503,008	\$ 17,311,308	\$ 28,761,603
Oil well drilling taxes	3,258,253	-	-	-	-	-	3,258,253
Government transfers	21,362	132,046	99,308	289,858	-	362,124	904,698
Investment income	707,470	-	-	-	-	-	707,470
User fees and sales of goods	12,345	-	-	282,550	271,922	18,139	584,956
Licenses, permits, rentals and fines	-	8,398	119,112	-	-	145,836	273,346
All other	<u>65,262</u>	<u>-</u>	<u>161,789</u>	<u>11,197</u>	<u>22,264</u>	<u>31,248</u>	<u>291,760</u>
	<u>4,064,692</u>	<u>1,606,449</u>	<u>1,459,127</u>	<u>7,985,969</u>	<u>1,797,194</u>	<u>17,868,655</u>	<u>34,782,086</u>
<b>EXPENSES</b>							
Salaries, wages and benefits	1,515,274	49,834	410,065	3,133,813	415,364	1,508,971	7,033,321
Contract and general services	1,037,941	128,597	240,277	2,421,220	485,947	722,224	5,036,206
Materials, goods and supplies	236,503	15,260	64,318	2,787,840	94,921	68,779	3,267,621
Transfers to other governments	-	939,487	575,542	69,623	611,863	248,986	2,445,501
Transfers to boards, agencies and organizations	-	473,271	8,000	-	-	116,928	598,199
Interest on long-term debt	2,825	-	-	3,403	88,780	-	95,008
Other expenses (recovery)	<u>134,120</u>	<u>-</u>	<u>160,925</u>	<u>(429,930)</u>	<u>100,319</u>	<u>3,960</u>	<u>(30,606)</u>
	<u>2,926,663</u>	<u>1,606,449</u>	<u>1,459,127</u>	<u>7,985,969</u>	<u>1,797,194</u>	<u>2,669,848</u>	<u>18,445,250</u>
<b>NET REVENUE (DEFICIT) BEFORE AMORTIZATION</b>	1,138,029	-	-	-	-	15,198,807	16,336,836
Amortization of tangible capital assets	<u>800,976</u>	<u>154,876</u>	<u>207,518</u>	<u>4,588,480</u>	<u>247,843</u>	<u>60,070</u>	<u>6,059,763</u>
<b>NET REVENUE (DEFICIT)</b>	\$ <u>337,053</u>	\$ <u>(154,876)</u>	\$ <u>(207,518)</u>	\$ <u>(4,588,480)</u>	\$ <u>(247,843)</u>	\$ <u>15,138,737</u>	\$ <u>10,277,073</u>

**BRAZEAU COUNTY**  
**SCHEDULE OF SEGMENTED INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**SCHEDULE 5**

	<u>General Administration</u>	<u>Recreation and Culture</u>	<u>Protective Services</u>	<u>Public Works and Transportation Services</u>	<u>Utilities</u>	<u>All Other</u>	<u>Total</u>
<b>REVENUE</b>							
Net municipal taxes	\$ -	\$ 1,160,861	\$ 953,757	\$ 7,112,991	\$ 952,645	\$ 16,001,916	\$ 26,182,170
Oil well drilling taxes	2,706,932	-	-	-	-	-	2,706,932
Government transfers	-	221,689	15,243	289,858	-	345,432	872,222
Investment income	591,520	-	-	-	-	-	591,520
User fees and sales of goods	12,920	-	-	150,711	382,251	15,131	561,013
Licenses, permits, rentals and fines	-	7,900	103,911	-	-	134,114	245,925
All other	<u>90,503</u>	<u>42,207</u>	<u>161,978</u>	<u>7,534</u>	<u>6,550</u>	<u>49,231</u>	<u>358,003</u>
	<u>3,401,875</u>	<u>1,432,657</u>	<u>1,234,889</u>	<u>7,561,094</u>	<u>1,341,446</u>	<u>16,545,824</u>	<u>31,517,785</u>
<b>EXPENSES</b>							
Salaries, wages and benefits	1,621,938	38,024	414,905	3,045,609	386,119	1,221,171	6,727,766
Contract and general services	793,549	92,220	182,747	2,366,863	366,170	579,637	4,381,186
Materials, goods and supplies	189,894	20,951	75,863	2,358,494	74,307	101,099	2,820,608
Transfers to other governments	-	853,248	533,252	69,907	371,000	253,991	2,081,398
Transfers to boards, agencies and organizations	-	428,214	7,940	-	-	76,920	513,074
Interest on long-term debt	45,307	-	-	11,836	52,393	-	109,536
Other expenses (recovery)	<u>74,973</u>	<u>-</u>	<u>20,182</u>	<u>(291,615)</u>	<u>91,457</u>	<u>19,345</u>	<u>(85,658)</u>
	<u>2,725,661</u>	<u>1,432,657</u>	<u>1,234,889</u>	<u>7,561,094</u>	<u>1,341,446</u>	<u>2,252,163</u>	<u>16,547,910</u>
<b>NET REVENUE (DEFICIT) BEFORE AMORTIZATION</b>	676,214	-	-	-	-	14,293,661	14,969,875
Amortization of tangible capital assets	<u>786,134</u>	<u>124,704</u>	<u>207,012</u>	<u>4,230,520</u>	<u>243,582</u>	<u>50,313</u>	<u>5,642,265</u>
<b>NET REVENUE (DEFICIT)</b>	<u>\$ (109,920)</u>	<u>\$ (124,704)</u>	<u>\$ (207,012)</u>	<u>\$ (4,230,520)</u>	<u>\$ (243,582)</u>	<u>\$ 14,243,348</u>	<u>\$ 9,327,610</u>

The accompanying notes are an integral part of the financial statements

**BRAZEAU COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**1. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are the representations of Brazeau County (the "County") 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 includes requisitions for education and senior foundations 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.

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

**(c) Investments**

Investments are 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 that is 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.

**(d) Inventories for Consumption**

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

Land held for resale is recorded at the lower of cost or net realizable value on a specific item basis. Cost includes costs for 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 property and equipment under their respective function.

(CONTD)



**BRAZEAU COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

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

**(e) 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:

Land improvements	15 - 30 years
Buildings	20 - 50 years
Engineered structures	
Roadways	
Gravel	20 years
Top	20 years
Base	30 years
Bridges and culverts	30 - 142 years
Wastewater systems	20 - 75 years
Water systems	35 - 75 years
Machinery and equipment	10 - 20 years
Vehicles	10 - 20 years

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.

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

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

**(f) Tax Revenue**

Property tax revenue is based on market value of 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.

**(g) 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.

**(h) Post Employment Benefits**

Upon full retirement, after the age of fifty-five (55), County employees are entitled to be paid out between twenty-five (25%) and fifty percent (50%) of their remaining accumulated sick leave days proportionate their length of service. The cost of this post employment benefit is recognized as an expense as the employees provide service.

**BRAZEAU COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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

(i) Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

The County has used estimates to determine an allowance for doubtful accounts, accrued liabilities, post employment benefits and the useful lives of tangible capital assets.

**2. CASH AND TEMPORARY INVESTMENTS**

	<u>2014</u>	<u>2013</u>
Cash	\$ 3,905,273	\$ 6,706,352
Temporary investments	<u>22,182,088</u>	<u>14,800,000</u>
	<u>\$ 26,087,361</u>	<u>\$ 21,506,352</u>

Temporary investments are comprised of guaranteed investment certificates bearing interest at rates ranging from 1.67% to 1.71% and maturing in January and March 2015.

**3. ACCOUNTS RECEIVABLE**

	<u>2014</u>	<u>2013</u>
Trade and other	\$ 1,572,215	\$ 1,025,366
Taxes and grants in lieu	385,910	477,302
Receivable from other governments	<u>731,065</u>	<u>4,699,337</u>
	<u>\$ 2,689,190</u>	<u>\$ 6,202,005</u>

Taxes and grants in lieu consist of the following:

Current taxes	\$ 311,789	\$ 309,409
Tax arrears	<u>155,859</u>	<u>167,893</u>
	467,648	477,302
Less: Allowance for impairment	<u>81,738</u>	<u>-</u>
	<u>\$ 385,910</u>	<u>\$ 477,302</u>

**BRAZEAU COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**4. INVESTMENTS**

	2014		2013	
	Carrying Value	Market Value	Carrying Value	Market Value
Corporate bonds	\$ 9,422,049	\$ 9,549,736	\$ 8,599,383	\$ 8,437,405
Step-up note	<u>3,000,000</u>	<u>3,006,045</u>	<u>3,000,000</u>	<u>2,911,116</u>
	<u>\$ 12,422,049</u>	<u>\$ 12,555,781</u>	<u>\$ 11,599,383</u>	<u>\$ 11,348,521</u>

Corporate bonds have effective interest rates between 2.50% to 3.56% with maturity dates from December 2017 to June 2023.

The market value of the bonds is based on quoted market values. The market value of the bonds fluctuates with changes in market interest rates. Market values are based on market conditions at a certain point in time and as such, may not be reflective of future fair values.

**5. CREDIT FACILITY**

The County has a demand revolving operating credit facility to a maximum of \$2,000,000 bearing interest at prime less 0.85% per annum. The credit facility was not drawn upon as of December 31, 2014 or 2013.

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2014	2013
Trade and other accounts payable	\$ 4,145,340	\$ 4,901,566
Accrued vacation pay	336,302	337,112
Post employment benefits (Note 1 (h))	<u>115,303</u>	<u>96,264</u>
	<u>\$ 4,596,945</u>	<u>\$ 5,334,942</u>

**7. DEFERRED REVENUE**

Deferred revenue is comprised of the following amounts which have been received from third parties for a specified purpose. Additions are comprised of both contributions and interest earned during the year. These amounts are recognized as revenue in the period in which the related costs are incurred.

	2013	Additions	Revenue Recognized	2014
Federal Gas Tax Fund	\$ 545,953	\$ 406,270	\$ -	\$ 952,223
Rural Development	-	293,496	-	293,496
Municipal Sustainability Initiative	104,685	1,675	-	106,360
Other	128,110	319	(77,177)	51,252
Major Community Facilities Program	24,863	397	-	25,260
Agriculture Service Board	<u>13,000</u>	<u>-</u>	<u>(13,000)</u>	<u>-</u>
	<u>\$ 816,611</u>	<u>\$ 702,157</u>	<u>\$ (90,177)</u>	<u>\$ 1,428,591</u>

**BRAZEAU COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**8. LONG-TERM DEBT**

	<u>2014</u>	<u>2013</u>
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
Alberta Capital Financing Authority debentures bearing interest at rates ranging from 2.499% to 5.750% per annum maturing in year 2023.	<u>3,257,900</u>	<u>3,597,123</u>
	<u>\$ 3,257,900</u>	<u>\$ 4,679,203</u>
Tax supported loans	\$ 3,220,561	\$ 4,638,759
Self supported loans	<u>37,339</u>	<u>40,444</u>
	<u>\$ 3,257,900</u>	<u>\$ 4,679,203</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2019	384,658	43,674	428,332
Thereafter	<u>1,427,800</u>	<u>74,078</u>	<u>1,501,878</u>
	<u>\$ 3,257,900</u>	<u>\$ 385,638</u>	<u>\$ 3,643,538</u>

Interest on long-term debt amounted to \$95,008 (2013 - \$109,536).

The County's total cash payments for interest in 2014 were \$95,628 (2013 - \$106,955).

**9. INVENTORIES FOR CONSUMPTION**

	<u>2014</u>	<u>2013</u>
Sand and gravel	\$ 3,443,147	\$ 3,108,041
Parts, chemicals, and other	<u>289,131</u>	<u>252,649</u>
	<u>\$ 3,732,278</u>	<u>\$ 3,360,690</u>

**BRAZEAU COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**10. TANGIBLE CAPITAL ASSETS**

	<u>2014</u> Net Book Value	<u>2013</u> Net Book Value
Engineered structures		
Roadways	\$ 111,436,533	\$ 101,222,553
Wastewater systems	6,112,285	6,243,572
Water systems	2,314,601	2,369,750
Storm systems	<u>1,151,398</u>	<u>1,168,186</u>
	<b>121,014,817</b>	111,004,061
Machinery and equipment	7,461,933	6,814,691
Vehicles	3,240,142	2,734,906
Buildings	19,949,056	19,011,614
Land	5,757,838	5,727,698
Land improvements	3,909,750	4,143,877
Construction in progress	<u>9,959,234</u>	<u>13,375,531</u>
	<b><u>\$ 171,292,770</u></b>	<b><u>\$ 162,812,378</u></b>

	Cost Beginning of Year	Additions	Disposals	Transfers	Cost End of Year
Engineering structures					
Roadways	\$ 327,227,508	\$ 8,230,593	\$ (1,523,947)	\$ 6,168,272	\$ 340,102,426
Wastewater systems	8,430,618	15,075	-	-	8,445,693
Water systems	3,307,083	-	-	-	3,307,083
Storm systems	<u>1,263,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,263,612</u>
	340,228,821	8,245,668	(1,523,947)	6,168,272	353,118,814
Machinery and equipment	9,520,037	971,691	(445,403)	595,750	10,642,075
Vehicles	4,573,991	550,429	(262,733)	353,772	5,215,459
Buildings	21,874,299	661,262	-	1,151,106	23,686,667
Land	5,727,698	30,140	-	-	5,757,838
Land improvements	5,368,515	-	-	-	5,368,515
Construction in progress	<u>13,375,531</u>	<u>4,852,603</u>	<u>-</u>	<u>(8,268,900)</u>	<u>9,959,234</u>
	<b><u>\$ 400,668,892</u></b>	<b><u>\$ 15,311,793</u></b>	<b><u>\$ (2,232,083)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 413,748,602</u></b>

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered structures					
Roadways	\$ 226,004,955	\$ 3,807,607	\$ (1,146,669)	\$ -	\$ 228,665,893
Wastewater systems	2,187,046	146,362	-	-	2,333,408
Water systems	937,333	55,149	-	-	992,482
Storm systems	<u>95,426</u>	<u>16,788</u>	<u>-</u>	<u>-</u>	<u>112,214</u>
	229,224,760	4,025,906	(1,146,669)	-	232,103,997
Machinery, equipment, and furnishings	2,705,346	628,175	(153,379)	-	3,180,142
Vehicles	1,839,085	296,629	(160,397)	-	1,975,317
Buildings	2,862,685	874,926	-	-	3,737,611
Land improvements	<u>1,224,638</u>	<u>234,127</u>	<u>-</u>	<u>-</u>	<u>1,458,765</u>
	<b><u>\$ 237,856,514</u></b>	<b><u>\$ 6,059,763</u></b>	<b><u>\$ (1,460,445)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 242,455,832</u></b>

**BRAZEAU COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

**11. ACCUMULATED SURPLUS**

	<u>2014</u>	<u>2013</u>
Unrestricted surplus	\$ 5,166,309	\$ 5,851,277
Restricted surplus		
Operating reserves (Note 12)	3,217,107	3,117,953
Capital reserves (Note 12)	30,275,443	27,110,027
Equity in tangible capital assets (Schedule 1)	<u>168,034,870</u>	<u>158,457,845</u>
	<u>\$ 206,693,729</u>	<u>\$ 194,537,102</u>

**12. RESERVES**

	<u>2014</u>	<u>2013</u>
<b>OPERATING RESERVES</b>		
General operating	<u>\$ 3,217,107</u>	<u>\$ 3,117,953</u>
<b>CAPITAL RESERVES</b>		
Roads	7,982,453	5,680,332
Major facility capital investment	6,292,897	4,217,119
Deferred projects	4,143,014	3,022,675
Equipment replacement	3,517,098	2,304,166
Buildings	2,045,733	2,575,384
Engineering structures	1,551,369	1,304,201
Coulee road	1,310,397	1,270,009
Resource road	945,138	2,420,953
Fire equipment	839,896	700,907
Gravel deposit	514,737	498,872
Cultural facilities	321,711	311,795
Alberta water and wastewater	310,165	2,380,939
Parks-cash in lieu	273,263	300,362
Utility servicing	95,040	43,651
Sewer capital replacement	93,971	55,889
Water capital replacement	<u>38,561</u>	<u>22,773</u>
	<u>30,275,443</u>	<u>27,110,027</u>
	<u>\$ 33,492,550</u>	<u>\$ 30,227,980</u>

**13. 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, 2014 the guarantee has been reduced to \$372,672.

(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 FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**14. FINANCIAL INSTRUMENTS**

The County's financial instruments consist of cash and temporary investments, investments, 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, 2014 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. 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 expenses in the year in which they become due.

The County is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 10.39% of pensionable earnings up to the year's maximum pensionable earnings and 14.84% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2014 were \$220,034 (2013 - \$192,815). Total current service contributions by the employees of the County to the LAPP in 2014 were \$202,237 (2013 - \$176,019).

At December 31, 2013 the Plan disclosed an actuarial deficit of \$4,861.5 million (2012 - \$4,997.3 million).

**16. CONTRACTUAL OBLIGATIONS**

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 \$805,809 for operating costs of the Town recreation facilities (Omni-plex and swimming pool). 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, commencing January 1, 2012 and expires December 31, 2014. Currently, the County is in discussion with the Town of Drayton Valley over a new cost-share agreement for 2015.

**BRAZEAU COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

**17. 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>2014</u>	<u>2013</u>
	<u>Remuneration</u>	<u>Benefits and Allowances</u>	<u>Total</u>	<u>Total</u>
Reeve and Councillors				
R. Moir	\$ 47,913	\$ 9,609	\$ 57,522	\$ 5,638
M. Gressler	42,903	9,444	52,347	6,015
S. Mahan (Reeve)	42,049	9,416	51,465	40,134
M. Thompson	40,149	9,353	49,502	6,126
K. Westerlund	38,011	9,282	47,293	35,467
A. Heinrich	40,486	3,833	44,319	30,391
P. Vos (Reeve)	36,615	3,518	40,133	5,657
W. Tweedle (Reeve)	-	-	-	33,616
P. Monteith	-	-	-	24,761
D. Konelsky	-	-	-	28,427
B. Kitching	-	-	-	30,314
	<u>\$ 288,126</u>	<u>\$ 54,455</u>	<u>\$ 342,581</u>	<u>\$ 246,546</u>
Chief Administrative Officer	<u>\$ 196,768</u>	<u>\$ 46,447</u>	<u>\$ 243,216</u>	<u>\$ 216,167</u>
Designated Officers (10)	<u>\$ 682,285</u>	<u>\$ 157,852</u>	<u>\$ 840,137</u>	<u>\$ 713,062</u>

- 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 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.

**18. 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 Segment Disclosure (Schedule 4).



**BRAZEAU COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**19. 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>2014</u>	<u>2013</u>
Total debt limit	\$ 52,330,329	\$ 47,276,678
Total debt	3,257,900	4,679,203
Loan guarantees (Note 13)	<u>372,672</u>	<u>755,947</u>
Amount of debt limit unused	<u>\$ 48,699,757</u>	<u>\$ 41,841,528</u>
Service on debt limit	\$ 8,721,722	\$ 7,879,446
Service on debt	<u>428,332</u>	<u>1,516,782</u>
Amount of debt servicing limit unused	<u>\$ 8,293,390</u>	<u>\$ 6,362,664</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.

**20. BUDGET FIGURES**

The budget figures presented in these financial statements are based on the amended budget approved by Council on April 1, 2014.

	<u>Original</u>	<u>Amendments</u>	<u>Amended</u>
<b>REVENUE</b>			
Approved operating budget	33,691,813	44,340	33,736,153
<b>EXPENSES</b>			
Approved operating budget	<u>29,255,020</u>	<u>786,581</u>	<u>30,041,601</u>
<b>ANNUAL OPERATING SURPLUS</b>	<u>\$ 4,436,793</u>	<u>\$ (742,241)</u>	<u>\$ 3,694,552</u>

**21. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by Council.