

BRAZEAU COUNTY

DRAYTON VALLEY, ALBERTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Hawkings Epp Dumont LLP

Chartered Accountants

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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, 2011 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' 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, 2011 and the results of its operations and accumulated surplus, 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
June 26, 2012

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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.

Marco Schoeninger
Chief Administrative Officer

Brenda Christie
Director of Corporate Services

BRAZEAU COUNTY

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011

| | <u>2011</u> | <u>2010</u> (Restated) (Note 19) |
|---|----------------------|--|
| FINANCIAL ASSETS | | |
| Cash | \$ 18,963,945 | \$ 16,088,361 |
| Accounts receivable (Note 2) | 9,364,996 | 5,555,757 |
| Land held for resale | <u>12,908</u> | <u>12,908</u> |
| | <u>28,341,849</u> | <u>21,657,026</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 4) | 4,030,398 | 3,429,787 |
| Deposit liabilities | 260,757 | 105,846 |
| Deferred revenue (Note 5) | 363,885 | 158,913 |
| Long-term debt (Note 6) | <u>8,478,834</u> | <u>12,367,899</u> |
| | <u>13,133,874</u> | <u>16,062,445</u> |
| NET FINANCIAL ASSETS | <u>15,207,975</u> | <u>5,594,581</u> |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Note 8) | 157,885,823 | 151,753,698 |
| Inventory for consumption (Note 7) | 3,129,743 | 3,138,082 |
| Prepaid expenses | <u>162,358</u> | <u>119,799</u> |
| | <u>161,177,924</u> | <u>155,011,579</u> |
| ACCUMULATED SURPLUS (NOTE 9) | <u>\$176,385,899</u> | <u>\$160,606,160</u> |
| Contingencies (Note 11) | | |

ON BEHALF OF THE COUNTY COUNCIL:

BRAZEAU COUNTY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2011

| | <u>2011</u> (Budget) (Note 21) | <u>2011</u> (Actual) | <u>2010</u> (Actual) (Restated) (Note 19) |
|---|--------------------------------------|-------------------------|--|
| REVENUE | | | |
| Net taxation (Schedule 2) | \$ 20,542,789 | \$ 20,758,870 | \$ 20,590,738 |
| Oil well drilling taxes | 1,220,000 | 1,984,144 | 1,286,654 |
| Government transfers for operating (Schedule 3) | 1,113,742 | 1,292,710 | 2,693,622 |
| Sales of goods and services | 311,209 | 380,006 | 304,964 |
| Interest | 90,000 | 275,824 | 135,198 |
| Other | 41,537 | 116,700 | 50,576 |
| Rentals | 95,500 | 84,709 | 85,006 |
| Fines | 78,587 | 80,086 | 101,690 |
| Penalties on taxes | 60,225 | 75,464 | 64,966 |
| Licenses and permits | 61,500 | 66,932 | 76,530 |
| Sales to other governments | <u>12,200</u> | <u>10,402</u> | <u>11,851</u> |
| | <u>23,627,289</u> | <u>25,125,847</u> | <u>25,401,795</u> |
| EXPENSES | | | |
| Roads, streets, walks and lighting | 6,983,319 | 3,815,160 | 5,007,384 |
| General and administration | 3,400,645 | 2,892,338 | 2,395,947 |
| Common equipment pool | 2,431,337 | 2,628,143 | 2,428,718 |
| Parks and recreation | 1,463,382 | 1,363,210 | 973,959 |
| Economic and agricultural development | 1,187,914 | 965,230 | 854,257 |
| Firefighting services | 715,148 | 622,739 | 599,282 |
| Waste management | 441,191 | 390,584 | 342,176 |
| Land use planning, zoning and development | 428,522 | 364,710 | 2,332,288 |
| Council | 300,000 | 325,263 | 257,392 |
| Wastewater treatment and disposal | 581,475 | 308,909 | 253,334 |
| Policing | 289,177 | 267,157 | 262,074 |
| Culture - libraries | 284,286 | 244,076 | 265,248 |
| Water supply and distribution | 350,858 | 215,921 | 162,384 |
| Family and community support services | 226,989 | 212,692 | 222,350 |
| Disaster and emergency measures | 22,539 | 12,008 | 42,355 |
| Cemeteries | 6,000 | 1,526 | 800 |
| Equipment Pool | - | 1,132 | - |
| Other | 94,750 | - | - |
| Amortization of tangible capital assets | <u>-</u> | <u>5,118,845</u> | <u>4,398,602</u> |
| | <u>19,207,532</u> | <u>19,749,643</u> | <u>20,798,550</u> |
| EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER INCOME | <u>4,419,757</u> | <u>5,376,204</u> | <u>4,603,245</u> |
| OTHER INCOME | | | |
| Government transfers for capital (Schedule 3) | 3,078,611 | 10,528,643 | 6,657,235 |
| Contributed tangible capital assets | - | 18,790 | 49,870 |
| Cash in lieu of parks | - | 63,538 | - |
| Gain (loss) on disposal of tangible capital assets | <u>-</u> | <u>(207,436)</u> | <u>(345,369)</u> |
| | <u>3,078,611</u> | <u>10,403,535</u> | <u>6,361,736</u> |
| EXCESS OF REVENUE OVER EXPENSES | <u>7,498,368</u> | <u>15,779,739</u> | <u>10,964,981</u> |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS PREVIOUSLY STATED | 118,023,876 | 118,023,876 | 106,325,546 |
| Prior period Adjustment (Note 19) | <u>-</u> | <u>42,582,284</u> | <u>43,315,633</u> |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS RESTATED | <u>118,023,876</u> | <u>160,606,160</u> | <u>149,641,179</u> |
| ACCUMULATED SURPLUS, END OF YEAR | <u>\$125,522,244</u> | <u>\$176,385,899</u> | <u>\$160,606,160</u> |

See accompanying notes to financial statements.

BRAZEAU COUNTY

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2011

| | <u>2011</u> (Budget) (Note 21) | <u>2011</u> (Actual) | <u>2010</u> (Actual) (Restated) (Note 19) |
|--|--------------------------------------|-----------------------------|--|
| EXCESS OF REVENUE OVER EXPENSES | \$ <u>7,498,368</u> | \$ <u>15,779,739</u> | \$ <u>10,964,981</u> |
| Acquisition of tangible capital assets | (17,689,663) | (12,067,731) | (16,799,238) |
| Proceeds on disposal of tangible capital assets | - | 609,325 | 409,985 |
| Amortization of tangible capital assets | - | 5,118,845 | 4,398,602 |
| Loss on disposal of tangible capital assets | <u>-</u> | <u>207,436</u> | <u>345,369</u> |
| | <u>(17,689,663)</u> | <u>(6,132,125)</u> | <u>(11,645,282)</u> |
| Use (acquisition) of supplies inventory | - | 8,339 | (1,161,065) |
| Use (acquisition) of prepaid expenses | <u>-</u> | <u>(42,559)</u> | <u>(14,502)</u> |
| | <u>-</u> | <u>(34,220)</u> | <u>(1,175,567)</u> |
| INCREASE (DECREASE) IN NET FINANCIAL ASSETS | (10,191,295) | 9,613,394 | (1,855,868) |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | <u>5,594,581</u> | <u>5,594,581</u> | <u>7,450,449</u> |
| NET FINANCIAL ASSETS, END OF YEAR | \$ <u>(4,596,714)</u> | \$ <u>15,207,975</u> | \$ <u>5,594,581</u> |

BRAZEAU COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

| | <u>2011</u> | <u>2010</u> (Restated) (Note 19) |
|--|-----------------------------|--|
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenses | \$ 15,779,739 | \$ 10,964,981 |
| Non-cash items included in excess of revenue over expenses: | | |
| Loss on disposal of tangible capital assets | 207,436 | 345,369 |
| Amortization of tangible capital assets | <u>5,118,845</u> | <u>4,398,602</u> |
| | 5,326,281 | 4,743,971 |
| Change in non-cash working capital balances: | | |
| Accounts receivable | (3,809,239) | (2,390,649) |
| Prepaid expenses | (42,559) | (14,502) |
| Accounts payable and accrued liabilities | 600,611 | 1,282,161 |
| Deferred revenue | 204,972 | (1,125,415) |
| Land held for resale | - | (12,908) |
| Inventories for consumption | 8,339 | (1,161,065) |
| Deposit liabilities | <u>154,911</u> | <u>(108,001)</u> |
| | <u>18,223,055</u> | <u>12,178,573</u> |
| CAPITAL ACTIVITIES | | |
| Acquisition of tangible capital assets | <u>(12,067,731)</u> | <u>(16,799,238)</u> |
| FINANCING ACTIVITIES | | |
| Long-term debt proceeds | - | 10,446,000 |
| Long-term debt principal repayments | (3,889,065) | (691,767) |
| Proceeds on disposal of tangible capital assets | <u>609,325</u> | <u>409,985</u> |
| | <u>(3,279,740)</u> | <u>10,164,218</u> |
| CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR | 2,875,584 | 5,543,553 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>16,088,361</u> | <u>10,544,808</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 18,963,945</u> | <u>\$ 16,088,361</u> |

BRAZEAU COUNTY

SCHEDULE 1

SCHEDULE OF EQUITY IN TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2011

| | <u>2011</u> | <u>2010</u> (Restated) (Note 19) |
|---|-----------------------------|--|
| BALANCE, BEGINNING OF YEAR, AS PREVIOUSLY STATED | \$ 98,208,299 | \$ 94,179,117 |
| Prior period adjustment (Note 19) | <u>42,476,200</u> | <u>43,315,633</u> |
| BALANCE, BEGINNING OF YEAR, AS RESTATED | 140,684,499 | 137,494,750 |
| Acquisition of Tangible Capital Assets | 12,067,731 | 16,799,238 |
| Cost of Tangible Capital Assets Disposed of | (9,571,336) | (2,289,305) |
| Accumulated Amortization of Tangible Capital Assets Disposed of | 8,754,575 | 1,533,951 |
| Amortization of Tangible Capital Assets | (5,118,845) | (4,398,602) |
| Long-term debt issued | - | (9,147,300) |
| Long-term capital debt repayments | <u>3,564,388</u> | <u>691,767</u> |
| BALANCE, END OF YEAR | <u>\$150,381,012</u> | <u>\$140,684,499</u> |

Equity in Tangible Capital Assets is Comprised of the Following:

| | | |
|----------------------------------|-----------------------------|-----------------------------|
| Tangible capital assets (Note 8) | \$157,885,823 | \$151,753,698 |
| Long-term capital debt | <u>(7,504,811)</u> | <u>(11,069,199)</u> |
| | <u>\$150,381,012</u> | <u>\$140,684,499</u> |

BRAZEAU COUNTY

SCHEDULE 2

SCHEDULE OF PROPERTY TAXES AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2011

| | <u>2011</u> (Budget) (Note 21) | <u>2011</u> (Actual) | <u>2010</u> (Actual) |
|---|--------------------------------------|-------------------------|-------------------------|
| TAXATION | | | |
| Real property taxes | \$ 11,385,803 | \$ 11,563,546 | \$ 10,997,186 |
| Linear property taxes | 18,307,352 | 18,362,978 | 18,413,950 |
| Government grants in lieu of property taxes | <u>7,459</u> | <u>7,531</u> | <u>7,572</u> |
| | <u>29,700,614</u> | <u>29,934,055</u> | <u>29,418,708</u> |
| REQUISITIONS | | | |
| Alberta School Foundation Fund | (8,465,880) | (8,465,880) | (8,502,395) |
| Brazeau Seniors Foundation | <u>(827,525)</u> | <u>(925,270)</u> | <u>(516,058)</u> |
| | <u>(9,293,405)</u> | <u>(9,391,150)</u> | <u>(9,018,453)</u> |
| OTHER TAXES | | | |
| Sand and gravel levy | 100,000 | 150,601 | 112,343 |
| Local improvements | <u>35,580</u> | <u>65,364</u> | <u>78,140</u> |
| | <u>135,580</u> | <u>215,965</u> | <u>190,483</u> |
| NET MUNICIPAL PROPERTY TAXES | <u>\$ 20,542,789</u> | <u>\$ 20,758,870</u> | <u>\$ 20,590,738</u> |

BRAZEAU COUNTY

SCHEDULE 3

SCHEDULE OF GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2011

| | <u>2011</u> (Budget) (Note 21) | <u>2011</u> (Actual) | <u>2010</u> (Actual) |
|-----------------------------------|--------------------------------------|-------------------------|-------------------------|
| TRANSFERS FOR OPERATING | | | |
| Provincial government | \$ 1,013,742 | \$ 1,244,651 | \$ 2,693,622 |
| Local governments | <u>100,000</u> | <u>48,059</u> | <u>-</u> |
| | <u>1,113,742</u> | <u>1,292,710</u> | <u>2,693,622</u> |
| TRANSFERS FOR CAPITAL | | | |
| Provincial government | <u>3,078,611</u> | <u>10,528,643</u> | <u>6,657,235</u> |
| TOTAL GOVERNMENT TRANSFERS | <u>\$ 4,192,353</u> | <u>\$ 11,821,353</u> | <u>\$ 9,350,857</u> |

BRAZEAU COUNTY

SCHEDULE 4

SCHEDULE OF SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2011

| | <u>General Administration</u> | <u>Parks and Recreation</u> | <u>Protective Services</u> | <u>Roads Streets, Walks and Lighting</u> | <u>Utilities</u> | <u>All Other</u> | <u>Total</u> |
|--|-----------------------------------|---------------------------------|--------------------------------|--|------------------|----------------------|---------------------|
| REVENUE | | | | | | | |
| Taxation | \$ 856,129 | \$ 1,063,045 | \$ 1,062,097 | \$ 9,392,123 | \$ 1,009,399 | \$ 7,376,077 | \$ 20,758,870 |
| All other | 2,225,911 | - | - | 5,037 | 20,208 | 358,396 | 2,609,552 |
| Government transfers | 252,000 | 249,741 | 2,381 | 290,751 | - | 497,837 | 1,292,710 |
| Sales and user charges | 9,601 | 5,000 | - | 206,696 | 108,773 | 49,936 | 380,006 |
| Rentals | - | - | - | - | - | 84,709 | 84,709 |
| | <u>3,343,641</u> | <u>1,317,786</u> | <u>1,064,478</u> | <u>9,894,607</u> | <u>1,138,380</u> | <u>8,366,955</u> | <u>25,125,847</u> |
| EXPENSES | | | | | | | |
| Materials, goods, and contracted and general services | 1,247,996 | 75,528 | 84,677 | 3,579,979 | 536,707 | 545,036 | 6,069,923 |
| Salaries, wages, and benefits | 1,277,002 | 67,665 | 238,869 | 2,675,840 | 290,315 | 946,188 | 5,495,879 |
| Transfers to other governments | - | 1,077,903 | 450,650 | 61,386 | 78,306 | 315,516 | 1,983,761 |
| Transfers to local boards and organizations | - | - | 59,289 | - | - | 394,777 | 454,066 |
| Insurance | 116,535 | - | 7,603 | - | - | 26,671 | 150,809 |
| Utilities | 38,479 | - | 13,349 | 78,224 | - | - | 130,052 |
| Interest on long term debt | 190,290 | - | - | 86,087 | 1,936 | - | 278,313 |
| Repairs and maintenance | 22,535 | - | 35,459 | 2,038 | - | 7,963 | 67,995 |
| | <u>2,892,837</u> | <u>1,221,096</u> | <u>889,896</u> | <u>6,483,554</u> | <u>907,264</u> | <u>2,236,151</u> | <u>14,630,798</u> |
| EXCESS OF REVENUE OVER EXPENSES BEFORE AMORTIZATION | 450,804 | 96,690 | 174,582 | 3,411,053 | 231,116 | 6,130,804 | 10,495,049 |
| Amortization of tangible capital assets | <u>450,804</u> | <u>96,690</u> | <u>174,582</u> | <u>3,411,053</u> | <u>231,116</u> | <u>754,600</u> | <u>5,118,845</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>5,376,204</u> | \$ <u>5,376,204</u> |

BRAZEAU COUNTY

SCHEDULE 5

SCHEDULE OF SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2010

| | <u>General Administration</u> | <u>Parks and Recreation</u> | <u>Protective Services</u> | <u>Roads Streets, Walks and Lighting</u> | <u>Utilities</u> | <u>All Other</u> | <u>Total</u> |
|--|-----------------------------------|---------------------------------|--------------------------------|--|---------------------|----------------------|---------------------|
| REVENUE | | | | | | | |
| Taxation | \$ - | \$ 599,300 | \$ 861,356 | \$ 3,454,173 | \$ 585,696 | \$ 15,090,213 | \$ 20,590,738 |
| Government transfers | 2,009,870 | 288,022 | - | - | - | 395,730 | 2,693,622 |
| All other | 1,494,419 | - | - | 5,905 | 11,780 | 215,361 | 1,727,465 |
| Sales and user charges | 8,437 | 5,150 | - | 167,289 | 87,187 | 36,901 | 304,964 |
| Rentals | - | - | - | - | - | 85,006 | 85,006 |
| | <u>3,512,726</u> | <u>892,472</u> | <u>861,356</u> | <u>3,627,367</u> | <u>684,663</u> | <u>15,823,211</u> | <u>25,401,795</u> |
| EXPENSES | | | | | | | |
| Materials, goods, and contracted and general services | 1,223,205 | 30,332 | 106,263 | 4,516,549 | 508,711 | 2,187,509 | 8,572,569 |
| Salaries, wages, and benefits | 933,323 | 32,891 | 219,658 | 2,802,064 | 165,526 | 1,189,750 | 5,343,212 |
| Transfer to other governments | - | 829,249 | 434,500 | 37,993 | 70,253 | 269,427 | 1,641,422 |
| Transfer to local boards and organizations | - | - | 59,391 | - | - | 314,872 | 374,263 |
| Insurance | 106,187 | - | 15,435 | - | - | 34,366 | 155,988 |
| Utilities | 39,010 | - | 13,499 | 62,203 | - | 18,385 | 133,097 |
| Interest on long term debt | 85,543 | - | - | 59,768 | 4,792 | - | 150,103 |
| Repairs and maintenance | 8,182 | - | 12,610 | 3,293 | - | 5,209 | 29,294 |
| | <u>2,395,450</u> | <u>892,472</u> | <u>861,356</u> | <u>7,481,870</u> | <u>749,282</u> | <u>4,019,518</u> | <u>16,399,948</u> |
| EXCESS OF REVENUE OVER EXPENSES BEFORE AMORTIZATION | 1,117,276 | - | - | (3,854,503) | (64,619) | 11,803,693 | 9,001,847 |
| Amortization of tangible capital assets | <u>82,303</u> | <u>95,113</u> | <u>176,168</u> | <u>3,104,432</u> | <u>225,286</u> | <u>715,300</u> | <u>4,398,602</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | <u>\$ 1,034,973</u> | <u>\$ (95,113)</u> | <u>\$ (176,168)</u> | <u>\$ (6,958,935)</u> | <u>\$ (289,905)</u> | <u>\$ 11,088,393</u> | <u>\$ 4,603,245</u> |

BRAZEAU COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

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.

(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) Inventories for Consumption

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

(d) 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:

| | |
|-------------------------|----------------|
| Buildings | 40 years |
| Engineered structures | |
| Roadways | |
| Top | 20 years |
| Base | 40 years |
| Bridges and culverts | 30 - 142 years |
| Wastewater systems | 75 years |
| Water systems | 45 & 75 years |
| Machinery and equipment | 5 - 20 years |
| Vehicles | 10 years |

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.

(CONT'D)

BRAZEAU COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) 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.

(f) 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.

(g) 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.

(h) 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 FINANCIAL STATEMENTS
DECEMBER 31, 2011

2. ACCOUNTS RECEIVABLE

| | <u>2011</u> | <u>2010</u> |
|-----------------------------------|---------------------|---------------------|
| Receivable from other governments | \$ 7,666,220 | \$ 4,635,027 |
| Trade and other | 1,203,984 | 458,373 |
| Taxes and grants in lieu | <u>494,792</u> | <u>462,357</u> |
| | <u>\$ 9,364,996</u> | <u>\$ 5,555,757</u> |

3. CREDIT FACILITY

The County has a demand revolving operating credit facility to a maximum of \$2,000,000 bearing interest at prime less 0.25% per annum. The credit facility was not drawn upon as of December 31, 2011.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | <u>2011</u> | <u>2010</u> |
|---------------------------------------|---------------------|---------------------|
| Trade and other accounts payable | \$ 3,721,029 | \$ 3,187,103 |
| Accrued vacation pay | 242,292 | 209,030 |
| Post employment benefits (Note 1 (g)) | <u>67,077</u> | <u>33,654</u> |
| | <u>\$ 4,030,398</u> | <u>\$ 3,429,787</u> |

5. 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>2011</u> | <u>2010</u> |
|---|-------------------|-------------------|
| Provincial government conditional transfers | <u>\$ 363,885</u> | <u>\$ 158,913</u> |

BRAZEAU COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

6. LONG-TERM DEBT

| | <u>2011</u> | <u>2010</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. | \$ 7,274,394 | \$10,446,000 |
| Alberta Capital Financing Authority debentures bearing interest at rates ranging from 3.046% to 5.750% per annum maturing in years 2012 - 2023. | <u>1,204,440</u> | <u>1,921,899</u> |
| | <u>\$ 8,478,834</u> | <u>\$12,367,899</u> |
| Supported by general tax levies | \$ 8,432,678 | \$12,325,607 |
| Supported by special levies | <u>46,156</u> | <u>42,292</u> |
| | <u>\$ 8,478,834</u> | <u>\$12,367,899</u> |

Principal and interest payments are due as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------|---------------------|-------------------|---------------------|
| 2012 | \$ 3,909,026 | \$ 170,165 | \$ 4,079,191 |
| 2013 | 3,598,339 | 68,539 | 3,666,878 |
| 2014 | 934,129 | 7,601 | 941,730 |
| 2015 | 3,283 | 2,147 | 5,430 |
| 2016 | 3,472 | 1,958 | 5,430 |
| Thereafter | <u>30,585</u> | <u>7,426</u> | <u>38,011</u> |
| | <u>\$ 8,478,834</u> | <u>\$ 257,836</u> | <u>\$ 8,736,670</u> |

Interest on long-term debt amounted to \$278,313 (2010 - \$150,104).

The County's total cash payments for interest in 2011 were \$280,387 (2010 - \$88,018).

7. INVENTORY FOR CONSUMPTION

| | <u>2011</u> | <u>2010</u> |
|-----------------------------|---------------------|---------------------|
| Sand and gravel | \$ 2,869,823 | \$ 2,899,728 |
| Parts, chemicals, and other | <u>259,920</u> | <u>238,354</u> |
| | <u>\$ 3,129,743</u> | <u>\$ 3,138,082</u> |

BRAZEAU COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

8. TANGIBLE CAPITAL ASSETS

| | <u>2011</u> Net Book Value | <u>2010</u> Net Book Value |
|--------------------------|----------------------------------|----------------------------------|
| Engineered structures | | |
| Roadways | \$ 106,830,769 | \$ 98,650,987 |
| Wastewater systems | 6,936,231 | 6,969,865 |
| Water systems | 3,022,859 | 3,088,109 |
| Storm systems | <u>1,199,637</u> | <u>886,384</u> |
| | 117,989,496 | 109,595,345 |
| Machinery and equipment | 6,582,280 | 6,124,440 |
| Vehicles | 2,431,027 | 2,478,679 |
| Buildings | 20,736,716 | 3,069,970 |
| Land | 5,687,183 | 5,665,574 |
| Land improvements | 2,608,016 | 1,653,893 |
| Construction in progress | <u>1,851,105</u> | <u>23,165,797</u> |
| | <u>\$ 157,885,823</u> | <u>\$ 151,753,698</u> |

| | Cost Beginning of Year | Additions | Disposals | Transfers | Cost End of Year |
|----------------------------|------------------------------|----------------------|-----------------------|---------------------|------------------------|
| Engineering structures | | | | | |
| Roadways | \$ 328,409,594 | \$ 5,510,011 | \$ (8,049,636) | \$ 5,932,868 | \$ 331,802,837 |
| Wastewater systems | 8,806,715 | 131,691 | (7,000) | - | 8,931,406 |
| Water systems | 3,911,765 | - | - | - | 3,911,765 |
| Storm systems | <u>935,697</u> | <u>327,915</u> | <u>-</u> | <u>-</u> | <u>1,263,612</u> |
| | 342,063,771 | 5,969,617 | (8,056,636) | 5,932,868 | 345,909,620 |
| Machinery and equipment | 8,921,525 | 2,021,162 | (1,451,311) | - | 9,491,376 |
| Vehicles | 3,810,859 | 215,565 | (59,530) | - | 3,966,894 |
| Buildings | 4,686,022 | 2,592,042 | - | 15,538,537 | 22,816,601 |
| Land | 5,665,574 | 25,468 | (3,859) | - | 5,687,183 |
| Land improvements | 2,487,337 | 1,073,020 | - | 14,144 | 3,574,501 |
| Construction in progress | <u>23,165,797</u> | <u>170,857</u> | <u>-</u> | <u>(21,485,549)</u> | <u>1,851,105</u> |
| | <u>\$ 390,800,885</u> | <u>\$ 12,067,731</u> | <u>\$ (9,571,336)</u> | <u>\$ -</u> | <u>\$ 393,297,280</u> |

| | Accumulated Amortization Beginning of Year | Current Amortization | Disposals | Transfers | Accumulated Amortization End of Year |
|--|---|-------------------------|-----------------------|-------------|---|
| Engineered structures | | | | | |
| Roadways | \$ 229,758,607 | \$ 3,396,392 | \$ (8,182,931) | \$ - | \$ 224,972,068 |
| Wastewater systems | 1,836,850 | 158,714 | (389) | - | 1,995,175 |
| Water systems | 823,656 | 65,250 | - | - | 888,906 |
| Storm systems | <u>49,313</u> | <u>14,662</u> | <u>-</u> | <u>-</u> | <u>63,975</u> |
| | 232,468,426 | 3,635,018 | (8,183,320) | - | 227,920,124 |
| Machinery, equipment, and furnishings | 2,797,085 | 629,689 | (517,678) | - | 2,909,096 |
| Vehicles | 1,332,180 | 257,264 | (53,577) | - | 1,535,867 |
| Buildings | 1,616,052 | 463,833 | - | - | 2,079,885 |
| Land improvements | <u>833,444</u> | <u>133,041</u> | <u>-</u> | <u>-</u> | <u>966,485</u> |
| | <u>\$ 239,047,187</u> | <u>\$ 5,118,845</u> | <u>\$ (8,754,575)</u> | <u>\$ -</u> | <u>\$ 235,411,457</u> |

BRAZEAU COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

9. ACCUMULATED SURPLUS

| | <u>2011</u> | <u>2010</u> |
|--|----------------------|----------------------|
| Unrestricted surplus | \$ 9,061,608 | \$ 4,153,483 |
| Restricted surplus | | |
| Operating reserves (Note 10) | 3,843,760 | 3,988,902 |
| Capital reserves (Note 10) | 13,099,519 | 11,779,276 |
| Equity in tangible capital assets (Schedule 1) | <u>150,381,012</u> | <u>140,684,499</u> |
| | <u>\$176,385,899</u> | <u>\$160,606,160</u> |

10. RESERVES

| | <u>2011</u> | <u>2010</u> |
|--------------------------------------|----------------------|----------------------|
| Operating Reserves | | |
| General operating | \$ 3,000,000 | \$ 3,000,000 |
| Resource road reserve | <u>843,760</u> | <u>988,902</u> |
| | <u>3,843,760</u> | <u>3,988,902</u> |
| Capital Reserves | | |
| Administration building construction | 6,300,000 | 6,300,000 |
| Roads | 3,208,095 | 2,999,046 |
| Equipment replacement | 1,073,793 | 618,781 |
| Deferred projects | 814,688 | - |
| Gravel inventory | 480,000 | 825,000 |
| Cash in lieu of parks | 306,635 | 264,035 |
| Cultural facilities | 300,000 | - |
| Utilities | 295,682 | 295,682 |
| Fire equipment | 184,127 | 134,127 |
| Administration building renovations | 94,499 | 94,499 |
| Utility servicing | 42,000 | - |
| Recreation facility | <u>-</u> | <u>248,106</u> |
| | <u>13,099,519</u> | <u>11,779,276</u> |
| | <u>\$ 16,943,279</u> | <u>\$ 15,768,178</u> |

11. CONTINGENCIES

(a) Pembina Education Society Guarantee

The County has provided its financial institution with a continuing guarantee in the amount of \$76,436 in favour of the Pembina Education Society.

(b) Brazeau Seniors Foundation Guarantee

Brazeau County has 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.

(c) 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, 2011

12. TRUST FUNDS

Trust funds result when proceeds from property sales exceed the outstanding tax arrears at the time of sale, plus the return on those funds. At December 31, 2011 \$Nil (2010 - \$988) was held in a segregated trust account and may be payable, on application, to the previous owner. These trust funds are not included on the balance sheet.

13. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the County is not exposed to significant interest, currency, or credit risk arising from these financial instruments.

The County is exposed to credit risk with respect to receivables. Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their obligations. The County is exposed to the credit risk associated with fluctuations in the oil and gas industry as a significant portion of the property taxes outstanding at December 31, 2011 relate to linear property and are receivable from companies in the oil and gas industry. The large number and diversity of customers minimizes the County's credit risk.

Unless otherwise noted, the carrying value of the financial instruments approximates their fair value.

14. 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 9.49% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.13% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 8.49% of pensionable earnings up to the year's maximum pensionable earnings and 12.13% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2011 were \$142,988 (2010 - \$130,871). Total current service contributions by the employees of the County to the LAPP in 2011 were \$129,106 (2010 - \$117,430).

At December 31, 2010 the Plan disclosed an actuarial deficit of \$4,635.3 million (2009 - \$3,998.6 million).

BRAZEAU COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

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>2011</u> | <u>2010</u> |
|-----------------------|---------------------|--------------------------------|-------------------|-------------------|
| | <u>Remuneration</u> | <u>Benefits and Allowances</u> | <u>Total</u> | <u>Total</u> |
| Reeve and Councillors | | | | |
| S. Mahan | \$ 36,284 | \$ 6,855 | \$ 43,139 | \$ 11,032 |
| W. Tweedle (Reeve) | 35,121 | 6,318 | 41,439 | 43,504 |
| D. Konelsky | 30,787 | 9,647 | 40,434 | 31,223 |
| B. Kitching | 27,378 | 11,359 | 38,737 | 31,425 |
| K. Westerlund | 27,931 | 8,829 | 36,760 | 8,089 |
| P. Monteith | 21,651 | 8,915 | 30,566 | 27,546 |
| A. Heinrich | 20,684 | 4,824 | 25,508 | 28,257 |
| P. Vos | - | - | - | 16,780 |
| M. Schwab | - | - | - | 22,216 |
| | <u>\$ 199,836</u> | <u>\$ 56,747</u> | <u>\$ 256,583</u> | <u>\$ 220,072</u> |
| County Managers | | | | |
| R. McCullough | \$ 173,931 | \$ 27,086 | \$ 201,017 | \$ 160,327 |
| K. Porter | - | - | - | 49,388 |
| | <u>\$ 173,931</u> | <u>\$ 27,086</u> | <u>\$ 201,017</u> | <u>\$ 209,715</u> |
| Designated Officers | <u>\$ 494,824</u> | <u>\$ 75,845</u> | <u>\$ 570,669</u> | <u>\$ 503,869</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.

16. 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 \$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.

17. 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, 2011

18. 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>2011</u> | <u>2010</u> |
|---------------------------------------|----------------------|----------------------|
| Total debt limit | \$ 37,688,771 | \$ 38,102,693 |
| Total debt | 8,478,834 | 12,367,899 |
| Loan guarantees (Note 11) | <u>1,992,936</u> | <u>1,992,936</u> |
| Amount of debt limit unused | \$ <u>27,217,001</u> | \$ <u>23,741,858</u> |
| | | |
| Service on debt limit | \$ 6,281,462 | \$ 6,350,449 |
| Service on debt | <u>4,079,191</u> | <u>3,608,209</u> |
| Amount of debt servicing limit unused | \$ <u>2,202,271</u> | \$ <u>2,742,240</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.

19. PRIOR PERIOD ADJUSTMENT

During the 2011 fiscal year, the County discovered that the valuation method originally used to estimate various tangible capital asset costs was incorrect. Furthermore, the County identified tangible capital assets that had previously not been reported. The County also discovered that a repayment of a deposit in the amount of \$93,176 during 2010 was incorrectly reported as an expense.

The County has accounted for these changes retrospectively and restated comparative figures. The effect on the financial statements has been to decrease 2010 excess of revenue over expenses by \$733,349 and deposit liabilities by \$93,176, increase inventory for consumption by \$1,298,700, land held for resale by \$12,908, tangible capital assets by \$41,177,500, equity in tangible capital assets and accumulated surplus by \$43,315,633.

20. COMPARATIVE FIGURES

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

21. BUDGET FIGURES

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

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.