

BRAZEAU COUNTY

DRAYTON VALLEY, ALBERTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

Hawkings Epp Dumont LLP

Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the statement of financial position of Brazeau County as at December 31, 2010 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 generally accepted accounting principles, 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 consolidated 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 the Brazeau County as at December 31, 2010 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 generally accepted accounting principles.



Edmonton, Alberta
April 27, 2011

HAWKINGS EPP DUMONT LLP
Chartered Accountants

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**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

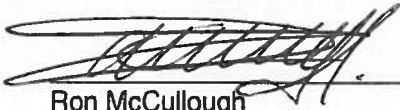
To His Worship the Reeve and Members of Council of Brazeau County
Drayton Valley, Alberta

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

The financial statements are the responsibility of management, prepared in accordance with Canadian generally accepted accounting principles. They necessarily include some amounts that are based on the best estimates and judgments of management.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of financial statements.

Hawkings Epp Dumont LLP, Chartered Accountants, have been appointed by County Council to express an opinion on the County's financial statements.



Ron McCullough
County Manager

Ruth Boden
Director of Corporate Services

BRAZEAU COUNTY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
FINANCIAL ASSETS		
Cash	\$ 16,088,361	\$ 10,544,808
Accounts receivable (Note 2)	<u>5,555,757</u>	<u>3,165,108</u>
	<u>21,644,118</u>	<u>13,709,916</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	3,429,787	2,147,626
Deposit liabilities	199,022	213,847
Deferred revenue (Note 4)	158,913	1,284,328
Long-term debt (Note 5)	<u>12,367,899</u>	<u>2,613,666</u>
	<u>16,155,621</u>	<u>6,259,467</u>
NET FINANCIAL ASSETS	<u>5,488,497</u>	<u>7,450,449</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	110,576,198	96,792,783
Inventory for consumption (Note 6)	1,839,382	1,977,017
Prepaid expenses	<u>119,799</u>	<u>105,297</u>
	<u>112,535,379</u>	<u>98,875,097</u>
ACCUMULATED SURPLUS (NOTE 8)	<u>\$118,023,876</u>	<u>\$106,325,546</u>
Contingencies (Note 10)		

ON BEHALF OF THE COUNTY COUNCIL:

Wes Luedke

COUNCIL RESOLUTION APPROVED

APRIL 27, 2011

BRAZEAU COUNTY

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u> (Budget) (Note 18)	<u>2010</u> (Actual)	<u>2009</u> (Actual)
REVENUE			
Net taxation (Schedule 2)	\$ 20,555,138	\$ 20,548,178	\$ 21,906,505
Government transfers for operating (Schedule 3)	3,247,430	2,693,622	2,601,307
Oil well drilling taxes	95,000	1,286,654	124,945
Sales of goods and services	329,092	350,587	293,817
Interest	128,258	138,324	128,414
Fines	71,600	101,690	77,890
Rentals	84,847	79,856	87,135
Licenses and permits	71,500	76,530	54,800
Penalties on taxes	65,655	68,066	67,649
Sales to other governments	28,989	46,512	18,737
Other	<u>14,000</u>	<u>11,775</u>	<u>13,786</u>
	<u>24,691,509</u>	<u>25,401,794</u>	<u>25,374,985</u>
EXPENSES			
Roads, streets, walks and lighting	7,963,611	6,040,873	11,878,871
Land use planning, zoning and development	2,315,246	2,425,464	790,884
General and administration	2,547,956	2,395,947	2,228,405
Common equipment pool	1,675,947	1,749,958	1,812,631
Economic and agricultural development	962,896	854,257	781,107
Parks and recreation	1,351,940	893,754	692,826
Firefighting services	685,000	599,282	573,799
Culture - libraries	410,901	345,452	405,371
Waste management	385,410	342,176	320,292
Policing	276,489	262,074	241,739
Council	252,757	257,392	245,106
Wastewater treatment and disposal	532,056	253,334	334,403
Family and community support services	226,989	222,350	223,989
Water supply and distribution	269,483	162,384	129,522
Disaster and emergency measures	22,100	42,355	17,652
Cemeteries	6,000	800	3,675
Ambulance and first aid	-	-	81,071
Bylaw enforcement	-	-	10,861
Amortization of tangible capital assets	<u>-</u>	<u>3,743,605</u>	<u>3,450,181</u>
	<u>19,884,781</u>	<u>20,591,457</u>	<u>24,222,385</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER INCOME	<u>4,806,728</u>	<u>4,810,337</u>	<u>1,152,600</u>
OTHER INCOME			
Government transfers for capital (Schedule 3)	5,538,764	6,657,235	6,185,062
Contributed tangible capital assets	-	480,198	633,030
Other	54,074	-	-
Cash in lieu of parks	-	-	68,325
Gain (loss) on disposal of tangible capital assets	<u>-</u>	<u>(249,440)</u>	<u>(101,001)</u>
	<u>5,592,838</u>	<u>6,887,993</u>	<u>6,785,416</u>
EXCESS OF REVENUE OVER EXPENSES	10,399,566	11,698,330	7,938,016
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>106,325,546</u>	<u>106,325,546</u>	<u>98,387,530</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$116,725,112</u>	<u>\$118,023,876</u>	<u>\$106,325,546</u>

BRAZEAU COUNTY
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u> (Budget) (Note 18)	<u>2010</u> (Actual)	<u>2009</u> (Actual)
EXCESS OF REVENUE OVER EXPENSES	\$ <u>10,399,566</u>	\$ <u>11,698,330</u>	\$ <u>7,938,016</u>
Acquisition of tangible capital assets	(24,621,611)	(18,186,446)	(16,824,431)
Proceeds on disposal of tangible capital assets	402,138	409,985	268,162
Amortization of tangible capital assets	-	3,743,606	3,450,181
Loss on disposal of tangible capital assets	<u>-</u>	<u>249,440</u>	<u>101,001</u>
	<u>(24,219,473)</u>	<u>(13,783,415)</u>	<u>(13,005,087)</u>
Use of supplies inventory	-	137,635	87,122
Use (acquisition) of prepaid expenses	<u>-</u>	<u>(14,502)</u>	<u>16,026</u>
	<u>-</u>	<u>123,133</u>	<u>103,148</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(13,819,907)	(1,961,952)	(4,963,923)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>7,450,449</u>	<u>7,450,449</u>	<u>12,414,372</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u>(6,369,458)</u>	\$ <u>5,488,497</u>	\$ <u>7,450,449</u>

BRAZEAU COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 11,698,330	\$ 7,938,016
Non-cash items included in excess of revenue over expenses		
Loss on disposal of tangible capital assets	249,440	101,001
Amortization of tangible capital assets	3,743,606	3,450,181
Change in non-cash working capital balances		
Accounts receivable	(2,390,649)	924,832
Prepaid expenses	(14,502)	16,026
Accounts payable and accrued liabilities	1,282,161	(685,020)
Deferred revenue	(1,125,415)	(457,434)
Inventories for consumption	137,635	87,122
Deposit liabilities	(14,825)	124,721
	<u>13,565,781</u>	<u>11,499,445</u>
INVESTING ACTIVITIES		
Debt charges received	-	9,686
Acquisition of tangible capital assets	(18,186,446)	(16,824,431)
	<u>(18,186,446)</u>	<u>(16,814,745)</u>
FINANCING ACTIVITIES		
Long-term debt proceeds	10,446,000	-
Long-term debt principal repayments	(691,767)	(676,728)
Proceeds on disposal of tangible capital assets	409,985	268,162
	<u>10,164,218</u>	<u>(408,566)</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	5,543,553	(5,723,866)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>10,544,808</u>	<u>16,268,674</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 16,088,361</u>	<u>\$ 10,544,808</u>

BRAZEAU COUNTY
SCHEDULE OF EQUITY IN TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

SCHEDULE 1

	<u>2010</u>	<u>2009</u>
BALANCE, BEGINNING OF YEAR	\$ 94,179,117	\$ 80,506,988
Acquisition of Tangible Capital Assets	18,186,446	16,824,431
Cost of Tangible Capital Assets Disposed of	(983,969)	(742,517)
Accumulated Amortization of Tangible Capital Assets Disposed of	324,544	373,353
Amortization of Tangible Capital Assets	(3,743,606)	(3,450,181)
Long-term debt issued	(10,446,000)	-
Long-term debt repayments	<u>691,767</u>	<u>667,043</u>
BALANCE, END OF YEAR	<u>\$ 98,208,299</u>	<u>\$ 94,179,117</u>

Equity in Tangible Capital Assets is Comprised of the Following:

Tangible capital assets (Note 7)	\$110,576,198	\$ 96,792,783
Long-term debt	<u>(12,367,899)</u>	<u>(2,613,666)</u>
	<u>\$ 98,208,299</u>	<u>\$ 94,179,117</u>

BRAZEAU COUNTY

SCHEDULE 2

SCHEDULE OF PROPERTY TAXES AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u> (Budget) (Note 18)	<u>2010</u> (Actual)	<u>2009</u> (Actual)
TAXATION			
Real property taxes	\$ 10,974,414	\$ 10,997,186	\$ 11,116,265
Linear property taxes	18,418,667	18,413,950	19,575,622
Government grants in lieu of property taxes	<u>7,828</u>	<u>7,572</u>	<u>6,991</u>
	<u>29,400,909</u>	<u>29,418,708</u>	<u>30,698,878</u>
REQUISITIONS			
Alberta School Foundation Fund	(8,509,230)	(8,502,395)	(8,484,849)
Brazeau Seniors Foundation	<u>(373,121)</u>	<u>(516,058)</u>	<u>(343,104)</u>
	<u>(8,882,351)</u>	<u>(9,018,453)</u>	<u>(8,827,953)</u>
OTHER TAXES			
Sand and gravel levy	1,000	112,343	-
Local improvements	<u>35,580</u>	<u>35,580</u>	<u>35,580</u>
	<u>36,580</u>	<u>147,923</u>	<u>35,580</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 20,555,138</u>	<u>\$ 20,548,178</u>	<u>\$ 21,906,505</u>

BRAZEAU COUNTY

SCHEDULE 3

SCHEDULE OF GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2010</u> (Budget) (Note 18)	<u>2010</u> (Actual)	<u>2009</u> (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 3,247,430	\$ 2,693,622	\$ 2,590,702
Local governments	<u>-</u>	<u>-</u>	<u>10,605</u>
	<u>3,247,430</u>	<u>2,693,622</u>	<u>2,601,307</u>
TRANSFERS FOR CAPITAL			
Provincial government	<u>5,538,764</u>	<u>6,657,235</u>	<u>6,185,062</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 8,786,194</u>	<u>\$ 9,350,857</u>	<u>\$ 8,786,369</u>

BRAZEAU COUNTY

SCHEDULE 4

SCHEDULE OF SEGMENTED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010

	General Administration	Parks and Recreation	Protective Services	Roads Streets, Walks and Lighting	Utilities	All Other	Total
REVENUE							
Taxation	\$ -	\$ 599,300	\$ 861,356	\$ 3,454,173	\$ 585,696	\$ 15,047,653	\$ 20,548,178
Government transfers	1,739,680	288,022	-	-	-	665,920	2,693,622
All other	1,494,419	-	-	5,905	11,780	217,447	1,729,551
Sales and user charges	8,437	5,150	-	167,289	87,187	82,524	350,587
Rentals	-	-	-	-	-	79,856	79,856
	<u>3,242,536</u>	<u>892,472</u>	<u>861,356</u>	<u>3,627,367</u>	<u>684,663</u>	<u>16,093,400</u>	<u>25,401,794</u>
EXPENSES							
Materials, goods, and contracted and general services	1,223,205	30,332	106,263	1,297,953	444,092	5,844,011	8,945,856
Salaries, wages, and benefits	933,323	32,891	219,658	2,264,367	165,526	1,731,365	5,347,130
Transfers to other governments	-	829,249	434,500	-	70,253	234,543	1,568,545
Transfers to local boards and organizations	-	-	59,391	-	-	513,523	572,914
Insurance	106,187	-	15,435	-	-	34,366	155,988
Utilities	39,010	-	13,499	5,279	-	20,232	78,020
Interest on long term debt	85,543	-	-	59,768	4,792	-	150,103
Repairs and maintenance	8,182	-	12,610	-	-	8,503	29,295
	<u>2,395,450</u>	<u>892,472</u>	<u>861,356</u>	<u>3,627,367</u>	<u>684,663</u>	<u>8,386,543</u>	<u>16,847,851</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE AMORTIZATION	847,086	-	-	-	-	7,706,857	8,553,943
Amortization of tangible capital assets	25,502	25,752	159,606	2,817,920	504,358	210,468	3,743,606
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ <u>821,584</u>	\$ <u>(25,752)</u>	\$ <u>(159,606)</u>	\$ <u>(2,817,920)</u>	\$ <u>(504,358)</u>	\$ <u>7,496,389</u>	\$ <u>4,810,337</u>

BRAZEAU COUNTY

SCHEDULE 5

SCHEDULE OF SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2009

	General Administration	Parks and Recreation	Protective Services	Roads Streets, Walks and Lighting	Utilities	All Other	Total
REVENUE							
Taxation	\$ 1,723,362	\$ 414,874	\$ 907,470	\$ 5,180,028	\$ 690,582	\$ 12,990,189	\$ 21,906,505
Government transfers	198,681	251,093	-	375,480	-	1,776,053	2,601,307
All other	296,524	-	-	253	15,410	174,034	486,221
Sales and user charges	7,581	4,400	-	158,670	78,224	44,942	293,817
Rentals	-	-	-	-	-	87,135	87,135
	<u>2,226,148</u>	<u>670,367</u>	<u>907,470</u>	<u>5,714,431</u>	<u>784,216</u>	<u>15,072,353</u>	<u>25,374,985</u>
EXPENSES							
Materials, goods, and contracted and general services	914,159	13,594	158,250	3,185,961	548,727	8,041,360	12,862,051
Salaries, wages, and benefits	1,153,087	62,475	200,400	2,402,784	164,676	1,597,264	5,580,686
Transfer to other governments	-	569,901	370,668	-	65,935	236,584	1,243,088
Transfer to local boards and organizations	-	-	137,967	-	-	518,068	656,035
Insurance	99,203	-	9,369	-	-	32,696	141,268
Utilities	43,234	-	4,922	7,126	-	31,186	86,468
Interest on long term debt	-	-	-	118,560	4,878	-	123,438
Repairs and maintenance	16,465	24,397	25,894	-	-	12,414	79,170
	<u>2,226,148</u>	<u>670,367</u>	<u>907,470</u>	<u>5,714,431</u>	<u>784,216</u>	<u>10,469,572</u>	<u>20,772,204</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE AMORTIZATION	-	-	-	-	-	4,602,781	4,602,781
Amortization of tangible capital assets	25,502	23,240	119,388	3,099,982	100,657	81,412	3,450,181
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ (25,502)</u>	<u>\$ (23,240)</u>	<u>\$ (119,388)</u>	<u>\$ (3,099,982)</u>	<u>\$ (100,657)</u>	<u>\$ 4,521,369</u>	<u>\$ 1,152,600</u>

BRAZEAU COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representations of Brazeau County (the "County") management prepared in accordance with Canadian generally accepted accounting principles. Significant aspects of the accounting policies adopted by the County are as follows:

(a) Reporting Entity

These 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	Variable
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 (CONT'D)

DECEMBER 31, 2010

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 (CONT'D)

DECEMBER 31, 2010

2. ACCOUNTS RECEIVABLE

	<u>2010</u>	<u>2009</u>
Receivable from other governments	\$ 4,635,027	\$ 2,241,781
Taxes and grants in lieu	462,357	488,185
Trade and other	<u>458,373</u>	<u>435,142</u>
	<u>\$ 5,555,757</u>	<u>\$ 3,165,108</u>

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2010</u>	<u>2009</u>
Trade and other accounts payable	\$ 3,187,103	\$ 1,928,091
Accrued vacation pay	209,030	186,206
Post employment benefits (Note 1 (g))	<u>33,654</u>	<u>33,329</u>
	<u>\$ 3,429,787</u>	<u>\$ 2,147,626</u>

4. 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>2010</u>	<u>2009</u>
Provincial government conditional transfers	<u>\$ 158,913</u>	<u>\$ 1,284,328</u>

BRAZEAU COUNTY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2010

5. LONG-TERM DEBT

	<u>2010</u>	<u>2009</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.	\$10,446,000	\$ -
Alberta Capital Financing Authority debentures bearing interest at rates ranging from 3.046% to 9.750% per annum maturing in years 2012 - 2023.	<u>1,921,899</u>	<u>2,613,666</u>
	<u>\$12,367,899</u>	<u>\$ 2,613,666</u>
Supported by general tax levies	\$12,325,607	\$ 2,543,029
Supported by special levies	<u>42,292</u>	<u>70,637</u>
	<u>\$12,367,899</u>	<u>\$ 2,613,666</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,328,959	\$ 279,250	\$ 3,608,209
2012	3,348,842	189,710	3,538,552
2013	3,038,154	101,861	3,140,015
2014	2,614,605	28,009	2,642,614
2015	3,283	2,147	5,430
Thereafter	<u>34,056</u>	<u>9,385</u>	<u>43,441</u>
	<u>\$12,367,899</u>	<u>\$ 610,362</u>	<u>\$12,978,261</u>

Interest on long-term debt amounted to \$150,104 (2009 - \$123,438).

The County's total cash payments for interest in 2010 were \$88,018 (2009 - \$113,349).

6. INVENTORY FOR CONSUMPTION

	<u>2010</u>	<u>2009</u>
Gravel	\$ 1,601,028	\$ 1,754,199
Parts, chemicals, and other	<u>238,354</u>	<u>222,818</u>
	<u>\$ 1,839,382</u>	<u>\$ 1,977,017</u>

BRAZEAU COUNTY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2010

7. TANGIBLE CAPITAL ASSETS

	<u>2010</u> Net Book Value	<u>2009</u> Net Book Value
Engineered structures		
Roadways	\$ 58,732,258	\$ 58,036,967
Wastewater systems	5,660,424	5,188,193
Water systems	2,596,858	1,800,594
Other	<u>208,312</u>	<u>212,961</u>
	67,197,852	65,238,715
Machinery and equipment	6,999,696	7,029,495
Vehicles	504,117	521,706
Buildings	2,823,921	2,909,575
Land	12,021,076	10,646,076
Construction in progress	<u>21,029,536</u>	<u>10,447,216</u>
	<u>\$ 110,576,198</u>	<u>\$ 96,792,783</u>

	Cost Beginning of Year	Additions	Disposals	Transfers	Cost End of Year
Engineering structures					
Roadways	\$ 162,200,934	\$ 2,241,910	\$ -	\$ 1,271,302	\$ 165,714,146
Wastewater systems	6,119,599	330,141	-	229,336	6,679,076
Water systems	2,177,354	154,641	-	681,975	3,013,970
Other	<u>274,188</u>	<u>14,144</u>	<u>-</u>	<u>-</u>	<u>288,332</u>
	170,772,075	2,740,836	-	2,182,613	175,695,524
Machinery and equipment	9,800,943	1,219,978	(895,320)	-	10,125,601
Vehicles	788,248	85,699	(88,649)	-	785,298
Buildings	3,530,005	-	-	-	3,530,005
Land	10,646,076	1,375,000	-	-	12,021,076
Construction in progress	<u>10,447,216</u>	<u>12,764,933</u>	<u>-</u>	<u>(2,182,613)</u>	<u>21,029,536</u>
	<u>\$ 205,984,563</u>	<u>\$ 18,186,446</u>	<u>\$ (983,969)</u>	<u>\$ -</u>	<u>\$ 223,187,040</u>

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered structures					
Roadways	\$ 104,163,967	\$ 2,817,921	\$ -	\$ -	\$ 106,981,888
Wastewater systems	931,406	87,246	-	-	1,018,652
Water systems	376,760	40,352	-	-	417,112
Other	<u>61,227</u>	<u>18,793</u>	<u>-</u>	<u>-</u>	<u>80,020</u>
	105,533,360	2,964,312	-	-	108,497,672
Machinery, equipment, and furnishings	2,771,448	629,109	(274,652)	-	3,125,905
Vehicles	266,542	64,531	(49,892)	-	281,181
Buildings	620,430	85,654	-	-	706,084
Land	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 109,191,780</u>	<u>\$ 3,743,606</u>	<u>\$ (324,544)</u>	<u>\$ -</u>	<u>\$ 112,610,842</u>

BRAZEAU COUNTY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2010

8. ACCUMULATED SURPLUS

	<u>2010</u>	<u>2009</u>
Unrestricted surplus	\$ 4,047,399	\$ 2,314,142
Restricted surplus		
Operating reserves (Note 9)	3,988,902	4,564,566
Capital reserves (Note 9)	11,779,276	5,267,721
Equity in tangible capital assets (Schedule 1)	<u>98,208,299</u>	<u>94,179,117</u>
	<u>\$118,023,876</u>	<u>\$106,325,546</u>

9. RESERVES

	<u>2010</u>	<u>2009</u>
Operating Reserves		
General operating	\$ 3,000,000	\$ 3,000,000
Resource road reserve	988,902	1,419,359
Overlay	<u>-</u>	<u>145,207</u>
	<u>3,988,902</u>	<u>4,564,566</u>
Capital Reserves		
Administration building construction	6,300,000	-
Roads	2,999,046	3,870,149
Gravel inventory	825,000	-
Equipment replacement	618,781	740,337
Utilities	295,682	220,682
Cash in lieu of parks	264,035	241,952
Recreation facility	248,106	-
Fire equipment	134,127	100,102
Administration building renovations	<u>94,499</u>	<u>94,499</u>
	<u>11,779,276</u>	<u>5,267,721</u>
	<u>\$ 15,768,178</u>	<u>\$ 9,832,287</u>

10. 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 (CONT'D)

DECEMBER 31, 2010

11. 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, 2010 \$988 (2009 - \$981) 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.

12. 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, 2010 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.

13. 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>2010</u>	<u>2009</u>
	<u>Remuneration</u>	<u>Benefits and Allowances</u>	<u>Total</u>	<u>Total</u>
Reeve and Councillors				
W. Tweedle (Reeve)	\$ 36,110	\$ 7,394	\$ 43,504	\$ 51,020
B. Kitching	22,669	8,756	31,425	32,083
A. Heinrich	23,635	4,622	28,257	28,619
D. Konelsky	23,637	7,586	31,223	32,791
M. Schwab	18,983	3,233	22,216	31,735
P. Monteith	22,581	4,965	27,546	30,015
S. Mahan	8,550	2,482	11,032	-
K. Westerlund	7,110	979	8,089	-
P. Vos	<u>16,360</u>	<u>420</u>	<u>16,780</u>	<u>15,360</u>
	<u>\$ 179,635</u>	<u>\$ 40,437</u>	<u>\$ 220,072</u>	<u>\$ 221,623</u>
County Managers				
R. McCullough	\$ 150,573	\$ 9,754	\$ 160,327	\$ -
K. Porter	<u>47,250</u>	<u>2,138</u>	<u>49,388</u>	<u>137,400</u>
	<u>\$ 197,823</u>	<u>\$ 11,892</u>	<u>\$ 209,715</u>	<u>\$ 137,400</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.

BRAZEAU COUNTY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2010

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the County participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the *Public Sector Pension Plans Act*. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The County is required to make current service contributions to the LAPP of 9.06% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.53% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 8.06% of pensionable earnings up to the year's maximum pensionable earnings and 11.53% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2010 were \$130,871 (2009 - \$125,537). Total current service contributions by the employees of the County to the LAPP in 2010 were \$117,430 (2009 - \$111,696).

At December 31, 2009 the Plan disclosed an actuarial deficit of \$3,998.6 million (2008 - \$4,413.9 million).

15. 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>2010</u>	<u>2009</u>
Total debt limit	\$ 38,102,691	\$ 38,062,478
Total debt	12,367,899	2,613,666
Loan guarantees (Note 10)	<u>1,992,936</u>	<u>-</u>
Amount of debt limit unused	<u>\$ 23,741,856</u>	<u>\$ 35,448,812</u>
Service on debt limit	\$ 6,350,449	\$ 6,343,746
Service on debt	<u>3,608,209</u>	<u>779,785</u>
Amount of debt servicing limit unused	<u>\$ 2,742,240</u>	<u>\$ 5,563,961</u>

The debt limit is calculated at 1.5 times revenue of the County (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities, which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the County. Rather, the financial statements must be interpreted as a whole.

BRAZEAU COUNTY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2010

16. COMMITMENTS

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

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 consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedule of Segment Disclosure (Schedule 4).

18. BUDGET FIGURES

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

19. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.