

BRAZEAU COUNTY

DRAYTON VALLEY, ALBERTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Hawkings Epp Dumont LLP

Chartered Accountants

**BRAZEAU COUNTY
FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of Brazeau County

Report on Financial Statements

We have audited the statement of financial position of Brazeau County as at December 31, 2012 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, 2012 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
April 16, 2013

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**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

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

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

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

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

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

Marco Schoeninger
Chief Administrative Officer

Brenda Christie
Director of Corporate Services

Brazeau County
Statement of Financial Position
As at December 31, 2012

	2012	2011
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 29,289,668	\$ 18,963,945
Accounts receivable (Note 3)	6,711,650	9,364,996
Land for resale inventory	14,870	12,908
	36,016,188	28,341,849
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	4,677,269	4,030,398
Deposit liabilities	162,876	260,757
Deferred revenue (Note 7)	834,844	363,885
Long term debt (Note 8)	4,181,961	8,478,834
	9,856,950	13,133,874
NET FINANCIAL ASSETS	26,159,238	15,207,975
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	153,547,435	157,885,823
Inventory for consumption (Note 9)	3,336,081	3,129,743
Prepaid expenses	146,596	162,358
	157,030,112	161,177,924
ACCUMULATED SURPLUS (Note 11)	\$ 183,189,350	\$ 176,385,899

Contingencies (Note 16)

Brazeau County
Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2012

	2012 Budget (Note 20)	2012 Actual	2011 Actual
REVENUE			
Net municipal taxes (Schedule 3)	\$ 24,037,238	\$ 24,183,711	\$ 20,758,870
Oil Well Drilling Equipment Tax	1,400,000	2,923,849	1,984,144
Government transfers for operating (Schedule 4)	915,953	4,033,722	1,292,710
Sales to other governments	273,108	238,933	10,402
User fees and sales of goods	492,631	553,613	380,006
Investment income	180,000	421,496	275,824
Penalties and costs on taxes	68,160	74,966	75,464
Licenses, permits, rentals & fines	150,366	202,501	231,727
Other	98,530	166,662	116,700
	<u>\$ 27,615,986</u>	<u>\$ 32,799,453</u>	<u>\$ 25,125,847</u>
EXPENSES			
Legislative (Council)	\$ 368,806	\$ 353,998	\$ 325,263
General and Administration	3,478,294	3,051,175	3,343,142
Policing	465,156	393,173	336,623
Fire Services	904,760	812,686	787,415
Disaster and emergency services	16,059	18,455	12,008
Common equipment pool	976,409	1,854,177	1,138,966
Transportation	10,543,642	10,905,953	9,162,131
Storm	-	39,360	14,662
Water supply and distribution	2,044,908	321,878	300,931
Wastewater treatment and disposal	1,658,265	442,597	486,003
Waste management	508,618	490,492	466,075
Family and community services, public health and welfare	263,389	253,589	214,217
Land use planning, zoning and development	480,064	347,326	369,534
Economic/agricultural development	1,462,110	1,179,698	1,078,614
Parks & recreation	1,554,345	1,460,326	1,469,983
Culture	296,172	263,387	244,076
	<u>\$ 25,020,997</u>	<u>\$ 22,188,270</u>	<u>\$ 19,749,643</u>
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER INCOME	<u>2,594,989</u>	<u>10,611,183</u>	<u>5,376,204</u>
OTHER INCOME (EXPENSE)			
Government transfers for capital (Schedule 4)	\$ 8,135,745	\$ 1,260,521	\$ 10,528,643
Contributed tangible capital assets	-	192,665	18,790
Cash-in-leu of parks	77,000	15,496	63,538
Loss on disposal of tangible capitals assets due to annexation (Note 17)	-	(5,756,465)	-
Gain (Loss) on disposal of tangible capital assets	(274,384)	480,051	(207,436)
	<u>7,938,361</u>	<u>\$ (3,807,732)</u>	<u>10,403,535</u>
EXCESS OF REVENUE OVER EXPENSES	<u>10,533,350</u>	<u>6,803,451</u>	<u>15,779,739</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>176,385,899</u>	<u>176,385,899</u>	<u>160,606,160</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 186,919,249</u>	<u>\$ 183,189,350</u>	<u>\$ 176,385,899</u>

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

Brazeau County
Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2012

	2012 Budget (Note 20)	2012 Actual	2011 Actual
EXCESS OF REVENUES OVER EXPENSES	\$ 10,533,350	\$ 6,803,451	\$ 15,779,739
Acquisition of tangible capital assets	(22,028,901)	(7,914,922)	(12,067,731)
Proceeds on disposal of tangible capital assets	256,000	1,192,807	609,325
Amortization of tangible capital assets	4,117,965	5,784,086	5,118,845
Loss on disposal of tangible capital assets due to annexation	-	5,756,465	-
Gain (loss) on disposal of tangible capital assets	274,384	(480,051)	207,436
	<u>(17,380,552)</u>	<u>4,338,385</u>	<u>(6,132,125)</u>
Use (acquisition) of supplies inventory		(206,338)	8,339
Use (acquisition) of prepaid expenses		15,765	(42,559)
		<u>(190,573)</u>	<u>(34,220)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	<u>(6,847,202)</u>	<u>10,951,263</u>	<u>9,613,394</u>
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>15,207,975</u>	<u>15,207,975</u>	<u>5,594,581</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 8,360,773</u>	<u>\$ 26,159,238</u>	<u>\$ 15,207,975</u>

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

Brazeau County
Statement of Cashflows
For the Year Ended December 31, 2012

	2012	2011
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING ACTIVITIES		
Excess of revenues over expenses	<u>\$ 6,803,451</u>	<u>\$ 15,779,739</u>
Non-cash items included in excess (deficiencies) of revenues over expenses:		
Amortization of tangible capital assets	5,784,086	5,118,845
Loss on disposal of tangible capital assets	5,276,414	207,436
Tangible capital assets received as contributions	(192,665)	(18,790)
Change in non-cash working capital balances:		
Accounts receivable	2,653,346	(3,809,239)
Prepaid expenses	15,765	(42,559)
Accounts payable and accrued liabilities	646,870	600,611
Deferred Revenue	470,959	204,972
Land held for resale	(1,962)	-
Inventories for consumption	(206,338)	8,339
Deposit liabilities	(97,881)	154,911
Cash provided by operating transactions	<u>21,152,045</u>	<u>18,204,265</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	<u>(7,722,257)</u>	<u>(12,048,941)</u>
FINANCING ACTIVITIES		
Long-term debt principal repayments	(4,296,872)	(3,889,065)
Proceeds on disposal of tangible capital assets	1,192,807	609,325
	<u>(3,104,065)</u>	<u>(3,279,740)</u>
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	10,325,723	2,875,584
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>18,963,945</u>	<u>16,088,361</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	<u><u>\$ 29,289,668</u></u>	<u><u>\$ 18,963,945</u></u>

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

Brazeau County
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2012
Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Assets Under Construction	2012	2011
COST:									
BALANCE, BEGINNING OF YEAR	\$ 5,687,186	\$ 3,574,501	\$ 22,816,601	\$ 345,909,621	\$ 9,491,376	\$ 3,966,894	\$ 1,851,106	\$ 393,297,285	\$ 390,800,885
Acquisition of tangible capital assets	87,149	96,964	163,333	4,779,184	748,912	575,643	1,463,737	7,914,922	12,067,731
Transfer of assets under construction	(189,533)	(114,036)	(1,105,635)	(9,136,375)	(632,893)	123,994	(165,736)	-	(9,571,336)
Disposal of tangible capital assets								(11,178,472)	
BALANCE, END OF YEAR	\$ 5,584,802	\$ 3,557,429	\$ 21,874,299	\$ 341,594,172	\$ 9,607,395	\$ 4,666,531	\$ 3,149,107	\$ 390,033,735	\$ 393,297,280
ACCUMULATED AMORTIZATION:									
BALANCE, BEGINNING OF YEAR	\$ -	\$ 966,485	\$ 2,079,885	\$ 227,920,124	\$ 2,909,096	\$ 1,535,867	\$ -	\$ 235,411,457	\$ 239,047,187
Annual amortization		161,547	809,179	3,957,455	570,626	285,279		5,784,086	5,118,845
Accumulated amortization on disposals		(100,838)	(829,154)	(3,540,470)	(238,781)			(4,709,243)	(8,754,575)
BALANCE, END OF YEAR	\$ -	\$ 1,027,194	\$ 2,059,910	\$ 228,337,109	\$ 3,240,941	\$ 1,821,146	\$ -	\$ 236,486,300	\$ 235,411,457
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 5,584,802	\$ 2,530,235	\$ 19,814,389	\$ 113,257,063	\$ 6,366,454	\$ 2,845,385	\$ 3,149,107	\$ 153,547,435	\$ 157,885,823
2011 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 5,687,183	\$ 2,608,016	\$ 20,736,716	\$ 117,989,496	\$ 6,582,280	\$ 2,431,027	\$ 1,851,105		

a) Contributed Tangible Capital Assets
Contributed capital assets are recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$192,655 (2011 - \$18,790).

Brazeau County
 Schedule of Equity in Tangible Capital Assets
 For the Year Ended December 31, 2012
 Schedule 2

	2012	2011
BALANCE, BEGINNING OF YEAR	\$ 150,381,012	\$ 140,684,499
Acquisition of tangible capital assets	7,914,922	12,067,731
Cost of tangible capital assets disposed of	(11,178,472)	(9,571,336)
Accumulated amortization of tangible capital assets disposed of	4,709,243	8,754,575
Amortization of tangible capital assets	(5,784,086)	(5,118,845)
Long-term capital debt repayments	3,972,201	3,564,388
BALANCE, END OF YEAR	\$ 150,014,820	\$ 150,381,012
Equity in tangible capital assets is comprised of the following:		
Tangible capital assets (Schedule 1)	\$ 153,547,435	\$ 157,885,823
Long-term capital debt	(3,532,615)	(7,504,811)
	\$ 150,014,820	\$ 150,381,012

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

Brazeau County
Schedule of Property and Other Taxes
For the Year Ended December 31, 2012
Schedule 3

	2012 Budget (Note 20)	2012 Actual	2011 Actual
TAXATION			
Real property taxes	\$ 12,706,196	12,705,238	\$ 11,563,546
Linear property taxes	20,623,312	20,591,809	18,362,978
Government grants in place of property taxes	7,952	7,865	7,531
	<u>33,337,460</u>	<u>33,304,912</u>	<u>29,934,055</u>
REQUISITIONS			
Alberta School Foundation Fund	(8,497,756)	(8,475,204)	(8,465,880)
Brazeau Seniors Foundation	(925,270)	(916,963)	(925,270)
	<u>(9,423,026)</u>	<u>(9,392,167)</u>	<u>(9,391,150)</u>
OTHER TAXES			
Aggregate levy	100,000	248,162	150,601
Local Improvements	22,804	22,804	65,364
	<u>122,804</u>	<u>270,966</u>	<u>215,965</u>
NET MUNICIPAL TAXES	<u><u>\$ 24,037,238</u></u>	<u><u>\$ 24,183,711</u></u>	<u><u>\$ 20,758,870</u></u>

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

Brazeau County
Schedule of Government Transfers
For the Year Ended December 31, 2012
Schedule 4

	2012 Budget (Note 20)	2012 Actual	2011 Actual
TRANSFERS FOR OPERATING:			
Federal Government	\$ 19,344	\$ -	\$ -
Provincial Government	896,609	1,450,506	1,244,651
Local Governments	<u>915,953</u>	<u>2,583,216</u>	<u>48,059</u>
	4,033,722	1,292,710	
TRANSFERS FOR CAPITAL:			
Provincial Government	7,840,745	1,260,521	10,528,643
Local Governments	<u>295,000</u>	<u>1,260,521</u>	<u>-</u>
	8,135,745	10,528,643	
	<u>\$ 9,051,698</u>	<u>\$ 5,294,243</u>	<u>\$ 11,821,353</u>

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

Brazeau County
Schedule of Segmented Disclosure
For the Year Ended December 31, 2012
Schedule 5

	2012					2011				
	General Administration	Protective Services	Public Works & Transportation Services	Utilities	Planning & Development	Recreation & Culture	All Other			
REVENUE										
Net municipal taxes	\$ -	\$ 887,324	\$ 7,052,444	\$ 705,554	\$ 158,435	\$ 1,350,692	\$ 14,029,262	\$ 24,183,711	\$ 20,758,870	
Government transfers	2,557,991	5,547	849,988			251,929	368,267	4,033,722	1,292,710	
Sales to other government	11,714		212,065				26,868	238,933	10,402	
User fees, sales of goods	421,496		311,570	190,483	10,845		29,001	553,613	380,006	
Investment income	74,966							421,496	275,825	
Penalties & cost on taxes		68,899			124,858	6,300	2,444	74,966	75,464	
Licenses, permits, rentals & fines		30,026	3,304	12,985	50,982	1,741	2,655	202,501	231,727	
Other revenue	2,988,819							3,090,512	2,100,843	
	\$ 6,054,986	\$ 991,796	\$ 8,429,371	\$ 909,022	\$ 345,120	\$ 1,610,662	\$ 14,458,497	\$ 32,799,454	\$ 25,125,847	
EXPENSES										
Salaries & wages	1,294,616	310,331	2,616,035	361,471	210,979	32,831	803,995	5,630,258	5,495,879	
Contract & general services	938,395	130,125	3,467,601	378,539	91,981	31,286	457,706	5,495,633	3,790,933	
Purchases from other governments	1,902		2,050	84,100	35,208			123,260	-	
Materials, goods & supplies	200,698	52,288	2,076,219	82,265	6,952	18,705	80,059	2,517,186	2,624,932	
Transfers to other governments		499,052	394,455			1,019,620	224,099	2,137,226	1,983,761	
Transfers to boards, agencies, organizations						508,220	96,175	604,395	454,066	
Bank charges & short-term interest	7,308		45,780	2,647				7,308	1,190	
Long-term debt interest	113,399		(297,711)					161,826	278,313	
Other expenses							24,803	(272,908)	1,724	
	\$ 2,556,318	\$ 991,796	\$ 8,304,429	\$ 909,022	\$ 345,120	\$ 1,610,662	\$ 1,686,837	\$ 16,404,184	\$ 14,630,798	
EXCESS OF REVENUE OVER EXPENSES, BEFORE AMORTIZATION	\$ 3,498,668	\$ -	\$ 124,942	\$ -	\$ -	\$ -	\$ 12,771,660	\$ 16,395,270	\$ 10,495,049	
Amortization expense	(470,050)	(177,109)	(4,720,758)	(265,322)	(98,749)	(52,098)		(5,784,086)	(5,118,845)	
EXCESS OF REVENUE OVER EXPENSES	\$ 3,028,618	\$ (177,109)	\$ (4,595,816)	\$ (265,322)	\$ -	\$ (98,749)	\$ 12,719,562	\$ 10,611,184	\$ 5,376,204	

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

Brazeau County
Notes to Financial Statements
For the Year Ended December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Entity

These financial statements include the assets, liabilities, revenue and expenditures and changes in equity balances and in financial position of the County. This entity is comprised of all the organizations that are owned or controlled by the County and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

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

(b) Basis of Accounting

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

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

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

(c) Use of Estimates

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

(d) 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.

Brazeau County
Notes to Financial Statements
For the Year Ended December 31, 2012

(e) 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.

(f) Inventories for Resale

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

(g) Prepaid Local Improvements

Construction and borrowing costs associated with local improvement projects are recovered through annual special property tax assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the County.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on the straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

(h) Government Transfers

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

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

(i) Non-Financial Assets

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

Brazeau County
Notes to Financial Statements
For the Year Ended December 31, 2012

(i) Tangible Capital Assets

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

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

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

(ii) Contributions of Tangible Capital Assets

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

(iii) Leases

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

(iv) Inventories

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

(v) Cultural and Historical Tangible Capital Assets

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

Brazeau County
Notes to Financial Statements
For the Year Ended December 31, 2012

2. CASH AND TEMPORARY INVESTMENTS

	2012	2011
Cash	\$ 8,249,698	\$ 18,963,945
Temporary Investments	21,039,970	-
	\$ 29,289,668	\$ 18,963,945

Temporary investments are comprised of guaranteed investment certificates and term deposits with local financial institutions and investment firms with interest rates ranging from .75% to 1.6% and mature at dates between January 2013 and February 2013.

3. ACCOUNTS RECEIVABLE

	2012	2011
Receivable from other governments	\$ 4,613,261	\$ 7,666,220
Trade and other	1,620,562	1,203,984
Taxes and grants in lieu (Note 4)	477,827	494,792
	\$ 6,711,650	\$ 9,364,996

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2012	2011
Current taxes	\$ 306,281	\$ 324,335
Tax arrears	174,798	170,457
	\$ 481,079	\$ 494,792
Less: allowance for doubtful accounts	\$ (3,252)	\$ -
	\$ 477,827	\$ 494,792

5. CREDIT FACILITY

The County has a demand revolving operating credit facility to a maximum of \$2,000,000 bearing interest at prime less .85% per annum. The credit facility was not drawn upon as of December 31, 2012.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011
Trade and other accounts payable	\$ 4,322,914	\$ 3,721,029
Accrued vacation pay	269,820	242,292
Post employment benefits (Note 1 (e))	84,535	67,077
	\$ 4,677,269	\$ 4,030,398

Brazeau County
Notes to Financial Statements
For the Year Ended December 31, 2012

7. DEFERRED REVENUE

	2011	2012 Additions	2012 Amount recognized in revenue	2012 Total
Basic Municipal Transportation Grant	\$ 108,700	\$ 1,738	\$ (7,402)	\$ 103,036
Community Initiatives Program	4,044	49	(3,220)	873
Drayton Valley & District Soccer Association	75,290	906	-	76,196
Federal Gas Tax Fund	-	537,355	-	537,355
Joint Emergency Preparedness Program	3,569	-	(3,569)	-
Major Community Facilities Program	24,085	385	-	24,470
Other	148,197	526	(55,809)	92,914
	<u>\$ 363,885</u>	<u>\$ 540,959</u>	<u>\$ (70,000)</u>	<u>\$ 834,844</u>

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

8. LONG TERM DEBT

	2012	2011
Tax supported debentures	\$ -	\$ 1,158,284
Tax supported loans	4,138,581	7,274,394
Self supported debentures	43,380	46,156
Self supported loans	-	-
	<u>\$ 4,181,961</u>	<u>\$ 8,478,834</u>

The current portion of long-term debt amounts to \$4,296,873 (2011 - \$3,889,066)

	2012	2011
Toronto Dominion loan bearing interest at prime less 0.550% requiring semi-annual principal repayments of \$1,307,750 plus interest maturing August 2014.	\$ 4,138,581	\$ 7,274,394
Alberta Capital Financing Authority debenture bearing a interest rate of 5.750% per annum maturing in the year 2023.	43,380	1,204,440
	<u>4,181,961</u>	<u>8,478,834</u>

Brazeau County
Notes to Financial Statements
For the Year Ended December 31, 2012

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 3,138,748	\$ 62,545	\$ 3,201,293
2014	1,005,873	8,697	1,014,570
2015	3,283	2,147	5,430
2016	3,472	1,958	5,430
2017	3,672	1,759	5,431
Thereafter	26,913	5,668	32,581
	<u>\$ 4,181,961</u>	<u>\$ 82,774</u>	<u>\$ 4,264,735</u>

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

Interest on long-term debt amounted to \$161,826 (2011 - \$278,313).

The County's total cash payments for interest in 2012 were \$167,750 (2011 - 280,387)

9. INVENTORY FOR CONSUMPTION

	<u>2012</u>	<u>2011</u>
Sand and gravel	\$ 3,129,291	\$ 2,869,823
Parts, chemicals, and other	206,790	259,920
	<u>\$ 3,336,081</u>	<u>\$ 3,129,743</u>

10. 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>2012</u>	<u>2011</u>
Total debt limit	\$ 49,199,180	\$ 37,688,771
Total debt	4,181,961	8,478,834
Loan guarantees (Note 16)	1,166,338	1,936,500
Amount of debt limit unused	<u>\$ 43,850,881</u>	<u>\$ 27,273,437</u>
Service on debt limit	\$ 8,199,863	\$ 6,281,462
Service on debt	3,201,293	4,079,191
Amount of debt servicing limit unused	<u>\$ 4,998,570</u>	<u>\$ 2,202,271</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
For the Year Ended December 31, 2012

11. ACCUMULATED SURPLUS

	<u>2012</u>	<u>2011</u>
Unrestricted surplus	\$ 6,723,700	\$ 9,061,608
Restricted surplus:		
General Operating	3,036,755	3,000,000
Deferred Projects	4,252,427	814,688
Equipment Replacement	2,703,839	1,073,793
Major Facility Capital Investment	2,091,298	-
Coulee Road	1,766,245	-
Fire Equipment	542,969	184,127
Parks - Cash in lieu	305,801	306,635
Gravel Deposit	485,881	480,000
Resources Road	1,578,863	843,760
Buildings	5,407,193	6,394,499
Engineered Structures	946,683	295,682
Roads	2,965,134	3,208,095
Cultural Facilities	303,676	300,000
Utility Servicing	42,515	42,000
Water Capital Replacement	6,205	-
Sewer Capital Replacement	15,346	-
	<u>33,174,530</u>	<u>26,004,887</u>
Equity in tangible capital assets (Schedule 2)	<u>150,014,820</u>	<u>150,381,012</u>
	<u>\$ 183,189,350</u>	<u>\$ 176,385,899</u>

12. 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 5).

Brazeau County
Notes to Financial Statements
For the Year Ended December 31, 2012

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>2012</u>	<u>2011</u>
	Remuneration	Benefits & Allowances	Total	Total
Reeve and Councillors				
W. Tweedle (Reeve)	\$ 33,971	\$ 7,375	\$ 41,346	\$ 41,439
S. Mahan	33,355	8,451	41,806	43,139
B. Kitching	31,293	8,383	39,676	38,737
D. Konelsky	28,508	8,291	36,799	40,434
K. Westerlund	22,594	8,096	30,690	36,760
A. Heinrich	22,832	5,084	27,916	25,508
P. Monteith	25,719	8,010	33,729	30,566
	<u>\$ 198,272</u>	<u>\$ 53,691</u>	<u>\$ 251,963</u>	<u>\$ 256,583</u>
County Managers				
Marco Schoeninger	171,122	26,616	197,738	
Ron McCullough	9,130	2,354	11,484	201,017
	<u>\$ 180,252</u>	<u>\$ 28,970</u>	<u>\$ 209,222</u>	<u>\$ 201,017</u>
Designated Officers (5)	\$ 473,231	\$ 97,811	\$ 571,042	\$ 570,669

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

Brazeau County
Notes to Financial Statements
For the Year Ended December 31, 2012

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 9.91% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.74% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 8.91% of pensionable earnings up to the year's maximum pensionable earnings and 12.74% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2012 were \$169,334 (2011 - \$148,988). Total current service contributions by the employees of the County to the LAPP in 2012 were \$153,493 (2011 - \$129,106).

At December 31, 2011 the Plan disclosed an actuarial deficit of \$4,639.3 million (2010 - \$4,635.3 million).

15. COMMITMENTS

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

16. CONTINGENCIES

(a) Pembina Education Society Guarantee

The County provided its financial institution with a continuing guarantee in the year 2000 in the amount of \$200,000. The guarantee at the end of 2011 was \$20,000 and in 2012 the guarantee was discharged.

(b) 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, 2012 the guarantee has been reduced to \$1,166,338.

(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.

17. ANNEXATION - TOWN OF DRAYTON VALLEY

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

These notes are an integral part of the financial statements.

Brazeau County
Notes to Financial Statements
For the Year Ended December 31, 2012

18. 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, 2012 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.

19. COMPARATIVE FIGURES

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

20. BUDGET FIGURES

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

21. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.