

**BRAZEAU COUNTY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**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, 2016 and the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of Brazeau County as at December 31, 2016 and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta  
April 18, 2017

  
Hawkings Epp Dumont LLP  
Chartered Accountants

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**MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL REPORTING**

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

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

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

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

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

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Marco Schoeninger  
Chief Administrative Officer

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Brenda Christie  
Director of Corporate Services

**BRAZEAU COUNTY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents <i>(Note 2)</i>	\$ 34,562,436	\$ 29,265,979
Accounts receivable <i>(Note 3)</i>	1,679,988	1,209,924
Land held for resale	14,870	14,870
Investments <i>(Note 4)</i>	<u>14,963,722</u>	<u>14,393,953</u>
	<u>51,221,016</u>	<u>44,884,726</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities <i>(Note 6)</i>	2,258,546	3,690,695
Deposit liabilities	370,220	337,753
Deferred revenue <i>(Note 7)</i>	5,118,827	3,581,924
Contaminated sites <i>(Note 8)</i>	644,518	632,500
Long-term debt <i>(Note 9)</i>	<u>3,007,990</u>	<u>2,910,048</u>
	<u>11,400,101</u>	<u>11,152,920</u>
<b>NET FINANCIAL ASSETS</b>	<u>39,820,915</u>	<u>33,731,806</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets <i>(Note 10)</i>	175,648,522	174,015,030
Inventories for consumption <i>(Note 11)</i>	4,326,163	3,352,035
Prepaid expenses	<u>178,302</u>	<u>220,877</u>
	<u>180,152,987</u>	<u>177,587,942</u>
<b>ACCUMULATED SURPLUS (NOTE 12)</b>	<u>\$ 219,973,902</u>	<u>\$ 211,319,748</u>
Contingencies <i>(Note 14)</i>		

**ON BEHALF OF COUNCIL:**

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**BRAZEAU COUNTY**

**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u> (Budget) (Note 21)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
<b>REVENUE</b>			
Net municipal taxes (Schedule 2)	\$ 28,417,297	\$ 28,381,726	\$ 29,351,288
Investment income	631,000	978,485	706,758
Oil well drilling taxes	400,000	702,512	1,315,033
Government transfers for operating (Schedule 3)	655,198	574,577	566,761
User fees and sale of goods	489,494	404,442	517,920
Licenses, permits, rentals and fines	249,950	257,845	278,974
Other	106,313	198,122	103,281
Sales to other governments	168,900	177,448	165,769
Penalties on taxes	70,410	122,432	90,465
Developer Levies	<u>25,813</u>	<u>3,887</u>	<u>32,679</u>
	<u>31,214,375</u>	<u>31,801,476</u>	<u>33,128,928</u>
<b>EXPENSES</b>			
Roads, streets, walks and lighting	13,490,891	10,178,167	11,232,960
General and administration	4,515,374	3,925,220	4,296,577
Common equipment pool	3,099,598	1,810,001	2,220,192
Economic and agricultural development	2,213,894	1,719,391	1,878,123
Parks and recreation	2,047,417	1,579,742	1,531,409
Land use planning, zoning and development	1,747,550	1,290,232	1,866,542
Firefighting services	1,445,287	1,097,924	1,078,959
Policing	862,883	708,922	671,251
Water supply and distribution	640,300	677,278	1,101,438
Waste management	538,166	623,664	592,348
Council	599,865	551,440	515,577
Wastewater treatment and disposal	1,178,805	483,925	474,828
Culture - libraries	660,965	482,948	865,318
Family and community support services	291,869	271,094	297,232
Storm	197,323	48,275	25,221
Disaster and emergency measures	38,903	26,557	130,705
Ambulance and first aid	<u>14,402</u>	<u>14,402</u>	<u>-</u>
	<u>33,583,492</u>	<u>25,489,182</u>	<u>28,778,680</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>			
<b>BEFORE OTHER REVENUE (EXPENSES)</b>	<u>(2,369,117)</u>	<u>6,312,294</u>	<u>4,350,248</u>
<b>OTHER REVENUE (EXPENSES)</b>			
Government transfers for capital (Schedule 3)	7,718,063	2,887,296	809,144
Cash in lieu of parks	21,908	6,961	30,093
Contributed tangible capital assets	-	195,067	-
Loss on disposal of tangible capital assets	<u>-</u>	<u>(747,464)</u>	<u>(563,466)</u>
	<u>7,739,971</u>	<u>2,341,860</u>	<u>275,771</u>
<b>ANNUAL SURPLUS</b>	5,370,854	8,654,154	4,626,019
<b>ACCUMULATED SURPLUS,</b>			
<b>BEGINNING OF YEAR</b>	<u>211,319,748</u>	<u>211,319,748</u>	<u>206,693,729</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 216,690,602</u>	<u>\$ 219,973,902</u>	<u>\$ 211,319,748</u>

**BRAZEAU COUNTY**  
**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u> (Budget) (Note 21)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
<b>ANNUAL SURPLUS</b>	\$ <u>5,370,854</u>	\$ <u>8,654,154</u>	\$ <u>4,626,019</u>
Purchase of tangible capital assets	(27,365,411)	<b>(9,792,282)</b>	(10,493,425)
Contributed tangible capital assets	-	<b>(195,067)</b>	-
Proceeds on disposal of tangible capital assets	-	<b>430,203</b>	396,566
Amortization of tangible capital assets	7,805,109	<b>7,176,190</b>	6,811,133
Loss on disposal of tangible capital assets	<u>-</u>	<u><b>747,464</b></u>	<u>563,466</u>
	<u>(19,560,302)</u>	<u><b>(1,633,492)</b></u>	<u>(2,722,260)</u>
Use (acquisition) of supplies inventory	-	<b>(974,128)</b>	380,243
Use (acquisition) of prepaid expenses	<u>-</u>	<u><b>42,575</b></u>	<u>21,718</u>
	<u>-</u>	<u><b>(931,553)</b></u>	<u>401,961</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(14,189,448)	<b>6,089,109</b>	2,305,720
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>33,731,806</u>	<u><b>33,731,806</b></u>	<u>31,426,086</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	\$ <u><u>19,542,358</u></u>	\$ <u><u><b>39,820,915</b></u></u>	\$ <u><u>33,731,806</u></u>

**BRAZEAU COUNTY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 8,654,154	\$ 4,626,019
Non-cash items included in annual surplus		
Loss on disposal of tangible capital assets	747,464	563,466
Loss (gain) on sale of investments	(93,477)	(1,200)
Amortization of investment premium/discounts	219,510	384,554
Amortization of tangible capital assets	7,176,190	6,811,133
Tangible capital assets received as contributions	(195,067)	-
Change in non-cash working capital balances:		
Accounts receivable	(470,064)	1,479,266
Prepaid expenses	42,575	21,718
Accounts payable and accrued liabilities	(1,432,149)	(906,250)
Deferred revenue	1,536,903	2,153,333
Inventories for consumption	(974,128)	380,243
Contaminated sites	12,018	632,500
Deposit liabilities	<u>32,467</u>	<u>(166,195)</u>
	<u>15,256,396</u>	<u>15,978,587</u>
<b>CAPITAL ACTIVITIES</b>		
Purchase of tangible capital assets	(9,792,282)	(10,493,425)
Proceeds on disposal of tangible capital assets	<u>430,203</u>	<u>396,566</u>
	<u>(9,362,079)</u>	<u>(10,096,859)</u>
<b>FINANCING ACTIVITIES</b>		
Long-term debt issued	555,521	-
Long-term debt principal repayments	<u>(457,579)</u>	<u>(347,852)</u>
	<u>97,942</u>	<u>(347,852)</u>
<b>INVESTMENT ACTIVITIES</b>		
Acquisition of investments	(3,556,463)	(5,356,458)
Proceeds on sale of investments	<u>2,860,661</u>	<u>3,001,200</u>
	<u>(695,802)</u>	<u>(2,355,258)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>5,296,457</b>	<b>3,178,618</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>29,265,979</u></b>	<b><u>26,087,361</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 34,562,436</u></b>	<b><u>\$ 29,265,979</u></b>

BRAZEAU COUNTY

Schedule 1

SCHEDULE OF EQUITY IN TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
<b>BALANCE, BEGINNING OF YEAR,</b>	<b>\$ 171,104,982</b>	\$ 168,034,870
Acquisition of tangible capital assets	<b>9,987,349</b>	10,493,425
Cost of tangible capital assets disposed of	<b>(12,513,873)</b>	(5,111,401)
Accumulated amortization of tangible capital assets disposed of	<b>11,336,206</b>	4,151,369
Amortization of tangible capital assets	<b>(7,176,190)</b>	(6,811,133)
Long-term debt issued	<b>(555,521)</b>	-
Long-term capital debt repayments	<u><b>457,579</b></u>	<u>347,852</u>
<b>BALANCE, END OF YEAR</b>	<b><u>\$ 172,640,532</u></b>	<b><u>\$ 171,104,982</u></b>

Equity in Tangible Capital Assets is Comprised of the Following:

Tangible capital assets (Note 10)	<b>\$ 175,648,522</b>	\$ 174,015,030
Long-term capital debt	<u><b>(3,007,990)</b></u>	<u>(2,910,048)</u>
	<b><u>\$ 172,640,532</u></b>	<b><u>\$ 171,104,982</u></b>



## BRAZEAU COUNTY

Schedule 2

## SCHEDULE OF PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u> (Budget) (Note 21)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
<b>TAXATION</b>			
Real property taxes	\$ 14,730,040	\$ <b>14,679,200</b>	\$ 14,825,612
Linear property taxes	24,929,786	<b>24,937,003</b>	25,597,589
Government grants in lieu of property taxes	<u>15,297</u>	<u><b>11,364</b></u>	<u>12,582</u>
	<u>39,675,123</u>	<u><b>39,627,567</b></u>	<u>40,435,783</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	(10,733,917)	<b>(10,733,917)</b>	(10,325,452)
Brazeau Seniors Foundation	<u>(678,784)</u>	<u><b>(678,784)</b></u>	<u>(940,347)</u>
	<u>(11,412,701)</u>	<u><b>(11,412,701)</b></u>	<u>(11,265,799)</u>
<b>OTHER TAXES</b>			
Community aggregate levy	<u>154,875</u>	<u><b>166,860</b></u>	<u>181,304</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 28,417,297</u>	<u>\$ <b>28,381,726</b></u>	<u>\$ 29,351,288</u>

BRAZEAU COUNTY

Schedule 3

SCHEDULE OF GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u> (Budget) (Note 21)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
<b>TRANSFERS FOR OPERATING</b>			
Provincial government	\$ 651,198	\$ 562,609	\$ 554,239
Local governments	<u>4,000</u>	<u>11,968</u>	<u>12,522</u>
	<u>655,198</u>	<u>574,577</u>	<u>566,761</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	7,718,063	2,887,296	790,194
Local governments	<u>-</u>	<u>-</u>	<u>18,950</u>
	<u>7,718,063</u>	<u>2,887,296</u>	<u>809,144</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 8,373,261</u>	<u>\$ 3,461,873</u>	<u>\$ 1,375,905</u>

**BRAZEAU COUNTY**

*Schedule 4*

**SCHEDULE OF SEGMENTED INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General Administration</u>	<u>Recreation and Culture</u>	<u>Protective Services</u>	<u>Public Works and Transportation Services</u>	<u>Utilities</u>	<u>All Other</u>	<u>Total</u>
<b>REVENUE</b>							
Net municipal taxes	\$ 1,198,091	\$ 1,678,185	\$ 1,367,492	\$ 6,478,783	\$ 1,084,925	\$ 16,574,250	\$ 28,381,726
Investment income	978,485	-	-	-	-	-	978,485
Oil well drilling taxes	702,512	-	-	-	-	-	702,512
Government transfers	-	130,844	5,690	-	-	438,043	574,577
All other	191,839	60,683	146,115	36,038	43,342	23,872	501,889
User fees and sales of goods	10,538	-	-	112,848	232,705	48,351	404,442
Licenses, permits, rentals and fines	-	9,650	77,068	-	-	171,127	257,845
	<u>3,081,465</u>	<u>1,879,362</u>	<u>1,596,365</u>	<u>6,627,669</u>	<u>1,360,972</u>	<u>17,255,643</u>	<u>31,801,476</u>
<b>EXPENSES</b>							
Salaries, wages and benefits	1,902,215	180,179	445,628	3,725,209	513,438	2,307,259	9,073,928
Contract and general services	879,207	146,394	217,210	714,339	566,738	1,013,299	3,537,187
Materials, goods and supplies	194,177	34,189	73,057	2,628,203	99,042	122,765	3,151,433
Transfers to other governments	-	922,619	670,831	49,941	-	244,919	1,888,310
Transfers to boards, agencies and organizations	-	595,981	4,000	-	-	62,005	661,986
Interest on long-term debt	-	-	-	-	71,281	-	71,281
Other expenses (recovery)	105,866	-	185,639	(490,023)	110,473	16,912	(71,133)
	<u>3,081,465</u>	<u>1,879,362</u>	<u>1,596,365</u>	<u>6,627,669</u>	<u>1,360,972</u>	<u>3,767,159</u>	<u>18,312,992</u>
<b>NET REVENUE (DEFICIT) BEFORE AMORTIZATION</b>	-	-	-	-	-	13,488,484	13,488,484
Amortization of tangible capital assets	<u>843,754</u>	<u>183,327</u>	<u>251,439</u>	<u>5,408,775</u>	<u>423,895</u>	<u>65,000</u>	<u>7,176,190</u>
<b>NET REVENUE (DEFICIT)</b>	<u>\$ (843,754)</u>	<u>\$ (183,327)</u>	<u>\$ (251,439)</u>	<u>\$ (5,408,775)</u>	<u>\$ (423,895)</u>	<u>\$ 13,423,484</u>	<u>\$ 6,312,294</u>

**BRAZEAU COUNTY**

*Schedule 5*

**SCHEDULE OF SEGMENTED INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General Administration</u>	<u>Recreation and Culture</u>	<u>Protective Services</u>	<u>Public Works and Transportation Services</u>	<u>Utilities</u>	<u>All Other</u>	<u>Total</u>
<b>REVENUE</b>							
Net municipal taxes	\$ 1,305,382	\$ 2,054,865	\$ 1,300,068	\$ 8,033,590	\$ 1,592,914	\$ 15,064,469	\$ 29,351,288
Oil well drilling taxes	1,315,033	-	-	-	-	-	1,315,033
Investment income	706,758	-	-	-	-	-	706,758
Government transfers	-	128,661	92,515	-	-	345,585	566,761
User fees and sales of goods	11,766	-	-	221,478	245,744	38,932	517,920
All other	144,636	36,800	144,548	16,761	1,035	48,414	392,194
Licenses, permits, rentals and fines	-	8,750	112,901	-	-	157,323	278,974
	<u>3,483,575</u>	<u>2,229,076</u>	<u>1,650,032</u>	<u>8,271,829</u>	<u>1,839,693</u>	<u>15,654,723</u>	<u>33,128,928</u>
<b>EXPENSES</b>							
Salaries, wages and benefits	1,816,386	149,568	427,978	3,778,986	481,596	2,246,471	8,900,985
Contract and general services	1,123,530	236,584	341,757	2,536,165	556,043	1,100,059	5,894,138
Materials, goods and supplies	197,048	46,808	61,198	2,303,940	105,004	175,701	2,889,699
Transfers to other governments	-	1,044,916	654,680	61,053	511,685	262,055	2,534,389
Transfers to boards, agencies and organizations	-	751,200	8,000	-	-	68,558	827,758
Interest on long-term debt	-	-	-	-	80,142	-	80,142
Other expenses (recovery)	346,611	-	156,419	(408,315)	105,223	640,498	840,436
	<u>3,483,575</u>	<u>2,229,076</u>	<u>1,650,032</u>	<u>8,271,829</u>	<u>1,839,693</u>	<u>4,493,342</u>	<u>21,967,547</u>
<b>NET REVENUE (DEFICIT) BEFORE AMORTIZATION</b>	-	-	-	-	-	11,161,381	11,161,381
Amortization of tangible capital assets	<u>813,001</u>	<u>167,651</u>	<u>230,882</u>	<u>5,206,544</u>	<u>328,922</u>	<u>64,133</u>	<u>6,811,133</u>
<b>NET REVENUE (DEFICIT)</b>	<u>\$ (813,001)</u>	<u>\$ (167,651)</u>	<u>\$ (230,882)</u>	<u>\$ (5,206,544)</u>	<u>\$ (328,922)</u>	<u>\$ 11,097,248</u>	<u>\$ 4,350,248</u>

**BRAZEAU COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**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 expenses and changes in equity balances and in financial position of the County. This entity is comprised of all the organizations that are owned or controlled by the County and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied includes requisitions for education and senior foundations that are not part of the municipal reporting entity.

(b) Basis of Accounting

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

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

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

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

(c) Cash and Cash Equivalents

Cash and cash equivalents include items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have a maturity of one year or less at acquisition.

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. Gains on principal protected notes are recognized as income when sold.

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

(e) Inventories for Consumption

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

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

**BRAZEAU COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

(f) Tangible Capital Assets

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

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

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

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

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

(g) Tax Revenue

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

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

(h) 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.

(i) Post Employment Benefits

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

**BRAZEAU COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

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

(j) 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.

(k) Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

(l) Use of Estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates. The County has used estimates to determine an allowance for doubtful accounts, accrued liabilities, post employment benefits, contaminated sites and the useful lives of tangible capital assets.

**2. CASH AND CASH EQUIVALENTS**

	<u>2016</u>	<u>2015</u>
Operating bank accounts	\$ 7,116,207	\$ 4,067,082
Savings bank accounts	10,446,229	18,198,897
Guaranteed Investment Certificates	<u>17,000,000</u>	<u>7,000,000</u>
	<u>\$ 34,562,436</u>	<u>\$ 29,265,979</u>

Guaranteed Investment Certificates bear interest at rates ranging from 1.55% - 1.80% and maturing July and October 2017.

**3. ACCOUNTS RECEIVABLE**

	<u>2016</u>	<u>2015</u>
Trade and other	\$ 1,074,912	\$ 724,280
Taxes and grants in place of taxes	424,204	360,107
Receivable from other governments	<u>180,872</u>	<u>125,537</u>
	<u>\$ 1,679,988</u>	<u>\$ 1,209,924</u>
Taxes and grants in place of taxes consist of the following:		
Current taxes	\$ 581,394	\$ 560,943
Tax arrears	<u>245,825</u>	<u>125,920</u>
	827,219	686,863
Less: Allowance for taxes	<u>(403,015)</u>	<u>(326,756)</u>
	<u>\$ 424,204</u>	<u>\$ 360,107</u>

**BRAZEAU COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**4. INVESTMENTS**

	<u>2016</u>		<u>2015</u>	
	<u>Carrying Value</u>	<u>Market Value</u>	<u>Carrying Value</u>	<u>Market Value</u>
Corporate bonds	\$ 9,825,839	\$ 9,941,972	\$ 9,693,837	\$ 9,801,428
Principal-protected notes	<u>5,137,883</u>	<u>5,187,152</u>	<u>4,700,116</u>	<u>4,567,541</u>
	<u>\$ 14,963,722</u>	<u>\$ 15,129,124</u>	<u>\$ 14,393,953</u>	<u>\$ 14,368,969</u>

Corporate bonds have effective interest rates between 2.93% to 4.07% (2015 - 2.18% - 3.56%) with maturity dates from June 2019 to April 2031.

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

**5. CREDIT FACILITY**

The County has a demand revolving operating credit facility to a maximum of \$2,000,000 bearing interest at prime less 1.00% per annum. The credit facility was not drawn upon as of December 31, 2016 or 2015.

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2016</u>	<u>2015</u>
Trade and other accounts payable	\$ 1,726,297	\$ 3,188,768
Accrued vacation pay	426,618	384,377
Post employment benefits (Note 1 (i))	<u>105,631</u>	<u>117,550</u>
	<u>\$ 2,258,546</u>	<u>\$ 3,690,695</u>

**7. DEFERRED REVENUE**

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

	<u>2015</u>	<u>Additions</u>	<u>Revenue Recognized</u>	<u>2016</u>
Municipal Sustainability Initiative	\$ 2,539,220	\$ 3,085,519	\$(1,500,183)	\$ 4,124,556
Federal Gas Tax Fund	965,554	1,163,430	(1,347,435)	781,549
Alberta Community Partnership	-	175,844	(39,678)	136,166
Other	51,536	50,582	(51,535)	50,583
Major Community Facilities Program	<u>25,614</u>	<u>359</u>	<u>-</u>	<u>25,973</u>
	<u>\$ 3,581,924</u>	<u>\$ 4,475,734</u>	<u>\$(2,938,831)</u>	<u>\$ 5,118,827</u>



**BRAZEAU COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**8. CONTAMINATED SITES**

In June 2010, the Public Sector Accounting Board issued this accounting standard effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into the air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The County adopted this accounting standard prospectively effective January 1, 2015.

Based on an external consultant's report, the County has ascertained liabilities for two contaminated sites due to soil contamination. The County has accepted responsibility to perform remediation work on the two parcels of land for soil contamination. The remediation will result in the removal of an estimated 5,750 cubic meters of soil from both sites. Currently, there is no time frame as to when the remediation will be completed. This estimated liability is based on an estimated 5,750 cubic meters of soil being excavated and disposed off-lease.

**9. LONG-TERM DEBT**

	<u><b>2016</b></u>	<u><b>2015</b></u>
Alberta Capital Financing Authority debentures bearing interest at rates ranging from 2.499% to 5.750% per annum maturing 2023.	<b>\$ 2,553,344</b>	\$ 2,910,048
Obligation under capital leases for solar panels, bearing interest and a rate of 1.57%, maturing 2031.	<u><b>454,646</b></u>	<u>                    -</u>
	<b>\$ <u>3,007,990</u></b>	<b>\$ <u>2,910,048</u></b>
Tax supported debt	<b>\$ 2,977,406</b>	\$ 2,875,991
Self supported debt	<u><b>30,584</b></u>	<u>34,057</u>
	<b>\$ <u>3,007,990</u></b>	<b>\$ <u>2,910,048</u></b>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 559,326	\$ 66,888	\$ 626,214
2018	390,995	57,327	448,322
2019	400,659	47,524	448,183
2020	410,573	37,471	448,044
2021	420,743	35,734	456,477
Thereafter	<u>825,694</u>	<u>35,734</u>	<u>861,428</u>
	<b>\$ <u>3,007,990</u></b>	<b>\$ <u>280,678</u></b>	<b>\$ <u>3,288,668</u></b>

Interest on long-term debt amounted to \$71,281 (2015 - \$80,142).

The County's total cash payments for interest in 2016 were \$71,628 (2015 - \$80,480).

**BRAZEAU COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**10. TANGIBLE CAPITAL ASSETS**

	<u>2016</u> Net Book Value	<u>2015</u> Net Book Value
<b>Engineered Structures</b>		
Roadways	\$ 111,388,056	\$ 112,836,390
Water systems	9,842,941	9,550,309
Wastewater systems	7,190,109	5,965,923
Storm systems	<u>1,117,822</u>	<u>1,134,610</u>
	<b>129,538,928</b>	129,487,232
Buildings	19,024,297	19,928,584
Machinery and equipment	8,141,004	8,564,377
Land	6,082,149	5,786,853
Land improvements	5,502,555	3,807,044
Vehicles	3,238,990	3,477,325
Construction in progress	<u>4,120,599</u>	<u>2,963,615</u>
	<b><u>\$ 175,648,522</u></b>	<b><u>\$ 174,015,030</u></b>

	Cost Beginning of Year	Additions	Disposals	Transfers	Cost End of Year
<b>Engineering Structures</b>					
Roadways	\$ 342,117,485	\$ 3,103,193	\$ (11,131,520)	\$ 98,342	\$ 334,187,500
Wastewater systems	8,445,693	1,352,527	-	26,998	9,825,218
Water systems	10,678,204	514,219	-	-	11,192,423
Storm systems	<u>1,263,612</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,263,612</u>
	362,504,994	4,969,939	(11,131,520)	125,340	356,468,753
Machinery and equipment	12,116,390	1,241,353	(1,045,975)	-	12,311,768
Vehicles	5,691,647	229,318	(327,088)	-	5,593,877
Buildings	24,562,797	-	-	-	24,562,797
Land	5,786,853	118,023	(9,290)	186,563	6,082,149
Land improvements	5,504,330	240,912	-	1,718,917	7,464,159
Construction in progress	<u>2,963,615</u>	<u>3,187,804</u>	<u>-</u>	<u>(2,030,820)</u>	<u>4,120,599</u>
	<b><u>\$ 419,130,626</u></b>	<b><u>\$ 9,987,349</u></b>	<b><u>\$ (12,513,873)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 416,604,102</u></b>

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
<b>Engineered Structures</b>					
Roadways	\$ 229,281,095	\$ 4,272,988	\$ (10,754,639)	\$ -	\$ 222,799,444
Wastewater systems	2,479,770	155,339	-	-	2,635,109
Water systems	1,127,895	221,587	-	-	1,349,482
Storm systems	<u>129,002</u>	<u>16,788</u>	<u>-</u>	<u>-</u>	<u>145,790</u>
	233,017,762	4,666,702	(10,754,639)	-	226,929,825
Machinery, equipment, and furnishings	3,552,013	954,197	(335,446)	-	4,170,764
Vehicles	2,214,322	386,686	(246,121)	-	2,354,887
Buildings	4,634,213	904,287	-	-	5,538,500
Land improvements	<u>1,697,286</u>	<u>264,318</u>	<u>-</u>	<u>-</u>	<u>1,961,604</u>
	<b><u>\$ 245,115,596</u></b>	<b><u>\$ 7,176,190</u></b>	<b><u>\$ (11,336,206)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 240,955,580</u></b>

**BRAZEAU COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**11. INVENTORIES FOR CONSUMPTION**

	<u>2016</u>	<u>2015</u>
Sand and gravel	\$ 4,066,782	\$ 3,126,509
Parts, chemicals, and other	<u>259,381</u>	<u>225,526</u>
	<u>\$ 4,326,163</u>	<u>\$ 3,352,035</u>

**12. ACCUMULATED SURPLUS**

	<u>2016</u>	<u>2015</u>
Unrestricted surplus	\$ 7,431,096	\$ 4,029,267
Restricted surplus		
Operating restricted surplus (Note 13)	1,346,777	2,135,847
Capital restricted surplus (Note 13)	38,555,497	34,049,652
Equity in tangible capital assets (Schedule 1)	<u>172,640,532</u>	<u>171,104,982</u>
	<u>\$ 219,973,902</u>	<u>\$ 211,319,748</u>

**13. RESTRICTED SURPLUS**

	<u>2016</u>	<u>2015</u>
<b>OPERATING RESTRICTED SURPLUS</b>		
General operating	\$ <u>1,346,777</u>	\$ <u>2,135,847</u>
<b>CAPITAL RESTRICTED SURPLUS</b>		
Major facility capital investment	9,473,589	7,509,336
Roads	6,745,262	9,860,547
Committed funds	6,002,326	-
Equipment replacement	4,518,635	3,765,459
Deferred projects	3,287,269	3,308,955
Buildings	2,979,475	2,851,479
Alternate energy program	1,500,723	510,217
Engineering structures	1,025,675	1,946,973
Resource road	910,350	1,885,431
Fire equipment	736,287	1,113,958
Cultural facilities	349,119	338,256
Parks-cash in lieu	263,310	252,161
Alternate land use services	210,950	102,043
Utility servicing	205,416	199,025
Sewer capital replacement	174,510	132,880
Water capital replacement	73,767	55,283
Alberta water and wastewater	49,836	184,302
Off-site levies	38,424	33,347
Land surplus	<u>10,574</u>	<u>-</u>
	<u>38,555,497</u>	<u>34,049,652</u>
	<u>\$ 39,902,274</u>	<u>\$ 36,185,499</u>

## BRAZEAU COUNTY

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

#### 14. CONTINGENCIES

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.

#### 15. FINANCIAL INSTRUMENTS

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

The County is exposed to credit risk with respect to receivables. Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their obligations. The County is exposed to the credit risk associated with fluctuations in the oil and gas industry as a significant portion of the property taxes outstanding at December 31, 2016 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.

#### 16. LOCAL AUTHORITIES PENSION PLAN

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

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

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

Total current service contributions by the County to the LAPP in 2016 were \$327,424 (2015 - \$284,572). Total current service contributions by the employees of the County to the LAPP in 2016 were \$301,582 (2015 - \$261,941).

At December 31, 2015 the Plan disclosed an actuarial deficit of \$923.4 million (2014 - \$2,454.6 million).

#### 17. CONTRACTUAL OBLIGATIONS

Under a Recreation and Culture Cost-sharing Agreement with the Town of Drayton Valley (the Town"), the County and the Town agree to share the operating costs of recreation facilities on a 50 / 50 basis. The term of the agreement is January 1, 2015 to December 31, 2017. Under the terms of the agreement, the County has agreed to pay the Town an annual contribution of \$872,364 for the Town's net operating costs of the Town's facilities. Commencing in 2016, the County's contribution is to be adjusted annually by the annual increase in the Alberta Consumer Price Index as supplied by Statistics Canada.

**BRAZEAU COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**18. 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>2016</u>	<u>2015</u>
	<u>Remuneration</u>	<u>Benefits and Allowances</u>	<u>Total</u>	<u>Total</u>
Reeve and Councillors				
S. Mahan	\$ 46,686	\$ 11,428	\$ 58,114	\$ 68,088
M. Gressler	42,724	11,154	53,878	62,445
R. Moir	44,647	11,503	56,150	60,713
M. Thompson	37,343	10,900	48,243	57,549
B. Guyon (Reeve)	67,105	13,146	80,251	56,242
K. Westerlund	40,477	11,072	51,549	49,836
A. Heinrich	<u>39,859</u>	<u>6,637</u>	<u>46,496</u>	<u>44,538</u>
	<u>\$ 318,841</u>	<u>\$ 75,840</u>	<u>\$ 394,681</u>	<u>\$ 399,411</u>
Chief Administrative Officer	<u>\$ 202,863</u>	<u>\$ 51,704</u>	<u>\$ 254,567</u>	<u>\$ 248,846</u>
Designated Officers (10)	<u>\$ 1,015,214</u>	<u>\$ 232,034</u>	<u>\$ 1,247,248</u>	<u>\$ 1,189,292</u>

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

**19. 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, 2016**

**20. 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>2016</u>	<u>2015</u>
Total debt limit	\$ <b>47,702,214</b>	\$ 49,693,392
Total debt	<u>(3,007,990)</u>	<u>(2,910,048)</u>
Amount of debt limit unused	<u>\$ <b>44,694,224</b></u>	<u>\$ 46,783,344</u>
Service on debt limit	\$ <b>7,950,369</b>	\$ 8,282,232
Service on debt	<u>(626,214)</u>	<u>(428,332)</u>
Amount of debt servicing limit unused	<u>\$ <b>7,324,155</b></u>	<u>\$ 7,853,900</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.

**21. BUDGET FIGURES**

The budget figures presented in these financial statements are based on the amended budget approved by Council on May 3, 2016.

	<u>Original</u>	<u>Amendments</u>	<u>Amended</u>
<b>REVENUE</b>			
Approved operating budget	31,677,728	<b>(463,353)</b>	<b>31,214,375</b>
<b>EXPENSES</b>			
Approved operating budget	<u>33,476,574</u>	<u>106,918</u>	<u>33,583,492</u>
<b>ANNUAL OPERATING SURPLUS</b>	<u>\$ (1,798,846)</u>	<u>\$ (570,271)</u>	<u>\$ (2,369,117)</u>
	<u>Original</u>	<u>Amendments</u>	<u>Amended</u>
<b>ANNUAL CAPITAL BUDGET</b>	<u>\$ 20,784,144</u>	<u>\$ 6,581,267</u>	<u>\$ 27,365,411</u>

**22. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by Council.