

SADDLE HILLS COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008



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Auditors' Report

To the Members of Council:

We have audited the consolidated statement of financial position of Saddle Hills County as at December 31, 2008 and the consolidated statement of financial activities with change in fund balances, the consolidated statement of changes in financial position and the related schedules for the year then ended. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Saddle Hills was not able to provide reasonable estimates on future reclamation costs associated with landfills and gravel pits as at December 31, 2008 due to unknown costs associated with the restorations. We were unable to satisfy ourselves concerning those reclamation liabilities by alternative means. Since reclamation liabilities enter into the determination of the results of operations, we were unable to determine whether adjustments to expenditures for the year might be necessary.

In our opinion, except for the effects of the reclamation accrual as described in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saddle Hills County as at December 31, 2008 and the consolidated results of its financial activities with changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

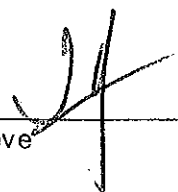
Peace River, Alberta
March 13, 2008

Meyers Norris Penny LLP

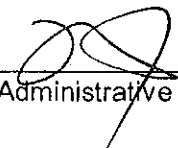
Chartered Accountants

**SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008**

	2008	2007
ASSETS		
Financial Assets		
Cash and temporary investments (Note 2)	\$ 18,081,135	\$ 17,625,132
Receivables		
Taxes and grants in lieu receivable (Note 3)	137,098	153,794
Trade and other receivables	1,834,133	3,267,382
Land held for resale	1	1
Investments (Note 4)	19,533,201	14,180,690
Other financial assets	128,672	291,587
	39,714,240	35,518,586
Physical Assets		
Inventory for consumption	1,127,493	1,544,511
Capital assets (Note 5)	13,835,407	10,498,354
TOTAL ASSETS	\$ 54,677,140	\$ 47,561,451
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	1,359,516	2,042,854
Deferred revenue (Note 7)	101,775	1,512,379
Gravel pit reclamation (Note 8)	315,966	315,966
TOTAL LIABILITIES	1,777,257	3,871,199
MUNICIPAL EQUITY		
Fund Balances		
Operating fund (Schedule 1)	364,990	314,349
Capital fund (Schedule 2)	-	-
Reserves (Note 10)	38,699,486	32,877,549
Total Fund Balances	39,064,476	33,191,898
Equity in capital assets (Schedule 4)	13,835,407	10,498,354
	52,899,883	43,690,252
TOTAL LIABILITIES AND MUNICIPAL EQUITY	\$ 54,677,140	\$ 47,561,451



 Reeve



 Chief Administrative officer

See accompanying notes to the financial statements.

SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budget (Unaudited)	2008	2007
Revenues			
Net taxes available for municipal purposes (Schedule 5)	\$ 18,747,066	\$ 18,603,864	\$ 16,511,008
Government transfers (Schedule 6)	3,909,471	3,404,915	1,731,788
Oil well drilling taxes	100,000	265,249	110,371
Penalties and costs on taxes	25,275	28,248	25,390
Proceeds on disposal of capital assets	-	-	218,725
Return on investments	352,525	1,343,251	1,395,636
User fees and sale of goods	575,928	381,439	291,210
Other revenues	92,164	200,735	136,027
Total revenues	23,802,429	24,227,701	20,420,155
Expenditures			
Operating			
Legislative	263,978	275,097	247,089
Administrative	1,716,149	1,726,952	1,662,693
Protective services	283,363	219,298	195,912
Family and community services	72,750	25,432	24,000
Common services	149,635	119,734	109,602
Road and bridge projects	17,173,347	10,664,719	8,728,192
Water and wastewater	2,177,815	334,039	227,241
Waste management and disposal	667,350	400,324	514,902
Agriculture and land development	1,291,152	926,352	1,098,799
Recreation and culture	242,172	326,122	183,610
Contingency	646,309	-	-
Total operating expenditures	24,684,020	15,018,069	12,992,040
Capital			
Administration	28,400	12,825	45,827
Protective services	-	-	7,515
Common services	251,000	3,138,830	523,961
Agriculture and land development	50,000	185,399	261,200
Total capital expenditures	329,400	3,337,054	838,503
Total expenditures	25,013,420	18,355,123	13,830,543
Excess (deficiency) of revenues over expenditures	(1,210,991)	5,872,578	6,589,612
Fund balances at beginning of year	33,191,898	33,191,898	26,602,286
Fund balances at end of year	\$ 31,980,907	\$ 39,064,476	\$ 33,191,898

See accompanying notes to the financial statements.

**SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2008**

	2008	2007
Increase (decrease) in cash and investments		
Operating Activities		
Excess of revenues over expenditures	\$ 5,872,578	\$ 6,589,612
Cash provided from (invested in) non cash working capital		
Taxes and grants in lieu receivable	16,697	(148,593)
Trade and other receivables	1,433,249	(1,082,524)
Prepaid expenses	162,915	161,175
Inventory for consumption	417,018	(91,379)
Accounts payable and accrued liabilities	(683,338)	(465,963)
Increase (decrease) in deferred revenue	(1,410,604)	1,512,379
	5,808,515	6,474,707
Investing Activities		
Change in investments	(5,352,511)	(1,212,985)
Change in cash and equivalents during the year	456,004	5,261,722
Cash position at beginning of year	17,625,132	12,363,410
Cash position at end of year	\$ 18,081,136	\$ 17,625,132
Cash position is made up of:		
Cash	\$ 4,209,687	\$ 5,900,784
Temporary investments	13,871,448	11,724,348
	\$ 18,081,135	\$ 17,625,132

See accompanying notes to the financial statements.

SADDLE HILLS COUNTY
SCHEDULE OF OPERATING ACTIVITIES WITH CHANGE IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2008
Schedule 1

	Budget (Unaudited)	2008	2007
Revenues			
Net taxes available for municipal purposes (Sch 5)	\$ 18,747,066	\$ 18,603,864	\$ 16,511,008
User fees and sale of goods	575,928	381,439	291,210
Government transfers	3,909,471	3,404,915	1,731,788
Returns on investments	352,525	662,304	678,333
Oil well drilling taxes	100,000	265,249	110,371
Penalties and costs on taxes	25,275	28,248	25,390
Other revenues	92,164	200,735	136,027
Total revenues	<u>23,802,429</u>	<u>23,546,754</u>	<u>19,484,127</u>
Expenditures			
Legislative	263,978	275,097	247,089
Administrative	1,716,149	1,726,952	1,662,693
Protective services	283,363	219,298	195,912
Family and community support	72,750	25,432	24,000
Common services	149,635	119,734	109,602
Road and bridge projects	17,173,347	10,664,719	8,728,192
Waste and wastewater	2,177,815	334,039	227,241
Waste management and disposal	667,350	400,324	514,902
Agriculture and land development	1,291,152	926,352	1,098,799
Recreation and culture	242,172	326,122	183,610
Contingency	646,309	-	-
Total expenditures	<u>24,684,020</u>	<u>15,018,069</u>	<u>12,992,040</u>
Excess of revenue over expenditures (Note 12)	(881,591)	8,528,685	6,492,087
Net interfund transfers			
From reserves	-	-	500,000
To reserves	-	(3,200,000)	-
To capital fund	(329,400)	(5,278,044)	(6,800,000)
From capital fund	1,210,991	-	-
Change in operating fund balance	-	50,641	192,087
Fund balance at beginning of year	-	314,349	122,262
Fund balance at end of year	<u>\$ -</u>	<u>\$ 364,990</u>	<u>\$ 314,349</u>

See accompanying notes to the financial statements.

SADDLE HILLS COUNTY
SCHEDULE OF CAPITAL ACTIVITIES AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2008
Schedule 2

	Budget (Unaudited)	2008	2007
Revenues			
Government transfers	\$ -	\$ -	\$ -
Investment income	-	680,947	717,303
Proceeds on sale of capital assets	-	-	218,725
	<u>-</u>	<u>680,947</u>	<u>936,028</u>
Expenditures			
Administration	28,400	12,825	45,827
Protective services	-	-	7,515
Common services	251,000	3,138,830	523,961
Agriculture and land development	50,000	185,399	261,200
	<u>329,400</u>	<u>3,337,054</u>	<u>838,503</u>
Excess (deficiency) of revenue over expenditures	(329,400)	(2,656,107)	97,525
Net interfund transfers			
From reserves	12,340,205	9,213,642	2,194,180
To reserves	(11,129,214)	(11,835,579)	(9,091,705)
From operating fund	329,400	5,278,044	6,800,000
To operating fund	(1,210,991)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Change in capital fund balance	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.



SADDLE HILLS COUNTY
SCHEDULE OF RESERVES AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2008
Schedule 3

	<u>2008</u>	<u>2007</u>
Balance at beginning of year	\$ <u>32,877,549</u>	\$ <u>26,480,024</u>
Add/(deduct):		
Transfers from operating fund	-	-
Transfers to operating fund	-	(500,000)
Net transfer from operating fund	<u>-</u>	<u>(500,000)</u>
Transfers to capital fund	(9,213,642)	(2,194,180)
Transfers from capital fund	<u>15,035,579</u>	<u>9,091,705</u>
Net transfer (from) to capital fund	<u>5,821,937</u>	<u>6,897,525</u>
Change in fund balance	<u>5,821,937</u>	<u>6,397,525</u>
Balance at end of year	<u>\$ 38,699,486</u>	<u>\$ 32,877,549</u>

See accompanying notes to the financial statements.



SADDLE HILLS COUNTY
SCHEDULE OF EQUITY IN CAPITAL ASSETS (NET OF RELATED DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2008
Schedule 4

	<u>2008</u>	<u>2007</u>
Acquisition of capital assets		
Administration	\$ 12,825	\$ 45,827
Protective services	-	7,515
Common services	3,138,830	523,961
Agriculture and land development	<u>185,399</u>	<u>261,200</u>
	3,337,054	838,503
Disposal of capital assets (cost)		
Administration	-	(115,030)
Protective services	-	(39,250)
Public works	-	(306,272)
Agriculture and land development	-	-
	<u> </u>	<u> </u>
Change in equity balance	3,337,054	377,951
Equity balance at beginning of year	<u>10,498,354</u>	<u>10,120,403</u>
Equity balance at end of year	<u>13,835,408</u>	<u>10,498,354</u>

See accompanying notes to the financial statements.



**SADDLE HILLS COUNTY
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2008
Schedule 5**

	Budget (Unaudited)	2008	2007
Taxation			
Real property taxes	\$ 23,494,568	\$ 12,055,839	\$ 10,438,225
Linear property taxes	-	11,289,494	10,647,120
Government grants in lieu of property taxes	-	5,760	5,970
	<u>23,494,568</u>	<u>23,351,093</u>	<u>21,091,315</u>
Requisitions			
Alberta School Foundation Fund	4,689,134	4,688,861	4,519,496
Seniors foundation	58,368	58,368	60,811
	<u>4,747,502</u>	<u>4,747,229</u>	<u>4,580,307</u>
Net municipal property taxes	\$ 18,747,066	\$ 18,603,864	\$ 16,511,008

See accompanying notes to the financial statements.

**SADDLE HILLS COUNTY
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2008
Schedule 6**

	Budget (Unaudited)	<u>2008</u>	<u>2007</u>
Federal transfers			
Shared-cost agreements and grants	\$ -	\$ -	\$ -
Provincial transfers			
Shared-cost agreements and grants			
Operating	3,909,471	3,404,915	1,731,788
Capital	-	-	-
Total government transfers	<u>\$ 3,909,471</u>	<u>\$ 3,404,915</u>	<u>\$ 1,731,788</u>

See accompanying notes to the financial statements.

SADDLE HILLS COUNTY
SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2008
Schedule 7

	<u>Budget</u>	<u>2008</u>	<u>2007</u>
Expenditures			
Salaries, wages, and benefits	\$ 3,264,169	\$ 3,285,350	\$ 3,113,451
Contracted and general services	6,834,642	3,628,467	2,947,457
Materials, goods and utilities	13,042,999	7,163,487	6,189,801
Bank charges and short-term interest	10,500	12,596	16,103
Other expenditures	885,401	928,171	725,228
Property tax appeal	646,309	-	-
Capital assets acquired	329,400	3,337,053	838,503
Total expenditures	<u>\$ 25,013,420</u>	<u>\$ 18,355,124</u>	<u>\$ 13,830,543</u>

See accompanying notes to the financial statements.



SADDLE HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

1. Summary of significant accounting policies

The consolidated financial statements of Saddle Hills County are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by Saddle Hills County are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of Saddle Hills County. This entity is comprised of all the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

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

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

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 revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the municipality has met any eligibility criteria, 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 financial statements in conformity with Canadian generally accepted accounting principles 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 financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

d) Fund Accounting

For reporting purposes, established funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Proceeds from sales of land are recorded as operating fund revenues.

SADDLE HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

e) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis 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.

f) Inventories

Inventories of materials and supplies for consumption are valued at the lower of cost or 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. Cost includes cost for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling 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 their respective function.

g) Capital Assets

Capital assets are reported as expenditures in the period they are acquired.

Capital assets are recorded at cost except for donated assets, which are recorded at estimated fair value when acquired.

Government contributions for the acquisition of physical assets are recorded as capital revenue and do not reduce the related capital assets costs.

Capital assets for government purposes are not depreciated.

h) Impairment of long-lived assets

The County reviews its long-lived assets for impairment on a regular basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate. No impairment has been identified and, thus, no impairment loss has been recognized in these consolidated financial statements.

i) Employee future benefits

Certain employees of the County are members of the Local Authorities Pension Plan (LAPP), a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta Treasurer and the plan is administered by a Board of Trustees. Since the plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the County does not recognize its share of any plan surplus or deficit.

**SADDLE HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

j) Tangible Capital Assets

Effective January 1, 2007, Saddle Hills County adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2008, Saddle Hills County continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2008, Saddle Hills County has implemented a formal Tangible Capital Asset policy. A complete listing of assets and values is currently underway and expected to be completed by December 31, 2009.

As of January 1, 2008, capital assets including assets held under capital lease are recorded at cost in the period they are acquired and recorded as an expenditure within the capital fund. Donated assets related to waterworks and wastewater distribution and collection systems are capitalized and are recorded at their estimated fair value upon acquisition. Works of art for display are not included as capital assets. Certain capital assets for which historical cost information is not available have been recorded at current fair market value discounted by a relevant inflation factor.

Saddle Hills County does not capitalize interest as part of the costs of its capital assets.

As of January 1, 2008, amortization has not been presented in the notes to the financial statements. Amortization is not recorded as an expense. Amortization for all asset classes is expected to be presented in the 2009 financial statements and will be calculated on a straight line basis over the assets' useful lives as follows:

	<u>Years</u>
Land improvements	15 to 25
Buildings	25 to 50
Engineered structures	
Electrical systems	30 to 38
Wastewater systems	45 to 75
Storm systems	45 to 75
Water systems	45 to 75
Roadway system	5 to 40
Vehicles	10 to 25
Machinery and equipment	3 to 20



**SADDLE HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

k) Requisition Over-levy and Under-levy

Over-levies 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 over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

l) Operating Fund

Operating fund represents the amounts available to offset future operational revenue requirements (or the shortfall which will be financed from future operational revenues).

m) Capital Fund

Capital fund represents the amounts available to finance (or the shortfall in financing available for) capital projects.

n) Reserve Fund

Reserve fund represents the amounts set aside to finance future operating and capital expenditures. Reserves are established at the discretion of Council. Transfers to and/or from the reserve fund are reflected as an adjustment to the respective fund.

n) Equity in Capital Assets (net of related debt)

Equity in capital assets represents the County's net investment in its capital assets after deducting the portion financed by third parties through debenture, bond and mortgage debts, long term capital borrowings, capitalized leases and other capital liabilities which will be repaid by the municipality.

o) Financial Instruments

The County's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. It is management's opinion that the County is not exposed to significant interest, currency or credit risks arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximate their carrying values.

2. Cash and Temporary Investments

	2008	2007
Cash	\$ 4,209,687	\$ 5,900,784
Temporary investments	13,871,448	11,724,348
	\$ 18,081,135	\$ 17,625,132

Temporary investments are short term deposits with maturity dates of one year or less and bear interest from 2.10% to 4.86%.

SADDLE HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

3. Taxes and Grants in Lieu Receivable

	2008	2007
Current taxes and grants in lieu receivable	\$ 94,668	\$ 139,993
Arrears taxes	49,985	21,329
Under (over) levy	-	-
	144,653	161,322
Less: allowance for doubtful accounts	(7,555)	(7,528)
	\$ 137,098	\$ 153,794

4. Investments

	2008	2007
Alberta Capital Finance Authority	\$ 110	\$ 110
A.A.M.D. & C. patronage account	2,193	1,885
Long-term investments	19,530,898	14,178,695
	\$ 19,533,201	\$ 14,180,690

Long-term investments bear interest at rates ranging from 3.26% to 5.75% and mature between June 2009 and May 2014.

5. Capital Assets

	2008	2007
Land	\$ 137,748	\$ 137,748
Buildings	2,753,915	2,631,092
Engineering structures	1,718,441	1,718,441
Machinery and equipment	5,896,670	2,753,472
Vehicles	3,328,633	3,257,601
	\$ 13,835,407	\$ 10,498,354

6. Accounts Payable and Accrued Liabilities

	2008	2007
Trade accounts payable	\$ 752,799	\$ 1,540,822
Vacation and overtime	179,377	128,705
Security deposits	427,340	373,327
	\$ 1,359,516	\$ 2,042,854

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.



**SADDLE HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

7. Deferred Revenue

	2008	2007
Infrastructure and Transportation	\$ -	\$ 1,090,150
Municipal Sustainability Initiative	46,366	333,997
Municipal Affairs and Housing	-	6,664
Municipal Sponsorship Grant	-	76,568
Other	55,409	5,000
	\$ 101,775	\$ 1,512,379

8. Gravel Pit Reclamation

In December, 1993, Saddle Hills County entered into an agreement with Alberta Infrastructure to take over the responsibilities related to the transportation function of the previous Improvement District. Under this agreement, the County has assumed a contingent liability related to gravel pits and stock pile reclamation and has recognized additional reclamation liabilities as gravel from the related pits is crushed. Since 2001, no additional amount was recognized as a liability for future site reclamation costs.

As at December 31, 2008, Saddle Hills County is not able to determine if this estimate of reclamation costs is reasonable. In addition, Saddle Hills has landfills that will also require reclamation in future periods. As at December 31, 2008, no accrual has been made for these costs.

9. Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta

	2008	2007
Total debt limit	36,341,552	29,907,417
Total debt	-	-
Amount of debt limit unused	36,341,552	29,907,417
Debt servicing limit	6,056,925	4,984,570
Debt servicing	-	-
Amount of debt servicing limit unused	6,056,925	4,984,570

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

SADDLE HILLS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

10. Reserves

Reserves for operating and capital functions changed as follows:

	<u>2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>2008</u>
Operating reserves				
Operating contingency	\$ 1,740,500	\$ -	\$ -	\$ 1,740,500
Public land	4,542	-	-	4,542
Tax reassessment	586,453	-	-	586,453
Recreation and culture	50,000	-	-	50,000
	<u>2,381,495</u>	<u>-</u>	<u>-</u>	<u>2,381,495</u>
Capital reserves				
Capital equipment - mobile	3,500,919	1,296,127	3,211,544	1,585,502
Capital equipment - facilities	2,540,169	179,384	54,707	2,664,846
Computer and information tech	777,634	96,223	15,511	858,346
Emergency operations - public	598,678	17,287	-	615,965
Emergency services equipment	1,149,005	128,754	-	1,277,759
Environmental services	3,628,346	407,362	56,180	3,979,528
General capital	3,265,054	94,279	-	3,359,333
Infrastructure - development	4,086,088	7,553,980	-	11,640,068
Agriculture	5,819,952	133,062	5,875,700	77,314
Infrastructure - paving	5,130,209	5,129,121	-	10,259,330
	<u>30,496,054</u>	<u>15,035,579</u>	<u>9,213,642</u>	<u>36,317,991</u>
Total	<u>\$ 32,877,549</u>	<u>\$ 15,035,579</u>	<u>\$ 9,213,642</u>	<u>\$ 38,699,486</u>

11. Equity in capital assets

	<u>2008</u>	<u>2007</u>
Capital assets (Note 5)	<u>13,835,407</u>	<u>10,498,354</u>

12. Budget

The 2008 operating budget was approved by Council. The budget was balanced with the deficiency of revenues over expenditures being transferred from reserves for specified projects which have been funded in prior periods.

**SADDLE HILLS COUNTY
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13. Salary and Benefits Disclosure

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	<u>2008</u>			<u>2007</u>
	<u>Salary (1)</u>	<u>Benefits & Allowances (2)</u>	<u>Total</u>	<u>Total</u>
Division 1	25,925	5,766	31,691	27,285
Division 2	24,075	6,640	30,715	24,587
Division 3	35,400	7,329	42,729	37,097
Division 4	24,150	5,604	29,754	25,940
Division 5	31,775	3,174	34,949	31,736
Division 6	23,900	3,964	27,864	23,698
Division 7	19,350	1,034	20,384	23,030
Chief Administrative Officer	110,526	17,325	127,851	120,017
Designated officer	91,053	14,730	105,783	102,639
	<u>386,154</u>	<u>65,566</u>	<u>451,720</u>	<u>416,029</u>

1. Salary includes regular base pay, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
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 membership and tuition.

14. Financial Instruments

The County's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, and requisition over/under levy. It is management's opinion that the County is not exposed to significant interest risk arising from these financial instruments.

The County is subject to credit risk with respect to taxes and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the County provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

SADDLE HILLS COUNTY
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15. Contingencies

The County is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the 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.

16. 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 Alberta Public Sector Pension Plans Act. The LAPP serves about 133,000 people and about 389 employers. The LAPP is financed by employer and employee contributions and by 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 Plan of 5.525% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 7.4% on pensionable earnings above this amount. Employees of the county are required to make current service contributions of 4.525% of pensionable salary up to the year's maximum pensionable salary and 6.4% on pensionable salary above this amount.

Total current service contributions by the county to the LAPP were \$143,611 (2007 - \$152,719). Total current service contributions by the employees of the county to the LAPP in 2008 were \$126,350 (2007 - \$134,700).

At December 31, 2007, the LAPP disclosed an actuarial deficiency of \$1,288.9 million.

17. Related Party Transactions

During the prior year, the County sold property to the Chief Administrative Officer for \$115,000.

The County financed this sale and holds the mortgage which is repayable in monthly instalments of \$1,000 including interest at 4.15%. The mortgage matures in February 2011 with the balance including interest payable at that time.

During the year, the County received payments of \$12,000 against the mortgage, with \$4,335 being recognized as interest revenue. The balance outstanding of \$101,184 is included in accounts receivable.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

18. Approval of Financial Statements

Council and Management have approved these financial statements.

19. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.