

SADDLE HILLS COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010



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Management's Responsibility

To the Members of Council:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

Council is composed primarily of Councilors who are neither management nor employees of the County. Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the County's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

March 28, 2011



Management

Auditors' Report

To the Members of Council:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Saddle Hills County, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, change in net financial assets, cash flows and related schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, 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 consolidated 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, the consolidated financial statements present fairly, in all material respects, the financial position of Saddle Hills County as at December 31, 2010, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Meyers Norris Penny LLP

Grande Prairie, Alberta
March 28, 2011

Chartered Accountants



**SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2010**

FINANCIAL ASSETS	2010	2009
	\$	\$
		<i>(Restated)</i>
Cash and temporary investments (Note 2)	<u>4,427,026</u>	<u>6,620,361</u>
Receivables		
Taxes and grants in place of taxes (Note 3)	391,281	255,555
Trade and other receivables	4,196,296	3,690,560
Investments (Note 4)	<u>50,546,120</u>	<u>38,575,181</u>
	<u>59,560,723</u>	<u>49,141,657</u>
 LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	2,105,381	2,006,813
Deferred revenue (Note 6)	92,331	13,481
Provision for landfill and gravel pit closure costs (Note 7)	484,031	472,917
	<u>2,681,743</u>	<u>2,493,211</u>
 NET FINANCIAL ASSETS	<u>56,878,980</u>	<u>46,648,446</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9, Schedule 2)	54,681,040	49,717,461
Inventories held for consumption	1,181,165	1,092,648
Land inventory held for resale	1	1
Prepaid expenses	142,252	129,554
	<u>56,004,458</u>	<u>50,939,664</u>
 ACCUMULATED SURPLUS (Note 11, Schedule 1)	<u>112,883,438</u>	<u>97,588,110</u>

Contingencies - See Note 15

Approved by

Reeve 



Chief Administrative Officer

**SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budget \$ (Unaudited)	2010 \$	2009 \$ (Restated)
REVENUE			
Net municipal taxes (Schedule 3)	19,073,021	19,086,609	19,890,549
Government transfers for operating (Schedule 4)	8,037,250	3,864,325	5,758,868
Return on investments	205,000	2,025,229	1,714,917
Oil well drilling taxes	300,000	1,720,516	743,027
User fees and sale of goods	245,960	275,155	266,089
Other revenues	266,601	158,170	175,224
Gain on sale of tangible capital assets	-	-	147,741
Penalties and costs on taxes	30,000	43,837	32,497
Total revenues	28,157,832	27,173,841	28,728,912
EXPENSES			
Administration	1,664,236	1,478,729	1,485,019
Agriculture and land development	1,184,642	974,461	922,405
Common services	118,150	84,891	154,485
Contingency	1,000,000	-	-
Family and community services	75,689	76,435	24,345
Legislative	325,217	283,496	290,780
Protective services	446,621	525,372	406,897
Recreation and culture	488,172	403,478	474,330
Road and bridge projects	10,341,953	9,852,536	13,699,100
Waste management and disposal	749,060	491,503	439,618
Water and wastewater	2,228,665	1,784,070	287,445
Total expenses	18,622,405	15,954,971	18,184,424
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER	9,535,427	11,218,870	10,544,488
OTHER			
Government business partnership operations	-	(21,451)	45,414
Government transfers for capital (Schedule 4)	-	4,097,909	-
EXCESS OF REVENUE OVER EXPENSES	9,535,427	15,295,328	10,589,902
ACCUMULATED SURPLUS, BEGINNING OF YEAR AS PREVIOUSLY STATED	97,588,110	97,588,110	86,576,799
<i>Prior period adjustment (Note 17)</i>	-	-	421,409
ADJUSTED OPENING ACCUMULATED SURPLUS	97,588,110	97,588,110	86,998,208
ACCUMULATED SURPLUS, END OF YEAR	107,123,537	112,883,438	97,588,110

**SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budget \$ (Unaudited)	2010 \$	2009 \$ (Restated)
EXCESS OF REVENUES OVER EXPENSES	9,535,427	15,295,328	10,589,902
Acquisition of tangible capital assets	(9,925,698)	(8,094,311)	(5,150,686)
Proceeds on disposal of tangible capital assets	-	-	242,869
Amortization of tangible capital assets	-	3,130,732	3,000,701
Gain on sale of tangible capital assets	-	-	(147,741)
	<u>(9,925,698)</u>	<u>(4,963,579)</u>	<u>(2,054,857)</u>
Acquisition of prepaid assets	-	(12,698)	(881)
Use of supplies inventories	-	(88,517)	34,847
Use of prepaid assets	-	-	-
	<u>-</u>	<u>(101,215)</u>	<u>33,966</u>
INCREASE IN NET FINANCIAL ASSETS	(390,271)	10,230,534	8,569,011
NET FINANCIAL ASSETS, BEGINNING OF YEAR AS PREVIOUSLY STATED	<u>46,648,446</u>	<u>46,648,446</u>	<u>37,658,026</u>
<i>Prior period adjustment (Note 17)</i>	-	-	421,409
ADJUSTED OPENING NET FINANCIAL ASSETS	<u>46,648,446</u>	<u>46,648,446</u>	<u>38,079,435</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>46,258,175</u></u>	<u><u>56,878,980</u></u>	<u><u>46,648,446</u></u>

**SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 \$	2009 \$ <i>(Restated)</i>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	15,295,328	10,589,902
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	3,130,732	3,000,701
Loss (gain) on disposal of tangible capital assets	-	(147,741)
Accretion expense	11,114	6,667
Non-cash changes to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(135,726)	(118,457)
Decrease (increase) in trade and other receivables	(505,735)	(1,856,427)
Decrease (increase) in inventory for consumption	(88,517)	34,847
Decrease (increase) in prepaid expenses	(12,698)	(881)
Increase (decrease) in accounts payable and accrued liabilities	98,567	647,297
Increase (decrease) in deferred revenue	78,850	(88,294)
Cash provided by operating transactions	<u>17,871,915</u>	<u>12,067,614</u>
CAPITAL		
Acquisition of tangible capital assets	(8,094,311)	(5,150,686)
Proceeds on the sale of tangible capital assets	-	242,869
Cash applied to capital transactions	<u>(8,094,311)</u>	<u>(4,907,817)</u>
INVESTING		
Increase in investments	<u>(11,970,939)</u>	<u>(18,620,571)</u>
Cash applied to investing transactions	<u>(11,970,939)</u>	<u>(18,620,571)</u>
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	(2,193,335)	(11,460,774)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>6,620,361</u>	<u>18,081,135</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	<u><u>4,427,026</u></u>	<u><u>6,620,361</u></u>

SADDLE HILLS COUNTY
 SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
 FOR THE YEAR ENDED DECEMBER 31, 2010
 SCHEDULE 1

	2010		2009 (Restated)
	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets
			\$
BALANCE, BEGINNING OF YEAR AS PREVIOUSLY STATED	874,939	46,995,710	97,588,110
<i>Prior period adjustment (Note 17)</i>	-	-	421,409
ADJUSTED OPENING BALANCE	874,939	46,995,710	97,588,110
Excess (deficiency) of revenues over expenses	15,295,328	-	-
Unrestricted funds designated for future use	(10,331,424)	10,331,424	15,295,328
Restricted funds used for operations	-	-	-
Restricted funds used for tangible capital assets	-	-	-
Current year funds used for tangible capital assets	(8,094,311)	-	-
Contributed tangible capital assets	-	-	8,094,311
Disposal of tangible capital assets	-	-	-
Annual amortization expense	3,130,732	-	(3,130,732)
Long term debt repaid	-	-	-
Change in accumulated surplus	325	10,331,424	4,963,579
BALANCE, END OF YEAR	875,264	57,327,134	112,883,438
			10,589,902



**SADDLE HILLS COUNTY
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010
SCHEDULE 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2010 \$	2009 \$
COST:								
BALANCE, BEGINNING OF YEAR	217,060	466,250	3,589,412	68,295,209	9,969,029	870,534	83,407,494	78,766,380
Acquisition of tangible capital assets	-	100,089	794,731	6,699,240	328,348	171,903	8,094,311	5,150,686
Construction-in-progress	-	-	-	-	-	-	-	-
Disposal of tangible capital assets	-	-	-	-	-	-	-	(509,572)
Write down of tangible capital assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	217,060	566,339	4,384,143	74,994,449	10,297,377	1,042,437	91,501,805	83,407,494
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	210,500	1,383,552	28,443,107	3,204,364	448,510	33,690,033	31,103,776
Annual amortization	-	105,250	73,292	1,934,931	895,743	121,516	3,130,732	3,000,701
Accumulated amortization on disposals	-	-	-	-	-	-	-	(414,444)
BALANCE, END OF YEAR	-	315,750	1,456,844	30,378,038	4,100,107	570,026	36,820,765	33,690,033
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	217,060	250,589	2,927,299	44,616,411	6,197,270	472,411	54,681,040	49,717,461
2009 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	217,060	255,750	2,205,860	39,852,102	6,764,665	422,024	49,717,461	



**SADDLE HILLS COUNTY
 SCHEDULE OF PROPERTY TAXES LEVIED
 FOR THE YEAR ENDED DECEMBER 31, 2010
 SCHEDULE 3**

	Budget \$ (Unaudited)	2010 \$	2009 \$
TAXATION			
Real property taxes	19,799,136	12,183,610	12,369,306
Linear property taxes	4,380,824	11,981,839	12,718,853
Government grants in place of property taxes	-	5,580	5,262
Reduced taxes	(600,000)	(580,035)	(602,160)
	<u>23,579,960</u>	<u>23,590,994</u>	<u>24,491,261</u>
REQUISITIONS			
Alberta School Foundation Fund	4,433,375	4,430,821	4,528,924
Seniors foundation	73,564	73,564	71,788
	<u>4,506,939</u>	<u>4,504,385</u>	<u>4,600,712</u>
NET MUNICIPAL TAXES	<u>19,073,021</u>	<u>19,086,609</u>	<u>19,890,549</u>

**SADDLE HILLS COUNTY
 SCHEDULE OF GOVERNMENT TRANSFERS
 FOR THE YEAR ENDED DECEMBER 31, 2010
 SCHEDULE 4**

	Budget \$ (Unaudited)	2010 \$	2009 \$
TRANSFERS FOR OPERATING:			
Provincial Government	8,037,250	3,864,325	5,758,868
Other Local Governments	-	-	-
	<u>8,037,250</u>	<u>3,864,325</u>	<u>5,758,868</u>
TRANSFERS FOR CAPITAL:			
Federal Government	-	4,097,909	-
Provincial Government	-	-	-
	<u>-</u>	<u>4,097,909</u>	<u>-</u>
TOTAL GOVERNMENT TRANSFERS	<u>8,037,250</u>	<u>7,962,234</u>	<u>5,758,868</u>

**SADDLE HILLS COUNTY
SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2010
SCHEDULE 5**

	Budget \$ (Unaudited)	2010 \$	2009 \$
CONSOLIDATED EXPENSES BY OBJECT			
Amortization of tangible capital assets	-	3,130,732	3,000,701
Bank charges and short term interest	6,500	7,154	5,411
Contingency	1,000,000	-	-
Contracted and general services	7,035,488	4,563,666	2,577,230
Materials, goods, supplies and utilities	5,912,084	3,895,462	8,331,369
Other expenditures	761,621	522,303	539,777
Salaries, wages and benefits	3,906,712	3,835,654	3,729,936
	<u>18,622,405</u>	<u>15,954,971</u>	<u>18,184,424</u>

**SADDLE HILLS COUNTY
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2010
SCHEDULE 6**

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total \$
REVENUE								
Net municipal taxes	19,086,609							19,086,609
Government transfers	30,167	16,058	7,688,367	167,668	63,974	-	-	7,966,234
User fees and sales of goods	144,842	47,011	43,196	208	-	39,898	-	275,155
Investment income	2,025,229	-	-	-	-	-	-	2,025,229
Oil well drilling taxes	-	-	-	-	-	-	1,720,516	1,720,516
Other revenues	61,206	150	111,500	17,093	-	8,058	(21,451)	176,556
	<u>21,348,053</u>	<u>63,219</u>	<u>7,843,063</u>	<u>184,969</u>	<u>63,974</u>	<u>47,956</u>	<u>1,699,065</u>	<u>31,250,299</u>
EXPENSES								
Contract & general services	87,266	256,585	1,533,629	326,063	7,317	1,857,115	495,691	4,563,666
Salaries & wages	184,990	92,515	2,059,291	428,511	-	152,851	917,496	3,835,654
Goods & supplies	1,250	51,497	3,569,817	141,052	1,870	65,696	64,280	3,895,462
Transfers to local boards	-	-	-	25,400	392,832	-	-	418,232
Other expenses	9,888	2,500	4,637	-	-	7,111	86,989	111,225
	<u>283,494</u>	<u>403,097</u>	<u>7,167,374</u>	<u>921,026</u>	<u>402,019</u>	<u>2,082,773</u>	<u>1,564,456</u>	<u>12,824,239</u>
NET REVENUE, BEFORE AMORTIZATION	21,064,559	(339,878)	675,689	(736,057)	(338,045)	(2,034,817)	134,609	18,426,060
Amortization expense	-	122,275	2,685,162	53,435	1,459	192,800	75,601	3,130,732
NET REVENUE	<u>21,064,559</u>	<u>(462,153)</u>	<u>(2,009,473)</u>	<u>(789,492)</u>	<u>(339,504)</u>	<u>(2,227,617)</u>	<u>59,008</u>	<u>15,295,328</u>



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Saddle Hills County (the County) are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting 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 the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the County and are, therefore, accountable to the Council for administration of their financial affairs and resources. Included in the municipality 25% of the Central Peace Regional Waste Management Commission which has been accounted for under the modified equity method.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are 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

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed.

Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

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) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) **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.

f) **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.

g) **Inventories for Resale**

Land held for resale is recorded at the lower of cost or net realizable value. 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 physical assets under the respective function.

h) **Landfill and Gravel Pit Closure and Post-Closure Liability**

Pursuant to the Alberta Environmental Protection and Enhancement Act, the County is required to fund the closure of its landfill and gravel pit site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill and gravel pit sites.

i) **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 in 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.

j) **Requisition Over-levies and Under-Levies**

Over-levies and under-levies arise from the difference between the actual property tax 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) 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.

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 the estimated useful life as follows:

	YEARS
Land Improvements	15-25
Buildings	25-50
Engineered structures	
Water and wastewater system	30-75
Other engineered structures	30-75
Machinery and equipment	3-20
Vehicles	7-20

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. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

l) Segments

During 2010, the County had 10 (10 in 2009), reportable segments: Legislative, Administrative, Protective services, Family and community services, Common services, Road and bridge projects, Water and wastewater, Waste management and disposal, Agriculture and land development and Recreation and culture. These segments are differentiated by major activities (departments) at the County.

**SADDLE HILLS COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

2. CASH AND TEMPORARY INVESTMENTS

	2010	2009
	\$	\$
Cash	<u>2,782,322</u>	<u>2,132,112</u>
Temporary investments	<u>1,644,704</u>	<u>4,488,249</u>
	<u><u>4,427,026</u></u>	<u><u>6,620,361</u></u>

Cash held in deposit accounts accrue interest at prime minus 1.95%.

Temporary investments are shares in marketable securities with no set return and are able to be traded at the discretion of the County.

A portion of the cash balances above are restricted for reserves and deferred revenue. The total restricted capital including Long term investments is \$57,419,465 (\$47,019,191 in 2009).

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2010	2009
	\$	\$
Current taxes and grants in place of taxes	<u>269,789</u>	<u>213,546</u>
Arrears taxes	<u>129,047</u>	<u>49,564</u>
	<u>398,836</u>	<u>263,110</u>
Less: allowance for doubtful accounts	<u>(7,555)</u>	<u>(7,555)</u>
	<u><u>391,281</u></u>	<u><u>255,555</u></u>

4. INVESTMENTS

	2010	2009 (Restated)
	\$	\$
Alberta Capital Finance Authority	<u>110</u>	<u>110</u>
A.A.M.D. & C. patronage account	<u>2,352</u>	<u>2,361</u>
Central Peace Regional Waste Management Commission (Note 17,	<u>445,372</u>	<u>466,823</u>
Long-term investments	<u>50,098,286</u>	<u>38,105,887</u>
	<u><u>50,546,120</u></u>	<u><u>38,575,181</u></u>

Long term investments bear interest at rates ranging from 1.00% to 5.45% (2009 - 1.00% to 5.45%) and mature between May 2010 and February 2020. As at December 31, 2010 the fair market value for long-term investments was \$51,328,724.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2010	2009
	\$	\$
Trade accounts payable	<u>1,775,604</u>	<u>1,507,537</u>
Vacation and overtime	<u>257,689</u>	<u>219,574</u>
Security deposits	<u>72,088</u>	<u>279,702</u>
	<u><u>2,105,381</u></u>	<u><u>2,006,813</u></u>

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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

6. DEFERRED REVENUE

	2010 \$	2009 \$
Other	<u>92,331</u>	<u>13,481</u>

7. LANDFILL AND GRAVEL PIT CLOSURE

Alberta environmental law requires closure care of landfill and gravel pit, which includes final covering and landscaping, pumping of ground water and leachates from the site, and on going environmental monitoring, site inspections and maintenance.

The estimated total liability is based on the sum of discounted future cash flows for closure activities, assuming an inflation rate of 2.35% (2009 - 1.43%). The existing landfills are expected to reach capacity from 2011 to 2013.

The accrued liability is based on the total liability for closure. The County has set up an asset to offset the liability which they are amortizing based on the remaining useful life of the landfill and gravel pit.

	2010 \$	2009 \$
Opening liability	<u>472,917</u>	466,250
Accretion expense	<u>11,114</u>	6,667
Total liability	<u>484,031</u>	<u>472,917</u>

8. DEBT LIMITS

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

	2010 \$	2009 \$
Total debt limit	<u>46,907,623</u>	43,141,415
Total debt	-	-
Amount of debt limit unused	<u>46,907,623</u>	<u>43,141,415</u>
Debt servicing limit	<u>7,817,937</u>	7,190,236
Debt servicing	-	-
Amount of debt servicing limit unused	<u>7,817,937</u>	<u>7,190,236</u>

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 CONSOLIDATED FINANCIAL STATEMENTS
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9. TANGIBLE CAPITAL ASSETS

	2010	2009
Net Book Value	\$	\$
Land	217,060	217,060
Land Improvements	250,589	255,750
Buildings	2,927,299	2,205,860
Engineered Structures		
Roadway system	43,988,036	39,205,836
Water and wastewater system	628,375	646,266
Machinery, equipment and furnishings	6,197,270	6,764,665
Vehicles	472,411	422,024
	<u>54,681,040</u>	<u>49,717,461</u>

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2010	2009
	\$	\$
Tangible capital assets (Schedule 1)	91,501,805	83,407,494
Accumulated amortization (Schedule 1)	(36,820,765)	(33,690,033)
	<u>54,681,040</u>	<u>49,717,461</u>

11. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2010	2009
	\$	\$
Unrestricted surplus	875,264	874,939
Reserves (Note 12)	57,327,134	46,995,710
Equity in tangible capital assets (Note 10)	54,681,040	49,717,461
	<u>112,883,438</u>	<u>97,588,110</u>

**SADDLE HILLS COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

12. RESERVES

Reserves consists of operating and capital amounts as follows:

	2010	2009
	\$	\$
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>2,381,495</u>
Capital reserves		
Capital equipment - mobile	2,703,063	2,197,395
Capital equipment - facilities	6,642,430	6,546,756
Computer and information technology	1,016,191	927,352
Emergency operations - public	649,453	630,912
Emergency services equipment	1,542,577	1,404,774
Environmental services	4,074,919	3,860,040
General capital	3,534,902	3,433,982
Infrastructure - development	14,572,561	11,633,941
Agriculture	298,414	175,009
Infrastructure - SHC paving overlay	254,874	-
Infrastructure - paving	15,656,255	13,804,054
Rural water	4,000,000	-
	<u>54,945,639</u>	<u>44,614,215</u>
Total reserves	<u>57,327,134</u>	<u>46,995,710</u>

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:

	2010		2009	
	\$		\$	
	Salary ¹	Benefits & allowances ²	Total	Total
Councillors				
Division 1	26,575	919	27,494	29,565
Division 2	26,000	3,814	29,814	27,518
Division 3	33,613	4,073	37,686	38,467
Division 4	23,925	3,753	27,678	25,710
Division 5	28,187	2,911	31,098	30,943
Division 6	24,425	712	25,137	26,771
Division 7	21,800	2,980	24,780	23,673
Chief Administrative Officer	129,817	20,700	150,517	150,260
Designated Officer	88,668	14,361	103,029	104,974
	<u>403,010</u>	<u>54,223</u>	<u>457,233</u>	<u>457,881</u>

1 Salary includes regular base pay, bonuses, 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 and long and short-term disability plans.

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the County participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 133,000 people and 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 LAPP 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 in 2010 were \$220,886 (2009 - \$200,546). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2010 were \$191,175 (2009 - \$179,496).

At December 31, 2009, the LAPP disclosed an actuarial deficiency of \$1,288.9 million.

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.

In 2006, the County entered into an agreement with the Alberta Transportation to have the secondary highways within the County paved, of which the County would provide 50% share of the costs. The roads are managed by the province and the County has no jurisdiction over these roads. One of these projects began during the year, however the costs associated with this agreement are not known and have not been accrued for within the financial statements.

The County has provided capital reserves for this agreement in the amount of \$15,656,255 with total estimated costs expected to reach \$27,250,000 over the duration of the project.

16. FINANCIAL INSTRUMENTS

The county's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities. It is management's opinion that the county is not exposed to significant interest or currency risks arising from these financial instruments.

The county is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the town 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
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

17. GOVERNMENT BUSINESS PARTNERSHIP

The County's portion of the financial position and results of operations for the Central Peace Regional Waste Management Commission, which represents 25%, is as follows:

	<u>2010</u>	<u>2009</u>
		<i>(Restated)</i>
Total financial assets	<u>8,225</u>	<u>10,782</u>
Total financial liabilities	<u>412</u>	<u>1,052</u>
Tangible capital assets	<u>437,557</u>	<u>457,093</u>
Accumulated Surplus	<u>445,370</u>	<u>466,823</u>
Accumulated Surplus		
Equity in physical assets	<u>437,557</u>	<u>457,093</u>
Operating fund	<u>7,813</u>	<u>9,730</u>
	<u>445,370</u>	<u>466,823</u>
Total revenue	<u>2,884</u>	<u>67,961</u>
Total expenditures	<u>24,335</u>	<u>22,547</u>
Excess (deficiency) of revenue over expenditures	<u>(21,451)</u>	<u>45,414</u>

**SADDLE HILLS COUNTY
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010**

18. PRIOR PERIOD ADJUSTMENTS

The County has restated its financial statements to comply with the provisions of Section 3060 of the Public Sector Accounting Board Handbook, which requires government business partnerships to be proportionately consolidated on their financial statements.

The adjustments are as follows:

	2009
	<u>\$</u>
Adjustments to accumulated surplus	
As previously stated	86,576,799
Opening equity in the Waste Management Commission	<u>421,409</u>
As restated	<u>86,998,208</u>

	2009
	<u>\$</u>
Adjustments to excess of revenues over expenses:	
As previously reported	10,544,488
Government business partnership operations	<u>45,414</u>
As restated	<u>10,589,902</u>

	2009
	<u>\$</u>
Adjustments to Investments	
As previously reported	38,108,358
Opening equity in the Waste Management Commission	421,409
Government business partnership operations	<u>45,414</u>
As restated	<u>38,575,181</u>

Certain comparative figures have been restated to conform to the current year's presentation.

19. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.