

SADDLE HILLS COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

TABLE OF CONTENTS

	<u>Page</u>
Statement of Management's Responsibility	
Auditors' Report	
Consolidated Statement of Financial Position	1
Consolidated Statement of Operations	2
Consolidated Statement of Change in Net Financial Assets	3
Consolidated Statement of Cash Flows	4
Schedule of Tangible Capital Activities	5
Schedule of Property Taxes Levied	6
Schedule of Government Transfers	7
Schedule of Consolidated Expenditures by Object	8
Notes to the Consolidated Financial Statements	9

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.

April 7, 2010



Management



MEYERS NORRIS PENNY LLP

Auditors' Report

To the Members of Council:

We have audited the consolidated statement of financial position of Saddle Hills County as at December 31, 2009 and the consolidated statements of operations, change in net financial assets and cashflows 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saddle Hills County as at December 31, 2009 and the consolidated results of its operations, change in net financial asset and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Peace River, Alberta
April 7, 2010

Chartered Accountants

**SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2009**

	2009 \$	2008 \$ (Restated)
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	<u>6,620,361</u>	<u>18,081,135</u>
Receivables		
Taxes and grants in place of taxes (Note 3)	255,555	137,098
Trade and other receivables	3,690,560	1,834,133
Investments (Note 4)	<u>38,108,358</u>	<u>19,533,201</u>
	<u>48,674,834</u>	<u>39,585,567</u>
 LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	2,006,813	1,359,516
Deferred revenue (Note 6)	13,481	101,775
Provision for landfill and gravel pit closure costs (Note 7)	<u>472,917</u>	<u>466,250</u>
	<u>2,493,211</u>	<u>1,927,541</u>
 NET FINANCIAL ASSETS (DEBT)	<u>46,181,623</u>	<u>37,658,026</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9) (Schedule 1)	49,717,461	47,662,604
Inventories held for consumption	1,092,648	1,127,495
Land inventory held for resale	1	1
Prepaid expenses	<u>129,554</u>	<u>128,673</u>
	<u>50,939,664</u>	<u>48,918,773</u>
 ACCUMULATED SURPLUS (Note 11)	<u>97,121,287</u>	<u>86,576,799</u>

Contingencies - See Note 15

Approved by

Reeve

Chief Administrative Officer

**SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budget \$ (Unaudited)	2009 \$	2008 \$ (Restated)
REVENUE			
Net municipal taxes (Schedule 2)	19,868,116	19,890,549	18,055,346
Government transfers for operating (Schedule 3)	9,101,947	5,758,868	3,404,915
Return on investments	330,025	1,714,917	1,338,051
Oil well drilling taxes	165,000	743,027	265,249
User fees and sale of goods	245,206	266,089	381,439
Other revenues	319,300	175,224	200,735
Gain on sale of tangible capital assets	-	147,741	-
Penalties and costs on taxes	25,275	32,497	28,248
Total revenues	30,054,869	28,728,912	23,673,983
EXPENSES			
Legislative	297,648	290,780	275,097
Administration	1,471,695	1,485,019	1,240,379
Protective services	324,528	406,897	341,105
Family and community services	60,000	24,345	25,432
Common services	202,100	154,485	129,080
Road and bridge projects	21,155,266	13,699,100	13,064,123
Water and wastewater	2,148,410	287,445	384,811
Waste management and disposal	806,138	439,618	495,625
Agriculture and land development	1,040,235	922,405	983,149
Recreation and culture	262,770	474,330	326,852
Contingency	600,000	-	-
Total expenses	28,368,790	18,184,424	17,265,653
EXCESS OF REVENUE OVER EXPENSES	1,686,079	10,544,488	6,408,330
ACCUMULATED SURPLUS, BEGINNING OF YEAR	86,576,799	86,576,799	80,168,469
ACCUMULATED SURPLUS, END OF YEAR	88,262,878	97,121,287	86,576,799

**SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budget \$ (Unaudited)	2009 \$	2008 \$ (Restated)
EXCESS OF REVENUES OVER EXPENSES	<u>1,686,079</u>	<u>10,544,488</u>	<u>6,408,330</u>
Acquisition of tangible capital assets	(2,176,676)	(5,150,686)	(3,336,695)
Proceeds on disposal of tangible capital assets	-	242,869	-
Amortization of tangible capital assets	-	3,000,701	2,796,101
Gain on sale of tangible capital assets	-	(147,741)	-
	<u>(2,176,676)</u>	<u>(2,054,857)</u>	<u>(540,594)</u>
Acquisition of prepaid assets	-	(881)	-
Use of supplies inventories	-	34,847	417,018
Use of prepaid assets	-	-	167,757
	<u>-</u>	<u>33,966</u>	<u>584,775</u>
INCREASE IN NET FINANCIAL ASSETS	(490,597)	8,523,597	6,452,511
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>37,658,026</u>	<u>37,658,026</u>	<u>31,205,515</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>37,167,429</u></u>	<u><u>46,181,623</u></u>	<u><u>37,658,026</u></u>

**SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	2009	2008
	\$	\$
		(Restated)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	10,544,488	6,408,330
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	3,000,701	2,796,101
Gain on disposal of tangible capital assets	(147,741)	-
Non-cash changes to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(118,457)	16,697
Decrease (increase) in trade and other receivables	(1,856,427)	1,433,249
Decrease in inventory for consumption	34,847	417,018
Decrease (increase) in prepaid expenses	(881)	167,757
Increase (decrease) in accounts payable and accrued liabilities	647,297	(683,339)
Decrease in deferred revenue	(88,294)	(1,410,604)
Increase in provision for landfill closure/post closure	6,667	-
Cash provided by operating transactions	<u>12,022,200</u>	<u>9,145,209</u>
CAPITAL		
Acquisition of tangible capital assets	(5,150,686)	(3,336,695)
Proceeds on the sale of tangible capital assets	242,869	-
Cash applied to capital transactions	<u>(4,907,817)</u>	<u>(3,336,695)</u>
INVESTING		
Increase in investments	<u>(18,575,157)</u>	<u>(5,352,511)</u>
Cash applied to investing transactions	<u>(18,575,157)</u>	<u>(5,352,511)</u>
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	(11,460,774)	456,003
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>18,081,135</u>	<u>17,625,132</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	<u><u>6,620,361</u></u>	<u><u>18,081,135</u></u>

**SADDLE HILLS COUNTY
SCHEDULE OF TANGIBLE CAPITAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009
SCHEDULE 1**

	2009					2008	
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	\$ (Restated)
COST:							
BALANCE, BEGINNING OF YEAR	217,060	466,250	3,363,127	64,816,403	8,896,719	1,006,821	78,766,380
Acquisition of tangible capital assets	-	-	308,265	3,478,806	1,363,615	-	5,150,686
Construction-in-progress	-	-	(81,980)	-	(291,305)	(136,287)	(509,572)
Disposal of tangible capital assets	-	-	-	-	-	-	-
Write down of tangible capital assets	-	-	-	-	-	-	-
BALANCE, END OF YEAR	217,060	466,250	3,589,412	68,295,209	9,969,029	870,534	83,407,494
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	105,250	1,353,115	26,579,064	2,606,384	459,963	31,103,776
Annual amortization	-	105,250	70,062	1,864,043	841,942	119,404	3,000,701
Accumulated amortization on disposals	-	-	(39,625)	-	(243,962)	(130,857)	(414,444)
BALANCE, END OF YEAR	-	210,500	1,383,552	28,443,107	3,204,364	448,510	33,690,033
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
2008 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS (Restated)	217,060	361,000	2,010,012	38,237,339	6,290,335	546,858	47,662,604



**SADDLE HILLS COUNTY
 SCHEDULE OF PROPERTY TAXES LEVIED
 FOR THE YEAR ENDED DECEMBER 31, 2009
 SCHEDULE 2**

	Budget \$ (Unaudited)	2009 \$	2008 \$
TAXATION			
Real property taxes	25,028,829	12,369,306	12,055,839
Linear property taxes	-	12,718,853	11,289,494
Government grants in place of property taxes	-	5,262	5,760
Reduced taxes	(560,000)	(602,160)	(548,518)
	<u>24,468,829</u>	<u>24,491,261</u>	<u>22,802,575</u>
REQUISITIONS			
Alberta School Foundation Fund	4,528,925	4,528,924	4,688,861
Seniors foundation	71,788	71,788	58,368
	<u>4,600,713</u>	<u>4,600,712</u>	<u>4,747,229</u>
NET MUNICIPAL TAXES	<u>19,868,116</u>	<u>19,890,549</u>	<u>18,055,346</u>

**SADDLE HILLS COUNTY
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2009
SCHEDULE 3**

	Budget \$ (Unaudited)	2009 \$	2008 \$
TRANSFERS FOR OPERATING:			
Provincial Government	9,101,947	5,758,868	3,404,915
Other Local Governments	-	-	-
	<u>9,101,947</u>	<u>5,758,868</u>	<u>3,404,915</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	-	-	-
Federal Government	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GOVERNMENT TRANSFERS	<u>9,101,947</u>	<u>5,758,868</u>	<u>3,404,915</u>

**SADDLE HILLS COUNTY
SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2009
SCHEDULE 4**

	Budget \$ (Unaudited)	2009 \$	2008 \$ (Restated)
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	3,990,005	3,729,936	3,285,350
Contracted and general services	6,473,486	2,577,230	3,628,467
Materials, goods, supplies and utilities	16,920,902	8,331,369	7,163,487
Bank charges and short term interest	12,500	5,411	12,596
Other expenditures	371,897	539,777	379,653
Contingency	600,000	-	-
Amortization of tangible capital assets	-	3,000,701	2,796,100
	<u>28,368,790</u>	<u>18,184,424</u>	<u>17,265,653</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.

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.

**SADDLE HILLS COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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.

**SADDLE HILLS COUNTY
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

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.

iv. Cultural and Historical Tangible Capital Assets

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

l) Segments

During 2009, the County had 10 (10 in 2008), 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, 2009

2. CASH AND TEMPORARY INVESTMENTS

	2009	2008
	\$	\$
Cash	2,132,112	4,209,687
Temporary investments	4,488,249	13,871,448
	<u>6,620,361</u>	<u>18,081,135</u>

Cash held in deposit accounts accrue interest at prime minus 1.85%.

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 \$41,019,191 (\$38,801,261 in 2008).

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2009	2008
	\$	\$
Current taxes and grants in place of taxes	213,546	94,668
Arrears taxes	49,564	49,985
	<u>263,110</u>	<u>144,653</u>
Less: allowance for doubtful accounts	(7,555)	(7,555)
	<u>255,555</u>	<u>137,098</u>

4. INVESTMENTS

	2009	2008
	\$	\$
Alberta Capital Finance Authority	110	110
A.A.M.D. & C. patronage account	2,361	2,193
Long-term investments	38,105,887	19,530,898
	<u>38,108,358</u>	<u>19,533,201</u>

Long term investments bear interest at rates ranging from 1.00% to 5.45% (2008 - 3.26% to 5.75%) and mature between May 2010 and June 2018. As at December 31, 2009 the fair market value for long-term investments was \$38,699,509.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
	\$	\$
Trade accounts payable	1,507,537	752,799
Vacation and overtime	219,574	179,377
Security deposits	279,702	427,340
	<u>2,006,813</u>	<u>1,359,516</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, 2009**

6. DEFERRED REVENUE

	2009	2008
	\$	\$
Municipal Sustainability Initiative	-	46,366
Other	13,481	55,409
	<u>13,481</u>	<u>101,775</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 1.43% (2008 - 0%). 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.

	2009	2008
	\$	\$
		(Restated)
Opening liability	466,250	466,250
Accretion expense	6,667	-
Total liability	<u>472,917</u>	<u>466,250</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:

	2009	2008
	\$	\$
Total debt limit	43,141,415	36,341,552
Total debt	-	-
Amount of debt limit unused	<u>43,141,415</u>	<u>36,341,552</u>
Debt servicing limit	7,190,236	6,056,925
Debt servicing	-	-
Amount of debt servicing limit unused	<u>7,190,236</u>	<u>6,056,925</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
FOR THE YEAR ENDED DECEMBER 31, 2009**

9. TANGIBLE CAPITAL ASSETS

Net Book Value	2009 \$	2008 \$ (Restated)
Land	217,060	217,060
Land Improvements	255,750	361,000
Buildings	2,205,860	2,010,012
Engineered Structures		
Roadway system	39,223,727	37,591,073
Water and wastewater system	628,375	646,266
Machinery, equipment and furnishings	6,764,665	6,290,335
Vehicles	422,024	546,858
	<u>49,717,461</u>	<u>47,662,604</u>

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2009 \$	2008 \$ (Restated)
Tangible capital assets (Schedule 1)	83,407,494	78,766,380
Accumulated amortization (Schedule 1)	(33,690,033)	(31,103,776)
	<u>49,717,461</u>	<u>47,662,604</u>

11. ACCUMULATED SURPLUS

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

	2009 \$	2008 \$ (Restated)
Unrestricted surplus	408,116	214,709
Reserves (Note 12)	46,995,710	38,699,486
Equity in tangible capital assets (Note 10)	49,717,461	47,662,604
	<u>97,121,287</u>	<u>86,576,799</u>

SADDLE HILLS COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

12. RESERVES

Reserves consists of operating and capital amounts as follows:

	2009 \$	2008 \$ (Restated)
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	2,197,395	1,585,502
Capital equipment - facilities	6,546,756	2,664,846
Computer and information technology	927,352	858,346
Emergency operations - public	630,912	615,965
Emergency services equipment	1,404,774	1,277,759
Environmental services	3,860,040	3,979,528
General capital	3,433,982	3,359,333
Infrastructure - development	11,633,941	11,640,068
Agriculture	175,009	77,314
Infrastructure - paving	13,804,054	10,259,330
	<u>44,614,215</u>	<u>36,317,991</u>
Total reserves	<u><u>46,995,710</u></u>	<u><u>38,699,486</u></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:

	2009 \$		2008 \$	
	Salary ¹	Benefits & allowances ²	Total	Total
Councillors				
Division 1	28,550	1,015	29,565	31,691
Division 2	23,900	3,618	27,518	30,715
Division 3	34,500	3,967	38,467	42,729
Division 4	22,150	3,560	25,710	29,754
Division 5	28,100	2,843	30,943	34,949
Division 6	26,000	771	26,771	27,864
Division 7	20,750	2,923	23,673	20,384
Chief Administrative Officer	130,087	20,173	150,260	127,851
Designated Officer	90,083	14,891	104,974	105,783
	<u>404,120</u>	<u>53,761</u>	<u>457,881</u>	<u>451,720</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.

**SADDLE HILLS COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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 2009 were \$200,546 (2008 - \$143,611). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2009 were \$179,496 (2008 - \$126,350).

At December 31, 2008, 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.

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, 2009

17. PRIOR PERIOD ADJUSTMENTS

The County has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook, which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions has been included in income. Prior period adjustments were also required to report the full liability existing from the closure costs of the landfill and gravel pits. These adjustments are as follows:

	2008
	\$
Adjustments to opening accumulated surplus:	
As previously reported	43,690,252
Adjusted to net book value of tangible capital assets	36,628,501
Adjusted to record the provision for landfill and gravel pit	(150,284)
As restated	80,168,469
	2008
	\$
Adjustments to excess of revenues over expenses:	
As previously reported	5,872,578
Tangible capital assets recorded but previously expensed	3,331,852
Annual amortization expense	(2,796,100)
As restated	6,408,330
	2008
	\$
Adjustments to tangible capital assets:	
As previously reported	13,835,407
Adjustment to historical cost of tangible capital assets	64,930,973
Accumulated amortization recorded	(31,103,776)
As restated	47,662,604
	2008
	\$
Adjustments to provision for landfill and gravel pit closure costs:	
As previously reported	315,966
Adjusted to record the provision for landfill and gravel pit	150,284
As restated	466,250

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

18. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

19. EXPENSES BY DEPARTMENT AND OBJECT

	Salaries, wages and benefits	Contracted and general services	Materials, goods and utilities	Bank charges and short- term interest	Other expenditures	Amortization expense	Total
Legislative	181,447	101,344	3,489	-	4,500	-	290,780
Administrative	877,296	433,959	107,553	5,283	-	60,928	1,485,019
Protective services	91,262	134,623	57,563	-	3,000	120,449	406,897
Family and community services	-	-	-	-	24,345	-	24,345
Common services	73,937	64,104	4,784	-	3,400	8,260	154,485
Road and bridge projects	2,005,893	1,206,073	7,899,930	128	2,613	2,584,463	13,699,100
Water and wastewater	13,172	178,128	45,004	-	-	51,141	287,445
Waste management and disposal	68,217	233,906	17,974	-	4,054	115,467	439,618
Agriculture and land development	418,712	222,370	181,289	-	41,500	58,534	922,405
Recreation and culture	-	2,723	13,783	-	456,365	1,459	474,330
	3,729,936	2,577,230	8,331,369	5,411	539,777	3,000,701	18,184,424