

SADDLE HILLS COUNTY
SPIRIT RIVER, ALBERTA
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of Saddle Hills County
Spirit River, Alberta

We have audited the accompanying financial statements of Saddle Hills County (the "County"), which comprise the statement of financial position as at December 31, 2015, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saddle Hills County as at December 31, 2015, and 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.



Edmonton, Alberta
April 12, 2016

Hawkings Epp Dumont LLP
Chartered Accountants

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SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 31,993,338	\$ 21,676,172
Accounts receivable (Note 3)	6,452,524	7,734,361
Long-term investments (Note 4)	<u>54,631,557</u>	<u>51,541,311</u>
	<u>93,077,419</u>	<u>80,951,844</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	14,697,340	2,368,845
Deferred revenue (Note 6)	305,414	140,000
Provision for landfill closure (Note 7)	<u>533,475</u>	<u>527,514</u>
	<u>15,536,229</u>	<u>3,036,359</u>
NET FINANCIAL ASSETS	<u>77,541,190</u>	<u>77,915,485</u>
NON-FINANCIAL ASSETS		
Inventory for consumption (Note 8)	1,181,475	607,055
Prepaid expenses	113,717	150,156
Tangible capital assets (Schedule 2)	<u>98,890,304</u>	<u>91,497,789</u>
	<u>100,185,496</u>	<u>92,255,000</u>
ACCUMULATED SURPLUS (Schedule 1, Note 9)	<u>\$177,726,686</u>	<u>\$170,170,485</u>
CONTINGENCIES (Note 12)		

ON BEHALF OF COUNTY COUNCIL:

_____ Reeve

_____ Chief Administrative Officer

SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget <u>2015</u>	Actual <u>2015</u>	Actual <u>2014</u>
Revenue			
Net taxes for general municipal purposes (Schedule 3)	\$ 29,151,697	\$ 29,664,353	\$ 27,373,363
Oil well drilling equipment tax	1,500,000	2,273,383	4,740,043
Return on investments	815,000	1,649,352	1,533,007
User fees and sale of goods	106,660	301,557	601,623
Other	2,254,350	294,040	200,553
Government transfers (Schedule 4)	275,410	278,201	273,410
Penalties and costs on taxes	<u>50,000</u>	<u>118,004</u>	<u>123,564</u>
	<u>34,153,117</u>	<u>34,578,890</u>	<u>34,845,563</u>
Expenses			
Road and bridge projects	19,744,170	20,116,531	9,921,043
Administrative	2,668,047	3,231,199	2,179,289
Agriculture and land development	1,894,995	1,485,302	1,372,149
Legislative	881,600	1,405,831	1,061,951
Protective services	2,425,697	1,259,385	1,094,049
Recreation and culture	1,146,500	1,044,786	3,792,642
Waste management	478,620	654,161	499,881
Common services	584,566	438,333	237,862
Water and wastewater	306,970	337,660	257,715
Family and community support services	75,689	82,124	75,707
Contingency	<u>818,040</u>	<u>-</u>	<u>-</u>
	<u>31,024,894</u>	<u>30,055,312</u>	<u>20,492,288</u>
Excess of Revenue over Expenses Before Other Items	<u>3,128,223</u>	<u>4,523,578</u>	<u>14,353,275</u>
Other Items			
Government transfers for capital (Schedule 4)	3,391,342	3,068,544	4,335,681
Gain (loss) on disposal of tangible capital assets	<u>-</u>	<u>(35,921)</u>	<u>27,509</u>
	<u>3,391,342</u>	<u>3,032,623</u>	<u>4,363,190</u>
Excess of Revenue over Expenses	<u>\$ 6,519,565</u>	<u>7,556,201</u>	<u>18,716,465</u>
Accumulated Surplus, Beginning of Year		<u>170,170,485</u>	<u>151,454,020</u>
Accumulated Surplus, End of Year		<u>\$ 177,726,686</u>	<u>\$ 170,170,485</u>

SADDLE HILLS COUNTY

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
Excess of Revenue over Expenses	\$ <u>7,556,201</u>	\$ <u>18,716,465</u>
Acquisition of tangible capital assets	(11,428,401)	(5,002,897)
Proceeds on disposal of tangible capital assets	251,958	717,986
Amortization of tangible capital assets	3,748,007	3,796,681
Loss (gain) on sale of tangible capital assets	<u>35,921</u>	<u>(27,509)</u>
	<u>(7,392,515)</u>	<u>(515,739)</u>
Use (acquisition) of supplies inventories	(574,420)	261,108
Use (acquisition) of other assets	<u>36,439</u>	<u>(27,550)</u>
	<u>(537,981)</u>	<u>233,558</u>
Increase In Net Financial Assets	(374,295)	18,434,284
Net Financial Assets, Beginning of Year	<u>77,915,485</u>	<u>59,481,201</u>
Net Financial Assets, End of Year	<u>\$ 77,541,190</u>	<u>\$ 77,915,485</u>

SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
Operating Activities		
Cash from operations		
Excess of revenue over expenditures	\$ 7,556,201	\$ 18,716,465
Amortization	3,748,007	3,796,681
Accretion (Note 7)	5,961	13,368
Loss (gain) on disposal of tangible capital assets	<u>35,921</u>	<u>(27,509)</u>
	<u>11,346,090</u>	<u>22,499,005</u>
Change in non-cash working capital balances related to operations:		
Accounts receivable	1,281,837	(2,850,428)
Inventory for consumption	(574,420)	261,107
Prepaid expenses	36,439	(27,551)
Accounts payable and accrued liabilities	12,328,496	(1,132,824)
Deferred revenue	<u>165,414</u>	<u>67,000</u>
	<u>13,237,766</u>	<u>(3,682,696)</u>
	<u>24,583,856</u>	<u>18,816,309</u>
Capital Activities		
Acquisition of tangible capital assets	(11,428,401)	(5,002,897)
Proceeds on sale of tangible capital assets	<u>251,958</u>	<u>717,986</u>
	<u>(11,176,443)</u>	<u>(4,284,911)</u>
Investing Activities		
Proceeds on sale of long-term investments	9,314,242	9,024,030
Purchase of long-term investments	<u>(12,404,489)</u>	<u>(13,874,927)</u>
	<u>(3,090,247)</u>	<u>(4,850,897)</u>
Change in Cash and Cash Equivalents for the Year	10,317,166	9,680,501
Cash and Cash Equivalents (Note 2), Beginning of Year	<u>21,676,172</u>	<u>11,995,671</u>
Cash and Cash Equivalents (Note 2), End of Year	<u>\$ 31,993,338</u>	<u>\$ 21,676,172</u>

SADDLE HILLS COUNTY

SCHEDULE 1

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Equity in Tangible Capital Assets	Restricted	Unrestricted	Total
Balance, Beginning of Year	\$ 91,497,789	\$ 78,672,696	\$ -	\$ 170,170,485
Excess of Revenue over Expenses	-	-	7,556,201	7,556,201
Unrestricted funds designated for future use	-	163,686	(163,686)	-
Disposal of Tangible Capital Assets, net book value	(287,879)	-	287,879	-
Current year funds used for Tangible Capital Assets additions	11,428,401	-	(11,428,401)	-
Annual amortization expense	<u>(3,748,007)</u>	<u>-</u>	<u>3,748,007</u>	<u>-</u>
Balance, End of Year	<u>\$ 98,890,304</u>	<u>\$ 78,836,382</u>	<u>\$ -</u>	<u>\$ 177,726,686</u>

FOR THE YEAR ENDED DECEMBER 31, 2014

	Equity in Tangible Capital Assets	Restricted	Unrestricted	Total
Balance, Beginning of Year	\$ 90,982,050	\$ 60,413,058	\$ 58,912	\$ 151,454,020
Excess of Revenue over Expenses	-	-	18,716,465	18,716,465
Unrestricted funds designated for future use	-	18,259,638	(18,259,638)	-
Disposal of Tangible Capital Assets	(690,477)	-	690,477	-
Current year funds used for Tangible Capital Assets additions	5,002,897	-	(5,002,897)	-
Annual amortization expense	<u>(3,796,681)</u>	<u>-</u>	<u>3,796,681</u>	<u>-</u>
Balance, End of Year	<u>\$ 91,497,789</u>	<u>\$ 78,672,696</u>	<u>\$ -</u>	<u>\$ 170,170,485</u>

SADDLE HILLS COUNTY
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2015	2014
COST:								
Balance, Beginning of Year	\$ 878,977	\$ 1,751,829	\$ 14,024,445	\$ 108,631,402	\$ 10,524,203	\$ 1,063,476	\$ 136,874,332	\$ 132,712,524
Acquisition of tangible capital assets	502,357	154,248	2,149,929	8,022,919	505,806	93,142	11,428,401	5,002,897
Disposal of tangible capital assets	(65,028)	-	(231,585)	(39,625)	(260,568)	(222,927)	(819,733)	(841,089)
Balance, End of Year	<u>1,316,306</u>	<u>1,906,077</u>	<u>15,942,789</u>	<u>116,614,696</u>	<u>10,769,441</u>	<u>933,691</u>	<u>147,483,000</u>	<u>136,874,332</u>
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	363,575	968,583	38,043,643	5,444,597	556,145	45,376,543	41,730,474
Annual amortization	-	15,039	279,504	2,613,300	726,089	114,075	3,748,007	3,796,681
Accumulated amortization on disposals	-	-	(94,407)	-	(248,724)	(188,723)	(531,854)	(150,612)
Balance, End of Year	<u>-</u>	<u>378,614</u>	<u>1,153,680</u>	<u>40,656,943</u>	<u>5,921,962</u>	<u>481,497</u>	<u>48,592,696</u>	<u>45,376,543</u>
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,316,306</u>	<u>\$ 1,527,463</u>	<u>\$ 14,789,109</u>	<u>\$ 75,957,753</u>	<u>\$ 4,847,479</u>	<u>\$ 452,194</u>	<u>\$ 98,890,304</u>	<u>\$ 91,497,789</u>
2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 878,977</u>	<u>\$ 1,388,254</u>	<u>\$ 13,055,862</u>	<u>\$ 70,587,759</u>	<u>\$ 5,079,606</u>	<u>\$ 507,331</u>		<u>\$ 91,497,789</u>

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

SADDLE HILLS COUNTY
SCHEDULE OF PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE 3

	Budget <u>2015</u> <i>(Note 20)</i>	Actual <u>2015</u>	Actual <u>2014</u>
Taxation			
Real property taxes	\$ 18,269,076	\$ 17,812,558	\$ 16,710,791
Linear	16,574,560	18,128,150	16,574,561
Government grants in lieu of property taxes	-	6,377	6,369
Early payment discount	<u>(560,000)</u>	<u>(592,217)</u>	<u>(538,483)</u>
	<u>34,283,636</u>	<u>35,354,868</u>	<u>32,753,238</u>
Deduct:			
Alberta School Foundation Fund	5,038,229	5,595,066	5,286,165
Senior's Foundation	<u>93,710</u>	<u>95,449</u>	<u>93,710</u>
	<u>5,131,939</u>	<u>5,690,515</u>	<u>5,379,875</u>
Net Taxes for General Municipal Purposes	<u>\$ 29,151,697</u>	<u>\$ 29,664,353</u>	<u>\$ 27,373,363</u>

SADDLE HILLS COUNTY
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE 4

	Budget <u>2015</u> <i>(Note 20)</i>	Actual <u>2015</u>	Actual <u>2014</u>
Provincial Transfers			
Operating	\$ 275,410	\$ 278,201	\$ 273,410
Capital	<u>3,391,342</u>	<u>3,068,544</u>	<u>4,335,681</u>
	<u>\$ 3,666,752</u>	<u>\$ 3,346,745</u>	<u>\$ 4,609,091</u>

SADDLE HILLS COUNTY
CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

SCHEDULE 5

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environment Services	Other	Total
Revenue								
Net taxes for general municipal purposes	\$ 29,664,353	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,664,353
Provincial government transfers	624,342	44,500	2,444,202	168,609	65,092	-	-	3,346,745
Oil well drilling equipment taxes	-	-	2,273,383	-	-	-	-	2,273,383
Investment income	1,649,352	-	-	41,715	-	-	-	1,649,352
Other	133,334	20,931	70,446	-	-	-	145,618	412,044
User fees and sale of goods	14,487	28,037	198,055	-	-	60,978	-	301,557
	<u>32,085,868</u>	<u>93,468</u>	<u>4,986,086</u>	<u>210,324</u>	<u>65,092</u>	<u>60,978</u>	<u>145,618</u>	<u>37,647,434</u>
Expenditures								
Contracted and general services	102,048	417,278	13,195,229	485,495	4,364	544,762	887,133	15,636,309
Salaries, wages and benefits	243,118	356,590	2,219,256	860,109	-	205,201	1,691,825	5,576,099
Transfers to governments, agencies and organizations	1,056,540	263,000	-	42,850	1,014,011	-	3,400	2,379,801
Materials, goods and supplies	4,124	95,220	1,487,085	64,512	20,662	83,520	186,647	1,941,770
Other	-	-	2,336	-	-	3,625	767,365	773,326
	<u>1,405,830</u>	<u>1,132,088</u>	<u>16,903,906</u>	<u>1,452,966</u>	<u>1,039,037</u>	<u>837,108</u>	<u>3,536,370</u>	<u>26,307,305</u>
Excess (Deficiency) of Revenue over Expenses Before Amortization	30,680,038	(1,038,620)	(11,917,820)	(1,242,642)	(973,945)	(776,130)	(3,390,752)	11,340,129
Amortization	-	127,297	3,212,623	32,336	5,748	154,713	215,289	3,748,007
Loss (Gain) on Disposal of Tangible Capital Assets	-	1,139	(247,877)	99,066	-	-	183,593	35,921
Excess (Deficiency) of Revenue over Expenses	<u>\$ 30,680,038</u>	<u>\$ (1,167,056)</u>	<u>\$ (14,882,566)</u>	<u>\$ (1,374,044)</u>	<u>\$ (979,693)</u>	<u>\$ (930,843)</u>	<u>\$ (3,789,634)</u>	<u>\$ 7,556,201</u>

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

SADDLE HILLS COUNTY
CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014

SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total
Revenue								
Net taxes for general municipal purposes	\$ 27,373,363	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,373,363
Oil well drilling equipment taxes	-	-	4,740,043	-	-	-	-	4,740,043
Provincial government transfers	-	47,500	4,316,681	184,359	60,551	-	-	4,609,091
Investment income	1,533,007	-	-	-	-	-	-	1,533,007
User fees and sale of goods	7,587	201,599	335,481	1,526	-	55,430	-	601,623
Other	145,780	11,904	85,039	30,820	-	-	50,574	324,117
	<u>29,059,737</u>	<u>261,003</u>	<u>9,477,244</u>	<u>216,705</u>	<u>60,551</u>	<u>55,430</u>	<u>50,574</u>	<u>39,181,244</u>
Expenditures								
Salaries, wages and benefits	207,199	408,317	2,271,501	686,482	-	199,382	1,241,058	5,013,939
Contracted and general services	80,881	360,193	2,947,267	370,097	26,603	309,421	709,782	4,804,244
Transfers to governments, agencies and organizations	773,328	153,000	-	77,835	3,742,725	-	3,400	4,750,288
Materials, goods and supplies	543	48,526	1,423,309	201,483	18,638	89,337	161,522	1,943,358
Other	-	-	5,240	-	-	8,128	170,410	183,778
	<u>1,061,951</u>	<u>970,036</u>	<u>6,647,317</u>	<u>1,335,897</u>	<u>3,787,966</u>	<u>606,268</u>	<u>2,286,172</u>	<u>16,695,607</u>
Excess (Deficiency) of Revenue over Expenses Before Amortization	27,997,786	(709,033)	2,829,927	(1,119,192)	(3,727,415)	(550,838)	(2,235,598)	22,485,637
Amortization	-	124,013	3,273,725	36,253	4,676	151,328	206,686	3,796,681
Loss (Gain) on Disposal of Tangible Capital Assets	-	1,139	(311,307)	99,066	-	-	183,593	(27,509)
Excess (Deficiency) of Revenue over Expenses	<u>\$ 27,997,786</u>	<u>\$ (834,185)</u>	<u>\$ (132,491)</u>	<u>\$ (1,254,511)</u>	<u>\$ (3,732,091)</u>	<u>\$ (702,166)</u>	<u>\$ (2,625,877)</u>	<u>\$ 18,716,465</u>

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

SADDLE HILLS COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the County are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the County are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, and change in net financial assets and cash flows 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 the administration of their financial affairs and resources. They include the County's proportionate share of the Central Peace Regional Waste Management Commission (25%).

The schedule of taxes levied includes requisitions for education and housing 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

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenue. Expenses are recognized as they are incurred and measurable based upon receipt of goods and 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.

(c) Use of Estimates

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

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with the banks net of outstanding cheques and term deposits with original maturities of 90 days or less at the date of acquisition and are recorded at cost.

(CONT'D)

SADDLE HILLS COUNTY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on a 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) 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 that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the County, and reasonable estimates of the amounts can be made.

(g) Requisition of Over-Levies and Under-Levies

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. In situations 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.

(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 being provided for over the estimated remaining life of the landfill and gravel pit sites based on usage.

(CONT'D)

SADDLE HILLS COUNTY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Non-Financial Assets

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

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:

Land improvements	15-25 years
Buildings	25-50 years
Engineered structures	
Water system	30-75 years
Wastewater system	30-75 years
Roads and bridges	30-75 years
Machinery and equipment	3-20 years
Vehicles	7-20 years

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

ii) Contributions of Tangible Capital Assets

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

iii) Leases

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

iv) Inventories

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

(j) Employee Future Benefits

Selected employees of the County are members of the Local Authority Pension Plan ("LAPP"), a multi-employer define 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 of the Plan's surplus or deficit.

(k) Accumulated Surplus

Accumulated surpluses are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the respective fund.

Equity in capital assets consist of the net investments in total capital assets after deducting the portion financed by third parties.

SADDLE HILLS COUNTY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2015

2. CASH AND CASH EQUIVALENTS

	<u>2015</u>	<u>2014</u>
Cash	\$ 1,750,252	\$ 3,612,958
Temporary investments	<u>30,243,086</u>	<u>18,063,214</u>
	<u>\$ 31,993,338</u>	<u>\$ 21,676,172</u>

Cash held in deposit accounts earns interest at tiered rates between 1.10% and 1.45%.

A portion of the cash balances above are restricted for reserves and deferred revenue. The total restricted capital, including long-term investments, is \$78,836,382 (2014 - \$78,672,696).

3. ACCOUNTS RECEIVABLE

	<u>2015</u>	<u>2014</u>
Accrued interest	\$ 2,540,353	\$ 2,325,494
Government grants	2,193,690	2,193,690
Trade	1,213,462	2,383,016
Property taxes	1,069,994	862,174
Goods and Services Tax	<u>188,330</u>	<u>51,695</u>
	7,205,829	7,816,069
Less: Allowance for doubtful accounts	<u>(753,305)</u>	<u>(81,708)</u>
	<u>\$ 6,452,524</u>	<u>\$ 7,734,361</u>

4. LONG-TERM INVESTMENTS

	<u>2015</u>	<u>2014</u>
RBC bond portfolio	\$ 54,630,591	\$ 51,540,345
Alberta Association of Municipal Districts and Counties Member's Equity	856	856
Alberta Capital Finance Authority shares	<u>110</u>	<u>110</u>
	<u>\$ 54,631,557</u>	<u>\$ 51,541,311</u>

SADDLE HILLS COUNTY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2015

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2015</u>	<u>2014</u>
Trade	\$13,808,780	\$ 1,490,067
Vacation, sick leave and overtime	854,783	843,351
Security deposits	<u>33,777</u>	<u>35,427</u>
	<u>\$14,697,340</u>	<u>\$ 2,368,845</u>

The vacation, sick leave and overtime liability is comprised of the vacation, sick leave 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 years.

6. DEFERRED REVENUE

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

	<u>2014</u>	<u>Additions</u>	<u>Revenue Recognized</u>	<u>2015</u>
Disaster services	\$ -	\$ 3,000	\$ -	\$ 3,000
Capital for Emergent Projects	-	300,000	137,586	162,414
Peace River Water Hauling Infrastructure Program	<u>140,000</u>	<u>-</u>	<u>-</u>	<u>140,000</u>
	<u>\$ 140,000</u>	<u>\$ 303,000</u>	<u>\$ 137,586</u>	<u>\$ 305,414</u>

7. LANDFILL CLOSURE AND POST CLOSURE COSTS

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities, assuming an inflation rate of 1.130% (2014 - 2.600%). The existing landfills are expected to reach capacity between 2016 to 2025.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 952,000 cubic metres. The estimated remaining capacity of the landfill site is 847,706 (2014 - 847,706) cubic metres.

	<u>2015</u>	<u>2014</u>
Balance, Beginning of Year	\$ 527,514	\$ 514,146
Accretion expense	<u>5,961</u>	<u>13,368</u>
Balance, End of Year	<u>\$ 533,475</u>	<u>\$ 527,514</u>

SADDLE HILLS COUNTY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2015

8. INVENTORY FOR CONSUMPTION

	<u>2015</u>	<u>2014</u>
Gravel	\$ 925,886	\$ 337,818
Parts, culverts and other	<u>255,589</u>	<u>269,237</u>
	<u>\$ 1,181,475</u>	<u>\$ 607,055</u>

9. ACCUMULATED SURPLUS

	<u>2015</u>	<u>2014</u>
Unrestricted surplus	\$ _____	\$ _____
Restricted surplus:		
Operating reserves:		
Operating fund	1,996,806	1,841,878
Due to others	1,540,988	4,972
ASB brushing and VSI	902,103	793,084
Tax reassessment	586,453	586,453
Community recreation	<u>50,000</u>	<u>50,000</u>
	<u>4,178,789</u>	<u>2,487,845</u>
Capital reserves:		
Computer and information technology	985,112	952,871
Emergency services equipment	1,474,234	2,044,967
Mobile equipment	3,954,573	3,087,516
Infrastructure development	15,378,929	22,592,058
Well drilling equipment tax	9,935,056	7,545,046
Paving overlay	7,144,172	5,804,934
Paving project	360,387	8,790,669
Emergency command centre	696,516	686,152
Environmental services	3,354,599	3,304,686
Rural water	21,424,047	7,762,057
Community development	86,179	73,193
Municipal development	4,542	4,542
Utility communication network	391,002	524,285
County facilities	4,430,036	4,878,611
General capital	<u>4,140,648</u>	<u>7,344,722</u>
	<u>74,657,593</u>	<u>76,184,851</u>
	<u>78,836,382</u>	<u>78,672,696</u>
Equity in tangible capital assets	<u>98,890,304</u>	<u>91,497,789</u>
	<u>\$ 177,726,686</u>	<u>\$ 170,170,485</u>

3,856,697

*3.8m surplus.
2m Rural water
1m Court facility
886,697 Gen Capital*

SADDLE HILLS COUNTY
NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2015

10. SALARIES 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>Salary (1)</u>	<u>Benefits and Allowances (2)</u>	<u>Total</u> <u>2015</u>	<u>Total</u> <u>2014</u>
Councillors				
Division 1	\$ 33,700	\$ 4,901	\$ 38,601	\$ 33,999
Division 2	39,325	5,115	44,440	41,830
Division 3	17,750	2,950	20,700	16,762
Division 4	27,100	4,672	31,772	27,561
Division 5	40,400	5,100	45,500	39,726
Division 6	34,325	3,933	38,258	34,539
Division 7	31,675	3,815	35,490	34,044
Chief Administrative Officers	322,006	28,357	350,363	196,433
Designated Officer	<u>106,276</u>	<u>14,448</u>	<u>120,724</u>	<u>112,464</u>
	<u>\$ 652,557</u>	<u>\$ 73,291</u>	<u>\$ 725,848</u>	<u>\$ 537,358</u>

(1) Salary includes regular base pay, per diems and any other direct cash remuneration.

(2) Benefits and allowances include the employer's share of the employee benefits and contributions or payments made on behalf of employees including pension and health care benefits.

SADDLE HILLS COUNTY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2015

11. DEBT LIMITS

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the County be disclosed as follows:

	<u>2015</u>	<u>2014</u>
Total debt limit	\$ 51,868,335	\$ 52,268,345
Total debt	<u> -</u>	<u> -</u>
Amount of total debt limit unused	<u>\$ 51,868,335</u>	<u>\$ 52,268,345</u>
Debt servicing limit	\$ 8,644,723	\$ 8,711,391
Debt servicing	<u> -</u>	<u> -</u>
Amount of debt servicing limit unused	<u>\$ 8,644,723</u>	<u>\$ 8,711,391</u>

The debt limit is calculated at 1.50 times revenue of the County (as defined in the Alberta Regulation 255/2000) and the debt service limit is calculated as 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are a conservative guideline used by Alberta Municipal Affairs to identify municipalities that could be at a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the County. Rather, the financial statements must be interpreted as a whole.

12. CONTINGENCIES

The County is a member of the Alberta Municipal Insurance Exchange ("MUNIX"). Under the terms of membership, the County could become liable for its proportionate share of any claim losses in excess of the funds held by MUNIX. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

13. COMMITMENTS

As at December 31, 2015, the County has spent \$1,766,516 and expects to spend an additional amount of approximately \$832,971 with respect to the construction of a new fire hall at Bonanza.

As at December 31, 2015, the County has spent \$2,934,456 and expects to spend an additional amount of approximately \$5,303,093 with respect to the construction of a water treatment plant at Bonanza and a water treatment plant at Ksituan.

As at December 31, 2015, the County has spent \$67,782 and expects to spend an additional amount of approximately \$42,159 with respect to the construction of a sign display for the County Complex at Blueberry Mountain..

As at December 31, 2015, the County has spent \$476,798 and expects to spend an additional amount of approximately \$571,202 with respect to engineering services for the construction of a water treatment plant at Bonanza and a water treatment plant at Ksituan.

SADDLE HILLS COUNTY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2015

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the County participate in the Local Authorities Pension Plan ("LAPP"), which is covered by the *Public Sector Pension Plans Act*. LAPP services about 237,612 people and 423 employers. Contributions are collected from employees and employers and the money is invested in equities, bonds and other investment vehicles. The investment income and the contributions are used to pay pension benefits to LAPP retirees, now and in the future.

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

Total current and past service contributions made by the County to the LAPP in 2015 were \$405,934 (2014 - \$374,526). Total current and past service contributions made by the employees of the County to the LAPP in 2015 were \$374,483 (2014 - \$345,066).

At December 31, 2014, the LAPP disclosed an actuarial deficit of \$2.45 billion (2013 - \$4.86 billion).

15. FINANCIAL INSTRUMENTS

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

The County is subject to credit risk with respect to taxes and grants in lieu of taxes receivable and trade and other accounts 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 fulfil their obligation. The large number and diversity of taxpayers and customers minimizes the credit risk.

The County is subject to interest rate risk with respect to its cash equivalents and long-term investments. Interest rate risk arises from the risk that the fair value of financial instruments or future cash flows associated with instruments will fluctuate due to changes in market interest rates. The County manages this risk by investing in diverse and low risk assets.

Unless otherwise noted, the carrying value of the financial instruments approximate their fair value.

SADDLE HILLS COUNTY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2015

16. SEGMENTED INFORMATION

The County provides a range of services to its residents. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedule of Segment Disclosure (Schedule 5).

17. ACCOUNTING POLICY ADOPTION

In June 2010, the Public Sector Accounting Board issued PS - 3260 Liability for Contaminated Sites applicable for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into the air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The County adopted this accounting standard retroactively as of January 1, 2015. There was no impact to the County's financial statement due to this adoption.

18. COMPARATIVE FIGURES

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

19. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and management.

SADDLE HILLS COUNTY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2015

20. RECONCILIATION OF OPERATING RESULTS TO BUDGETING SYSTEM

The budget presented in these financial statements are based upon the 2015 operating and capital budgets approved by Council on December 9, 2014.

Amortization was not contemplated on development of the budget and, as such, has not been included. The table below reconciles the approved budget to the budget figures reporting in these financial statements.

	Budget <u>2015</u>	Actual <u>2015</u>	Actual <u>2014</u>
Excess of Revenue over Expenses, per financial statements	\$ <u>6,519,565</u>	\$ <u>7,556,201</u>	\$ <u>18,716,465</u>
Add back:			
Amortization expense	-	3,748,007	3,796,681
Net transfers (to) from reserves	(2,368,451)	(163,686)	(18,259,638)
Net transfers (to) from capital projects	14,142,593	-	-
Proceeds from sale of tangible capital assets	<u>900,000</u>	<u>-</u>	<u>-</u>
	<u>12,674,142</u>	<u>3,584,321</u>	<u>(14,462,957)</u>
Deduct:			
(Gain) loss on disposal of tangible capital assets	-	35,921	(27,509)
Purchase of tangible capital asset	<u>(18,304,327)</u>	<u>(11,428,401)</u>	<u>(5,002,897)</u>
	<u>(18,304,327)</u>	<u>(11,392,480)</u>	<u>(5,030,406)</u>
Results of Operations as Budgeted	\$ <u>889,380</u>	\$ <u>(251,958)</u>	\$ <u>(776,898)</u>