

SADDLE HILLS COUNTY

SPIRIT RIVER, ALBERTA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014



HAWKINGS EPP DUMONT LLP
CHARTERED ACCOUNTANTS

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, 2014, 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, 2014, 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.

Hawkings Epp Dumont LLP

Edmonton, Alberta
April 14, 2015

Hawkings Epp Dumont LLP
Chartered Accountants

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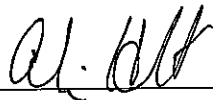
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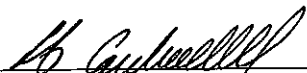


SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u> <i>(Restated)</i> <i>(Note 20)</i>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 21,674,532	\$ 11,994,360
Accounts receivable (Note 3)	7,733,996	4,883,933
Long-term investments (Note 4)	<u>51,912,159</u>	<u>46,691,716</u>
	<u>81,320,687</u>	<u>63,570,009</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	2,367,886	3,501,661
Deferred revenue (Note 6)	140,000	73,000
Provision for landfill closure (Note 7)	<u>527,515</u>	<u>514,147</u>
	<u>3,035,401</u>	<u>4,088,808</u>
NET FINANCIAL ASSETS	<u>78,285,286</u>	<u>59,481,201</u>
NON-FINANCIAL ASSETS		
Inventory for consumption (Note 8)	607,055	868,162
Prepaid expenses	149,899	122,605
Tangible capital assets (Schedule 2)	<u>91,128,245</u>	<u>90,982,052</u>
	<u>91,885,199</u>	<u>91,972,819</u>
ACCUMULATED SURPLUS (Schedule 1, Note 9)	<u>\$170,170,485</u>	<u>\$151,454,020</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, 2014

	Budget <u>2014</u> <i>(Note 21)</i>	Actual <u>2014</u>	Actual <u>2013</u> <i>(Restated)</i> <i>(Note 20)</i>
Revenue			
Net taxes for general municipal purposes (Schedule 3)	\$ 26,101,648	\$ 27,373,363	\$ 25,404,784
Oil well drilling equipment tax	1,500,000	4,740,043	2,728,126
Return on investments	811,000	1,533,007	1,385,258
User fees and sale of goods	270,150	599,552	223,440
Government transfers (Schedule 4)	275,410	273,410	272,318
Other	110,650	200,553	225,031
Penalties and costs on taxes	<u>50,000</u>	<u>123,564</u>	<u>45,035</u>
	<u>29,118,858</u>	<u>34,843,492</u>	<u>30,283,992</u>
Expenses			
Road and bridge projects	7,653,630	9,921,043	9,568,317
Recreation and culture	1,098,400	3,792,642	378,931
Administrative	2,118,656	2,179,289	1,785,429
Agriculture and land development	1,465,509	1,372,149	1,367,968
Protective services	736,507	1,094,049	664,552
Legislative	870,800	1,061,951	363,408
Waste management	409,720	481,925	371,782
Water and wastewater	169,620	257,715	244,833
Common services	257,704	237,862	134,480
Family and community support services	75,689	75,707	75,689
Contingency	<u>500,000</u>	<u>-</u>	<u>-</u>
	<u>15,356,235</u>	<u>20,474,332</u>	<u>14,955,389</u>
Excess of Revenue over Expenses Before Other Items	<u>13,762,623</u>	<u>14,369,160</u>	<u>15,328,603</u>
Other Items			
Gain (loss) on disposal of tangible capital assets	900,000	27,509	(564,155)
Government business partnership operations (Note 17)	-	(15,885)	(19,240)
Government transfers for capital (Schedule 4)	<u>1,976,901</u>	<u>4,335,681</u>	<u>6,465,007</u>
	<u>2,876,901</u>	<u>4,347,305</u>	<u>5,881,612</u>
Excess of Revenue over Expenses	<u>\$ 16,639,524</u>	<u>18,716,465</u>	<u>21,210,215</u>
Accumulated Surplus, Beginning of Year, As Previously Stated		152,027,216	130,874,940
Prior Period Adjustment (Note 20)		<u>(573,196)</u>	<u>(631,135)</u>
Accumulated Surplus, Beginning of Year		<u>151,454,020</u>	<u>130,243,805</u>
Accumulated Surplus, End of Year		<u>\$170,170,485</u>	<u>\$151,454,020</u>

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

SADDLE HILLS COUNTY

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u> <i>(Restated)</i> <i>(Note 20)</i>
Excess of Revenue over Expenses	\$ <u>18,716,465</u>	\$ <u>21,210,215</u>
Acquisition of tangible capital assets	(4,473,391)	(24,162,190)
Proceeds on disposal of tangible capital assets	575,056	2,549,285
Amortization of tangible capital assets	3,779,650	3,530,543
Loss (gain) on sale of tangible capital assets	<u>(27,509)</u>	<u>564,155</u>
	<u>(146,194)</u>	<u>(17,518,207)</u>
Use (acquisition) of supplies inventories	261,108	(410,573)
Use (acquisition) of other assets	<u>(27,294)</u>	<u>(31,981)</u>
	<u>233,814</u>	<u>(442,554)</u>
Increase In Net Financial Assets	18,804,085	3,249,454
Net Financial Assets, Beginning of Year	<u>59,481,201</u>	<u>56,231,747</u>
Net Financial Assets, End of Year	<u>\$ 78,285,286</u>	<u>\$ 59,481,201</u>

SADDLE HILLS COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u> <i>(Restated)</i> <i>(Note 20)</i>
Operating Activities		
Cash from operations		
Excess of revenue over expenditures	\$ 18,716,465	\$ 21,210,215
Amortization	3,779,650	3,530,543
Accretion (Note 7)	13,368	7,366
Loss (gain) on disposal of tangible capital assets	<u>(27,509)</u>	<u>564,155</u>
	<u>22,481,974</u>	<u>25,312,279</u>
 Change in non-cash working capital balances related to operations:		
Accounts receivable	(2,850,063)	(578,589)
Inventory for consumption	261,107	(410,572)
Prepaid expenses	(27,294)	(31,981)
Accounts payable and accrued liabilities	(1,133,774)	(2,650,204)
Deferred revenue	<u>67,000</u>	<u>(2,551,781)</u>
	<u>(3,683,024)</u>	<u>(6,223,127)</u>
	<u>18,798,950</u>	<u>19,089,152</u>
 Capital Activities		
Acquisition of tangible capital assets	(4,473,391)	(24,162,190)
Proceeds on sale of tangible capital assets	<u>575,056</u>	<u>2,549,285</u>
	<u>(3,898,335)</u>	<u>(21,612,905)</u>
 Investing Activities		
Proceeds on sale of long-term investments	8,654,484	16,494,168
Purchase of long-term investments	<u>(13,874,927)</u>	<u>(17,551,798)</u>
 Change in Cash and Cash Equivalents for the Year	 9,680,172	 (3,581,383)
Cash and Cash Equivalents (Note 2), Beginning of Year	<u>11,994,360</u>	<u>15,575,743</u>
Cash and Cash Equivalents (Note 2), End of Year	<u>\$ 21,674,532</u>	<u>\$ 11,994,360</u>

SADDLE HILLS COUNTY

SCHEDULE 1

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2014

	Equity in Tangible Capital Assets	Restricted	Unrestricted	Total
Balance, Beginning of Year	\$ 90,982,051	\$ 61,044,192	\$ 973	\$ 152,027,216
Prior Period Adjustment (Note 20)	-	(631,135)	57,939	(573,196)
Balance, Beginning of Year	\$ 90,982,051	\$ 60,413,057	\$ 58,912	\$ 151,454,020
Excess of Revenue over Expenses	-	-	18,716,465	18,716,465
Unrestricted funds designated for future use	-	18,629,183	(18,629,183)	-
Disposal of Tangible Capital Assets, net book value	(547,547)	-	547,547	-
Current year funds used for Tangible Capital Assets	4,473,391	-	(4,473,391)	-
Annual amortization expense	(3,779,650)	-	3,779,650	-
Balance, End of Year	\$ <u>91,128,245</u>	\$ <u>79,042,240</u>	\$ -	\$ <u>170,170,485</u>

FOR THE YEAR ENDED DECEMBER 31, 2013

	Equity in Tangible Capital Assets	Restricted	Unrestricted	Total
Balance, Beginning of Year, As Previously Reported	\$ 73,463,844	\$ 56,940,281	\$ 470,815	\$ 130,874,940
Prior Period Adjustment (Note 20)	-	(631,135)	-	(631,135)
Balance, Beginning of Year	\$ 73,463,844	\$ 56,309,146	\$ 470,815	\$ 130,243,805
Excess of Revenue over Expenses	-	-	21,210,215	21,210,215
Unrestricted funds designated for future use	-	4,103,911	(4,103,911)	-
Disposal of Tangible Capital Assets	(3,113,440)	-	3,113,440	-
Current year funds used for tangible capital assets	24,162,190	-	(24,162,190)	-
Annual amortization expense	(3,530,543)	-	3,530,543	-
Balance, End of Year	\$ <u>90,982,051</u>	\$ <u>60,413,057</u>	\$ <u>58,912</u>	\$ <u>151,454,020</u>

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

SCHEDULE 2

**SADDLE HILLS COUNTY
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Engineered Structures</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>2014</u>	<u>2013</u>
COST:								
Balance, Beginning of Year	\$ 827,390	\$ 1,701,804	\$ 14,302,873	\$ 104,627,840	\$ 10,257,898	\$ 994,720	\$ 132,712,525	\$ 115,029,337
Acquisition of tangible capital assets	97,655	50,025	233,262	3,474,057	419,869	198,523	4,473,391	24,162,190
Disposal of tangible capital assets	(46,068)	-	(511,690)	-	(153,564)	(129,767)	(841,089)	(6,479,002)
Balance, End of Year	<u>878,977</u>	<u>1,751,829</u>	<u>14,024,445</u>	<u>108,101,897</u>	<u>10,524,203</u>	<u>1,063,476</u>	<u>136,344,827</u>	<u>132,712,525</u>
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	349,608	705,989	35,329,807	4,792,888	552,182	41,730,474	41,565,493
Annual amortization	-	13,967	282,073	2,553,875	805,274	124,461	3,779,650	3,530,543
Accumulated amortization on disposals	-	-	(19,479)	-	(153,565)	(120,498)	(283,542)	(3,365,562)
Balance, End of Year	<u>-</u>	<u>363,575</u>	<u>968,583</u>	<u>37,883,682</u>	<u>5,444,597</u>	<u>556,145</u>	<u>45,216,582</u>	<u>41,730,474</u>
2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 878,977</u>	<u>\$ 1,388,254</u>	<u>\$ 13,055,862</u>	<u>\$ 70,218,215</u>	<u>\$ 5,079,606</u>	<u>\$ 507,331</u>	<u>\$ 91,128,245</u>	<u>\$ 90,982,051</u>
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 827,390</u>	<u>\$ 1,352,196</u>	<u>\$ 13,596,884</u>	<u>\$ 69,298,033</u>	<u>\$ 5,465,010</u>	<u>\$ 442,538</u>	<u>\$ 90,982,051</u>	<u>\$ 90,982,051</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, 2014

SCHEDULE 3

	Budget 2014 <i>(Note 21)</i>	Actual <u>2014</u>	Actual <u>2013</u>
Taxation			
Real property taxes	\$ 15,823,416	\$ 16,710,791	\$ 15,569,762
Linear	15,900,000	16,574,561	15,442,049
Government grants in lieu of property taxes	6,389	6,369	6,389
Early payment discount	<u>(500,000)</u>	<u>(538,483)</u>	<u>(483,888)</u>
	<u>31,229,805</u>	<u>32,753,238</u>	<u>30,534,312</u>
Deduct:			
Alberta School Foundation Fund	5,038,229	5,286,165	5,039,600
Senior's Foundation	<u>89,928</u>	<u>93,710</u>	<u>89,928</u>
	<u>5,128,157</u>	<u>5,379,875</u>	<u>5,129,528</u>
Net Taxes for General Municipal Purposes	\$ <u>26,101,648</u>	\$ <u>27,373,363</u>	\$ <u>25,404,784</u>

SADDLE HILLS COUNTY
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2014

SCHEDULE 4

	Budget 2014 <i>(Note 21)</i>	Actual <u>2014</u>	Actual <u>2013</u>
Provincial Transfers			
Operating	\$ 275,410	\$ 273,410	\$ 272,318
Capital	<u>1,976,901</u>	<u>4,335,681</u>	<u>6,465,007</u>
	<u>\$ 2,252,311</u>	<u>\$ 4,609,091</u>	<u>\$ 6,737,325</u>

SADDLE HILLS COUNTY

SCHEDULE 5

CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2014

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environment 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	-	53,359	-	599,552
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>53,359</u>	<u>50,574</u>	<u>39,179,173</u>
Expenditures								
Salaries, wages and benefits	207,199	410,412	2,271,501	686,482	-	199,882	1,241,058	5,016,034
Contracted and general services	80,881	372,265	2,947,267	364,655	27,542	308,496	708,349	4,809,455
Transfers to governments, agencies and organizations	773,328	153,000	-	83,277	3,742,725	-	3,400	4,755,730
Materials, goods and supplies	543	34,359	1,423,309	201,483	17,699	89,337	162,955	1,929,685
Other	-	-	5,240	-	-	24,013	170,410	199,663
	<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>621,228</u>	<u>2,286,172</u>	<u>16,710,567</u>
Excess (Deficiency) of Revenue over Expenses Before Amortization	27,997,786	(709,033)	2,829,927	(1,119,192)	(3,727,415)	(567,869)	(2,235,598)	22,468,606
Amortization	-	124,013	3,273,724	36,253	4,676	134,297	206,686	3,779,650
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>\$ (894,185)</u>	<u>\$ (132,490)</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

SCHEDULE 6

CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2013

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total (Restated) (Note 20)
Revenue								
Net taxes for general municipal purposes	\$ 25,404,784	\$ 43,408	\$ 6,464,007	\$ 168,359	\$ 61,551	\$ -	\$ -	\$ 25,404,784
Provincial government transfers	-	-	2,728,126	-	-	-	-	6,737,325
Oil well drilling equipment taxes	-	-	-	-	-	-	-	2,728,126
Investment Income	1,385,258	2,000	170,643	21,535	21,000	-	-	1,385,258
Other	54,888	35,934	119,519	1,000	-	44,720	-	270,066
User fees and sale of goods	22,267	-	-	-	-	-	-	223,440
	<u>26,867,197</u>	<u>81,342</u>	<u>9,482,295</u>	<u>190,894</u>	<u>82,551</u>	<u>44,720</u>	<u>-</u>	<u>36,748,999</u>
Expenditures								
Contracted and general services	128,970	182,169	2,990,173	566,596	9,302	275,345	621,052	4,773,607
Salaries, wages and benefits	214,423	173,874	2,132,800	534,192	-	157,448	932,606	4,145,343
Materials, goods and supplies	10,815	32,159	1,334,084	178,339	32,037	73,773	128,536	1,789,743
Transfers to governments, agencies and organizations	9,200	153,000	-	50,281	334,524	-	3,400	550,405
Other	-	-	2,782	-	-	23,824	158,382	184,988
	<u>363,408</u>	<u>541,202</u>	<u>6,459,839</u>	<u>1,329,408</u>	<u>375,863</u>	<u>530,390</u>	<u>1,843,976</u>	<u>11,444,086</u>
Excess (Deficiency) of Revenue over Expenses Before Amortization	26,503,789	(459,860)	3,022,456	(1,138,514)	(293,312)	(485,670)	(1,843,976)	25,304,913
Amortization	-	123,348	3,108,484	38,560	3,068	105,466	151,617	3,530,543
Loss (Gain) on Disposal of Tangible Capital Assets	-	1,139	280,357	99,066	-	-	183,593	564,155
Excess (Deficiency) of Revenue over Expenses	<u>\$ 26,503,789</u>	<u>\$ (594,347)</u>	<u>\$ (366,385)</u>	<u>\$ (1,276,140)</u>	<u>\$ (296,380)</u>	<u>\$ (591,136)</u>	<u>\$ (2,179,186)</u>	<u>\$ 21,210,215</u>

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

SADDLE HILLS COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

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 and expenses, and changes 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 the administration of their financial affairs and resources.

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) Government Partnership

Saddle Hills County has entered into an agreement with Birch Hills County, Town of Spirit River and Village of Rycroft to construct, maintain, control and manage a regional solid waste collection and disposal facility, for the benefit of all participating municipalities under the name of Central Peace Regional Waste Management Commission. The government partnership is accounted for by the modified equity method. Accordingly, the investment is recorded at the acquisition cost and is adjusted for its 25% share of earnings.

(d) 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.

(e) 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, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) 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.

(g) 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.

(h) 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.

(i) 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, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) 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.

(k) 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 plans surplus or deficit.

(l) Accumulated Surplus

Accumulated surpluses are established at the discretion of the 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, 2014

2. CASH AND CASH EQUIVALENTS

	<u>2014</u>	<u>2013</u>
Cash	\$ 3,611,318	\$ 2,997,062
Temporary investments	<u>18,063,214</u>	<u>8,997,298</u>
	<u>\$ 21,674,532</u>	<u>\$ 11,994,360</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 \$79,042,240 (2013 - \$60,413,057).

3. ACCOUNTS RECEIVABLE

	<u>2014</u>	<u>2013</u>
Trade	\$ 2,382,651	\$ 936,849
Accrued interest	2,325,494	2,209,617
Government grants	2,193,690	1,498,448
Property taxes	862,174	396,249
Goods and Services Tax	<u>51,695</u>	<u>64,208</u>
	7,815,704	5,105,371
Less: Allowance for doubtful accounts	<u>(81,708)</u>	<u>(221,438)</u>
	<u>\$ 7,733,996</u>	<u>\$ 4,883,933</u>

4. LONG-TERM INVESTMENTS

	<u>2014</u>	<u>2013</u>
RBC bond portfolio	\$ 51,540,345	\$ 46,302,521
Central Peace Regional Waste Management Commission	370,848	386,733
Alberta Association of Municipal Districts and Counties Member's Equity	856	2,352
Alberta Capital Finance Authority shares	<u>110</u>	<u>110</u>
	<u>\$ 51,912,159</u>	<u>\$ 46,691,716</u>

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

DECEMBER 31, 2014

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2014</u>	<u>2013</u> <i>(Restated)</i> <i>(Note 20)</i>
Trade	\$ 1,489,108	\$ 2,667,338
Vacation, sick leave and overtime	843,351	807,381
Security deposits	<u>35,427</u>	<u>26,942</u>
	<u>\$ 2,367,886</u>	<u>\$ 3,501,661</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>2013</u>	<u>Additions</u>	<u>Revenue Recognized</u>	<u>2014</u>
Disaster services	\$ 3,000	\$ -	\$ 3,000	\$ -
Peace River Water Hauling Infrastructure Program	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>140,000</u>
	<u>\$ 73,000</u>	<u>\$ 70,000</u>	<u>\$ 3,000</u>	<u>\$ 140,000</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 2.60% (2013 - 1.40%). The existing landfills are expected to reach capacity between 2015 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 (2013 - 847,706) cubic metres.

	<u>2014</u>	<u>2013</u>
Balance, Beginning of Year	\$ 514,147	\$ 506,781
Accretion expense	<u>13,368</u>	<u>7,366</u>
Balance, End of Year	<u>\$ 527,515</u>	<u>\$ 514,147</u>

SADDLE HILLS COUNTY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2014

8. INVENTORY FOR CONSUMPTION

	<u>2014</u>	<u>2013</u>
Gravel	\$ 337,818	\$ 540,943
Parts, culverts and other	<u>269,237</u>	<u>327,219</u>
	<u>\$ 607,055</u>	<u>\$ 868,162</u>

9. ACCUMULATED SURPLUS

	<u>2014</u>	<u>2013</u> <i>(Restated)</i> <i>(Note 20)</i>
Unrestricted surplus	\$ _____ -	\$ <u>58,912</u>
Restricted surplus:		
Operating reserves:		
Operating contingency	1,841,877	966,992
Tax reassessment	586,453	586,453
Recreation and culture	50,000	491,000
Due to others	4,972	75
Public land	<u>4,542</u>	<u>4,542</u>
	<u>2,487,844</u>	<u>2,049,062</u>
Capital reserves:		
Infrastructure - development	22,592,058	14,685,633
Infrastructure - paving	8,790,669	8,659,874
Rural water	7,762,057	5,676,324
General capital	7,714,267	6,753,943
Oil well drilling equipment tax	7,545,046	2,741,988
Infrastructure - SHC paving overlay	5,804,934	3,062,707
Capital facilities	4,878,611	4,007,966
Environmental services	3,304,686	3,257,581
Capital equipment - mobile	3,087,516	2,888,003
Emergency services equipment	2,044,967	1,897,370
Computer and information technology	952,871	1,178,496
Agriculture	793,084	665,573
Emergency operations - public	686,152	675,943
Utility communication network	524,285	-
Hamlet development	73,193	-
Due to Savanna Agricultural Society	-	2,204,794
Due to Fitness Club	<u>-</u>	<u>7,800</u>
	<u>76,554,396</u>	<u>58,363,995</u>
	<u>79,042,240</u>	<u>60,413,057</u>
Equity in tangible capital assets	<u>91,128,245</u>	<u>90,982,051</u>
	<u>\$170,170,485</u>	<u>\$151,454,020</u>

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

DECEMBER 31, 2014

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> 2014	<u>Total</u> 2013
Councillors				
Division 1	\$ 29,400	\$ 4,599	\$ 33,999	\$ 35,127
Division 2	36,945	4,885	41,830	28,501
Division 3	14,975	1,787	16,762	40,247
Division 4	23,175	4,386	27,561	35,112
Division 5	34,950	4,776	39,726	36,044
Division 6	29,850	4,689	34,539	31,713
Division 7	30,375	3,669	34,044	33,935
Chief Administrative Officer	167,481	28,952	196,433	180,780
Designated Officer	<u>105,870</u>	<u>6,594</u>	<u>112,464</u>	<u>109,015</u>
	<u>\$ 473,021</u>	<u>\$ 64,337</u>	<u>\$ 537,358</u>	<u>\$ 530,474</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, 2014

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>2014</u>	<u>2013</u>
Total debt limit	\$ 52,265,238	\$ 45,425,988
Total debt	<u>-</u>	<u>-</u>
Amount of total debt limit unused	<u>\$ 52,265,238</u>	<u>\$ 45,425,988</u>
Debt servicing limit	\$ 8,710,873	\$ 7,570,998
Debt servicing	<u>-</u>	<u>-</u>
Amount of debt servicing limit unused	<u>\$ 8,710,873</u>	<u>\$ 7,570,998</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, 2014, the County has spent \$218,895 and expects to spend an additional amount of approximately \$1,458,649 with respect to the construction of rural communication towers.

SADDLE HILLS COUNTY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2014

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the County participate in the ("LAPP"), which is covered by the *Public Sector Pension Plans Act*. LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

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 2014 were \$374,526 (2013 - \$270,771). Total current and past service contributions made by the employees of the County to the LAPP in 2014 were \$345,066 (2013 - \$247,421).

At December 31, 2013, the LAPP disclosed an actuarial deficit of \$4.86 billion (2012 - \$4.98 billion).

15. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and temporary investments, accounts receivables, long-term investments, accounts payable and accrued liabilities. 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 place 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 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, 2014

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. GOVERNMENT PARTNERSHIPS

The County's financial statements includes its 25% share of operations on the modified equity method of the Central Peace Waste Management Commission (the "Commission"). The condensed financial information of the Commission is as follows:

	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS		
Cash and temporary investments	\$ 6,561	\$ 988
Receivables	<u>23</u>	<u>9</u>
	<u>6,584</u>	<u>997</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	<u>3,837</u>	<u>2,500</u>
NON-FINANCIAL ASSETS		
Prepaid expenses and inventory for consumption	1,027	691
Tangible capital assets	<u>1,478,181</u>	<u>1,546,306</u>
	<u>1,479,208</u>	<u>1,546,997</u>
ACCUMULATED SURPLUS	\$ <u>1,481,955</u>	\$ <u>1,545,494</u>
STATEMENT OF OPERATIONS		
Total Revenue	\$ 8,285	\$ -
Total Expenses	<u>71,824</u>	<u>76,961</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ <u>(63,539)</u>	\$ <u>(76,961)</u>
County's 25% share	\$ <u>(15,885)</u>	\$ <u>(19,240)</u>

SADDLE HILLS COUNTY

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2014

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.

20. PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2014, the County determined that it had under estimated the sick leave liability due to a change in the measurement basis utilized. The sick leave liability was under estimated by \$631,135 in 2012 and \$573,196 in 2013.

The result of these adjustments in 2013, is a decrease in opening restricted surplus of \$631,135, a increase in vacation, sick leave and overtime payable of \$573,196 and an increase in excess of revenue over expenses of \$57,939.

21. RECONCILIATION OF OPERATING RESULTS TO BUDGETING SYSTEM

The budget presented in these financial statements are based upon the 2014 operating and capital budgets approved by Council on December 10, 2013.

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.

	<u>Budget</u> <u>2014</u>	<u>Actual</u> <u>2014</u>	<u>Actual</u> <u>2013</u>
Excess of Revenue over Expenses, per financial statements	\$ <u>16,639,524</u>	\$ <u>18,716,465</u>	\$ <u>21,210,215</u>
Add back:			
Amortization expense	-	3,779,650	3,530,543
Net transfers (to) from reserves	(25,757,476)	(18,629,183)	(4,103,911)
Net transfers (to) from capital projects	15,158,652	-	-
Proceeds from sale of tangible capital assets	<u>900,000</u>	<u>-</u>	<u>-</u>
	<u>(9,698,824)</u>	<u>(14,849,533)</u>	<u>(573,368)</u>
Deduct:			
(Gain) loss on disposal of tangible capital assets	(900,000)	(27,509)	564,155
Purchase of tangible capital asset	<u>(6,040,700)</u>	<u>(4,473,391)</u>	<u>(24,162,190)</u>
	<u>(6,940,700)</u>	<u>(4,500,900)</u>	<u>(23,598,035)</u>
Results of Operations as Budgeted	\$ <u>-</u>	\$ <u>(633,968)</u>	\$ <u>(2,961,188)</u>