

Financial Statements

Woodlands County
December 31, 2008

AUDITORS' REPORT

To the Members of Council of
Woodlands County

We have audited the statement of financial position of **Woodlands County** as at December 31, 2008 and the statements of financial activities and changes in fund balances and changes in financial position for the year then ended. These financial statements are the responsibility of the County's administration. 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 statements are 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 the County's administration, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of **Woodlands County** as at December 31, 2008 and the results of its financial activities and its changes in financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Canada,
March 25, 2009.

Ernst & Young LLP

Chartered Accountants

STATEMENT OF FINANCIAL POSITION

As at December 31

	2008	2007
	\$	\$
		[restated - see note 15]
ASSETS		
Financial assets		
Cash and cash equivalents	4,763,730	5,500,943
Temporary investments	1,200,000	—
Receivables:		
Taxes and grants in place of taxes <i>[note 2]</i>	156,961	119,640
Trade and other	1,689,484	2,448,289
Loans receivable <i>[note 3]</i>	3,327,446	3,368,703
Prepaid expenses	106,839	86,879
Long-term investments <i>[note 4]</i>	6,783,907	6,785,081
	18,028,367	18,309,535
Physical assets		
Land, structures and equipment <i>[note 5]</i>	19,919,114	18,527,117
Inventories <i>[note 6]</i>	1,137,914	889,737
	21,057,028	19,416,854
	39,085,395	37,726,389
LIABILITIES AND MUNICIPAL EQUITY		
Liabilities		
Accounts payable and accrued liabilities	2,669,440	3,403,231
Deferred revenue <i>[note 7]</i>	107,250	47,337
Over-levies	75,228	82,041
Long-term debt <i>[note 8]</i>	12,444,283	13,455,176
	15,296,201	16,987,785
Commitments and contingencies <i>[note 9]</i>		
Municipal equity		
Fund balances		
Operating fund [Schedule 1]	920,124	1,081,066
Capital fund [Schedule 2]	—	—
Reserve fund [Schedule 3]	11,074,893	10,445,859
Equity in physical assets	11,794,177	9,211,679
	23,789,194	20,738,604
	39,085,395	37,726,389

See accompanying notes

On behalf of the County:

Mayor

Chief Administrative Officer

STATEMENT OF FINANCIAL ACTIVITIES AND CHANGES IN FUND BALANCES

Year ended December 31

	Budget \$	2008 \$	2007 \$
	[note 14]		[restated - see note 15]
REVENUES			
Property taxes	17,324,619	17,546,918	16,472,017
Less: Education requisition	5,093,385	5,172,144	5,098,518
Lodge requisitions	308,488	311,770	215,668
Net municipal property taxes [Schedule 4]	11,922,746	12,063,004	11,157,831
User fees and sales of goods	383,068	418,028	461,471
Government transfers [Schedule 5]	5,284,521	3,283,665	4,088,912
Investment income	779,958	850,120	793,747
Penalties and costs on taxes	27,260	37,396	24,859
Development levies	13,000	45,854	46,662
Proceeds on disposal of physical assets	—	43,918	2,120
Total revenue	18,410,553	16,741,985	16,575,602
EXPENDITURES [Schedule 6]			
Operating			
Legislative	467,367	510,219	353,642
Administration	1,920,068	1,757,463	1,361,469
Fire, ambulance and bylaw enforcement	1,165,028	1,061,495	648,137
Road, streets, walks and street lights	9,575,829	5,118,150	13,154,521
Airport	315,546	234,325	201,005
Water and wastewater	302,203	242,803	222,622
Waste management	451,092	403,868	454,828
Environment protection	—	—	200,000
Family and community support	163,145	178,962	132,033
Land use planning, zoning and development	208,780	167,086	161,365
Economic and agricultural development	670,807	796,075	605,052
Recreation boards, parks and facilities	2,673,702	2,928,703	4,805,057
Libraries	244,496	186,121	148,745
Total operating expenditures	18,158,063	13,585,270	22,448,476
Capital			
Administration	62,108	102,249	56,220
Fire, ambulance and bylaw enforcement	36,820	78,211	432,170
Road, streets, walks and street lights	742,274	683,095	633,333
Airport	914,000	637,053	254,818
Water and wastewater	85,000	2,079	1,301
Waste management	43,000	—	40,164
Economic and agricultural development	26,000	32,729	43,577
Recreation boards, parks and facilities	262,000	210,882	168,553
Total capital expenditures	2,171,202	1,746,298	1,630,136
Total expenditures	20,329,265	15,331,568	24,078,612
Surplus (deficiency) of			
revenues over expenditures	(1,918,712)	1,410,417	(7,503,010)
Transfers from (to) reserve fund	1,477,592	(629,034)	(945,738)
Debt repayment	(1,981,170)	(1,983,279)	(873,020)
Debenture proceeds	1,040,954	1,040,954	10,009,046
Changes in fund balances	(1,381,336)	(160,942)	687,278
Operating fund, opening balance	1,081,066	1,081,066	393,788
Operating fund, closing balance	(300,270)	920,124	1,081,066

See Schedule 7 for Schedule of Financial Activities by Program

See accompanying notes

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31

	2008	2007
	\$	\$
		[restated - see note 15]
OPERATING ACTIVITIES		
Surplus (deficiency) of revenues over expenditures	1,410,417	(7,503,010)
Add (deduct) changes in non-cash items:		
Amortization of premium on long-term investments	12,965	16,796
Decrease (increase) in taxes and grants in place of taxes receivable	(37,321)	4,554
Decrease (increase) in trade and other receivables	758,805	(321,451)
Decrease (increase) in loans receivable	41,257	(3,368,703)
Increase in prepaid expenses	(19,960)	(10,163)
Decrease in land held for resale	—	1,301
Decrease in accounts payable and accrued liabilities	(733,792)	(534,619)
Increase (decrease) in deferred revenue	59,913	(37,780)
Decrease in over-levies	(6,813)	(1,526)
	<u>1,485,471</u>	<u>(11,754,601)</u>
INVESTING ACTIVITIES		
Proceeds from long-term investments	2,685,000	1,370,000
Purchase of long-term investments	(2,696,791)	(1,366,388)
Purchase of temporary investments	(1,200,000)	—
	<u>(1,211,791)</u>	<u>3,612</u>
FINANCING ACTIVITIES		
Debenture proceeds	1,040,954	13,259,046
Repayment of long-term debt	(2,051,847)	(873,020)
	<u>(1,010,893)</u>	<u>12,386,026</u>
Increase (decrease) in cash	(737,213)	635,037
Cash and cash equivalents, beginning of the year	5,500,943	4,865,906
Cash and cash equivalents, end of the year	<u>4,763,730</u>	<u>5,500,943</u>

See accompanying notes

SCHEDULE OF OPERATING FUND ACTIVITIES AND CHANGE IN FUND BALANCE

Year ended December 31

	Budget \$	2008 \$	2007 \$
	[note 14]		[restated - see note 15]
Revenues			
Net municipal property taxes [Schedule 4]	11,922,746	12,063,004	11,157,831
User fees and sales of goods	383,068	418,028	461,471
Government transfers	5,284,521	3,264,696	4,004,282
Investment income	779,958	850,120	793,747
Penalties and costs of taxes	27,260	37,396	24,859
Development levies	13,000	45,854	46,662
Total operating revenue	18,410,553	16,679,098	16,488,852
Expenditures			
Legislative	467,367	510,219	353,642
Administration	1,920,068	1,757,463	1,361,469
Fire, ambulance and bylaw enforcement	1,165,028	1,061,495	648,137
Roads, streets, walks and street lights	9,575,829	5,118,150	13,154,521
Airport	315,546	234,325	201,005
Water and wastewater	302,203	242,803	222,622
Waste management	451,092	403,868	454,828
Environmental protection	—	—	200,000
Family and community support	163,145	178,962	132,033
Land use planning, zoning and development	208,780	167,086	161,365
Economic and agricultural development	670,807	796,075	605,052
Recreation boards, parks and facilities	2,673,702	2,928,703	4,805,057
Libraries	244,496	186,121	148,745
Total operating expenditures	18,158,063	13,585,270	22,448,476
Surplus (deficiency) of revenues over expenditures	252,490	3,093,828	(5,959,624)
Net inter-fund transfers:			
To capital fund	(1,304,092)	(1,032,072)	(954,968)
From (to) reserve fund	610,482	(1,280,373)	(1,534,156)
Debt repayment	(1,981,170)	(1,983,279)	(873,020)
Debt proceeds	1,040,954	1,040,954	10,009,046
Change in fund balance	(1,381,336)	(160,942)	687,278
Operating fund, opening balance	1,081,066	1,081,066	393,788
Operating fund, closing balance	(300,270)	920,124	1,081,066

See accompanying notes

SCHEDULE OF CAPITAL FUND ACTIVITIES AND CHANGE IN FUND BALANCE

Year ended December 31

	Budget	2008	2007
	\$	\$	\$
	[note 14]		
Revenues			
Government transfers	—	18,969	84,630
Proceeds on disposal of physical assets	—	43,918	2,120
Total capital revenue	—	62,887	86,750
Expenditures			
Administration	62,108	102,249	56,220
Fire, ambulance and bylaw enforcement	36,820	78,211	432,170
Roads, streets, walks and street lights	742,274	683,095	633,333
Airport	914,000	637,053	254,818
Water and wastewater	85,000	2,079	1,301
Waste management	43,000	—	40,164
Economic and agricultural development	26,000	32,729	43,577
Recreation boards, parks and facilities	262,000	210,882	168,553
Total capital expenditures	2,171,202	1,746,298	1,630,136
Deficiency of revenues over expenditures	(2,171,202)	(1,683,411)	(1,543,386)
Net inter-fund transfers:			
From reserve fund	867,110	651,339	588,418
From operating fund	1,304,092	1,032,072	954,968
	2,171,202	1,683,411	1,543,386
Change in fund balance	—	—	—
Capital fund, opening balance	—	—	—
Capital fund, closing balance	—	—	—

See accompanying notes

**SCHEDULE OF RESERVE FUND ACTIVITIES
AND CHANGE IN FUND BALANCE**

Year ended December 31

	Budget	2008	2007
	\$	\$	\$
	[note 14]		
Net inter-fund transfers			
Transfers from (to) operating fund	(610,482)	1,280,373	1,534,156
Transfers to capital fund	(867,110)	(651,339)	(588,418)
Change in fund balance	(1,477,592)	629,034	945,738
Reserve fund, opening balance	10,445,859	10,445,859	9,500,121
Reserve fund, closing balance [note 10]	8,968,267	11,074,893	10,445,859

See accompanying notes

SCHEDULE OF NET MUNICIPAL PROPERTY TAXES

Year ended December 31

	Budget	2008	2007
	\$	\$	\$
	[note 14]		
TAXATION			
Residential and farmland property	1,829,270	1,836,841	1,787,038
Linear property taxes	8,880,742	9,035,467	8,389,434
Commercial and industrial taxes	6,614,607	6,669,040	6,290,623
Government grants in place of property taxes	—	5,570	4,922
	<u>17,324,619</u>	<u>17,546,918</u>	<u>16,472,017</u>
REQUISITIONS			
Alberta School Foundation Fund	5,093,385	5,172,144	5,098,518
Seniors Foundation	308,488	311,770	215,668
	<u>5,401,873</u>	<u>5,483,914</u>	<u>5,314,186</u>
Net municipal property taxes	<u>11,922,746</u>	<u>12,063,004</u>	<u>11,157,831</u>

See accompanying notes

SCHEDULE OF GOVERNMENT TRANSFERS

Year ended December 31

	Budget	2008	2007
	\$	\$	\$
	[note 14]		[restated - see note 15]
Provincial transfers			
Shared-cost agreements and grants	5,284,521	3,283,665	4,088,912
Total government transfers	5,284,521	3,283,665	4,088,912

See accompanying notes

SCHEDULE OF TOTAL EXPENDITURES BY OBJECT

Year ended December 31

	Budget	2008	2007
	\$	\$	\$
	[note 14]		
Salaries, wages and benefits	3,652,913	3,563,858	2,974,662
Contracted and general services	7,204,735	3,489,119	11,483,551
Materials, goods and utilities	2,832,251	1,816,470	2,093,382
Transfers to other local governments	2,873,495	3,114,945	5,034,147
Transfers to individuals and organizations	1,119,580	1,133,025	688,602
Provision for allowances	4,000	12,138	22,549
Bank charges and short-term interest	1,498	1,502	1,440
Interest on long-term debt	469,591	454,213	150,143
Physical assets acquired	2,171,202	1,746,298	1,630,136
	20,329,265	15,331,568	24,078,612

See accompanying notes

SCHEDULE OF FINANCIAL ACTIVITIES BY PROGRAM

Year ended December 31

	2008			2007	
	Revenues \$	Expenditures \$	Net revenues (expenditures) \$	Budget \$	Net revenues (expenditures) \$
				[note 14]	[restated - see note 15]
General Municipal Revenues to fund					
Municipal Activities					
Net municipal property taxes [Schedule 4]	12,063,004	—	12,063,004	11,922,746	11,157,831
Investment income	719,386	—	719,386	644,395	650,178
Other	132,856	—	132,856	124,104	120,143
	12,915,246	—	12,915,246	12,691,245	11,928,152
Municipal Operating Activities					
Legislative	14,422	510,219	(495,797)	(467,367)	(349,745)
Administration	8,427	1,757,463	(1,749,036)	(1,910,668)	(1,349,709)
Fire, ambulance and bylaw enforcement	166,150	1,061,495	(895,345)	(1,047,088)	(497,530)
Road, streets, walks and street lights	2,212,769	5,118,150	(2,905,381)	(4,641,958)	(9,391,303)
Airport	192,557	234,325	(41,768)	(196,632)	(73,218)
Water and wastewater	60,689	242,803	(182,114)	(239,563)	(153,399)
Waste management	34,111	403,868	(369,757)	(421,440)	(422,821)
Environment protection	—	—	—	—	(200,000)
Family and community support	104,235	178,962	(74,727)	(70,420)	(37,496)
Land use planning, zoning and development	51,579	167,086	(115,507)	(184,780)	(102,928)
Economic and agricultural development	195,428	796,075	(600,647)	(536,641)	(358,445)
Recreation boards, parks and facilities	723,485	2,928,703	(2,205,218)	(2,477,702)	(4,802,437)
Libraries	—	186,121	(186,121)	(244,496)	(148,745)
	3,763,852	13,585,270	(9,821,418)	(12,438,755)	(17,887,776)

SCHEDULE OF FINANCIAL ACTIVITIES BY PROGRAM (CONTINUED)

Year ended December 31

	2008			2007	
	Revenues \$	Expenditures \$	Net revenues (expenditures) \$	Budget \$	Net revenues (expenditures) \$
				[note 14]	[restated - see note 15]
Municipal Capital Activities					
Administration	—	102,249	(102,249)	(62,108)	(56,220)
Fire, ambulance and bylaw enforcement	—	78,211	(78,211)	(36,820)	(432,170)
Roads, streets, walks and street lights	43,918	683,095	(639,177)	(742,274)	(631,213)
Airport	—	637,053	(637,053)	(914,000)	(252,846)
Water and wastewater	—	2,079	(2,079)	(85,000)	(1,301)
Waste management	—	—	—	(43,000)	(40,164)
Economic and agricultural development	—	32,729	(32,729)	(26,000)	(43,577)
Recreation boards, parks and facilities	18,969	210,882	(191,913)	(262,000)	(85,895)
	62,887	1,746,298	(1,683,411)	(2,171,202)	(1,543,386)
Surplus (deficiency) of revenues over expenditures	16,741,985	15,331,568	1,410,417	(1,918,712)	(7,503,010)
Transfers from (to) reserves			(629,034)	1,477,592	(945,738)
Debt repayment			(1,983,279)	(1,981,170)	(873,020)
Debenture proceeds			1,040,954	1,040,954	10,009,046
Changes in fund balances			(160,942)	(1,381,336)	687,278
Operating fund, opening balance			1,081,066	1,081,066	393,788
Operating fund, closing balance			920,124	(300,270)	1,081,066

See accompanying notes

Woodlands County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Woodlands County [the “County”] are prepared by the County’s administration in accordance with Canadian generally accepted accounting principles which includes financial reporting standards appropriate for local governments recommended by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants [“CICA”].

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires administration 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 revenues and expenditures during the reporting period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Schedule 4 – Net Municipal Property Taxes includes requisitions for education and other external organizations that are not part of the municipal reporting entity.

Basis of accounting

Revenues and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenditures are recognized in the period goods and services are acquired and a liability is incurred or transfers are due.

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 and grants are recognized in the financial statements as revenues in the period in which the events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Woodlands County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Fund accounting

Funds are recorded within the financial statements as described below. Transactions between funds are recorded as inter-fund transfers.

i) **Operating fund**

The operating fund reflects the financial activities associated with the provision of general municipal services during the year.

ii) **Capital fund**

The capital fund reflects the financial activities associated with the acquisition, construction and funding of land, structures and equipment.

iii) **Reserve fund**

The reserve fund reflects funds authorized by Council to be set aside for the funding of future operating or capital expenditures.

Cash and cash equivalents

Cash and cash equivalents consist of cash and term deposits with initial maturity dates of less than 90 days.

Temporary investments

Temporary investments, consisting of term deposits with initial maturity dates of between 90 and 365 days, are recorded at the lower of cost and market value.

Land held for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as land, structures and equipment under their respective function. Proceeds from sale of land held for resale are recorded as operating fund revenues.

Woodlands County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Long-term investments

Investments are recorded at the lower of cost and market value determined on an aggregate basis with market value being determined at the year-end date. Investment premiums and discounts are amortized to revenue over the term of the respective investments. A write-down to market value is made when it is determined that a decline in value, which is other than temporary, has occurred.

Inventories

Inventories comprise materials and supplies for consumption and are valued at the lower of cost and net realizable value with cost determined by the average cost method.

Land, structures and equipment

Land, structures and equipment are reported as expenditures in the period they are acquired. Land, structures and equipment are reported at cost except for donated assets, which are reported at estimated fair value.

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

Land, structures and equipment for government purposes are not depreciated.

Tangible capital assets

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

During 2008, the County continued to work towards compliance with the new recommendations for accounting for tangible capital assets.

Woodlands County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Tangible capital assets [continued]

The County has determined that historical cost accounting records do not exist for all identified tangible capital assets and it is therefore developing other methods to estimate the cost and accumulated amortization of these assets.

At December 31, 2008, the County has determined that its tangible capital assets will include the following categories, with amortization expected to be provided on a straight-line basis over the assets' estimated useful lives as below:

	<u>Years range</u>
Buildings	25 – 50
Land improvements	10 – 25
Engineered structures	10 – 75
Machinery and equipment	5 – 40
Vehicles	10 – 40

Recent accounting pronouncements

Effective January 1, 2009, the County will be required to adopt Section PS 1200, "Financial Statement Presentation", of the CICA Public Sector Accounting Handbook. This section established general reporting principles and standards for disclosure of information in government financial statements. It is expected that adoption of this section will affect various financial statement presentation and disclosure matters only.

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. Where the actual levy is less than the requisition amounts, 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.

Woodlands County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES [CONTINUED]

Equity in physical assets

Equity in physical assets represents the County's net investment in its total physical assets after deducting the portion financed by third parties through debenture, bond and mortgage debts, long-term capital borrowing, capitalized leases and other capital liabilities.

Pension expenditures

The County participates in a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan whereby contributions are expensed as incurred.

2. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2008 \$	2007 \$
Current taxes and grants in place of taxes	116,742	75,698
Non-current taxes and grants in place of taxes	49,344	52,063
Less allowance for doubtful accounts	(9,125)	(8,121)
	<u>40,219</u>	<u>43,942</u>
	<u>156,961</u>	<u>119,640</u>

3. LOANS RECEIVABLE

	2008 \$	2007 \$
Lac Ste. Anne Foundation	3,227,446	3,295,786
The Friends of Whitecourt Society	100,000	72,917
	<u>3,327,446</u>	<u>3,368,703</u>

The loan receivable from Lac Ste. Anne Foundation includes accrued interest of \$44,754 [2007 - \$45,786].

Woodlands County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

3. LOANS RECEIVABLE [CONTINUED]

The County passed Bylaw 216/06 on July 4, 2006 authorizing Council to lend \$3,250,000 to the Lac Ste. Anne Foundation for the purpose of assisting the Foundation to undertake and complete the construction of the Seniors' Lodge in Onoway, Alberta. The loan was advanced during 2007 and is repayable in 50 semi-annual installments of \$117,411, including interest of 4.89% per annum, commencing March 15, 2008. The loan was financed by an equivalent borrowing from the Alberta Capital Finance Authority [see note 8].

The County passed Bylaw 243/07 on January 16, 2007 authorizing Council to lend money to The Friends of Whitecourt Society for the purpose of assisting the Society in inducing physicians to relocate to the Town of Whitecourt. Loans have been made in increments of \$25,000, are non-interest bearing and are generally repayable in three annual installments of \$8,333 commencing on the anniversary of the advance of each loan, although repayments may be made earlier in differing amounts.

4. LONG-TERM INVESTMENTS

	2008		2007	
	Cost \$	Market value \$	Cost \$	Market Value \$
Bonds and notes				
Provincial	1,318,584	1,437,347	2,926,924	3,017,337
Canadian banks	2,909,032	2,868,719	2,444,869	2,450,810
Public corporations	495,561	421,115	495,238	419,318
Crown corporations	2,060,660	2,154,907	917,980	915,307
	6,783,837	6,882,088	6,785,011	6,802,772
Alberta Capital Finance Authority – shares at cost	70	70	70	70
	6,783,907	6,882,158	6,785,081	6,802,842

Long-term investments have interest rates ranging from 3.55% to 6.63% with maturity dates from March 15, 2009 to October 28, 2016.

Woodlands County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

5. LAND, STRUCTURES AND EQUIPMENT

	2008	2007
	\$	\$
Buildings	3,682,383	3,682,383
Land	217,108	215,030
Engineered structures	8,023,676	7,175,740
Machinery and equipment	4,534,982	4,367,228
Vehicles	2,859,973	2,587,994
EDP equipment	600,992	498,742
	19,919,114	18,527,117

6. INVENTORIES

	2008	2007
	\$	\$
Gravel supplies	822,744	566,371
Public works and general municipal materials and supplies	315,170	323,366
	1,137,914	889,737

7. DEFERRED REVENUE

	2008	2007
	\$	\$
		[restated - see note 15]
Grants	107,250	47,337

Woodlands County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

8. LONG-TERM DEBT

	2008	2007
	\$	\$
Tax supported debentures		
Old Ferry Road paving -		
Alberta Capital Finance Authority, 4.63%, due September 2011	4,601,363	6,000,000
Town of Whitecourt multi-plex -		
Alberta Capital Finance Authority, 4.311%, due March 2017	437,895	479,738
Alberta Capital Finance Authority, 4.68%, due September 2017	1,707,565	1,857,046
Alberta Capital Finance Authority, 4.4925%, due December 2017	1,517,831	1,652,000
Alberta Capital Finance Authority, 4.04%, due March 2018	998,197	—
Lac Ste. Anne Foundation -		
Alberta Capital Finance Authority, 4.89%, due September 2032	3,181,432	3,250,000
East Mountain Road paving -		
Alberta Capital Finance Authority, 3.087%, due June 2008	—	216,392
	12,444,283	13,455,176

Interest on long-term debt was \$611,345 [2007 - \$150,143], and the County's total cash payment for interest on long-term debt was \$622,403 [2007 - \$37,485], for the year ended December 31, 2008.

Woodlands County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

8. LONG-TERM DEBT [CONTINUED]

Principal and interest repayment requirements on long-term debt over the next five years and thereafter are as follows:

	Principal	Interest	Total
	\$	\$	\$
2009	1,964,717	553,585	2,518,302
2010	2,056,137	462,165	2,518,302
2011	2,151,816	366,486	2,518,302
2012	572,299	285,571	857,870
2013	598,431	259,439	857,870
Thereafter	5,100,883	1,763,319	6,864,202
	<u>12,444,283</u>	<u>3,690,565</u>	<u>16,134,848</u>

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the County be disclosed as follows:

	2008	2007
	\$	\$
Total debt limit	25,099,523	24,988,119
Total debt	12,444,283	13,455,176
Amount of debt limit unused	12,655,240	11,532,943
Debt servicing limit	4,183,254	4,164,687
Debt servicing	2,518,302	2,618,620
Amount of debt servicing limit unused	1,664,952	1,546,067

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 .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.

Woodlands County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

9. COMMITMENTS AND CONTINGENCIES

The County is committed to sharing the capital and operating costs of the Whitecourt Regional Waste Management Authority [the “Authority”] with the Town of Whitecourt. The Authority is responsible for the management of a regional landfill site serving the County and Town of Whitecourt. Capital and operating costs for the Authority are shared by the County and the Town of Whitecourt on a pro-rated per capita basis, calculated on the current population of the Town of Whitecourt and the County. The County’s share of the Authority’s capital and operating costs for the year ended December 31, 2008 was \$143,652 [2007 - \$204,224], which was 31.77% [2007 – 31.77%] of the total operating deficit of the Authority.

The County is committed to sharing the capital and operating costs for certain functions with the Town of Whitecourt on a pro-rated per capita basis, calculated on the current population of the Town of Whitecourt and the County. The County’s commitment under these cost-sharing arrangements varies from year to year.

The County has awarded the tenders for the paving of the Old Blue Ridge Highway in 2009. The total costs associated with the project are \$480,935 for project management and \$5,291,400 for the actual construction work. The County has an agreement with Alberta Transportation under the CAMRIF program to provide \$2,200,000 towards the cost of this project. The County has also passed a bylaw to borrow \$2,500,000 towards the cost of this project, to be repaid over four years.

The County has committed \$5.697 million towards the cost of construction of the Alan & Jean Millar Centre in the Town of Whitecourt. As at December 31, 2008, \$5,547,680 has been paid to the Town of Whitecourt under the terms of the cost sharing agreement.

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 MUNIX. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

In the normal conduct of operations, various legal claims are pending against the County in connection with road maintenance and construction and other matters. The County carries liability insurance, subject to certain deductibles and policy limits, against such claims. Administration believes that the County has recognized adequate provisions for probable and reasonably estimable liabilities associated with these claims, and that their ultimate resolutions will not materially exceed insurance coverages nor have a material adverse effect on the financial position of the County or its financial activities.

Woodlands County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

10. RESERVE FUND

	2008	2007
	\$	\$
Operating reserves		
Working capital	4,478,912	4,478,912
Property tax stabilization	1,365,323	1,365,323
Infrastructure services	1,857,622	1,589,597
	<u>7,701,857</u>	<u>7,433,832</u>
Capital reserves		
Fire protection	651,076	403,955
Infrastructure services	1,700,670	1,508,162
Bylaw enforcement	56,516	20,000
Airport development	523,790	518,130
Recreation facilities development	355,000	499,000
	<u>3,287,052</u>	<u>2,949,247</u>
Restricted reserves		
Recreation boards, parks and facilities	85,984	62,780
	<u>11,074,893</u>	<u>10,445,859</u>

Restricted reserves can only be used on projects for which funds were received.

Woodlands County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

11. SALARY AND BENEFITS DISCLOSURE

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

	2008			2007		
	No. of persons	Salary (1) \$	Benefits (2) \$	Total \$	No. of persons	Total \$
Councillors:						
Anselmo – Albert McMillan January 1, 2007 – October 18, 2007	—	—	—	—	1	25,600
Anselmo – Daryl Yagos	1	44,600	2,825	47,425	1	4,435
Whitecourt West – Leann Caron	1	35,400	1,370	36,770	1	22,849
Whitecourt Central – Tom Govenlock January 1, 2007 – October 18, 2007	—	—	—	—	1	13,527
Whitecourt Central – Alan Deane	1	43,250	6,090	49,340	1	3,436
Whitecourt East – Jim Rennie (Mayor)	1	71,800	2,810	74,610	1	56,145
Blue Ridge – Dan Pritchard	1	51,350	4,176	55,526	1	38,517
Goose Lake – Mary Anne Lehman January 1, 2007 – October 18, 2007	—	—	—	—	1	29,613
Goose Lake – Dale McQueen	1	39,850	1,592	41,442	1	4,778
Fort Assiniboine/Timeu – Dale Kluin	1	32,200	1,381	33,581	1	26,165
Chief Administrative Officer	1	153,002	24,486	177,488	1	143,777
Designated Officers	2	162,679	32,659	195,338	2	170,782

- (1) Salary includes regular base pay, bonuses, overtime, severance payments, gross honoraria and any other direct cash remuneration.
- (2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long-term disability plans, Workers Compensation Board, Canada Pension Plan and Employment Insurance.

Woodlands County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

12. LOCAL AUTHORITIES PENSION PLAN

Employees of the County participate in the Local Authorities Pension Plan [“LAPP” or the “Plan”], which is covered by the Public Sector Pension Plans Act. The Plan serves about 179,188 people and 407 employers. It 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 Plan of 7.75% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 10.64% for the excess. Employees of the County are required to make current service contributions to the Plan of 6.75% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 9.64% for the excess.

Total current and past service contributions made by the County to the LAPP in 2008 were \$183,101 [2007 - \$156,045]. Total current and past service contributions made by the employees of the County to the LAPP in 2008 were \$161,390 [2007 - \$137,217].

At December 31, 2007, the Plan disclosed an actuarial deficiency of \$1,183,334,000.

13. FINANCIAL INSTRUMENTS

The County’s financial instruments consist of cash and cash equivalents, temporary investments, receivables, long-term investments, accounts payable and accrued liabilities, over-levies and long-term debt. It is administration’s opinion that the County is not exposed to significant interest or currency risk arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

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

14. BUDGET FIGURES

Budget figures are included for information purposes only and are not audited.

Woodlands County

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

15. RESTATEMENT

The prior year financial statements have been restated to correct for changes made to the manner in which the County will draw on provincial grants previously awarded. As a result of the restatement, trade receivables decreased by \$178,533 and deferred revenue decreased by \$10,759 at December 31, 2007, government transfers revenue decreased by \$167,774 for the year ended December 31, 2007, and the opening operating fund balance at January 1, 2008 decreased by \$167,774, from \$1,248,840 to \$1,081,066.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 135,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit ey.com/ca.

ey.com/ca

© 2009 Ernst & Young LLP. All rights reserved.
A member firm of Ernst & Young Global Limited.

