

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31

Financial Statements

For the year ended December 31, 2003

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31

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For the year ended December 31, 2003

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Young Parkyn McNab LLP

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To: The Reeve and Council of
the Municipal District of Foothills No. 31

We have audited the consolidated statement of financial position of the Municipal District of Foothills No. 31 as at December 31, 2003, the consolidated statement of financial activities and change in fund balances, and the consolidated statement of changes in financial position for the year then ended. These financial statements are the responsibility of the municipal 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 management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Municipal District of Foothills No. 31 as at December 31, 2003 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting described in Note 1.

Lethbridge, Alberta

March 4, 2004

Young Parkyn McNab LLP

Chartered Accountants

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2003

	2003	2002
ASSETS		
Financial assets		
Cash and temporary investments (note 2)	\$ 6,714,748	\$ 5,964,550
Taxes and grants in place of taxes receivable (note 3)	1,042,663	1,000,872
Accounts receivable - trade	826,297	1,092,634
Land held for resale	63,823	63,823
Prepaid expenses	162,593	11,611
Other financial assets	18,259	25,164
	8,828,383	8,158,654
Physical assets		
Inventory for consumption	736,373	1,089,846
Physical assets (note 4)	29,944,521	28,112,671
	30,680,894	29,202,517
	\$ 39,509,277	\$ 37,361,171

LIABILITIES AND MUNICIPAL EQUITY

Liabilities		
Accounts payable and accrued liabilities	\$ 1,925,967	\$ 1,029,697
Vacation accrual	211,111	205,420
Deposit liabilities	1,072,202	989,733
Deferred revenue (note 5)	375,744	456,749
Long-term debt (note 6)	1,513,552	1,061,081
Lease contracts (note 7)	103,446	224,424
	5,202,022	3,967,104
Municipal equity		
Fund balances		
Operating (schedule 1)	-	-
Capital (schedule 2)	274,750	61,565
Reserves (schedule 3) (note 8)	4,968,612	5,415,493
	5,243,362	5,477,058
Equity in physical assets	29,063,893	27,917,009
	34,307,255	33,394,067
	\$ 39,509,277	\$ 37,361,171

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCES
For the year ended December 31, 2003

	Budget (Unaudited)	2003	2002
Revenue			
Net municipal property taxes (note 9)	\$ 11,583,503	\$ 11,591,735	\$ 10,709,015
Sales and user charges	441,125	668,469	771,809
Penalties and costs on taxes	233,025	225,743	203,242
Fines	125,150	121,710	94,951
Return on investments	150,000	214,753	193,832
Licenses and permits	828,000	855,503	860,594
Rentals	34,046	105,685	58,923
Government transfers (note 10)	1,669,746	1,922,789	2,777,497
Proceeds on disposal of physical assets	229,000	209,867	167,077
Other	1,229,000	1,969,129	1,611,815
	16,522,595	17,885,383	17,448,755
Expenditures (note 11)			
Legislative	319,003	335,040	312,669
Administration	2,651,277	2,764,233	4,207,240
Protective services	1,267,582	826,074	1,060,290
Ambulance	432,291	432,566	344,640
Airport	14,000	61,657	31,647
Roads, streets, walks and lighting	10,048,031	10,912,113	10,083,890
Family and community support	305,146	246,985	211,841
Waste and waste water	1,010,769	930,406	1,107,395
Waste management	62,352	64,741	69,151
Cemeteries	1,500	1,311	1,481
Planning and development	796,739	920,307	856,568
Agriculture service board	316,024	318,286	293,890
Recreation board	427,350	500,159	394,152
Parks	28,783	23,537	19,989
Library	113,157	113,157	108,824
	17,794,004	18,450,572	19,103,667
Deficiency of revenue over expenditures	(1,271,409)	(565,189)	(1,654,912)
Capital financing transactions			
Proceeds of long-term debt	634,386	635,481	381,940
Repayment of long-term debt	(303,988)	(303,988)	(462,508)
Change in fund balances	\$ (941,011)	\$ (233,696)	\$ (1,735,480)

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the year ended December 31, 2003

	2003	2002
Cash flows from operating activities		
Deficiency of revenue over expenditures	\$ (565,189)	\$ (1,654,912)
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(41,791)	(140,283)
Accounts receivable - trade	266,337	(428,264)
Land held for resale	-	101,811
Prepaid expenses	(150,982)	308
Other financial assets	6,905	8,154
Accounts payable and accrued liabilities	896,270	(490,456)
Vacation accrual	5,691	21,532
Deposit liabilities	82,469	185,236
Deferred revenue	(81,005)	(30,633)
	418,705	(2,427,507)
Cash flows from financing activities		
Proceeds of long-term debt	635,481	381,940
Repayment of long-term debt and lease contract	(303,988)	(462,508)
	331,493	(80,568)
Increase (decrease) in cash and temporary investments	750,198	(2,508,075)
Cash and temporary investments, beginning of year	5,964,550	8,472,625
Cash and temporary investments, end of year	\$ 6,714,748	\$ 5,964,550

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULE 1
SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - OPERATING
For the Year Ended December 31, 2003

	Budget (Unaudited)	2003	2002
Revenue			
Net municipal property taxes (note 9)	\$ 11,583,503	\$ 11,591,735	\$ 10,709,015
Sales and user charges	441,125	668,469	771,809
Penalties and costs on taxes	233,025	225,743	203,242
Fines	125,150	121,710	94,951
Return on investments	150,000	214,753	193,832
Licenses and permits	828,000	855,503	860,594
Rentals	34,046	105,685	58,923
Government transfers	1,302,246	1,359,937	2,196,368
Other	1,229,000	1,963,879	1,587,815
	15,926,095	17,107,414	16,676,549
Expenditures (note 11)			
Legislative	319,003	335,040	312,669
Administration	2,462,377	2,301,353	1,988,360
Protective services	820,932	725,411	663,951
Ambulance	432,291	432,566	344,640
Airport	14,000	61,657	31,647
Roads, streets, walks and lighting	8,500,280	9,739,505	8,842,683
Family and community support	305,146	246,985	211,841
Waste and waste water	570,769	573,630	612,560
Waste management	62,352	64,741	69,151
Cemeteries	1,500	1,311	1,481
Planning and development	796,739	920,307	856,568
Agriculture service board	299,439	301,177	292,110
Recreation board	427,350	500,159	394,152
Parks	28,783	23,047	19,989
Library	113,157	113,157	108,824
	15,154,118	16,340,046	14,750,626
Excess of revenue over expenditures	771,977	767,368	1,925,923
Net interfund transfers			
Transfer to capital - repayment of long-term debt	(303,988)	(303,988)	(462,508)
Transfer to capital	(1,250,000)	(896,527)	(1,263,816)
Transfer from (to) reserves	782,011	433,147	(199,599)
Change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULE 2
SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - CAPITAL
For the year ended December 31, 2003

	Budget (Unaudited)	2003	2002
Revenue			
Government transfers	\$ 367,500	\$ 562,852	\$ 581,129
Proceeds on disposal of physical assets	229,000	209,867	167,077
Other	-	5,250	24,000
	596,500	777,969	772,206
Expenditures (note 11)			
Administration	188,900	462,880	2,218,880
Protective services	446,650	100,663	396,339
Roads, streets, walks and lighting	1,547,751	1,172,608	1,241,207
Water and waste water	440,000	356,776	494,835
Agriculture service board	16,585	17,109	1,780
Parks	-	490	-
	2,639,886	2,110,526	4,353,041
Deficiency of revenue over expenditures	(2,043,386)	(1,332,557)	(3,580,835)
Capital financing transactions and net interfund transfers			
Proceeds of long-term debt	634,386	635,481	381,940
Repayment of long-term debt	(303,988)	(303,988)	(462,508)
Transfer from operating - repayment of long-term debt	303,988	303,988	462,508
Transfer from operating	1,250,000	896,527	1,263,816
Transfer from reserves	25,000	13,734	1,696,482
Change in fund balance	(134,000)	213,185	(238,597)
Fund balance, beginning of year	61,565	61,565	300,162
Fund balance, end of year	\$ (72,435)	\$ 274,750	\$ 61,565

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**SCHEDULE 3****SCHEDULE OF CHANGE IN FUND BALANCE - RESERVES**

For the year ended December 31, 2003

	Budget (Unaudited)	2003	2002
Fund balance, beginning of year	\$ 5,415,493	\$ 5,415,493	\$ 6,912,376
Net interfund transfers			
Transfer (to) from operating	(782,011)	(433,147)	199,599
Transfer to capital	(25,000)	(13,734)	(1,696,482)
Fund balance, end of year (note 8)	\$ 4,608,482	\$ 4,968,612	\$ 5,415,493

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2003

1. Significant accounting policies

The consolidated financial statements of the Municipal District of Foothills No. 31 are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Municipal District are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenditures, changes in fund balances and change in financial position of the reporting entity which comprises all of the organizations that are owned or controlled by the Municipal District and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

Taxes levied also includes requisitions for educational, health care, social and other external organizations 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 basis of accounting followed in the financial statement presentation includes revenue recognized in the period in which the transactions or events occurred that gave rise to the revenue, and expenditures recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(c) Fund accounting

For reporting purposes, established funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Gains or losses from land sales are recorded as operating fund revenue or expenditures.

(d) Government transfers

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 Municipal District, and reasonable estimates of the amounts can be made.

(e) Pension expenditure

The Municipal District of Foothills No. 31 participates in a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan.

(f) Investments

Investments are recorded at cost.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2003

1. Significant accounting policies, continued

(g) Inventories

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

Inventories of materials and supplies are classed as physical assets and have been fully funded by operations.

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 levelling charges. Related development costs incurred to provide infrastructure such as water and waste water services, roads, sidewalks, and street lighting are recorded as physical assets under their respective function.

(h) Physical assets

Physical assets are reported as expenditures in the period that they are acquired. Physical assets are recorded at cost except for donated assets, which are recorded at estimated fair value when acquired.

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

Physical assets are not amortized.

(i) Prepaid local improvements charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowing. These levies are collectible from property owners for work performed by the Municipal District.

Where a taxpayer has elected to prepay the outstanding local improvement charge, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowing, the deferred revenue is amortized to the revenue by an amount equal to the debt repayment.

(j) Allowances for operating and physical assets

Allowances for asset valuations are netted against the related asset and are segregated between operating and capital purposes. Increases in allowances are recorded as an expenditure while decreases in allowances are recorded as a revenue in the respective operating and capital fund.

(k) Reserves for future expenditures

Reserves 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.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2003

1. Significant accounting policies, continued

(l) Equity in physical assets

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

(m) Measurement uncertainty

Financial statements, by their nature, contain estimates and are subject to measurement uncertainty. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided based on management's best information available at the time. The effect on the financial statements of changes in such estimates in future periods could be significant.

2. Cash and temporary investments

	2003	2002
Cash	\$ 4,277,021	\$ 268,593
Temporary investments	2,437,727	5,695,957
	\$ 6,714,748	\$ 5,964,550

The temporary investments are comprised of GIC's, term deposits, government bonds and corporate bonds with interest rates ranging from 2.3% to 6.25%. The market value of these investments equals their cost.

3. Taxes and grants in place of taxes receivable

	2003	2002
Current taxes and grants in place of taxes	\$ 841,409	\$ 780,822
Arrears	226,773	245,371
	1,068,182	1,026,193
Allowance for uncollectible taxes	(25,519)	(25,321)
	\$ 1,042,663	\$ 1,000,872

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2003

4. Physical assets

	2003	2002
Engineering structures	\$ 6,080,005	\$ 5,371,999
Buildings	5,131,305	5,091,759
Machinery, equipment and furnishings	12,062,150	11,484,062
Land	1,937,371	1,937,370
Vehicles	4,733,690	4,227,481
	<u>\$ 29,944,521</u>	<u>\$ 28,112,671</u>

Physical assets are defined as items with a cost over \$500 and a useful life over one year. At the present time assets are not amortized and no amortization expense is recorded. Assets are broken down into the following categories:

Engineering structures - includes permanent municipal structural works, other than buildings, such as sewers, water works, site improvements and landscaping.

Buildings - includes all offices, shops and other structures intended to shelter persons, goods, machinery and equipment to supply working space.

Machinery, equipment and furnishings - includes all equipment, machinery, furniture and appliances required for municipal operations but does not include vehicles.

Land - includes all land owned by the Municipal District of Foothills No. 31 and used or intended to be used for municipal purposes. Land held for resale or reserve land acquired through the subdivision process for school and recreation purposes are not included.

Vehicles - includes all vehicles and trailers licensed for highway use.

The above are recorded at cost. Actual current value of these assets will vary from the above.

5. Deferred revenue

The deferred revenue balance represents operating funds received that are related to the subsequent period. Changes in the deferred revenue balance are as follows:

	2003	2002
Beginning balance	\$ 456,749	\$ 487,382
Amount recognized as revenue in the year	(443,655)	(77,639)
Amounts received related to next year	362,650	47,006
Ending balance	<u>\$ 375,744</u>	<u>\$ 456,749</u>

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2003

6. Long-term debt

	Payment	Interest rate %	Year of expiry	2003	2002
Blackie curb and gutter	3,706	12.000	2003	\$ -	\$ 3,309
Blackie administration building	6,866	10.500	2004	6,213	11,836
Cayley office/fire hall	3,825	12.000	2005	6,464	9,187
Blackie roads	4,677	11.625	2005	7,944	11,307
Heavy equipment	139,267	4.625	2005	260,337	381,940
Heavy equipment	228,995	4.000	2006	635,481	-
Blackie water	6,252	12.000	2007	18,990	22,538
Blackie water/sewer	12,328	12.000	2009	50,688	56,264
Aldersyde water	40,190	12.000	2010	183,416	199,648
Okotoks fire hall	28,460	9.125	2012	169,761	181,646
Blackie water	9,628	8.000	2013	64,602	68,731
Cayley sewage	10,955	9.000	2015	78,443	82,016
Cayley sewage	4,304	8.750	2015	31,213	32,659
				\$ 1,513,552	\$ 1,061,081
Tax supported debentures				1,499,394	1,037,938
Self supported debentures				14,158	23,143
				1,513,552	1,061,081
Current portion				\$ 395,114	\$ 183,010

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2004	\$ 395,114	\$ 100,633	\$ 495,747
2005	409,166	79,715	488,881
2006	282,825	58,167	340,992
2007	69,437	42,680	112,117
2008	70,494	35,274	105,768
Thereafter	286,516	75,197	361,713
	\$ 1,513,552	\$ 391,666	\$ 1,905,218

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2003

6. Long-term debt, continued

Debenture debt is repayable to Alberta Capital Finance Authority and is issued on the credit and security of the Municipal District of Foothills No. 31 at large. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Only the debentures repayable at \$3,825 per annum at 12% expiring in 2005, repayable at \$6,866 per annum at 10.5% expiring in 2004 and repayable at \$6,252 per annum at 12% expiring in 2007 qualify for this rebate. The average annual interest rate is 6.649% (2002 - 8.241%).

7. Lease contracts

The Municipal District has acquired road construction equipment and financed these acquisitions through a lease contract. At the end of the lease the Municipal District intends to exercise its purchase options. The interest rate for the lease is 7.28%. Security pledged consists of specified Caterpillar equipment.

2004	\$ 103,446
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8. Reserves

Council has set up reserves for various purposes. These reserves are either required by legislation or set up at the discretion of Council to provide funding for future expenditures.

Public reserve

Funds in this reserve are acquired through sale of public reserve land or through cash in lieu of land payments. Under the Municipal Government Act, certain subdivisions are required to contribute land for school and recreational purposes.

Public transportation

This reserve consists of unexpended public transportation grant funds. These funds are intended to assist in the provision of transportation of seniors and disabled residents.

Fire capital

Funds from this reserve are from donations and contributions from individuals, companies and associations and have been donated to assist in the purchase of fire equipment at the discretion of Council under the recommendation of the rural fire board.

Fire operating

This reserve is the result of a surplus in the fire operating account. This reserve can be used at the discretion of Council to offset future deficits in the fire operations or for any other fire related purpose.

FCSS reserve

This reserve is the result of unexpended grant funds that will be used at the discretion of Council under the recommendation of the FCSS board to fund future Family and Community Support Services projects.

Mill rate stabilization

These funds have been set aside as a contingency reserve to be used at the discretion of Council to offset mill rate increases or to cover unexpected expenditures.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2003

8. Reserves, continued

Aldersyde water line

This reserve results from grant funds not spent on another project. Alberta Transportation and Utilities have advised these funds will be used for the booster pump on the Aldersyde water line.

Cayley water treatment plant

This reserve results from funds received from the Province to upgrade the Cayley water treatment plant after the dissolution of the Village of Cayley.

Blackie water and sewer

This reserve was transferred from the Village of Blackie and will be used to fund future water and sewer improvements in the former Village.

Provincial 75th Anniversary grant

In 1980 the Province of Alberta gave each municipality a grant as part of the Provincial 75th anniversary celebration. Council at that time set up funds as a reserve. The funds from this grant are used to fund operations during the year and reduce the requirement for borrowing until taxes are collected. Excess funds are invested and the interest income is recorded as general revenue.

Blackie cemetery

In 2002, a donation that is to be used for improvements and maintenance at the Blackie cemetery was received from a Blackie business.

Reserves for operating and capital activities changed as follows:

	2002	Increase	Decrease	2003
Public reserve	\$ 2,231,488	\$ 529,981	\$ 1,179,929	\$ 1,581,540
Public transportation	22,389	776	-	23,165
Fire capital	25,000	-	-	25,000
Fire operating	13,067	-	-	13,067
FCSS reserve	6,985	-	-	6,985
Mill rate stabilization	795,333	-	812,266	165,078
Aldersyde water line	4,207	-	4,207	-
Cayley water treatment plant	9,526	-	9,526	-
Blackie water and sewer	37,999	-	-	37,999
Provincial 75th Anniversary grant	2,264,999	1,028,442	-	3,111,430
Blackie cemetery	4,500	-	152	4,348
	\$ 5,415,493	\$ 1,559,199	\$ 2,006,080	\$ 4,968,612

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2003

9. Net municipal property taxes

	Budget (Unaudited)	2003	2002
Taxation			
Residential property taxes	\$ 15,168,369	\$ 15,176,601	\$ 13,890,815
Commercial/industrial property taxes	3,054,532	3,054,532	2,823,100
Farmland property taxes	1,657,759	1,657,759	1,663,456
Power, pipe, cable t.v. and railway	3,508,111	3,508,111	3,318,191
Federal grants in place of property taxes	16,896	16,896	16,511
Provincial grants in place of property taxes	13,108	13,108	11,264
	<u>23,418,775</u>	<u>23,427,007</u>	<u>21,723,337</u>
Requisitions			
Alberta School Foundation Fund	10,589,204	10,589,204	9,871,891
Separate School Board	942,194	942,194	869,148
Seniors' Foundation	303,874	303,874	273,283
	<u>11,835,272</u>	<u>11,835,272</u>	<u>11,014,322</u>
	<u>\$ 11,583,503</u>	<u>\$ 11,591,735</u>	<u>\$ 10,709,015</u>

10. Government transfers

	Budget (Unaudited)	2003	2002
Provincial transfers			
Entitlements	\$ 37,600	\$ 37,608	\$ 37,608
Shared-cost agreements and grants	1,589,646	1,815,831	2,680,177
	<u>1,627,246</u>	<u>1,853,439</u>	<u>2,717,785</u>
Local government transfers			
Shared-cost agreements	42,500	69,350	59,712
	<u>\$ 1,669,746</u>	<u>\$ 1,922,789</u>	<u>\$ 2,777,497</u>

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2003

11. Expenditures by object

	Budget (Unaudited)	2003	2002
Operating			
Salaries, wages and benefits	\$ 5,679,009	\$ 5,486,517	\$ 5,056,426
Contracts and general services	3,996,545	4,584,528	4,510,592
Materials, goods, supplies and utilities	3,237,950	3,958,954	3,129,643
Purchase from other governments	338,350	292,009	132,535
Transfer to other governments, individuals and organizations	1,286,758	1,333,625	1,264,803
Bank charges and short-term interest	12,000	15,322	9,373
Interest on long-term debt	103,806	112,213	116,639
Other expenditures	499,700	556,878	530,615
	15,154,118	16,340,046	14,750,626
Capital			
Purchase of physical assets	2,639,886	2,110,526	4,353,041
	\$ 17,794,004	\$ 18,450,572	\$ 19,103,667

12. Salary and benefits disclosure

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

	(1) Salary	(2) Benefits & allowances	2003	2002
Council				
Gerrit Top	\$ 35,880	\$ 528	\$ 36,408	\$ 34,233
Roy McLean	47,095	2,201	49,296	45,203
Ron Laycraft	44,964	428	45,392	47,447
Terry Waddock	45,049	1,475	46,524	39,661
Ron Chase	48,415	-	48,415	43,645
Michele Veldhoen	32,326	1,157	33,483	31,942
Flores Groeneveld	44,008	355	44,363	42,967
Chief Administrative Officers - 2	193,648	26,130	219,778	208,114
Designated Officers - 4	\$ 256,628	\$ 42,790	\$ 299,418	\$ 391,816

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

(2) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada Pension Plan (CPP), employment insurance (EI), health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans.

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12. Salary and benefits disclosure, continued

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances and club memberships.

13. Local authorities pension plan

Employees of the Municipal District of Foothills No. 31 participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 143,000 people and about 389 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund.

The Municipal District of Foothills No. 31 is required to make current service contributions to the Plan of 5.525% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 7.4% for the excess.

Total current service contributions by the Municipal District of Foothills No. 31 to the Local Authorities Pension Plan in 2003 were \$191,105 (2002 - \$165,980). Total current service contributions by the employees of the Municipal District of Foothills No. 31 to the Local Authorities Pension Plan in 2003 were \$158,666 (2002 - \$135,392).

At December 31, 2002, the Plan disclosed an actuarial surplus of 635.0 million.

14. Debt limits

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

	2003	2002
Total debt limit	\$ 25,983,797	\$ 25,301,439
Total debt	1,513,552	1,285,506
	\$ 24,470,245	\$ 24,015,933
Debt servicing limit	\$ 4,330,633	\$ 4,216,907
Debt servicing	495,747	403,790
	\$ 3,834,886	\$ 3,813,117

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which 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.

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15. Contingency

The Municipal District of Foothills No. 31 is a member of the Alberta Municipal Insurance Exchange (MUNIX) which provides liability insurance. The investment in this program is not reflected as an asset in the accompanying financial statements.

Under the terms of membership, the Municipal District could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

16. Gravel pit reclamation

The Municipal District has seven open gravel pit sites which will be reclaimed in the future. The estimated future costs of reclamation, discounted to December 31, 2003, totalling \$354,283, have not been accrued in these financial statements. Alberta Municipal Affairs and the Canadian Institute of Chartered Accountants (CICA), (PSAB), recommend that gravel pit reclamation costs be accrued in the same manner as costs for solid waste landfill closure and post-closure. Commencing January 1, 2004, these reclamation costs for gravel pits are required to be accrued under new CICA handbook section #3110 - Asset Retirement Obligations.

17. Financial instruments

The Municipal District of Foothills No. 31's financial instruments consist of cash and temporary investments, receivables, bank overdraft, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Municipal District is not exposed to significant interest, currency or credit risk arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

18. Approval of financial statements

These financial statements were approved by Council and Management.