

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31

Financial Statements

For the year ended December 31, 2004

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
TABLE OF CONTENTS
For the year ended December 31, 2004

AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCES	3
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION	4
SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - OPERATING	5
SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - CAPITAL	6
SCHEDULE OF CHANGE IN FUND BALANCE - RESERVES	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8 - 21

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, 2004, 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, 2004 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 23, 2005

Young Parkyn McNab LLP

Chartered Accountants

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2004

	2004	2003
ASSETS		
Financial assets		
Cash and temporary investments (note 2)	\$ 6,327,144	\$ 6,714,748
Taxes and grants in place of taxes receivable (note 3)	1,210,880	1,042,663
Accounts receivable - trade	1,240,816	826,297
Land held for resale	64,493	63,823
Prepaid expenses	179,071	162,593
Other financial assets	17,666	18,259
	9,040,070	8,828,383
Physical assets		
Capital assets (note 4)	31,803,913	29,944,521
Inventory for consumption	779,765	736,373
	32,583,678	30,680,894
	\$ 41,623,748	\$ 39,509,277

LIABILITIES AND MUNICIPAL EQUITY

Liabilities		
Accounts payable and accrued liabilities	\$ 2,463,166	\$ 1,925,964
Vacation accrual	304,206	211,111
Provision for gravel pit reclamation	356,300	-
Deposit liabilities	1,805,693	1,072,202
Deferred revenue (note 5)	330,532	375,744
Long-term debt (note 6)	1,618,437	1,513,552
Lease contracts	-	103,446
	6,878,334	5,202,019
Contingency (note 17)		
Municipal equity		
Fund balances		
Operating (schedule 1)	(110,226)	601,245
Capital (schedule 2) (note 7)	162,511	274,750
Reserves (schedule 3) (note 8)	4,507,653	5,103,740
	4,559,938	5,979,735
Equity in capital assets (note 9)	30,185,476	28,327,523
	34,745,414	34,307,258
	\$ 41,623,748	\$ 39,509,277

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCES
For the year ended December 31, 2004

	Budget (Unaudited)	2004	2003
Revenue			
Net municipal property taxes (note 10)	\$ 13,317,852	\$ 13,346,038	\$ 11,591,735
Sales and user charges	501,275	761,855	668,469
Government transfers (note 11)	1,383,885	2,146,849	1,922,789
Fines	160,150	122,720	121,710
Return on investments	170,000	174,918	214,753
Licenses and permits	838,000	951,957	855,503
Rentals	102,998	105,453	105,685
Penalties and costs on taxes	215,300	248,988	225,743
Other	1,181,740	2,122,397	1,969,129
Proceeds on disposal of physical assets	425,000	470,777	209,867
	<u>18,296,200</u>	<u>20,451,952</u>	<u>17,885,383</u>
Expenditures (note 12)			
Legislative	345,230	400,605	335,040
Administration	2,805,693	2,830,073	2,764,233
Protective services	1,408,297	1,616,655	826,074
Ambulance	376,565	376,565	432,566
Airport	14,000	22,023	61,657
Roads, streets, walks and lighting	10,766,203	12,836,358	11,155,922
Family and community support	311,874	312,153	246,985
Water and wastewater	739,787	823,241	930,406
Waste management	72,195	69,793	64,741
Cemeteries	1,470	758	1,311
Planning and development	791,062	1,591,246	920,307
Agriculture service board	333,963	302,157	427,950
Recreation board	484,750	492,465	500,159
Parks	23,039	79,743	23,537
Library	119,354	119,354	113,157
	<u>18,593,482</u>	<u>21,873,189</u>	<u>18,804,045</u>
Deficiency of revenue over expenditures	(297,282)	(1,421,237)	(918,662)
Capital financing transactions			
Proceeds of long-term debt	500,000	500,000	635,481
Repayment of long-term debt	(498,560)	(498,560)	(303,988)
Change in fund balances	(295,842)	(1,419,797)	(587,169)
Fund balances, beginning of year			
As previously reported	5,243,359	5,243,362	5,477,058
Change in accounting policy (note 13)	-	736,373	1,089,846
As restated	<u>5,243,359</u>	<u>5,979,735</u>	<u>6,566,904</u>
Fund balances, end of year	<u>\$ 4,947,517</u>	<u>\$ 4,559,938</u>	<u>\$ 5,979,735</u>

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the year ended December 31, 2004

	2004	2003
Cash flows from operating activities		
Deficiency of revenue over expenditures	\$ (1,421,237)	\$ (918,662)
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(168,217)	(41,791)
Accounts receivable - trade	(414,519)	266,337
Land held for resale	(670)	-
Prepaid expenses	(16,478)	(150,982)
Other financial assets	593	6,905
Inventory for consumption	(43,392)	353,473
Accounts payable and accrued liabilities	537,202	896,270
Vacation accrual	93,095	5,691
Provision for gravel pit reclamation	356,300	-
Deposit liabilities	733,491	82,469
Deferred revenue	(45,212)	(81,005)
	(389,044)	418,705
Cash flows from financing activities		
Proceeds of long-term debt	500,000	635,481
Repayment of long-term debt	(498,560)	(303,988)
	1,440	331,493
(Decrease) increase in cash and temporary investments	(387,604)	750,198
Cash and temporary investments, beginning of year	6,714,748	5,964,550
Cash and temporary investments, end of year	\$ 6,327,144	\$ 6,714,748

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULE 1
SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - OPERATING
For the Year Ended December 31, 2004

	Budget (Unaudited)	2004	2003
Revenue			
Net municipal property taxes (note 10)	\$ 13,317,852	\$ 13,346,038	\$ 11,591,735
Sales and user charges	501,275	761,855	668,469
Government transfers	1,064,885	1,638,225	1,359,937
Fines	160,150	122,720	121,710
Return on investments	170,000	174,918	214,753
Licenses and permits	838,000	951,957	855,503
Rentals	102,998	105,453	105,685
Penalties and costs on taxes	215,300	248,988	225,743
Other	1,181,740	1,993,600	1,963,879
	17,552,200	19,343,754	17,107,414
Expenditures (note 12)			
Legislative	345,230	400,605	335,040
Administration	2,450,393	2,407,019	2,301,353
Protective services	858,047	1,197,822	725,411
Ambulance	376,565	376,565	432,566
Airport	14,000	22,023	61,657
Roads, streets, walks and lighting	8,060,211	9,866,673	9,629,841
Family and community support	311,874	312,153	246,985
Water and wastewater	739,787	644,790	573,630
Waste management	72,195	69,793	64,741
Cemeteries	1,470	758	1,311
Planning and development	791,062	1,591,246	920,307
Agriculture service board	305,663	299,613	410,841
Recreation board	484,750	492,465	500,159
Parks	23,039	76,873	23,047
Library	119,354	119,354	113,157
	14,953,640	17,877,752	16,340,046
Excess of revenue over expenditures	2,598,560	1,466,002	767,368
Net interfund transfers			
Transfer to capital - repayment of long-term debt (schedule 2)	(498,560)	(498,560)	(303,988)
Transfer to capital (schedule 2)	(2,100,000)	(2,100,000)	(1,250,000)
Transfer from reserves (schedule 3)	-	421,087	298,019
Change in fund balance	-	(711,471)	(488,601)
Fund balance, beginning of year			
As previously stated	-	-	-
Change in accounting policy (note 13)	-	601,245	1,089,846
As restated	-	601,245	1,089,846
Fund balance, end of year	\$ -	\$ (110,226)	\$ 601,245

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULE 2
SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - CAPITAL
For the year ended December 31, 2004

	Budget (Unaudited)	2004	2003
Revenue			
Government transfers	\$ 319,000	\$ 508,624	\$ 562,852
Proceeds on disposal of physical assets	425,000	470,777	209,867
Other	-	128,797	5,250
	744,000	1,108,198	777,969
Expenditures (note 12)			
Administration	355,300	423,054	462,880
Protective services	550,250	418,833	100,663
Roads, streets, walks and lighting	2,705,992	2,969,685	1,526,081
Water and waste water	-	178,451	356,776
Agriculture service board	28,300	2,544	17,109
Parks	-	2,870	490
	3,639,842	3,995,437	2,463,999
Deficiency of revenue over expenditures	(2,895,842)	(2,887,239)	(1,686,030)
Capital financing transactions and net interfund transfers			
Transfer from operating - repayment of long-term debt (schedule 1)	498,560	498,560	303,988
Transfer from operating (schedule 1)	2,100,000	2,100,000	1,250,000
Transfer from reserves (schedule 3)	25,000	175,000	13,734
Proceeds of long-term debt (note 9)	500,000	500,000	635,481
Repayment of long-term debt (note 9)	(498,560)	(498,560)	(303,988)
Change in fund balance	(270,842)	(112,239)	213,185
Fund balance, beginning of year	274,750	274,750	61,565
Fund balance, end of year (note 7)	\$ 3,908	\$ 162,511	\$ 274,750

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULE 3
SCHEDULE OF CHANGE IN FUND BALANCE - RESERVES
For the year ended December 31, 2004

	Budget (Unaudited)	2004	2003
Net interfund transfers			
Transfer to operating (schedule 1)	\$ -	\$ (421,087)	\$ (298,019)
Transfer to capital (schedule 2)	(25,000)	(175,000)	(13,734)
Change in fund balance	(25,000)	(596,087)	(311,753)
Fund balance, beginning of year			
As previously reported	4,968,609	4,968,612	5,415,493
Change in accounting policy (note 13)	-	135,128	-
As restated	4,968,609	5,103,740	5,415,493
Fund balance, end of year (note 8)	\$ 4,943,609	\$ 4,507,653	\$ 5,103,740

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2004

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

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

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 are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made.

Expenditures are 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) 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.

(e) Investments

Investments are recorded at cost. 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.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2004

1. Significant accounting policies, continued

- (f) 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.

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 capital assets under their respective function.

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

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

Capital assets are not amortized.

- (h) Requisition over-levy and under-levy
Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

- (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.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2004

1. Significant accounting policies, continued

- (k) Operating fund
Operating fund represents the amounts available to offset future operational revenue requirements (or the shortfall which will be financed from future operational revenues).
- (l) Capital fund
Capital fund represents the amounts available to finance (or the shortfall in financing available for) capital projects.
- (m) Reserve fund
Reserve fund represents the amounts set aside to finance future operating and capital expenditures. Reserves are established at the discretion of Council. Transfers to and/or from the reserve fund are reflected as an adjustment to the respective fund.
- (n) Equity in capital assets
Equity in capital assets represents the Municipal District's net investment in its total capital 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 which will be repaid by the municipality.
- (o) Use of estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

2. Cash and temporary investments

	2004	2003
Cash	\$ 4,877,208	\$ 4,277,021
Temporary investments	1,449,936	2,437,727
	\$ 6,327,144	\$ 6,714,748

The temporary investments are comprised of GIC's, term deposits, government bonds and corporate bonds with interest rates ranging from 2.9% to 5.75%. The market value of these investments equals their cost.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2004

3. Taxes and grants in place of taxes receivable

	2004	2003
Current taxes and grants in place of taxes	\$ 1,019,045	\$ 841,409
Arrears	215,592	226,773
	1,234,637	1,068,182
Allowance for uncollectible taxes	(23,757)	(25,519)
	\$ 1,210,880	\$ 1,042,663

4. Capital assets

	2004	2003
Engineering structures	\$ 6,257,906	\$ 6,080,005
Buildings	5,149,341	5,131,305
Machinery, equipment and furnishings	12,462,983	12,062,150
Land	2,162,371	1,937,371
Vehicles	5,771,312	4,733,690
	\$ 31,803,913	\$ 29,944,521

Capital 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 sub-division 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.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2004

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:

	2004	2003
Streets improvement program	\$ 41,160	\$ 41,160
Administrative building rental	2,490	2,490
Municipal sponsorship program	182,974	319,000
Blackie prepaid local improvements	9,534	13,094
West Nile grant	35,560	-
Alberta centennial grant	54,814	-
Supernet grant	4,000	-
	\$ 330,532	\$ 375,744

6. Long-term debt

	Payment	Interest rate %	Year of expiry	2004	2003
Blackie administration building	6,866	10.500	2004	\$ -	\$ 6,213
Cayley office/fire hall	3,825	12.000	2005	3,415	6,464
Blackie roads	4,677	11.625	2005	4,190	7,944
Heavy equipment	139,267	4.625	2005	133,111	260,337
Heavy equipment	228,995	4.000	2006	431,906	635,481
Blackie water	6,252	12.000	2007	15,017	18,990
Heavy equipment	176,738	3.405	2007	500,000	-
Blackie water/sewer	12,238	12.000	2009	44,442	50,688
Aldersyde water	40,190	12.000	2010	165,236	183,416
Okotoks fire hall	28,460	9.125	2012	156,791	169,761
Blackie water	9,628	8.000	2013	60,142	64,602
Cayley sewage	10,955	9.000	2015	74,548	78,443
Cayley sewage	4,304	8.750	2015	29,639	31,213
				\$ 1,618,437	\$ 1,513,552
Tax supported debentures				1,614,247	1,499,394
Self supported debentures				4,190	14,158
				1,618,437	1,513,552
Current portion				\$ 570,238	\$ 395,114

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2004

6. Long-term debt, continued

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2005	\$ 570,238	\$ 95,380	\$ 665,618
2006	449,547	68,301	517,848
2007	241,761	47,093	288,854
2008	70,591	35,274	105,865
2009	78,054	27,811	105,865
Thereafter	208,246	47,386	255,632
	\$ 1,618,437	\$ 321,245	\$ 1,939,682

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 and repayable at \$6,252 per annum at 12% expiring in 2007 qualify for this rebate. The average annual interest rate is 5.894% (2003 - 6.649%).

Interest on long-term debt amounted to \$98,329 (2003 - \$112,213)

The Municipal District's total cash payments for interest in 2004 were \$104,041 (2003 - \$103,200)

7. Capital fund

	2004	2003
Financing available:		
Protective services	\$ 68,752	\$ 276,500
Roads, streets, walks and lighting	80,849	-
Agriculture service board	12,910	9,423
	162,511	285,923
Amounts to be financed:		
Water and wastewater	-	(11,173)
	\$ 162,511	\$ 274,750

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2004

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.

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.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2004

8. Reserves, continued

Reserves for operating and capital activities changed as follows:

	2003	Increase	Decrease	2004
Public reserve	\$ 1,581,540	\$ 460,317	\$ 881,104	\$ 1,160,753
Public transportation	23,165	300	-	23,465
Fire capital	25,000	-	25,000	-
Fire operating	13,067	-	-	13,067
FCSS reserve	6,985	-	-	6,985
Mill rate stabilization	300,206	-	150,000	150,206
Blackie water and sewer	37,999	-	-	37,999
Provincial 75th Anniversary grant	3,111,430	-	-	3,111,430
Blackie cemetery	4,348	-	600	3,748
	\$ 5,103,740	\$ 460,617	\$ 1,056,704	\$ 4,507,653

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2004

9. Equity in capital assets

	Budget (Unaudited)	2004	2003
Acquisition of capital assets			
Administration	\$ 355,300	\$ 423,054	\$ 462,880
Protective services	550,250	418,833	100,663
Roads, streets, walks and lighting	2,705,992	2,969,685	1,526,081
Water and waste water	-	178,451	356,776
Agriculture service board	28,300	2,544	17,109
Parks	-	2,868	490
	<u>3,639,842</u>	<u>3,995,435</u>	<u>2,463,999</u>
Disposal of capital assets (cost)			
Administration	-	(618,274)	-
Protective services	-	(34,627)	-
Roads, streets, walks and lighting	-	(1,483,141)	(632,146)
	<u>-</u>	<u>(2,136,042)</u>	<u>(632,146)</u>
Capital financing			
Proceeds of long-term debt	(500,000)	(500,000)	(635,481)
Repayment of long-term debt from operating	498,560	498,560	303,988
	<u>(1,440)</u>	<u>(1,440)</u>	<u>(331,493)</u>
Change in equity balance	<u>3,638,402</u>	<u>1,857,953</u>	<u>1,500,360</u>
Equity balance, beginning of year			
As previously reported	29,063,896	29,063,896	27,917,009
Change in accounting policy (note 13)	-	(736,373)	(1,089,846)
As restated	<u>29,063,896</u>	<u>28,327,523</u>	<u>26,827,163</u>
Equity balance, end of year	<u>\$ 32,702,298</u>	<u>\$ 30,185,476</u>	<u>\$ 28,327,523</u>
Balance consists of:			
Capital assets (note 4)		\$ 31,803,913	\$ 29,944,521
Long-term debt (note 6)		(1,618,437)	(1,513,552)
Lease contracts		-	(103,446)
		<u>\$ 30,185,476</u>	<u>\$ 28,327,523</u>

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2004

10. Net municipal property taxes

	Budget (Unaudited)	2004	2003
Taxation			
Residential property taxes	\$ 17,151,402	\$ 17,148,734	\$ 15,176,601
Commercial/industrial property taxes	3,361,034	3,361,034	3,054,532
Farmland property taxes	1,654,175	1,654,175	1,657,759
Power, pipe, cable t.v. and railway	3,767,312	3,798,166	3,508,111
Federal grants in place of property taxes	17,301	17,301	16,896
Provincial grants in place of property taxes	15,219	15,219	13,108
	<u>25,966,443</u>	<u>25,994,629</u>	<u>23,427,007</u>
Requisitions			
Alberta School Foundation Fund	11,310,133	11,310,133	10,589,204
Separate School Board	1,002,408	1,002,408	942,194
Seniors' Foundation	336,050	336,050	303,874
	<u>12,648,591</u>	<u>12,648,591</u>	<u>11,835,272</u>
	<u>\$ 13,317,852</u>	<u>\$ 13,346,038</u>	<u>\$ 11,591,735</u>

11. Government transfers

	Budget (Unaudited)	2004	2003
Provincial transfers			
Entitlements	\$ 37,608	\$ 37,608	\$ 37,608
Shared-cost agreements and grants	1,308,785	2,059,792	1,815,831
	<u>1,346,393</u>	<u>2,097,400</u>	<u>1,853,439</u>
Local government transfers			
Shared-cost agreements	37,500	49,449	69,350
	<u>\$ 1,383,893</u>	<u>\$ 2,146,849</u>	<u>\$ 1,922,789</u>

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2004

12. Expenditures by object

	Budget (Unaudited)	2004	2003
Operating			
Salaries, wages and benefits	\$ 5,750,652	\$ 5,983,755	\$ 5,486,517
Contracts and general services	2,983,903	4,930,787	4,584,528
Materials, goods, supplies and utilities	3,833,125	4,360,663	3,958,954
Purchase from other governments	292,950	406,452	292,009
Transfer to other governments, individuals and organizations	1,333,986	1,431,398	1,333,625
Bank charges and short-term interest	16,500	24,560	15,322
Interest on long-term debt	103,184	98,328	112,213
Other expenditures	639,340	641,809	556,878
	<u>14,953,640</u>	<u>17,877,752</u>	<u>16,340,046</u>
Capital			
Purchase of capital assets	3,639,842	3,995,437	2,463,999
	<u>\$ 18,593,482</u>	<u>\$ 21,873,189</u>	<u>\$ 18,804,045</u>

13. Change in accounting policy

Alberta Municipal affairs has issued an accounting pronouncement concerning the calculation of the Municipal District's equity in capital assets. Based on this pronouncement, the equity in capital assets has been restated, on a retroactive basis, to exclude the value of inventory for consumption.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2004

14. 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)	(2)	2004	2003
	Salary	Benefits & allowances		
Council				
Gerrit Top	\$ 32,288	\$ 396	\$ 32,684	\$ 36,408
Roy McLean	52,359	1,970	54,329	49,296
Ron Laycraft	53,049	99	53,148	45,392
Terry Waddock	42,421	1,227	43,648	46,524
Ron Chase	53,353	-	53,353	48,415
Michele Veldhoen	26,161	719	26,880	33,483
Flores Groeneveld	44,758	396	45,154	44,363
Ralph C Nelson	7,576	313	7,889	-
Tedford Mills	7,498	58	7,556	-
Pat Stier	7,579	267	7,846	-
Chief Administrative Officers - 2	194,119	26,106	220,225	219,778
Designated Officers - 4	\$ 266,532	\$ 43,196	\$ 309,728	\$ 299,418

(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.

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.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2004

15. 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 2004 were \$232,467 (2003 - \$191,105). Total current service contributions by the employees of the Municipal District of Foothills No. 31 to the Local Authorities Pension Plan in 2004 were \$199,218 (2003 - \$158,666).

At December 31, 2003, the Plan disclosed an actuarial deficiency of 445.0 million.

16. 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:

	2004	2003
Total debt limit	\$ 29,914,992	\$ 25,983,797
Total debt	1,618,437	1,513,552
	\$ 28,296,555	\$ 24,470,245
Debt servicing limit	\$ 4,985,832	\$ 4,330,633
Debt servicing	665,618	495,747
	\$ 4,320,214	\$ 3,834,886

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.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2004

17. 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.

18. Subsequent events

Subsequent to year end the City of Calgary received approval to annex 4,400 acres of land from the Municipal District of Foothills No. 31. To compensate for lost future taxes and to reimburse the Municipal District of Foothills No. 31 for annexation and other costs, the City of Calgary paid the Municipal District of Foothills No. 31 \$1,300,000.

19. 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.

20. Comparative figures

Where necessary the comparative figures for the 2003 year have been reclassified to conform with 2004 financial statement presentation.

21. Approval of financial statements

These financial statements were approved by Council and Management.