

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31

Financial Statements

For the year ended December 31, 2007

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31

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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, 2007, 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 management. 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, 2007 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Lethbridge, Alberta

March 20, 2008

Young Parkyn McNab LLP

Chartered Accountants

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2007

	2007	2006
ASSETS		
Financial assets		
Cash and temporary investments (note 2)	\$ 9,754,707	\$ 14,962,613
Taxes and grants in place of taxes receivable (note 3)	1,655,455	1,340,579
Accounts receivable - trade	6,954,327	1,935,122
Land held for resale	859,494	580,504
Prepaid expenses	196,579	190,056
Other financial assets	19,534	19,376
	19,440,096	19,028,250
Physical assets		
Capital assets (note 4)	46,206,943	37,285,254
Inventory for consumption	2,009,986	747,758
	48,216,929	38,033,012
	\$ 67,657,025	\$ 57,061,262

LIABILITIES AND MUNICIPAL EQUITY

Liabilities		
Accounts payable and accrued liabilities	\$ 3,281,320	\$ 2,020,966
Employee benefit obligation (note 5)	466,356	420,219
Provision for gravel pit reclamation	742,415	681,510
Deposit liabilities	2,871,265	2,822,633
Deferred revenue (note 6)	4,320,356	2,171,195
Long-term debt (note 7)	5,968,955	4,460,479
	17,650,667	12,577,002
Contingency (note 17)		
Municipal equity		
Fund balances		
Operating (schedule 1)	837,848	340,655
Capital (schedule 2) (note 8)	372,671	1,758,912
Reserves (schedule 3) (note 9)	8,444,216	9,559,919
	9,654,735	11,659,486
Equity in capital assets (note 10)	40,351,623	32,824,774
	50,006,358	44,484,260
	\$ 67,657,025	\$ 57,061,262

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCES
For the year ended December 31, 2007

	Budget (Unaudited)	2007	2006
Revenue			
Net municipal property taxes (note 11)	\$ 17,207,688	\$ 17,206,203	\$ 15,869,087
Sales and user charges	552,475	759,493	1,889,955
Government transfers (note 12)	17,814,810	15,742,096	5,674,631
Fines	140,500	150,683	129,971
Return on investments	450,000	797,205	438,836
Licenses and permits	1,177,500	1,359,804	1,162,540
Rentals	114,739	110,781	106,973
Penalties and costs on taxes	250,750	274,714	256,638
Other	2,760,368	6,162,355	6,525,549
Proceeds on disposal of physical assets	352,000	468,400	499,522
	40,820,830	43,031,734	32,553,702
Expenditures (note 13)			
Legislative	523,573	569,817	447,293
Administration	3,190,793	4,289,829	3,231,969
Protective services	2,639,506	1,620,922	1,634,173
Ambulance	789,139	789,139	712,121
Airport	13,000	13,670	14,114
Roads, streets, walks and lighting	32,297,356	33,047,601	20,446,641
Family and community support	341,179	358,107	367,869
Water and wastewater	2,322,211	2,919,033	1,553,242
Waste management	105,479	96,862	77,852
Cemeteries	770	430	94
Planning and development	1,170,698	1,255,455	1,040,729
Agriculture service board	517,265	578,570	379,954
Recreation board	761,549	716,953	702,644
Parks	31,871	50,456	28,548
Library	124,481	124,481	122,713
	44,828,870	46,431,325	30,759,956
(Deficiency) excess of revenue over expenditures	(4,008,040)	(3,399,591)	1,793,746
Capital financing transactions			
Proceeds of long-term debt	1,942,731	1,942,731	3,800,000
Repayment of long-term debt	(547,891)	(547,891)	(463,720)
Change in fund balances	(2,613,200)	(2,004,751)	5,130,026
Fund balance, beginning of year	11,659,486	11,659,486	6,529,460
Fund balances, end of year	\$ 9,046,286	\$ 9,654,735	\$ 11,659,486

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the year ended December 31, 2007

	2007	2006
Cash flows from operating activities		
(Deficiency) excess of revenue over expenditures	\$ (3,399,591)	\$ 1,793,746
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(314,876)	(261,642)
Accounts receivable - trade	(5,019,205)	(786,002)
Land held for resale	(278,990)	(252,977)
Prepaid expenses	(6,523)	(5,398)
Other financial assets	(158)	(795)
Inventory for consumption	(1,262,228)	(176,329)
Accounts payable and accrued liabilities	1,260,355	45,551
Employee benefit obligation	46,137	(137,204)
Provision for gravel pit reclamation	60,905	110,909
Deposit liabilities	48,632	605,549
Deferred revenue	2,149,161	(1,333,149)
	(6,716,381)	(397,741)
Cash flows from financing activities		
Proceeds for Ag Services Board loan	113,635	-
Proceeds of long-term debt	1,942,731	3,800,000
Repayment of long-term debt	(547,891)	(463,720)
	1,508,475	3,336,280
(Decrease) increase in cash and temporary investments	(5,207,906)	2,938,539
Cash and temporary investments, beginning of year	14,962,613	12,024,074
Cash and temporary investments, end of year	\$ 9,754,707	\$ 14,962,613

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULE 1
SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - OPERATING
For the Year Ended December 31, 2007

	Budget (Unaudited)	2007	2006
Revenue			
Net municipal property taxes (note 11)	\$ 17,207,688	\$ 17,206,203	\$ 15,869,087
Sales and user charges	552,475	759,493	1,889,955
Government transfers	15,598,965	13,250,794	4,608,241
Fines	140,500	150,683	129,971
Return on investments	450,000	797,205	438,836
Licenses and permits	1,177,500	1,359,804	1,162,540
Rentals	114,739	110,781	106,973
Penalties and costs on taxes	250,750	274,714	256,638
Other	2,760,368	5,749,809	6,519,549
	38,252,985	39,659,486	30,981,790
Expenditures (note 13)			
Legislative	523,573	569,817	447,293
Administration	3,117,793	3,150,729	3,174,138
Protective services	1,323,006	1,374,630	1,223,137
Ambulance	789,139	789,139	712,121
Airport	13,000	13,670	14,114
Roads, streets, walks and lighting	26,053,925	26,790,800	15,858,347
Family and community support	341,179	358,107	367,869
Water and wastewater	896,366	708,002	661,978
Waste management	105,479	96,862	77,852
Cemeteries	770	430	94
Planning and development	1,170,698	1,255,455	1,040,729
Agriculture service board	452,265	513,774	379,954
Recreation board	761,549	716,953	702,644
Parks	31,871	50,456	28,548
Library	124,481	124,481	122,713
	35,705,094	36,513,305	24,811,531
Excess of revenue over expenditures	2,547,891	3,146,181	6,170,259
Net interfund transfers			
Transfer to capital - repayment of long-term debt (schedule 2)	(547,891)	(547,891)	(463,720)
Transfer to capital (schedule 2)	(2,000,000)	(2,000,000)	(2,207,560)
Transfer to reserves (schedule 3)	-	(101,097)	(3,161,092)
Change in fund balance	-	497,193	337,887
Fund balance, beginning of year	340,655	340,655	2,768
Fund balance, end of year	\$ 340,655	\$ 837,848	\$ 340,655

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULE 2
SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - CAPITAL
For the year ended December 31, 2007

	Budget (Unaudited)	2007	2006
Revenue			
Government transfers	\$ 2,215,845	\$ 2,491,302	\$ 1,066,390
Proceeds on disposal of physical assets	352,000	468,400	499,522
Other	-	412,546	6,000
	2,567,845	3,372,248	1,571,912
Expenditures (note 13)			
Administration	73,000	1,139,100	57,831
Protective services	1,316,500	246,292	411,036
Roads, streets, walks and lighting	6,243,431	6,256,801	4,588,294
Water and waste water	1,425,845	2,211,031	891,264
Agriculture service board	65,000	64,796	-
	9,123,776	9,918,020	5,948,425
Deficiency of revenue over expenditures	(6,555,931)	(6,545,772)	(4,376,513)
Capital financing transactions and net interfund transfers			
Transfer from operating - repayment of long-term debt (schedule 1)	547,891	547,891	463,720
Transfer from operating (schedule 1)	2,000,000	2,000,000	2,207,560
Transfer from reserves (schedule 3)	875,200	1,216,800	37,000
Proceeds of long-term debt (note 10)	1,942,731	1,942,731	3,800,000
Repayment of long-term debt (note 10)	(547,891)	(547,891)	(463,720)
Change in fund balance	(1,738,000)	(1,386,241)	1,668,047
Fund balance, beginning of year	1,758,912	1,758,912	90,865
Fund balance, end of year (note 8)	\$ 20,912	\$ 372,671	\$ 1,758,912

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULE 3
SCHEDULE OF CHANGE IN FUND BALANCE - RESERVES
For the year ended December 31, 2007

	Budget (Unaudited)	2007	2006
Net interfund transfers			
Transfer from operating (schedule 1)	\$ -	\$ 101,097	\$ 3,161,092
Transfer to capital (schedule 2)	(875,200)	(1,216,800)	(37,000)
Change in fund balance	(875,200)	(1,115,703)	3,124,092
Fund balance, beginning of year	9,559,919	9,559,919	6,435,827
Fund balance, end of year (note 9)	\$ 8,684,719	\$ 8,444,216	\$ 9,559,919

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2007

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 generally accepted accounting principles for local government 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, 2007

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 leveling 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) Tangible capital assets

Effective January 1, 2007, the Municipal District adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("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 2007, the Municipal District continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2007, the Municipal District had started compiling detailed listings of its land, buildings, engineering structures, machinery, equipment, furnishings and vehicles but had not completed any of these listings. Complete listings are expected by December 31, 2009. The Municipal District's council has been in discussion with engineers and public works to assist in compiling the listing.

Currently, these assets are recorded as "capital assets" at cost in the period they are acquired and additions are recorded as an expenditure within the capital fund. Amortization is not recorded as an expenditure. Upon implementation of Section 3150 - Tangible Capital Assets, these same assets will be recorded as "tangible capital assets" and additions will no longer be recorded as an expenditure of the capital fund. Rather, amortization of the assets will be recorded as an expense.

Amortization of buildings, engineering structures, machinery, equipment and furnishings, and vehicles is expected to be presented in the 2009 financial statements on a retrospective basis (with comparative figures for the 2008 year restated to include amortization) in order to amortize the cost of the assets over their expected useful lives. The Municipal District council has not yet approved its amortization policy for these assets.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2007

1. Significant accounting policies, continued

- (i) **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.

- (j) **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 revenue by an amount equal to the debt repayment.

- (k) **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.

- (l) **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).

- (m) **Capital fund**
Capital fund represents the amounts available to finance (or the shortfall in financing available for) capital projects.

- (n) **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.

- (o) **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.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2007

1. Significant accounting policies, continued

(p) 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.

A significant area requiring the use of estimates is the gravel inventory valuation. The value of the inventory is determined using estimated measurements prepared by a contracted engineer. Since the actual quantity of the inventory is estimated, errors in the measurements could result in a misstatement of the gravel inventory.

2. Cash and temporary investments

	2007	2006
Cash (deficiency)	\$ (1,583,684)	\$ 7,391,650
Temporary investments	11,338,391	7,570,963
	\$ 9,754,707	\$ 14,962,613

The temporary investments are comprised of GIC's, term deposits, government bonds and corporate bonds with interest rates ranging from 3.60% to 4.81%. The market value of these investments equals their cost.

3. Taxes and grants in place of taxes receivable

	2007	2006
Current taxes and grants in place of taxes	\$ 1,428,577	\$ 1,163,335
Arrears	235,027	177,244
	1,663,604	1,340,579
Allowance for uncollectible taxes	(8,149)	-
	\$ 1,655,455	\$ 1,340,579

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2007

4. Capital assets

	2007	2006
Engineering structures	\$ 9,013,183	\$ 6,692,964
Buildings	10,201,756	7,970,559
Machinery, equipment and furnishings	16,248,373	13,150,226
Land	2,742,371	2,742,371
Vehicles	8,001,260	6,729,134
	\$ 46,206,943	\$ 37,285,254

Capital assets are defined as items with a cost over \$5,000 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. Employee benefit obligations

	2007	2006
Vacation	\$ 338,521	\$ 309,905
Post-employment benefits	127,835	110,314
	\$ 466,356	\$ 420,219

Vacation

The vacation liability is comprised of the vacation that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

Post-employment benefits

The Municipal District provides a service recognition benefit for its employees. Retiring employees over the age of 55 with over 10 years of service to the Municipal District are eligible to receive 1% of their salary for each year of employment.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2007

6. Deferred revenue

	2007	2006
Alberta Municipal Infrastructure Program	\$ 2,335,616	\$ 1,360,921
Municipal Sustainability Initiative Program	1,890,523	-
Prepaid Road Repairs	75,000	75,000
Street Improvement Program	13,743	24,727
Super Net Grant	4,000	4,000
Blackie Prepaid Local Improvements	1,474	2,948
Industrial Lands Project	-	57,185
New Deal for Canadian Municipalities	-	646,414
	\$ 4,320,356	\$ 2,171,195

Municipal Sustainability Initiative

Funding in the amount of \$1,890,523 was received in 2007 under this program. Use of these funds is restricted to eligible municipal infrastructure projects that receive approval under the Municipal Sustainability Initiative, which are scheduled for completion in 2008.

Alberta Municipal Infrastructure Program

Funding in the amount of \$2,335,616 has been received in from the Alberta Municipal Infrastructure Program. The use of these funds is restricted to eligible municipal infrastructure projects, as approved under the funding agreement, which are scheduled for completion in 2008. The majority of projects scheduled for completion are paving projects.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2007

7. Long-term debt

	Payment	Interest rate %	Year of expiry	2007	2006
Blackie water	6,252	12.000	2007	\$ -	\$ 5,582
Heavy equipment	176,738	3.405	2007	-	172,325
Blackie water/sewer	12,328	12.000	2009	20,836	29,611
Aldersyde water	40,190	12.000	2010	96,529	122,070
Water plant upgrades	14,173	0.000	2010	47,159	61,827
Heavy equipment	443,616	4.971	2012	1,769,210	-
Okotoks fire hall	28,460	9.125	2012	110,341	127,195
High River Ag Society	23,449	0.000	2015	113,636	-
Blackie water	9,628	8.000	2013	44,507	50,125
Cayley sewage	10,955	9.000	2015	60,632	65,676
Cayley sewage	4,304	8.750	2015	24,045	26,068
Aldersyde shop	295,132	4.699	2026	3,682,060	3,800,000
				\$ 5,968,955	\$ 4,460,479
Tax supported debentures				5,968,955	4,460,479
				5,968,955	4,460,479
Current portion				\$ 592,857	\$ 374,370

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2008	\$ 592,857	\$ 290,387	\$ 883,244
2009	625,842	258,927	884,769
2010	648,557	225,470	874,027
2011	627,309	191,346	818,655
2012	424,072	159,915	583,987
Thereafter	3,050,318	1,136,937	4,187,255
	\$ 5,968,955	\$ 2,262,982	\$ 8,231,937

Debenture debt is repayable to Alberta Municipal Financing Corporation and is issued on the credit and security of the Municipal District of Foothills No. 31 at large. The average annual interest rate is 4.96% (2006 - 6.07%).

The Agriculture Society loan is considered to be an operating loan.

Interest on long-term debt amounted to \$270,262 (2006 - \$111,313).

The Municipal District's total cash payments for interest in 2007 were \$272,520 (2006 - \$68,301).

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2007

8. Capital fund

	2007	2006
Financing available:		
Protective services	\$ 352,996	\$ 568,160
Roads, streets, walks and lighting	28	1,175,107
Water and waste water	2	-
Agriculture service board	19,645	15,645
	\$ 372,671	\$ 1,758,912

9. 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 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.

Cayley water system

This reserve consists of off site levies and profit from the development and sale of lots in Cayley. Funds will be used for future water supply upgrades.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2007

9. Reserves, continued

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.

Calgary annexation compensation

Funds in this reserve came from the compensation paid by the City of Calgary for lost revenue from land annexed into the City of Calgary in 2005. These funds will be used to fund future projects as determined by Council.

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:

	2006	Increase	Decrease	2007
Public reserve	\$ 1,784,645	\$ 1,424,071	\$ 1,341,608	\$ 1,867,108
Public transportation	24,490	484	-	24,974
Fire operating	13,067	-	-	13,067
FCSS reserve	6,985	-	-	6,985
Mill rate stabilization	3,050,206	-	1,216,800	1,833,406
Blackie water and sewer	1,000	3,000	-	4,000
Cayley water system	264,348	15,150	-	279,498
Provincial 75th Anniversary grant	3,111,430	-	-	3,111,430
Calgary annexation compensation	1,300,000	-	-	1,300,000
Blackie cemetery	3,748	-	-	3,748
	\$ 9,559,919	\$ 1,442,705	\$ 2,558,408	\$ 8,444,216

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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10. Equity in capital assets

	Budget (Unaudited)	2007	2006
Acquisition of capital assets			
Administration	\$ 73,000	\$ 1,139,100	\$ 57,831
Protective services	1,316,500	246,292	474,727
Roads, streets, walks and lighting	6,243,431	6,256,800	4,512,953
Water and waste water	1,425,845	2,211,034	891,265
Agriculture service board	65,000	64,796	11,650
	<u>9,123,776</u>	<u>9,918,022</u>	<u>5,948,426</u>
Disposal of capital assets (cost)			
Administration	-	-	(140,064)
Protective services	(1,470)	(1,470)	(418,380)
Roads, streets, walks and lighting	(982,063)	(982,063)	(1,316,758)
Water and waste water	-	-	(28,279)
FCSS	-	-	(21,082)
Cemetery	-	-	(669)
Agricultural service board	(12,800)	(12,800)	(69,410)
Parks and recreation	-	-	(39,495)
	<u>(996,333)</u>	<u>(996,333)</u>	<u>(2,034,137)</u>
Capital financing			
Proceeds of long-term debt	(1,942,731)	(1,942,731)	(3,800,000)
Repayment of long-term debt from operating	547,890	547,890	463,720
	<u>(1,394,841)</u>	<u>(1,394,841)</u>	<u>(3,336,280)</u>
Change in equity balance	6,732,602	7,526,848	578,009
Equity balance, beginning of year	32,824,775	32,824,775	32,246,766
Equity balance, end of year	\$ 39,557,377	\$ 40,351,623	\$ 32,824,775
Balance consists of:			
Capital assets (note 4)		\$ 46,206,943	\$ 37,285,254
Long-term debt (note 7)		(5,968,955)	(4,460,479)
Long term debt - operating		113,635	-
		<u>\$ 40,351,623</u>	<u>\$ 32,824,775</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2007

11. Net municipal property taxes

	Budget (Unaudited)	2007	2006
Taxation			
Residential property taxes	\$ 22,004,468	\$ 22,002,982	\$ 20,301,587
Commercial/industrial property taxes	3,814,414	3,814,414	3,541,867
Farmland property taxes	1,480,396	1,480,396	1,570,770
Power, pipe, cable t.v. and railway	4,646,886	4,646,886	4,408,108
Federal grants in place of property taxes	16,756	16,756	18,005
Provincial grants in place of property taxes	2,522	2,522	2,641
	<u>31,965,442</u>	<u>31,963,956</u>	<u>29,842,978</u>
Requisitions			
Alberta School Foundation Fund	13,042,864	13,042,863	12,416,359
Separate School Board	1,271,552	1,271,552	1,155,184
Seniors' Foundation	443,338	443,338	402,348
	<u>14,757,754</u>	<u>14,757,753</u>	<u>13,973,891</u>
	<u>\$ 17,207,688</u>	<u>\$ 17,206,203</u>	<u>\$ 15,869,087</u>

12. Government transfers

	Budget (Unaudited)	2007	2006
Provincial transfers			
Entitlements	\$ 37,600	\$ 37,608	\$ 37,608
Shared-cost agreements and grants	17,709,806	15,634,616	5,601,723
	<u>17,747,406</u>	<u>15,672,224</u>	<u>5,639,331</u>
Local government transfers			
Shared-cost agreements	67,404	69,872	35,300
	<u>\$ 17,814,810</u>	<u>\$ 15,742,096</u>	<u>\$ 5,674,631</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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13. Expenditures by object

	Budget (Unaudited)	2007	2006
Operating			
Salaries, wages and benefits	\$ 8,417,563	\$ 8,686,731	\$ 7,026,340
Contracts and general services	17,617,205	18,241,388	8,708,457
Materials, goods, supplies and utilities	6,105,425	5,981,457	5,654,113
Purchase from other governments	1,353,539	1,342,183	1,295,408
Transfer to other governments, individuals and organizations	1,188,748	1,197,542	1,168,538
Bank charges and short-term interest	30,500	39,149	30,820
Interest on long-term debt	269,765	270,262	111,315
Other expenditures	722,349	754,593	816,540
	35,705,094	36,513,305	24,811,531
Capital			
Purchase of capital assets	9,123,776	9,918,020	5,948,425
	\$ 44,828,870	\$ 46,431,325	\$ 30,759,956

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2007

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) Salary	(2) Benefits & allowances	2007	2006
Council				
Division 1	\$ 54,554	\$ 5,378	\$ 59,932	\$ 48,018
Division 2	70,758	3,200	73,958	60,978
Division 3 Jan - Oct	77,290	3,200	80,490	66,922
Division 3 Oct - Dec	14,803	3,449	18,252	-
Division 4	62,772	5,095	67,867	52,459
Division 5	74,994	3,200	78,194	67,796
Division 6 Jan - Oct	48,319	4,881	53,200	51,162
Division 6 Oct - Dec	16,100	3,997	20,097	-
Division 7	60,142	3,728	63,870	47,237
Chief Administrative Officers - 2	247,195	36,308	283,503	258,744
Designated Officers - 4	\$ 317,130	\$ 53,722	\$ 370,852	\$ 349,554

(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, car allowances, and club memberships.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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15. Local authorities pension plan

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.

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 168,000 people and about 408 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 7.75% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 10.64% on pensionable earnings above this amount. Employees of the Municipal District of Foothills No. 31 are required to make current service contributions of 6.75% of pensionable salary up to the year's maximum pensionable salary and 9.64% on pensionable salary above this amount.

Total current service contributions by the Municipal District of Foothills No. 31 to the Local Authorities Pension Plan in 2007 were \$401,580 (2006 - \$369,898). Total current service contributions by the employees of the Municipal District of Foothills No. 31 to the Local Authorities Pension Plan in 2007 were \$354,332 (2006 - \$326,134).

At December 31, 2006, the Plan disclosed an actuarial deficiency of \$1,288.9 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:

	2007	2006
Total debt limit	\$ 60,810,648	\$ 47,230,967
Total debt	5,968,955	4,460,479
	\$ 54,841,693	\$ 42,770,488
Debt servicing limit	\$ 10,135,107	\$ 7,871,828
Debt servicing	883,244	598,656
	\$ 9,251,863	\$ 7,273,172

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, 2007

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. Contract

During 2007 the Municipal District entered into an agreement with Lafarge Canada Inc. Under this agreement Lafarge Canada Inc. will have unrestricted use (subject to bans and speed limits imposed) of a designated haul road and the Municipal District will be responsible for the road's upkeep. In consideration of the cost involved to maintain the road, Lafarge Canada Inc. has agreed to pay through gravel the equivalent of \$1.3 million or 1 million Tonnes of gravel, over 25 years.

19. Financial instruments

The Municipal District of Foothills No. 31's financial instruments consist of cash and temporary investments, receivables, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Municipal District is not exposed to significant interest or currency risks arising from these financial instruments.

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

Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

20. Comparative figures

Where necessary the comparative figures for the prior year, have been reclassified to conform with the current year financial statement presentation. The changes do not affect prior year earnings.

21. Approval of financial statements

These financial statements were approved by Council and Management.