

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31

Financial Statements

For the year ended December 31, 2008

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, 2008, 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, 2008 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 30, 2009

Young Parkyn McNab LLP

Chartered Accountants

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2008

	2008	2007
ASSETS		
Financial assets		
Cash and temporary investments (note 2)	\$ 16,023,608	\$ 9,754,707
Taxes and grants in place of taxes receivable (note 3)	1,535,020	1,655,455
Accounts receivable - trade	3,319,331	6,954,327
Land held for resale	1,464,673	859,494
Prepaid expenses	210,409	196,579
Other financial assets	19,771	19,534
	22,572,812	19,440,096
Physical assets		
Capital assets (note 4)	50,731,879	46,206,943
Inventory for consumption	2,683,036	2,009,986
	53,414,915	48,216,929
	\$ 75,987,727	\$ 67,657,025

LIABILITIES AND MUNICIPAL EQUITY

Liabilities		
Accounts payable and accrued liabilities	\$ 3,332,706	\$ 3,281,320
Employee benefit obligation (note 5)	611,443	466,356
Provision for gravel pit reclamation	712,928	742,415
Deposit liabilities	2,798,910	2,871,265
Deferred revenue (note 6)	8,168,694	4,320,356
Long-term debt (note 7)	5,376,099	5,968,955
	21,000,780	17,650,667
Contingency (note 18)		
Municipal equity		
Fund balances		
Operating (schedule 1)	(111,568)	837,848
Capital (schedule 2) (note 8)	337,158	372,671
Reserves (schedule 3) (note 9)	9,315,390	8,444,216
	9,540,980	9,654,735
Equity in capital assets (note 10)	45,445,967	40,351,623
	54,986,947	50,006,358
	\$ 75,987,727	\$ 67,657,025

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCES
For the year ended December 31, 2008

	Budget (Unaudited)	2008	2007
Revenue			
Net municipal property taxes (note 11)	\$ 19,227,610	\$ 19,255,676	\$ 17,206,203
Sales and user charges	617,575	1,081,988	759,493
Government transfers (note 12)	8,477,168	12,217,385	15,742,096
Fines	140,500	158,291	150,683
Return on investments	525,000	372,180	797,205
Licenses and permits	1,394,000	1,034,775	1,359,804
Rentals	153,080	150,591	110,781
Penalties and costs on taxes	275,600	369,795	274,714
Other	3,577,118	4,654,656	6,162,355
Proceeds on disposal of physical assets	557,500	619,327	468,400
	34,945,151	39,914,664	43,031,734
Expenditures (note 13)			
Legislative	585,124	627,277	569,817
Administration	3,644,413	4,083,066	4,289,829
Protective services	3,358,967	3,326,095	1,620,922
Ambulance	869,210	887,410	789,139
Airport	13,150	17,905	13,670
Roads, streets, walks and lighting	20,053,401	24,727,859	33,047,601
Family and community support	349,321	417,577	358,107
Water and wastewater	2,793,663	1,908,471	2,919,033
Waste management	87,656	103,078	96,862
Cemeteries	770	-	430
Planning and development	1,475,145	1,565,028	1,255,455
Agriculture service board	779,296	626,904	578,570
Recreation board	778,250	753,961	716,953
Parks	144,826	275,439	50,456
Library	138,941	138,941	124,481
	35,072,133	39,459,011	46,431,325
Excess (deficiency) of revenue over expenditures	(126,982)	455,653	(3,399,591)
Capital financing transactions			
Proceeds of long-term debt	417,245	-	1,942,731
Repayment of long-term debt	(569,408)	(569,408)	(547,891)
Change in fund balances	(279,145)	(113,755)	(2,004,751)
Fund balance, beginning of year	9,654,735	9,654,735	11,659,486
Fund balances, end of year	\$ 9,375,590	\$ 9,540,980	\$ 9,654,735

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the year ended December 31, 2008

	2008	2007
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures	\$ 455,653	\$ (3,399,591)
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	120,435	(314,876)
Accounts receivable - trade	3,634,996	(5,019,205)
Land held for resale	(605,179)	(278,990)
Prepaid expenses	(13,830)	(6,523)
Other financial assets	(237)	(158)
Inventory for consumption	(673,050)	(1,262,228)
Accounts payable and accrued liabilities	51,384	1,260,355
Employee benefit obligation	145,087	46,137
Provision for gravel pit reclamation	(29,487)	60,905
Deposit liabilities	(72,355)	48,632
Deferred revenue	3,848,338	2,149,161
	6,861,755	(6,716,381)
Cash flows from financing activities		
Change in Ag Services Board loan	(23,446)	113,635
Proceeds of long-term debt	-	1,942,731
Repayment of long-term debt	(569,408)	(547,891)
	(592,854)	1,508,475
Increase (decrease) in cash and temporary investments	6,268,901	(5,207,906)
Cash and temporary investments, beginning of year	9,754,707	14,962,613
Cash and temporary investments, end of year	\$ 16,023,608	\$ 9,754,707

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULE 1
SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - OPERATING
For the Year Ended December 31, 2008

	Budget (Unaudited)	2008	2007
Revenue			
Net municipal property taxes (note 11)	\$ 19,227,610	\$ 19,255,676	\$ 17,206,203
Sales and user charges	617,575	1,081,988	759,493
Government transfers	5,169,305	9,424,286	13,250,794
Fines	140,500	158,291	150,683
Return on investments	525,000	372,180	797,205
Licenses and permits	1,394,000	1,034,775	1,359,804
Rentals	153,080	150,591	110,781
Penalties and costs on taxes	275,600	369,795	274,714
Other (note 14)	2,577,118	4,363,609	5,749,809
	30,079,788	36,211,191	39,659,486
Expenditures (note 13)			
Legislative	585,124	627,277	569,817
Administration	3,391,413	3,686,736	3,150,729
Protective services	1,475,267	1,801,510	1,374,630
Ambulance	869,210	887,410	789,139
Airport	13,150	17,905	13,670
Roads, streets, walks and lighting	16,792,598	22,202,174	26,790,800
Family and community support	349,321	417,577	358,107
Water and wastewater	793,663	710,488	708,002
Waste management	87,656	103,078	96,862
Cemeteries	770	-	430
Planning and development	1,475,145	1,565,028	1,255,455
Agriculture service board	579,296	626,904	513,774
Recreation board	778,250	753,961	716,953
Parks	55,576	56,036	50,456
Library	138,941	138,941	124,481
	27,385,380	33,595,025	36,513,305
Excess of revenue over expenditures	2,694,408	2,616,166	3,146,181
Net Interfund transfers			
Transfer to capital - repayment of long-term debt (schedule 2)	(569,408)	(569,408)	(547,891)
Transfer to capital (schedule 2)	(2,125,000)	(2,125,000)	(2,000,000)
Transfer to reserves (schedule 3)	-	(871,174)	(101,097)
Change in fund balance	-	(949,416)	497,193
Fund balance, beginning of year	837,848	837,848	340,655
Fund balance, end of year	\$ 837,848	\$ (111,568)	\$ 837,848

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULE 2
SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - CAPITAL
For the year ended December 31, 2008

	Budget (Unaudited)	2008	2007
Revenue			
Government transfers	\$ 3,307,863	\$ 2,793,099	\$ 2,491,302
Proceeds on disposal of physical assets	557,500	619,327	468,400
Other	1,000,000	291,047	412,546
	<u>4,865,363</u>	<u>3,703,473</u>	<u>3,372,248</u>
Expenditures (note 13)			
Administration	253,000	396,330	1,139,100
Protective services	1,883,700	1,524,585	246,292
Roads, streets, walks and lighting	3,260,803	2,525,685	6,256,801
Water and waste water	2,000,000	1,197,983	2,211,031
Agriculture service board	200,000	-	64,796
Parks	89,250	219,403	-
	<u>7,686,753</u>	<u>5,863,986</u>	<u>9,918,020</u>
Deficiency of revenue over expenditures	(2,821,390)	(2,160,513)	(6,545,772)
Capital financing transactions and net interfund transfers			
Transfer from operating - repayment of long-term debt (schedule 1)	569,408	569,408	547,891
Transfer from operating (schedule 1)	2,125,000	2,125,000	2,000,000
Transfer from reserves (schedule 3)	-	-	1,216,800
Proceeds of long-term debt (note 10)	417,245	-	1,942,731
Repayment of long-term debt (note 10)	(569,408)	(569,408)	(547,891)
Change in fund balance	(279,145)	(35,513)	(1,386,241)
Fund balance, beginning of year	372,671	372,671	1,758,912
Fund balance, end of year (note 8)	\$ 93,526	\$ 337,158	\$ 372,671

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULE 3
SCHEDULE OF CHANGE IN FUND BALANCE - RESERVES
For the year ended December 31, 2008

	Budget (Unaudited)	2008	2007
Net interfund transfers			
Transfer from operating (schedule 1)	\$ -	\$ 871,174	\$ 101,097
Transfer to capital (schedule 2)	-	-	(1,216,800)
Change in fund balance	-	871,174	(1,115,703)
Fund balance, beginning of year	8,444,216	8,444,216	9,559,919
Fund balance, end of year (note 9)	\$ 8,444,216	\$ 9,315,390	\$ 8,444,216

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

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) Future change in accounting policy

Effective January 1, 2009, the Municipal District will be required to adopt new Public Sector Accounting Board (PSAB) Handbook sections PS1000 "Financial statement concepts", PS1100 "Financial statement objectives", and PS1200 "Financial statement presentation"

PSAB Section 1200 introduces a new financial statement format which replaces the fund accounting presentation currently used. Major changes under the new format include the recognition of amortization, the combination of equity in physical assets, reserves, and the operating fund balance into one surplus amount, and the adoption of a "net asset/debt" reporting format whereby financial liabilities are deducted from financial assets to present the Municipal District net assets or net debt. These changes will be applied prospectively but the prior year will be restated to provide meaningful comparative balances.

(b) 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.

(c) 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.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

1. Significant accounting policies, continued

(d) 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.

(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. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(g) 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.

(h) 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.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

1. Significant accounting policies, continued

(i) 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 2008, the Municipal District continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2008, 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.

(j) 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.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

1. Significant accounting policies, continued

- (k) **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.

- (l) **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.
- (m) **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).
- (n) **Capital fund**
Capital fund represents the amounts available to finance (or the shortfall in financing available for) capital projects.
- (o) **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.
- (p) **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, 2008

1. Significant accounting policies, continued

(q) 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

	2008	2007
Cash	\$ 1,580,365	\$ 283,144
Temporary investments	14,443,243	9,471,563
	\$ 16,023,608	\$ 9,754,707

The temporary investments are comprised of GIC's, term deposits, government bonds and corporate bonds with interest rates ranging from 1.03% to 6.15%. The market value of these investments equals their cost.

3. Taxes and grants in place of taxes receivable

	2008	2007
Current taxes and grants in place of taxes	\$ 1,198,023	\$ 1,428,577
Arrears	339,080	235,027
	1,537,103	1,663,604
Allowance for uncollectible taxes	(2,083)	(8,149)
	\$ 1,535,020	\$ 1,655,455

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

4. Capital assets

	2008	2007
Engineering structures	\$ 10,195,513	\$ 9,013,183
Buildings	11,677,775	10,201,756
Machinery, equipment and furnishings	17,636,934	16,248,373
Land	2,853,866	2,742,371
Vehicles	8,367,791	8,001,260
	\$ 50,731,879	\$ 46,206,943

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 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.

5. Employee benefit obligations

	2008	2007
Vacation	\$ 412,671	\$ 338,521
Post-employment benefits	198,772	127,835
	\$ 611,443	\$ 466,356

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, 2008

6. Deferred revenue

	2008	2007
Alberta Municipal Infrastructure Program	\$ 3,848,979	\$ 2,335,616
Municipal Sustainability Initiative Program	3,992,716	1,890,523
Prepaid Road Repairs	75,000	75,000
Street Improvement Program	13,743	13,743
Super Net Grant	4,000	4,000
Blackie Prepaid Local Improvements	1,080	1,474
Alberta Municipal Sponsorship Program	48,107	-
New Deal for Canadian Municipalities	185,069	-
	\$ 8,168,694	\$ 4,320,356

Municipal Sustainability Initiative

Funding in the amount of \$3,727,017 was received in 2008 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 the future.

Alberta Municipal Infrastructure Program

Funding in the amount of \$7,060,330 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 the future.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

7. Long-term debt

	2008	2007
Blackie water/sewer	\$ 11,008	\$ 20,836
Aldersyde water	67,923	96,529
Water plant upgrades	31,977	47,159
Heavy equipment	1,409,122	1,769,210
Okotoks fire hall	91,950	110,341
High River Ag Society	90,186	113,636
Blackie water	38,440	44,507
Cayley sewage	55,134	60,632
Cayley sewage	21,845	24,045
Aldersyde shop	3,558,514	3,682,060
	\$ 5,376,099	\$ 5,968,955
Tax supported debentures	5,376,099	5,968,955
	5,376,099	5,968,955
Current portion	\$ 625,842	\$ 592,857

Principal and interest repayments are due as follows:

	Principal	Interest	Total
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
2013	176,563	143,455	320,018
Thereafter	2,873,755	993,482	3,867,237
	\$ 5,376,098	\$ 1,972,595	\$ 7,348,693

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 4.86% (2007 - 4.96%).

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

Interest on long-term debt amounted to \$285,290 (2007 - \$270,262).

The Municipal District's total cash payments for interest in 2008 were \$290,387 (2007 - \$272,520).

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

8. Capital fund

	2008	2007
Financing available:		
Administration	\$ 103,550	\$ -
Protective services	203,665	352,996
Roads, streets, walks and lighting	29,236	28
Water and waste water	149	2
Agriculture service board	-	19,645
Recreation board	442	-
Bylaw enforcement	116	-
	\$ 337,158	\$ 372,671

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.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

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.

Aldersyde water system

These funds are being set aside for future upgrades as required to the Aldersyde water system.

Reserves for operating and capital activities changed as follows:

	2007	Increase	Decrease	2008
Public reserve	\$ 1,867,108	\$ 1,047,801	\$ 213,135	\$ 2,701,774
Public transportation	24,974	973	-	25,947
Fire operating	13,067	-	-	13,067
FCSS reserve	6,985	-	-	6,985
Mill rate stabilization	1,833,406	-	-	1,833,406
Blackie water and sewer	4,000	-	-	4,000
Cayley water system	279,498	28,800	-	308,298
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
Aldersyde water system	-	6,735	-	6,735
	\$ 8,444,216	\$ 1,084,309	\$ 213,135	\$ 9,315,390

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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10. Equity in capital assets

	Budget (Unaudited)	2008	2007
Acquisition of capital assets			
Administration	\$ 253,000	\$ 396,330	\$ 1,139,100
Protective services	1,883,700	1,503,702	246,292
Roads, streets, walks and lighting	3,260,803	2,525,685	6,256,801
Water and waste water	2,000,000	1,197,983	2,211,031
Agriculture service board	200,000	-	64,796
Recreation	89,250	219,403	-
Bylaw enforcement	-	20,883	-
	<u>7,686,753</u>	<u>5,863,986</u>	<u>9,918,020</u>
Disposal of capital assets (cost)			
Administration	-	(47,994)	-
Protective services	(39,247)	(45,332)	(1,470)
Roads, streets, walks and lighting	(1,232,866)	(1,232,866)	(982,062)
FCSS	(9,206)	(9,206)	-
Agricultural service board	-	-	(12,800)
Parks and recreation	(3,652)	(3,652)	-
	<u>(1,284,971)</u>	<u>(1,339,050)</u>	<u>(996,332)</u>
Capital financing			
Proceeds of long-term debt	(417,245)	-	(1,942,731)
Repayment of long-term debt from operating	569,408	569,408	547,891
	<u>152,163</u>	<u>569,408</u>	<u>(1,394,840)</u>
Change in equity balance	6,553,945	5,094,344	7,526,848
Equity balance, beginning of year	40,351,623	40,351,623	32,824,775
Equity balance, end of year	\$ 46,905,568	\$ 45,445,967	\$ 40,351,623
Balance consists of:			
Capital assets (note 4)		\$ 50,731,879	\$ 46,206,943
Long-term debt (note 7)		(5,376,099)	(5,968,955)
Long term debt - operating		90,187	113,635
		<u>\$ 45,445,967</u>	<u>\$ 40,351,623</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

11. Net municipal property taxes

	Budget (Unaudited)	2008	2007
Taxation			
Residential property taxes	\$ 24,601,395	\$ 24,629,461	\$ 22,002,982
Commercial/industrial property taxes	4,374,757	4,374,757	3,814,414
Farmland property taxes	1,378,132	1,378,132	1,480,396
Power, pipe, cable t.v. and railway	4,399,473	4,399,473	4,646,886
Federal grants in place of property taxes	16,549	16,549	16,756
Provincial grants in place of property taxes	3,889	3,889	2,522
	<u>34,774,195</u>	<u>34,802,261</u>	<u>31,963,956</u>
Requisitions			
Alberta School Foundation Fund	13,806,010	13,806,010	13,042,863
Separate School Board	1,250,700	1,250,700	1,271,552
Seniors' Foundation	489,875	489,875	443,338
	<u>15,546,585</u>	<u>15,546,585</u>	<u>14,757,753</u>
	<u>\$ 19,227,610</u>	<u>\$ 19,255,676</u>	<u>\$ 17,206,203</u>

12. Government transfers

	Budget (Unaudited)	2008	2007
Provincial transfers			
Entitlements	\$ 37,600	\$ 37,608	\$ 37,608
Shared-cost agreements and grants	8,371,575	12,100,396	15,634,616
	<u>8,409,175</u>	<u>12,138,004</u>	<u>15,672,224</u>
Local government transfers			
Shared-cost agreements	67,993	79,381	69,872
	<u>\$ 8,477,168</u>	<u>\$ 12,217,385</u>	<u>\$ 15,742,096</u>

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
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13. Expenditures by object

	Budget (Unaudited)	2008	2007
Operating			
Salaries, wages and benefits	\$ 9,528,685	\$ 10,374,605	\$ 8,686,731
Contracts and general services	7,523,088	10,887,400	18,242,886
Materials, goods, supplies and utilities	6,471,025	8,311,141	5,979,959
Purchase from other governments	1,375,100	1,487,671	1,342,183
Transfer to other governments, individuals and organizations	1,226,885	1,324,037	1,197,542
Bank charges and short-term interest	38,000	35,594	39,149
Interest on long-term debt	460,997	285,289	270,262
Other expenditures	761,600	889,288	754,593
	27,385,380	33,595,025	36,513,305
Capital			
Purchase of capital assets	7,686,753	5,863,986	9,918,020
	\$ 35,072,133	\$ 39,459,011	\$ 46,431,325

14. Other revenue

	2008	2007
Operating		
Road levies and repair reimbursements	\$ 2,013,847	\$ 2,420,894
Cash in lieu payments	1,084,309	1,442,221
Subdivision and redesignation fees	722,246	918,716
Other	543,207	967,978
	\$ 4,363,609	\$ 5,749,809

15. 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	2008	2007
Council				
Division 1	\$ 58,843	\$ 5,519	\$ 64,362	\$ 29,932
Division 2	77,944	3,200	81,144	73,958
Division 3	74,612	3,259	77,871	98,742
Division 4	79,270	5,249	84,519	67,867
Division 5	85,258	3,200	88,458	78,194
Division 6	70,986	5,711	76,697	73,297
Division 7	68,742	3,596	72,338	63,870

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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15. Salary and benefits disclosure, continued

Chief Administrative Officers - 2	272,294	38,549	310,843	283,503
Designated Officers - 4	\$ 347,509	\$ 57,877	\$ 405,386	\$ 370,852

(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.

16. 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 133,000 people and about 389 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund. Contributions for current service are recorded as expenditures in the year in which they become due.

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 2008 were \$473,256 (2007 - \$401,580). Total current service contributions by the employees of the Municipal District of Foothills No. 31 to the Local Authorities Pension Plan in 2008 were \$418,201 (2007 - \$354,332).

At December 31, 2007, the Plan disclosed an actuarial deficiency of \$1,183.3 million.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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17. 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:

	2008	2007
Total debt limit	\$ 55,682,352	\$ 60,810,648
Total debt	5,376,099	5,968,955
	<u>\$ 50,306,253</u>	<u>\$ 54,841,693</u>
Debt servicing limit	\$ 9,280,392	\$ 10,135,107
Debt servicing	884,769	883,244
	<u>\$ 8,395,623</u>	<u>\$ 9,251,863</u>

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.

18. 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.

19. Contract

In 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.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

20. 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.

21. 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.

22. Approval of financial statements

These financial statements were approved by Council and Management.

23. Lease commitment

The Municipal District has entered into an operating lease for a Caterpillar motor grader. The Municipal District's total remaining obligation under this lease is \$277,035.

24. Budget amounts

The 2008 budget for the Municipal District was approved by Council on January 3, 2008 (capital budget) and February 5, 2008 (operating budget) and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.