

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31

Financial Statements

For the Year Ended December 31, 2002

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, 2002 and 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 consolidated 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, 2002 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 13, 2003

Young Parkyn McNab LLP

Chartered Accountants

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2002

	2002	2001
ASSETS		
Financial assets		
Cash and temporary investments (Note 2)	\$ 5,964,550	\$ 8,472,625
Taxes and grants in place of taxes receivable (Note 3)	1,000,872	860,589
Trade and other receivables	1,092,634	664,370
Land held for resale	63,823	165,634
Prepaid expenses	11,611	11,919
Other financial assets	25,164	33,318
	8,158,654	10,208,455
Physical assets		
Inventory for consumption	1,089,846	1,039,031
Physical assets (Note 4)	28,112,671	24,398,305
	29,202,517	25,437,336
	\$ 37,361,171	\$ 35,645,791
LIABILITIES AND MUNICIPAL EQUITY		
Liabilities		
Accounts payable and accrued liabilities	\$ 1,029,697	\$ 1,520,152
Vacation accrual	205,420	183,888
Deposits	989,733	804,497
Deferred revenue (Note 5)	456,749	487,382
Long-term debt (Note 6)	1,061,081	934,725
Lease contract (Note 7)	224,424	431,348
	3,967,104	4,361,992
Municipal equity		
Fund balances		
Operating - Schedule 1	-	-
Capital - Schedule 2	61,565	300,162
Reserves - Schedule 3 (Note 8)	5,415,493	6,912,376
	5,477,058	7,212,538
Equity in physical assets	27,917,009	24,071,261
	33,394,067	31,283,799
	\$ 37,361,171	\$ 35,645,791

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCES
For the year ended December 31, 2002

	Budget (Unaudited)	2002	2001
Revenue			
Net municipal property taxes (Note 9)	\$ 10,661,408	\$ 10,709,015	\$ 10,142,031
Fines	160,000	94,951	138,994
User fees and sale of goods	744,075	771,809	802,733
Government transfers (Note 10)	2,324,291	2,777,497	2,025,077
Penalties and costs of taxes	218,025	203,242	200,337
Investment income	205,000	193,832	358,283
Licenses and permits	717,000	860,594	732,959
Rentals	47,750	58,923	43,006
Proceeds on disposal of physical assets	92,500	167,077	140,736
Other	1,059,215	1,611,815	1,744,124
	16,229,264	17,448,755	16,328,280
Expenditures (Note 11)			
Legislative	311,050	312,669	262,839
Administration	4,151,076	4,207,240	2,646,326
Protective services	1,259,886	1,060,290	749,006
Airport	47,541	31,647	38,194
Ambulance	344,642	344,640	307,948
Cemeteries	2,000	1,481	500
Roads, streets, walks, and lighting	10,767,783	10,083,890	9,757,230
Water and wastewater	701,006	1,107,395	592,653
Waste management	52,199	69,151	47,292
Family and community support	221,315	211,841	181,866
Planning and economic development	996,207	856,568	834,260
Agriculture service board	349,057	293,890	185,722
Recreation board	388,750	394,153	377,056
Parks	27,672	19,988	43,040
Library	108,824	108,824	106,405
	19,729,008	19,103,667	16,130,337
Excess (deficiency) of revenue over expenditures	(3,499,744)	(1,654,912)	197,943
Capital financing transactions			
Long-term debt proceeds	384,395	381,940	410,000
Repayment of long-term debt	(462,508)	(462,508)	(546,045)
Change in fund balances	\$ (3,577,857)	\$ (1,735,480)	\$ 61,898

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the year ended December 31, 2002

	2002	2001
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures	\$ (1,654,912)	\$ 197,943
Change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(140,283)	157,889
Trade and other receivables	(428,264)	(176,199)
Land held for resale	101,811	(712)
Prepaid expenses	308	(261)
Other financial assets	8,154	8,129
Accounts payable and accrued liabilities	(490,456)	563,731
Vacation accrual	21,532	19,138
Deposits	185,236	350,543
Deferred revenue	(30,633)	(12,303)
	(2,427,507)	1,107,898
Cash flows from financing activities		
Long-term debt proceeds	381,940	410,000
Repayment of long-term debt	(462,508)	(546,045)
Increase (decrease) in cash and temporary investments	(2,508,075)	971,853
Cash and temporary investments, beginning of year	8,472,625	7,500,772
Cash and temporary investments, end of year	\$ 5,964,550	\$ 8,472,625

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31

SCHEDULE 1

SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - OPERATING

For the Year Ended December 31, 2002

	Budget (Unaudited)	2002	2001
Revenue			
Net municipal property taxes (Note 9)	\$ 10,661,408	\$ 10,709,015	\$ 10,142,031
Fines	160,000	94,951	138,994
User fees and sale of goods	744,075	771,809	802,733
Government transfers	2,216,433	2,196,368	2,022,291
Penalties and costs of taxes	218,025	203,242	200,337
Investment income	205,000	193,832	358,283
Licences and permits	717,000	860,594	732,959
Rentals	47,750	58,923	43,006
Other	1,059,215	1,587,815	1,744,054
	16,028,906	16,676,549	16,184,688
Expenditures (Note 11)			
Legislative	311,050	312,669	262,839
Administration	2,052,326	1,988,360	1,951,806
Protective services	740,461	663,951	621,203
Airport	47,541	31,647	38,194
Ambulance	344,642	344,640	307,948
Cemeteries	2,000	1,481	500
Roads, streets, walks, and lighting	9,524,148	8,842,683	7,933,619
Water and wastewater	512,706	612,560	586,191
Waste management	52,199	69,151	47,292
Family and community support	221,315	211,841	181,866
Planning and economic development	996,207	856,568	834,260
Agriculture service board	343,557	292,110	182,759
Recreation board	388,750	394,153	377,056
Parks	27,672	19,988	40,254
Library	108,824	108,824	106,405
	15,673,398	14,750,626	13,472,192
Excess of revenue over expenditures	355,508	1,925,923	2,712,496
Net interfund transfers			
Transfer to capital - repayment of long-term debt	(462,508)	(462,508)	(546,045)
Transfer to capital	(1,213,000)	(1,263,816)	(1,407,110)
Transfer from (to) reserves	1,320,000	(199,599)	(575,095)
Change in fund balance	-	-	184,246
Fund balance, beginning of year	-	-	(184,246)
Fund balance, end of year	\$ -	\$ -	\$ -

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31

SCHEDULE 2

SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - CAPITAL

For the year ended December 31, 2002

	Budget (Unaudited)	2002	2001
Revenue			
Government transfers	\$ 107,858	\$ 581,129	\$ 2,786
Proceeds on disposal of physical assets	92,500	167,077	140,736
Other	-	24,000	70
	200,358	772,206	143,592
Expenditures (Note 11)			
Administration	2,098,750	2,218,880	694,520
Roads, streets, walks and lighting	1,243,635	1,241,207	1,823,611
Protective services	519,425	396,339	127,803
Water and wastewater	188,300	494,835	6,462
Agriculture service board	5,500	1,780	2,963
Parks	-	-	2,786
	4,055,610	4,353,041	2,658,145
Excess of expenditures over revenue	(3,855,252)	(3,580,835)	(2,514,553)
Capital financing transactions and net interfund transfers			
Long-term debt proceeds	384,395	381,940	410,000
Repayment of long-term debt	(462,508)	(462,508)	(546,045)
Transfer from operating - repayment of long-term debt	462,508	462,508	546,045
Transfer from operating	1,213,000	1,263,816	1,407,110
Transfer from reserves	2,025,000	1,696,482	653,230
Change in fund balance	(232,857)	(238,597)	(44,213)
Fund balance, beginning of year	300,162	300,162	344,375
Fund balance, end of year	\$ 67,305	\$ 61,565	\$ 300,162

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31

SCHEDULE 3

SCHEDULE OF CHANGE IN FUND BALANCE - RESERVES

For the year ended December 31, 2002

	Budget (Unaudited)	2002	2001
Fund balance, beginning of year	\$ 6,912,376	\$ 6,912,376	\$ 6,990,511
Net interfund transfers			
Transfer from (to) operating	(1,320,000)	199,599	575,095
Transfer to capital	(2,025,000)	(1,696,482)	(653,230)
Fund balance, end of year (Note 8)	\$ 3,567,376	\$ 5,415,493	\$ 6,912,376

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2002

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 of Foothills No. 31 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. This entity is comprised of all the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

Note 9 detailing net municipal property taxes also includes operating requisitions for many educational, health care, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

(b) Basis of accounting

The basis of accounting followed in the financial statement presentation includes revenue recognized in the period in which the transactions or events occurred that gave rise to the revenue, and expenditures recognized in the period the goods and services are acquired and a liability is incurred or transfers are due, with the exception of pension expenditures as disclosed in Note 1(e).

(c) Fund accounting

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

(d) Government transfers

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

(e) Pension expenditure

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

(f) Investments

Investments are recorded at cost.

(g) Inventories

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

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

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2002

1. Significant accounting policies (continued)

(g) Inventories

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and waste water services, roads, sidewalks and street lighting are recorded as physical assets under their respective function.

(h) Physical assets

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

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

Physical assets are not depreciated.

(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 municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, 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 borrowing.

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.

(j) Allowances for operating and physical assets

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

(k) Reserves for future expenditures

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the applicable fund.

(l) Equity in physical assets

Equity in physical assets represents the Municipal District of Foothills No. 31's net investment in its total physical assets, after deducting work in progress, the portion financed by third parties through debenture, bond and mortgage debts, long-term capital borrowings, capitalized leases and other capital liabilities.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2002

1. Significant accounting policies (continued)

(m) 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 expenditure 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

	2002	2001
Cash	\$ 268,593	\$ 478,864
Temporary investments	5,695,957	7,993,761
	\$ 5,964,550	\$ 8,472,625

The temporary investments are comprised of GIC's and term deposits with interest rates ranging from 2.73% to 6.25%. The majority of these investments mature within 90 days. The market value of these investments equals their cost.

3. Taxes and grants in place of taxes receivable

	2002	2001
Current taxes and grants in place of taxes	\$ 780,822	\$ 701,077
Arrears	245,371	209,512
	1,026,193	910,589
Allowance for uncollectible taxes	(25,321)	(50,000)
	\$ 1,000,872	\$ 860,589

4. Physical assets

Physical assets are defined as items with a cost over \$500 and a useful life over one year. At the present time assets are not amortized and no depreciation 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.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2002

4. Physical assets (continued)

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 is not included.

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

	Balance 2001	Additions	Reductions	Balance 2002
Engineering structures	\$ 4,914,268	\$ 457,731	\$ -	\$ 5,371,999
Buildings	3,418,921	1,693,148	20,310	5,091,759
Machinery, equipment and furnishings	10,485,557	1,384,129	385,624	11,484,062
Land	1,937,370	-	-	1,937,370
Vehicles	3,642,189	767,218	181,926	4,227,481
	<u>\$ 24,398,305</u>	<u>\$ 4,302,226</u>	<u>\$ 587,860</u>	<u>\$ 28,112,671</u>

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

5. Deferred revenue

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

	2002	2001
Beginning balance	\$ 487,382	\$ 499,685
Amount recognized as revenue in the year	(77,639)	(494,447)
Amounts received related to the subsequent period	47,006	482,144
Ending balance	<u>\$ 456,749</u>	<u>\$ 487,382</u>

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2002

6. Long-term debt

	Payment	Interest Rate %	Year of Expiry	2002	2001
Heavy equipment	\$ 218,148	9.000	2002	\$ -	\$ 200,136
Blackie curb and gutter	3,706	12.000	2003	3,309	6,263
Blackie administration building	6,866	10.500	2004	11,836	16,925
Cayley office/fire hall	3,825	12.000	2005	9,187	11,618
Blackie roads	4,677	11.625	2005	11,307	14,319
Heavy equipment	139,267	4.625	2005	381,940	-
Blackie water	6,252	12.000	2007	22,538	25,706
Blackie water/sewer	12,328	12.000	2009	56,264	61,244
Aldersyde water	40,190	12.000	2010	199,648	214,141
Okotoks fire hall	28,460	9.125	2012	181,646	192,536
Blackie water	9,628	8.000	2013	68,731	72,554
Cayley sewage	10,955	9.000	2015	82,016	85,294
Cayley sewage	4,304	8.750	2015	32,659	33,989
				\$ 1,061,081	\$ 934,725
Tax supported debentures				\$ 1,037,938	\$ 903,481
Self supported debentures				23,143	31,244
				\$ 1,061,081	\$ 934,725
Current portion				\$ 183,010	\$ 255,584

The above payments include interest at their respective amounts.

Principal and interest repayments are as follows:

	Principal	Interest	Total
2003	\$ 183,010	\$ 87,448	\$ 270,458
2004	191,539	75,213	266,752
2005	197,447	62,438	259,885
2006	62,628	49,359	111,987
2007	69,437	32,680	102,117
Thereafter	357,020	120,471	477,491
	\$ 1,061,081	\$ 427,609	\$ 1,488,690

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. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9% and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Only the debentures repayable at \$3,825 per annum at 12% expiring in 2005, repayable at \$6,866 per annum at 10.5% expiring in 2004 and repayable at \$6,252 per annum at 12% expiring in 2007 qualify for this rebate.

The average annual interest rate is 8.241% (2001 - 9.137%).

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2002

7. Lease contracts

The Municipal District of Foothills No. 31 has acquired road construction equipment and financed these acquisitions through a lease contract. At the end of the lease the Municipal District of Foothills No. 31 intends to exercise its purchase options. Repayments are due as follows:

	Principal	Interest	Total
2003	\$ 120,978	\$ 12,354	\$ 133,332
2004	103,446	2,498	105,944
	<u>\$ 224,424</u>	<u>\$ 14,852</u>	<u>\$ 239,276</u>

The interest rate for the lease is 7.28%. Security pledged consists of specified Caterpillar equipment.

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 the 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.

Administration Building -

This fund was set up to provide funds for the renovation and addition construction for the Municipal Administration Building.

Fire Capital -

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

Fire Operating -

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

FCSS Reserve -

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

Mill Rate Stabilization -

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

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2002

8. Reserves (continued)

Aldersyde Water Line -

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

Cayley Water Treatment Plant -

This reserve results from funds received from the province to upgrade the Cayley Water Treatment Plant after the dissolution of the Village of Cayley. These funds will be used in the future to fund additional improvements.

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 these 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. Council has authorized the use of a portion of these reserves to fund construction of the new Administration building.

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:

	2001	Increases	Decreases	2002
Public Reserve	\$ 1,868,315	\$ 670,040	\$ 306,867	\$ 2,231,488
Public Transportation	22,105	284	-	22,389
Administration Building	32,400	-	32,400	-
Fire Capital	25,000	-	-	25,000
Fire Operating	13,067	-	-	13,067
FCSS Reserve	6,985	-	-	6,985
Mill Rate Stabilization	1,125,518	-	148,174	977,344
Aldersyde Water Line	4,207	-	-	4,207
Cayley Water Treatment Plant	13,608	-	4,082	9,526
Blackie Water and Sewer	58,183	1,000	21,184	37,999
Provincial 75th Anniversary Grant	3,742,988	-	1,660,000	2,082,988
Blackie Cemetery	-	4,500	-	4,500
	\$ 6,912,376	\$ 675,824	\$ 2,172,707	\$ 5,415,493

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2002

9. Net municipal property taxes

	Budget (Unaudited)	2002	2001
Taxation			
Residential property taxes	\$ 13,843,208	\$ 13,890,815	\$ 12,785,904
Commercial/industrial property taxes	2,823,100	2,823,100	2,740,126
Farmland property taxes	1,663,456	1,663,456	1,676,040
Power, pipe, cable t.v. and railway	3,318,191	3,318,191	3,288,149
Federal grants in place of property taxes	16,511	16,511	16,586
Provincial grants in place of property taxes	11,264	11,264	14,369
	21,675,730	21,723,337	20,521,174
Requisitions			
Alberta School Foundation Fund	9,872,751	9,872,751	9,362,265
Separate School Board	868,288	868,288	742,299
Seniors' Foundation	273,283	273,283	274,579
	11,014,322	11,014,322	10,379,143
	\$ 10,661,408	\$ 10,709,015	\$ 10,142,031

10. Government transfers

	Budget (Unaudited)	2002	2001
Provincial transfers			
Entitlements	\$ 37,608	\$ 37,608	\$ 37,608
Shared-cost agreements and grants	2,224,488	2,680,177	1,919,003
	2,262,096	2,717,785	1,956,611
Local government transfers			
Shared-cost agreements and grants	62,195	59,712	68,466
	\$ 2,324,291	\$ 2,777,497	\$ 2,025,077

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2002

11. Expenditures by object

	Budget (Unaudited)	2002	2001
Operating			
Salaries, wages and benefits	\$ 4,962,468	\$ 5,056,426	\$ 4,643,160
Contracted and general services	5,129,713	4,510,592	3,584,289
Materials, goods, supplies and utilities	3,261,885	3,129,643	3,248,354
Purchase from other governments	156,300	132,535	139,166
Transfer to other governments, individuals and organizations	1,261,295	1,264,803	1,123,491
Bank charges and short term interest	13,000	9,373	8,184
Interest on long term debt	132,037	116,639	139,480
Other expenditures	756,700	530,615	586,068
	15,673,398	14,750,626	13,472,192
Capital			
Purchase of physical assets	4,055,610	4,353,041	2,658,145
	\$ 19,729,008	\$ 19,103,667	\$ 16,130,337

12. Salary and benefits disclosure

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

	(1) Salary	(2) Benefits & Allowances	2002 Total	No. of Persons	2001 Total
Roy McLean - Reeve	\$ 43,100	\$ 2,103	\$ 45,203	1	\$ 37,261
Gerrit Top - Councillor	33,803	430	34,233	1	28,518
Ron Laycraft - Councillor	47,097	350	47,447	1	37,308
Terry Waddock - Councillor	38,108	1,553	39,661	1	29,684
Ron Chase - Councillor	43,645	-	43,645	1	37,475
Michele Veldhoen - Councillor	30,785	1,157	31,942	1	27,818
Flores Groeneveld - Councillor	42,710	257	42,967	1	31,504
Chief Administrative Officers	181,096	27,018	208,114	2	198,578
Designated Officers	351,889	39,927	391,816	4	280,791

(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 and long and short term disability plans.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2002

12. Salary and benefits disclosure (continued)

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

13. Local authorities pension plan

Employees of the Municipal District of Foothills No. 31 participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 133,000 people and 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 5.025% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 6.9% for the excess.

Total current service contributions by the Municipal District of Foothills No. 31 to the Local Authorities Pension Plan in 2002 were \$165,980 (2001 - \$150,394). Total current service contributions by the employees of the Municipal District of Foothills No. 31 to the Local Authorities Pensions Plan in 2002 were \$135,392 (2001 - \$122,238).

At December 31, 2001, the Plan disclosed an actuarial surplus of \$635.0 million.

14. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Municipal District of Foothills No. 31 be disclosed as follows:

	2002	2001
Total debt limit	\$ 25,301,439	\$ 24,488,241
Total debt	1,285,505	1,366,073
Amount of debt limit unused	\$ 24,015,934	\$ 23,122,168
Debt servicing limit	\$ 4,216,907	\$ 4,081,374
Debt servicing	403,790	584,941
Amount of debt servicing limit unused	\$ 3,813,117	\$ 3,496,433

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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15. Contingencies and commitment

- (a) The Municipal District is a member of the Alberta Local Authorities Reciprocal Insurance Exchange (ALARIE) and the Jubilee Reciprocal Exchange which provide liability and property insurance respectively. The investment in these programs 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.

- (b) The Municipal District has ten open gravel pit sites which will need to be reclaimed at some point in the future. The future costs of reclamation, discounted to December 31, 2002, are not reasonably determinable at this time. Preliminary estimates of these future costs are approximately \$450,000, however the actual future costs could be materially higher or lower than this estimate. Due to the uncertainty of the amount of future costs to be incurred, no amount has been accrued in these financial statements. Employees of the public works department of the Municipal District are currently compiling the necessary data needed to reasonably estimate the future reclamation costs. Once a reasonable estimate of these costs is made, an accrual for the liability will be made in the financial statements.

16. Financial instruments

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

17. Approval of financial statements

These financial statements were approved by Council and Management.