

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31

Financial Statements

For the year ended December 31, 2005

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, 2005, 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, 2005 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 15, 2006

Young Parkyn McNab LLP

Chartered Accountants

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2005

	2005	2004
ASSETS		
Financial assets		
Cash and temporary investments (note 2)	\$ 12,024,074	\$ 6,327,144
Taxes and grants in place of taxes receivable (note 3)	1,078,937	1,210,880
Accounts receivable - trade	1,149,320	1,240,816
Land held for resale	327,527	64,493
Prepaid expenses	184,658	179,071
Other financial assets	18,581	17,666
	14,783,097	9,040,070
Physical assets		
Capital assets (note 4)	33,370,966	31,803,913
Inventory for consumption	571,229	779,765
	33,942,195	32,583,678
	\$ 48,725,292	\$ 41,623,748

LIABILITIES AND MUNICIPAL EQUITY

Liabilities		
Accounts payable and accrued liabilities	\$ 1,975,414	\$ 2,463,166
Vacation accrual	557,423	304,206
Provision for gravel pit reclamation	570,601	356,300
Deposit liabilities	2,217,084	1,805,693
Deferred revenue (note 5)	3,504,344	330,532
Long-term debt (note 6)	1,124,199	1,618,437
	9,949,065	6,878,334
Contingency (note 16)		
Municipal equity		
Fund balances		
Operating (schedule 1)	2,768	(110,226)
Capital (schedule 2) (note 7)	90,865	162,511
Reserves (schedule 3) (note 8)	6,435,827	4,507,653
	6,529,460	4,559,938
Equity in capital assets (note 9)	32,246,767	30,185,476
	38,776,227	34,745,414
	\$ 48,725,292	\$ 41,623,748

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCES
For the year ended December 31, 2005

	Budget (Unaudited)	2005	2004
Revenue			
Net municipal property taxes (note 10)	\$ 14,092,178	\$ 14,140,857	\$ 13,346,038
Sales and user charges	461,875	559,712	738,721
Government transfers (note 11)	5,270,067	3,775,124	2,146,849
Fines	150,150	159,765	122,720
Return on investments	165,000	267,547	174,918
Licenses and permits	972,500	1,086,267	951,957
Rentals	105,130	92,547	105,453
Penalties and costs on taxes	240,800	244,351	248,988
Other	2,627,360	4,436,512	2,145,530
Proceeds on disposal of physical assets	266,000	453,883	470,777
	24,351,060	25,216,565	20,451,951
Expenditures (note 12)			
Legislative	382,150	395,768	400,605
Administration	3,054,420	2,617,262	2,830,073
Protective services	1,585,384	1,420,422	1,616,655
Ambulance	474,329	502,216	376,565
Airport	13,000	12,000	22,023
Roads, streets, walks and lighting	13,035,377	14,689,734	12,836,358
Family and community support	339,134	295,648	312,153
Water and wastewater	1,060,848	909,077	823,241
Waste management	78,184	79,506	69,793
Cemeteries	1,470	444	758
Planning and development	879,268	871,328	1,591,246
Agriculture service board	471,509	323,962	302,157
Recreation board	497,950	485,306	492,464
Parks	23,711	27,419	79,743
Library	122,713	122,713	119,354
	22,019,447	22,752,805	21,873,188
Excess (deficiency) of revenue over expenditures	2,331,613	2,463,760	(1,421,237)
Capital financing transactions			
Proceeds of long-term debt	2,661,000	76,000	500,000
Repayment of long-term debt	(570,238)	(570,238)	(498,560)
Change in fund balances	4,422,375	1,969,522	(1,419,797)
Fund balance, beginning of year	4,559,938	4,559,938	5,979,735
Fund balances, end of year	\$ 8,982,313	\$ 6,529,460	\$ 4,559,938

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the year ended December 31, 2005

	2005	2004
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures	\$ 2,463,760	\$ (1,421,237)
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	131,943	(168,217)
Accounts receivable - trade	91,496	(414,519)
Land held for resale	(263,034)	(670)
Prepaid expenses	(5,587)	(16,478)
Other financial assets	(915)	593
Inventory for consumption	208,536	(43,392)
Accounts payable and accrued liabilities	(487,752)	537,202
Vacation accrual	253,217	93,095
Provision for gravel pit reclamation	214,301	356,300
Deposit liabilities	411,391	733,491
Deferred revenue	3,173,812	(45,212)
	6,191,168	(389,044)
Cash flows from financing activities		
Proceeds of long-term debt	76,000	500,000
Repayment of long-term debt	(570,238)	(498,560)
	(494,238)	1,440
Increase (decrease) in cash and temporary investments	5,696,930	(387,604)
Cash and temporary investments, beginning of year	6,327,144	6,714,748
Cash and temporary investments, end of year	\$ 12,024,074	\$ 6,327,144

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULE 1
SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - OPERATING
For the Year Ended December 31, 2005

	Budget (Unaudited)	2005	2004
Revenue			
Net municipal property taxes (note 10)	\$ 14,092,178	\$ 14,140,857	\$ 13,346,038
Sales and user charges	461,875	559,712	738,721
Government transfers	4,940,092	3,464,062	1,638,225
Fines	150,150	159,765	122,720
Return on investments	165,000	267,547	174,918
Licenses and permits	972,500	1,086,267	951,957
Rentals	105,130	92,547	105,453
Penalties and costs on taxes	240,800	244,351	248,988
Other	2,619,860	4,429,512	2,016,733
	23,747,585	24,444,620	19,343,753
Expenditures (note 12)			
Legislative	382,150	395,768	400,605
Administration	2,968,320	2,535,102	2,407,019
Protective services	1,107,483	1,271,771	1,197,822
Ambulance	474,329	502,216	376,565
Airport	13,000	12,000	22,023
Roads, streets, walks and lighting	8,745,397	12,479,017	9,866,673
Family and community support	339,134	295,648	312,153
Water and wastewater	734,348	690,014	644,790
Waste management	78,184	79,506	69,793
Cemeteries	1,470	444	758
Planning and development	879,268	871,328	1,591,246
Agriculture service board	347,509	323,962	299,613
Recreation board	497,950	485,306	492,464
Parks	23,711	27,419	76,873
Library	122,713	122,713	119,354
	16,714,966	20,092,214	17,877,751
Excess of revenue over expenditures	7,032,619	4,352,406	1,466,002
Net interfund transfers			
Transfer to capital - repayment of long-term debt (schedule 2)	(570,238)	(570,238)	(498,560)
Transfer to capital (schedule 2)	(1,700,000)	(1,741,000)	(2,100,000)
Transfer (to) from reserves (schedule 3)	(4,762,381)	(1,928,174)	421,087
Change in fund balance	-	112,994	(711,471)
Fund balance, beginning of year	(110,226)	(110,226)	601,245
Fund balance, end of year	\$ (110,226)	\$ 2,768	\$ (110,226)

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULE 2
SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - CAPITAL
For the year ended December 31, 2005

	Budget (Unaudited)	2005	2004
Revenue			
Government transfers	\$ 329,975	\$ 311,062	\$ 508,624
Proceeds on disposal of physical assets	266,000	453,883	470,777
Other	7,500	7,000	128,797
	603,475	771,945	1,108,198
Expenditures (note 12)			
Administration	86,100	82,160	423,054
Protective services	477,901	148,651	418,833
Roads, streets, walks and lighting	4,289,980	2,210,717	2,969,685
Water and waste water	326,500	219,063	178,451
Agriculture service board	124,000	-	2,544
Parks	-	-	2,870
	5,304,481	2,660,591	3,995,437
Deficiency of revenue over expenditures	(4,701,006)	(1,888,646)	(2,887,239)
Capital financing transactions and net interfund transfers			
Transfer from operating - repayment of long-term debt (schedule 1)	570,238	570,238	498,560
Transfer from operating (schedule 1)	1,700,000	1,741,000	2,100,000
Transfer from reserves (schedule 3)	37,000	-	175,000
Proceeds of long-term debt (note 9)	2,661,000	76,000	500,000
Repayment of long-term debt (note 9)	(570,238)	(570,238)	(498,560)
Change in fund balance	(303,006)	(71,646)	(112,239)
Fund balance, beginning of year	162,511	162,511	274,750
Fund balance, end of year (note 7)	\$ (140,495)	\$ 90,865	\$ 162,511

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULE 3
SCHEDULE OF CHANGE IN FUND BALANCE - RESERVES
For the year ended December 31, 2005

	Budget (Unaudited)	2005	2004
Net interfund transfers			
Transfer from (to) operating (schedule 1)	\$ 4,762,381	\$ 1,928,174	\$ (421,087)
Transfer to capital (schedule 2)	(37,000)	-	(175,000)
Change in fund balance	4,725,381	1,928,174	(596,087)
Fund balance, beginning of year	4,507,653	4,507,653	5,103,740
Fund balance, end of year (note 8)	\$ 9,233,034	\$ 6,435,827	\$ 4,507,653

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2005

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, 2005

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) Requisition over-levy and under-levy

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

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

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

(i) Prepaid local improvements charges

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

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

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

(j) Allowances for operating and physical assets

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

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2005

1. Significant accounting policies, continued

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

2. Cash and temporary investments

	2005	2004
Cash	\$ 7,009,457	\$ 4,877,208
Temporary investments	5,014,617	1,449,936
	\$ 12,024,074	\$ 6,327,144

The temporary investments are comprised of GIC's, term deposits, government bonds and corporate bonds with interest rates ranging from 1.9% to 4.25%. The market value of these investments equals their cost.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2005

3. Taxes and grants in place of taxes receivable

	2005	2004
Current taxes and grants in place of taxes	\$ 888,465	\$ 1,019,045
Arrears	190,472	215,592
	1,078,937	1,234,637
Allowance for uncollectible taxes	-	(23,757)
	\$ 1,078,937	\$ 1,210,880

4. Capital assets

	2005	2004
Engineering structures	\$ 6,448,646	\$ 6,257,906
Buildings	5,360,376	5,149,341
Machinery, equipment and furnishings	13,234,579	12,462,983
Land	2,162,371	2,162,371
Vehicles	6,164,994	5,771,312
	\$ 33,370,966	\$ 31,803,913

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

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

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

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

Land - includes all land owned by the Municipal District of Foothills No. 31 and used or intended to be used for municipal purposes. Land held for resale or reserve land acquired through the 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.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2005

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:

	2005	2004
Streets improvement program	\$ 24,727	\$ 41,160
Administrative building rental	49,600	2,490
Municipal sponsorship program	-	182,974
Blackie prepaid local improvements	5,973	9,534
West Nile grant	-	35,560
Alberta centennial grant	-	54,814
Supernet grant	4,000	4,000
Alberta Municipal Infrastructure Program	3,420,044	-
	\$ 3,504,344	\$ 330,532

6. Long-term debt

	Payment	Interest rate %	Year of expiry	2005	2004
Cayley office/fire hall	3,825	12.000	2005	\$ -	\$ 3,415
Blackie roads	4,677	11.625	2005	-	4,190
Heavy equipment	139,267	4.625	2005	-	133,111
Heavy equipment	228,995	4.000	2006	220,187	431,906
Blackie water	6,252	12.000	2007	10,567	15,017
Heavy equipment	176,738	3.405	2007	338,928	500,000
Blackie water/sewer	12,238	12.000	2009	37,446	44,442
Aldersyde water	40,190	12.000	2010	144,875	165,236
Water plant upgrades	14,173	0.000	2010	76,000	-
Okotoks fire hall	28,460	9.125	2012	142,639	156,791
Blackie water	9,628	8.000	2013	55,326	60,142
Cayley sewage	10,955	9.000	2015	70,303	74,548
Cayley sewage	4,304	8.750	2015	27,928	29,639
				\$ 1,124,199	\$ 1,618,437
Tax supported debentures				1,124,199	1,614,247
Self supported debentures				-	4,190
				1,124,199	1,618,437
Current portion				\$ 463,720	\$ 570,238

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2005

6. Long-term debt, continued

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2006	\$ 463,720	\$ 68,301	\$ 532,021
2007	256,430	47,093	303,523
2008	85,773	35,274	121,047
2009	93,767	27,810	121,577
2010	90,258	19,541	109,799
Thereafter	134,251	27,845	162,096
	\$ 1,124,199	\$ 225,864	\$ 1,350,063

Debenture debt is repayable to Alberta Capital Finance Authority and is issued on the credit and security of the Municipal District of Foothills No. 31 at large. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Only the debentures repayable at \$6,252 per annum at 12% expiring in 2007 qualify for this rebate. The average annual interest rate is 5.888% (2004 - 5.894%).

Interest on long-term debt amounted to \$82,399 (2004 - \$98,329)

The Municipal District's total cash payments for interest in 2005 were \$95,380 (2004 - \$104,041)

7. Capital fund

	2005	2004
Financing available:		
Protective services	\$ 90,255	\$ 68,752
Roads, streets, walks and lighting	-	80,849
Agriculture service board	15,645	12,910
	105,900	162,511
Amounts to be financed:		
Roads, streets, walks and lighting	(59)	-
Water and wastewater	(14,976)	-
	(15,035)	-
	\$ 90,865	\$ 162,511

The amounts to be financed will be funded through transfers from reserves.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2005

8. Reserves

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

Public reserve

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

Public transportation

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

Fire operating

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

FCSS reserve

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

Mill rate stabilization

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

Blackie water and sewer

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

Provincial 75th Anniversary grant

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

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.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2005

8. Reserves, continued

Reserves for operating and capital activities changed as follows:

	2004	Increase	Decrease	2005
Public reserve (1)	\$ 1,160,754	\$ 720,017	\$ 1,992,280	\$ (111,509)
Public transportation	23,465	435	-	23,900
Fire operating	13,067	-	-	13,067
FCSS reserve	6,985	-	-	6,985
Mill rate stabilization	150,206	1,900,000	-	2,050,206
Blackie water and sewer	38,000	-	-	38,000
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
	\$ 4,507,655	\$ 3,920,452	\$ 1,992,280	\$ 6,435,827

(1) Management intends to replenish the overexpenditure in the public reserve through future sales of public reserve land.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2005

9. Equity in capital assets

	Budget (Unaudited)	2005	2004
Acquisition of capital assets			
Administration	\$ 86,100	\$ 82,160	\$ 423,054
Protective services	477,901	148,651	418,833
Roads, streets, walks and lighting	4,289,980	2,210,717	2,969,685
Water and waste water	326,500	219,063	178,451
Agriculture service board	124,000	-	2,544
Parks	-	-	2,868
	5,304,481	2,660,591	3,995,435
Disposal of capital assets (cost)			
Administration	(19,990)	(19,990)	(618,274)
Protective services	(3,300)	(3,278)	(34,627)
Roads, streets, walks and lighting	(1,000,000)	(966,635)	(1,483,141)
Agricultural service board	(100,000)	(103,635)	-
	(1,123,290)	(1,093,538)	(2,136,042)
Capital financing			
Proceeds of long-term debt	(2,661,000)	(76,000)	(500,000)
Repayment of long-term debt from operating	570,238	570,238	498,560
	(2,090,762)	494,238	(1,440)
Change in equity balance	2,090,429	2,061,291	1,857,953
Equity balance, beginning of year	30,185,476	30,185,476	28,327,523
Equity balance, end of year	\$ 32,275,905	\$ 32,246,767	\$ 30,185,476
Balance consists of:			
Capital assets (note 4)		\$ 33,370,966	\$ 31,803,913
Long-term debt (note 6)		(1,124,199)	(1,618,437)
		\$ 32,246,767	\$ 30,185,476

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2005

10. Net municipal property taxes

	Budget (Unaudited)	2005	2004
Taxation			
Residential property taxes	\$ 18,684,936	\$ 18,684,936	\$ 17,148,734
Commercial/industrial property taxes	3,419,506	3,419,506	3,361,034
Farmland property taxes	1,601,632	1,601,632	1,654,175
Power, pipe, cable t.v. and railway	4,011,353	4,060,034	3,798,166
Federal grants in place of property taxes	17,555	17,555	17,301
Provincial grants in place of property taxes	13,195	13,195	15,219
	<u>27,748,177</u>	<u>27,796,858</u>	<u>25,994,629</u>
Requisitions			
Alberta School Foundation Fund	12,200,017	12,200,019	11,310,133
Separate School Board	1,087,051	1,087,051	1,002,408
Seniors' Foundation	368,931	368,931	336,050
	<u>13,655,999</u>	<u>13,656,001</u>	<u>12,648,591</u>
	<u>\$ 14,092,178</u>	<u>\$ 14,140,857</u>	<u>\$ 13,346,038</u>

11. Government transfers

	Budget (Unaudited)	2005	2004
Provincial transfers			
Entitlements	\$ 37,608	\$ 37,608	\$ 37,608
Shared-cost agreements and grants	5,188,884	3,707,802	2,059,792
	<u>5,226,492</u>	<u>3,745,410</u>	<u>2,097,400</u>
Local government transfers			
Shared-cost agreements	43,575	29,714	49,449
	<u>\$ 5,270,067</u>	<u>\$ 3,775,124</u>	<u>\$ 2,146,849</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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12. Expenditures by object

	Budget (Unaudited)	2005	2004
Operating			
Salaries, wages and benefits	\$ 6,366,915	\$ 6,724,836	\$ 5,983,755
Contracts and general services	2,859,253	6,687,587	4,930,785
Materials, goods, supplies and utilities	4,383,300	4,026,968	4,360,663
Purchase from other governments	468,100	537,191	406,452
Transfer to other governments, individuals and organizations	1,416,420	1,364,634	1,431,398
Bank charges and short-term interest	25,500	27,682	24,560
Interest on long-term debt	95,378	82,799	98,329
Other expenditures	1,100,100	640,517	641,809
	16,714,966	20,092,214	17,877,751
Capital			
Purchase of capital assets	5,304,481	2,660,591	3,995,437
	\$ 22,019,447	\$ 22,752,805	\$ 21,873,188

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2005

13. Salary and benefits disclosure

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

	(1)	(2)	2005	2004
	Salary	Benefits & allowances		
Council				
Division 1	\$ 38,616	\$ 1,655	\$ 40,271	\$ 40,573
Division 2	52,431	-	52,431	54,329
Division 3	62,308	-	62,308	53,148
Division 4	41,976	1,212	43,188	43,648
Division 5	59,988	-	59,988	53,353
Division 6	41,626	1,477	43,103	34,726
Division 7	39,829	483	40,312	52,710
Chief Administrative Officers - 2	214,969	30,184	245,153	220,225
Designated Officers - 4	\$ 274,994	\$ 47,550	\$ 322,544	\$ 309,728

(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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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14. 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.

The Municipal District of Foothills No. 31 is required to make current service contributions to the Plan of 5.525% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 7.4% on pensionable earnings above this amount. Employees of the Municipal District of Foothills No. 31 are required to make current service contributions of 4.525% of pensionable salary up to the year's maximum pensionable salary and 6.4% 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 2005 were \$313,718 (2004 - \$232,467). Total current service contributions by the employees of the Municipal District of Foothills No. 31 to the Local Authorities Pension Plan in 2005 were \$274,503 (2004 - \$199,218).

At December 31, 2004, the Plan disclosed an actuarial deficiency of \$1,288.9 million.

15. 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:

	2005	2004
Total debt limit	\$ 37,358,253	\$ 29,914,992
Total debt	1,124,199	1,618,438
	\$ 36,234,054	\$ 28,296,554
Debt servicing limit	\$ 6,226,376	\$ 4,985,832
Debt servicing	532,021	665,618
	\$ 5,694,355	\$ 4,320,214

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
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16. 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.

17. 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 fulfill 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.

18. Comparative figures

Where necessary the comparative figures for the 2004 year have been reclassified to conform with 2005 financial statement presentation.

19. Approval of financial statements

These financial statements were approved by Council and Management.