

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31

Financial Statements

For the year ended December 31, 2006

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
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For the year ended December 31, 2006

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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, 2006, 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, 2006 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

April 5, 2007

Young Parkyn McNab LLP

Chartered Accountants

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2006

	2006	2005
ASSETS		
Financial assets		
Cash and temporary investments (note 2)	\$ 14,962,613	\$ 12,024,074
Taxes and grants in place of taxes receivable (note 3)	1,340,579	1,078,937
Accounts receivable - trade	1,935,122	1,149,320
Land held for resale	580,504	327,527
Prepaid expenses	190,056	184,658
Other financial assets	19,376	18,581
	19,028,250	14,783,097
Physical assets		
Capital assets (note 4)	37,285,254	33,370,966
Inventory for consumption	747,758	571,229
	38,033,012	33,942,195
	\$ 57,061,262	\$ 48,725,292

LIABILITIES AND MUNICIPAL EQUITY

Liabilities		
Accounts payable and accrued liabilities	\$ 2,020,965	\$ 1,975,415
Vacation accrual (note 5)	420,219	557,423
Provision for gravel pit reclamation	681,510	570,601
Deposit liabilities	2,822,633	2,217,084
Deferred revenue (note 6)	2,171,195	3,504,344
Long-term debt (note 7)	4,460,479	1,124,199
	12,577,001	9,949,066
Contingency (note 17)		
Municipal equity		
Fund balances		
Operating (schedule 1)	340,655	2,768
Capital (schedule 2) (note 8)	1,758,912	90,865
Reserves (schedule 3) (note 9)	9,559,919	6,435,827
	11,659,486	6,529,460
Equity in capital assets (note 10)	32,824,775	32,246,766
	44,484,261	38,776,226
	\$ 57,061,262	\$ 48,725,292

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCES
For the year ended December 31, 2006

	Budget (Unaudited)	2006	2005
Revenue			
Net municipal property taxes (note 11)	\$ 15,847,814	\$ 15,869,087	\$ 14,140,857
Sales and user charges	477,875	1,889,955	559,712
Government transfers (note 12)	6,190,267	5,674,631	3,775,124
Fines	150,500	129,971	159,765
Return on investments	325,000	438,836	267,547
Licenses and permits	1,070,000	1,162,540	1,086,267
Rentals	115,680	106,973	92,547
Penalties and costs on taxes	245,600	256,638	244,351
Other	2,204,860	6,525,549	4,436,512
Proceeds on disposal of physical assets	600,000	499,522	453,883
	<u>27,227,596</u>	<u>32,553,702</u>	<u>25,216,565</u>
Expenditures (note 13)			
Legislative	422,318	447,293	395,768
Administration	3,970,068	3,231,969	2,617,262
Protective services	2,331,340	1,634,173	1,420,422
Ambulance	810,409	712,121	502,216
Airport	13,000	14,114	12,000
Roads, streets, walks and lighting	15,681,535	20,446,641	14,689,734
Family and community support	343,495	367,869	295,648
Water and wastewater	1,289,917	1,553,242	909,077
Waste management	100,955	77,852	79,506
Cemeteries	1,470	94	444
Planning and development	964,235	1,040,729	871,328
Agriculture service board	412,565	379,954	323,962
Recreation board	717,550	702,644	485,306
Parks	24,195	28,548	27,419
Library	122,713	122,713	122,713
	<u>27,205,765</u>	<u>30,759,956</u>	<u>22,752,805</u>
Excess of revenue over expenditures	21,831	1,793,746	2,463,760
Capital financing transactions			
Proceeds of long-term debt	3,800,000	3,800,000	76,000
Repayment of long-term debt	(463,720)	(463,720)	(570,238)
Change in fund balances	3,358,111	5,130,026	1,969,522
Fund balance, beginning of year	6,529,460	6,529,460	4,559,938
Fund balances, end of year	<u>\$ 9,887,571</u>	<u>\$ 11,659,486</u>	<u>\$ 6,529,460</u>

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the year ended December 31, 2006

	2006	2005
Cash flows from operating activities		
Excess of revenue over expenditures	\$ 1,793,746	\$ 2,463,760
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(261,642)	131,943
Accounts receivable - trade	(785,802)	91,496
Land held for resale	(252,977)	(263,034)
Prepaid expenses	(5,398)	(5,587)
Other financial assets	(795)	(915)
Inventory for consumption	(176,529)	208,536
Accounts payable and accrued liabilities	45,551	(487,751)
Vacation accrual	(137,204)	253,217
Provision for gravel pit reclamation	110,909	214,301
Deposit liabilities	605,549	411,391
Deferred revenue	(1,333,149)	3,173,812
	(397,741)	6,191,169
Cash flows from financing activities		
Proceeds of long-term debt	3,800,000	76,000
Repayment of long-term debt	(463,720)	(570,238)
	3,336,280	(494,238)
Increase in cash and temporary investments	2,938,539	5,696,931
Cash and temporary investments, beginning of year	12,024,074	6,327,143
Cash and temporary investments, end of year	\$ 14,962,613	\$ 12,024,074

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULE 1
SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - OPERATING
For the Year Ended December 31, 2006

	Budget (Unaudited)	2006	2005
Revenue			
Net municipal property taxes (note 11)	\$ 15,847,814	\$ 15,869,087	\$ 14,140,857
Sales and user charges	477,875	1,889,955	559,712
Government transfers	4,931,367	4,608,241	3,464,062
Fines	150,500	129,971	159,765
Return on investments	325,000	438,836	267,547
Licenses and permits	1,070,000	1,162,540	1,086,267
Rentals	115,680	106,973	92,547
Penalties and costs on taxes	245,600	256,638	244,351
Other	2,204,860	6,519,549	4,429,512
	25,368,696	30,981,790	24,444,620
Expenditures (note 13)			
Legislative	422,318	447,293	395,768
Administration	3,882,318	3,174,138	2,535,102
Protective services	1,224,565	1,223,137	1,271,771
Ambulance	810,409	712,121	502,216
Airport	13,000	14,114	12,000
Roads, streets, walks and lighting	9,575,114	15,858,347	12,479,017
Family and community support	343,495	367,869	295,648
Water and wastewater	911,917	661,978	690,014
Waste management	100,955	77,852	79,506
Cemeteries	1,470	94	444
Planning and development	964,235	1,040,729	871,328
Agriculture service board	400,465	379,954	323,962
Recreation board	717,550	702,644	485,306
Parks	24,195	28,548	27,419
Library	122,713	122,713	122,713
	19,514,719	24,811,531	20,092,214
Excess of revenue over expenditures	5,853,977	6,170,259	4,352,406
Net interfund transfers			
Transfer to capital - repayment of long-term debt (schedule 2)	(463,720)	(463,720)	(570,238)
Transfer to capital (schedule 2)	(2,000,000)	(2,207,560)	(1,741,000)
Transfer to reserves (schedule 3)	(3,390,257)	(3,161,092)	(1,928,174)
Change in fund balance	-	337,887	112,994
Fund balance, beginning of year	2,768	2,768	(110,226)
Fund balance, end of year	\$ 2,768	\$ 340,655	\$ 2,768

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULE 2
SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - CAPITAL
For the year ended December 31, 2006

	Budget (Unaudited)	2006	2005
Revenue			
Government transfers	\$ 1,258,900	\$ 1,066,390	\$ 311,062
Proceeds on disposal of physical assets	600,000	499,522	453,883
Other	-	6,000	7,000
	1,858,900	1,571,912	771,945
Expenditures (note 13)			
Administration	87,750	57,831	82,160
Protective services	1,106,775	411,036	148,651
Roads, streets, walks and lighting	6,106,421	4,588,294	2,210,717
Water and waste water	378,000	891,264	219,063
Agriculture service board	12,100	-	-
	7,691,046	5,948,425	2,660,591
Deficiency of revenue over expenditures	(5,832,146)	(4,376,513)	(1,888,646)
Capital financing transactions and net interfund transfers			
Transfer from operating - repayment of long-term debt (schedule 1)	463,720	463,720	570,238
Transfer from operating (schedule 1)	2,000,000	2,207,560	1,741,000
Transfer from reserves (schedule 3)	37,000	37,000	-
Proceeds of long-term debt (note 10)	3,800,000	3,800,000	76,000
Repayment of long-term debt (note 10)	(463,720)	(463,720)	(570,238)
Change in fund balance	4,854	1,668,047	(71,646)
Fund balance, beginning of year	90,924	90,865	162,511
Fund balance, end of year (note 8)	\$ 95,778	\$ 1,758,912	\$ 90,865

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULE 3
SCHEDULE OF CHANGE IN FUND BALANCE - RESERVES
For the year ended December 31, 2006

	Budget (Unaudited)	2006	2005
Net interfund transfers			
Transfer from operating (schedule 1)	\$ 3,390,257	\$ 3,161,092	\$ 1,928,174
Transfer to capital (schedule 2)	(37,000)	(37,000)	-
Change in fund balance	3,353,257	3,124,092	1,928,174
Fund balance, beginning of year	6,435,827	6,435,827	4,507,653
Fund balance, end of year (note 9)	\$ 9,789,084	\$ 9,559,919	\$ 6,435,827

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2006

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, 2006

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, 2006

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.

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

	2006	2005
Cash	\$ 7,391,650	\$ 7,009,457
Temporary investments	7,570,963	5,014,617
	\$ 14,962,613	\$ 12,024,074

The temporary investments are comprised of GIC's, term deposits, government bonds and corporate bonds with interest rates ranging from 2.50% to 4.45%. 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, 2006

3. Taxes and grants in place of taxes receivable

	2006	2005
Current taxes and grants in place of taxes	\$ 1,163,335	\$ 888,465
Arrears	177,244	190,472
	1,340,579	1,078,937
Allowance for uncollectible taxes	-	-
	\$ 1,340,579	\$ 1,078,937

4. Capital assets

	2006	2005
Engineering structures	\$ 6,692,964	\$ 6,448,646
Buildings	7,970,559	5,360,376
Machinery, equipment and furnishings	13,150,226	13,234,579
Land	2,742,371	2,162,371
Vehicles	6,729,134	6,164,994
	\$ 37,285,254	\$ 33,370,966

Capital assets are defined as items with a cost over \$5,000 and a useful life over one year. At the present time assets are not amortized and no amortization expense is recorded. Assets are broken down into the following categories:

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

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

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

Land - includes all land owned by the Municipal District of Foothills No. 31 and used or intended to be used for municipal purposes. Land held for resale or reserve land acquired through the subdivision process for school and recreation purposes are not included.

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

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

5. Vacation accrual

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.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2006

6. Deferred revenue

	2006	2005
Alberta Municipal Infrastructure Program	\$ 1,360,921	\$ 3,420,044
New Deal for Canadian Municipalities	646,414	-
Prepaid road repairs	75,000	-
Industrial lands project	57,185	-
Street improvement program	24,727	24,727
Supernet grant	4,000	4,000
Blackie prepaid local improvements	2,948	5,973
Administrative building rental	-	49,600
	\$ 2,171,195	\$ 3,504,344

Alberta Municipal Infrastructure Program

Funding in the amount of \$3,420,044 was received in the prior year 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 2007. The majority of projects scheduled for completion are paving projects.

New Deal for Cities and Communities

Funding in the amount of \$646,414 was received in the current year from the New Deal for Cities and Communities. The use of these funds is restricted to eligible environmentally sustainable infrastructure projects, as approved under the funding agreement, which are scheduled for completion in 2007.

7. Long-term debt

	Payment	Interest rate %	Year of expiry	2006	2005
Heavy equipment	228,995	4.000	2006	\$ -	\$ 220,187
Heavy equipment	6,252	12.000	2007	5,582	10,567
Heavy equipment	176,738	3.405	2007	172,325	338,928
Blackie water/sewer	12,328	12.000	2009	29,611	37,446
Aldersyde water	40,190	12.000	2010	122,070	144,875
Water plant upgrades	14,173	0.000	2010	61,827	76,000
Okotoks fire hall	28,460	9.125	2012	127,195	142,639
Blackie water	9,628	8.000	2013	50,125	55,326
Cayley sewage	10,955	9.000	2015	65,676	70,303
Cayley sewage	4,304	8.750	2015	26,068	27,928
Aldersyde shop	295,132	4.699	2026	3,800,000	-
				\$ 4,460,479	\$ 1,124,199

Tax supported debentures	4,460,479	1,124,199
	4,460,479	1,124,199

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2006

7. Long-term debt, continued

Current portion	\$ 374,370	\$ 463,720
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Principal and interest repayments are due as follows:

	Principal	Interest	Total
2007	\$ 374,370	\$ 224,286	\$ 598,656
2008	209,319	206,859	416,178
2009	223,188	193,522	416,710
2010	225,832	179,100	404,932
2011	183,510	164,968	348,478
Thereafter	3,244,260	1,291,472	4,535,732
	\$ 4,460,479	\$ 2,260,207	\$ 6,720,686

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 \$6,252 per annum at 12% expiring in 2007 qualify for this rebate. The average annual interest rate is 6.07% (2005 - 5.888%).

Interest on long-term debt amounted to \$111,313 (2005 - \$82,399).

The Municipal District's total cash payments for interest in 2006 were \$68,301 (2005 - \$95,380).

8. Capital fund

	2006	2005
Financing available:		
Protective services	\$ 568,160	\$ 90,255
Roads, streets, walks and lighting	1,175,107	-
Agriculture service board	15,645	15,645
	1,758,912	105,900
Amounts to be financed:		
Roads, streets, walks and lighting	-	(59)
Water and wastewater	-	(14,976)
	-	(15,035)
	\$ 1,758,912	\$ 90,865

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2006

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.

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, 2006

9. Reserves, continued

Reserves for operating and capital activities changed as follows:

	2005	Increase	Decrease	2006
Public reserve	\$ (111,509)	\$ 3,731,194	\$ 1,835,040	\$ 1,784,645
Public transportation	23,900	590	-	24,490
Fire operating	13,067	-	-	13,067
FCSS reserve	6,985	-	-	6,985
Mill rate stabilization	2,050,206	1,000,000	-	3,050,206
Blackie water and sewer	38,000	-	37,000	1,000
Cayley water system	-	264,348	-	264,348
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
	\$ 6,435,827	\$ 4,996,132	\$ 1,872,040	\$ 9,559,919

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2006

10. Equity in capital assets

	Budget (Unaudited)	2006	2005
Acquisition of capital assets			
Administration	\$ 87,750	\$ 57,831	\$ 82,160
Protective services	1,106,775	474,727	148,651
Roads, streets, walks and lighting	6,106,421	4,512,953	2,210,717
Water and waste water	378,000	891,264	219,063
Agriculture service board	12,100	11,650	-
	<u>7,691,046</u>	<u>5,948,425</u>	<u>2,660,591</u>
Disposal of capital assets (cost)			
Administration	(140,000)	(140,064)	(19,990)
Protective services	(418,400)	(418,380)	(3,278)
Roads, streets, walks and lighting	(1,316,750)	(1,316,758)	(966,635)
Water and waste water	(28,300)	(28,279)	-
FCSS	(21,100)	(21,082)	-
Cemetery	(700)	(669)	-
Agricultural service board	(69,400)	(69,410)	(103,635)
Parks and recreation	(39,500)	(39,495)	-
	<u>(2,034,150)</u>	<u>(2,034,137)</u>	<u>(1,093,538)</u>
Capital financing			
Proceeds of long-term debt	(3,800,000)	(3,800,000)	(76,000)
Repayment of long-term debt from operating	463,720	463,720	570,238
	<u>(3,336,280)</u>	<u>(3,336,280)</u>	<u>494,238</u>
Change in equity balance	2,320,616	578,008	2,061,291
Equity balance, beginning of year	32,246,767	32,246,767	30,185,476
Equity balance, end of year	<u>\$ 34,567,383</u>	<u>\$ 32,824,775</u>	<u>\$ 32,246,767</u>
Balance consists of:			
Capital assets (note 4)		\$ 37,285,254	\$ 33,370,966
Long-term debt (note 7)		(4,460,479)	(1,124,199)
		<u>\$ 32,824,775</u>	<u>\$ 32,246,767</u>

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
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11. Net municipal property taxes

	Budget (Unaudited)	2006	2005
Taxation			
Residential property taxes	\$ 20,301,587	\$ 20,301,587	\$ 18,684,936
Commercial/industrial property taxes	3,541,867	3,541,867	3,419,506
Farmland property taxes	1,570,771	1,570,770	1,601,632
Power, pipe, cable t.v. and railway	4,386,834	4,408,108	4,060,034
Federal grants in place of property taxes	18,005	18,005	17,555
Provincial grants in place of property taxes	2,641	2,641	13,195
	29,821,705	29,842,978	27,796,858
Requisitions			
Alberta School Foundation Fund	12,416,359	12,416,359	12,200,019
Separate School Board	1,155,184	1,155,184	1,087,051
Seniors' Foundation	402,348	402,348	368,931
	13,973,891	13,973,891	13,656,001
	\$ 15,847,814	\$ 15,869,087	\$ 14,140,857

12. Government transfers

	Budget (Unaudited)	2006	2005
Provincial transfers			
Entitlements	\$ 37,600	\$ 37,608	\$ 37,608
Shared-cost agreements and grants	6,117,092	5,601,723	3,707,802
	6,154,692	5,639,331	3,745,410
Local government transfers			
Shared-cost agreements	35,575	35,300	29,714
	\$ 6,190,267	\$ 5,674,631	\$ 3,775,124

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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13. Expenditures by object

	Budget (Unaudited)	2006	2005
Operating			
Salaries, wages and benefits	\$ 7,123,048	\$ 7,026,340	\$ 6,642,379
Contracts and general services	4,160,713	8,708,457	6,770,044
Materials, goods, supplies and utilities	4,965,560	5,654,113	4,026,968
Purchase from other governments	1,319,859	1,295,408	1,039,406
Transfer to other governments, individuals and organizations	1,157,208	1,168,538	862,418
Bank charges and short-term interest	28,000	30,820	27,682
Interest on long-term debt	72,981	111,315	82,799
Other expenditures	87,350	816,540	640,518
	<u>18,914,719</u>	<u>24,811,531</u>	<u>20,092,214</u>
Capital			
Purchase of capital assets	7,691,046	5,948,425	2,660,591
	<u>\$ 26,605,765</u>	<u>\$ 30,759,956</u>	<u>\$ 22,752,805</u>

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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14. Salary and benefits disclosure

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

	(1)	(2)	2006	2005
	Salary	Benefits & allowances		
Council				
Division 1	\$ 46,118	\$ 1,900	\$ 48,018	\$ 40,271
Division 2	58,854	2,124	60,978	52,431
Division 3	66,922	-	66,922	62,308
Division 4	50,954	1,505	52,459	43,188
Division 5	67,796	-	67,796	59,988
Division 6	49,430	1,732	51,162	43,103
Division 7	46,709	528	47,237	40,312
Chief Administrative Officers - 2	225,251	33,493	258,744	245,153
Designated Officers - 4	\$ 298,100	\$ 51,454	\$ 349,554	\$ 322,544

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

(2) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada Pension Plan (CPP), employment insurance (EI), health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans.

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

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
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15. Local authorities pension plan

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

Employees of the Municipal District of Foothills No. 31 participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 159,900 people and about 407 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund.

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

Total current service contributions by the Municipal District of Foothills No. 31 to the Local Authorities Pension Plan in 2006 were \$369,898 (2005 - \$313,718). Total current service contributions by the employees of the Municipal District of Foothills No. 31 to the Local Authorities Pension Plan in 2006 were \$326,134 (2005 - \$274,503).

At December 31, 2005, the Plan disclosed an actuarial deficiency of \$863.6 million.

16. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Municipal District be disclosed as follows:

	2006	2005
Total debt limit	\$ 47,230,967	\$ 37,358,253
Total debt	4,460,479	1,124,199
	\$ 42,770,488	\$ 36,234,054
Debt servicing limit	\$ 7,871,828	\$ 6,226,376
Debt servicing	598,656	532,021
	\$ 7,273,172	\$ 5,694,355

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

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2006

17. Contingency

The Municipal District of Foothills No. 31 is a member of the Alberta Municipal Insurance Exchange (MUNIX) which provides liability insurance. The investment in this program is not reflected as an asset in the accompanying financial statements.

Under the terms of membership, the Municipal District could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

18. 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.

19. Comparative figures

Where necessary the comparative figures for the 2005 year have been reclassified to conform with 2006 financial statement presentation.

20. Approval of financial statements

These financial statements were approved by Council and Management.