

---

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**

**Financial Statements**

**For the year ended December 31, 2010**

---

## **MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**

### **TABLE OF CONTENTS**

**For the year ended December 31, 2010**

---

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT REPORT</b>	<b>2</b>
<b>FINANCIAL STATEMENTS</b>	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF OPERATIONS	4
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT	5
CONSOLIDATED STATEMENT OF CASH FLOW	6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	7 - 19
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS	20 - 21

## INDEPENDENT AUDITORS' REPORT

To: The Reeve and Council of  
the Municipal District of Foothills No. 31

We have audited the accompanying consolidated financial statements of the Municipal District of Foothills No. 31 which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Municipal District of Foothills No. 31 as at December 31, 2010 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

April 21, 2011

*Young Parkyn McNab LLP*

Chartered Accountants

## MANAGEMENT REPORT

The consolidated financial statements are the responsibility of the management of the Municipal District of Foothills No. 31.

These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Municipal District maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Municipal District's assets are properly accounted for and adequately safeguarded.

The elected Council of the Municipal District of Foothills No. 31 is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility principally through the Audit committee.

The Council meets annually with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council also considers the engagement or re-appointment of the external auditors. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Young Parkyn McNab LLP, Chartered Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Municipal District. Young Parkyn McNab LLP has full and free access to the Council.



Municipal Treasurer

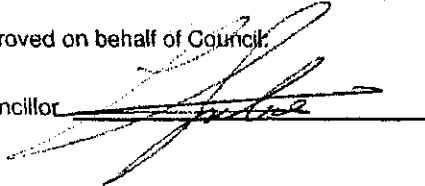
**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2010**

	2010	2009
<b>Financial assets</b>		
Cash and temporary investments (note 2)	\$ 11,530,869	\$ 8,088,504
Taxes and grants in place of taxes receivable (note 3)	1,695,043	1,799,445
Trade and other receivables	4,940,563	2,476,187
Land held for resale	1,465,078	1,464,881
Investments	17,994	19,486
	<u>19,649,547</u>	<u>11,848,503</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	3,399,141	3,479,646
Employee benefit obligations (note 4)	621,370	625,383
Deposits	2,602,821	1,923,258
Provision for gravel pit reclamation	692,809	698,668
Deferred revenue (note 5)	7,349,373	2,330,051
Long-term debt (note 6)	7,101,698	4,750,256
	<u>21,767,212</u>	<u>13,807,262</u>
<b>Net financial debt</b>	<u>(2,117,665)</u>	<u>(1,958,759)</u>
<b>Non-financial assets</b>		
Prepaid expenses	236,857	235,209
Inventory for consumption	2,784,649	3,120,131
Tangible capital assets (schedule 1)	170,245,712	170,204,082
	<u>173,267,218</u>	<u>173,559,422</u>
<b>Accumulated surplus (note 7)</b>	<u>\$ 171,149,553</u>	<u>\$ 171,600,663</u>

*Commitments and contingencies (note 16)*

Approved on behalf of Council:

Councillor



Councillor



**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the year ended December 31, 2010

	Budget (Unaudited)	2010	2009
<b>Revenue</b>			
Net municipal property taxes (note 8)	\$ 20,533,460	\$ 20,558,850	\$ 20,026,554
User fees and sales of goods	796,775	833,995	1,216,258
Government transfers for operating (note 9)	1,088,307	1,544,473	2,155,021
Investment income	225,000	14,792	126,637
Penalties and costs of taxes	501,250	537,538	481,242
Licenses and permits	815,000	905,654	837,647
Rental	153,073	143,055	176,787
Other	1,702,750	3,498,783	4,298,284
	<b>25,815,615</b>	<b>28,037,140</b>	<b>29,318,430</b>
<b>Expenses (note 10)</b>			
Legislative	639,469	639,915	690,308
Administration	4,524,790	4,899,577	4,275,975
Protective services	2,246,520	2,408,359	2,348,486
Ambulance services and first aid	118,000	142,394	339,319
Roads, streets, walks, lighting	28,450,646	26,817,247	28,642,151
Airport	88,700	87,873	93,897
Wastewater treatment and disposal	1,142,769	1,197,683	1,099,235
Waste management	117,707	134,653	120,071
Family and community support services	383,232	396,598	380,808
Cemeteries and crematoriums	43,810	162,139	31,000
Land use planning, zoning and development	1,530,040	1,760,107	1,779,558
Economic and agricultural development	647,730	573,242	570,510
Recreation boards	848,800	1,614,915	752,477
Parks and recreation	83,084	96,047	848,060
Culture - libraries, museums, halls	138,941	138,941	138,941
	<b>41,004,238</b>	<b>41,069,690</b>	<b>42,110,796</b>
<b>Deficiency of revenue over expenses before other</b>	<b>(15,188,623)</b>	<b>(13,032,550)</b>	<b>(12,792,366)</b>
<b>Other</b>			
Government transfers for capital (note 9)	8,086,000	7,693,440	8,333,830
Contributed assets (note 11)	-	4,888,000	-
	<b>8,086,000</b>	<b>12,581,440</b>	<b>8,333,830</b>
<b>Deficiency of revenue over expenses</b>	<b>(7,102,623)</b>	<b>(451,110)</b>	<b>(4,458,536)</b>
<b>Accumulated surplus, beginning of year</b>	<b>171,600,663</b>	<b>171,600,663</b>	<b>176,059,199</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 164,498,040</b>	<b>\$ 171,149,553</b>	<b>\$ 171,600,663</b>

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT**  
For the year ended December 31, 2010

	Budget (Unaudited)	2010	2009
<b>Deficiency of revenue over expenses</b>	<b>\$ (7,102,623)</b>	<b>\$ (451,110)</b>	<b>\$ (4,458,536)</b>
Acquisition of tangible capital assets	(9,113,500)	(13,934,491)	(11,455,127)
Amortization	12,739,200	13,797,315	12,747,719
Loss on disposal of tangible capital assets	-	80,237	155,489
Proceeds on disposal of tangible capital assets	200,000	15,309	489,127
	3,825,700	(41,630)	1,937,208
Net change in inventory for consumption	-	335,482	(437,094)
Net change in prepaid expenses	-	(1,648)	(24,800)
	-	333,834	(461,894)
<b>Decrease in net financial assets (debt)</b>	<b>(3,276,923)</b>	<b>(158,906)</b>	<b>(2,983,222)</b>
<b>Net financial assets (debt), beginning of year</b>	<b>(1,958,759)</b>	<b>(1,958,759)</b>	<b>1,024,463</b>
<b>Net financial debt, end of year</b>	<b>\$ (5,235,682)</b>	<b>\$ (2,117,665)</b>	<b>\$ (1,958,759)</b>

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**For the year ended December 31, 2010**

	2010	2009
<b>Operating transactions</b>		
Deficiency of revenue over expenses	\$ (451,110)	\$ (4,458,536)
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	80,237	155,489
Amortization	13,797,315	12,747,719
	13,426,442	8,444,672
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	104,402	(264,425)
Trade and other receivables	(2,464,377)	843,143
Land held for resale	(197)	(208)
Investments	1,492	285
Inventory for consumption	335,482	(437,094)
Prepaid expenses	(1,648)	(24,800)
Accounts payable and accrued liabilities	(80,505)	146,938
Employee benefit obligations	(4,013)	13,940
Deposits	679,563	(875,652)
Deferred revenue	5,019,322	(6,175,801)
Provision for gravel pit reclamation	(5,859)	(14,260)
Cash provided by operating transactions	17,010,104	1,656,738
<b>Capital transactions</b>		
Proceeds on disposal of tangible capital assets	15,309	489,127
Acquisition of tangible capital assets	(13,934,491)	(11,455,127)
Cash applied to capital transactions	(13,919,182)	(10,966,000)
<b>Financing transactions</b>		
Proceeds of long-term debt	3,000,000	-
Repayment of long-term debt	(648,557)	(625,842)
Cash provided by (applied to) financing transactions	2,351,443	(625,842)
<b>Increase (decrease) in cash and temporary investments</b>	5,442,365	(9,935,104)
<b>Cash and temporary investments, beginning of year</b>	6,088,504	16,023,608
<b>Cash and temporary investments, end of year</b>	\$ 11,530,869	\$ 6,088,504



---

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2010**

---

**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**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

**(c) Land held for resale**

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 physical assets under their respective function.

**(d) Investments**

Investments are recorded at amortized cost. When there has been a loss in value that is other than a temporary decline, the 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, 2010**

---

**1. Significant accounting policies, continued**

(e) Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

(f) Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

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

(g) 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.

(h) 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.

(i) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

---

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2010**

---

**1. Significant accounting policies, continued**

(i) **Tangible capital assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land improvements	25
Buildings	25-40
Engineered structures	20-70
Machinery and equipment	10-20
Vehicles	8-20

Amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) **Contributions of tangible capital assets**

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

(iii) **Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(iv) **Inventories**

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(v) **Cultural and historical tangible capital assets**

Works of art for display are not recorded as tangible capital assets but are disclosed.

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**2. Cash and temporary investments**

	2010	2009
Cash	\$ 9,666,219	\$ 1,555,146
Temporary investments	1,864,650	4,533,358
	<u>\$ 11,530,869</u>	<u>\$ 6,088,504</u>

The temporary investments are comprised of guaranteed investment certificates, term deposits, government bonds and corporate bonds with interest rates ranging between 1.00% and 6.75% and maturity dates between February 2011 and January 2013. The carrying value of the temporary investments approximates fair value.

Under its credit facility with TD Canada Trust, the Municipal District holds a line of credit to a maximum of \$500,000. The line of credit is due on demand and bears interest at the prime rate less 0.25%. As at December 31, 2010 the line of credit was undrawn.

**3. Taxes and grants in place of taxes receivable**

	2010	2009
Taxes and grants in place of taxes receivable	\$ 1,195,880	\$ 1,323,189
Arrears	499,163	478,339
Allowance for uncollectible taxes	-	(2,083)
	<u>\$ 1,695,043</u>	<u>\$ 1,799,445</u>

**4. Employee benefit obligations**

	2010	2009
Vacation	\$ 386,701	\$ 400,887
Post employment benefits	234,669	224,496
	<u>\$ 621,370</u>	<u>\$ 625,383</u>

**Vacation**

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

**Post-employment benefits**

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

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**5. Deferred revenue**

	2010	2009
Alberta Municipal Infrastructure Program	\$ -	\$ 281,522
Municipal Sustainability Initiative	5,376,383	1,159,084
Prepaid Road Repairs	75,000	75,000
Federal Gas Tax Fund	1,782,529	675,614
Street Improvement Program	1,168	1,157
Super Net Grant	-	4,000
Municipal Sponsorship program	112,667	131,845
Blackie Prepaid Local Improvements	1,626	1,829
	<b>\$ 7,349,373</b>	<b>\$ 2,330,051</b>

Funding in the amount of \$10,123,388 (2009 - \$477,780) was received in the current year from various provincial grant programs. The use of these funds is restricted to eligible projects under the various programs.

**6. Long-term debt**

	2010	2009
Aldersyde shop	\$ 3,293,520	\$ 3,429,094
Aldersyde water	-	35,884
Water plant upgrades	-	16,263
Heavy equipment	633,666	1,030,911
Okotoks fire hall	49,980	71,880
High River Ag Society	40,261	65,742
Blackie water	24,811	31,888
Cayley sewage	42,610	49,142
Cayley sewage	16,850	19,452
Municipal roads	3,000,000	-
	<b>\$ 7,101,698</b>	<b>\$ 4,750,256</b>
 Current portion	 <b>\$ 1,198,576</b>	 <b>\$ 648,557</b>

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2010**

**6. Long-term debt, continued**

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2011	\$ 1,198,576	\$ 261,054	\$ 1,459,630
2012	1,009,357	215,605	1,224,962
2013	776,211	184,069	960,280
2014	790,474	161,605	952,079
2015	814,459	136,907	951,366
Thereafter	2,512,621	733,833	3,246,454
	<b>\$ 7,101,698</b>	<b>\$ 1,693,073</b>	<b>\$ 8,794,771</b>

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. The average annual interest rate is 4.75% for 2010 (2009 - 4.86%).

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

Interest on long-term debt amounted to \$221,590 (2009 - \$254,266).

The Municipal District's total cash payments for interest in 2010 were \$225,470 (2009 - \$258,927).

**7. Accumulated surplus**

Accumulated surplus consists of internally restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2010	2009
Unrestricted surplus (deficit)	\$ 1,229,608	\$ (320,162)
Internally restricted surplus (reserves) (note 12)	6,735,670	6,401,257
Equity in tangible capital assets (note 13)	163,184,275	165,519,568
	<b>\$ 171,149,553</b>	<b>\$ 171,600,663</b>

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**8. Net municipal property taxes**

	Budget (Unaudited)	2010	2009
<b>Taxation</b>			
Real property taxes	\$ 26,884,283	\$ 26,905,996	\$ 25,841,347
Commercial/industrial property taxes	4,957,772	4,957,772	4,618,871
Farmland property taxes	1,415,552	1,415,552	1,364,478
Power, pipe, cable t.v. and railway	4,472,893	4,472,893	4,458,501
Federal grants in place of property taxes	6,042	6,053	15,692
Provincial grants in place of property taxes	20,601	20,601	4,276
	<u>37,757,143</u>	<u>37,778,867</u>	<u>36,303,165</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	15,235,540	15,249,419	14,426,975
Separate School Board	1,436,427	1,418,882	1,327,748
Seniors' Foundation	551,716	551,716	521,888
	<u>17,223,683</u>	<u>17,220,017</u>	<u>16,276,611</u>
	<u>\$ 20,533,460</u>	<u>\$ 20,558,850</u>	<u>\$ 20,026,554</u>

**9. Government transfers**

	Budget (Unaudited)	2010	2009
<b>Transfers for operating:</b>			
Provincial government	\$ 1,023,901	\$ 1,197,774	\$ 2,155,021
Local government	64,406	346,699	-
	<u>1,088,307</u>	<u>1,544,473</u>	<u>2,155,021</u>
<b>Transfers for capital</b>			
Provincial government	8,086,000	7,693,440	8,333,830
	<u>\$ 9,174,307</u>	<u>\$ 9,237,913</u>	<u>\$ 10,488,851</u>

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**10. Expenditures by object**

	Budget (Unaudited)	2010	2009
Salaries, wages and benefits	\$ 11,225,312	\$ 11,392,800	\$ 11,694,640
Contracted and general services	5,192,714	4,883,800	6,036,451
Materials, goods, supplies and utilities	8,022,550	6,246,442	7,173,026
Bank charges and short term interest	35,100	46,085	34,522
Interest on long term debt	225,470	221,590	254,266
Other expenditures	1,174,100	1,061,696	1,034,082
Transfers to organizations and others	1,433,341	2,304,588	2,263,351
Purchases from other governments	956,451	1,035,137	717,251
Amortization of tangible capital assets	12,739,200	13,797,315	12,747,719
Loss on disposal of tangible capital assets	-	80,237	155,488
	\$ 41,004,238	\$ 41,069,690	\$ 42,110,796

**11. Contributed assets**

During the year, the Municipal District assumed control of roads in subdivisions built by developers in the area. The transaction has been recorded at the fair market value at the date of assumption and the contribution has been recognized as income during the year.

**12. 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.

**Family and Community Support Services (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, 2010

**12. Reserves, continued**

**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.

**Foothills cemetery**

In 2010, the M.D. of Foothills assumed responsibility for the operations of the Foothills cemetery. The reserves include provisions for future operating expenditures, future capital construction, perpetual maintenance and columbarium construction. These reserves can only be used for the Foothills cemetery upon approval of the cemetery Board.

**Aldersyde water system**

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

Reserves for operating and capital activities changed as follows:

	2010	2009
Public reserve	\$ 1,625,958	\$ 1,639,657
Public transportation	26,336	26,236
Fire operating	13,067	13,067
FCSS reserve	6,985	6,985
Blackie water and sewer	7,500	7,500
Cayley water system	285,899	285,899
Provincial 75th Anniversary grant	3,111,430	3,111,430
Blackie cemetery	3,748	3,748
Aldersyde water system	6,735	6,735
Calgary annexation compensation reserve	1,300,000	1,300,000
Foothills cemetery	348,012	-
	<b>\$ 6,735,670</b>	<b>\$ 6,401,257</b>

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**13. Equity in tangible capital assets**

	2010	2009
Tangible capital assets (schedule 1)	\$ 335,541,251	\$ 321,980,983
Accumulated amortization (schedule 1)	(165,295,539)	(151,776,901)
Long-term debt (note 6)	(7,101,698)	(4,750,256)
Operating debt (note 6)	40,261	65,742
	<u>\$ 163,184,275</u>	<u>\$ 165,519,568</u>

**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 be disclosed as follows:

	2010	2009
Total debt limit	\$ 42,055,709	\$ 43,977,645
Total debt	7,101,698	4,750,256
	<u>\$ 34,954,011</u>	<u>\$ 39,227,389</u>
Debt servicing limit	\$ 7,009,285	\$ 7,329,608
Debt servicing	1,459,630	874,027
	<u>\$ 5,549,655</u>	<u>\$ 6,455,581</u>

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

---

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2010**

---

**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 200,000 people and over 400 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund. Contributions for current service are recorded as expenditures in the year in which they become due.

The Municipal District of Foothills No. 31 is required to make current service contributions to the Plan of 9.06% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.53% on pensionable earnings above this amount. Employees of the Municipal District of Foothills No. 31 are required to make current service contributions of 8.06% of pensionable salary up to the year's maximum pensionable salary and 11.53% 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 2010 were \$604,995 (2009 - \$584,232). Total current service contributions by the employees of the Municipal District of Foothills No. 31 to the Local Authorities Pension Plan in 2010 were \$545,050 (2009 - \$522,311).

At December 31, 2009, the Plan disclosed an actuarial deficiency of \$3,999 million.

**16. Commitments and contingencies**

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.

In 2007 the Municipal District entered into an agreement with Lafarge Canada Inc. Under this agreement Lafarge Canada Inc. will have unrestricted use (subject to bans and speed limits imposed) of a designated haul road and the Municipal District will be responsible for the road's upkeep. In consideration of the cost involved to maintain the road, Lafarge Canada Inc. has agreed to pay through gravel the equivalent of \$1,300,000 or 1 million tonnes of gravel, over 25 years.

The Municipal District has entered into a operating lease for a Caterpillar motor grader. The Municipal District's total remaining obligation under this lease is \$144,058

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**17. Salary and benefits disclosure**

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

	(1) Salary	(2) Benefits & allowances	2010	2009
Council				
Division 1	\$ 61,891	\$ 5,783	\$ 67,674	\$ 70,382
Division 2	75,459	3,887	79,346	84,346
Division 2	12,084	3,727	15,811	-
Division 3	76,488	4,080	80,568	83,482
Division 4	59,977	5,462	65,439	83,260
Division 4	14,579	3,841	18,420	-
Division 5	86,444	4,086	90,530	97,583
Division 6	82,788	6,249	89,037	89,998
Division 7	74,403	4,056	78,459	80,559
Chief Administrative Officers - 2	311,264	46,993	358,257	338,122
Designated Officers - 4	\$ 358,954	\$ 55,498	\$ 414,452	\$ 443,351

(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 pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long- and short-term disability plans, professional memberships, and tuition.

(3) 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.

**18. Financial instruments**

The Municipal District of Foothills No. 31's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the Municipal District is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The Municipal District of Foothills No. 31 is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Municipal District provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

---

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2010**

---

**19. Comparative figures**

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

**20. Budget amounts**

The 2010 budget for the Municipal District was approved by Council on April 1, 2010 (capital and operating) and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and proceeds on disposal as revenue or expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

Budgeted deficit per financial statements	\$ (7,102,623)
Less: Capital expenditures	(9,113,500)
Add: Amortization	12,739,200
Transfers	3,276,923
Proceeds on disposal of tangible capital assets	200,000
<u>Equals: balanced budget</u>	<u>\$ -</u>

**21. Approval of financial statements**

These financial statements were approved by Council and Management.

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2010**

**Schedule of changes in accumulated surplus**

**Schedule 1**

	Unrestricted	Restricted	Equity in tangible capital assets	2010	2009
Balance, beginning of year	\$ (320,162)	\$ 6,401,257	\$ 165,519,568	\$ 171,600,663	\$ 176,059,199
Deficiency of revenue over expenses	(451,110)	-	-	(451,110)	(4,458,536)
Unrestricted funds designated for future use	(1,137,294)	1,137,294	-	-	-
Restricted funds used for operations	802,880	(802,880)	-	-	-
Current year funds used for tangible capital assets	(9,046,491)	-	9,046,491	-	-
Contributed tangible capital assets	(4,888,000)	-	4,888,000	-	-
Disposal of tangible capital assets	80,237	-	(80,237)	-	-
Annual amortization expense	13,797,315	-	(13,797,315)	-	-
Long term debt repaid	(623,077)	-	623,077	-	-
Proceeds of long term debt	3,000,000	-	(3,000,000)	-	-
Proceeds on disposal	15,309	-	(15,309)	-	-
Change in accumulated surplus	1,549,769	334,414	(2,335,293)	(451,110)	(4,458,536)
<b>Balance, end of year</b>	<b>\$ 1,229,607</b>	<b>\$ 6,735,671</b>	<b>\$ 163,184,275</b>	<b>\$ 171,149,553</b>	<b>\$ 171,600,663</b>

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**Schedule of tangible capital assets**

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	2010	2009
<b>Cost:</b>								
Balance, beginning of year	\$ 3,902,858	\$ 444,547	\$ 13,495,128	\$ 277,001,553	\$ 18,122,126	\$ 9,014,771	\$ 321,980,983	\$ 313,048,694
Acquisitions	990,363	-	-	8,340,339	238,553	129,465	9,698,720	11,288,867
Construction-in-progress	-	-	104,448	4,131,323	-	-	4,235,771	166,260
Disposals	-	-	-	(334,880)	(39,343)	-	(374,223)	(2,522,838)
Balance, end of year	4,893,221	444,547	13,599,576	289,138,335	18,321,336	9,144,236	335,541,251	321,980,983
<b>Accumulated amortization:</b>								
Balance, beginning of year	-	108,328	2,436,323	138,383,948	6,745,653	4,102,649	151,776,901	140,907,404
Annual amortization	-	18,165	367,096	11,335,271	1,254,740	822,043	13,797,315	12,747,718
Disposals	-	-	-	(254,718)	(23,959)	-	(278,677)	(1,878,221)
Balance, end of year	-	126,493	2,803,419	149,464,501	7,976,434	4,924,692	165,295,539	151,776,901
<b>Net book value</b>	<b>\$ 4,893,221</b>	<b>\$ 318,054</b>	<b>\$ 10,796,157</b>	<b>\$ 139,673,834</b>	<b>\$ 10,344,902</b>	<b>\$ 4,219,544</b>	<b>\$ 170,245,712</b>	<b>\$ 170,204,082</b>
<b>2009 net book value</b>	<b>\$ 3,902,858</b>	<b>\$ 336,219</b>	<b>\$ 11,058,806</b>	<b>\$ 138,617,605</b>	<b>\$ 11,376,472</b>	<b>\$ 4,912,122</b>	<b>\$ 170,204,082</b>	