

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31

Financial Statements

For the year ended December 31, 2011

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31

TABLE OF CONTENTS

For the year ended December 31, 2011

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT REPORT	2
FINANCIAL STATEMENTS	
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 - 22

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, 2011, and the consolidated statements of operations, change in net financial debt 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, 2011 and the results of its operations, changes in its net financial debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

April 12, 2012

Young Parkyn M. Nels 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

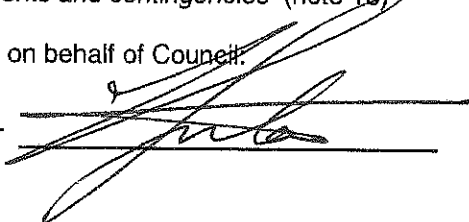
MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2011

	2011	2010
Financial assets		
Cash and temporary investments (note 2)	\$ 9,371,299	\$ 11,530,869
Taxes and grants in place of taxes receivable (note 3)	1,969,779	1,695,043
Trade and other receivables	15,296,741	4,940,563
Land held for resale	713,839	1,465,078
Investments	17,020	17,994
	<u>27,368,678</u>	<u>19,649,547</u>
Liabilities		
Accounts payable and accrued liabilities	3,593,074	3,399,143
Employee benefit obligations (note 4)	603,507	621,369
Deposits	3,476,261	2,602,821
Provision for gravel pit reclamation	683,050	692,809
Deferred revenue (note 5)	9,825,976	7,349,373
Long-term debt (note 6)	10,903,122	7,101,698
	<u>29,084,990</u>	<u>21,767,213</u>
Net financial debt	<u>(1,716,312)</u>	<u>(2,117,666)</u>
Non-financial assets		
Prepaid expenses	243,162	236,857
Inventory for consumption	3,212,583	2,784,649
Tangible capital assets (schedule 2)	177,250,228	170,245,712
	<u>180,705,973</u>	<u>173,267,218</u>
Accumulated surplus (note 7)	<u>\$ 178,989,661</u>	<u>\$ 171,149,552</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, 2011

	Budget (Unaudited)	2011	2010
Revenue			
Net municipal taxes (note 8)	\$ 22,223,893	\$ 22,217,252	\$ 20,558,850
User fees and sales of goods	1,360,950	2,431,666	3,427,768
Government transfers for operating (note 9)	1,277,517	5,150,083	1,544,473
Investment income	155,000	83,316	14,792
Penalties and costs of taxes	542,000	520,276	537,538
Licenses and permits	1,286,000	781,032	905,654
Rental	162,991	152,455	143,055
Other	256,100	462,752	905,010
	27,264,451	31,798,832	28,037,140
Expenses (note 10)			
Legislative	668,444	711,377	639,915
Administration	4,990,668	5,180,281	4,899,577
Protective services	2,757,057	2,617,833	2,408,359
Ambulance services and first aid	156,450	146,450	142,394
Roads, streets, walks, lighting	26,699,116	24,690,067	26,817,247
Airport	88,600	90,075	87,873
Wastewater treatment and disposal	1,287,740	1,255,399	1,197,683
Waste management	124,937	129,316	134,653
Family and community support services	457,528	390,568	396,598
Cemeteries and crematoriums	126,940	136,764	162,139
Land use planning, zoning and development	1,517,456	1,428,015	1,760,107
Economic and agricultural development	621,057	624,790	573,242
Recreation boards	924,155	1,519,028	1,614,915
Parks and recreation	78,986	76,196	96,047
Culture - libraries, museums, halls	138,941	138,941	138,941
	40,638,075	39,135,100	41,069,690
Deficiency of revenue over expenses before other	(13,373,624)	(7,336,268)	(13,032,550)
Other			
Government transfers for capital (note 9)	12,903,000	13,686,773	7,693,440
Contributed assets	-	1,489,604	4,888,000
	12,903,000	15,176,377	12,581,440
Excess (deficiency) of revenue over expenses	(470,624)	7,840,109	(451,110)
Accumulated surplus, beginning of year	171,149,552	171,149,552	171,600,662
Accumulated surplus, end of year	\$ 170,678,928	\$ 178,989,661	\$ 171,149,552

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
For the year ended December 31, 2011

	Budget (Unaudited)	2011	2010
Excess (deficiency) of revenue over expenses	\$ (470,624)	\$ 7,840,109	\$ (451,110)
Acquisition of tangible capital assets	(16,008,500)	(21,629,574)	(13,934,491)
Amortization	12,739,700	12,593,710	13,797,315
Loss on disposal of tangible capital assets	-	1,947,048	80,237
Proceeds on disposal of tangible capital assets	288,000	84,304	15,309
	(2,980,800)	(7,004,512)	(41,630)
Net change in inventory for consumption	-	(427,938)	335,482
Net change in prepaid expense	-	(6,305)	(1,648)
	-	(434,243)	333,834
Decrease (increase) in net financial debt	(3,451,424)	401,354	(158,906)
Net financial debt, beginning of year	(2,117,666)	(2,117,666)	(1,958,760)
Net financial debt, end of year	\$ (5,569,090)	\$ (1,716,312)	\$ (2,117,666)

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2011

	2011	2010
Operating transactions		
Excess (deficiency) of revenue over expenses	\$ 7,840,109	\$ (451,110)
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	1,947,048	80,237
Amortization	12,593,710	13,797,315
	22,380,867	13,426,442
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(274,736)	104,402
Trade and other receivables	(10,356,178)	(2,464,378)
Land held for resale	751,239	(197)
Investments	974	1,492
Inventory for consumption	(427,938)	335,482
Prepaid expenses	(6,305)	(1,648)
Accounts payable and accrued liabilities	193,931	(80,503)
Employee benefit obligations	(17,862)	(4,014)
Deposits	873,440	679,563
Deferred revenue	2,476,603	5,019,322
Provision for gravel pit reclamation	(9,759)	(5,859)
Cash provided by operating transactions	15,584,276	17,010,104
Capital transactions		
Proceeds on disposal of tangible capital assets	84,304	15,309
Acquisition of tangible capital assets	(21,629,574)	(13,934,491)
Cash applied to capital transactions	(21,545,270)	(13,919,182)
Financing transactions		
Proceeds of long-term debt	5,000,000	3,000,000
Repayment of long-term debt	(1,198,576)	(648,557)
Cash provided by financing transactions	3,801,424	2,351,443
(Decrease) increase in cash and temporary investments	(2,159,570)	5,442,365
Cash and temporary investments, beginning of year	11,530,869	6,088,504
Cash and temporary investments, end of year	\$ 9,371,299	\$ 11,530,869

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

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, 2011

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 Debt for the year.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

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	5-70
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, 2011

2. Cash and temporary investments

	2011	2010
Cash	\$ 2,487,207	\$ 9,666,218
Temporary investments	6,884,092	1,864,651
	<u>\$ 9,371,299</u>	<u>\$ 11,530,869</u>

The temporary investments are comprised of guaranteed investment certificates, term deposits, government bonds and corporate bonds with interest rates ranging between 1.10% and 5.77% and maturity dates between February 2012 and June 2021. 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, 2011 the line of credit was undrawn.

3. Taxes and grants in place of taxes receivable

	2011	2010
Taxes and grants in place of taxes receivable	\$ 1,495,973	\$ 1,195,880
Arrears	473,806	499,163
	<u>\$ 1,969,779</u>	<u>\$ 1,695,043</u>

4. Employee benefit obligations

	2011	2010
Vacation	\$ 436,625	\$ 386,701
Post employment benefits	166,882	234,668
	<u>\$ 603,507</u>	<u>\$ 621,369</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, 2011

5. Deferred revenue

	2011	2010
Alberta Municipal Infrastructure Program	\$ 1,929,915	\$ -
Municipal Sustainability Initiative	5,223,179	5,376,383
Prepaid Road Repairs	75,000	75,000
Federal Gas Tax Fund	1,122,370	1,782,529
Street Improvement Program	1,168	1,168
Government of Alberta	629,186	-
Municipal Sponsorship program	93,735	112,667
Blackie Prepaid Local Improvements	1,423	1,626
The Calgary Foundation - Daryl K. Seaman Canadian Hockey Fund	750,000	-
	<u>\$ 9,825,976</u>	<u>\$ 7,349,373</u>

Funding in the amount of \$10,207,741 (2010 - \$10,123,388) 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

	2011	2010
Aldersyde shop	\$ 3,151,502	\$ 3,293,520
Heavy equipment	216,428	633,666
Okotoks fire hall	26,080	49,980
High River Ag Society	13,700	40,261
Blackie water	17,168	24,811
Cayley sewage	35,490	42,610
Cayley sewage	14,021	16,850
Municipal roads	2,428,733	3,000,000
Charles Clark Medical Centre	5,000,000	-
	<u>\$ 10,903,122</u>	<u>\$ 7,101,698</u>

Current portion	\$ 1,103,867	\$ 1,198,576
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Principal and interest repayments are due as follows:

	Principal	Interest	Total
2012	\$ 1,103,867	\$ 395,558	\$ 1,499,425
2013	874,169	361,288	1,235,457
2014	892,007	333,822	1,225,829
2015	919,697	306,133	1,225,830
2016	288,221	281,374	569,595
Thereafter	6,825,161	2,987,748	9,812,909
	<u>\$ 10,903,122</u>	<u>\$ 4,665,923</u>	<u>\$ 15,569,045</u>

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

6. Long-term debt, continued

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 5.91% for 2011 (2010 - 4.75%).

The Agriculture Society and Charles Clark Medical Centre loans are considered to be operating loans.

Interest on long-term debt amounted to \$310,286 (2010 - \$221,590).

The Municipal District's total cash payments for interest in 2011 were \$261,963 (2010 - \$225,470).

7. Accumulated surplus

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

	2011	2010
Unrestricted surplus	\$ 1,060,187	\$ 1,229,606
Internally restricted surplus (reserves) (note 12)	6,568,668	6,735,671
Equity in tangible capital assets (note 13)	171,360,806	163,184,275
	<u>\$ 178,989,661</u>	<u>\$ 171,149,552</u>

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

8. Net municipal property taxes

	Budget (Unaudited)	2011	2010
Taxation			
Real property taxes	\$ 29,053,437	\$ 29,069,064	\$ 26,905,996
Commercial/industrial property taxes	5,324,584	5,324,584	4,957,772
Farmland property taxes	1,471,058	1,471,058	1,415,552
Power, pipe, cable t.v. and railway	4,534,654	4,532,654	4,472,893
Federal grants in place of property taxes	25,013	25,013	6,053
Provincial grants in place of property taxes	2,737	2,737	20,601
	40,411,483	40,425,110	37,778,867
Requisitions			
Alberta School Foundation Fund	15,912,043	15,932,311	15,249,419
Separate School Board	1,511,114	1,511,114	1,418,882
Seniors' Foundation	764,433	764,433	551,716
	18,187,590	18,207,858	17,220,017
	\$ 22,223,893	\$ 22,217,252	\$ 20,558,850

9. Government transfers

	Budget (Unaudited)	2011	2010
Transfers for operating:			
Provincial government	\$ 1,277,517	\$ 5,150,083	\$ 1,197,774
Local government	-	-	346,699
	1,277,517	5,150,083	1,544,473
Transfers for capital			
Provincial government	12,903,000	13,686,773	7,693,440
	\$ 14,180,517	\$ 18,836,856	\$ 9,237,913

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

10. Expenses by object

	Budget (Unaudited)	2011	2010
Salaries, wages and benefits	\$ 11,766,577	\$ 10,482,150	\$ 11,392,798
Contracted and general services	4,066,099	7,689,349	4,883,800
Materials, goods, supplies and utilities	7,759,805	1,440,168	6,246,442
Bank charges and short term interest	51,000	29,378	46,085
Interest on long term debt	107,941	310,286	221,590
Other expenditures	1,292,527	1,257,579	1,061,696
Transfers to organizations and others	1,600,546	2,217,627	2,304,588
Purchases from other governments	1,253,880	1,167,805	1,035,137
Amortization of tangible capital assets	12,739,700	12,593,710	13,797,315
Loss on disposal of tangible capital assets	-	1,947,048	80,239
	\$ 40,638,075	\$ 39,135,100	\$ 41,069,690

11. Contributed assets

During the year, the Municipal District assumed control of roads and infrastructure 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 revenue 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.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

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.

Blackie cemetery

In 2002, a donation that is to be used for improvements and maintenance at the Blackie cemetery was received from a Blackie business.

Aldersyde water system

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

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.

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.

Reserves for operating and capital activities changed as follows:

	2011	2010
Public reserve	\$ 1,363,924	\$ 1,625,958
Public transportation	26,510	26,336
Fire operating	13,067	13,067
FCSS reserve	6,985	6,985
Blackie water and sewer	11,000	7,500
Cayley water system	312,398	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	412,871	348,013
	\$ 6,568,668	\$ 6,735,671

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

13. Equity in tangible capital assets

	2011	2010
Tangible capital assets (schedule 1)	\$ 350,883,814	\$ 335,541,251
Accumulated amortization (schedule 1)	(173,633,586)	(165,295,539)
Long-term debt (note 6)	(10,903,122)	(7,101,698)
Operating debt (note 6)	5,013,700	40,261
	<u>\$ 171,360,806</u>	<u>\$ 163,184,275</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:

	2011	2010
Total debt limit	\$ 47,698,250	\$ 42,055,709
Total debt	10,903,122	7,101,698
	<u>\$ 36,795,128</u>	<u>\$ 34,954,011</u>
Debt servicing limit	\$ 7,949,708	\$ 7,009,285
Debt servicing	1,499,425	1,459,630
	<u>\$ 6,450,283</u>	<u>\$ 5,549,655</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, 2011

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 9.49% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.13% on pensionable earnings above this amount. Employees of the Municipal District of Foothills No. 31 are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.13% 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 2011 were \$697,929 (2010 - \$604,995). Total current service contributions by the employees of the Municipal District of Foothills No. 31 to the Local Authorities Pension Plan in 2011 were \$631,903 (2010 - \$545,050).

At December 31, 2010, 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 an operating lease for a Road Reclaimer. Quarterly lease payments are required for five years of \$24,010 each until 2016. The Municipal District's total remaining obligation under this lease is \$456,181.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

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)	(2)		
	Salary	Benefits & allowances	2011	2010
Council				
Division 1	\$ 68,381	\$ 5,282	\$ 73,663	\$ 67,674
Division 2	65,953	5,203	71,156	95,157
Division 3	85,691	3,200	88,891	80,568
Division 4	82,091	5,418	87,509	83,859
Division 5	89,921	3,200	93,121	90,530
Division 6	88,896	5,418	94,314	89,037
Division 7	85,664	3,200	88,864	78,459
Chief Administrative Officers - 2	319,216	33,231	352,447	358,257
Designated Officers - 4	\$ 402,709	\$ 64,863	\$ 467,572	\$ 414,452

(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, 2011

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 2011 budget for the Municipal District was approved by Council on March 17, 2011 (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, proceeds on long term debt and proceeds on disposal as revenue or expenses. 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 deficiency of revenue over expenses per financial statements	\$ (470,624)
Less: Capital expenditures	(16,008,500)
Long-term debt repayments	(1,198,576)
Add: Amortization	12,739,700
Transfers from reserves	300,000
Proceeds on disposal of tangible capital assets	288,000
Lease financing capital asset	350,000
Long term debt proceeds	4,000,000
Equals: balanced budget	\$ -

21. Segmented disclosure

The Municipal District provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the schedule of segmented disclosure (schedule 3).

22. 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, 2011

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Reserves	Equity in tangible capital assets	2011	2010
Balance, beginning of year	\$ 1,229,606	\$ 6,735,671	\$ 163,184,275	\$ 171,149,552	\$ 171,600,662
Excess (deficiency) of revenue over expenses	7,840,109	-	-	7,840,109	(451,110)
Unrestricted funds designated for future use	(606,348)	606,348	-	-	-
Restricted funds used for operations	773,351	(773,351)	-	-	-
Current year funds used for tangible capital assets	(20,139,974)	-	20,139,974	-	-
Contributed tangible capital assets	(1,489,604)	-	1,489,604	-	-
Disposal of tangible capital assets	1,947,048	-	(1,947,048)	-	-
Annual amortization expense	12,593,710	-	(12,593,710)	-	-
Long term debt repaid	(1,172,015)	-	1,172,015	-	-
Proceeds on disposal	84,304	-	(84,304)	-	-
Change in accumulated surplus	(169,419)	(167,003)	8,176,531	7,840,109	(451,110)
Balance, end of year	\$ 1,060,187	\$ 6,568,668	\$ 171,360,806	\$ 178,989,661	\$ 171,149,552

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	2011	2010
Cost:								
Balance, beginning of year	\$ 4,893,221	\$ 444,547	\$ 13,599,576	\$ 289,138,335	\$ 18,321,336	\$ 9,144,236	\$ 335,541,252	\$ 321,980,983
Acquisitions	-	185,717	107,429	23,107,292	263,341	414,971	24,078,750	9,698,720
Construction-in-progress	-	38,312	1,318,357	(3,805,845)	-	-	(2,449,176)	4,235,771
Disposals	-	-	(47,900)	(5,929,990)	(185,274)	(123,848)	(6,287,012)	(374,223)
Balance, end of year	4,893,221	668,576	14,977,462	302,509,792	18,399,403	9,435,359	350,883,814	335,541,251
Accumulated amortization:								
Balance, beginning of year	-	126,493	2,803,419	149,464,501	7,976,434	4,924,692	165,295,537	151,776,901
Annual amortization	-	19,228	367,337	10,248,887	1,223,672	734,586	12,593,710	13,797,315
Disposals	-	-	(22,176)	(4,014,205)	(105,146)	(114,134)	(4,255,661)	(278,677)
Balance, end of year	-	145,721	3,148,580	155,699,183	9,094,960	5,545,144	173,633,586	165,295,539
Net book value	\$ 4,893,221	\$ 522,855	\$ 11,828,882	\$ 146,810,609	\$ 9,304,443	\$ 3,890,215	\$ 177,250,228	\$ 170,245,712
2010 net book value	\$ 4,893,221	\$ 318,055	\$ 10,796,157	\$ 139,673,835	\$ 10,344,902	\$ 4,219,544	\$ 170,245,714	

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

Schedule of segmented disclosure

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
Revenue								
Net municipal taxes	\$ 22,217,252	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,217,252
User fees and sales of goods	38,618	222,916	754,596	522,044	24,910	833,518	35,063	2,431,666
Government transfers for operating	1,151,463	302,425	2,680,539	222,735	543,204	241,717	8,000	5,150,083
Investment income	82,736	-	-	-	580	-	-	83,316
Penalties and costs of taxes	388,499	131,777	-	-	-	-	-	520,276
Licenses and permits	-	-	-	-	-	781,032	-	781,032
Rental	149,791	-	-	-	-	2,664	-	152,455
Other	140,835	-	321,918	-	-	-	-	462,752
	24,169,194	657,118	3,757,053	744,779	568,694	1,858,931	43,063	31,798,832
Expenses								
Salaries, wages and benefits	3,003,833	740,646	4,537,246	404,986	86,049	1,706,693	2,698	10,482,150
Contracted and general services	1,319,474	415,347	5,402,402	263,325	56,038	208,061	24,702	7,689,349
Materials, goods, supplies and utilities	103,304	150,373	923,444	94,925	20,791	115,526	31,805	1,440,168
Bank charges and short term interest	29,378	-	-	-	-	-	-	29,378
Interest on long term debt	53,001	4,101	246,632	6,552	-	-	-	310,286
Other expenditures	1,084,658	(15,625)	161,501	20,166	3,766	(204)	3,317	1,257,579
Transfers to organizations and others	-	147,485	21,922	24,815	360,436	5,000	1,657,969	2,217,627
Purchases from other governments	39,927	1,024,685	-	94,593	-	8,600	-	1,167,805
Amortization of tangible capital assets	258,081	297,271	11,539,946	475,355	253	9,128	13,675	12,593,710
Loss on disposal of tangible capital assets	-	-	1,947,048	-	-	-	-	1,947,048
	5,891,656	2,764,283	24,780,141	1,384,717	527,333	2,052,804	1,734,166	39,135,100
Deficiency of revenue over expenses before other	18,277,538	(2,107,165)	(21,023,088)	(639,938)	41,361	(193,873)	(1,691,103)	(7,336,268)
Other								
Government transfers for capital	-	-	13,686,773	-	-	-	-	13,686,773
Contributed assets	-	-	1,489,604	-	-	-	-	1,489,604
	-	-	15,176,377	-	-	-	-	15,176,377
Excess (deficiency) of revenue over expenses	\$ 18,277,538	\$ (2,107,165)	\$ (5,846,711)	\$ (639,938)	\$ 41,361	\$ (193,873)	\$ (1,691,103)	\$ 7,840,109