

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, 2012, 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, 2012 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

Young Parkyn McNab LLP

April 24, 2013

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

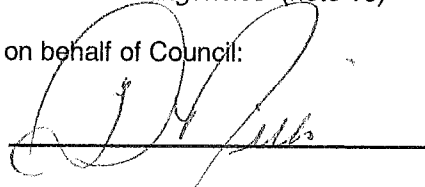
MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2012

	2012	2011
Financial assets		
Cash and temporary investments (note 2)	\$ 21,599,750	\$ 9,371,299
Taxes and grants in place of taxes receivable (note 3)	1,812,100	1,969,779
Trade and other receivables	16,138,648	15,296,741
Land held for resale	754,429	713,839
Investments	19,932	17,020
	<u>40,324,859</u>	<u>27,368,678</u>
Liabilities		
Accounts payable and accrued liabilities	6,152,574	3,593,070
Employee benefit obligations (note 4)	548,357	603,507
Deposits	3,481,025	3,476,261
Provision for gravel pit reclamation	762,035	683,050
Deferred revenue (note 5)	5,684,111	9,825,976
Long-term debt (note 6)	27,245,811	10,903,122
	<u>43,873,913</u>	<u>29,084,986</u>
Net financial debt	<u>(3,549,054)</u>	<u>(1,716,308)</u>
Non-financial assets		
Prepaid expenses	240,291	243,162
Inventory for consumption	2,501,215	3,212,583
Tangible capital assets (schedule 2)	191,729,109	177,250,225
	<u>194,470,615</u>	<u>180,705,970</u>
Accumulated surplus (note 7)	<u>\$ 190,921,561</u>	<u>\$ 178,989,662</u>

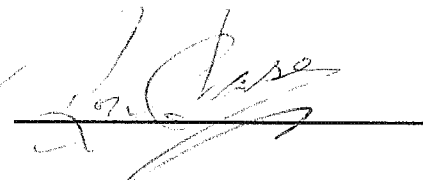
Commitments and contingencies (note 16)

Approved on behalf of Council:

Councilor



Councilor



MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2012

	Budget (Unaudited)	2012	2011
Revenue			
Net municipal taxes (note 8)	\$ 23,528,654	\$ 23,532,189	\$ 22,217,252
User fees and sales of goods	872,751	3,017,195	2,431,666
Government transfers for operating (note 9)	1,609,233	22,147,495	5,097,081
Investment income	170,000	113,140	83,316
Penalties and costs of taxes	527,250	703,630	520,276
Licenses and permits	1,143,000	992,057	781,032
Rental	176,322	127,497	152,455
Other	1,181,463	532,112	515,754
	29,208,673	51,165,315	31,798,832
Expenses (note 10)			
Legislative	705,849	678,686	711,377
Administration	5,280,606	5,062,351	5,180,281
Protective services	3,500,316	3,730,751	2,617,833
Ambulance services and first aid	184,884	184,884	146,450
Roads, streets, walks, lighting	26,294,137	40,923,597	24,690,067
Airport	90,600	91,676	90,075
Water supply and distribution	902,391	1,463,375	976,853
Wastewater treatment and disposal	302,610	256,798	278,546
Waste management	170,330	188,000	129,316
Family and community support services	478,004	418,233	390,568
Cemeteries and crematoriums	139,217	134,186	136,764
Land use planning, zoning and development	1,421,032	1,399,676	1,428,015
Economic and agricultural development	629,350	675,999	624,790
Recreation boards	1,000,030	1,265,045	1,519,028
Parks and recreation	74,447	105,230	76,196
Culture - libraries, museums, halls	195,509	194,809	138,941
	41,369,312	56,773,296	39,135,100
Deficiency of revenue over expenses before other	(12,160,639)	(5,607,981)	(7,336,268)
Other			
Government transfers for capital (note 9)	9,447,679	15,871,290	13,686,773
Contributed assets	-	1,668,590	1,489,604
	9,447,679	17,539,880	15,176,377
Excess of revenue over expenses	(2,712,960)	11,931,899	7,840,109
Accumulated surplus, beginning of year	178,989,662	178,989,662	171,149,553
Accumulated surplus, end of year	\$ 176,276,702	\$ 190,921,561	\$ 178,989,662

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
For the year ended December 31, 2012

	Budget (Unaudited)	2012	2011
Excess of revenue over expenses	\$ (2,712,960)	\$ 11,931,899	\$ 7,840,109
Acquisition of tangible capital assets	(25,284,279)	(27,175,593)	(20,139,970)
Amortization	12,798,200	12,510,371	12,593,710
Contributed assets	-	(1,668,590)	(1,489,604)
Loss on disposal of tangible capital assets	-	1,381,595	1,947,048
Proceeds on disposal of tangible capital assets	112,000	473,335	84,304
	(12,374,079)	(14,478,882)	(7,004,512)
Net change in inventory for consumption	-	711,366	(427,932)
Net change in prepaid expense	-	2,871	(6,305)
	-	714,237	(434,237)
Decrease in net financial debt	(15,087,039)	(1,832,746)	401,360
Net financial debt, beginning of year	(1,716,308)	(1,716,308)	(2,117,668)
Net financial debt, end of year	\$(16,803,347)	\$ (3,549,054)	\$ (1,716,308)

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2012

	2012	2011
Operating transactions		
Excess of revenue over expenses	\$ 11,931,899	\$ 7,840,109
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	1,381,595	1,947,048
Amortization	12,510,371	12,593,710
Contributed assets	(1,668,590)	(1,489,604)
	24,155,275	20,891,263
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	157,679	(274,736)
Trade and other receivables	(841,907)	(10,356,179)
Land held for resale	(40,590)	751,239
Investments	(2,912)	974
Inventory for consumption	711,366	(427,932)
Prepaid expenses	2,871	(6,305)
Accounts payable and accrued liabilities	2,559,504	193,927
Employee benefit obligations	(55,150)	(17,863)
Deposits	4,764	873,440
Deferred revenue	(4,141,865)	2,476,603
Provision for gravel pit reclamation	78,985	(9,759)
Cash provided by operating transactions	22,588,020	14,094,672
Capital transactions		
Proceeds on disposal of tangible capital assets	473,335	84,304
Acquisition of tangible capital assets	(27,175,593)	(20,139,970)
Cash applied to capital transactions	(26,702,258)	(20,055,666)
Financing transactions		
Proceeds of long-term debt	17,500,000	5,000,000
Repayment of long-term debt	(1,157,311)	(1,198,576)
Cash provided by financing transactions	16,342,689	3,801,424
Increase (decrease) in cash and temporary investments	12,228,451	(2,159,570)
Cash and temporary investments, beginning of year	9,371,299	11,530,869
Cash and temporary investments, end of year	\$ 21,599,750	\$ 9,371,299

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

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 THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

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 THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

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 THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

2. Cash and temporary investments

	2012	2011
Cash	\$ 19,676,658	\$ 2,487,207
Temporary investments	1,923,092	6,884,092
	\$ 21,599,750	\$ 9,371,299

The temporary investments are comprised of guaranteed investment certificates, term deposits, government bonds and corporate bonds with interest rates ranging between 1.10% and 5.0% and maturity dates between March 2013 and March 2022. 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, 2012 the line of credit was undrawn.

3. Taxes and grants in place of taxes receivable

	2012	2011
Taxes and grants in place of taxes receivable	\$ 1,368,352	\$ 1,495,973
Arrears	443,748	473,806
	\$ 1,812,100	\$ 1,969,779

4. Employee benefit obligations

	2012	2011
Vacation	\$ 414,389	\$ 436,625
Post employment benefits	133,968	166,882
	\$ 548,357	\$ 603,507

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 THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

5. Deferred revenue

	2012	2011
Municipal Sustainability Initiative	\$ 3,772,137	\$ 5,223,179
The Calgary Foundation - Arena Projects	750,000	750,000
Industrial Lands Project Grant	250,000	-
Alberta Municipal Infrastructure Program	247,738	1,929,915
Street Improvement Program	236,003	1,168
Water For Life - Cayley Water Line	137,738	253,165
Bridge Grants	85,881	376,021
Municipal Sponsorship program	81,576	93,735
Prepaid Road Repairs	75,000	75,000
Municipal Intern Program Grant	43,000	-
Administration Building Rent	3,778	-
Blackie Prepaid Local Improvement	1,220	1,423
Prepaid Workshop Enrollment Fee	40	-
Federal Gas Tax Fund	-	1,122,370
	<u>\$ 5,684,111</u>	<u>\$ 9,825,976</u>

Funding in the amount of \$12,430,095 (2011 - \$10,207,741) 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

	2012	2011
Regional Fieldhouse and Seaman Arena	\$ 13,500,000	\$ -
Charles Clark Medical Centre	4,905,490	5,000,000
Heritage Pointe fire hall	3,946,556	-
Aldersyde shop	3,002,731	3,151,501
498 Avenue	1,843,447	2,428,733
Cayley sewage	27,729	35,490
Cayley sewage	10,944	14,021
Blackie water	8,914	17,169
Heavy equipment	-	216,428
Okotoks fire hall	-	26,080
High River Ag Society	-	13,700
	<u>\$ 27,245,811</u>	<u>\$ 10,903,122</u>
Current portion	<u>\$ 3,598,046</u>	<u>\$ 1,198,576</u>

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

6. Long-term debt, continued

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2013	\$ 3,598,046	\$ 689,347	\$ 4,287,393
2014	3,661,396	616,369	4,277,765
2015	3,735,386	542,382	4,277,768
2016	3,151,004	470,527	3,621,531
2017	3,211,411	412,299	3,623,710
Thereafter	9,888,568	3,866,574	13,755,142
	<u>\$ 27,245,811</u>	<u>\$ 6,597,498</u>	<u>\$ 33,843,309</u>

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 2.53% for 2012 (2011 - 5.91%).

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

Interest on long-term debt amounted to \$467,275 (2011 - \$310,286).

The Municipal District's total cash payments for interest in 2012 were \$457,858 (2011 - \$261,963).

7. Accumulated surplus

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

	2012	2011
Unrestricted surplus	\$ 975,346	\$ 1,060,190
Internally restricted surplus (reserves) (note 12)	20,557,427	6,568,669
Equity in tangible capital assets (note 13)	169,388,788	171,360,803
	<u>\$ 190,921,561</u>	<u>\$ 178,989,662</u>

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

8. Net municipal property taxes

	Budget (Unaudited)	2012	2011
Taxation			
Real property taxes	\$ 31,026,202	\$ 31,029,737	\$ 29,069,064
Commercial/industrial property taxes	5,835,461	5,835,461	5,324,584
Farmland property taxes	1,549,858	1,549,858	1,471,058
Power, pipe, cable t.v. and railway	4,981,089	4,981,089	4,532,654
Federal grants in place of property taxes	26,933	26,933	25,013
Provincial grants in place of property taxes	5,061	5,061	2,737
	43,424,604	43,428,139	40,425,110
Requisitions			
Alberta School Foundation Fund	17,248,518	17,248,518	15,932,311
Separate School Board	1,645,718	1,645,718	1,511,114
Seniors' Foundation	1,001,714	1,001,714	764,433
	19,895,950	19,895,950	18,207,858
	\$ 23,528,654	\$ 23,532,189	\$ 22,217,252

9. Government transfers

	Budget (Unaudited)	2012	2011
Transfers for operating:			
Provincial government	\$ 1,522,308	\$ 22,002,984	\$ 5,097,081
Local government	86,925	144,511	-
	1,609,233	22,147,495	5,097,081
Transfers for capital			
Provincial government	9,447,679	15,871,290	13,686,773
	\$ 11,056,912	\$ 38,018,785	\$ 18,783,854

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

10. Expenses by object

	Budget (Unaudited)	2012	2011
Salaries, wages and benefits	\$ 12,710,231	\$ 10,867,384	\$ 10,482,150
Contracted and general services	3,955,481	25,123,744	7,689,349
Materials, goods, supplies and utilities	7,099,105	1,552,407	1,440,168
Bank charges and short term interest	30,500	40,950	29,378
Interest on long-term debt	395,558	467,276	310,286
Other expenditures	1,282,287	1,264,277	1,257,579
Transfers to organizations and others	1,838,530	2,171,547	2,217,627
Purchases from other governments	1,259,420	1,393,745	1,167,805
Amortization of tangible capital assets	12,798,200	12,510,371	12,593,710
Loss on disposal of tangible capital assets	-	1,381,595	1,947,048
	\$ 41,369,312	\$ 56,773,296	\$ 39,135,100

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 THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

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.

Reserve for future expenditure:

A reserve has been set up to cover future costs on projects not completed in 2012 and to cover debenture and interest charges on projects financed through grants where all grant money has been received.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

12. Reserves, continued

Reserves for operating and capital activities changed as follows:

	2012	2011
Public reserve	\$ 1,679,529	\$ 1,363,924
Public transportation	26,691	26,510
Fire operating	13,067	13,067
FCSS reserve	6,985	6,985
Blackie water and sewer	11,000	11,000
Cayley water system	313,522	312,398
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	345,317	412,872
Reserve for future expenditure	13,739,403	-
	<u>\$ 20,557,427</u>	<u>\$ 6,568,669</u>

13. Equity in tangible capital assets

	2012	2011
Tangible capital assets (schedule 2)	\$ 373,064,035	\$ 350,883,812
Accumulated amortization (schedule 2)	(181,334,926)	(173,633,587)
Long-term debt (note 6)	(27,245,811)	(10,903,122)
Operating debt (note 6)	4,905,490	5,013,700
	<u>\$ 169,388,788</u>	<u>\$ 171,360,803</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:

	2012	2011
Total debt limit	\$ 76,747,973	\$ 47,698,250
Total debt	27,245,811	10,903,122
	<u>\$ 49,502,162</u>	<u>\$ 36,795,128</u>
Debt servicing limit	\$ 12,791,329	\$ 7,949,708
Debt servicing	4,287,393	1,499,425
	<u>\$ 8,503,936</u>	<u>\$ 6,450,283</u>

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

14. Debt limits, continued

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.

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 9.91% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.74% on pensionable earnings above this amount. Employees of the Municipal District of Foothills No. 31 are required to make current service contributions of 8.91% of pensionable salary up to the year's maximum pensionable salary and 12.74% 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 2012 were \$698,342 (2011 - \$697,929). Total current service contributions by the employees of the Municipal District of Foothills No. 31 to the Local Authorities Pension Plan in 2011 were \$767,940 (2010 - \$631,903).

At December 31, 2011, the Plan disclosed an actuarial deficiency of \$4.639 billion.

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

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.

The Municipal District has entered into an operating lease for a Caterpillar motor grader. Monthly lease payments are required for five years of \$5,541 each until 2013. The Municipal District's total remaining obligation under this lease is \$11,082.

The Municipal District has entered into an operating lease for a John Deere motor grader. Monthly lease payments are required for five years of \$4,401 each until 2015. The Municipal District's total remaining obligation under this lease is \$127,629.

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	2012	2011
Council				
Division 1	\$ 67,207	\$ 5,241	\$ 72,448	\$ 73,663
Division 2	71,295	5,376	76,671	71,156
Division 3	83,735	3,200	86,935	88,891
Division 4	80,401	5,507	85,908	87,509
Division 5	81,846	3,200	85,046	93,121
Division 6	84,851	5,507	90,358	94,314
Division 7	76,852	3,200	80,052	88,864
Chief Administrative Officers - 2	328,147	37,144	365,291	352,447
Designated Officers - 4	\$ 352,862	\$ 56,694	\$ 409,556	\$ 467,572

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

17. Salary and benefits disclosure, continued

- (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 THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

19. Budget amounts

The 2012 budget for the Municipal District was approved by Council on March 22, 2012 (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	\$ (2,712,960)
Less: Capital expenditures	(25,284,279)
Long-term debt repayments	(1,152,961)
Add: Amortization	12,798,200
Proceeds on disposal of tangible capital assets	112,000
Lease financing capital asset	740,000
Long term debt proceeds	15,500,000
Equals: balanced budget	\$ -

20. 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, 2012

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Internally restricted (reserves)	Equity in tangible capital assets	2012	2011
Balance, beginning of year	\$ 1,060,190	\$ 6,568,669	\$ 171,360,803	\$ 178,989,662	\$ 171,149,553
Excess of revenue over expenses	11,931,899	-	-	11,931,899	7,840,109
Unrestricted funds designated for future use	(14,388,785)	14,388,785	-	-	-
Restricted funds used for operations	400,027	(400,027)	-	-	-
Current year funds used for tangible capital assets	(27,175,593)	-	27,175,593	-	-
Contributed tangible capital assets	(1,668,590)	-	1,668,590	-	-
Loss on disposal of tangible capital assets	1,381,592	-	(1,381,592)	-	-
Annual amortization expense	12,510,371	-	(12,510,371)	-	-
Long term debt repaid	(1,049,100)	-	1,049,100	-	-
Proceeds of long term debt	17,500,000	-	(17,500,000)	-	-
Proceeds on disposal of tangible capital assets	473,335	-	(473,335)	-	-
Change in accumulated surplus	(84,844)	13,988,758	(1,972,015)	11,931,899	7,840,109
Balance, end of year	\$ 975,346	\$ 20,557,427	\$ 169,388,788	\$ 190,921,561	\$ 178,989,662

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	2012	2011
Cost:								
Balance, beginning of year	\$ 4,893,221	\$ 688,576	\$ 14,977,462	\$ 302,509,792	\$ 18,399,403	\$ 9,435,359	\$ 350,883,812	\$ 335,541,250
Acquisitions	249,470	131,247	4,501,748	12,957,293	736,268	913,951	19,489,977	24,078,750
Construction-in-progress	-	28,840	4,999,864	4,325,502	-	-	9,354,206	(2,449,176)
Disposals	-	-	-	(4,748,813)	(1,272,639)	(642,508)	(6,663,960)	(6,287,012)
Balance, end of year	5,142,691	828,663	24,479,074	315,043,774	17,863,032	9,706,802	373,064,035	350,883,812
Accumulated amortization:								
Balance, beginning of year	-	145,721	3,148,580	155,699,183	9,094,960	5,545,144	173,633,587	165,295,538
Annual amortization	-	30,999	426,115	10,174,050	1,153,799	725,408	12,510,371	12,593,710
Disposals	-	-	-	(3,472,251)	(806,008)	(530,773)	(4,809,032)	(4,255,661)
Balance, end of year	-	176,720	3,574,695	162,400,982	9,442,751	5,739,779	181,334,926	173,633,587
Net book value	\$ 5,142,691	\$ 651,943	\$ 20,904,379	\$ 152,642,792	\$ 8,420,281	\$ 3,967,023	\$ 191,729,109	\$ 177,250,225
2011 net book value	\$ 4,893,221	\$ 522,855	\$ 11,828,882	\$ 146,810,609	\$ 9,304,443	\$ 3,890,215	\$ 177,250,225	

MUNICIPAL DISTRICT OF FOOTHILLS NO. 31
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

Schedule of segmented disclosure

Schedule 3

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
Revenue								
Net municipal taxes	\$ 23,532,189	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,532,189
User fees and sales of goods	64,369	176,311	1,111,222	584,410	116,185	928,863	35,835	3,017,195
Government transfers for operating	1,032,862	1,203,070	11,083,066	3,964,090	534,429	171,978	4,158,000	22,147,495
Investment income	112,862	-	-	-	278	-	-	113,140
Penalties and costs of taxes	588,714	114,916	-	-	-	-	-	703,630
Licenses and permits	90,513	-	-	-	-	901,544	-	992,057
Rental	124,480	-	-	-	-	3,017	-	127,497
Other	410,472	-	121,640	-	-	-	-	532,112
	25,956,461	1,494,297	12,315,928	4,548,500	650,892	2,005,402	4,193,835	51,165,315
Expenses								
Salaries, wages and benefits	3,060,739	1,065,835	4,521,085	466,935	47,850	1,704,813	128	10,867,384
Contracted and general services	1,049,685	670,006	22,505,607	559,608	64,022	244,791	30,025	25,123,744
Materials, goods, supplies and utilities	88,312	501,586	700,177	96,355	16,260	102,935	46,782	1,552,407
Bank charges and short term interest	40,950	-	-	-	-	-	-	40,950
Interest on long term debt	178,951	69,566	204,284	4,987	-	-	9,487	467,276
Other expenditures	955,216	(37,221)	299,169	40,402	2,808	-	3,903	1,264,277
Transfers to organizations and others	-	200,376	24,000	62,743	419,573	5,000	1,459,855	2,171,547
Purchases from other governments	34,374	1,157,045	-	193,344	-	8,982	-	1,393,745
Amortization of tangible capital assets	332,809	288,443	11,379,355	483,799	1,907	9,153	14,905	12,510,371
Loss on disposal of tangible capital assets	-	-	1,381,595	-	-	-	-	1,381,595
	5,741,036	3,915,636	41,015,272	1,908,173	552,420	2,075,674	1,565,085	56,773,296
Deficiency of revenue over expenses before other	20,215,425	(2,421,339)	(28,699,344)	2,640,327	98,472	(70,272)	2,628,750	(5,607,981)
Other								
Government transfers for capital	-	-	15,871,290	-	-	-	-	15,871,290
Contributed assets	-	-	1,668,590	-	-	-	-	1,668,590
	-	-	17,539,880	-	-	-	-	17,539,880
Excess of revenue over expenses	\$ 20,215,425	\$ (2,421,339)	\$(11,159,464)	\$ 2,640,327	\$ 98,472	\$ (70,272)	\$ 2,628,750	\$ 11,931,899