

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**

**Consolidated Financial Statements**

**For the year ended December 31, 2017**

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

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**For the year ended December 31, 2017**

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CHARTERED PROFESSIONAL ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To: The Mayor and Members of 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, 2017, and the consolidated statements of operations, change in net financial assets (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, 2017 and the results of its operations, changes in its net financial assets (debt), and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

April 25, 2018

A handwritten signature in cursive script that reads "Avail LLP".

Chartered Professional 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 consolidated financial statements are presented fairly, in all material respects.

The Municipal District of Foothills No. 31 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 of Foothills No. 31'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 Finance and Administration and General Services committees.

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 Avail LLP Chartered Professional Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Municipal District of Foothills No. 31. Avail LLP has full and free access to the Council.

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Director of Corporate Services

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2017**

	2017	2016
<b>Financial assets</b>		
Cash and temporary investments (note 2)	\$ 19,347,990	\$ 16,510,307
Taxes and grants in place of taxes receivable (note 3)	2,868,484	2,981,809
Trade and other receivables (note 4)	13,235,744	9,833,440
Land held for resale	248,126	754,429
Investments (note 5)	469,544	469,512
	<u>36,169,888</u>	<u>30,549,497</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	4,840,623	3,910,146
Employee benefit obligations (note 6)	703,474	835,385
Deposits	3,007,197	2,791,772
Provision for gravel pit reclamation	1,221,194	1,282,037
Deferred revenue (note 7)	7,637,200	9,388,019
Long-term debt (note 8)	11,925,304	15,568,963
	<u>29,334,992</u>	<u>33,776,322</u>
<b>Net financial assets (debt)</b>	<u>6,834,896</u>	<u>(3,226,825)</u>
<b>Non-financial assets</b>		
Prepaid expenses	349,486	340,919
Inventory for consumption	3,141,840	3,063,617
Tangible capital assets (schedule 2)	221,320,332	227,284,771
	<u>224,811,658</u>	<u>230,689,307</u>
<b>Accumulated surplus</b> (note 9 and schedule 1)	<u>\$ 231,646,554</u>	<u>\$ 227,462,482</u>

*Commitments and contingencies* (note 17)

Approved on behalf of Council:

Councillor \_\_\_\_\_

Councillor \_\_\_\_\_

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the year ended December 31, 2017

	Budget (Unaudited)	2017	2016
<b>Revenue</b>			
Net municipal taxes (note 10)	\$ 32,621,181	\$ 32,537,506	\$ 33,452,757
User fees and sales of goods	2,257,031	3,574,061	2,374,775
Government transfers for operating (note 11)	1,246,947	1,830,187	1,785,561
Investment income	155,000	231,849	111,634
Penalties and costs of taxes	1,161,800	1,068,228	827,021
Licenses and permits	1,035,000	1,293,390	1,097,750
Fines	150,250	197,232	171,152
Rental	462,000	491,442	455,540
Other	120,000	850,535	2,103,826
	39,209,209	42,074,430	42,380,016
<b>Expenses (note 12)</b>			
Legislative	741,013	719,500	723,155
Administration	6,685,087	6,647,754	9,797,406
Protective services	5,289,312	5,484,880	5,167,226
Ambulance services and first aid	196,570	191,278	191,278
Roads, streets, walks, lighting	29,685,196	27,847,658	24,095,198
Airport	80,200	45,452	114,130
Water supply and distribution	1,623,445	1,473,382	1,486,472
Wastewater treatment and disposal	321,500	305,681	324,532
Waste management	328,925	345,223	380,670
Family and community support services	519,065	559,050	527,833
Cemeteries and crematoriums	231,923	180,265	218,715
Land use planning, zoning and development	2,165,513	1,971,483	2,256,911
Economic and agricultural development	1,009,026	925,556	928,009
Recreation boards	1,732,500	1,885,157	1,534,842
Parks and recreation	1,430,282	1,572,069	1,417,884
Culture - libraries, museums, halls	413,000	386,860	344,513
	52,452,557	50,541,248	49,508,774
<b>Deficiency of revenue over expenses before other</b>	(13,243,348)	(8,466,818)	(7,128,758)
<b>Other</b>			
Government transfers for capital (note 11)	8,487,755	9,198,125	9,875,614
Contributed assets (note 20)	-	3,452,765	582,421
	8,487,755	12,650,890	10,458,035
<b>(Deficiency) excess of revenue over expenses</b>	(4,755,593)	4,184,072	3,329,277
<b>Accumulated surplus, beginning of year</b>	227,462,482	227,462,482	224,133,205
<b>Accumulated surplus, end of year</b>	\$ 222,706,889	\$ 231,646,554	\$ 227,462,482

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)**  
For the year ended December 31, 2017

	Budget (Unaudited)	2017	2016
<b>(Deficiency) excess of revenue over expenses</b>	<b>\$ (4,755,593)</b>	<b>\$ 4,184,072</b>	<b>\$ 3,329,277</b>
Acquisition of tangible capital assets	(6,173,705)	(10,549,649)	(19,833,672)
Amortization of tangible capital assets	14,014,040	14,807,926	14,977,216
Contributed assets	-	(3,452,765)	(582,421)
Loss on disposal of tangible capital assets	-	4,703,496	479,132
Proceeds on disposal of tangible capital assets	250,000	455,432	392,470
	8,090,335	5,964,440	(4,567,275)
Net change in inventory for consumption	-	(78,224)	732,705
Net change in prepaid expense	-	(8,567)	(13,963)
	-	(86,791)	718,742
<b>Change in net financial debt</b>	<b>3,334,742</b>	<b>10,061,721</b>	<b>(519,256)</b>
<b>Net financial debt, beginning of year</b>	<b>(3,226,825)</b>	<b>(3,226,825)</b>	<b>(2,707,569)</b>
<b>Net financial assets (debt), end of year</b>	<b>\$ 107,917</b>	<b>\$ 6,834,896</b>	<b>\$ (3,226,825)</b>

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
For the year ended December 31, 2017

	2017	2016
<b>Operating transactions</b>		
Excess of revenue over expenses	\$ 4,184,072	\$ 3,329,277
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	4,703,496	479,132
Amortization of tangible capital assets	14,807,926	14,977,216
Contributed assets	(3,452,765)	(582,421)
	20,242,729	18,203,204
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	113,325	1,101,626
Trade and other receivables	(3,402,304)	4,608,110
Land held for resale	506,303	-
Investments	(32)	(457,481)
Inventory for consumption	(78,224)	732,705
Prepaid expenses	(8,567)	(13,963)
Accounts payable and accrued liabilities	930,477	304,336
Employee benefit obligations	(131,911)	45,416
Deposits	215,425	(1,095,290)
Deferred revenue	(1,750,819)	(2,116,190)
Provision for gravel pit reclamation	(60,843)	53,972
Cash provided by operating transactions	16,575,559	21,366,445
<b>Capital transactions</b>		
Proceeds on disposal of tangible capital assets	455,432	392,470
Acquisition of tangible capital assets	(10,549,649)	(19,833,672)
Cash applied to capital transactions	(10,094,217)	(19,441,202)
<b>Financing transactions</b>		
Proceeds of long-term debt	-	1,600,000
Repayment of long-term debt	(3,643,659)	(3,430,889)
Cash applied to financing transactions	(3,643,659)	(1,830,889)
<b>Increase in cash and temporary investments</b>	2,837,683	94,354
<b>Cash and temporary investments, beginning of year</b>	16,510,307	16,415,953
<b>Cash and temporary investments, end of year</b>	\$ 19,347,990	\$ 16,510,307



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**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2017**

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**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 public sector accounting standards for local government established by the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipal District of Foothills No. 31 are as follows:

**(a) Reporting entity**

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, 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 of Foothills No. 31 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) Inventories 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. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

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**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2017**

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**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) Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

(h) Requisition over-levy and under-levy

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

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

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

(i) 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 expense 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.

(j) 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.

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**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2017**

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**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 at 50% 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.

(k) Contaminated sites liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**2. Cash and temporary investments**

	2017	2016
Cash	\$ 5,036,265	\$ 7,855,730
Temporary investments	14,311,725	8,654,577
	<u>\$ 19,347,990</u>	<u>\$ 16,510,307</u>

The temporary investments are comprised of guaranteed investment certificates, and term deposits, with interest rates ranging between 1.30% and 1.72% and maturity dates between January 2018 and May 2020. 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, 2017 the line of credit was undrawn.

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

	2017	2016
Taxes and grants in place of taxes receivable	\$ 2,372,250	\$ 4,182,482
Arrears	1,382,815	2,932,541
	3,755,065	7,115,023
Allowance for doubtful accounts	(886,581)	(4,133,214)
	<u>\$ 2,868,484</u>	<u>\$ 2,981,809</u>

**4. Trade and other receivables**

	2017	2016
Due from provincial government	\$ 7,219,732	\$ 3,575,767
Medical Center receivable	4,714,662	4,940,395
Trade receivables	557,957	437,737
Other receivables	345,241	424,179
Goods and Services Tax (GST)	304,200	318,682
Utilities	265,648	141,247
Due from local government	-	58,180
Allowance for doubtful accounts	(171,696)	(62,747)
	<u>\$ 13,235,744</u>	<u>\$ 9,833,440</u>

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**5. Investments**

	2017	2016
Portfolio investments	\$ 12,250	\$ 12,218
Sheep River Regional Utility Corp.	457,294	457,294
	\$ 469,544	\$ 469,512

The Municipal District purchased 10 class A common shares in Sheep River Regional Utility Corp. (SRRUC) for 10% ownership in the amount of \$1.

SRRUC was formed in partnership with the Towns of Black Diamond, Turner Valley, the Municipal District of Foothills and the Village of Longview. SRRUC is responsible for distribution of water to its partnering municipalities.

Effective July 27, 2016, the Municipal District advanced a shareholder loan to SRRUC in the amount of \$457,293 to contribute to the purchase of a water system asset. The loan is non-interest bearing and has no specific terms of repayment. The loan is secured by a general security agreement, land mortgage over SRRUC's assets, and other security, resolutions, and certificates.

**6. Employee benefit obligations**

	2017	2016
Vacation	\$ 461,615	\$ 610,640
Post employment benefits	232,860	213,485
Overtime	8,999	11,260
	\$ 703,474	\$ 835,385

**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. Councilors who have served more than two terms (six years) receive 1% of salary for each year served.

**Overtime**

The overtime liability is comprised of overtime hours that employees have earned and are entitled to within the next budgetary year.

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**7. Deferred revenue**

	2017	2016
Flood Recovery Erosion Control	\$ 6,009,791	\$ 6,426,854
Millarville Reservoir ACRP Grant	463,626	641,652
Municipal Sustainability Initiative	333,362	693,699
The Calgary Foundation - Arena Projects	250,000	250,000
Emergency service study	200,000	-
Alberta Community Partnership Grants	95,893	189,344
Bridge Grants	85,881	85,881
Municipal Sponsorship program	76,911	76,911
Calgary Foundation Arena Program	50,000	50,000
Emergency Preparedness	38,496	115,784
Industrial Lands Project Grant	25,493	25,493
River Modelling Grant	3,648	156,153
Hoeh Dike Grant	2,727	157,784
Flood Donations	1,168	1,168
Blackie Prepaid Local Improvement	204	407
Street Improvement Program	-	240,723
Municipal Intern Program Grant	-	15,000
Regional Water Strategy Grant	-	250,000
High River Regional Airport Plan	-	11,166
	<b>\$ 7,637,200</b>	<b>\$ 9,388,019</b>

Funding in the amount of \$8,144,089 (2016 - \$7,396,742) 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.

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**8. Long-term debt**

	2017	2016
Charles Clark Medical Centre	\$ 4,378,627	\$ 4,491,684
Heritage Pointe Fire Hall	3,364,129	3,487,924
Aldersyde shop	2,145,816	2,333,477
Fire Hall land	1,452,469	1,600,000
Heavy equipment	584,263	868,980
Regional Fieldhouse and Seaman Arena	-	2,786,898
	<u>\$ 11,925,304</u>	<u>\$ 15,568,963</u>
Current portion	<u>\$ 881,251</u>	<u>\$ 3,643,659</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2018	\$ 881,251	\$ 393,658	\$ 1,274,909
2019	906,569	368,340	1,274,909
2020	633,029	343,444	976,473
2021	654,927	321,546	976,473
2022	677,664	298,809	976,473
Thereafter	8,171,864	2,281,599	10,453,463
	<u>\$ 11,925,304</u>	<u>\$ 4,007,396</u>	<u>\$ 15,932,700</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 2.76% for 2017 (2016 - 2.76%).

The Charles Clark Medical Centre loan is considered to be an operating loan.

Interest on long-term debt amounted to \$443,581 (2016 - \$490,311).

The Municipal District of Foothills No. 31's total cash payments for interest in 2017 were \$451,697 (2016 - \$489,078).

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**9. Accumulated surplus**

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

	2017	2016
Unrestricted surplus	\$ 3,209,248	\$ 885,940
Internally restricted surplus (reserves) (note 13)	14,663,651	10,369,050
Equity in tangible capital assets (note 14)	213,773,655	216,207,492
	<u>\$ 231,646,554</u>	<u>\$ 227,462,482</u>

**10. Net municipal property taxes**

	Budget (Unaudited)	2017	2016
<b>Taxation</b>			
Real property taxes	\$ 40,096,789	\$ 39,998,099	\$ 39,073,440
Commercial/industrial property taxes	7,484,304	7,482,791	7,598,717
Farmland property taxes	1,706,441	1,706,441	1,676,632
Power, pipe, cable t.v. and railway	4,609,151	4,625,677	5,924,975
Federal grants in place of property taxes	36,254	36,255	35,338
Provincial grants in place of property taxes	18,078	18,078	51,430
	<u>53,951,017</u>	<u>53,867,341</u>	<u>54,360,532</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	18,524,456	18,551,738	18,168,072
Separate School Board	1,817,000	1,789,717	1,754,229
Seniors' Foundation	988,380	988,380	985,474
	<u>21,329,836</u>	<u>21,329,835</u>	<u>20,907,775</u>
	<u>\$ 32,621,181</u>	<u>\$ 32,537,506</u>	<u>\$ 33,452,757</u>



**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**11. Government transfers**

	Budget (Unaudited)	2017	2016
<b>Transfers for operating:</b>			
Provincial government	\$ 941,935	\$ 1,468,830	\$ 1,409,314
Local government	305,012	361,357	376,247
	1,246,947	1,830,187	1,785,561
<b>Transfers for capital:</b>			
Provincial government	8,487,755	9,198,125	9,875,614
	\$ 9,734,702	\$ 11,028,312	\$ 11,661,175

**12. Expenses by object**

	Budget (Unaudited)	2017	2016
Salaries, wages and benefits	\$ 17,010,312	\$ 14,587,836	\$ 14,087,598
Contracted and general services	6,324,774	5,669,675	6,429,554
Materials, goods, supplies and utilities	8,212,163	3,415,830	3,252,210
Bank charges and short-term interest	45,250	47,659	39,703
Interest on long-term debt	451,698	443,581	490,311
Other expenditures	2,048,800	2,272,577	5,464,484
Transfers to organizations and others	3,959,570	4,237,195	3,981,998
Purchases from other governments	385,950	355,473	306,568
Amortization of tangible capital assets	14,014,040	14,807,926	14,977,216
Loss on disposal of tangible capital assets	-	4,703,496	479,132
	\$ 52,452,557	\$ 50,541,248	\$ 49,508,774

**13. 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 expenses.

**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.

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**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2017**

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**13. Reserves, continued**

**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.

**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 expenses:**

A reserve has been set up to cover future costs on projects not completed in 2014 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, 2017

**13. Reserves, continued**

Flood projects

A reserve has been set up from insurance proceeds that were received for the Wallace building and Hogg park. These funds will be used once the project progresses.

	2017	2016
<b>Operating</b>		
Public reserve	\$ 1,884,642	\$ 1,575,075
Public transportation	27,600	27,388
Fire operating	13,067	13,067
FCSS reserve	6,985	6,985
Blackie water and sewer	11,000	11,000
Cayley water system	368,612	368,612
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	434,741	449,919
Reserve for future expenses	7,020,428	3,020,428
Flood projects	474,663	474,663
	<b>\$ 14,663,651</b>	<b>\$ 10,369,050</b>

**14. Equity in tangible capital assets**

	2017	2016
Tangible capital assets (schedule 2)	\$ 444,724,189	\$ 442,347,592
Accumulated amortization (schedule 2)	(223,403,857)	(215,062,821)
Long-term debt (note 8)	(11,925,304)	(15,568,963)
Operating debt (note 6)	4,378,627	4,491,684
	<b>\$ 213,773,655</b>	<b>\$ 216,207,492</b>

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**15. Debt limits**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Municipal District of Foothills No. 31 be disclosed as follows:

	2017	2016
Total debt limit	\$ 63,111,648	\$ 63,570,026
Total debt	11,925,304	15,568,963
	<u>\$ 51,186,344</u>	<u>\$ 48,001,063</u>
Debt servicing limit	\$ 10,518,608	\$ 10,595,004
Debt servicing	1,274,909	4,095,356
	<u>\$ 9,243,699</u>	<u>\$ 6,499,648</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.

**16. Local authorities pension plan**

Employees of the Municipal District of Foothills No. 31 participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plans Act. The plan serves about 254,000 people and 417 employers. The LAPP is financed by the employer and employee contributions and by 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 LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the Municipal District of Foothills No. 31 are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Municipal District of Foothills No. 31 to the LAPP in 2017 were \$1,111,894 (2016 - \$1,003,228). Total current service contributions by the employees of the Municipal District of Foothills No. 31 to the LAPP in 2017 were \$1,023,183 (2016 - \$1,089,981).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 million.

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**17. 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 of Foothills No. 31 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.

In 2017 the Municipal District issued letters of credit to Fisheries and Oceans Canada in the amount of \$546,127. They expire between July 2018 to December 2019. As at December 31, 2017 the letters of credit have not been drawn on.

**18. Salary and benefits disclosure**

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

	(1)	(2)		
	Salary	Benefits & allowances	2017	2016
Council				
Division 1	\$ 72,947	\$ 11,394	\$ 84,341	\$ 78,200
Division 2	73,801	7,233	81,034	79,072
Division 3	87,172	7,664	94,836	95,452
Division 4	91,750	7,674	99,424	102,984
Division 5	91,508	9,751	101,259	85,870
Division 6	95,286	5,110	100,396	101,537
Division 7	88,024	9,655	97,679	88,032
Chief Administrative Officer	196,788	14,125	210,913	207,927
Designated Officers - 5	\$ 555,842	\$ 107,981	\$ 663,823	\$ 666,613

(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.

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**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2017**

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**19. Financial instruments**

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

**20. Contributed assets**

During the year, the Municipal District assumed control of roads and infrastructure in subdivisions built by developers in the area and assumed 50% of Champion Park shared with the Town of Okotoks. 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.

**21. Budget amounts**

The 2017 budget for the Municipal District of Foothills No. 31 was approved by Council on May 3, 2017 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 principal payments on debt as 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	\$ (4,755,593)
Less: Capital expenditures	(6,173,705)
Long-term debt repayments	(3,793,659)
Add: Amortization of tangible capital assets	14,014,040
Transfers from reserves	458,917
Proceeds on disposal of tangible capital assets	250,000
<b>Equals: Balanced budget</b>	<b>\$ -</b>

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**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

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**22. Contaminated sites liability**

The Municipal District of Foothills No. 31 has adopted PS3260 liability for contaminated sites. The Municipal District did not identify any financial liabilities in 2017 (2016 - nil) as a result of this standard.

**23. Segmented disclosure**

The Municipal District of Foothills No. 31 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).

**24. Subsequent events**

Subsequent to year end, two water licenses were purchased in the amount of \$1,200,000 for 170 acre feet of water for the Aldersyde industrial corridor.

**25. Approval of financial statements**

These financial statements were approved by Council and Management.

**26. Comparative figures**

Where necessary the comparative figures for the 2016 year have been reclassified to conform with 2017 financial statement presentation.

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**Schedule of changes in accumulated surplus**

**Schedule 1**

	Unrestricted	Restricted	Equity in tangible capital assets	2017	2016
Balance, beginning of year	\$ 885,940	\$ 10,369,050	\$ 216,207,492	\$ 227,462,482	\$ 224,133,205
Excess of revenue over expenses	4,184,072	-	-	4,184,072	3,329,277
Unrestricted funds designated for future use	(4,294,601)	4,294,601	-	-	-
Current year funds used for tangible capital assets	(10,549,649)	-	10,549,649	-	-
Contributed tangible capital assets	(3,452,765)	-	3,452,765	-	-
Amortization of tangible capital assets	14,807,926	-	(14,807,926)	-	-
Long-term debt repaid	(3,530,603)	-	3,530,603	-	-
Proceeds on disposal of tangible capital assets	455,432	-	(455,432)	-	-
Loss on disposal of tangible capital assets	4,703,496	-	(4,703,496)	-	-
Change in accumulated surplus	2,323,308	4,294,601	(2,433,837)	4,184,072	3,329,277
<b>Balance, end of year</b>	<b>\$ 3,209,248</b>	<b>\$ 14,663,651</b>	<b>\$ 213,773,655</b>	<b>\$ 231,646,554</b>	<b>\$ 227,462,482</b>



**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2017**

**Schedule of tangible capital assets**

**Schedule 2**

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	2017	2016
<b>Cost:</b>								
Balance, beginning of year	\$ 10,376,738	\$ 1,723,458	\$ 42,219,085	\$ 351,805,333	\$ 22,503,532	\$ 13,719,446	\$ 442,347,592	\$ 427,264,645
Acquisitions	1,800,000	532,397	509,366	6,971,443	2,729,528	1,321,421	13,864,155	20,581,489
Work-in-progress	-	-	(305,914)	444,174	-	-	138,260	(165,397)
Disposals	-	(7,589)	-	(10,277,622)	(1,131,513)	(209,094)	(11,625,818)	(5,333,145)
<b>Balance, end of year</b>	<b>12,176,738</b>	<b>2,248,266</b>	<b>42,422,537</b>	<b>348,943,328</b>	<b>24,101,547</b>	<b>14,831,773</b>	<b>444,724,189</b>	<b>442,347,592</b>
<b>Accumulated amortization:</b>								
Balance, beginning of year	-	404,717	7,004,986	189,602,444	10,973,675	7,076,999	215,062,821	204,547,149
Annual amortization	-	178,033	1,091,016	11,210,141	1,346,199	982,537	14,807,926	14,977,215
Disposals	-	(1,671)	-	(5,662,635)	(604,677)	(197,907)	(6,466,890)	(4,461,543)
<b>Balance, end of year</b>	<b>-</b>	<b>581,079</b>	<b>8,096,002</b>	<b>195,149,950</b>	<b>11,715,197</b>	<b>7,861,629</b>	<b>223,403,857</b>	<b>215,062,821</b>
<b>Net book value</b>	<b>\$ 12,176,738</b>	<b>\$ 1,667,187</b>	<b>\$ 34,326,535</b>	<b>\$ 153,793,378</b>	<b>\$ 12,386,350</b>	<b>\$ 6,970,144</b>	<b>\$ 221,320,332</b>	<b>\$ 227,284,771</b>
<b>2016 net book value</b>	<b>\$ 10,376,738</b>	<b>\$ 1,318,741</b>	<b>\$ 35,214,099</b>	<b>\$ 162,202,889</b>	<b>\$ 11,529,857</b>	<b>\$ 6,642,447</b>	<b>\$ 227,284,771</b>	

**MUNICIPAL DISTRICT OF FOOTHILLS NO. 31**  
**SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2017**

**Schedule of segmented disclosure**

**Schedule 3**

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
<b>Revenue</b>								
Net municipal taxes	\$ 32,537,506	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,537,506
User fees and sales of goods	628,500	472,646	-	-	34,148	82,632	250,751	3,574,061
Government transfers for operating	896,177	86,216	-	-	664,435	183,359	-	1,830,187
Investment income	231,849	-	-	-	-	-	-	231,849
Penalties and costs of taxes	1,068,228	-	-	-	-	-	-	1,068,228
Licenses and permits	-	-	-	-	-	1,293,390	-	1,293,390
Rental	47,639	-	-	-	-	971	442,832	491,442
Other	141,367	-	173,916	-	-	326,704	208,548	850,535
Fines	-	197,232	-	-	-	-	-	197,232
	35,551,266	756,094	783,764	1,495,536	698,583	1,887,056	902,131	42,074,430
<b>Expenses</b>								
Salaries, wages and benefits	3,141,525	2,627,367	5,648,926	489,743	114,326	2,254,081	311,868	14,587,836
Contracted and general services	1,563,853	435,592	2,594,370	451,164	88,449	402,839	133,408	5,669,675
Materials, goods, supplies and utilities	118,353	309,939	2,352,717	134,677	18,299	220,903	260,942	3,415,830
Bank charges and short-term interest	47,659	-	-	-	-	-	-	47,659
Interest on long-term debt	160,208	134,610	117,171	-	-	-	31,592	443,581
Other expenditures	2,164,240	108,162	-	-	175	-	-	2,272,577
Transfers to organizations and others	-	1,317,005	-	151,577	491,597	5,000	2,272,016	4,237,195
Purchases from other governments	2,347	69,184	-	273,723	-	10,217	-	355,473
Amortization of tangible capital assets	169,068	674,296	12,482,352	623,401	20,550	3,999	834,260	14,807,926
Loss on disposal of tangible capital assets	-	-	4,697,580	-	5,918	-	-	4,703,496
	7,367,253	5,676,155	27,893,116	2,124,285	739,314	2,897,039	3,844,086	50,541,248
<b>Excess (deficiency) of revenue over expenses before other</b>	28,184,013	(4,920,061)	(27,109,352)	(628,749)	(40,731)	(1,009,983)	(2,941,955)	(8,466,818)
<b>Other</b>								
Government transfers for capital	-	1,168,793	5,806,061	623,271	-	-	1,600,000	9,198,125
Contributed assets	-	-	842,416	-	-	-	2,610,349	3,452,765
	-	1,168,793	6,648,477	623,271	-	-	4,210,349	12,650,890
<b>Excess (deficiency) of revenue over expenses</b>	\$ 28,184,013	\$ (3,751,268)	\$ (20,460,875)	\$ (5,478)	\$ (40,731)	\$ (1,009,983)	\$ 1,268,394	\$ 4,184,072