

Municipal District of Bighorn No. 8
Financial Statements
For the year ended December 31, 2010

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Independent Auditor's Report

**To the Reeve and Council of the
Municipal District of Bighorn No. 8**

Report on the Financial Statements

We have audited the accompanying financial statements of the Municipal District of Bighorn No. 8 which comprise the statement of financial position of the municipality as at December 31, 2010 and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Municipal District of Bighorn No. 8 as at December 31, 2010 and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LP

Chartered Accountants

**Calgary, Alberta
April 12, 2011**

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

**Municipal District of Bighorn No. 8
Statement of Financial Position**

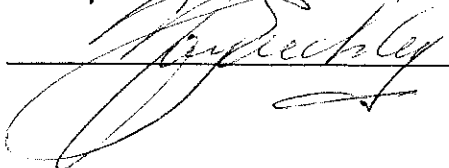
| December 31 | 2010 | 2009 |
|--|----------------------|----------------------|
| Financial Assets | | |
| Cash | \$ 392,028 | \$ 922 |
| Taxes and grants in place of taxes receivable (Note 3) | 227,618 | 630,508 |
| Trade and other receivables | 2,219,698 | 1,836,501 |
| Portfolio investments (Note 4) | 6,753,786 | 6,437,028 |
| Notes receivable (Note 9) | <u>1,681,445</u> | <u>1,749,988</u> |
| | <u>11,274,575</u> | <u>10,654,947</u> |
| Financial Liabilities | | |
| Bank indebtedness (Note 2) | \$ - | \$ 150,192 |
| Accounts payable and accrued liabilities | 554,423 | 558,033 |
| Employee future benefits (Note 5) | 96,041 | 80,821 |
| Deferred revenue (Note 6) | 2,883,686 | 2,393,677 |
| Long-term debt (Note 7) | <u>6,975,704</u> | <u>10,700</u> |
| | <u>10,509,854</u> | <u>3,193,423</u> |
| Net Financial Assets | <u>764,721</u> | <u>7,461,524</u> |
| Non-Financial Assets | | |
| Tangible capital assets (Note 10) | 65,847,372 | 57,774,565 |
| Inventories for consumption | 210,295 | 196,810 |
| Prepaid expenses | <u>51,696</u> | <u>52,126</u> |
| | <u>66,109,363</u> | <u>58,023,501</u> |
| Accumulated Surplus (Note 12) | <u>\$ 66,874,084</u> | <u>\$ 65,485,025</u> |

Commitments (Note 15)
Contingencies (Note 16)

On behalf of the Council:



Reeve



Municipal Administrator

Municipal District of Bighorn No. 8
Statement of Operations

| For the year ended December 31 | Budget 2010 | 2010 | 2009 |
|---|----------------------|----------------------|----------------------|
| Revenue | | | |
| Net municipal property taxes (Schedule 1) | \$ 3,484,950 | \$ 3,707,912 | \$ 3,677,654 |
| User fees and sales of goods | 486,927 | 640,755 | 488,830 |
| Government transfers (Schedule 2) | 11,952,723 | 1,876,188 | 1,416,418 |
| Return on investments | 125,000 | 186,505 | 208,832 |
| Penalties and costs on taxes | 60,000 | 88,108 | 93,655 |
| Licenses and permits | 70,000 | 59,503 | 91,837 |
| Other revenues | 108,625 | 111,917 | 106,105 |
| Rentals | 15,618 | 16,503 | 15,755 |
| Contributed asset | - | - | 200,000 |
| Gain (loss) on sale of assets | - | 10,469 | (74) |
| Total revenue | <u>16,303,843</u> | <u>6,697,860</u> | <u>6,299,012</u> |
| Expenses (Schedule 3) | | | |
| General administration | 1,427,006 | 1,320,755 | 942,489 |
| Protective services | 474,027 | 570,657 | 570,808 |
| Transportation | 845,303 | 1,753,133 | 1,831,861 |
| Environmental use and protection | 617,194 | 851,277 | 816,958 |
| Public health and welfare | 39,528 | 41,243 | 42,403 |
| Planning and development | 739,501 | 611,801 | 686,720 |
| Recreation and culture | 179,801 | 159,935 | 184,860 |
| Total expenses | <u>4,322,360</u> | <u>5,308,801</u> | <u>5,076,099</u> |
| Excess of revenue over expenses | 11,981,483 | 1,389,059 | 1,222,913 |
| Accumulated surplus, beginning of year | <u>65,485,025</u> | <u>65,485,025</u> | <u>64,262,112</u> |
| Accumulated surplus, end of year | <u>\$ 77,466,508</u> | <u>\$ 66,874,084</u> | <u>\$ 65,485,025</u> |

Municipal District of Bighorn No. 8
Statement of Change in Net Financial Assets

| For the year ended December 31 | Budget 2010 | 2010 | 2009 |
|---|---------------------|--------------------|---------------------|
| Excess of revenues over expenses | \$ 11,981,483 | \$ 1,389,059 | \$ 1,222,913 |
| Acquisition of tangible capital assets | (15,544,500) | (9,423,445) | (1,837,352) |
| Contributed asset | - | - | (200,000) |
| Proceeds on disposal of tangible capital assets | - | 13,954 | 5,250 |
| Amortization of tangible capital assets (Note 10) | 1,347,153 | 1,347,153 | 1,316,626 |
| (Gain) Loss on sale of tangible capital assets | - | (10,469) | 74 |
| | <u>(2,215,864)</u> | <u>(6,683,748)</u> | <u>507,511</u> |
| Change in inventory for consumption | - | (13,485) | (136,702) |
| Change in prepaid expenses | - | 430 | (16,036) |
| | <u>-</u> | <u>(13,055)</u> | <u>(152,738)</u> |
| Change in net financial assets | (2,215,864) | (6,696,803) | 354,773 |
| Net financial assets, beginning of year | <u>7,461,524</u> | <u>7,461,524</u> | <u>7,106,751</u> |
| Net financial assets, end of year | <u>\$ 5,245,660</u> | <u>\$ 764,721</u> | <u>\$ 7,461,524</u> |

4 The accompanying notes are an integral part of these financial statements.

**Municipal District of Bighorn No. 8
Statement of Cash Flows**

For the year ended December 31

2010

2009

Cash provided by (used in):

Operating transactions

| | | |
|---|----------------|------------------|
| Excess of revenue over expenditures | \$ 1,389,059 | \$ 1,222,913 |
| Non-cash items included in the excess of revenues over expenses | | |
| Amortization of tangible capital assets | 1,347,153 | 1,316,626 |
| (Gain) Loss on disposal of capital assets | (10,469) | 74 |
| Tangible capital assets received as contributions | - | (200,000) |
| Changes in non-cash working capital balances | | |
| Taxes and grants in place of taxes receivable | 402,890 | (194,980) |
| Trade and other receivables | (383,197) | 27,101 |
| Inventories for consumption | (13,485) | (136,702) |
| Prepaid insurance | 430 | (16,036) |
| Accounts payable and accrued liabilities | 11,609 | 339,665 |
| Deferred revenue | <u>490,009</u> | <u>(261,428)</u> |

3,233,999 2,097,233

Capital transactions

| | | |
|---|--------------------|--------------------|
| Acquisition of tangible capital assets | (9,423,445) | (1,837,352) |
| Proceeds on disposal of tangible capital assets | <u>13,954</u> | <u>5,250</u> |
| | <u>(9,409,491)</u> | <u>(1,832,102)</u> |

Financing transactions

| | | |
|--------------------------|------------------|-----------------|
| Accrued interest payable | 47,684 | - |
| Long-term debt repaid | (242,679) | (10,328) |
| Long-term debt issued | <u>7,160,000</u> | <u>-</u> |
| | <u>6,965,005</u> | <u>(10,328)</u> |

Investing transactions

| | | |
|--------------------------------------|------------------|------------------|
| Notes receivable repaid | 68,543 | 106,871 |
| Purchases of portfolio investments | (4,456,010) | (6,421,273) |
| Redemptions of portfolio investments | <u>4,139,252</u> | <u>6,714,455</u> |
| | <u>(248,215)</u> | <u>400,053</u> |

Increase in cash during the year

541,298 654,856

Bank indebtedness, beginning of year

(149,270) (804,126)

Cash (Bank indebtedness), end of year

\$ 392,028 \$ (149,270)

Represented by:

| | | |
|-------------------|-------------------|---------------------|
| Cash | \$ 392,028 | \$ 922 |
| Bank indebtedness | <u>-</u> | <u>(150,192)</u> |
| | <u>\$ 392,028</u> | <u>\$ (149,270)</u> |

Interest paid

\$ 96,423 \$ -

December 31, 2010

1. Significant Accounting Policies

The financial statements of the Municipal District of Bighorn No. 8 (the "Municipal District") are the representations of management prepared in accordance with Canadian public sector accounting standards for local governments 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) Basis of Accounting

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

Funds from external parties and earnings thereon, restricted by agreement or legislation, are accounted for as deferred revenue until used for the purpose specified.

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the Municipal District has met any eligibility criteria, and reasonable estimates of the amounts can be made.

Expenses are recognized in the period goods and services are acquired and a liability is incurred or transfers are due.

(b) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 expenses 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. Areas containing the greatest degree of estimation include useful lives of tangible capital assets and collectability of receivables.

(c) Portfolio Investments

Investments are recorded at cost and represent bonds and deposits with maturities greater than three months. When there is a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(d) Prepaid Local Improvement Levies

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the Municipal District.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. The deferred revenue is then amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

December 31, 2010

1. Significant Accounting Policies - continued

(e) 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, provide the Change in Net Financial Assets for the year.

(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 | 15 to 75 |
| Buildings | 20 to 70 |
| Engineering structures | |
| Roadway systems | 3 to 99 |
| Water systems | 75 |
| Wastewater systems | 75 |
| Other engineered structures | 45 to 74 |
| Machinery and equipment | 10 to 45 |
| Vehicles | 10 to 25 |

Amortization is generally calculated from the month the asset is put into service. Land is not amortized. Assets under construction are not amortized until the asset is available for productive use. Interest costs related to assets developed or constructed over time are expensed in the period incurred.

(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 risk 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.

(iii) Inventories for Consumption

Inventories of materials and supplies for consumption are valued at the lower of cost or replacement value with cost determined by the average cost method.

Gravel inventory is determined by perpetual records. Inventory of gravel is recorded in the accounts only to the extent of royalties and crushing costs incurred.

Municipal District of Bighorn No. 8
Notes to Financial Statements

December 31, 2010

1. Significant Accounting Policies - continued

(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 return. Such amounts are recorded when received or receivable. Any transfers with stipulations that create a liability are recognized as revenue only to the extent the liability has been extinguished.

(g) Reserves for Future Expenditures

Reserves are amounts set aside at Council's discretion to finance future operating and capital expenditures. Details of operating and capital reserves have been disclosed in Note 12.

(h) Notes Receivable

Notes receivable were initially and subsequently measured at cost with interest recognized to revenue in the year it is earned.

Municipal District of Bighorn No. 8
Notes to Financial Statements

December 31, 2010

2. Bank Indebtedness

The Municipal District has established a line of credit with the Royal Bank of Canada to a maximum of \$1,830,000 which bears interest at prime less 0.5%. As at December 31, 2010, \$Nil (2009 - \$150,192) was drawn on this line of credit.

3. Taxes and Grants in Place of Taxes Receivable

2010

2009

| | | |
|--|-------------------|-------------------|
| Current taxes and grants in place of taxes | \$ 133,601 | \$ 363,286 |
| Tax arrears and grants in place of taxes | <u>94,017</u> | <u>267,222</u> |
| | 227,618 | 630,508 |
| Less: allowance for doubtful accounts | <u>-</u> | <u>-</u> |
| | <u>\$ 227,618</u> | <u>\$ 630,508</u> |

4. Portfolio Investments

2010

2009

| | <u>Cost</u> | <u>Market</u> | <u>Cost</u> | <u>Market</u> |
|-------------------------|--------------|---------------|--------------|---------------|
| Fixed income securities | \$ 6,753,786 | \$ 6,861,162 | \$ 6,437,028 | \$ 6,489,063 |

Guaranteed Investment Certificates have effective interest rates of 0.85% to 4.77% (2009 - 0.50% to 5.28%). Government and government guaranteed bonds have effective interest rates of 2.20% to 6.28% (2009 - 3.50% to 6.28%) with maturity dates from August 22, 2011 to September 2, 2019.

5. Employee Future Benefits

2010

2009

| | | |
|--------------|------------------|------------------|
| Vacation pay | \$ <u>96,041</u> | \$ <u>80,821</u> |
|--------------|------------------|------------------|

Vacation pay is comprised of vacation amounts that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

Municipal District of Bighorn No. 8
Notes to Financial Statements

December 31, 2010

| 6. Deferred Revenue | 2010 | 2009 |
|-----------------------------------|---------------------|---------------------|
| Prepaid local improvement charges | \$ 1,346,685 | \$ 1,347,534 |
| Deferred tax revenue | 41,050 | - |
| Developer's deposits | 151,660 | 236,000 |
| Deferred grant revenue | <u>1,344,291</u> | <u>810,143</u> |
| | <u>\$ 2,883,686</u> | <u>\$ 2,393,677</u> |

Prepaid local improvement charges

Prepaid local improvement charges relates to prepayments made by the Municipal District in industrial properties. The amount consists of a prepaid local improvement levy for the Exshaw Industrial Park of \$1,344,140 (2009 - \$1,344,140) and a prepaid local improvement levy for Deadman's Flats of \$2,545 (2009 - \$3,394). The amount is expected to be recognized when these properties are sold.

Deferred tax revenue

Deferred tax revenue relates to amounts raised through the 2010 tax levy for maintenance on North and South Ranchlands roads as the work was deferred until 2011.

Developers deposits

Developers deposits relate to amounts that developers are required to guarantee should the work they are completing for the Municipal District is not up to the Municipal District's standards. Should there be no further work required on the work performed then the full amount is returned.

Deferred grant revenue

Deferred grant revenue relates to government transfers for which the eligibility criteria has not been met in 2010.

| 7. Long-term Debt | 2010 | 2009 |
|--------------------------|---------------------|------------------|
| Tax supported debentures | \$ 6,928,020 | \$ 10,700 |
| Accrued interest | <u>47,684</u> | - |
| | <u>\$ 6,975,704</u> | <u>\$ 10,700</u> |

Principal and interest repayments are as follows:

| | Principal | Interest | Total |
|------------|---------------------|---------------------|---------------------|
| 2011 | \$ 532,665 | \$ 243,859 | \$ 776,524 |
| 2012 | 551,699 | 224,824 | 776,523 |
| 2013 | 571,415 | 205,109 | 776,524 |
| 2014 | 591,836 | 184,688 | 776,524 |
| 2015 | 612,987 | 163,536 | 776,523 |
| Thereafter | <u>4,067,418</u> | <u>683,994</u> | <u>4,751,412</u> |
| | <u>\$ 6,928,020</u> | <u>\$ 1,706,010</u> | <u>\$ 8,634,030</u> |

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at a rate of 3.497% to 3.845% (2009 - 3.47%) per annum and matures in 2030.

This debt is collateralized by the Municipal District's assets.

Interest on long-term debt during the year amounted to \$144,106 (2009 - nil).

Municipal District of Bighorn No. 8
Notes to Financial Statements

December 31, 2010

| | | |
|-----------------------|-------------|-------------|
| 8. Debt Limits | 2010 | 2009 |
|-----------------------|-------------|-------------|

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:

| | | |
|---------------------------------------|-------------------|---------------------|
| Total debt limit | \$ 7,595,321 | \$ 7,719,278 |
| Total debt | <u>6,928,020</u> | <u>10,700</u> |
| Amount of total debt limit unused | <u>\$ 667,301</u> | <u>\$ 7,708,578</u> |
| Service on debt limit | \$ 1,265,387 | \$ 1,286,546 |
| Service on debt | <u>386,785</u> | <u>11,071</u> |
| Amount of debt servicing limit unused | <u>\$ 878,602</u> | <u>\$ 1,275,475</u> |

The debt limit is calculated at 1.5 times revenue of the Municipal District (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 that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Municipal District. Rather, the financial statements must be interpreted as a whole.

| | | |
|----------------------------|-------------|-------------|
| 9. Notes Receivable | 2010 | 2009 |
|----------------------------|-------------|-------------|

| | | |
|---|---------------------|---------------------|
| Notes receivable from Bow Valley Waste Management Commission, non-interest bearing, repayable at a rate of \$95,125 per year, due on or before January 15, 2027 (1) | \$ 1,522,000 | \$ 1,617,125 |
| Note receivable from Bow Valley Regional Housing, yielding interest at 5.25% per annum, repayable at a rate of \$15,463 per year, due in 2019 | 41,912 | 57,308 |
| Note receivable from Bow Valley Regional Housing, yielding interest at 4.484% per annum, repayable at a rate of \$3,844 per year, due in 2028 | 58,552 | 60,073 |
| Under collected portion of loans (2) | <u>58,981</u> | <u>15,482</u> |
| | <u>\$ 1,681,445</u> | <u>\$ 1,749,988</u> |

(1) This note receivable arose from the sale of the landfill site from the Municipal District to the Bow Valley Waste Management Commission in 1999 for a total sale price of \$2,231,750. As at December 31, 2010 a total of \$709,250 (2009 - \$614,125) has been paid by the Bow Valley Waste Management Commission towards the total sales price. A fixed charge on land has been provided as security for the note.

(2) In the current year an adjustment was made to recognize previous under collected portions of the Bow Valley Regional Housing note receivable. This adjustment is also reflected in the 2010 Seniors Requisition in Schedule 1.

Municipal District of Bighorn No. 8
Notes to financial statements

December 31, 2010

10. Tangible Capital Assets

| | Land | Land Improvements | Land | Buildings | Engineered Structures | Machinery and Equipment | Vehicles | Assets Under Construction | 2010 Total | 2009 Total |
|---|---------------|-------------------|--------------|---------------|-----------------------|-------------------------|---------------|---------------------------|---------------|---------------|
| Cost, beginning of year | \$ 17,202,685 | \$ 1,494,617 | \$ 1,486,499 | \$ 48,283,342 | \$ 2,199,280 | \$ 1,458,786 | \$ 2,356,001 | \$ 74,481,210 | \$ 74,481,210 | \$ 72,483,906 |
| Additions | 120,969 | 94,205 | - | 260,026 | 33,449 | 269,138 | 8,645,658 | - | 9,423,445 | 2,037,352 |
| Disposals | - | - | - | - | - | (34,850) | - | - | (34,850) | (40,048) |
| Change in assets under construction | - | - | - | 18,322 | - | - | 29,135 | (47,457) | - | - |
| Cost, end of year | 17,323,654 | 1,588,822 | 1,486,499 | 48,561,690 | 2,232,729 | 1,722,209 | 10,954,202 | 83,869,805 | 74,481,210 | 74,481,210 |
| Accumulated amortization, beginning of year | - | 881,091 | 622,867 | 13,709,116 | 762,560 | 731,011 | - | - | 16,706,645 | 15,424,743 |
| Amortization | - | 56,441 | 39,505 | 1,082,819 | 96,409 | 71,979 | - | - | 1,347,153 | 1,316,626 |
| Disposals | - | - | - | - | (31,365) | - | - | - | (31,365) | (34,724) |
| Accumulated amortization, end of year | - | 937,532 | 662,372 | 14,791,935 | 827,604 | 802,990 | - | - | 18,022,433 | 16,706,645 |
| Net carrying amount, end of year | \$ 17,323,654 | \$ 651,290 | \$ 824,127 | \$ 33,769,755 | \$ 1,405,125 | \$ 919,219 | \$ 10,954,202 | \$ 65,847,372 | \$ 57,774,565 | \$ 57,774,565 |

Municipal District of Bighorn No. 8
Notes to Financial Statements

December 31, 2010

| 11. Equity in Capital Assets | 2010 | 2009 |
|------------------------------------|---------------------|----------------------|
| Tangible capital assets (Note 10) | \$83,869,805 | \$ 74,481,210 |
| Accumulated amortization (Note 10) | (18,022,433) | (16,706,645) |
| Long-term debt (Note 7) | <u>(6,975,704)</u> | <u>(10,700)</u> |
| | \$58,871,668 | \$ 57,763,865 |

| 12. Accumulated Surplus | 2010 | 2009 |
|-------------------------|------|------|
|-------------------------|------|------|

During the year certain Capital reserve accounts were consolidated where it was determined the accounts were of the same or similar nature or had a consistent purpose. Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

| | | |
|---|----------------------------|-----------------------------|
| Unrestricted surplus (deficit) | \$ <u>(47,716)</u> | \$ <u>25,533</u> |
| Restricted surplus | | |
| Operating reserves | | |
| Tax stabilization | 760,119 | 822,879 |
| General operating reserves | <u>1,077,413</u> | <u>1,051,802</u> |
| | <u>1,837,532</u> | <u>1,874,681</u> |
| Capital reserves | | |
| Buildings | 419,362 | 428,530 |
| Engineering structures | 286,060 | 269,518 |
| Vehicles and equipment | 944,005 | 803,263 |
| Roads | 102,581 | 6,237 |
| Road upgrade policy P-1 | 25,994 | 25,378 |
| Jamieson road policy P-6 | 16,860 | 16,461 |
| Community enhancement | 130,342 | 108,628 |
| Gravel site reclamation | 113,529 | 101,076 |
| Off-site levy - Deadman's Flats | 42,501 | 41,494 |
| Off-side levy - Exshaw | 368,270 | 359,544 |
| Lot sales | 3,825,653 | 2,082,751 |
| Landfill sale | - | 1,765,747 |
| Municipal reserve | 202,103 | 114,529 |
| Exshaw water project | 297,276 | (337,871) |
| Exshaw Industrial Park water | - | 628,993 |
| Deadman's Flats water project | (367,572) | (347,908) |
| Harvie Heights water project | (790,939) | (858,680) |
| Exshaw engineering structures wastewater | 279,990 | 124,371 |
| Exshaw Industrial Park wastewater | - | 111,218 |
| Deadman's Flats wastewater | - | (6,735) |
| Deadman's Flats engineering structures wastewater | 87,131 | 106,519 |
| Harvie Heights engineering structures wastewater | 119,628 | 103,650 |
| Planning capital reserve | - | 83 |
| Fire capital | - | 136,479 |
| Alberta infrastructure | - | 37,671 |
| Aggregate levy reserve | <u>109,826</u> | <u>-</u> |
| | <u>6,212,600</u> | <u>5,820,946</u> |
| Equity in tangible capital assets | <u>58,871,668</u> | <u>57,763,865</u> |
| | <u>\$66,874,084</u> | <u>\$ 65,485,025</u> |

Municipal District of Bighorn No. 8
Notes to Financial Statements

December 31, 2010

13. Salary and Benefits Disclosure

Disclosure of salaries and benefits for municipal officials and the municipal administrator as required by Alberta Regulation 313/2000 is as follows:

| | 2010 | 2009 | | |
|--------------------------------------|------------------|-------------------------------------|----------------|----------------|
| | <u>Salary(1)</u> | <u>Benefits & Allowances(2)</u> | <u>Total</u> | <u>Total</u> |
| Reeve: | | | | |
| Cooper | \$ 39,230 | \$ 8,299 | \$ 47,529 | \$ 43,659 |
| Councillors: | | | | |
| Dunki | \$ 19,137 | \$ 6,137 | \$ 25,274 | \$ 30,904 |
| Pepper | \$ 19,287 | \$ 5,869 | \$ 25,156 | \$ 30,534 |
| Ryan | \$ 31,140 | \$ 7,956 | \$ 39,096 | \$ 32,070 |
| Adams | \$ 21,837 | \$ 5,902 | \$ 27,739 | \$ 28,637 |
| Butters | \$ 4,803 | \$ 593 | \$ 5,396 | \$ - |
| Montgomery | \$ 5,103 | \$ 603 | \$ 5,706 | \$ - |
| Thomas | \$ 4,203 | \$ 574 | \$ 4,777 | \$ - |
| Chief Administrative Officer | \$ 111,547 | \$ 18,545 | \$ 130,092 | \$ 120,963 |
| Designated Officers (4 Positions) | \$ 314,616 | \$ 56,343 | \$ 370,959 | \$ 353,525 |

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration. There were no bonuses, overtime, or lump sum payments made in 2010 or 2009.

(2) Benefits and allowances includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental death and dismemberment insurance and long and short-term disability plans. These do not include reimbursement of travel expenses.

14. Local Authorities Pension Plan

Employees of the Municipal District participate in the Local Authorities Pension Plan ("LAPP"), which is one of the plans covered by the Public Sector Pension Plans Act. The LAPP serves about 189,149 members and pensioners in addition to approximately 411 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenses in the year in which they become due.

The Municipal District is required to make current service contributions to the LAPP of 9.06% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.53% on pensionable earnings above this amount. Employees of the Municipal District are required to make current service contributions of 8.06% of pensionable salary up to the year's maximum pensionable salary and 11.53% on pensionable salary above this amount.

December 31, 2010

14. Local Authorities Pension Plan - continued

Total current service contributions by the Municipal District to the Local Authorities Pension Plan in 2010 were \$116,090 (2009 - \$96,687). Total current service contributions by the employees of the Municipal District to the Local Authorities Pension Plan in 2010 were \$104,494 (2009 - \$86,329).

At December 31, 2010, the plan disclosed an actuarial deficiency of \$3.999 billion.

15. Commitments

- (a) Under the terms of various operating leases, the Municipal District is committed to make minimum lease payments totaling \$19,290 over the next three years as follows:

| | | |
|------|----|---------------|
| 2011 | \$ | 9,885 |
| 2012 | | 7,053 |
| 2013 | | <u>2,352</u> |
| | \$ | <u>19,290</u> |

- (b) The Municipal District has an agreement with Bow Valley Property Valuers to provide assessment services. Assessment services are required by the municipalities in order to carry out the assessment of properties within each Municipal District, primarily for tax purposes. Under the terms of the agreement the Municipal District is committed to a four year contract plus two years renewal option with the following payments:

| | | |
|------|----|----------------|
| 2011 | \$ | 51,500 |
| 2012 | | 53,000 |
| 2013 | | <u>54,590</u> |
| | \$ | <u>159,090</u> |

- (c) As at December 31, 2010 the Municipal District had \$3,423,516 in unspent commitments to complete the construction of the Exshaw Municipal Water System.
-

16. Contingencies

The Municipal District is committed to reclaim five sites used for the purpose of gravel extraction and storage. Management intends to continuously renew leases for the sites. As a result, the estimated timing and future costs of reclamation are not readily determinable. However, the Municipal District has established a reserve of \$113,529 in order to fund these future costs.

December 31, 2010

17. Financial Instruments

The Municipal District's financial instruments consist of cash, portfolio investments, taxes and grants in place of taxes receivable, trade and other receivables, notes receivable, bank indebtedness, accounts payable and accrued liabilities and long-term debt. It is management's opinion that there is no exposure to significant interest or currency risk arising from these instruments, except as discussed below.

The Municipal District is subject to credit risk with respect to taxes and grants in place of taxes receivable, and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Municipal District provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

In addition, substantially all of the the Municipal District's portfolio investments are held with one bank, thereby exposing the Municipal District to the risk of this institution.

The Municipal District's fixed rate debt is subject to interest rate price risk, since the fair value of the debt will fluctuate as a result of changes in interest rate market values.

Other than the note receivable, of which fair value has not been calculated due to it being non-interest bearing, the carrying value of the financial instruments approximates fair value.

18. Budget

The budget amounts presented throughout these financial statements are based upon the Budget approved by Council on December 8, 2009. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budget figures anticipated that certain amounts would be restricted for future use and that previously restricted amounts may be used in the current year. In addition, although a capital budget was prepared the Municipal District expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Financial Plan adopted by council on December 8, 2009 with adjustments as follows:

| | |
|--|----------------------|
| Financial Plan (Budget) deficit for the year | 2010 |
| Add: | \$ - |
| Capital expenditures | 15,544,500 |
| Less: | |
| Budgeted transfers from accumulated surplus | 2,215,864 |
| Amortization of capital assets | <u>1,347,153</u> |
| Budget surplus per statement of operations | <u>\$ 11,981,483</u> |

December 31, 2010

19. Segmented Disclosure

The Municipal District provides a range of service to its ratepayers. For each reporting segment, revenues and expenses represent both amounts that 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 disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 4).

20. Approval of Financial Statements

These financial statements were approved by Council and Management.

Schedule 1
Municipal District of Bighorn No. 8
Schedule of Property Taxes Levied

| For the year ended December 31 | Budget 2010 | 2010 | 2009 |
|--|---------------------|---------------------|---------------------|
| Taxation | | | |
| Residential property taxes | \$ 543,741 | \$ 543,741 | \$ 531,488 |
| Commercial and industrial property taxes | 864,166 | 863,743 | 906,125 |
| Linear property taxes | 679,174 | 679,174 | 658,241 |
| Machinery and equipment property taxes | 1,201,608 | 1,201,604 | 1,114,941 |
| School taxes | 2,198,663 | 2,197,042 | 2,179,604 |
| Senior foundation taxes | 147,771 | 147,786 | 142,255 |
| Aggregate tax levy | - | 40,168 | 20,829 |
| Farmland property taxes | 8,125 | 8,142 | 6,831 |
| Government grants in place of property taxes | 36,503 | 31,938 | 33,677 |
| Special assessment and local improvement taxes | 151,633 | 152,481 | 152,481 |
| Well drilling property taxes | - | 120,269 | 233,040 |
| Minimum tax | - | 24,083 | 25,279 |
| | <u>5,831,384</u> | <u>6,010,171</u> | <u>6,004,791</u> |
| Requisitions | | | |
| Alberta School Foundation Fund | (2,198,663) | (2,192,913) | (2,184,783) |
| Seniors Foundations (Note 9) | (147,771) | (109,346) | (142,354) |
| | <u>(2,346,434)</u> | <u>(2,302,259)</u> | <u>(2,327,137)</u> |
| Net municipal property taxes | <u>\$ 3,484,950</u> | <u>\$ 3,707,912</u> | <u>\$ 3,677,654</u> |

Schedule 2
Municipal District of Bighorn No. 8
Schedule of Government Transfers

| For the year ended December 31 | Budget 2010 | 2010 | 2009 |
|-----------------------------------|----------------------|---------------------|---------------------|
| Provincial transfers | | | |
| Operating | \$ 1,029,717 | \$ 246,575 | \$ 263,591 |
| Capital | <u>10,923,006</u> | <u>1,629,613</u> | <u>1,152,827</u> |
| Total government transfers | <u>\$ 11,952,723</u> | <u>\$ 1,876,188</u> | <u>\$ 1,416,418</u> |

Schedule 3
Municipal District of Bighorn No. 8
Schedule of Expenditures by Object

| For the year ended December 31 | Budget 2010 | 2010 | 2009 |
|--|---------------------|---------------------|---------------------|
| Expenditures | | | |
| Salaries, wages and benefits | \$ 1,833,902 | \$ 1,823,865 | \$ 1,717,904 |
| Contracted and general services | 1,471,162 | 1,285,586 | 1,334,112 |
| Materials, goods, supplies and utilities | 728,893 | 478,107 | 450,852 |
| Transfers to other governments | 74,678 | 56,592 | 73,498 |
| Transfers to local boards and agencies | 200,925 | 169,440 | 175,646 |
| Interest on long-term debt | - | 144,106 | - |
| Bank charges and short term interest | 12,800 | 3,952 | 7,461 |
| Amortization of tangible capital assets | - | 1,347,153 | 1,316,626 |
| | <u>\$ 4,322,360</u> | <u>\$ 5,308,801</u> | <u>\$ 5,076,099</u> |

Schedule 4
Municipal District of Bighorn No. 8
Schedule of Segmented Disclosure

| | General Government | Protective Services | Transportation | Environmental Services | Public Health and Welfare | Planning and Development | Recreation and Culture | 2010 Total |
|--|--------------------|---------------------|----------------|------------------------|---------------------------|--------------------------|------------------------|------------------|
| REVENUES | | | | | | | | |
| Net Municipal Taxes | \$ 3,707,911 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,707,911 |
| Government transfers | 56,915 | - | 589,461 | 1,009,317 | 33,407 | 163,862 | 23,226 | 1,876,188 |
| User fees and sales of goods | 19,236 | 143,015 | 14,522 | 321,447 | - | 139,729 | 2,806 | 640,755 |
| Gain on sale of asset | 10,469 | - | - | - | - | - | - | 10,469 |
| Other revenues | 274,451 | 4,220 | 130 | 100,100 | - | 83,636 | - | 462,537 |
| | <u>4,068,982</u> | <u>147,235</u> | <u>604,113</u> | <u>1,430,864</u> | <u>33,407</u> | <u>387,227</u> | <u>26,032</u> | <u>6,697,860</u> |
| EXPENSES | | | | | | | | |
| Salaries & wages | 581,362 | 217,071 | 264,031 | 238,951 | - | 444,992 | 77,458 | 1,823,865 |
| Contracted & general services | 467,469 | 144,348 | 405,884 | 102,635 | 2,113 | 153,716 | 9,421 | 1,285,586 |
| Materials, goods, supplies and utilities | 87,754 | 100,322 | 102,407 | 167,148 | 753 | 12,025 | 7,698 | 478,107 |
| Transfers to local governments | | 14,813 | | | 38,378 | | 3,401 | 56,592 |
| Transfers to local boards and agencies | 12,000 | | | 106,324 | | | 51,116 | 169,440 |
| Interest on long-term debt | 144,106 | | | | | | | 144,106 |
| Bank charges and short term interest | 3,952 | | | | | | | 3,952 |
| | <u>1,296,643</u> | <u>476,554</u> | <u>772,322</u> | <u>615,058</u> | <u>41,244</u> | <u>610,733</u> | <u>149,094</u> | <u>3,961,648</u> |
| NET REVENUE, BEFORE AMORTIZATION | \$ 2,772,339 | \$ (329,319) | \$ (168,209) | \$ 815,806 | \$ (7,837) | \$ (223,506) | \$ (123,062) | \$ 2,736,212 |
| Amortization expense | 24,111 | 94,103 | 980,811 | 236,219 | - | 1,068 | 10,841 | 1,347,153 |
| NET REVENUE/(DEFICIENCY) | \$ 2,748,228 | \$ (423,422) | \$ (1,149,020) | \$ 579,587 | \$ (7,837) | \$ (224,574) | \$ (133,903) | \$ 1,389,059 |

**Schedule 4
Municipal District of Bighorn No. 8
Schedule of Segmented Disclosure - continued**

| | General Government | Protective Services | Transportation | Environmental Services | Public Health and Welfare | Planning and Development | Recreation and Culture | 2009 Total |
|--|--------------------|---------------------|----------------|------------------------|---------------------------|--------------------------|------------------------|--------------|
| REVENUES | | | | | | | | |
| Net Municipal Taxes | \$ 3,677,654 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,677,654 |
| Government transfers | 22,919 | 30,182 | 63,462 | 1,092,764 | 30,212 | 123,652 | 53,227 | 1,416,418 |
| User fees and sales of goods | 9,752 | 121,946 | 19,328 | 315,428 | - | 18,351 | 4,025 | 488,830 |
| Loss on sale of asset (74) | (74) | | | | | | | (74) |
| Contributed asset | 200,000 | | | | | | | 200,000 |
| Other revenues | 304,292 | 4,794 | | 99,506 | | 107,592 | | 516,184 |
| | 4,214,543 | 156,922 | 82,790 | 1,507,698 | 30,212 | 249,595 | 57,252 | 6,299,012 |
| EXPENSES | | | | | | | | |
| Salaries & wages | 499,920 | 213,144 | 274,077 | 213,208 | | 442,519 | 75,036 | 1,717,904 |
| Contracted & general services | 360,041 | 145,515 | 473,219 | 125,798 | 3,072 | 205,850 | 20,617 | 1,334,112 |
| Materials, goods, supplies and utilities | 42,301 | 75,452 | 112,116 | 168,685 | 82 | 37,284 | 14,932 | 450,852 |
| Transfers to local governments | | 29,943 | | | | | 4,306 | 73,498 |
| Transfers to local boards and agencies | 10,900 | | | | | | | |
| Bank charges and short term interest | 7,461 | | | 105,349 | | | 59,397 | 175,646 |
| | 920,623 | 464,054 | 859,412 | 613,040 | 42,403 | 685,653 | 174,288 | 3,759,473 |
| NET REVENUE, BEFORE AMORTIZATION | \$ 3,293,920 | \$ (307,132) | \$ (776,622) | \$ 894,658 | \$ (12,191) | \$ (436,058) | \$ (117,036) | \$ 2,539,539 |
| Amortization expense | 21,867 | 106,753 | 972,449 | 203,917 | | 1,068 | 10,572 | 1,316,626 |
| NET REVENUE/(DEFICIENCY) | \$ 3,272,053 | \$ (413,885) | \$ (1,749,071) | \$ 690,741 | \$ (12,191) | \$ (437,126) | \$ (127,608) | \$ 1,222,913 |