

Municipal District of Bighorn No. 8
Financial Statements
For the year ended December 31, 2009

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Municipal District of Bighorn No. 8

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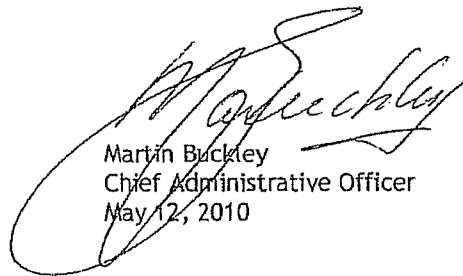
Management's Report

The Municipal District of Bighorn's ("the Municipal District") 2009 financial statements are the responsibility of management. The financial statements have been prepared by management using the Canadian generally accepted accounting principles for local government. Financial statements are not precise as they include amounts that are based on the best estimates and judgments of management. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Management maintains systems of accounting and administrative controls to provide reasonable assurance that the transactions are appropriately authorized, accurately recorded, that assets are properly accounted for and safeguarded and that the financial statements realistically report the Municipality's operating and financial results.

Municipal Council has approved the information contained in the financial statements.

BDO Canada LLP, Chartered Accountants, have been appointed by Municipal Council to examine the financial statements and provide an independent professional opinion



Martin Buckley
Chief Administrative Officer
May 12, 2010



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Auditors' Report

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

We have audited the statement of financial position of the Municipal District of Bighorn No. 8 as at December 31, 2009 and the statements of operations, change in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the Municipality's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Municipal District of Bighorn No. 8 as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements for the year ended December 31, 2008 was audited by another firm of chartered accountants who expressed an opinion without reservation in their report dated May 12, 2009.

BDO Canada LLP

Chartered Accountants

Calgary, Alberta
May 12, 2010

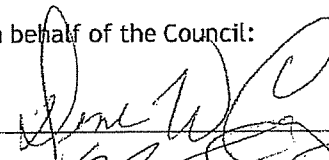
**Municipal District of Bighorn No. 8
Statement of Financial Position**

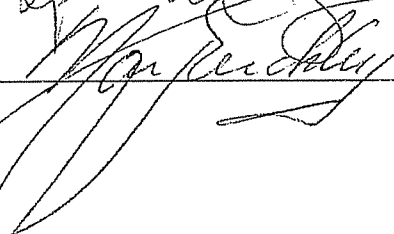
December 31	2009	2008
		(Restated Note 18)
Financial Assets		
Cash	\$ 922	\$ 7,613
Taxes and grants in place of taxes receivable (Note 3)	630,508	435,528
Trade and other receivables	1,836,501	1,863,602
Portfolio investments (Note 4)	6,437,028	6,730,210
Notes receivable (Note 8)	1,749,988	1,856,859
	<u>10,654,947</u>	<u>10,893,812</u>
Financial Liabilities		
Bank indebtedness (Note 2)	\$ 150,192	\$ 811,739
Accounts payable and accrued liabilities	638,854	299,190
Deferred revenue (Note 5)	2,393,677	2,655,105
Long-term debt (Note 6)	10,700	21,027
	<u>3,193,423</u>	<u>3,787,061</u>
Net Financial Assets	<u>7,461,524</u>	<u>7,106,751</u>
Non-Financial Assets		
Tangible capital assets (Note 10)	57,774,565	57,059,163
Inventories for consumption	196,810	60,108
Prepaid expenses	52,126	36,090
	<u>58,023,501</u>	<u>57,155,361</u>
Accumulated Surplus (Note 11)	<u>\$65,485,025</u>	<u>\$ 64,262,112</u>

Contingencies (Note 15)

Subsequent Events (Note 19)

On behalf of the Council:


 _____ Reeve


 _____ Municipal Administrator

Municipal District of Bighorn No. 8
Statement of Operations

For the year ended December 31	Budget 2009	2009	2008
	(Note 17)		(Restated Note 18)
Revenue			
Net municipal property taxes (Schedule 1)	\$ 3,402,109	\$ 3,677,654	\$ 3,197,930
User fees and sales of goods	1,979,088	488,830	549,506
Government transfers (Schedule 2)	9,628,713	1,416,418	361,218
Return on investments	125,000	208,832	260,237
Penalties and costs on taxes	55,000	93,655	75,099
Licenses and permits	80,000	91,837	69,804
Other revenues	100,225	106,105	9,029
Rentals	-	15,755	18,235
Contributed asset	-	200,000	-
Loss on sale of assets	-	(74)	-
Total revenue	<u>15,370,135</u>	<u>6,299,012</u>	<u>4,541,058</u>
Expenses (Schedule 3)			
General administration	1,192,952	920,622	829,605
Protective services	521,188	464,055	474,473
Transportation	891,837	859,412	893,037
Environmental use and protection	10,679,128	613,041	525,260
Unbudgeted environmental use and protection	-	-	328
Public health and welfare	42,272	42,403	36,747
Planning and development	704,420	685,652	645,671
Recreation and culture	189,023	174,288	162,807
Amortization	1,316,626	1,316,626	1,295,388
Total expenses	<u>15,537,446</u>	<u>5,076,099</u>	<u>4,863,316</u>
Excess (shortfall) of revenue over expenses	(167,311)	1,222,913	(322,258)
Accumulated surplus, beginning of year	<u>64,262,112</u>	<u>64,262,112</u>	<u>64,584,370</u>
Accumulated surplus, end of year	<u>\$ 64,094,801</u>	<u>\$ 65,485,025</u>	<u>\$ 64,262,112</u>

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

For the year ended December 31	Budget 2009	2009	2008
	(Note 17)		(Restated Note 18)
Excess (shortfall) of revenues over expenses	\$ (167,311)	\$ 1,222,913	\$ (322,258)
Acquisition of tangible capital assets	(10,075,000)	(1,837,352)	(2,177,779)
Contributed asset	-	(200,000)	-
Proceeds on disposal of tangible capital assets	-	5,250	2,442,366
Amortization of tangible capital assets	1,316,626	1,316,626	1,295,388
Loss on sale of tangible capital assets	-	74	-
	<u>(8,925,685)</u>	<u>507,511</u>	<u>1,237,717</u>
Change in supplies inventory	-	(136,702)	31,968
Change in prepaid expenses	-	(16,036)	13,287
	<u>-</u>	<u>(152,738)</u>	<u>45,255</u>
Change in net financial assets (debt)	(8,925,685)	354,773	1,282,972
Net financial assets, beginning of year	<u>7,106,751</u>	<u>7,106,751</u>	<u>5,823,779</u>
Net financial assets (debt), end of year	<u>\$ (1,818,934)</u>	<u>\$ 7,461,524</u>	<u>\$ 7,106,751</u>

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

For the year ended December 31

2009

2008

(Restated
note 18)

Cash provided by (used in):

Operating transactions

Excess (deficiency) of revenue over expenditures	\$ 1,222,913	\$ (322,258)
Non-cash items included in the excess of revenues over expenses		
Amortization of tangible capital assets	1,316,626	1,295,388
Loss on disposal of capital assets	74	-
Tangible capital assets received as contributions	(200,000)	-

Changes in non-cash working capital balances

Taxes and grants in place of taxes	(194,980)	3,580
Trade and other receivables	27,101	(1,567,588)
Inventories for consumption	(136,702)	31,967
Prepaid insurance	(16,036)	13,288
Accounts payable and accrued liabilities	339,665	(15,922)
Deferred revenue	<u>(261,428)</u>	<u>1,704,812</u>

	<u>2,097,233</u>	<u>1,143,267</u>
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Capital transactions

Acquisition of tangible capital assets	(1,837,352)	(2,177,779)
Proceeds on disposal of tangible capital assets	<u>5,250</u>	<u>2,442,366</u>
	<u>(1,832,102)</u>	<u>264,587</u>

Financing transactions

Long-term debt repaid	<u>(10,328)</u>	<u>(9,989)</u>
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Investing transactions

Notes receivable repaid	106,871	28,376
Decrease (increase) in portfolio investments	<u>293,182</u>	<u>(2,429,280)</u>
	<u>400,053</u>	<u>(2,400,904)</u>

Increase (decrease) in cash during the year

	665,184	(993,050)
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Cash, beginning of year

	<u>(794,137)</u>	<u>198,913</u>
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Cash, end of year

	\$ (128,953)	\$ (794,137)
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Represented by:

Cash	\$ 922	\$ 7,613
Bank indebtedness	<u>(150,192)</u>	<u>(811,739)</u>

	\$ (149,270)	\$ (804,126)
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December 31, 2009

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 generally accepted accounting principles 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 municipality 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 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 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, deposits, and 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 Improvements 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 municipality.

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, 2009

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. 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 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.

December 31, 2009

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.

(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 11.

Municipal District of Bighorn No. 8
Notes to Financial Statements

December 31, 2009

2. Bank Indebtedness

The Municipal District has established a line of credit with the Royal Bank of Canada to maximum of \$1,830,000 which bears interest at prime less 0.5%. As at December 31, 2009, \$150,192 (2008 - \$811,739) was drawn on this line of credit.

3. Taxes and Grants in Place of Taxes Receivable	2009	2008
Current taxes and grants in place of taxes	\$ 363,286	\$ 450,959
Tax arrears and grants in place of taxes	<u>267,222</u>	<u>-</u>
	630,508	450,959
Less: allowance for doubtful accounts	<u>-</u>	<u>15,431</u>
	<u>\$ 630,508</u>	<u>\$ 435,528</u>

4. Portfolio Investments	2009		2008	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Fixed income securities	\$ 6,437,028	\$ 6,489,063	\$ 6,730,210	\$ 6,842,799

Government and government guaranteed bonds have effective interest rates of 0.50% to 6.28% (2008 - 3.50% to 5.65%) with maturity dates from June 4, 2010 to September 5, 2017.

5. Deferred Revenue	2009	2008
Prepaid local improvement charges	\$ 1,347,534	\$ 1,348,382
Prepaid lease fees and deposits	-	2,083
Developer's deposits	236,000	253,056
Deferred grant revenue	<u>810,143</u>	<u>1,051,584</u>
	<u>\$ 2,393,677</u>	<u>\$ 2,655,105</u>

6. Long-term Debt	2009	2008
Loan payable to the Alberta Capital Finance Authority, repayable in semi-annual installments of principal only, due September, 2010.	\$ 10,700	\$ 21,027

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at a rate of 3.47% per annum and matures September 2010. This debt is secured by the Municipal District's assets.

Municipal District of Bighorn No. 8
Notes to Financial Statements

December 31, 2009

7. Debt Limits	2009	2008
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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	\$ 7,719,278	\$ 10,415,959
Total debt	<u>10,700</u>	<u>21,027</u>
Amount of total debt limit unused	<u>\$ 7,708,578</u>	<u>\$ 10,394,932</u>
Service on debt limit	\$ 1,286,546	\$ 1,735,993
Service on debt	<u>11,071</u>	<u>10,337</u>
Amount of debt servicing limit unused	<u>\$ 1,275,475</u>	<u>\$ 1,725,656</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 that 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.

8. Notes Receivable	2009	2008
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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.	\$ 1,617,125	\$ 1,712,250
Note receivable from Bow Valley Regional Housing, yielding interest at 5.25% per annum, repayable over ten years in blended annual payments of principal and interest of \$15,463.	117,381	129,127
Under collected portion of loans	<u>15,482</u>	<u>15,482</u>
	<u>\$ 1,749,988</u>	<u>\$ 1,856,859</u>

The 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, 2009 a total of \$614,125 (2008 - \$519,000) 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.

9. Equity in Tangible Capital Assets	2009	2008 (Restated Note 18)
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Tangible capital assets (Note 10)	\$ 57,774,565	\$ 57,059,163
Long-term debt (Note 6)	<u>10,700</u>	<u>21,027</u>
	<u>\$ 57,763,865</u>	<u>\$ 57,038,136</u>

For the year ended December 31, 2009

10. Tangible Capital Assets

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Assets under construction	2009 Total	2008 Total
Cost, beginning of year	\$ 17,158,826	\$ 1,456,616	\$ 1,486,499	\$ 47,691,497	\$ 2,121,693	\$ 1,359,351	\$ 1,209,424	\$ 72,483,906	\$ 72,748,493
Additions	43,859	38,001	-	591,845	49,995	99,435	1,214,217	2,037,352	2,177,779
Disposals	-	-	-	(40,048)	(40,048)	-	-	(40,048)	(2,442,366)
Change in assets under construction	-	-	-	-	67,640	-	(67,640)	-	-
Cost, end 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	72,483,906
Accumulated amortization, beginning of year	-	823,960	583,358	12,670,047	695,754	651,624	-	15,424,743	14,129,355
Amortization	-	57,131	39,509	1,039,069	101,530	79,387	-	1,316,626	1,295,388
Disposals	-	-	-	-	(34,724)	-	-	(34,724)	-
Accumulated amortization, end of year	-	881,091	622,867	13,709,116	762,560	731,011	-	16,706,645	15,424,743
Net carrying amount, end of year	\$ 17,202,685	\$ 613,526	\$ 863,632	\$ 34,574,226	\$ 1,436,720	\$ 727,775	\$ 2,356,001	\$ 57,774,565	\$ 57,059,163

Municipal District of Bighorn No. 8
Notes to Financial Statements

December 31, 2009

11. Accumulated Surplus	2009	2008 (Restated Note 18)
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Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

Unrestricted surplus	\$ <u>25,533</u>	\$ <u>35,862</u>
Restricted surplus		
Operating reserves		
Tax stabilization	822,879	589,838
General operating reserves	<u>1,051,802</u>	<u>1,069,501</u>
	<u>1,874,681</u>	<u>1,659,339</u>
Capital reserves		
Buildings	428,530	414,211
Engineering structures	269,518	275,012
Vehicles and equipment	803,263	801,138
Roads	6,237	43,631
Road upgrade policy P-1	25,378	31,638
Jamieson road policy P-6	16,461	8,804
Community enhancement	108,628	72,695
Gravel site reclamation	101,076	88,033
Off-site levy - Deadman's Flats	41,494	40,108
Off-side levy - Exshaw	359,544	347,530
Lot sales	2,082,751	2,055,551
Landfill sale	1,765,747	1,706,746
Municipal reserve	114,529	110,702
Exshaw water project	(337,871)	(337,871)
Exshaw Industrial Park water	628,993	606,459
Deadman's Flats water project	(347,908)	(328,457)
Harvie Heights water project	(858,680)	(940,710)
Exshaw engineering structures wastewater	124,371	124,371
Exshaw Industrial Park wastewater	111,218	94,439
Deadman's Flats wastewater	(6,735)	(6,735)
Deadman's Flats engineering structures wastewater	106,519	105,671
Harvie Heights engineering structures wastewater	103,650	97,917
Planning capital reserve	83	80
Fire capital	136,479	81,400
AB infrastructure	<u>37,671</u>	<u>36,412</u>
	<u>5,820,946</u>	<u>5,528,775</u>
Equity in tangible capital assets	<u>57,763,865</u>	<u>57,038,136</u>
	<u>\$ 65,485,025</u>	<u>\$ 64,262,112</u>

December 31, 2009

12. 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:

	2009	2008		
	<u>Salary(1)</u>	<u>Benefits & Allowances(2)</u>	<u>Total</u>	<u>Total</u>
Reeve:				
Cooper	\$ 37,152	\$ 6,507	\$ 43,659	\$ 46,445
Councillors:				
Dunki	\$ 25,562	\$ 5,342	\$ 30,904	\$ 30,201
Pepper	\$ 25,192	\$ 5,342	\$ 30,534	\$ 29,683
Ryan	\$ 25,900	\$ 6,170	\$ 32,070	\$ 32,372
Adams	\$ 23,592	\$ 5,045	\$ 28,637	\$ 28,501
Chief Administrative Officer	\$ 104,598	\$ 16,365	\$120,963	\$ 121,363
Designated Officers (4 Positions)	\$ 301,677	\$ 51,849	\$ 353,525	\$ 311,397

(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 2009 or 2008.

(2) Benefits and allowances included 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.

13. 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 8.46% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.66% on pensionable earnings above this amount. Employees of the Municipal District are required to make current service contributions of 7.46% of pensionable salary up to the year's maximum pensionable salary and 10.66% on pensionable salary above this amount.

December 31, 2009

13. Local Authorities Pension Plan - continued

Total current service contributions by the Municipal District to the Local Authorities Pension Plan in 2009 were \$96,687 (2008 - \$79,453). Total current service contributions by the employees of the Municipal District to the Local Authorities Pension Plan in 2009 were \$86,329 (2008 - \$70,002).

At December 31, 2008, the plan disclosed an actuarial deficiency of \$4.414 billion.

14. Commitments

- (a) Under the terms of various operating leases, the Municipal District is committed to make minimum lease payments totaling \$74,937 over the next four years as follows:

2010	\$	55,649
2011		9,885
2012		7,053
2013		<u>2,352</u>
	\$	<u>74,939</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 municipality, 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:

2010	\$	50,000
2011		51,500
2012		53,000
2013		<u>54,590</u>
	\$	<u>209,090</u>

- (c) As at December 31, 2009 the Municipal District had \$10,767,389 in unspent commitments to complete the construction of the Exshaw Municipal Water System and purchase a fire truck.
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15. 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 \$101,076 in order to fund these future costs.

December 31, 2009

16. 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.

17. Budget

The budget amounts presented throughout these financial statements are based upon the Budget approved by Council on March 3, 2009. As set out in Note 18, the municipality has adopted the new Public Sector Accounting Standards in the current year. At the time of budget preparation, the effects of implementing these standards was not fully known by Council and as such, they could not reasonably be budgeted for. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now 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, the budget 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 (debt) represent the Financial Plan adopted by council on March 3, 2009 with adjustments as follows:

	2009
Financial Plan (Budget) deficit for the year	\$ -
Add:	
Capital expenditures	10,075,000
Less:	
Budgeted transfers from accumulated surplus	8,925,685
Amortization of capital assets	<u>1,316,626</u>
Budget surplus per statement of operations	\$ <u>(167,311)</u>

December 31, 2009

18. Prior Period Adjustments

The Municipal District has restated its financial statements to comply with the provisions of Sections 3150 and 1200 of the Public Sector Accounting Board Handbook and applied these on a retroactive basis. The adoption of Sections 3150 and 1200 have resulted in a number of changes to the 2008 figures presented in these financial statements due to their retroactive application. The adoption of Section 3150 requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions has been included in income. The adoption of Section 1200 changes the presentation of operating surpluses, reserve funds and equity in capital assets, which are now grouped together and presented as "accumulated surplus". In addition, it has resulted in the reclassification of prepaid insurance and inventories for consumption to non-financial assets.

The adjustments are as follows:

	2008
Adjustments to opening accumulated surplus:	
As previously reported	\$ 27,296,953
Adjustment to net book value of tangible capital assets	<u>37,287,417</u>
As restated	64,584,370
Adjustments to excess of revenues over expenses:	
As previously reported	1,237,717
Tangible capital asset recorded but previously expensed	2,177,779
Annual amortization expense	(1,295,388)
Proceeds on sale of tangible capital assets	<u>(2,442,366)</u>
As restated	(322,258)
Adjustments to tangible capital assets:	
As previously reported	20,093,924
Adjustment to historical cost of tangible capital assets	52,389,982
Accumulated amortization recorded	<u>(15,424,743)</u>
As restated	\$ 57,059,163

19. Subsequent events

Subsequent to the year ended December 31, 2009 the Municipal District received debentures in the amount of \$2,500,000 from the Alberta Capital Finance Authority to assist with the completion of the Exshaw water project.

20. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

21. 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 2009 (Unaudited)	2009	2008
Taxation			
Residential property taxes	\$ 532,805	\$ 531,488	\$ 517,999
Commercial and industrial property taxes	904,772	906,125	722,317
Linear property taxes	632,630	658,241	607,962
Machinery and equipment property taxes	1,114,952	1,114,941	984,734
School taxes	2,194,630	2,179,604	2,221,886
Senior foundation taxes	142,355	142,255	74,200
Aggregate tax levy	-	20,829	48,830
Farmland property taxes	31,608	32,110	37,077
Government grants in place of property taxes	33,709	33,677	32,271
Special assessment and local improvement taxes	151,633	152,481	156,083
Well drilling property taxes	-	<u>233,040</u>	<u>90,628</u>
	<u>5,739,094</u>	<u>6,004,791</u>	<u>5,493,987</u>
Requisitions			
Alberta School Foundation Fund	(2,194,630)	(2,184,783)	(2,221,857)
Seniors Foundations	<u>(142,355)</u>	<u>(142,354)</u>	<u>(74,200)</u>
	<u>(2,336,985)</u>	<u>(2,327,137)</u>	<u>(2,296,057)</u>
Net municipal property taxes	<u>\$ 3,402,109</u>	<u>\$ 3,677,654</u>	<u>\$ 3,197,930</u>

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

For the year ended December 31	Budget 2009 (Unaudited)	2009	2008
<hr/>			
Provincial transfers			
Operating	\$ 9,628,713	\$ 263,591	\$ 321,767
Capital	<u>-</u>	<u>1,152,827</u>	<u>39,451</u>
Total government transfers	<u>\$ 9,628,713</u>	<u>\$ 1,416,418</u>	<u>\$ 361,218</u>

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

For the year ended December 31	Budget 2009 (Unaudited)	2009	2008
			(Restated note 18)
Expenditures			
Salaries, wages and benefits	\$ 1,739,329	\$ 1,717,904	\$ 1,565,173
Contracted and general services	11,190,034	1,334,112	1,329,076
Unbudgeted contracted and general service expenditures	-	-	328
Materials, goods, supplies and utilities	976,668	450,852	455,839
Transfers to other governments	93,575	73,498	115,575
Transfers to local boards and agencies	208,429	175,646	81,188
Bank charges and short term interest	12,785	7,461	20,749
Amortization of tangible capital assets	-	<u>1,316,626</u>	<u>1,295,388</u>
	<u>\$ 14,220,820</u>	<u>\$ 5,076,099</u>	<u>\$ 4,863,316</u>