

**MOUNTAIN VIEW COUNTY**

**FINANCIAL STATEMENTS**

**December 31, 2004**

**CONTENTS**

	<u>Page</u>
Auditor's Report	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Unappropriated Equity	5
Statement of Operations and Unappropriated Operating Equity	6
Statement of Capital Fund Equity	7
Consolidated Statement of Cash Flows	8
Schedules	9-12
Notes to the Financial Statements	13-23



## AUDITORS' REPORT

To the Reeve and Council of Mountain View County

We have audited the consolidated statement of financial position of the Mountain View County as at December 31, 2004 and the consolidated statements of operations and unappropriated equity, and the consolidated statement of cash flows for the year then ended. These financial statements are the responsibility of the municipal administration. 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 consolidated financial statements present fairly, in all material respects, the financial position of Mountain View County as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Collins Barrow Red Deer LLP*

Red Deer, Alberta  
March 8, 2005

CHARTERED ACCOUNTANTS



**MOUNTAIN VIEW COUNTY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**ASSETS**

	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>		
Cash and temporary investments	8,170,040	11,343,176
Taxes receivable (note 2)	1,233,924	1,064,088
Accounts receivable		
Federal government	534,051	84,230
Provincial government	237,734	460,881
Local governments	28,489	69,665
Other	796,025	517,083
Investments (note 3, 14)	82,278	81,587
Notes receivable		
MVRES - Note receivable (note 12)	40,264	296,107
MVRWC - Note receivable (note 12)	97,896	
MVSH - Note receivable (note 12)	3,076,134	3,027,134
Inventories	2,145,864	1,357,050
Prepaid expenses	442,651	454,897
Trust accounts (note 4)	<u>320,176</u>	<u>308,423</u>
<b>Total Financial Assets</b>	<u>17,205,526</u>	<u>19,064,321</u>
 <b>Physical Assets</b>		
<b>Capital Assets</b>		
Land and improvements	3,776,838	3,776,838
Buildings	5,439,940	3,172,276
Equipment and furnishings	12,052,230	11,941,188
Vehicles	<u>3,657,921</u>	<u>3,299,950</u>
<b>Total Physical Assets</b>	<u>24,926,929</u>	<u>22,190,252</u>
 <b>Total Assets</b>	<u><u>42,132,455</u></u>	<u><u>41,254,573</u></u>

## LIABILITIES

	2004	2003
	\$	\$
<b>Current Liabilities</b>		
Accounts payable		
Federal government	81,726	91,906
Provincial government	69,378	353,601
Local governments	155,295	5,076
Other	1,816,629	868,168
Deferred revenue	265,842	703,846
Trust accounts (note 4)	<u>320,176</u>	<u>308,423</u>
	2,709,046	2,331,020
<b>Other liabilities</b>	231,863	231,918
<b>Capital lease obligation (note 5)</b>	15,853	32,395
<b>Long-term debt (note 6)</b>	<u>3,043,313</u>	<u>3,000,000</u>
	<u>6,000,075</u>	<u>5,595,333</u>

## EQUITY

<b>Fund Balances</b>		
Unappropriated operating equity	289,516	208,499
Operating reserves (note 7)	6,935,715	12,349,931
Capital reserves (note 7)	3,670,651	936,805
Capital fund	<u>325,422</u>	<u>6,148</u>
Total fund balances	11,221,304	13,501,383
Equity in capital assets	<u>24,911,076</u>	<u>22,157,857</u>
<b>Total Equity</b>	<u>36,132,380</u>	<u>35,659,240</u>
<b>Total Liabilities and Equity</b>	<u><u>42,132,455</u></u>	<u><u>41,254,573</u></u>

**MOUNTAIN VIEW COUNTY  
CONSOLIDATED STATEMENT OF OPERATIONS  
AND UNAPPROPRIATED EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budget (unaudited)	2004	2003
	\$	\$	\$
<b>Revenues</b>			
<b>Net Taxes Available for Municipal Purposes (Schedule 4)</b>	11,253,570	11,088,010	10,704,447
<b>Sale of Goods and Services</b>			
Sale of goods	151,000	214,587	395,187
Sale of services	276,700	308,293	319,244
Sale of capital assets	857,233	313,005	864,600
Other	650,800	162,681	53,737
<b>Other Revenue From Own Sources</b>			
Return on investments	350,000	282,411	534,921
Revenue From Funds Loaned	175,000	211,551	0
Other licenses and permits	300,000	374,485	331,771
Park fees	241,025	238,324	217,397
Penalties and costs on taxes	121,000	139,382	124,547
Rentals	151,410	181,384	192,854
Other	91,987	175,180	132,715
<b>Unconditional Federal Grants</b>	225,000	204,870	0
<b>Unconditional Provincial Grants</b>	38,769	35,769	31,769
<b>Conditional Grants from Other Governments</b>			
Federal	474,588	348,078	0
Provincial - Transportation road grant	520,723	520,723	520,723
- Special transportation grants	2,365,000	1,110,569	391,641
- Other grants	332,116	313,028	351,955
Municipal	9,000	9,000	9,000
<b>Total Revenue</b>	<u>16,584,921</u>	<u>16,231,330</u>	<u>15,176,508</u>
<b>Total Operating Expenditures (Schedule 1)</b>	<u>17,751,729</u>	<u>14,954,074</u>	<u>13,542,733</u>
<b>Total Capital Expenditures</b>	<u>6,965,278</u>	<u>3,540,793</u>	<u>3,641,399</u>
<b>Deficiency of Revenue over Expenditures</b>	<u>(6,132,086)</u>	<u>(2,263,537)</u>	<u>(2,007,624)</u>
Capital debt repaid		<u>(16,542)</u>	<u>(15,798)</u>
<b>Increase in Funds During the Year</b>	<u>(6,132,086)</u>	<u>(2,280,079)</u>	<u>(2,023,422)</u>
<b>Beginning Funds</b>	<u>13,501,383</u>	<u>13,501,383</u>	<u>15,524,805</u>
<b>Ending Funds</b>	<u><u>7,369,297</u></u>	<u><u>11,221,304</u></u>	<u><u>13,501,383</u></u>

**MOUNTAIN VIEW COUNTY**  
**STATEMENT OF OPERATIONS AND UNAPPROPRIATED OPERATING EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budget (unaudited)	2004	2003
	\$	\$	\$
<b>Revenues</b>			
<b>Net Taxes Available for Municipal Purposes</b> <b>(Schedule 4)</b>	11,253,670	11,088,010	10,704,447
<b>Sale of Goods and Services</b>			
Sale of goods	151,000	214,587	395,187
Sale of services	276,700	308,293	319,244
Other	122,500	162,681	53,737
<b>Other Revenue From Own Sources</b>			
Return on investments	350,000	282,411	534,921
Revenue From Funds Loaned	175,000	211,551	
Other licenses and permits	300,000	374,485	331,771
Park fees	241,025	238,324	217,397
Penalties and costs on taxes	121,000	139,382	124,547
Rentals	151,410	157,384	168,854
Other	91,987	161,417	132,715
<b>Unconditional Federal Grants</b>	225,000	204,870	
<b>Unconditional Provincial Grants</b>	38,769	35,769	31,769
<b>Conditional Grants from Other Governments</b>			
Federal	474,588	348,078	0
Provincial - Transportation road grant	520,723	520,723	520,723
- Special transportation grants	2,365,000	1,110,569	391,641
- Other grants	332,116	313,028	351,955
Municipal	9,000	9,000	9,000
<b>Total Revenue</b>	<u>17,199,388</u>	<u>15,880,562</u>	<u>14,287,908</u>
<b>Total Operating Expenditures (Schedule 1)</b>	<u>17,751,729</u>	<u>14,954,074</u>	<u>13,542,733</u>
<b>Excess (Deficiency) of Revenue over Expenditures</b>	(552,341)	926,488	745,175
<b>Net Interfund Transfers</b>			
From Reserves (Note 7)	7,634,764	7,451,899	2,346,508
To Reserves (Note 7)	(886,000)	(2,037,683)	(1,538,625)
Transfers to Capital Funds (page 7)	(6,196,423)	(6,259,687)	(1,541,845)
<b>Increase in Operating Fund During the Year</b>		81,017	11,213
<b>Beginning Unappropriated Operating Equity</b>	<u>208,499</u>	<u>208,499</u>	<u>197,286</u>
<b>Ending Unappropriated Operating Equity</b>	<u>208,499</u>	<u>289,516</u>	<u>208,499</u>

**MOUNTAIN VIEW COUNTY  
STATEMENT OF CAPITAL FUND EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budget (unaudited) \$	2004 \$	2003 \$
<b>Revenues</b>			
Sale of capital assets	857,233	313,005	864,600
Other	528,300	37,763	24,000
	<u>1,385,533</u>	<u>350,768</u>	<u>888,600</u>
<b>Expenditures</b>			
Public works	1,224,078	1,148,679	2,788,694
Truck fleet	140,000	44,225	62,604
Other capital	5,601,200	2,347,889	790,101
	<u>6,965,278</u>	<u>3,540,793</u>	<u>3,641,399</u>
<b>Deficiency of Revenues over Expenditures</b>	(5,579,745)	(3,190,025)	(2,752,799)
<b>Net Interfund Transfers</b>			
Capital debt repaid		(16,542)	(15,798)
From (to) Reserves (page 7)		(2,733,846)	1,765,000
From Operating (page 6)	6,196,423	6,259,687	1,541,845
		<u>3,409,301</u>	<u>1,286,047</u>
<b>Increase (Decrease) in Capital Fund During the Year</b>	616,678	319,274	538,248
<b>Capital Fund Equity (Deficiency) at Beginning of Year</b>	6,148	6,148	(532,100)
<b>Capital Fund Equity (Deficiency) at End of Year</b>	<u>622,826</u>	<u>325,422</u>	<u>6,148</u>

**MOUNTAIN VIEW COUNTY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	2004	2003
	\$	\$
<b>Cash flows provided by:</b>		
<b>Operating Activities</b>		
Increase (Decrease) in Operating Fund during the year	81,017	11,213
Increase (Decrease) in Operating Reserves	(5,414,216)	(807,882)
Increase (Decrease) in Capital Fund	319,274	538,253
Increase (Decrease) in Capital Reserves	2,733,846	(1,765,000)
Increase in Equity in Physical Assets	<u>2,753,219</u>	<u>2,543,886</u>
 Total increase in equity	 <u>473,140</u>	 <u>520,470</u>
<b>Changes in Non-Cash Working Capital</b>		
Decrease (Increase) in Taxes Receivable	(169,836)	(283,881)
Decrease (Increase) in Accounts Receivable	(464,440)	890,505
Decrease (Increase) in Inventories	(788,814)	22,543
Decrease (Increase) in Prepaid Expenses	12,246	(160,695)
Increase (Decrease) in Accounts Payable	804,277	542,365
Increase in Deferred Revenue	(438,004)	136,415
Decrease in Other Liabilities	<u>(55)</u>	<u>(14,920)</u>
 Total Change in Non-Cash Working Capital	 <u>(1,044,626)</u>	 <u>1,132,332</u>
 <b>Total Funds Provided by Operating Activities</b>	 <u>(571,486)</u>	 <u>1,652,802</u>
<b>Investing and Financing Activities</b>		
Repayment of Long-Term Debt	(73,229)	(15,798)
Change in Long-Term Investments	(691)	(260)
Changes in Note Receivable - MVSH	(49,000)	(3,027,134)
Issue Debenture	100,000	3,000,000
Issue Note Receivable - MVRWC	(97,896)	
Proceeds from Note Receivable - MVRES	255,843	65,766
Additions to Physical Assets (Schedule 2)	(3,540,793)	(3,641,394)
Cost of Physical Assets Disposed (Schedule 2)	<u>804,116</u>	<u>1,113,302</u>
 Total Funds Provided by Investing and Financing Activities	 <u>(2,601,650)</u>	 <u>(2,505,518)</u>
 Change in Cash and Cash Equivalents	 (3,173,136)	 (852,716)
 Net Cash and Cash Equivalents, Beginning	 <u>11,343,176</u>	 <u>12,195,892</u>
 Net Cash and Cash Equivalents, Ending	 <u><u>8,170,040</u></u>	 <u><u>11,343,176</u></u>
 <b>Net Cash and Cash Equivalents Consists of:</b>		
Cash	157,009	73,207
Bonds and term deposits	<u>8,013,031</u>	<u>11,269,969</u>
	<u><u>8,170,040</u></u>	<u><u>11,343,176</u></u>



**MOUNTAIN VIEW COUNTY  
SCHEDULE OF OPERATING EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budget (Unaudited) \$	2004 \$	2003 \$
<b>General Government</b>			
Legislative	374,400	338,352	290,814
General administration	1,993,150	1,971,307	1,774,338
<b>Protective Services</b>			
Police protection	244,900	205,847	187,670
Fire protection	957,396	746,940	490,892
Emergency services	256,571	256,190	257,688
<b>Environmental Development Services</b>			
Agriculture Service Board	631,618	549,252	507,747
Planning and zoning	513,900	501,959	492,744
<b>Recreation and Cultural Services</b>			
Recreation buildings and facilities	289,775	258,349	262,944
Recreation boards	441,503	443,489	449,551
<b>Community Services</b>			
Public transportation	33,700	33,700	37,500
<b>Public Works</b>	11,580,455	9,175,477	8,354,657
<b>Environmental Health Services</b>	7,000	5,364	207,200
<b>Family and Community Support Services</b>	200,656	208,529	178,924
<b>Fiscal Services</b>			
Debt charges and allowances	226,705	253,953	43,150
Other transfers and requisitions	20,000	5,366	6,914
<b>Total Expenditures</b>	<u>17,751,729</u>	<u>14,954,074</u>	<u>13,542,733</u>

**MOUNTAIN VIEW COUNTY  
SCHEDULE OF EQUITY IN CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>2004</b>	<b>2003</b>
Changes in equity in capital assets are as follows:	<b>\$</b>	<b>\$</b>
Balance at beginning of year	22,157,857	19,613,971
Add:		
Additions to physical assets	3,540,793	3,641,394
Capital debt repaid	16,542	15,798
Less:		
Cost of assets disposed of	804,116	1,113,306
	<hr/>	<hr/>
Balance at end of year	<u>24,911,076</u>	<u>22,157,857</u>
	<b>2004</b>	<b>2003</b>
Equity in capital assets consists of:	<b>\$</b>	<b>\$</b>
Capital assets	24,926,929	22,190,252
Capital lease obligation (note 5)	(15,853)	(32,395)
	<hr/>	<hr/>
	<u>24,911,076</u>	<u>22,157,857</u>

**MOUNTAIN VIEW COUNTY  
SCHEDULE OF RESERVES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budget (unaudited) \$	2004 \$	2003 \$
<b>Balance at beginning of year</b>			
Operating Fund	12,349,931	12,349,931	13,157,813
Capital Fund	936,805	936,805	2,701,805
	<u>13,286,736</u>	<u>13,286,736</u>	<u>15,859,618</u>
<b>Add (Deduct)</b>			
Transfer from Operating Fund	886,000	2,037,683	1,629,666
Transfer to Operating Fund	(7,634,764)	(7,451,899)	(2,437,548)
Net Transfer from Operating Fund	<u>(6,748,764)</u>	<u>(5,414,216)</u>	<u>(807,882)</u>
Transfer from Capital Fund		2,733,846	
Transfer to Capital Fund			(1,765,000)
Net Transfer from Capital Fund		<u>2,733,846</u>	<u>(1,765,000)</u>
<b>Change in Fund Balance</b>	<u>(6,748,764)</u>	<u>(2,680,370)</u>	<u>(2,572,882)</u>
<b>Balance at end of year (Note 7)</b>			
Operating Fund	5,601,167	6,935,715	12,349,931
Capital Fund	936,805	3,670,651	936,805
	<u>6,537,972</u>	<u>10,606,366</u>	<u>13,286,736</u>

SCHEDULE 4

**MOUNTAIN VIEW COUNTY  
SCHEDULE OF TAXES LEVIED  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Budget (unaudited) \$</b>	<b>2004 \$</b>	<b>2003 \$</b>
<b>Taxation</b>			
Real property taxes	12,056,877	11,704,845	11,350,068
Power and pipelines	9,378,243	9,368,411	9,161,401
Previous Year (Underlevy)Overlevy	59,384	59,384	(127,708)
Current Year Underlevy(Overlevy)	(7,236)	184,491	(59,384)
	<u>21,487,268</u>	<u>21,317,131</u>	<u>20,324,377</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	9,722,517	9,717,940	9,329,998
Mountain View Management Board	298,836	298,836	289,932
Mountain View Regional Waste Management	212,345	212,345	0
	<u>10,233,698</u>	<u>10,229,121</u>	<u>9,619,930</u>
<b>Net Taxes Available for Municipal Purposes</b>	<u>11,253,570</u>	<u>11,088,010</u>	<u>10,704,447</u>

SCHEDULE 5

**SCHEDULE OF EXPENDITURES BY OBJECT  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>2004 \$</b>	<b>2003 \$</b>
<b>Expenditures</b>		
Salaries, wages, and benefits	5,509,614	5,197,752
Contracted and purchased services	4,047,698	3,212,783
Materials, goods, supplies, and utilities	3,367,844	3,421,363
Provision for allowances	30,018	(11,533)
Bank charges and short term interest	14,139	14,123
Long term debt and leases	212,699	29,027
Grants to other organizations	1,772,062	1,679,218
Physical assets acquired	3,540,793	3,657,192
<b>Total Expenditures</b>	<u>18,494,867</u>	<u>17,199,925</u>

**MOUNTAIN VIEW COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004 (Unaudited)**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of Mountain View County are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by Mountain View County are as follows:

a) **Reporting entity**

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, and changes in fund balances and in financial position of the reporting entity which comprises all the organizations that are accountable for the administration of their financial affairs and resources to the Council and are owned or controlled by the municipality.

The schedule of taxes levied also includes requisitions for education, seniors' lodges and waste management that are not part of the municipal reporting entity.

Interdepartmental and organizational transactions and balances are eliminated.

b) **Basis of Accounting**

Revenues are recognized in the period the transactions or events occurred that gave rise to the revenues. Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due, with the exception of pension expenditures as disclosed in Note 1(f).

c) **Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

d) **Fund Accounting**

Management funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account.

e) **Government Transfers**

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, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

f) **Pension Expenditure**

Contributions for current and past service pension benefits are recorded as expenditures in the year in which they become due.

**MOUNTAIN VIEW COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004 (Unaudited)**

g) **Other Financial Assets**

Investments are recorded at cost. Investment premiums and discounts are amortized proportionately over the term of the respective investments.

h) **Inventories**

Inventories of materials and supplies are valued at the lower of cost or net realizable value.

i) **Capital Assets**

Capital assets are reported as expenditures in the period they are acquired. Physical assets are reported at cost except for donated assets, which are reported at estimated fair value.

The cost of road construction and road maintenance are not capitalized in the accounts and are included in the annual expenditures of Mountain View County.

Government contributions for the acquisition of physical assets are recorded as capital revenue and do not reduce the related physical asset costs.

Physical assets for government purposes are not depreciated.

j) **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 joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long term debt.

k) **Allowances for Operating Assets**

Allowances for asset valuations are netted against the related asset. Increases in allowances are recorded as an expenditure while decreases in allowances are recorded as a revenue in the operating fund.

l) **Reserves for Future Expenditures**

Reserves are established at the discretion of council to set aside funds for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the respective fund.

m) **Equity in Capital Assets**

Equity in physical assets represents Mountain View County's net investment in its total fixed assets, after deducting the portion financed by third parties through debenture, bond, and mortgage debts, long-term capital borrowing, capitalized leases, and other capital liabilities.

n) **Over-levies and Under-levies**

Over-levies and under-levies arise from the difference between the actual 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 taxes.

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

**MOUNTAIN VIEW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>2. TAXES RECEIVABLE</b>	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Current taxes and grants in lieu	983,143	861,110
Tax arrears	<u>480,972</u>	<u>406,923</u>
	1,464,115	1,268,033
Less: Allowance for uncollected taxes	<u>230,191</u>	<u>203,945</u>
	<u><u>1,233,924</u></u>	<u><u>1,064,088</u></u>

<b>3. INVESTMENTS</b>	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
ALARIE	71,437	71,437
A.A.M.D.&C. (Trade Division)	5,545	5,204
Other	<u>5,296</u>	<u>4,946</u>
	<u><u>82,278</u></u>	<u><u>81,587</u></u>

ALARIE (Alberta Local Authorities Reciprocal Insurance Exchange) is a reciprocal insurance fund designed to provide long term stability for local authorities liability insurance coverage. In 2002 the ALARIE fund was discontinued. (See Note 14)

A.A.M.D.&C. (Alberta Association of Municipal Districts and Counties) is a purchasing group designed to provide municipal local authorities with lower cost goods and services through bulk purchasing. Annual dividends less a 20% reserve are paid based on the municipality's annual dollar volume of goods or services purchased during the year. The annual reserve is held for five years and then paid out to the municipality. The investment amount represents the last five years' reserves.

**MOUNTAIN VIEW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**4. TRUST FUNDS**

A summary of trust fund activities by Mountain View County is as follows:

	<b>2004</b>	<b>2003</b>
	\$	\$
<b>Cash in lieu of Municipal Reserve</b>		
Balance Beginning of Year	294,271	332,556
Additions to Reserve	24,324	29,468
Interest Revenue	6,650	7,391
Grants	<u>(22,773)</u>	<u>(75,144)</u>
Balance End of Year	<u>302,472</u>	<u>294,271</u>
 <b>Cremona Recreation Board</b>		
Balance Beginning of Year	14,152	16,983
Additions to Reserve	63,215	60,881
Interest Revenue	221	378
Board and Other Expenses	(362)	(315)
Grants	<u>(59,522)</u>	<u>(63,775)</u>
	<u>17,704</u>	<u>14,152</u>
 <b>Total Trust Funds</b>	 <u><u>320,176</u></u>	 <u><u>308,423</u></u>

**5. Obligation Under Capital Leases**

	<b>2004</b>	<b>2003</b>
	\$	\$
Capital leases	15,853	32,395
Current portion	<u>15,853</u>	<u>16,542</u>
	<u><u>-</u></u>	<u><u>15,853</u></u>

The capital lease is repayable in monthly installments of \$ 1,474 including interest at the rate of 4.62%. Computer equipment with a cost of \$58,890 has been pledged as security. The date of the final installment is November 30, 2005.

Estimated payments are as follows:

	<u>16,221</u>
	16,221
Amount representing interest	<u>368</u>
Principal portion	<u><u>15,853</u></u>



**MOUNTAIN VIEW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**6. LONG TERM DEBT**

	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Debentures	3,043,313	3,000,000
Current portion	61,065	55,655
	2,982,248	2,944,345

	<b><u>Original Principal</u></b>	<b><u>Rate</u></b>	<b><u>Anniversary Date</u></b>	<b><u>Final Payment</u></b>
Debenture 1-03	1,000,000	6.000%	September 2	2028
Debenture 2-03	1,000,000	5.875%	November 3	2028
Debenture 3-03	1,000,000	5.750%	December 15	2028
Debenture 1-04	100,000	4.960%	September 23	2029

The purpose of the debenture was to allow the County to provide financing to Mountain View Seniors Housing. The debentures are offset by a note receivable from the Mountain View Senior's Housing. (See Note 12) The details of the debentures are above. They are all payable to Alberta Capital Finance Authority. Each \$1,000,000 debenture has annual payments with the payments due on their anniversary dates. The \$100,000 debenture has payments due twice per year.

Estimated principal and interest payments for the next five years are as follows:

	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Payments</u></b>
2005	61,065	177,863	238,928
2006	64,633	174,295	238,928
2007	68,410	170,518	238,928
2008	72,409	166,519	238,928
2009	76,641	162,287	238,928
Thereafter	2,700,155		
	3,043,313		

**MOUNTAIN VIEW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**7. RESERVES**

Reserves for operating and capital activities are as follows:

<b>OPERATING RESERVES:</b>	<b>Beginning of Year \$</b>	<b>Additions \$</b>	<b>Deletions \$</b>	<b>End of Year \$</b>
Public Transport	207,765	11,760	1,931	217,594
Public Works:				
Divisional Projects	186,056	698,847	186,056	698,847
Road Patching	93,611	5,669		99,280
Public Works Special Projects	1,672,974	475,000	1,058,033	1,089,941
Snow Removal	331,000		110,357	220,643
Gravel	64,725		64,725	
Re-Chipping	97,225	189,410		286,635
Family & Community Support Services (F.C.S.S.)	67,624	3,828	25,026	46,426
Major Projects	1,486,423	84,131	1,570,554	
Tax Rate Stabilization	2,336,876	133,469	2,071,743	398,602
Rural Community Grant	78,692	14,454	8,750	84,396
Parks	12,008	500		12,508
Administration Building	20,000		20,000	
Didsbury Fire	285,992	16,187	60,000	242,179
General Fire (2)		404,428	404,428	
Working Capital (1), (2)	5,408,960		1,870,296	3,538,664
<b>Total Operating Reserves</b>	<b>12,349,931</b>	<b>2,037,683</b>	<b>7,451,899</b>	<b>6,935,715</b>
<b>CAPITAL RESERVES:</b>				
Administration Equipment	6,805			6,805
New Administration Building		2,733,846		2,733,846
Heavy Equipment	930,000			930,000
<b>Total Capital Reserves</b>	<b>936,805</b>	<b>2,733,846</b>		<b>3,670,651</b>
<b>TOTAL RESERVES:</b>	<b>13,286,736</b>	<b>4,771,529</b>	<b>7,451,899</b>	<b>10,606,366</b>

- (1) This reserve is set aside to provide liquidity and reduce financing costs in the interim period between when most of the County's expenses are incurred and when annual property taxes are collected. The maximum amount of the reserve is set by a capping formula. This reserve was first established in 2002 with a transfer from Unappropriated Operating Equity.
- (2) Funding to the General Fire Reserve is based on a 20 year capital replacement plan. Although the 20 year plan is fully funded, within the plan there are years when the reserve will be under funded at year end. When this occurs, funds will be loaned from other funds to offset the deficiency in the General Fire Reserve and the loan is shown as a deletion from the loaning fund and an addition to the General Fire Reserve. \$91,040 and \$254,428 was loaned from the Working Capital Reserve in 2003 and 2004 respectively.

**MOUNTAIN VIEW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**8. DEBT LIMIT**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for Mountain View County be disclosed as follows:

	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Total debt limit	24,346,995	22,764,762
Total debt	<u>3,059,166</u>	<u>3,032,395</u>
Amount below total debt limit	<u>21,287,829</u>	<u>19,732,367</u>
Service on debt limit	4,057,833	3,794,127
Service on debt	<u>213,730</u>	<u>249,595</u>
Amount below limit on debt service	<u>3,844,103</u>	<u>3,544,532</u>

**9. LOCAL AUTHORITIES PENSION PLAN**

Employees of the Mountain View County participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pensions Plan Act. The Plan serves about 148,000 people and 407 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

The Mountain View County is required to make current service contributions to the plan of 6.602% of the pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 8.477% for the excess.

The current service contributions by the Mountain View County to the Local Authorities Pension Plan in 2004 were \$180,286 (2003 - \$137,882). Total current service contributions by the employees of the Mountain View County to the Local Authorities Pension Plan in 2004 were \$154,524 (2003 - \$114,529).

At December 31, 2003, the Plan disclosed an actuarial deficit of \$1.411 Billion (2002 - \$445 Million).

**MOUNTAIN VIEW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**10. SALARY AND BENEFITS DISCLOSURE**

Disclosure of salaries and benefits for elected municipal officials and the chief administrative officer as required by provincial regulation 379/94 is as follows:

	----- 2004 -----			----- 2003 -----		
	<u># of Persons</u>	<u>Salary (1)</u> \$	<u>Benefits &amp; Allowances (2)</u> \$	<u>Total</u> \$	<u># of Persons</u>	<u>Total</u> \$
Reeve (3)						
Division 4	1	18,098	11,263	29,361	1	34,710
Division 7	1	3,686	2,587	6,273		
Councillors						
Division 1	1	18,176	11,406	29,582	1	26,208
Division 2	1	19,862	13,508	33,370	1	32,535
Division 3	1	15,423	10,748	26,171	1	26,220
Division 4	1	3,741	2,618	6,359		
Division 5	1	24,866	13,236	38,102	1	33,434
Division 6	1	16,272	12,203	28,475	1	24,689
Division 7	1	10,696	7,924	18,620	1	24,384
Commissioner	1	113,210	17,630	130,840	1	126,601

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments and per diem payments.

(2) 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 disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition, and any other direct cash remuneration.

(3) The Division 7 Councillor became Reeve on October 26, 2004.

**MOUNTAIN VIEW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**11. FINANCIAL INSTRUMENTS**

The County's financial instruments consist of cash and temporary investments, taxes receivable, accounts receivable, investments, notes receivable, accounts payable, other liabilities, capital lease obligations and long-term debt.

The fair value of these financial instruments approximates their carrying value.

It is management's opinion that the County is not exposed to significant price, credit, liquidity or cash flow risks arising from these financial instruments. The risk is detailed below:

The County is exposed to interest rate price risk as the cash and temporary investments, notes receivable, capital lease obligations and long-term debt bear interest at fixed interest rates. For the assets, interest rate price risk is the risk that interest rates will increase over the term of an investment resulting in the County receiving returns on its investment at a lower interest rate than if it had entered into a floating interest rate investment. For the liabilities, interest rate price risk is the risk that interest rates will decrease over the term of an obligation resulting in the County repaying its debt at a higher interest rate than if it had entered into a floating interest rate agreement.

The County is exposed to market price risk as some financial instruments included in cash and deposit certificates are traded in the market. Market price risk is the risk that the value of an investment will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The market price risk of the financial instruments held is closely related to the interest rate price risk.

The County is exposed to credit risk as it grants credit to its customers in the normal course of business. This risk is largely mitigated since the majority of receivables are generated from other governments, government related parties, or from tax payers, whose land acts as security for payment. To further mitigate credit risk for receivables, the County regularly reviews its accounts receivable list. The County is also exposed to credit risk, as included in cash and temporary investments, are bonds and accrual notes. The County follows the investment criteria as established in section 250 of the Municipal Government Act which is designed to limit credit risk. Credit risk is the risk that the County will incur a financial loss because a customer, or issuer of a bond or accrual note, has failed to discharge an obligation.

**MOUNTAIN VIEW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**12. RELATED PARTY TRANSACTIONS**

Unless specifically indicated all transactions with related parties are at fair market value.

**Mountain View Regional Emergency Services (MVRES)  
Sundre & District EMS Society (S&DEMS)**

The two emergency services provide ambulance services to the residents of Mountain View County and the five urban areas within the County. MVRES is a commission operated jointly by the County and the five urban municipalities. To establish the Commission, the County advanced MVRES \$546,873 for start up costs and initial working capital. The advance is to be repaid over 5 years, which started in 2002, and incurs interest at a rate comparable to other County investments. Repayment is to be at \$110,000 per year plus interest. \$220,000 was paid during 2004. Subsequent to year end the remaining balance was paid, retiring the loan ahead of schedule.

The County continued to offer administrative support to MVRES for a monthly fee. During 2004 MVRES management assumed responsibility for administrative management of S&DEMS. The County began providing administrative support to S&DEMS for a monthly fee, as well. The fees are an approximation of variable and fixed costs associated with the administrative support and do not contain a profit component.

**Mountain View Regional Waste Management Commission**

Mountain View Regional Waste Management Commission (MVRWC) provides garbage disposal services to the residents of both Mountain View County and the five urban areas within the County. MVRWC is a commission operated jointly by the County and the five urban municipalities.

During 2003 the County entered into an agreement to provide administrative support services to MVRWC. The agreement began January 1, 2004. MVRWC pays a monthly fee which is an approximation of variable and fixed costs associated with the administrative support and does not contain a profit component.

In 2003 the County advanced MVRWC \$137,121 in prepaid operating requisition. In addition, Mountain View County sold rural waste bins, that were previously purchased from MVRWC, back to MVRWC for the original cost of \$97,896. The County is providing financing for the bins with a 5 year loan to MVRWC. The loan is repayable in annual payments.

**Mountain View Senior's Housing**

Mountain View County has loaned original principal amount of \$3,100,000 to Mountain View Senior's Housing (MVSH). MVSH used the funds to construct a senior's lodge in Didsbury. MVSH provides senior housing to the residents of both the County and the five urban areas within the County. MVSH is operated with representation from the County and the five urban municipalities within the County. The loan is to be repaid to Mountain View County according to the repayment schedule for the \$3,100,000 debentures that Mountain View County borrowed from Alberta Capital Financing Authority. (See Note 6). The amount is repayable over 25 years with \$238,928 payable each year. This note receivable is secured by the requisitions payable to MVSH by each of the funding municipalities.

**MOUNTAIN VIEW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**13. COMMITMENT**

Mountain View County is in the process of constructing a new administration building. The project budget is \$5.5 million. The Cohos Evamy Partners has been retained to design and administer the building construction. Dawson Wallace Construction Ltd has been hired as the general contractor. As of December 31, 2004 the County has spent \$2,252,576 and has made contractual commitments for the majority of the remaining \$5.5 million budget. Construction completion is expected to be in mid 2005.

**14. CONTINGENCY**

Contained within the County's investments is an investment in ALARIE (see Note 3) of \$71,437 (2003 - \$71,437). ALARIE is currently in the process of being wound down. At this point the actual amount that the County will receive cannot be determined. The final amount realized from the investment is contingent on the final resolution of all assets and liabilities of ALARIE. Final liabilities will not be known until all claims have been satisfied or assumed by another party.

**15 RESIDENTIAL ASSESSMENT ADJUSTMENT**

In 2004 there were significant residential property tax assessment adjustments related to aligning the County assessment process to Provincial standards. The assessment changes created significant tax increases for a number of rate payers. To reduce the tax impact, County Council decided to give the affected rate payers a one time adjustment that was equal to approximately half of the impact, thus effectively phasing in the assessment changes over two years. The impact of this adjustment was a reduction in municipal tax revenue of \$119,000 and a reduction in Alberta School Foundation Fund (ASFF) tax revenue of \$140,000. The decrease in municipal tax revenue was funded by drawing from the Tax Rate Stabilization Reserve. The decreased ASFF revenue has been treated as an underlevy in 2004.

**16 APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by Council and Management.