

MOUNTAIN VIEW COUNTY

FINANCIAL STATEMENTS

December 31, 2008

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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, 2008 and the consolidated statements of operations and equity and the consolidated statement of changes in financial position 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 the Mountain View County as at December 31, 2008 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

*Collins Barrow
Red Deer LLP*

CHARTERED ACCOUNTANTS

Red Deer, Alberta
March 17, 2009

**MOUNTAIN VIEW COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2008**

ASSETS

	2008	2007
	\$	\$
Financial Assets		
Cash and temporary investments (note 2)	13,707,287	12,114,923
Taxes receivable (note 3)	688,718	587,303
Accounts receivable		
Federal government	327,877	255,403
Provincial government	1,148,078	4,158,252
Local governments	122,879	284,231
Other	1,261,465	666,223
Investments (note 4, 17)	1,006,598	913,203
Notes receivable		
Mountain View Regional Waste Commission (note 15)	107,412	160,287
Mountain View Seniors' Housing (note 15)	2,806,763	2,879,947
Prepaid expenses	568,688	602,976
Land held for resale	71,082	150,813
Trust accounts (note 5)	575,260	477,827
Total Financial Assets	<u>22,392,107</u>	<u>23,251,388</u>
Physical Assets		
Inventory for consumption	4,197,409	3,456,409
Capital assets		
Land and improvements	4,393,534	3,820,085
Buildings	10,172,950	9,369,524
Equipment and furnishings	14,018,444	14,192,388
Vehicles	5,091,041	4,214,002
Total Physical Assets	<u>37,873,378</u>	<u>35,052,408</u>
Total Assets	<u><u>60,265,485</u></u>	<u><u>58,303,796</u></u>

LIABILITIES

	2008	2007
	\$	\$
Liabilities		
Accounts payable & accrued liabilities		
Federal government	210,039	176,957
Provincial government	76,577	41,777
Local governments	463,970	75,454
Trade & other	2,664,511	1,724,757
Deferred revenue (note 6)	2,816,252	6,394,541
Employee benefit obligations (note 7)	260,073	303,257
Trust accounts (note 5)	575,260	477,827
Other liabilities	106,816	83,935
Long-term debt (note 8)	<u>2,776,797</u>	<u>2,849,205</u>
Total Liabilities	<u>9,950,295</u>	<u>12,127,710</u>
Contingencies (note 17 & 18)		

MUNICIPAL EQUITY

Fund Balances		
Unappropriated operating equity	100,000	84,777
Operating reserves (note 10)	14,314,194	11,872,305
Capital reserves (note 10)	2,095,532	2,552,425
Capital fund (note 11)	<u>129,495</u>	<u>70,580</u>
Total fund balances	16,639,221	14,580,087
Equity in capital assets (page 10)	<u>33,675,969</u>	<u>31,595,999</u>
Total Municipal Equity	<u>50,315,190</u>	<u>46,176,086</u>
Total Liabilities and Municipal Equity	<u><u>60,265,485</u></u>	<u><u>58,303,796</u></u>

**MOUNTAIN VIEW COUNTY
CONSOLIDATED STATEMENT OF OPERATIONS
AND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budget (unaudited)	2008	2007
	\$	\$	\$
Revenues			
Net Taxes Available for Municipal Purposes (page 12)	20,422,409	20,483,909	17,948,045
Sale of Goods and Services			
Sale of goods	287,600	296,758	313,145
Sale of services	1,026,700	1,073,989	907,108
Sale of capital assets	697,000	738,513	530,425
Other	146,800	428,616	224,062
Other Revenue From Own Sources			
Return on investments	220,000	299,245	249,361
Revenue from funds loaned	166,500	165,744	169,785
Other licenses and permits	610,000	744,733	573,946
Park fees	30,000	26,083	31,114
Penalties and costs on taxes	131,500	155,804	133,893
Rentals	199,500	260,361	258,925
Other	1,998,836	1,852,353	769,912
Flood Relief Revenue (note 9)	-	2,119	1,223,950
Unconditional Provincial Grants	31,769	31,769	31,769
Conditional Grants from Other Governments			
Federal	420,000	223,364	792,365
Provincial - Transportation road grant	520,723	520,723	520,723
- Municipal Infrastructure Grant	7,420,000	7,271,416	1,978,461
- Alberta Water Management & Erosion Control	430,000	92,525	-
- Municipal Sustainability Initiative Grant	15,000	346,891	973,107
- Rural Alberta Development Fund	-	188,329	-
- Special transportation grants	732,636	248,566	136,129
- Other grants	902,674	797,792	891,920
Municipal	9,000	86,042	11,900
Total Revenues	36,418,647	36,335,644	28,670,045
Total Operating Expenditures (page 9)	33,314,865	29,901,759	23,115,805
Total Capital Expenditures (page 7)	4,216,056	4,374,751	2,176,491
Excess (Deficiency) of Revenues over Expenditures	(1,112,274)	2,059,134	3,377,749
Fund Balances at Beginning of Year	14,580,087	14,580,087	11,202,338
Fund Balances at End of Year	13,467,813	16,639,221	14,580,087

MOUNTAIN VIEW COUNTY
STATEMENT OF OPERATIONS AND OPERATING EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budget (unaudited)	2008	2007
	\$	\$	\$
Revenues			
Net Taxes Available for Municipal Purposes (page 12)	20,422,409	20,483,909	17,948,045
Sale of Goods and Services			
Sale of goods	287,600	296,758	313,145
Sale of services	1,026,700	1,073,989	907,108
Other	146,800	428,616	224,062
Other Revenue From Own Sources			
Return on investments	220,000	299,245	249,361
Revenue from funds loaned	166,500	165,744	169,785
Other licenses and permits	610,000	744,733	573,946
Park fees	30,000	26,083	31,114
Penalties and costs on taxes	131,500	155,804	133,893
Rentals	77,500	86,762	85,326
Other	509,979	467,039	195,768
Flood Relief Revenue (note 9)	-	2,119	1,223,950
Unconditional Federal Grants	-	-	-
Unconditional Provincial Grants	31,769	31,769	31,769
Conditional Grants from Other Governments			
Federal	420,000	223,364	792,365
Provincial - Transportation road grant	520,723	520,723	520,723
- Municipal Infrastructure Grant	7,420,000	7,271,416	1,978,461
- Alberta Water Management & Erosion Control	430,000	92,525	-
- Municipal Sustainability Initiative Grant	15,000	346,891	973,107
- Rural Alberta Development Fund	-	188,329	-
- Special transportation grants	732,636	248,566	136,129
- Other grants	902,674	797,792	891,920
Municipal	9,000	86,042	11,900
Total Revenue	34,110,790	34,038,218	27,391,877
Total Operating Expenditures (page 9)	33,314,865	29,901,759	23,115,805
Excess of Revenue over Expenditures	795,925	4,136,459	4,276,072
Net Interfund Transfers			
Operating reserves (page 11)	798,875	(2,441,889)	(2,776,222)
Capital fund (page 7)	(1,594,800)	(1,679,347)	(1,565,073)
Increase (Decrease) in Operating Fund During the Year	-	15,223	(65,223)
Beginning Unappropriated Operating Equity	84,777	84,777	150,000
Ending Unappropriated Operating Equity	84,777	100,000	84,777

**MOUNTAIN VIEW COUNTY
STATEMENT OF CAPITAL FUND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budget (unaudited) \$	2008 \$	2007 \$
Revenues			
Sale of capital assets	697,000	738,513	530,425
Grants & other	1,610,857	1,558,913	747,743
	<u>2,307,857</u>	<u>2,297,426</u>	<u>1,278,168</u>
Expenditures			
Public works	2,117,200	2,428,535	800,597
Truck fleet	305,000	258,807	127,010
Buildings & other capital	1,793,856	1,687,409	1,248,884
	<u>4,216,056</u>	<u>4,374,751</u>	<u>2,176,491</u>
Deficiency of Revenues over Expenditures	(1,908,199)	(2,077,325)	(898,323)
Net Interfund Transfers			
From (to) capital reserves (page 11)	292,201	456,893	(797,420)
From operating fund (page 6)	1,594,800	1,679,347	1,565,073
	<u>(21,198)</u>	<u>58,915</u>	<u>(130,670)</u>
Increase (Decrease) in Capital Fund During the Year	<u>(21,198)</u>	<u>58,915</u>	<u>(130,670)</u>
Capital Fund Equity at Beginning of Year	<u>70,580</u>	<u>70,580</u>	<u>201,250</u>
Capital Fund Equity at End of Year	<u>49,382</u>	<u>129,495</u>	<u>70,580</u>

MOUNTAIN VIEW COUNTY
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
	\$	\$
Cash provided by (used in):		
Operating Activities		
Increase (decrease) in operating surplus	15,223	(65,223)
Increase in operating reserves	2,441,889	2,776,222
Increase (decrease) in capital fund	58,915	(130,670)
Increase (decrease) in capital reserves	(456,893)	797,420
Increase in equity in capital assets	2,079,970	883,454
Additions to physical assets (page 10)	(4,374,751)	(2,176,491)
Cost of physical assets disposed (page 10)	2,294,781	1,293,037
	<u>2,059,134</u>	<u>3,377,749</u>
Total increase in equity		
Changes in Non-Cash Working Capital		
Decrease (increase) in taxes receivable	(101,415)	39,682
Decrease (increase) in accounts receivable	2,503,810	(1,771,996)
Increase in inventory for consumption	(741,000)	(934,927)
Decrease (increase) in prepaid expenses	34,288	(122,998)
Decrease in land held for resale	79,731	11,186
Increase in accounts payable	1,396,152	848,464
Increase (decrease) in deferred revenue	(3,578,289)	3,323,878
Decrease in employee benefit obligations	(43,184)	(106,866)
Increase (decrease) in other liabilities	22,881	(9,798)
	<u>(427,026)</u>	<u>1,276,625</u>
Total change in non-cash working capital		
Total Funds Provided by Operating Activities	<u>1,632,108</u>	<u>4,654,374</u>
Investing and Financing Activities		
Change in investments	(93,395)	(376)
Change in notes receivable	126,059	117,096
Repay debenture	(72,408)	(68,411)
	<u>(39,744)</u>	<u>48,309</u>
Total Funds Provided (Used) by Investing and Financing Activities		
Change in Cash and Cash Equivalents	1,592,364	4,702,683
Net Cash and Cash Equivalents, Beginning	<u>12,114,923</u>	<u>7,412,240</u>
Net Cash and Cash Equivalents, Ending (note 2)	<u><u>13,707,287</u></u>	<u><u>12,114,923</u></u>

Note: Interest paid on long term debt in 2008 was \$166,520 (2007 - \$170,518).

**MOUNTAIN VIEW COUNTY
SCHEDULE OF OPERATING EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budget (Unaudited) \$	2008 \$	2007 \$
General Government			
Council	449,710	496,300	336,443
CAO's Office	536,150	449,131	354,443
Corporate Services			
Finance & General Office	1,916,999	1,560,286	1,420,544
Assessment & Taxation	474,000	392,522	445,565
Business Services	565,300	505,288	458,661
Development/Legislative & Community Services			
Planning & Development	1,767,600	1,345,003	931,650
Legislative Services	583,038	533,238	538,673
Community Services	1,387,443	1,400,684	638,752
Family and Community Support Services	340,132	295,539	269,613
Public transportation	44,925	44,925	42,000
Third Party Services			
Fire protection	1,000,011	718,184	958,834
Recreation boards and Libraries	800,756	797,766	587,905
Operational Services			
Public Works	22,158,236	20,029,400	15,003,798
Airports	74,500	86,520	63,515
Agriculture Service Board	966,170	944,706	717,328
Recreation buildings and facilities	19,630	5,375	104,241
Fiscal Services			
Debt charges and allowances	230,265	296,892	243,840
Total Expenditures	<u>33,314,865</u>	<u>29,901,759</u>	<u>23,115,805</u>

**MOUNTAIN VIEW COUNTY
SCHEDULE OF EQUITY IN CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	2008	2007
	\$	\$
Changes in equity in capital assets are as follows:		
Balance at beginning of year	31,595,999	30,712,545
Add:		
Additions to physical assets	4,374,751	2,176,491
Less:		
Cost of assets disposed of	2,294,781	1,293,037
	<hr/>	<hr/>
Balance at end of year	<u>33,675,969</u>	<u>31,595,999</u>

	2008	2007
	\$	\$
Equity in capital assets consists of:		
Capital assets	33,675,969	31,595,999
	<hr/>	<hr/>
	<u>33,675,969</u>	<u>31,595,999</u>

**MOUNTAIN VIEW COUNTY
SCHEDULE OF RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budget (unaudited) \$	2008 \$	2007 \$
Balance at beginning of year			
Operating Fund	11,872,305	11,872,305	9,096,083
Capital Fund	2,552,425	2,552,425	1,755,005
	<u>14,424,730</u>	<u>14,424,730</u>	<u>10,851,088</u>
Add (Deduct)			
Transfer from Operating Fund	2,159,200	4,337,836	5,767,773
Transfer to Operating Fund	(2,958,075)	(1,895,947)	(2,991,551)
Net Transfer to Operating Fund	<u>(798,875)</u>	<u>2,441,889</u>	<u>2,776,222</u>
Transfer from Capital Reserve	(303,041)	(528,394)	-
Transfer to Capital Reserve	10,840	71,501	797,420
Net Transfer from Capital Fund	<u>(292,201)</u>	<u>(456,893)</u>	<u>797,420</u>
Change in Fund Balance	<u>(1,091,076)</u>	<u>1,984,996</u>	<u>3,573,642</u>
Balance at end of year (note 10)			
Operating Fund	11,073,430	14,314,194	11,872,305
Capital Fund	2,260,224	2,095,532	2,552,425
	<u>13,333,654</u>	<u>16,409,726</u>	<u>14,424,730</u>

SCHEDULE 4

**MOUNTAIN VIEW COUNTY
SCHEDULE OF TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budget (unaudited) \$	2008 \$	2007 \$
Taxation			
Real property taxes	16,580,846	16,635,800	14,841,192
Power and pipelines	14,376,870	14,441,561	13,742,988
Previous Year Overlevy	90,828	71,341	24,293
Current Year Overlevy	-	(38,638)	(71,341)
	<u>31,048,544</u>	<u>31,110,064</u>	<u>28,537,132</u>
Requisitions			
Alberta School Foundation Fund	9,786,420	9,786,420	9,656,794
Mountain View Emergency Services	299,640	299,660	366,385
Mountain View Management Board	339,835	339,835	343,613
Mountain View Regional Waste Management	200,240	200,240	222,295
	<u>10,626,135</u>	<u>10,626,155</u>	<u>10,589,087</u>
Net Taxes Available for Municipal Purposes	<u>20,422,409</u>	<u>20,483,909</u>	<u>17,948,045</u>

SCHEDULE 5

**SCHEDULE OF EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2008**

	2008 \$	2007 \$
Expenditures		
Salaries, wages, and benefits	8,513,665	7,717,694
Contracted and purchased services	12,879,291	7,921,376
Materials, goods, supplies, and utilities	5,636,062	5,124,829
Provision for allowances	118,728	52,416
Bank charges and short term interest	12,420	14,692
Long term debt and leases	165,744	169,785
Grants to other organizations	2,575,849	2,115,013
Physical assets acquired	4,374,751	2,176,491
	<u>34,276,510</u>	<u>25,292,296</u>
Total Expenditures	<u>34,276,510</u>	<u>25,292,296</u>

**MOUNTAIN VIEW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Mountain View County are the representations of management prepared in accordance with the Canadian Generally Accepted Accounting Principles for local governments 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. Included with the municipality is the Agricultural Service Board.

The schedule of taxes levied also includes requisitions for education, seniors' lodges, Mountain View Regional Emergency Services, and Mountain View Regional Waste Commission 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. Funds from external parties and earnings thereon restricted by agreement or are accounted for as deferred revenue until used for the purpose specified. 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 based on reasonable estimates made by management. Significant areas requiring the use of estimates include: valuation of accounts receivable, allowance for doubtful accounts, valuation of ALARIE investment, valuation of inventory for consumption, and fair value of financial instruments. Actual results could differ from those estimates as additional information becomes available in the future.

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, 2008**

g) **Cash and Cash Equivalents**

Cash and cash equivalents include bank balances, term deposits with short maturities, and highly liquid investments that are readily convertible to cash.

h) **Investments**

Investments are recorded at cost. Investment premiums and discounts are amortized proportionately over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

i) **Inventories**

Inventories of materials and supplies are valued at the lower of cost or net realizable value with cost determined by the average cost method.

j) **Capital Assets**

Capital assets are reported as expenditures in the period they are acquired. Capital 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 capital assets are recorded as capital revenue and do not reduce the related capital asset costs.

Capital assets for government purposes are not depreciated.

k) **Tangible Capital Assets**

During 2008, the Municipality completed the majority of work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2008, the Municipality has prepared detailed listings for land, buildings, machinery, equipment, vehicles, bridges and the County road network. Final work verifying the listings and corresponding values is currently under way and will be reported along with amortization figures in the December 31, 2009 financial statements. Because the County had not capitalized its significant road network or bridges in the past, the expected impact is a net increase in equity in capital assets.

For purchased assets including machinery, equipment, and vehicles, original cost information is available. For the road network, bridges, and land, the historical value is less clearly defined. For parts of the road network that have been constructed recently, actual construction costs will be used. For the majority of the County's road network that was constructed a number of years ago, the value of the road network is being calculated using engineering values as recommended in Guidelines on Valuations of Tangible Capital Assets for PSAB 3150, published by Alberta Municipal Affairs - Local Government Services.

An extensive survey to inventory the road network infrastructure was completed to obtain the variables required to calculate the values under the Guidelines. The value of bridges is being calculated using data and formulas provided to municipalities jointly by Alberta Municipal Affairs and Alberta Transportation. Further information on the expected useful life and physical condition has been provided by Alberta Transportation based on the required bridge inspections which are regularly completed.

**MOUNTAIN VIEW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

k) Tangible Capital Assets (Continued)

Land values will be based on historical transaction values where available. Land under the road network will be valued at nominal value. At this stage it has not been yet been decided how the remaining property will be valued.

As set out in Mountain View County Procedure 1017-01, straight line amortization will be used. Assets will be reported based on the following classifications:

- Land
- Land Improvements
- Building
- Engineered Structures
- Machinery & Equipment
- Vehicles

l) 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.

m) 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.

n) 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.

o) Equity in Capital Assets

Equity in capital assets represents Mountain View County's net investment in its total physical 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.

p) 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 revenues 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, 2008**

2. CASH AND TEMPORARY INVESTMENTS

	2008	2007
	\$	\$
Cash	397,133	262,309
Other deposits	<u>13,310,154</u>	<u>11,852,614</u>
	<u>13,707,287</u>	<u>12,114,923</u>

Other deposits consist of short term investments maturing within the next 4 months earning interest from 1.77% - 3%, and liquid investments that can be transferred to cash accounts within 24 hours.

Included in other deposits is \$2,816,252 (2007 - \$6,394,541) of conditional grants received but not yet spent. (See Note 6)

The County has a \$500,000 operating line of credit bearing interest at prime (currently 2.5%) less 0.25% with the bank which was not being utilized at year end. The County has arrangements to increase the line of credit, secured by taxes receivable, available between July 2 and November 15 of each year. In 2008 during this period, the County was authorized to a maximum of \$5,000,000.

3. TAXES RECEIVABLE

	2008	2007
	\$	\$
Current taxes and grants in lieu	584,251	487,194
Tax arrears	<u>445,763</u>	<u>401,100</u>
	1,030,014	888,294
Less: Allowance for uncollected taxes	<u>341,296</u>	<u>300,991</u>
	<u>688,718</u>	<u>587,303</u>

4. INVESTMENTS

	2008	2007
	\$	\$
ALARIE	-	71,437
A.A.M.D.&C. (Trade Division)	5,266	5,216
Bonds	995,332	830,350
Other	<u>6,000</u>	<u>6,200</u>
	<u>1,006,598</u>	<u>913,203</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. In 2008 this investment was written off. (See Note 17)

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.

Bonds are held at cost and have an average yield of 5.49% and maturity dates from 2013 to 2016.

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

5. TRUST FUNDS

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

	2008	2007
	\$	\$
Cash in lieu of Municipal Reserve		
Balance Beginning of Year	456,639	391,229
Additions to Reserve	399,202	56,442
Interest Revenue	13,837	15,881
Grants	<u>(361,076)</u>	<u>(6,913)</u>
Balance End of Year	<u>508,602</u>	<u>456,639</u>
Cremona Recreation Board		
Balance Beginning of Year	21,188	20,765
Additions to Reserve	139,614	68,730
Interest Revenue	960	755
Board and Other Expenses	-	(332)
Grants	<u>(95,104)</u>	<u>(68,730)</u>
Balance End of Year	<u>66,658</u>	<u>21,188</u>
Total Trust Funds	<u><u>575,260</u></u>	<u><u>477,827</u></u>

6. DEFERRED REVENUE

Alberta Municipal Infrastructure Program Grant	407,364	5,592,624
Municipal Sustainability Initiative Grant	1,217,985	274,574
Municipal Sponsorship Grants	137,503	183,689
FCSS Grants	12,072	7,305
Alberta Water Management & Erosion Control Grant	214,594	301,057
Rural Alberta Development Fund	579,600	-
Other Grants	247,134	35,292
	<u>2,816,252</u>	<u>6,394,541</u>

Alberta Municipal Infrastructure Program Grant

Funding of \$1,954,958 was received in 2008 which along with the \$4,828,608 in 2007 and the \$2,414,304 received in 2005 brings the total funding received from the Alberta Municipal Infrastructure Program to \$9,197,870.

The use of these funds is restricted to eligible infrastructure projects approved under the funding agreement. In 2008, \$7,271,416 was spent on eligible projects. The unexpended funds have earned interest of \$131,198 in 2008 (2007 - \$195,703). The interest earned has been added to the funds.

Municipal Sustainability Initiative

Funding of \$2,657,809 was received in 2008 under the Province of Alberta Municipal Sustainability Initiative (MSI). The use of these funds is restricted to eligible projects approved under the funding agreement. In 2008, \$1,735,403 (2007 - \$1,540,251) was spent on eligible projects. The unexpended funds have earned interest of \$21,012 (2007 - \$7,084). The interest earned has been added to the funds.

Alberta Water Management & Erosion Control Grant

Funding of \$275,000 was received in 2005 from the Alberta Water Management & Erosion Control Program. The use of these funds is restricted to the Molmac Subdivision Bank Stabilization Project. In 2008, \$92,525 was spent on eligible costs. The unexpended funds which were advanced to the County on June 3, 2005 have earned interest of \$6,062 in 2008 (2007 - \$10,746). The interest earned has been added to the funds.

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

6. DEFERRED REVENUE (Continued)

Rural Alberta Development Fund

Funding of \$750,000 was received in 2008 from the Rural Alberta Development Fund (RADF). The use of these funds is restricted to establishing Community Engagement Sites and establishing the Olds Extended Community Engagement Site. In 2008, \$188,329 was spent on eligible costs. The unexpended funds earned interest of \$17,929 in 2008. The interest earned has been added to the funds.

7. EMPLOYEE BENEFIT OBLIGATIONS

The employee benefit obligation is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

The County also offers partially subsidized post employment extended health and dental benefits to retiring employees. Employees must meet eligibility requirements to participate in the benefits. These costs are treated as current year employment costs and are not accrued for during the employee's service. The cost of these benefits in 2008 was \$12,089 (2007 - \$10,240)

8. LONG TERM DEBT

	2008 \$	2007 \$
Debentures	2,776,797	2,849,205
Current portion	76,641	72,409
	2,700,156	2,776,796

	Original Principal	Rate	Anniversary Date	Final Payment
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 debentures 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 15) 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:

	Principal	Interest	Payments
2009	76,641	162,287	238,928
2010	81,120	157,808	238,928
2011	85,862	153,066	238,928
2012	90,881	148,047	238,928
2013	96,194	142,734	238,928
Thereafter	2,346,099	2,435,973	4,782,072
	2,776,797	3,199,915	5,976,712

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

9. 2005 FLOODING

In June 2005, there was significant rainfall in the County which resulted in flooding in the western areas of the County. This flooding caused significant damage to personal property as well as the bridge and road infrastructure of the County. To repair the damage to County infrastructure \$5.1 million has been spent (\$1.2 million- 2007, \$1.7 million - 2006, \$2.2 million - 2005). The Federal and Provincial Governments have a disaster assistance program to help municipalities pay these unusual one time costs. Under this program \$3.9 million has been paid to the County and \$825,000 of the Mountain View County claim remains outstanding at the end of 2008. The accrual is an estimate based on the total amount expected to be recovered under the disaster recovery program. This amount will not be known with certainty until final claims have been submitted and processed. County Council has determined that any variance in the final claim amount will flow through the Tax Rate Stabilization Reserve.

10. RESERVES

Reserves for operating and capital activities are as follows:

OPERATING RESERVES:	Beginning of Year	Additions	Deletions	End of Year
	\$	\$	\$	\$
Public Transportation	219,101	4,403	13,156	210,348
Road Maintenance	150,000	150,000		300,000
Gravel	32,675	-	32,675	-
Re-Chipping	333,311	316,706	-	650,017
Snow Removal	220,643	-	-	220,643
Pit Stripping and Reclamation	428,028	556,517	524,479	460,066
Road Network	1,939,527	1,397,679	-	3,337,206
Projects	1,561,136	-	490,366	1,070,770
Tax Rate Stabilization	2,355,569	1,647,419	590,416	3,412,572
Rural Community Grant	86,902	11,602	15,660	82,844
Parks	13,198	-	-	13,198
Agriculture	50,534	16,783	48,148	19,169
Didsbury Fire	275,754	3,830	149,497	130,087
General Fire (2)	93,276	232,897	31,550	294,623
Working Capital (1), (2)	4,112,651	-	-	4,112,651
Total Operating Reserves	<u>11,872,305</u>	<u>4,337,836</u>	<u>1,895,947</u>	<u>14,314,194</u>
CAPITAL RESERVES:	Beginning of Year	Additions	Deletions	End of Year
	\$	\$	\$	\$
Administration Equipment	128,223	6,000	98,136	36,087
Radio Hub	20,997	6,999	-	27,996
New Administration Building	-	-	-	-
Facility	263,712	17,737	-	281,449
Heavy Equipment	2,139,493	40,765	430,258	1,750,000
Total Capital Reserves	<u>2,552,425</u>	<u>71,501</u>	<u>528,394</u>	<u>2,095,532</u>
TOTAL RESERVES:	<u>14,424,730</u>	<u>4,409,337</u>	<u>2,424,341</u>	<u>16,409,726</u>

(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.

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

11. CAPITAL FUND

	2008	2007
	\$	\$
Truck Fleet	38,107	176,914
Miscellaneous Capital	(105,429)	(349,636)
Heavy Equipment	<u>196,817</u>	<u>243,302</u>
	<u>129,495</u>	<u>70,580</u>

The Capital Fund represents either unexpended or in some cases over expended amounts under the above 3 categories.

The miscellaneous category represents all capital areas that do not fall under the truck fleet or heavy equipment. Miscellaneous items will vary from year to year. It is not unusual for this area to be over expended as unanticipated capital expenditures often impact the balance. When there are these types of expenditures funding is usually identified and the over expenditure repaid over time. In 2005, the County purchased the Olds/Didsbury airport which created an over expenditure at the end of 2005. The airport purchase is expected to be funded from the sale of lots at the airport in future years.

12. 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:

	2008	2007
	\$	\$
Total debt limit	52,412,010	43,005,068
Total debt	<u>2,776,797</u>	<u>2,849,205</u>
Amount below total debt limit	<u>49,635,213</u>	<u>40,155,863</u>
Service on debt limit	8,735,335	7,167,511
Service on debt	<u>238,928</u>	<u>238,928</u>
Amount below limit on debt service	<u>8,496,407</u>	<u>6,928,583</u>

The debt limit is calculated at 1.5 times revenue of the County (as defined in Alberta Regulation 255/2000) 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 County. Rather, the financial statements must be interpreted as a whole.

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

13. 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 179,000 people and 408 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 7.75% of the pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 10.64% for the excess. Employees of the County are required to make current service contributions of 6.75% of pensionable salary up to the year's maximum pensionable salary and 9.64% on pensionable salary above this amount.

The current service contributions by the Mountain View County to the Local Authorities Pension Plan in 2008 were \$487,213 (2007 - \$439,342). Total current service contributions by the employees of the Mountain View County to the Local Authorities Pension Plan in 2008 were \$431,417 (2007 - \$388,862).

At December 31, 2007, the Plan disclosed an actuarial deficit of \$1.18 Billion (2006 - \$0.75 Billion).

14. SALARY AND BENEFITS DISCLOSURE

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

	----- 2008 -----			----- 2007 -----		
	<u># of Persons</u>	<u>Salary (1)</u> \$	<u>Benefits & Allowances (2)</u> \$	<u>Total</u> \$	<u># of Persons</u>	<u>Total</u> \$
Reeve						
Division 7	1	69,375	6,278	75,653	1	43,653
Councillors						
Division 1	1	45,257	5,905	51,162	1	36,088
Division 2	1	40,180	3,701	43,881	1	26,985
Division 3	1	36,000	5,157	41,157	1	26,415
Division 4	1	36,943	5,120	42,063	1	35,100
Division 5	1	45,320	5,966	51,286	1	6,124
Division 6	1	35,374	3,614	38,988	1	24,939
Chief Administrative Officer	1	158,323	26,147 (3)	184,470	1	172,063
Designated officers	2	212,586	34,827	247,413	2	236,283

(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) Benefits and allowance figures also include a car allowance.

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

15. RELATED PARTY TRANSACTIONS

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

Mountain View Regional Emergency Services (MVRES)

MVRES provides ambulance services to the residents of Mountain View County and the five urban municipalities within the County. MVRES is a commission operated jointly by the 6 municipalities served.

In 2008, the County provided \$299,660 (2007 - \$366,385) as its share to support the operations of MVRES.

The County continued to offer administrative support to MVRES for a monthly fee in 2008. The fees charged are an approximation of variable and fixed costs associated with the administrative support and do not contain a profit component, the total amount in 2008 is \$48,000 (2007 - \$42,240).

Mountain View Regional Waste Management Commission (MVRWC)

MVRWC provides solid waste 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.

In 2008 the County provided \$200,240 (2007 - \$222,295) as its share to support the operations of MVRWC.

In 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, the total amount in 2008 is \$82,800 (2007 - \$79,380).

In 2003, the County advanced MVRWC \$137,121 in prepaid operating requisition. This amount was converted into a loan. In 2008, the Commission paid \$31,656 (2007 - \$19,846) in principal and \$6,038 (2007 - \$17,848) in interest. 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. During the year, the MVRWC repaid \$20,625 (2007 - \$19,520) in principal and \$2,401 (2007 - \$3,506) in interest to the County. The final payment is expected in 2009.

Mountain View Senior's Housing (MVSH) (See Note 8)

MVSH provides senior's and subsidized housing to the residents of both Mountain View County and the five urban areas within the County. MVSH is established under Ministerial Order from the Province of Alberta and operated jointly by the County and the five urban municipalities.

In 2008, the County provided \$339,835 (2007 - \$343,613) as its share to support the operations of MVSH.

Mountain View County has loaned an original principal amount of \$3,100,000 to MVSH. MVSH used the funds to construct a senior's lodge in Didsbury. 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. The amount is repayable over 25 years with \$238,928 payable each year. The note will be paid in full in 2029. This note receivable is secured by the requisitions payable to MVSH by each of the funding municipalities.

At year end the County had in place a lending bylaw with a corresponding borrowing bylaw which would facilitate the lending of a further \$6,500,000 to MVSH for the construction of a lodge in Olds. MVSH had not drawn on any of these funds at year end.

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

16. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and temporary investments, taxes receivable, accounts receivable, investments, notes receivable, accounts payable, other liabilities, 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, and long-term debt bear interest at fixed interest rates. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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.

17. CONTINGENCY

Contained within the County's investments was an investment in ALARIE of \$71,437 (see note 4). 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.

Mountain View County, in the conduct of its normal activities can be named as a defendant in legal proceedings. The ultimate outcome of these proceedings can often not be determined until the proceedings are completed. Should any loss result from the resolution of these proceedings or if the amount of the loss can be determined, such amounts would be expensed as they become known to the County. Currently, there are no determinable amounts.

18 GRAVEL PIT RETIREMENT OBLIGATION

The County owns and leases gravel pits and is responsible for reclamation costs related to those pits under Alberta environmental law. These costs are expected to be incurred over the life of the pit, but are not able to be reasonably estimated in aggregate at this time. However, to help cover future reclamation costs, the County has a Pit Stripping and Reclamation Reserve (note 10) with contributions of \$2.00 per yard of gravel mined in the year.

The County has not designated any other assets for settling the retirement obligation.

19 COMPARATIVE AMOUNTS

The presentation of certain accounts of the previous year has been changed to conform with the presentation adopted for the current year.

20 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.