Appendix 1

Under the Municipal Government Act (MGA) each calendar year a Council must adopt an operating and capital budget. If desired an interim budget may be passed which is in effect for part of the year. The budget as passed must be a balanced budget but can include transfers from reserves and/or previous year's surpluses. If a municipality has had an actual net deficit over the previous three years the current year's budget must include an expenditure which will recover the deficit over the next three budget years.

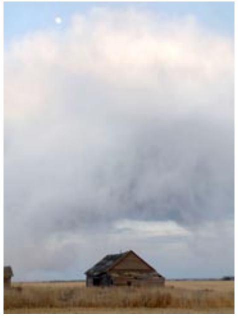
A balanced budget can be defined as all planned expenditures have an identified funding source and all revenues have an identified purpose. Under the new reporting model this is demonstrated by a nil Unappropriated Surplus. This is shown at the bottom of the Statement of Cash Flows in the Reconciliation of Cash Funding.

Policies

The municipality's expenditures are governed by the Financial Controls Policy. The County holds a number of reserves and the purpose and use of reserves is governed by the Reserves Policy. The Tangible Capital Assets (TCA) policy determines how the County manages its assets. Refer to the Budget Appendices for a copy of each policy.

The County reports based on one main operating fund. Capital transactions are shown in the Statement of Cash Flows with supporting schedules which detail the capital transactions. Net changes to the Capital and Operating Reserves are also shown on the Statement of Cash Flows with supporting schedules that provide further details.

Once the budget is passed by Council, budget expenditures are governed by the Financial Controls Policy. Any expenditures that fall outside the budget and the Financial Controls Policy need to be brought to Council for their consideration. If Council approves the additional expenditure, along with an identified funding source, it does not amend the budget, but then becomes an approved budget variance. Generally, after the budget is passed, it would not be amended.



Budget Process

For Mountain View County the budget process each year starts with a review of Council's Strategic Directions. Council's objectives provide the framework for developing departmental business plans and developing specific initiatives for the coming year. As well early in the budget process an environmental scan is presented to Council which looks primarily at factors that are outside the control of Council which may impact the budget process. From the environmental scan the budget process then starts to focus on individual departments. Each department is given the opportunity to present their budget to Council along with any projects or suggested service level changes based on Council's Strategic Direction. After the individual departments have presented their budgets the 'consolidated' budget is presented to Council. Once Council is satisfied with the 'consolidated' budget it is brought forward for final approval. This usually occurs at the last Council meeting prior to the beginning of the budget year so that an approved budget is in place to start the year.

Although there are tax rates and tax revenues contained in the budget final tax rates are not established until the spring of the budget year. Education tax requirements and final property assessment values are not known until then.

The public is encouraged to participate in the budget process. Council's Strategic Directions plan is a public document. All Policy and Priorities meetings and Council meeting are open to the public.

Once a budget is adopted by Council it generally is not amended. Expenditures that fall outside the budget are governed by the Financial Controls policy.

* Typical Budget Timeline

Date	Meeting	Discussion Items
Spring	Council Workshop	Strategic Directions
September 9, 2010	Senior Management Team Meeting	Review strategic plans, departmental business plans, performance measures and budget implications including projects, capital expenditures and staffing. Review preliminary Salary Grid changes/Cost of Living Adjustment, preliminary Tax Revenue forecast, and any other significant changes to department budgets that impact the budget costs for 2011.
September 22, 2010	P & P Meeting	Environmental Scan – Tax revenue forecast, summary of departmental business plans/major departmental initiatives, tie in to Council strategic plans receive general direction from Council on tax and expenditure levels.
October 4, 2010	Special P & P Meeting	Budget presentation for Legislative Services and Corporate Services.
October 11, 2010	Special P & P Meeting	Budget presentation for Planning and CAO's Office.
November 1, 2010	Special P & P Meeting	Budget presentation of capital expenditures and projects.
November 10, 2010	Council Meeting	Approval of Projects to go to tender for 2011 construction season – as necessary
November 24, 2010	Special P & P Meeting	Budget presentation for Operational Services (excluding Capital and Projects)
November 29, 2010	Special P & P Meeting	Presentation of full budget.
December 15, 2010	Council Meeting	Final 2011 budget with preliminary tax rates to go to Council for approval
February 9, 2011	Provincial Budget Announced	Education Tax Rates Expected Shortly after budget delivered. (estimated date)
March 9, 2011	P & P Meeting	Annual Assessment Summary presented to Council.
March 16, 2011	Council Meeting	Draft tax rates and budget implications presented to Council (would normally be to P & P but March 23 P & P has been cancelled)
April 6, 2011	Council Meeting	Tax Rates and Tax Rate Bylaw presented to Council
April 20, 2011	Council Meeting	Final deliberation of tax rates and Tax Rate Bylaw (if necessary)

* Due to a Council change in October, 2010 the typical timeline above was not followed. Instead the following revised timeline was used.

Mountain View County

2011 Revised Budget Timeline

Date	Meeting	Discussion Items
October 13, 2010	Senior Management Team Meeting	Review strategic plans, departmental business plans, performance measures and budget implications including projects, capital expenditures and staffing. Review preliminary Salary Grid changes/Cost of Living Adjustment, preliminary Tax Revenue forecast, and any other significant changes to department budgets that impact the budget costs for 2011.
November 29 - 30, 2010	Council Workshop	Short-term Strategic Directions
December 9, 2010	Special P & P Meeting	Budget presentation for CAO's Office, Corporate Services, Legislative & Community Services, and Planning & Development Services.
December 13, 2010	Special P & P Meeting	Budget presentation for Operational Services.
December 15, 2010	Council Meeting	Approval of interim budget (necessary as actual budget is not planned to be approved prior to January 1st)
January 24, 2011	Special P & P Meeting	Presentation of full budget.
February 2, 2011	Council Meeting	Full 2011 budget with preliminary tax rates to go to Council for approval.
February 9, 2011	Provincial Budget Announced	Education Tax Rates Expected Shortly after budget delivered. (estimated date)
March 9, 2011	P & P Meeting	Annual Assessment Summary presented to Council.
March 16, 2011	Council Meeting	Draft tax rates and budget implications presented to Council (would normally be to P & P but March 23 P & P has been cancelled)
April 6, 2011	Council Meeting	Tax Rates and Tax Rate Bylaw presented to Council
April 20, 2011	Council Meeting	Final deliberation of tax rates and Tax Rate Bylaw (if necessary)

Basis of Accounting

Revenues are recognized as they are earned and measurable. Funds from external parties, and earnings thereon, restricted by agreement or legislation are accounted for as deferred revenue until the related expenses are incurred, services performed, or tangible capital assets are acquired.

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the budget as revenue in the period in which events giving rise to the transfer are expected to occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or legal obligation to pay with the exception of pension expenditures. Pension contributions for current and past service pension benefits are recorded as expenses in the year in which they become due.

Tangible Capital Assets (TCA) are non-financial assets having physical substance that, are used on a continuous basis by the County, have useful economic lives extending beyond one year and are not for resale in the ordinary course of operations. The reporting of TCA is governed by the TCA policy. Government contributions for the acquisition of capital assets are recorded as capital revenue and do not reduce the related capital asset costs.

TCA for government purposes were not previously depreciated. For financial reporting years starting in 2009 municipalities will be required to depreciate capital assets. The 2011 budget has been prepared on this basis.

In 2011, the County's annual financial statements will use the same basis of accounting.