

MOUNTAIN VIEW COUNTY
CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016

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April 26, 2017

MANAGEMENT REPORT

To the Reeve and Members of Council of Mountain View County

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The elected Council and the Audit Committee are composed entirely of neither management nor employees of the County. The Council has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Council is responsible for recommending the appointment of the County's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Council to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

Tony Martens
Chief Administrative Officer

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To the Reeve and members of Council of Mountain View County:

We have audited the accompanying consolidated financial statements of Mountain View County, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of operations, changes in net financial assets, cash flows and Schedule 1 through 6 for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or misstatement.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or misstatement. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mountain View County as at December 31, 2016 and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Red Deer, Alberta

April 26, 2017


Chartered Professional Accountants

MOUNTAIN VIEW COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	2016	2015
FINANCIAL ASSETS	\$	\$
Cash and temporary investments (note 2)	47,758,922	50,130,063
Taxes receivable (note 3)	743,432	667,311
Accounts receivable (note 4)		
Federal government	388,926	224,588
Provincial government	38,113	63,657
Local governments	31,747	15,492
Other	358,021	137,221
Investments (note 5)	1,449,487	1,525,461
Notes receivable (note 15)	8,621,293	9,287,082
Land held for resale	839,787	816,023
Trust accounts (note 6)	347,667	265,096
Total Financial Assets	60,577,395	63,131,994
LIABILITIES		
Accounts payable & accrued liabilities		
Federal government	142,701	-
Provincial government	79,391	1,552
Local governments	972,242	1,806,714
Trade payables	1,806,066	2,449,559
Deferred revenue (note 7)	8,455,676	7,948,220
Employee benefit obligations (note 8)	646,072	630,167
Trust accounts (note 6)	347,667	265,096
Pit reclamation obligation (note 19)	5,764,358	5,678,345
Other liabilities	1,355,443	1,461,089
Long-term debt (note 9)	8,561,284	9,222,541
Loan obligation for Resource Asset (note 9)	-	1,654,211
Total Liabilities	28,130,900	31,117,494
Contingencies and commitments (note 17 and note 20)		
NET FINANCIAL ASSETS	32,446,495	32,014,500
NON-FINANCIAL ASSETS		
Inventory for consumption	4,689,108	4,988,435
Prepaid expenses	1,125,241	1,375,803
Tangible capital assets (note 12)	151,080,841	146,446,970
Resource assets (note 9)	3,308,421	3,308,421
Total Non-Financial Assets	160,203,611	156,119,629
ACCUMULATED SURPLUS (note 18)	192,650,106	188,134,129

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

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**MOUNTAIN VIEW COUNTY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget	2016	2015
REVENUE	\$	\$	\$
Net taxes available for municipal purposes (Schedule 2)	29,589,725	29,680,233	29,107,911
Sale of goods	140,200	161,397	173,972
Sale of services	221,310	287,791	974,460
Fees & levies	659,500	755,672	880,861
Fines & penalties	527,000	439,933	451,502
Return on investments	1,176,000	1,004,611	1,163,934
Rentals	310,690	348,045	312,146
Recovery	85,400	159,557	497,408
Government transfers for operating (Schedule 4)	1,569,790	1,596,037	1,165,109
Other	-	136,179	148,550
Total Revenue	<u>34,279,615</u>	<u>34,569,455</u>	<u>34,875,853</u>
EXPENSES			
Council	626,365	581,373	465,917
CAO Services	1,004,900	393,511	1,454,683
Corporate Services			
Finance & general office	2,132,180	2,191,085	1,875,938
Assessment	644,911	588,685	588,594
Business services	753,200	690,897	688,488
Utilities	275,000	215,568	567,213
Planning & Development Services			
Planning	1,096,750	1,105,961	1,253,356
Development	516,200	890,047	404,329
Permitting	260,150	314,184	242,666
Legislative & Community Services			
Legislative services	1,429,900	1,439,417	1,427,458
Agriculture & land management	1,405,650	1,367,389	1,334,668
Community grants & transfers	3,898,461	3,323,955	3,282,131
Operational Services			
Road maintenance	19,967,937	19,755,560	19,097,738
Facilities & airports	1,045,113	1,085,050	965,862
Total Expenses (Schedule 3)	<u>35,056,717</u>	<u>33,942,682</u>	<u>33,649,041</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - BEFORE OTHER	(777,102)	626,773	1,226,812
OTHER			
Assets transferred to another municipality	(320,000)	(346,453)	(317,417)
Gain from land held for resale	-	-	-
Government transfers for capital (Schedule 4)	5,766,300	4,235,657	2,237,807
EXCESS OF REVENUE OVER EXPENSES	<u>4,669,198</u>	<u>4,515,977</u>	<u>3,147,202</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>188,134,129</u>	<u>188,134,129</u>	<u>184,986,927</u>
ACCUMULATED SURPLUS, END OF YEAR (note 18)	<u><u>192,803,327</u></u>	<u><u>192,650,106</u></u>	<u><u>188,134,129</u></u>

The accompanying notes are an integral part of these financial statements

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**MOUNTAIN VIEW COUNTY
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget	2016	2015
	\$	\$	\$
EXCESS OF REVENUE OVER EXPENSES	4,669,198	4,515,977	3,147,202
Amortization of tangible capital assets	13,600,000	13,172,163	13,017,480
Acquisition of tangible capital assets	(29,236,225)	(18,992,588)	(14,547,099)
Acquisition of resource asset	-	-	(3,308,421)
Contributed tangible capital assets	-	-	-
Proceeds from disposition of tangible capital assets	-	443,044	548,603
Loss (gain) on disposal of tangible capital assets	-	743,509	105,581
Transfer of tangible capital assets to land held for resale	-	-	-
Disposal of CIP project to expense	-	-	-
Change in inventories and prepaid expenses	-	549,890	<u>(1,479,225)</u>
INCREASE(DECREASE) IN NET FINANCIAL ASSETS	(10,967,027)	431,995	(2,515,879)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>32,014,500</u>	<u>32,014,500</u>	<u>34,530,379</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>21,047,473</u></u>	<u><u>32,446,495</u></u>	<u><u>32,014,500</u></u>

The accompanying notes are an integral part of these financial statements

**MOUNTAIN VIEW COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:	2016	2015
OPERATING	\$	\$
Excess of revenue over expenses	4,515,977	3,147,202
Non-cash items included in excess of revenues over expenses		
Amortization	13,172,163	13,017,480
Loss (gain) on disposal of tangible capital assets	743,509	105,581
Net changes to working capital charged to operations		
Decrease (increase) in taxes and accounts receivable	(451,970)	1,956,929
Increase (decrease) in accounts payable	(1,257,425)	1,094,808
Increase (decrease) in deferred revenue	507,456	2,668,747
Increase (decrease) in pit reclamation obligation	86,013	157,978
Decrease (increase) in inventory	299,327	(869,721)
Net change in other working capital balances	137,057	(560,530)
Cash provided by operating transactions	<u>17,752,107</u>	<u>20,718,475</u>
CAPITAL		
Acquisition of tangible capital assets	(18,992,588)	(14,547,099)
Acquisition of resource assets	-	(1,654,210)
Proceeds on disposal of tangible capital assets	443,044	548,603
Cash used in capital transactions	<u>(18,549,544)</u>	<u>(15,652,705)</u>
FINANCING AND INVESTING		
Change in investments	75,974	136,716
Notes receivable issued (gross)	-	-
Notes receivable collected	665,789	639,513
Long-term debt proceeds (gross)	-	-
Long-term debt repaid	(2,315,467)	(635,172)
Cash used by financing and investing activities	<u>(1,573,704)</u>	<u>141,056</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,371,141)</u>	<u>5,206,826</u>
Cash and cash equivalents, beginning of year	<u>50,130,063</u>	<u>44,923,237</u>
Cash and cash equivalents, end of year	<u><u>47,758,922</u></u>	<u><u>50,130,063</u></u>

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

SCHEDULE 1
(See note 12)

MOUNTAIN VIEW COUNTY
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Construction in Progress	2016 \$	2015 \$
Cost:									
Balance, beginning of year	15,854,547	3,426,273	11,289,528	390,278,630	14,173,848	6,997,663	3,408,098	445,428,587	448,309,448
Acquisition of tangible capital assets	-	46,255	4,183,043	6,470,245	2,899,234	378,011	5,015,800	18,992,588	14,547,099
Contributed tangible capital assets	-	-	-	-	-	-	-	-	-
Disposal of tangible capital assets	(57,835)	-	-	-	(943,029)	(941,348)	-	(1,942,212)	(1,667,393)
Write-downs	-	-	-	-	-	-	(272,891)	(272,891)	(15,760,567)
Balance, end of year	15,796,712	3,472,528	15,472,571	396,748,875	16,130,053	6,434,326	8,151,007	462,206,072	445,428,587
Accumulated Amortization:									
Balance, beginning of year	-	1,046,963	3,531,553	285,250,938	6,416,891	2,735,272	-	298,981,617	302,737,913
Annual amortization	-	150,521	297,778	11,163,707	1,007,391	552,766	-	13,172,163	13,017,480
Accumulated amortization on disposals	-	-	-	-	(445,680)	(582,869)	-	(1,028,549)	(1,013,209)
Write-downs	-	-	-	-	-	-	-	-	(15,760,567)
Balance, end of year	-	1,197,484	3,829,331	296,414,645	6,978,602	2,705,169	-	311,125,231	298,981,617
Net Book Value of Tangible Capital Assets	15,796,712	2,275,044	11,643,240	100,334,230	9,151,451	3,729,157	8,151,007	151,080,841	146,446,970

SCHEDULE 2

**MOUNTAIN VIEW COUNTY
SCHEDULE OF TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget	2016	2015
	\$	\$	\$
Taxation			
Real property taxes	22,223,670	22,586,917	21,974,673
Power and pipelines	20,011,873	19,454,844	19,837,293
Annexation and other tax revenue	61,419	60,612	60,612
Net over (under) levy	(33,142)	251,955	(67,928)
	<u>42,263,820</u>	<u>42,354,328</u>	<u>41,804,650</u>
Requisitions			
Alberta School Foundation Fund	12,012,789	12,012,789	11,598,582
Mountain View Seniors' Housing	661,306	661,306	634,077
Mountain View Regional Waste Management	-	-	464,080
	<u>12,674,095</u>	<u>12,674,095</u>	<u>12,696,739</u>
Net taxes available for municipal purposes	<u><u>29,589,725</u></u>	<u><u>29,680,233</u></u>	<u><u>29,107,911</u></u>

SCHEDULE 3

**SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget	2016	2015
	\$	\$	\$
Expenses			
Salaries, wages, and benefits	11,244,645	10,698,718	10,099,397
Contracted and purchased services	4,718,995	4,134,774	5,068,516
Materials, goods, supplies, and utilities	723,005	1,543,849	2,012,693
Provision for allowances	256,000	149,166	71,001
Bank charges and short term interest	24,100	73,884	22,586
Interest on long term debt	275,000	373,926	400,202
Grants to other organizations	3,869,086	3,648,765	3,597,205
Amortization of tangible capital assets	13,945,886	13,172,163	13,017,480
Loss (gain) on disposal of tangible capital assets	-	743,509	105,581
Allowance for pit reclamation	-	(596,072)	(745,620)
	<u>35,056,717</u>	<u>33,942,682</u>	<u>33,649,041</u>
Total expenses	<u><u>35,056,717</u></u>	<u><u>33,942,682</u></u>	<u><u>33,649,041</u></u>

NB: Materials, goods, supplies, and Utilities Budget includes an allowance for pit reclamation

**MOUNTAIN VIEW COUNTY
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budget	2016	2015
	\$	\$	\$
TRANSFERS FOR OPERATING:			
Provincial			
Municipal Sustainability Initiative grant	-	169,414	165,672
Transportation grant	887,000	566,355	520,723
Family & Community Services grant	343,000	342,984	307,257
Agricultural Services Board grant	210,000	228,359	228,359
Other grants	129,790	288,925	(128,546)
	<u>1,569,790</u>	<u>1,596,037</u>	<u>1,165,109</u>
Total operating			
TRANSFERS FOR CAPITAL:			
Federal			
Federal Gas Tax rebate	-	-	-
Provincial			
Municipal Sustainability Initiative grant	5,766,300	3,537,547	825,360
Gas Tax Fund	-	690,160	937,590
Other Provincial grants	-	7,950	474,857
	<u>5,766,300</u>	<u>4,235,657</u>	<u>2,237,807</u>
Total capital			
TOTAL GOVERNMENT TRANSFERS	<u>7,336,090</u>	<u>5,831,694</u>	<u>3,402,916</u>

MOUNTAIN VIEW COUNTY
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2016

ACTUAL RESULTS	Unrestricted Surplus	Restricted Surplus	Unfunded	Equity in Resource Assets	Equity in Tangible Capital Assets	2016 \$	2015 \$
BALANCE, BEGINNING OF YEAR	516,615	47,053,813	(7,537,479)	1,654,210	146,446,970	188,134,129	184,986,927
Excess of revenues over expenses	4,515,977	-	-	-	-	4,515,977	3,147,202
Unrestricted funds designated for future use (1)	(13,033,374)	13,033,374	-	-	-	-	-
Current year funds used, recoverable in future years	5,000	-	(5,000)	-	-	-	-
Current year funds used for previously unfunded amounts	(1,081)	-	1,081	-	-	-	-
Restricted funds used for operations (1)	15,241,614	(15,241,614)	-	-	-	-	-
Restricted funds used for tangible capital assets (1)	-	-	-	-	-	-	-
Current year funds used for tangible capital assets	(18,992,588)	-	-	-	18,992,588	-	-
Loan obligation for tangible capital assets	-	-	-	-	-	-	-
Loan obligation for resource assets	(1,654,211)	-	-	1,654,211	-	-	-
Contributed tangible capital assets	-	-	-	-	-	-	-
Annexed tangible capital assets	-	-	-	-	-	-	-
Disposal of tangible capital assets	1,186,554	-	-	-	(1,186,554)	-	-
Annual amortization expense	13,172,163	-	-	-	(13,172,163)	-	-
Change in accumulated surplus	440,054	(2,208,240)	(3,919)	1,654,211	4,633,871	4,515,977	3,147,202
BALANCE, END OF YEAR	956,669	44,845,573	(7,541,398)	3,308,421	151,080,841	192,650,106	188,134,129
BUDGET (PLAN)	Unrestricted Surplus	Restricted Surplus	Unfunded	Equity in Resource Assets	Equity in Tangible Capital Assets	2016 \$	2015 \$
BALANCE, BEGINNING OF YEAR	516,615	47,053,813	(7,537,479)	1,654,210	146,446,970	188,134,129	184,986,928
Excess of revenues over expenses	4,669,198	-	-	-	-	4,669,198	(940,000)
Transfer of tangible capital assets to other municipalities	-	-	-	-	-	-	-
Unrestricted funds designated for future use (1)	(10,716,998)	10,716,998	-	-	-	-	-
Current year funds used, recoverable in future years	-	-	-	-	-	-	-
Restricted funds used for operations (1)	21,844,025	(21,844,025)	-	-	-	-	-
Restricted funds used for tangible capital assets (1)	-	-	-	-	-	-	-
Current year funds used for tangible capital assets	(29,236,225)	-	-	-	29,236,225	-	-
Disposal of tangible capital assets	-	-	-	-	-	-	-
Annual amortization expense	13,945,886	-	-	-	(13,945,886)	-	-
Change in accumulated surplus	505,886	(11,127,027)	-	-	15,290,339	4,669,198	(940,000)
BALANCE, END OF YEAR	1,022,501	35,926,786	(7,537,479)	1,654,210	161,737,309	192,803,327	184,046,928

Notes:

(1) Transfers into and out of restricted funds are related to specific projects and programs as presented in the budget or approved by Council during the year.

**MOUNTAIN VIEW COUNTY
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2016**

REVENUE	Council	CAO's Services	Corporate Services	Planning & Development Services	Legislative, Community Services & Agriculture	Operational Services	Unallocated	Total
Net taxes available for municipal purposes (Schedule 2)	-	-	-	-	-	-	29,680,233	29,680,233
Sale of goods	-	-	6,887	45	3,200	151,265		161,397
Sale of services	-	-	24,225	130,897	23,276	109,393		287,791
Fees & levies	-	-	-	480,641	500	274,531		755,672
Fines & penalties	-	-	243,572	-	196,361	-		439,933
Return on investments	-	-	1,004,611	-	-	-		1,004,611
Rentals	-	-	70	-	157,171	190,804		348,045
Recovery	-	-	118,332	-	27,343	13,882		159,557
Government transfers for operating (Schedule 4)	-	45,632	16,334	-	945,104	588,967		1,596,037
Other	-	-	-	75	-	136,104		136,179
Total Revenue	-	45,632	1,414,031	611,658	1,352,955	1,464,946	29,680,233	34,569,455
EXPENSES								
Salaries, wages, and benefits	398,392	565,316	1,891,146	1,604,602	1,693,430	4,545,832		10,698,718
Contracted and purchased services	140,005	(189,105)	734,367	658,387	654,505	2,136,615		4,134,774
Materials, goods, supplies, and utilities	18,005	13,449	89,185	(26,557)	405,535	1,044,232		1,543,849
Provision for allowances	-	-	149,166	-	-	-		149,166
Bank charges and short term interest	-	-	73,884	-	-	-		73,884
Interest on long term debt	-	-	373,926	-	-	-		373,926
Grants to other organizations	24,971	3,851	216,068	40,750	3,144,300	218,825		3,648,765
Amortization of tangible capital assets	-	-	158,492	33,009	232,991	12,747,671		13,172,163
Loss (gain) on disposal of tangible capital assets	-	-	-	-	-	743,509		743,509
Allowance for Pit Reclamation	-	-	-	-	-	(596,072)		(596,072)
Total Expenses	581,373	393,511	3,686,235	2,310,192	6,130,761	20,840,610	-	33,942,682
NET REVENUE	(581,373)	(347,879)	(2,272,204)	(1,698,534)	(4,777,805)	(19,375,665)	29,680,233	626,773

MOUNTAIN VIEW COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Mountain View County are the representations of management prepared in accordance with the Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. 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, 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**

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent.

i) Revenue

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.

ii) Tax Revenue

Taxes are recognized as assets and revenue when they meet the definition of an asset, are authorized by Council, and the taxable event has occurred. Tax revenue is initially measured at administration's best estimate of the amount resulting from the original taxable event in accordance with the legislation. Requisitions operate as a flow through and are excluded from municipal revenue.

iii) Revenue on investments and rentals are recognized when earned, on a time-proportioned basis.

iv) Government Transfers

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

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

MOUNTAIN VIEW COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

v) **Expenses**

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 as disclosed in Note 1(e).

c) **Use of Estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and 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 inventory for consumption, gravel pit reclamation obligation, valuation of tangible capital assets and their useful lives, residual/salvage values, and valuation of post-employment benefits. For each reported segment, the revenues and expenses represent both amounts that are directly attributable to the segment and amounts considered allocated on a reasonable basis. Actual results could differ from those estimates as additional information becomes available in the future.

d) **Fund Accounting**

Accumulated surplus consists of operating, capital and reserve funds. Transfers between funds are recorded as adjustments within accumulated surplus.

e) **Pension Expenditure**

The County participates in a multi-employer pension plan. The plan is accounted for as a defined contribution plan. Contributions for current and past service pension benefits are recorded as expenditures in the year in which they become due.

f) **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.

g) **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.

h) **Land Held for Resale**

Land held for resale is recorded at the lower of cost or net realizable value. Costs include costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges.

i) **Gravel Pit Reclamation**

The County owns and leases gravel pits and is responsible for reclamation costs related to those pits under Alberta Environmental law. Engineering studies are used to determine disturbed area and an obligation is accreted as land is disturbed based on assumptions on future costs.

**MOUNTAIN VIEW COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

j) **Contaminated Sites**

The County is legally obligated to remediate ground contaminants and contamination of ground water when it exceeds environmental standards.

k) **Non-Financial Assets**

Non-financial assets are assets that are not available to discharge existing liabilities but held for use in County operations. Such assets have useful lives extending beyond the current year and are not intended for sale in the normal course of County operations.

i) **Tangible Capital Assets**

Tangible capital assets are recorded at cost or deflated engineering values (as recommended in Guidelines on Valuations of Tangible Capital Assets for PSAB 3150, published by Alberta Municipal Affairs - Local Government Services). These costs/deflated engineering values include all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost/deflated value less residual value of tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land	(not amortized)
Land improvements	10-25
Buildings	25-50
Engineered structures	3-40
Machinery & equipment	3-25
Vehicles	3-25

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until such asset is available for productive use. Government contributions for the acquisition of capital assets are recorded as capital revenue and do not reduce the related capital asset costs.

ii) **Contributions of Tangible Capital Assets**

Contributed tangible capital assets are recorded at fair value at the date of receipt and are recorded as revenue in the year of acquisition.

iii) **Inventories**

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

iv) **Resource Assets**

In 2015, the County paid for a portion of the regional waterline. In exchange, the County obtained the right to draw water from that line. The County has the right to access water from the Red Deer River by way of permit issued from the Government of Alberta. The resource asset value will not be amortized as long as the waterline access and Red Deer River water access have not changed.

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.

**MOUNTAIN VIEW COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

m) **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.

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

Over-levies and under-levies arise from the difference between the actual property tax 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 tax revenue.

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

o) **Segments**

The County conducts its business through a number of reportable segments. Six operating segments are established by management and facilitate the achievement of long-term objectives and aid in resource allocation decisions.

p) **Contaminated Site**

In June 2010, the Public Sector Accounting Board ("PSAB") issued PS 3260 Liability for Contaminated Sites to establish recognition, measurement and disclosure standards for liabilities associated with the remediation of contaminated sites. The new section defines activities included in a liability for remediation, establishes when to recognize and how to measure a liability for remediation, and provides the related financial statement presentation and disclosure requirements.

PS 3260 is effective for fiscal years beginning on or after April 1, 2014. The County does not expect the adoption of the new section to have a material impact on its consolidated financial statements. The County has started or planned to perform environmental monitoring on all its known contaminated sites. Valuation of remediation is not known at this time.

MOUNTAIN VIEW COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

2. CASH AND TEMPORARY INVESTMENTS

	2016	2015
	\$	\$
Cash on deposit	6,525,431	2,176,056
Less: outstanding cheques	<u>(322,890)</u>	<u>(298,040)</u>
Net cash	6,202,541	1,878,016
Other deposits	<u>41,556,380</u>	<u>48,252,047</u>
	<u>47,758,922</u>	<u>50,130,063</u>

Other deposits consist of short term investments maturing within the next 3-10 months earning interest from 1.40% - 1.60% (2015 - 1.40% - 2.34%).

3. TAXES RECEIVABLE

	2016	2015
	\$	\$
Current taxes and grants in lieu	782,784	715,980
Tax arrears	<u>982,535</u>	<u>810,685</u>
	1,765,319	1,526,665
Less: Allowance for uncollected taxes	<u>1,021,887</u>	<u>859,355</u>
	<u>743,432</u>	<u>667,311</u>

Within the allowance is \$638,077 (Arrears - \$527,741) which relates to tax rolls owned by Neo Exploration Inc. (2015 - \$535,340). The company is currently in receivership.

**MOUNTAIN VIEW COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

4. ACCOUNTS RECEIVABLE

Federal

	2016	2015
	\$	\$
GST receivable	<u>388,926</u>	<u>224,588</u>

Provincial

	2016	2015
	\$	\$
Disaster Services funding	-	18,086
Alberta Transportation	11,026	11,825
Alberta Justice Agency funds	15,825	17,380
Other Provincial receivables	<u>11,262</u>	<u>16,366</u>
	<u>38,113</u>	<u>63,657</u>

Local Governments

	2016	2015
	\$	\$
Other Local Governments	<u>31,747</u>	<u>15,492</u>
	<u>31,747</u>	<u>15,492</u>

Other

	2016	2015
	\$	\$
Other accounts receivable	278,944	137,221
Underlevy	<u>79,077</u>	<u>-</u>
	<u>358,021</u>	<u>137,221</u>

5. INVESTMENTS

	2016	2015
	\$	\$
AAMDC (trade division)	4,136	4,136
Bonds	1,440,640	1,516,635
Other	<u>4,711</u>	<u>4,690</u>
	<u>1,449,487</u>	<u>1,525,461</u>

AAMDC (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 a weighted average effective yield of 3.04% and maturity dates from 2018 to 2019.

**MOUNTAIN VIEW COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

6. TRUST ACCOUNTS

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

	2016	2015
	\$	\$
Cash in lieu of Municipal Reserve		
Balance, beginning of Year	231,686	277,712
Additions to reserve	93,132	63,155
Interest revenue	600	819
Grants	-	(110,000)
	<u>325,418</u>	<u>231,686</u>
Balance, end of Year		
 Cremona Recreation Board		
	2016	2015
	\$	\$
Balance, beginning of Year	33,410	24,498
Additions to reserve	-	182,800
Use of funds (net)	(11,226)	(173,946)
Interest revenue	65	58
	<u>22,249</u>	<u>33,410</u>
Balance, end of Year		
Total Trust Funds	<u><u>347,667</u></u>	<u><u>265,096</u></u>

Cash in lieu of Municipal Reserve

When property is developed within the County, the County has the option of receiving cash instead of land set aside for municipal purposes within a developed area. When cash is received instead of property the cash must be used according to Section 671(2) of the Municipal Government Act.

7. DEFERRED REVENUE

	2016	2015
	\$	\$
Municipal Sustainability Initiative grant	4,790,600	4,433,076
Other grants	3,665,076	3,515,144
	<u><u>8,455,676</u></u>	<u><u>7,948,220</u></u>

Included in Other grants is \$3,465,708 (2015 - \$3,507,643) in funds received from the Province for flood mitigation projects.

**MOUNTAIN VIEW COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

7. DEFERRED REVENUE (continued)

Municipal Sustainability Initiative

The use of these funds is restricted to eligible projects approved under the funding agreement. The interest earned has been added to the funds.

	2016	2015
	\$	\$
Unexpended funds from last year	4,433,076	1,014,729
Interest earned in the year	25,138	41,770
Funds received during the year	4,560,068	4,201,937
Amount spent on eligible capital projects	(3,537,545)	(825,360)
Amount spent on eligible operating expenses	(690,137)	-
	<u>4,790,600</u>	<u>4,433,076</u>

Gas Tax Funding 2010-2016

The use of these funds is restricted to eligible projects. Interest earned has been added to the funds.

	2016	2015
	\$	\$
Unexpended funds from last year	-	-
Interest earned in the year	-	1,107
Funds received during the year	666,311	938,497
Amount spent on eligible projects	(666,311)	(939,605)
	<u>-</u>	<u>-</u>

Other Grants/Deferred Revenue

	2016	2015
	\$	\$
Alberta Municipal Affairs 2013/14 Flood Recovery Program	648,033	648,034
Alberta Municipal Affairs 2014 Mgmt of Red Deer Upstream	2,817,675	2,859,610
Alberta Municipal Affairs 2016 Alberta Community Partnership	154,368	-
Environment Canada 2016 Environmental Damages	37,500	-
Future Seidel Pit Reclamation	7,500	7,500
	<u>3,665,076</u>	<u>3,515,144</u>

**MOUNTAIN VIEW COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

8. EMPLOYEE BENEFIT OBLIGATIONS	2016	2015
	\$	\$
Vacation	294,302	315,655
Accrued payroll	145,342	125,408
Post-employment benefits	206,428	189,104
	<hr/>	<hr/>
	646,072	630,167
	<hr/> <hr/>	<hr/> <hr/>

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. Actual costs incurred for the prior year were \$9,916 (2015 - \$8,845). \$109,046 (2015 - \$89,806) of the Post-employment benefits are unfunded (note 18).

**MOUNTAIN VIEW COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

9. LONG TERM DEBT

	\$	\$
Debentures	8,561,284	9,222,541
Water line access (Mountain View Regional Water Commission)	-	1,654,211
	8,561,284	10,876,752

	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%	March 23	2029
Debenture (4001590)	1,400,000	3.295%	December 16	2028
Debenture (4000910)	3,000,000	4.047%	March 15	2025
Debenture (4001077)	3,500,000	3.885%	December 15	2025
Debenture (4001723)	1,252,000	2.814%	September 15	2029

The purpose of the debentures is to allow the County to provide financing to Mountain View Seniors' Housing. The debentures are offset by a note receivable from Mountain View Seniors' 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 others have payments due twice a year.

In 2015 the County entered into a contract with Mountain View Regional Water Commission to obtain access to the regional water line. 50% of the contract cost was paid in 2015, the balance was to be paid over the next 10 years, with principal payments of \$165,421 and interest calculated at a weighted rate through 2025. In 2016, Mountain View County decided to pay off the loan in full.

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

	Principal	Interest	Payments
2017	688,464	351,251	1,039,715
2018	716,842	322,873	1,039,715
2019	746,445	293,271	1,039,716
2020	777,326	262,389	1,039,715
2021	809,546	230,170	1,039,716
Thereafter	4,822,661	690,820	5,513,481
	8,561,284	2,150,774	10,712,058

In 2016 the County paid \$378,458 (2015 - \$400,202) in interest on long term debt. The County also received interest on notes receivable to offset this interest (Note 15).

MOUNTAIN VIEW COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

10. RESERVES

Reserves for operating and capital activities are as follows:

OPERATING RESERVES:	Beginning of Year \$	Additions \$	Deletions \$	End of Year \$
Road Maintenance	999,595	-	-	999,595
Snow Removal	1,000,000	-	-	1,000,000
Pit Stripping and Reclamation	2,248,653	596,072	-	2,844,725
Projects (Local Road Projects)	8,775,868	-	2,575,265	6,200,603
Tax Rate Stabilization	4,001,712	558,456	1,681,236	2,878,932
Parks	13,198	-	-	13,198
Agriculture	73,838	-	35,889	37,949
Didsbury Fire	4,768	128	4,896	-
General Fire	717,174	566,348	587,550	695,972
Statutory Documents Reserve	300,000	-	-	300,000
Working Capital	2,343,898	30,158	2,160,493	213,563
Musical Education Reserve	31,400	-	4,400	27,000
	<u>20,510,104</u>	<u>1,751,162</u>	<u>7,049,729</u>	<u>15,211,537</u>
Total Operating Reserves				
	<u>20,510,104</u>	<u>1,751,162</u>	<u>7,049,729</u>	<u>15,211,537</u>
CAPITAL RESERVES:	Beginning of Year \$	Additions \$	Deletions \$	End of Year \$
Administration Equipment	484,758	136,417	115,911	505,264
Radio Hub	49,205	1,517	-	50,722
Facility	2,729,550	657,909	303,684	3,083,775
Asphalt Road Reserve	3,666,606	98,793	1,618,394	2,147,005
Bridge Replacement Reserve	4,444,443	1,325,996	968,253	4,802,186
Heavy Equipment (Equipment Fleet) Reserve	3,313,290	2,626,932	2,800,843	3,139,379
Recreation Facilities Reserve	433,129	11,670	-	444,799
Gravel Reserve	208,242	-	-	208,242
Re-Chipping Reserve	2,691,968	2,445,000	1,484,800	3,652,168
Road Network Reserve	8,522,518	3,977,978	900,000	11,600,496
	<u>26,543,709</u>	<u>11,282,212</u>	<u>8,191,885</u>	<u>29,634,036</u>
Total Capital Reserves				
	<u>26,543,709</u>	<u>11,282,212</u>	<u>8,191,885</u>	<u>29,634,036</u>
TOTAL RESERVES:	<u><u>47,053,813</u></u>	<u><u>13,033,374</u></u>	<u><u>15,241,614</u></u>	<u><u>44,845,573</u></u>

**MOUNTAIN VIEW COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

10. RESERVES (continued)

- (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 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 deduction from the loaning fund and an addition to the General Fire Reserve.

11. 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:

	2016	2015
	\$	\$
Total debt limit (maximum allowed)	51,854,183	52,313,780
Total debt (current)	<u>8,561,284</u>	<u>10,876,752</u>
Amount below total debt limit	<u><u>43,292,899</u></u>	<u><u>41,437,027</u></u>
Service on debt limit (maximum allowed)	8,642,364	8,718,963
Service on debt (current)	<u>1,039,715</u>	<u>1,264,545</u>
Amount below limit on debt service	<u><u>7,602,649</u></u>	<u><u>7,454,418</u></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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

12. TANGIBLE CAPITAL ASSETS

	2016	2016	2016	2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	15,796,712	-	15,796,712	15,854,547
Land improvements	3,472,528	1,197,484	2,275,044	2,379,310
Buildings	15,472,571	3,829,331	11,643,240	7,757,975
Engineered structures				
Bridges	42,998,804	16,857,278	26,141,526	16,973,971
Gravel roads	146,998,854	133,079,450	13,919,404	19,390,278
Chip seal roads	167,141,970	133,274,338	33,867,632	40,748,269
Dirt roads	451,688	445,710	5,978	6,384
Asphalt roads	39,157,559	12,757,869	26,399,690	27,908,789
Machinery & equipment	16,130,053	6,978,602	9,151,451	7,756,957
Vehicles	6,434,326	2,705,169	3,729,157	4,262,391
Construction in progress	8,151,007	-	8,151,007	3,408,098
Total	462,206,072	311,125,231	151,080,841	146,446,970

Total land holdings of the County are comprised of 28,420 acres. This includes an estimated 21,811 acres of road rights-of-way. The remaining land consists of 407 acres designated as municipal reserves, environmental reserves and public utility lots; 2,603 acres of gravel pits and gravel reserves; 636 acres for municipal operations including airports, as well as 2,963 acres of general land.

Land Improvements include parking lots, landscaping, signage, fencing and parks structures.

There are 253 bridges maintained by Mountain View County.

Roads in the County are composed of 69 km of asphalt roads, 854 km of chip sealed roads, 1,970 km of gravel roads and 16 km of unimproved/dirt roads. Roads are further broken down into surface and base.

Machinery & equipment is separated into three sub-categories - heavy equipment, agricultural/shop/patrol equipment, and office equipment and furniture. Heavy equipment includes graders, loaders, trailers, excavators, plows and sanders. Office equipment and furniture includes computer, telephone, audio/visual equipment, printers, copiers, faxes and office furniture and workstations, along with airport navigation equipment. Agricultural/shop/patrol equipment includes tractors, mowers, sprayers, shop tools, radios, radar units, and scales.

Vehicles include trucks and sport utility vehicles.

Construction in Progress includes projects which have commenced but which were not completed by December 31, 2016. These projects correspond to roads, bridges and/or heavy equipment that were under construction at year end.

**MOUNTAIN VIEW COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

13. LOCAL AUTHORITIES PENSION PLAN

Employees of Mountain View County participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pensions Plan Act. The Plan serves 244,621 people and 426 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Mountain View County is required to make current service contributions to the plan of 11.39% of the pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 15.84% for the excess. Employees of the County are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

The current service contributions by Mountain View County to the Local Authorities Pension Plan in 2016 were \$860,112 (2015 - \$823,739). Total current service contributions by the employees of Mountain View County to the Local Authorities Pension Plan in 2015 were \$793,329 (2015 - \$759,612).

At December 31, 2015, the Plan disclosed an actuarial deficit of \$923 million (2014 - \$2.45 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:

	----- 2016 -----			----- 2015 -----		
	<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 4	1	72,268	3,847	76,115	1	71,270
Deputy Reeve						
Division 2	1	51,281	5,642	56,923	1	53,257
Councilors						
Division 1	1	55,423	5,750	61,173	1	53,218
Division 3	1	48,148	5,406	53,554	1	45,450
Division 5	1	59,390	5,938	65,328	1	51,870
Division 6	1	48,407	5,414	53,821	1	48,427
Division 7	1	40,478	5,045	45,523	1	45,217
Chief Administrative Officer	1	189,817	39,354	229,170	1	213,681
Designated officers	2	267,735	56,664	324,399	2	295,894

(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 term disability plans, professional memberships and tuition, and any other direct cash remuneration.

**MOUNTAIN VIEW COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

15. RELATED PARTY TRANSACTIONS

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

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 2016 the County provided \$204,572 (2015 - \$464,080) as its share to support the operations of MVRWC.

Mountain View Seniors' Housing (MVSH) (See Note 9)

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 2016, the County provided \$661,306 (2015 - \$634,077) as its share to support the operations of MVSH. Mountain View County has loaned a total principal amount of \$12,252,000 to MVSH with a principal balance remaining at December 31, 2016 of \$8,561,284(2015 - \$9,222,541) plus accrued interest of \$60,009 (2015 - \$64,541). MVSH used the funds to finance capital assets including the construction of senior's lodges in Didsbury and Olds and the purchase of land for a lodge in Sundre. The loans are to be repaid to Mountain View County according to the repayment schedule for the debentures that Mountain View County borrowed from Alberta Capital Financing Authority. The amounts are repayable in terms from 15 - 25 years from the loan date with \$1,039,715 payable each year with interest ranging from 2.814% to 6.000%. The notes will be paid in full in 2029. The notes receivable are secured by the requisitions payable to MVSH by each of the funding municipalities.

South Red Deer Regional Wastewater Commission (SRDRWC)

In 2013, the County entered into an agreement to provide administrative support services to SRDRWC. The agreement began September 1, 2013. SRDRWC 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 amount paid in 2016 is \$30,800 (2015 - \$45,000). This agreement was terminated on July 31, 2016.

Village of Cremona

In 2013, the County entered into an agreement to provide administrative support services to Cremona. The agreement began October 1, 2013. Cremona 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 amount paid in 2016 is \$24,000 (2015 - \$36,000). This agreement was terminated on September 15, 2016.

MOUNTAIN VIEW COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

16. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and temporary investments, taxes receivable, accounts receivable, investments, notes receivable, accounts payable and accrued liabilities, other liabilities, employee benefit 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, currency, 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.

**MOUNTAIN VIEW COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

17. CONTINGENCIES

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.

ALARIE (Alberta Local Authorities Reciprocal Insurance Exchange) is winding down but not yet concluded. The actual amount that the County will receive, if any, is contingent on the final resolution of all assets and liabilities of ALARIE. At the end of 2016, it is doubtful that the County will receive any funds.

The County is a member of the Jubilee Reciprocal Insurance Exchange as at December 31, 2016. Under the terms of the membership, the County could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

Subsequent to year end, a contingent gain of approximately \$160,000 was realized. This item was not included for the 2016 year end as neither the outcome nor the monetary value were known as at the fiscal 2016 year-end date.

18. ACCUMULATED SURPLUS

Accumulated Surplus consists of restricted and unrestricted amounts and equity in tangible capital assets

	2016	2015
	\$	\$
Unappropriated operating equity	956,669	516,615
Operating reserves (note 10)	15,211,537	20,510,104
Capital reserves (note 10)	29,634,036	26,543,709
Airport development costs - deficit	(108,849)	(215,183)
Land Deficit	(2,579,657)	(2,574,657)
Unfunded gravel pit reclamation (note 19)	(4,743,846)	(4,657,833)
Unfunded post retirement obligation (note 8)	(109,046)	(89,806)
Equity in resource asset (note 9)	3,308,421	1,654,210
Equity in tangible capital assets (Schedule 1)	<u>151,080,841</u>	<u>146,446,970</u>
	<u>192,650,106</u>	<u>188,134,129</u>

MOUNTAIN VIEW COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

19. GRAVEL PIT RECLAMATION 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. To help cover pit stripping and future reclamation costs, the County has a Pit Stripping and Reclamation Reserve (note 10) with contributions of \$2.08 per tonne of gravel mined in the year.

The most recent estimate of this obligation was prepared to December 31, 2016 and the obligation is currently estimated at \$5,764,358 (2015 - \$5,678,345). For 2016 year end, \$4,743,846 (2015 - \$4,657,833) is unfunded (Note 18) and the remainder is included in pit stripping and reclamation reserves. The net increase in reclamation obligation of \$86,013 resulted in a corresponding increase in the unfunded liability. Significant assumptions were used in determining this obligation. Engineering studies were used to determine the disturbed area. When necessary, the engineering studies were adjusted to include recent activity. The current reclamation cost/cubic metre has been used without adjustments for discounting or inflation.

Total reclamation expense in 2016 was \$31,041 (2015 - \$90,756). The County has not designated any other assets for settling the reclamation obligation.

20. COMMITMENTS

The following commitments exist as of December 31, 2016:

Fallen Weight Testing Contracts with AMEC - \$493,250.
Range Road 55 Engineering with AMEC - \$28,000.
Software Upgrade with Serenic - \$22,000.

21 BUDGET AMOUNTS

The 2016 budget was approved by Council on April 27, 2016

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.