

MOUNTAIN VIEW COUNTY

**Auditor's Report and
Financial Statements**

December 31, 2006

MOUNTAIN VIEW COUNTY
FINANCIAL STATEMENTS
December 31, 2006

CONTENTS

	<u>Page</u>
Auditor's Report	2
Consolidated Statement of Financial Position	3-4
Consolidated Statement of Operations and Equity	5
Statement of Operations and Operating Equity	6
Statement of Capital Fund Equity	7
Consolidated Statement of Changes in Financial Position	8
Schedules	9-12
Notes to the Financial Statements	13-24

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, 2006 and the consolidated statements of operations and equity and the consolidated statement of cash flows for the year then ended. These financial statements are the responsibility of the municipal administration. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Mountain View County as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Red Deer LLP

Red Deer, Alberta
March 21, 2007

CHARTERED ACCOUNTANTS

**MOUNTAIN VIEW COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2006**

ASSETS

	2006	2005
	\$	\$
Financial Assets		
Cash and temporary investments (note 2)	8,242,590	6,643,635
Taxes receivable (note 3)	626,985	859,429
Accounts receivable		
Federal government	142,590	564,805
Provincial government	2,545,548	2,684,491
Local governments	62,876	52,575
Other	841,099	690,992
Investments (note 4, 17)	82,477	82,186
Notes receivable		
MVRWC - Note receivable (note 15)	208,239	232,913
MVSH - Note receivable (note 15)	2,949,091	3,014,416
Prepaid expenses	479,978	350,359
Land held for resale (note 21)	161,999	161,999
Trust accounts (note 5)	411,994	416,776
Total Financial Assets	<u>16,755,466</u>	<u>15,754,576</u>
Physical Assets		
Inventory for consumption	2,521,482	1,761,543
Capital assets		
Land and improvements (note 21)	3,778,703	3,776,839
Buildings	8,971,389	8,572,407
Equipment and furnishings	13,549,128	13,232,650
Vehicles	4,413,325	3,696,820
Total Physical Assets	<u>33,234,027</u>	<u>31,040,259</u>
Total Assets	<u><u>49,989,493</u></u>	<u><u>46,794,835</u></u>

LIABILITIES

	2006	2005
	\$	\$
Liabilities		
Accounts payable		
Federal government	170,677	106,612
Provincial government	50,815	305,541
Local governments	73,609	94,734
Other	875,380	1,111,915
Deferred revenue (note 6)	3,070,663	2,980,442
Employee benefit obligations (note 7)	410,123	287,508
Trust accounts (note 5)	411,994	416,776
Other liabilities	93,733	485,845
Long-term debt (note 8)	<u>2,917,616</u>	<u>2,982,249</u>
Total Liabilities	<u>8,074,610</u>	<u>8,771,622</u>

MUNICIPAL EQUITY

Fund Balances		
Unappropriated operating equity (note 21)	150,000	77,849
Operating reserves (note 10, 21)	9,096,083	7,044,529
Capital reserves (note 10)	1,755,005	1,299,480
Capital fund (note 11, 21)	<u>201,250</u>	<u>322,639</u>
Total fund balances	11,202,338	8,744,497
Equity in capital assets (page 10)	<u>30,712,545</u>	<u>29,278,716</u>
Total Municipal Equity	<u>41,914,883</u>	<u>38,023,213</u>
Total Liabilities and Municipal Equity	<u><u>49,989,493</u></u>	<u><u>46,794,835</u></u>

**MOUNTAIN VIEW COUNTY
CONSOLIDATED STATEMENT OF OPERATIONS
AND EQUITY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

	Budget (unaudited)	2006	2005
	\$	\$	\$
Revenues			
Net Taxes Available for Municipal Purposes (page 12, Note 21)	14,875,994	14,932,453	12,204,946
Sale of Goods and Services			
Sale of goods	251,100	280,953	330,686
Sale of services	490,300	589,002	461,603
Sale of capital assets	574,500	507,312	1,170,144
Other	428,600	368,337	166,040
Other Revenue From Own Sources			
Return on investments	181,200	209,012	186,913
Revenue from funds loaned	180,000	173,603	177,210
Other licenses and permits	610,000	710,124	604,560
Park fees	261,000	250,194	190,864
Penalties and costs on taxes	126,500	153,670	168,753
Rentals	93,800	281,262	717,840
Other	115,604	289,535	178,113
Flood Relief Revenue (note 9)	-	1,545,000	1,930,985
Unconditional Federal Grants	-	-	16,312
Unconditional Provincial Grants	31,769	31,769	31,769
Conditional Grants from Other Governments			
Federal	53,570	50,570	96,805
Provincial - Transportation road grant	520,723	520,723	520,723
- Special transportation grants	-	485,149	1,974,271
- Other grants	793,993	733,950	597,486
Municipal	9,000	10,813	10,855
Total Revenues	<u>19,597,653</u>	<u>22,123,431</u>	<u>21,736,878</u>
Total Operating Expenditures (page 9, note 21)	20,951,682	18,231,760	18,937,757
Total Capital Expenditures (page 7, note 21)	<u>2,208,140</u>	<u>1,433,829</u>	<u>5,044,718</u>
Excess (Deficiency) of Revenues over Expenditures	(3,562,169)	2,457,842	(2,245,597)
Net Interfund Transfers	<u>-</u>	<u>-</u>	<u>(15,853)</u>
Increase (Decrease) in Funds During the Year	(3,562,169)	2,457,842	(2,261,450)
Beginning Funds as Restated (Note 21)	<u>8,744,497</u>	<u>8,744,497</u>	<u>11,005,947</u>
Ending Funds	<u><u>5,182,328</u></u>	<u><u>11,202,339</u></u>	<u><u>8,744,497</u></u>

MOUNTAIN VIEW COUNTY
STATEMENT OF OPERATIONS AND OPERATING EQUITY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006

	Budget (unaudited)	2006	2005
	\$	\$	\$
Revenues			
Net Taxes Available for Municipal Purposes (page 12, note 21)	14,875,994	14,932,453	12,204,946
Sale of Goods and Services			
Sale of goods	251,100	280,952	330,686
Sale of services	490,300	589,002	461,603
Other	141,600	368,337	166,040
Other Revenue From Own Sources			
Return on investments	181,200	209,012	186,913
Revenue from funds loaned	180,000	173,603	177,210
Other licenses and permits	610,000	710,124	604,560
Park fees	261,000	250,194	190,864
Penalties and costs on taxes	126,500	153,670	168,753
Rentals	93,800	126,448	164,165
Other	115,604	275,772	164,350
Flood Relief Revenue (note 9)	400,000	1,545,000	1,930,985
Unconditional Federal Grants	-		16,312
Unconditional Provincial Grants	31,769	31,769	31,769
Conditional Grants from Other Governments			
Federal	53,570	50,570	96,805
Provincial - Transportation road grant	520,723	520,723	520,723
- Municipal Infrastructure Grant	2,414,304	-	-
- Special transportation grants	-	485,149	1,974,271
- Other grants	793,993	733,950	597,486
Municipal	9,000	10,813	10,855
Total Revenue	<u>21,550,457</u>	<u>21,447,541</u>	<u>19,999,296</u>
Total Operating Expenditures (page 9, note 21)	<u>20,951,682</u>	<u>18,231,760</u>	<u>18,937,757</u>
Excess (Deficiency) of Revenue over Expenditures	598,775	3,215,781	1,061,539
Net Interfund Transfers			
Operating reserves (page 11)	428,225	(2,051,554)	(324,171)
Capital fund	(1,027,000)	(1,092,076)	(949,035)
Increase (Decrease) in Operating Fund During the Year	<u>-</u>	<u>72,151</u>	<u>(211,667)</u>
Beginning Unappropriated Operating Equity as Restated (note 21)	<u>77,849</u>	<u>77,849</u>	<u>289,516</u>
Ending Unappropriated Operating Equity	<u><u>77,849</u></u>	<u><u>150,000</u></u>	<u><u>77,849</u></u>

**MOUNTAIN VIEW COUNTY
STATEMENT OF CAPITAL FUND EQUITY
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

	Budget (unaudited) \$	2006 \$	2005 \$
Revenues			
Sale of capital assets	574,500	507,312	1,170,144
Other	<u>287,000</u>	<u>168,577</u>	<u>567,438</u>
	<u>861,500</u>	<u>675,889</u>	<u>1,737,582</u>
Expenditures			
Public works	561,800	736,663	1,314,925
Truck fleet	180,000	164,600	117,956
Other capital (note 21)	<u>1,466,340</u>	<u>532,566</u>	<u>3,611,837</u>
	<u>2,208,140</u>	<u>1,433,829</u>	<u>5,044,718</u>
Deficiency of Revenues over Expenditures	(1,346,640)	(757,940)	(3,307,136)
Net Interfund Transfers			
Capital debt repaid	-	-	(15,853)
From (to) capital reserves (page 11)	178,676	(455,525)	2,371,171
From operating fund	<u>1,020,000</u>	<u>1,092,076</u>	<u>949,035</u>
Increase (Decrease) in Capital Fund During the Year	(147,964)	(121,389)	(2,783)
Capital Fund Equity at Beginning of Year as Restated (note 21)	<u>322,639</u>	<u>322,639</u>	<u>325,422</u>
Capital Fund Equity at End of Year	<u><u>174,675</u></u>	<u><u>201,250</u></u>	<u><u>322,639</u></u>

MOUNTAIN VIEW COUNTY
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006

	2006	2005
	\$	\$
Cash provided by (used in):		
Operating Activities		
Increase (Decrease) in Operating Surplus (note 21)	72,151	(211,667)
Increase (Decrease) in Operating Reserves	2,051,554	324,171
Increase (Decrease) in Capital Fund (note 21)	(121,389)	(2,783)
Increase (Decrease) in Capital Reserves	455,525	(2,371,171)
Increase in Equity in Capital Assets (note 21)	1,433,829	4,367,640
Additions to Physical Assets (page 10, note 21)	(1,433,829)	(5,044,718)
Cost of Physical Assets Disposed (page 10)	-	692,931
	<u>2,457,841</u>	<u>(2,245,597)</u>
Changes in Non-Cash Working Capital		
Decrease (Increase) in Taxes Receivable	232,444	374,495
Decrease (Increase) in Accounts Receivable	400,750	(2,396,564)
Decrease (Increase) in Inventories	(759,939)	384,321
Decrease (Increase) in Prepaid Expenses	(129,619)	92,292
Decrease (Increase) in Land held for Resale	-	(161,999)
Increase (Decrease) in Accounts Payable	(448,321)	(504,226)
Increase (Decrease) in Deferred Revenue	90,221	2,714,600
Increase (Decrease) in Employee Benefit Obligations	122,615	72,151
Increase (Decrease) in Other Liabilities	(392,112)	253,982
	<u>(883,961)</u>	<u>829,052</u>
Total Funds Provided (Used) by Operating Activities	<u>1,573,880</u>	<u>(1,416,545)</u>
Investing and Financing Activities		
Repayment of Long-Term Debt	-	(15,853)
Change in Long-Term Investments	(291)	92
Changes in Note Receivable - MVSH	65,325	61,718
Issue (Repay) Debenture	(64,633)	(61,064)
Change in Notes Receivable - MVRWC	24,674	(135,017)
Proceeds from Note Receivable - MVRES	-	40,264
	<u>25,075</u>	<u>(109,860)</u>
Change in Cash and Cash Equivalents	1,598,955	(1,526,405)
Net Cash and Cash Equivalents, Beginning	<u>6,643,635</u>	<u>8,170,040</u>
Net Cash and Cash Equivalents, Ending	<u>8,242,590</u>	<u>6,643,635</u>
Net Cash and Cash Equivalents Consists of:		
Cash (deficiency)	457,712	(2,163,041)
Bonds and other deposits	<u>7,784,878</u>	<u>8,806,676</u>
	<u>8,242,590</u>	<u>6,643,635</u>

**MOUNTAIN VIEW COUNTY
SCHEDULE OF OPERATING EXPENDITURES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

	Budget (Unaudited) \$	2006 \$	2005 \$
General Government			
Legislative	363,400	311,923	328,368
CAO's Office	643,200	687,487	629,876
Corporate Services			
Finance & General Office	1,179,682	1,261,866	1,230,412
Assessment & Taxation	492,800	465,811	465,001
Business Services	402,100	397,832	152,019
Development/Community Services			
Planning & Development	934,000	856,956	565,703
Community Services	458,800	392,857	296,567
Family and Community Support Services	301,327	281,233	217,310
Public transportation	43,500	43,500	38,600
Third Party Services			
Fire protection	1,016,500	427,982	587,325
Recreation boards & Libraries	502,713	589,439	441,930
Operational Services			
Public Works	13,316,582	11,262,915	12,846,691
Airports	80,600	96,470	20,122
Agriculture Service Board	668,000	651,505	601,581
Recreation buildings and facilities	312,625	269,126	266,491
Fiscal Services			
Debt charges and allowances	235,853	234,858	249,761
Total Expenditures (note 21)	<u>20,951,682</u>	<u>18,231,760</u>	<u>18,937,757</u>

**MOUNTAIN VIEW COUNTY
SCHEDULE OF EQUITY IN CAPITAL ASSETS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

	2006	2005
	\$	\$
Changes in equity in capital assets are as follows:		
Balance at beginning of year as restated (Note 21)	29,278,716	24,911,076
Add:		
Additions to physical assets (note 21)	1,433,829	5,044,718
Capital debt repaid	-	15,853
Less:		
Cost of assets disposed of	-	692,931
	<hr/>	<hr/>
Balance at end of year	<u>30,712,545</u>	<u>29,278,716</u>

	2006	2005
	\$	\$
Equity in capital assets consists of:		
Capital assets	30,712,545	29,278,716
	<hr/>	<hr/>
	<u>30,712,545</u>	<u>29,278,716</u>

**MOUNTAIN VIEW COUNTY
SCHEDULE OF RESERVES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

	Budget (unaudited) \$	2006 \$	2005 \$
Balance at beginning of year			
Operating Fund as Restated (note 21)	7,259,886	7,044,529	6,720,358
Capital Fund	<u>1,299,480</u>	<u>1,299,480</u>	<u>3,670,651</u>
	8,559,366	8,344,009	10,391,009
Add (Deduct)			
Transfer from Operating Fund	1,793,400	3,593,529	2,433,986
Transfer to Operating Fund	<u>(2,221,625)</u>	<u>(1,541,975)</u>	<u>(2,109,815)</u>
Net Transfer to Operating Fund	<u>(428,225)</u>	<u>2,051,554</u>	<u>324,171</u>
Transfer to Capital Reserve	(185,676)	(35,676)	(2,698,170)
Transfer from Capital Reserve	<u>7,000</u>	<u>491,201</u>	<u>326,999</u>
Net Transfer from Capital Fund	<u>(178,676)</u>	<u>455,525</u>	<u>(2,371,171)</u>
Change in Fund Balance	<u>(606,901)</u>	<u>2,507,079</u>	<u>(2,047,000)</u>
Balance at end of year (note 10)			
Operating Fund	6,831,661	9,096,083	7,044,529
Capital Fund	<u>1,120,804</u>	<u>1,755,005</u>	<u>1,299,480</u>
	<u><u>7,952,465</u></u>	<u><u>10,851,088</u></u>	<u><u>8,344,009</u></u>

SCHEDULE 4

**MOUNTAIN VIEW COUNTY
SCHEDULE OF TAXES LEVIED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

	Budget (unaudited) \$	2006 \$	2005 \$
Taxation			
Real property taxes	13,428,089	13,509,250	12,479,913
Power and pipelines	11,639,863	11,660,323	10,515,139
Previous Year (Underlevy)Overlevy	195,960	175,698	(184,491)
Current Year Underlevy(Overlevy)	-	(24,293)	(175,698)
	<u>25,263,912</u>	<u>25,320,978</u>	<u>22,634,863</u>
Requisitions			
Alberta School Foundation Fund	9,542,088	9,542,088	9,640,004
Mountain View Emergency Services (note 21)	334,838	335,445	289,198
Mountain View Management Board	310,781	310,781	300,504
Mountain View Regional Waste Management	200,211	200,211	200,211
	<u>10,387,918</u>	<u>10,388,525</u>	<u>10,429,917</u>
Net Taxes Available for Municipal Purposes	<u><u>14,875,994</u></u>	<u><u>14,932,453</u></u>	<u><u>12,204,946</u></u>

SCHEDULE 5

**SCHEDULE OF EXPENDITURES BY OBJECT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

	2006 \$	2005 \$
Expenditures		
Salaries, wages, and benefits (note 21)	7,240,494	6,250,319
Contracted and purchased services	4,981,791	6,714,476
Materials, goods, supplies, and utilities	4,400,485	4,315,634
Provision for allowances	22,535	49,761
Bank charges and short term interest	39,016	29,001
Long term debt and leases	173,603	177,578
Grants to other organizations (note 21)	1,373,836	1,400,988
Physical assets acquired (note 21)	1,433,829	5,044,718
	<u>19,665,589</u>	<u>23,982,475</u>
Total Expenditures	<u><u>19,665,589</u></u>	<u><u>23,982,475</u></u>

**MOUNTAIN VIEW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) **Reporting entity**

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, and changes in fund balances and in financial position of the reporting entity which comprises all the organizations that are accountable for the administration of their financial affairs and resources to the Council and are owned or controlled by the municipality. 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. 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. 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, 2006**

g) **Other Financial Assets**

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

h) **Inventories**

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

i) **Capital Assets**

Capital assets are reported as expenditures in the period they are acquired. 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.

j) **Debt Charges Recoverable**

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long term debt pursuant to joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long term debt.

k) **Allowances for Operating Assets**

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

l) **Reserves for Future Expenditures**

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

m) **Equity in Capital Assets**

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

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

Over-levies and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property taxes.

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

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

2. CASH AND TEMPORARY INVESTMENTS

	2006	2005
	\$	\$
Cash (bank indebtedness)	457,712	(2,163,041)
Bonds and other deposits	<u>7,784,878</u>	<u>8,806,676</u>
	<u><u>8,242,590</u></u>	<u><u>6,643,635</u></u>

Bonds with an original cost of \$830,350 (2005 - \$830,350) are held as part of the temporary investments. The bonds have an average yield of 5.78% and maturity dates from 2008 to 2016. Other deposits consist primarily of liquid investments that can be transferred to cash accounts within 24 hours.

Included in temporary investments is \$3,070,663 (2005 - \$2,980,442) 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 6%) less 0.25% with the bank which was not being utilized at year end. The County has arrangements to increase the line of credit available between June 12 and November 15 of each year. During this period, the County was authorized to a maximum of \$5,000,000.

3. TAXES RECEIVABLE

	2006	2005
	\$	\$
Current taxes and grants in lieu	499,127	732,479
Tax arrears	<u>381,682</u>	<u>392,014</u>
	880,809	1,124,493
Less: Allowance for uncollected taxes	<u>253,824</u>	<u>265,064</u>
	<u><u>626,985</u></u>	<u><u>859,429</u></u>

4. INVESTMENTS

	2006	2005
	\$	\$
ALARIE	71,437	71,437
A.A.M.D.&C. (Trade Division)	5,166	5,036
Other	<u>5,874</u>	<u>5,713</u>
	<u><u>82,477</u></u>	<u><u>82,186</u></u>

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

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

5. TRUST FUNDS

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

	2006	2005
	\$	\$
Cash in lieu of Municipal Reserve		
Balance Beginning of Year	395,076	302,472
Additions to Reserve	109,202	85,425
Interest Revenue	14,568	7,179
Grants	<u>(127,617)</u>	<u>-</u>
Balance End of Year	<u>391,229</u>	<u>395,076</u>
Cremona Recreation Board		
Balance Beginning of Year	21,700	17,704
Additions to Reserve	64,224	62,705
Interest Revenue	690	367
Board and Other Expenses	(466)	(311)
Grants	<u>(65,383)</u>	<u>(58,765)</u>
	<u>20,765</u>	<u>21,700</u>
Total Trust Funds	<u><u>411,994</u></u>	<u><u>416,776</u></u>

6. DEFERRED REVENUE

Alberta Municipal Infrastructure Program Grant	2,546,773	2,450,960
Municipal Sponsorship Grants	53,716	20,000
FCSS Grants	35,906	85,906
Municipal Ground Ambulance Grant	70,983	70,983
Regional Partnerships Initiative Grant	48,300	58,562
Alberta Water Management & Erosion Control Grant	290,311	279,389
Other Grants	24,674	14,642
	<u><u>3,070,663</u></u>	<u><u>2,980,442</u></u>

Alberta Municipal Infrastructure Program Grant

Funding of 2,414,304 was received in 2005 from the Alberta Municipal Infrastructure Program. The use of these funds is restricted to eligible infrastructure projects approved under the funding agreement. The unexpended funds which were advanced to the County on June 14, 2005 have earned interest of \$95,813 in 2006 (2005 -\$36,656). The interest earned has been added to the funds.

Alberta Water Management & Erosion Control Grant

Funding of \$275,000 was received in the current year from the Alberta Water Management & Erosion Control Program. The use of these funds is restricted to the Molmac Subdivision Bank Stabilization Project. The unexpended funds which were advanced to the County on June 3, 2005 have earned interest of \$10,922 in 2006 (2005 - \$4,389). The interest earned has been added to the funds.

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

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 2006 was \$9,559 (2005 - \$10,139)

8. LONG TERM DEBT

	2006	2005
	\$	\$
Debentures	2,917,616	2,982,249
Current portion	68,410	64,633
	2,849,206	2,917,616

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

The purpose of the debenture was to allow the County to provide financing to Mountain View Seniors Housing. The debentures are offset by a note receivable from the Mountain View Senior's Housing. (See Note 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:

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2007	68,410	170,518	238,928
2008	72,409	166,519	238,928
2009	76,641	162,287	238,928
2010	81,120	157,808	238,928
2011	85,562	153,366	238,928
Thereafter	2,533,474		
	2,917,616		

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

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 \$1.7 million dollars was spent in 2006 (2005 - \$2.2 million). The Federal and Provincial Governments have a disaster assistance program to help municipalities pay these unusual one time costs. Under this program \$1.15 million has been advanced to the County and an accounts receivable accrual for \$2,295,000 has been recorded. 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	223,340	12,909	11,731	224,518
Road Maintenance				
Gravel	87,550	228,362	87,550	228,362
Re-Chipping	379,010	427,822	-	806,832
Snow Removal	220,643	-	-	220,643
Pit Stripping and Reclamation	-	373,032	-	373,032
Projects	1,307,532	617,131	793,278	1,131,385
Family & Community Support Services (F.C.S.S.)	27,378	1,583	24,106	4,855
Tax Rate Stabilization	1,002,593	1,077,950	252,184	1,828,359
Rural Community Grant	84,934	14,909	12,210	87,633
Parks	13,198	-	-	13,198
Didsbury Fire	256,177	14,807	1,150	269,834
General Fire (2)	-	165,000	165,000	-
Working Capital (1), (2) (note 21)	3,442,174	660,024	194,766	3,907,432
Total Operating Reserves	7,044,529	3,593,529	1,541,975	9,096,083

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

10. RESERVES (Continued)

CAPITAL RESERVES:	Beginning of Year	Additions	Deletions	End of Year
	\$	\$	\$	\$
Administration Equipment	6,805	104,670	-	111,475
Radio Hub	6,999	6,999	-	13,998
New Administration Building Facility	35,676 -	- 129,532	35,676 -	- 129,532
Heavy Equipment	1,250,000	250,000	-	1,500,000
Total Capital Reserves	<u>1,299,480</u>	<u>491,201</u>	<u>35,676</u>	<u>1,755,005</u>
TOTAL RESERVES:	<u>8,344,009</u>	<u>4,084,730</u>	<u>1,577,651</u>	<u>10,851,088</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. The balance of the amount loaned to the General Fire Reserve from the Working Capital Reserve in 2006 was \$221,026 (2005 - \$373,738).

11. CAPITAL FUND

	2006	2005
	\$	\$
Truck Fleet	161,799	164,466
Miscellaneous Capital (note 21)	(316,439)	(39,461)
Heavy Equipment	<u>355,891</u>	<u>197,634</u>
	<u>201,251</u>	<u>322,639</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 indentified 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. In 2006 funds were spent on engineering and site preparation for a new County shop in the Sundre area. Construction is expected to be completed in 2007 and the cost of the project will be funded by issuing a debenture.

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

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:

	2006	2005
	\$	\$
Total debt limit	33,185,147	33,039,114
Total debt	<u>2,917,616</u>	<u>2,982,249</u>
Amount below total debt limit	<u>30,267,531</u>	<u>30,056,865</u>
Service on debt limit	5,530,858	5,506,519
Service on debt	<u>238,928</u>	<u>238,928</u>
Amount below limit on debt service	<u>5,291,930</u>	<u>5,267,591</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.

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 160,000 people and 407 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

The Mountain View County is required to make current service contributions to the plan of 7.75% of the pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 10.64% for the excess.

The current service contributions by the Mountain View County to the Local Authorities Pension Plan in 2006 were \$353,160 (2005 - \$187,825). Total current service contributions by the employees of the Mountain View County to the Local Authorities Pension Plan in 2006 were \$312,267 (2005 - \$163,830).

At December 31, 2005, the Plan disclosed an actuarial deficit of \$0.86 Billion (2004 - \$1.29 Billion).

The County along with other members of LAPP had been named as a defendant in a class action lawsuit filed by the Alberta Society for Pension Reform. Although the lawsuit is still continuing against the Government of Alberta and Alberta Pensions Administration Corporation the action against LAPP employers has now been withdrawn.

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

14. SALARY AND BENEFITS DISCLOSURE

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

	----- 2006 -----			----- 2005 -----		
	<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	38,338	5,029	43,367	1	42,662
Councillors						
Division 1	1	26,146	4,832	30,978	1	35,868
Division 2	1	17,711	1,932	19,643	2	27,781
Division 3	1	21,942	3,536	25,478	1	28,822
Division 4	1	24,392	4,322	28,714	1	33,164
Division 5	1	22,548	3,935	26,483	1	30,310
Division 6	1	23,948	2,716	26,664	1	31,484
Chief Administrative Officer	1	131,973	26,536 (3)	158,509	3	435,305
Designated officers (4)	2	150,744	29,306	180,050		

(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. In 2005 this amount includes one time severance payments to the former Chief Administrative Officer.

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

(4) On January 25, 2006 Council appointed a designated Assessor and on March 8, 2006 appointed a designated Clerk of the Assessment Review Board. Salary and benefit amounts are included from the date of their appointment.

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

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.

The County continued to offer administrative support to MVRES for a monthly fee in 2006. 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 2006 is \$38,280 (2005 - \$37,169). Included in the Local Governments accounts payable at year-end is \$46,170 (2005 - nil) relating to transactions with this related party.

Mountain View Regional Waste Management Commission

Mountain View Regional Waste Management Commission (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 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 2006 is \$72,732 (2005 - \$70,800).

In 2003 the County advanced MVRWC \$137,121 in prepaid operating requisition. This amount remains outstanding and has been converted into a loan. 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 \$18,474 in principal and \$4,551 in interest to the County.

Mountain View Senior's Housing (See Note 8)

Mountain View County has loaned an original principal amount of \$3,100,000 to Mountain View Senior's Housing (MVSH). MVSH used the funds to construct a senior's lodge in Didsbury. MVSH provides senior housing to the residents of both the County and the five urban areas within the County. MVSH is operated with representation from the County and the five urban municipalities within the County. The loan is to be repaid to Mountain View County according to the repayment schedule for the \$3,100,000 debentures that Mountain View County borrowed from Alberta Capital Financing Authority. 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.

MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006

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. For the assets, interest rate price risk is the risk that interest rates will increase over the term of an investment resulting in the County receiving returns on its investment at a lower interest rate than if it had entered into a floating interest rate investment. For the liabilities, interest rate price risk is the risk that interest rates will decrease over the term of an obligation resulting in the County repaying its debt at a higher interest rate than if it had entered into a floating interest rate agreement.

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

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

17. CONTINGENCY

Contained within the County's investments is an investment in ALARIE (see Note 4) of \$71,437 (2005 - \$71,437). ALARIE is currently in the process of being wound down. At this point the actual amount that the County will receive cannot be determined. The final amount realized from the investment is contingent on the final resolution of all assets and liabilities of ALARIE. Final liabilities will not be known until all claims have been satisfied or assumed by another party.

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.

MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006

18. COMMITMENTS

The County has committed a total of \$300,000 to the construction of the Olds Community Learning Campus. This commitment will be funded out of the Cash in Lieu of Municipal Reserves.

19. SUBSEQUENT EVENT

Subsequent to year end the County sold its former administration building for the amount of \$530,000.

Subsequent to year-end, the County committed to reimburse two third parties for a portion of their legal fees related to their challenge of the operation of a feedlot. The County has agreed to pay \$48,000. This amount has not been accrued for in the financial statements and will be paid within the next fiscal year.

20. COMPARATIVE AMOUNTS

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

21. RESTATEMENT OF PRIOR PERIOD AMOUNTS

Employee Benefit Obligations

In 2006 the County began recognizing the liability for employee benefit obligations (see note 7) in the financial statements. Prior to 2006 any transactions related to employee benefit obligations were treated as current year transactions.

To facilitate this change the opening 2005 operating reserve balance was reduced by \$215,357, which corresponds to the employee benefit obligation at the beginning of 2005.

The 2005 operating expenditures were increased by \$72,151 to recognize the amount the obligation increased in 2005. The ending 2005 unappropriated operating equity decreased by the same amount.

Land Held for Resale

Land surrounding the Olds/Didsbury airport acquired in 2005 was reclassified from land and improvements to land held for resale. This decreased the 2005 equity in capital assets and capital expenditures by \$161,999 which then increased the 2005 ending capital fund equity.

Mountain View Emergency Services Requisition

In previous years the Mountain View Emergency Services requisition was treated as a municipal expense. In 2006 The amount of the Mountain View Emergency Services requisition has been removed from net taxes available for municipal purposes and the total operating expenditures (see Schedule 4). The amount of the requisition in 2005 was \$289,198.

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.