

MOUNTAIN VIEW COUNTY

FINANCIAL STATEMENTS

December 31, 2005

MOUNTAIN VIEW COUNTY
FINANCIAL STATEMENTS

December 31, 2005

CONTENTS

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

AUDITORS' REPORT

To the Reeve and Council of Mountain View County

We have audited the consolidated statement of financial position of the Mountain View County as at December 31, 2005 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Collis Bureau Red Deer LLP

Red Deer, Alberta
March 20, 2006

CHARTERED ACCOUNTANTS

**MOUNTAIN VIEW COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2005**

ASSETS

	2005	2004
	\$	\$
Financial Assets		
Cash and temporary investments (note 2)	6,643,635	8,170,040
Taxes receivable (note 3)	859,429	1,233,924
Accounts receivable		
Federal government	564,805	534,051
Provincial government	2,684,491	237,734
Local governments	52,575	28,489
Other	690,992	796,025
Investments (note 4, 18)	82,186	82,278
Notes receivable		
MVRES - Note receivable (note 16)	-	40,264
MVRWC - Note receivable (note 16)	232,913	97,896
MVSH - Note receivable (note 16)	3,014,416	3,076,134
Prepaid expenses	350,359	442,651
Trust accounts (note 5)	416,776	320,176
Total Financial Assets	<u>15,592,577</u>	<u>15,059,662</u>
Physical Assets		
Inventory for consumption	1,761,543	2,145,864
Capital assets		
Land and improvements	3,938,838	3,776,838
Buildings	8,572,407	5,439,940
Equipment and furnishings	13,232,650	12,052,230
Vehicles	3,696,820	3,657,921
Total Physical Assets	<u>31,202,258</u>	<u>27,072,793</u>
Total Assets	<u><u>46,794,835</u></u>	<u><u>42,132,455</u></u>

LIABILITIES

	2005	2004
	\$	\$
Current Liabilities		
Accounts payable		
Federal government	106,612	81,726
Provincial government	305,541	69,378
Local governments	94,734	155,295
Other	1,111,915	1,816,629
Deferred revenue (note 6)	2,980,442	265,842
Trust accounts (note 5)	416,776	320,176
	<u>5,016,020</u>	<u>2,709,046</u>
Other liabilities	485,845	231,863
Capital lease obligation (note 8)	-	15,853
Long-term debt (note 9)	<u>2,982,249</u>	<u>3,043,313</u>
	<u>8,484,114</u>	<u>6,000,075</u>

EQUITY

Fund Balances		
Unappropriated operating equity	150,000	289,516
Operating reserves (note 11)	7,259,886	6,935,715
Capital reserves (note 11)	1,299,480	3,670,651
Capital fund (note 12)	<u>160,640</u>	<u>325,422</u>
Total fund balances	8,870,006	11,221,304
Equity in capital assets (page 10)	<u>29,440,715</u>	<u>24,911,076</u>
Total Equity	<u>38,310,721</u>	<u>36,132,380</u>
Total Liabilities and Equity	<u>46,794,835</u>	<u>42,132,455</u>

**MOUNTAIN VIEW COUNTY
CONSOLIDATED STATEMENT OF OPERATIONS
AND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budget (unaudited)	2005	2004
	\$	\$	\$
Revenues			
Net Taxes Available for Municipal Purposes (page 12)	12,365,798	12,494,144	11,088,010
Sale of Goods and Services			
Sale of goods	186,500	330,686	214,587
Sale of services	321,300	461,603	308,293
Sale of capital assets	711,303	1,170,144	313,005
Other	618,300	166,040	162,681
Other Revenue From Own Sources			
Return on investments	139,000	186,913	282,411
Revenue from funds loaned	180,000	177,210	211,551
Other licenses and permits	555,000	604,560	374,485
Park fees	266,055	190,864	238,324
Penalties and costs on taxes	126,500	168,753	139,382
Rentals	156,810	717,840	181,384
Other	160,396	178,113	175,180
Flood Relief Revenue (note 10)	-	1,930,985	-
Unconditional Federal Grants	-	16,312	204,870
Unconditional Provincial Grants	31,769	31,769	35,769
Conditional Grants from Other Governments			
Federal	55,500	96,805	348,078
Provincial - Transportation road grant	520,723	520,723	520,723
- Special transportation grants	2,430,000	1,974,271	1,110,569
- Other grants	512,673	597,486	313,028
Municipal	9,000	10,855	9,000
Total Revenue	<u>19,346,627</u>	<u>22,026,076</u>	<u>16,231,330</u>
Total Operating Expenditures (page 9)	18,435,059	19,154,804	14,954,074
Total Capital Expenditures (page 7)	<u>5,667,805</u>	<u>5,206,717</u>	<u>3,540,793</u>
Deficiency of Revenue over Expenditures	(4,756,237)	(2,335,445)	(2,263,537)
Net Interfund Transfers			
Capital debt repaid	-	(15,853)	(16,542)
Decrease in Funds During the Year	(4,756,237)	(2,351,298)	(2,280,079)
Beginning Funds	<u>11,221,304</u>	<u>11,221,304</u>	<u>13,501,383</u>
Ending Funds	<u><u>6,465,067</u></u>	<u><u>8,870,006</u></u>	<u><u>11,221,304</u></u>

**MOUNTAIN VIEW COUNTY
STATEMENT OF OPERATIONS AND OPERATING EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budget (unaudited)	2005	2004
	\$	\$	\$
Revenues			
Net Taxes Available for Municipal Purposes (page 12)	12,365,798	12,494,144	11,088,010
Sale of Goods and Services			
Sale of goods	186,500	330,686	214,587
Sale of services	321,300	461,603	308,293
Other	130,000	166,040	162,681
Other Revenue From Own Sources			
Return on investments	139,000	186,913	282,411
Revenue from funds loaned	180,000	177,210	211,551
Other licenses and permits	555,000	604,560	374,485
Park fees	266,055	190,864	238,324
Penalties and costs on taxes	126,500	168,753	139,382
Rentals	156,810	164,165	157,384
Other	160,396	164,350	161,417
Flood Relief Revenue (note 10)	-	1,930,985	-
Unconditional Federal Grants	-	16,312	204,870
Unconditional Provincial Grants	31,769	31,769	35,769
Conditional Grants from Other Governments			
Federal	55,500	96,805	348,078
Provincial - Transportation road grant	520,723	520,723	520,723
- Special transportation grants	2,430,000	1,974,271	1,110,569
- Other grants	512,673	597,486	313,028
Municipal	9,000	10,855	9,000
Total Revenue	<u>18,147,024</u>	<u>20,288,494</u>	<u>15,880,562</u>
Total Operating Expenditures (page 9)	<u>18,435,059</u>	<u>19,154,804</u>	<u>14,954,074</u>
Excess (Deficiency) of Revenue over Expenditures	(288,035)	1,133,690	926,488
Net Interfund Transfers			
Operating reserves (page 11)	1,711,444	(324,171)	5,414,216
Capital fund	(1,423,409)	(949,035)	(6,259,687)
Increase (decrease) in Operating Fund	-	(139,516)	81,017
Beginning Operating Equity	<u>289,516</u>	<u>289,516</u>	<u>208,499</u>
Ending Operating Equity	<u><u>289,516</u></u>	<u><u>150,000</u></u>	<u><u>289,516</u></u>

**MOUNTAIN VIEW COUNTY
STATEMENT OF CAPITAL FUND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budget (unaudited) \$	2005 \$	2004 \$
Revenues			
Sale of capital assets	711,303	1,170,144	313,005
Other	488,300	567,438	37,763
	<u>1,199,603</u>	<u>1,737,582</u>	<u>350,768</u>
Expenditures			
Public works	1,378,728	1,314,925	1,148,679
Truck fleet	196,021	117,956	44,225
Other capital	4,093,056	3,773,836	2,347,889
	<u>5,667,805</u>	<u>5,206,717</u>	<u>3,540,793</u>
Deficiency of Revenues over Expenditures	(4,468,202)	(3,469,135)	(3,190,025)
Net Interfund Transfers			
Capital debt repaid	-	(15,853)	(16,542)
Capital debt issued	600,000	-	-
From (to) capital reserves (page 11)	2,420,651	2,371,171	(2,733,846)
From operating fund	1,423,409	949,035	6,259,687
		<u>949,035</u>	<u>6,259,687</u>
Increase (Decrease) in Capital Fund During the Year	(24,142)	(164,782)	319,274
Capital Fund Equity (Deficiency) at Beginning of Year	<u>325,422</u>	<u>325,422</u>	<u>6,148</u>
Capital Fund Equity (Deficiency) at End of Year	<u><u>301,280</u></u>	<u><u>160,640</u></u>	<u><u>325,422</u></u>

**MOUNTAIN VIEW COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	2005	2004
	\$	\$
Cash flows provided by:		
Operating Activities		
Increase (Decrease) in Operating Surplus	(139,516)	81,017
Increase (Decrease) in Operating Reserves	324,171	(5,414,216)
Increase (Decrease) in Capital Fund	(164,782)	319,274
Increase (Decrease) in Capital Reserves	(2,371,171)	2,733,846
Increase in Equity in Physical Assets	4,529,639	2,753,219
Additions to Physical Assets (page 10)	(5,206,717)	(3,540,793)
Cost of Physical Assets Disposed (page 10)	692,931	804,116
	<u>(2,335,445)</u>	<u>(2,263,537)</u>
Total increase in equity		
Changes in Non-Cash Working Capital		
Decrease (Increase) in Taxes Receivable	374,495	(169,836)
Decrease (Increase) in Accounts Receivable	(2,396,564)	(464,440)
Decrease (Increase) in Inventories	384,321	(788,814)
Decrease (Increase) in Prepaid Expenses	92,292	12,246
Increase (Decrease) in Accounts Payable	(504,226)	804,277
Increase (Decrease) in Deferred Revenue	2,714,600	(438,004)
Increase (Decrease) in Other Liabilities	253,982	(55)
	<u>918,900</u>	<u>(1,044,626)</u>
Total Change in Non-Cash Working Capital		
Total Funds used by Operating Activities	<u>(1,416,545)</u>	<u>(3,308,163)</u>
Investing and Financing Activities		
Repayment of Long-Term Debt	(15,853)	(73,229)
Change in Long-Term Investments	92	(691)
Changes in Note Receivable - MVSH	61,718	(49,000)
Issue (Repay) Debenture	(61,064)	100,000
Change in Notes Receivable - MVRWC	(135,017)	(97,896)
Proceeds from Note Receivable - MVRES	40,264	255,843
	<u>(109,860)</u>	<u>135,027</u>
Total Funds Provided (Used) by Investing and Financing Activities		
	<u>(109,860)</u>	<u>135,027</u>
Change in Cash and Cash Equivalents	(1,526,405)	(3,173,136)
Net Cash and Cash Equivalents, Beginning	<u>8,170,040</u>	<u>11,343,176</u>
Net Cash and Cash Equivalents, Ending	<u><u>6,643,635</u></u>	<u><u>8,170,040</u></u>
Net Cash and Cash Equivalents Consists of:		
Cash (deficiency)	(2,163,041)	157,009
Bonds and other deposits	<u>8,806,676</u>	<u>8,013,031</u>
	<u><u>6,643,635</u></u>	<u><u>8,170,040</u></u>

**MOUNTAIN VIEW COUNTY
SCHEDULE OF OPERATING EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budget (Unaudited) \$	2005 \$	2004 \$
General Government			
Legislative	363,400	328,368	338,352
General administration	2,289,004	2,553,595	1,971,307
Protective Services			
Police protection	295,200	258,264	205,847
Fire protection	660,827	587,325	746,940
Emergency services	291,499	290,259	256,190
Environmental Development Services			
Agriculture Service Board	625,500	595,735	549,252
Planning and zoning	586,400	563,810	501,959
Recreation and Cultural Services			
Recreation buildings and facilities	297,725	266,491	258,349
Recreation boards	470,336	465,619	443,489
Community Services			
Public transportation	39,500	38,600	33,700
Public Works	12,008,847	12,713,927	9,175,477
Environmental Health Services	5,000	5,618	5,364
Family and Community Support Services	209,813	217,310	208,529
Fiscal Services			
Debt charges and allowances	233,208	249,761	253,953
Other transfers and requisitions	58,800	20,122	5,366
Total Expenditures	<u>18,435,059</u>	<u>19,154,804</u>	<u>14,954,074</u>

**MOUNTAIN VIEW COUNTY
SCHEDULE OF EQUITY IN CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	2005	2004
	\$	\$
Changes in equity in capital assets are as follows:		
Balance at beginning of year	24,911,076	22,157,857
Add:		
Additions to physical assets	5,206,717	3,540,793
Capital debt repaid	15,853	16,542
Less:		
Cost of assets disposed of	692,931	804,116
	<hr/>	<hr/>
Balance at end of year	<u>29,440,715</u>	<u>24,911,076</u>

	2005	2004
	\$	\$
Equity in capital assets consists of:		
Capital assets	29,440,715	24,926,929
Capital lease obligation (note 8)	-	(15,853)
	<hr/>	<hr/>
	<u>29,440,715</u>	<u>24,911,076</u>

**MOUNTAIN VIEW COUNTY
SCHEDULE OF RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budget (unaudited) \$	2005 \$	2004 \$
Balance at beginning of year			
Operating Fund	6,935,715	6,935,715	12,349,931
Capital Fund	<u>3,670,651</u>	<u>3,670,651</u>	<u>936,805</u>
	10,606,366	10,606,366	13,286,736
Add (Deduct)			
Transfer from Operating Fund	703,300	2,433,986	2,037,683
Transfer to Operating Fund	<u>(2,414,744)</u>	<u>(2,109,815)</u>	<u>(7,451,899)</u>
Net Transfer from (to) Operating Fund	<u>(1,711,444)</u>	<u>324,171</u>	<u>(5,414,216)</u>
Transfer from Capital Reserve	(2,740,651)	(2,698,170)	-
Transfer to Capital Reserve	<u>320,000</u>	<u>326,999</u>	<u>2,733,846</u>
Net Transfer from (to) Capital Fund	<u>(2,420,651)</u>	<u>(2,371,171)</u>	<u>2,733,846</u>
Change in Fund Balance	<u>(4,132,095)</u>	<u>(2,047,000)</u>	<u>(2,680,370)</u>
Balance at end of year (note 11)			
Operating Fund	5,224,271	7,259,886	6,935,715
Capital Fund	<u>1,250,000</u>	<u>1,299,480</u>	<u>3,670,651</u>
	<u><u>6,474,271</u></u>	<u><u>8,559,366</u></u>	<u><u>10,606,366</u></u>

SCHEDULE 4

**MOUNTAIN VIEW COUNTY
SCHEDULE OF TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budget (unaudited) \$	2005 \$	2004 \$
Taxation			
Real property taxes	12,558,744	12,479,913	11,704,845
Power and pipelines	10,216,294	10,515,139	9,368,411
Previous Year (Underlevy)Overlevy	(186,008)	(184,491)	59,384
Current Year Underlevy(Overlevy)		(175,698)	184,491
	<u>22,589,030</u>	<u>22,634,863</u>	<u>21,317,131</u>
Requisitions			
Alberta School Foundation Fund	9,722,517	9,640,004	9,717,940
Mountain View Management Board	300,504	300,504	298,836
Mountain View Regional Waste Management	200,211	200,211	212,345
	<u>10,223,232</u>	<u>10,140,719</u>	<u>10,229,121</u>
Net Taxes Available for Municipal Purposes	<u><u>12,365,798</u></u>	<u><u>12,494,144</u></u>	<u><u>11,088,010</u></u>

SCHEDULE 5

**SCHEDULE OF EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2005**

	2005 \$	2004 \$
Expenditures		
Salaries, wages, and benefits	6,178,168	5,509,614
Contracted and purchased services	6,714,476	4,047,698
Materials, goods, supplies, and utilities	4,315,634	3,367,844
Provision for allowances	49,761	30,018
Bank charges and short term interest	29,001	14,139
Long term debt and leases	177,578	212,699
Grants to other organizations	1,690,186	1,772,062
Physical assets acquired	<u>5,206,717</u>	<u>3,540,793</u>
Total Expenditures	<u><u>24,361,521</u></u>	<u><u>18,494,867</u></u>

**MOUNTAIN VIEW COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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 and waste management that are not part of the municipal reporting entity.

Interdepartmental and organizational transactions and balances are eliminated.

b) **Basis of Accounting**

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

c) **Use of Estimates**

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

d) **Fund Accounting**

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

e) **Government Transfers**

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

f) **Pension Expenditure**

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

MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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 physical 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 YEAR ENDED DECEMBER 31, 2005**

2. CASH AND TEMPORARY INVESTMENTS

	2005	2004
	\$	\$
Cash (bank indebtedness)	(2,163,041)	157,009
Bonds and other deposits	8,806,676	8,013,031
	<u>6,643,635</u>	<u>8,170,040</u>

Bonds with an original cost of \$830,350 (2004 - 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 \$2,980,442 (2004 - \$265,842) of conditional grants received but not yet been spent. (See Note 6)

The County has a \$500,000 operating line of credit with the bank which was not being utilized at year end.

3. TAXES RECEIVABLE

	2005	2004
	\$	\$
Current taxes and grants in lieu	732,479	983,143
Tax arrears	392,014	480,972
	<u>1,124,493</u>	<u>1,464,115</u>
Less: Allowance for uncollected taxes	265,064	230,191
	<u>859,429</u>	<u>1,233,924</u>

4. INVESTMENTS

	2005	2004
	\$	\$
ALARIE	71,437	71,437
A.A.M.D.&C. (Trade Division)	5,036	5,545
Other	5,713	5,296
	<u>82,186</u>	<u>82,278</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 18)

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

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

5. TRUST FUNDS

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

	2005	2004
	\$	\$
Cash in lieu of Municipal Reserve		
Balance Beginning of Year	302,472	294,271
Additions to Reserve	85,425	24,324
Interest Revenue	7,179	6,650
Grants	-	(22,773)
	<u>395,076</u>	<u>302,472</u>
Cremona Recreation Board		
Balance Beginning of Year	17,704	14,152
Additions to Reserve	62,705	63,215
Interest Revenue	367	221
Board and Other Expenses	(311)	(362)
Grants	(58,765)	(59,522)
	<u>21,700</u>	<u>17,704</u>
Total Trust Funds	<u><u>416,776</u></u>	<u><u>320,176</u></u>

6. DEFERRED REVENUE

Alberta Municipal Infrastructure Program Grant	2,450,960	-
Municipal Sponsorship Grants	20,000	95,300
FCSS Grants	85,906	125,427
Municipal Ground Ambulance Grant	70,983	-
Regional Partnerships Initiative Grant	58,562	-
Alberta Water Management & Erosion Control Grant	279,389	-
Other Grants	14,642	45,115
	<u><u>2,980,442</u></u>	<u><u>265,842</u></u>

Alberta Municipal Infrastructure Program Grant

Funding of 2,414,304 was received in the current year 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 \$36,656 in 2005. This amount 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 \$4,389 in 2005. This amount has been added to the funds.

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

7. EMPLOYEE BENEFIT OBLIGATIONS

The County does not accrue any liability for vacation or overtime that employees are deferring to future years. It is general policy that vacation be taken in the year that it is earned although there are exceptions to this policy.

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 2005 was \$10,139 (2004 - \$8,347)

8. CAPITAL LEASE OBLIGATION

	2005	2004
	\$	\$
Capital leases	-	15,853
Current portion	-	15,853
	-	-
	-	-

The date of the final installment was November 30, 2005.

9. LONG TERM DEBT

	2005	2004
	\$	\$
Debentures	2,982,249	3,043,313
Current portion	64,633	61,064
	2,917,616	2,982,249
	2,917,616	2,982,249

	<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 14) 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.

MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

9. LONG TERM DEBT (Continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2006	64,633	174,295	238,928
2007	68,410	170,518	238,928
2008	72,409	166,519	238,928
2009	76,641	162,287	238,928
2010	81,120	157,808	238,928
Thereafter	2,619,036		
	<u>2,982,249</u>		

10. FLOOD RELIEF REVENUE

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 \$2.2 million dollars was spent in 2005. 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 accrued receivable for \$750,000 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.

11. RESERVES

Reserves for operating and capital activities are as follows:

OPERATING RESERVES:	Beginning of Year	Additions	Deletions	End of Year
	\$	\$	\$	\$
Public Transport	217,594	12,577	6,831	223,340
Public Works:				
Divisional Projects	698,847	-	698,847	-
Road Patching	99,280	-	99,280	-
Public Works Special Projects	1,089,941	926,728	709,137	1,307,532
Snow Removal	220,643	-	-	220,643
Gravel	-	87,550	-	87,550
Re-Chipping	286,635	92,375	-	379,010
Family & Community Support Services (F.C.S.S.)	46,426	2,683	21,731	27,378
Tax Rate Stabilization	398,602	619,113	15,122	1,002,593
Rural Community Grant	84,396	15,628	15,090	84,934
Parks	12,508	690	-	13,198
Didsbury Fire	242,179	13,998	-	256,177
General Fire (2)	-	188,270	188,270	-
Working Capital (1), (2)	3,538,664	474,374	355,507	3,657,531
Total Operating Reserves	<u>6,935,715</u>	<u>2,433,986</u>	<u>2,109,815</u>	<u>7,259,886</u>

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

11. RESERVES (Continued)

CAPITAL RESERVES:

Administration Equipment	6,805	-	-	6,805
Radio Hub	-	6,999	-	6,999
New Administration Building	2,733,846	-	2,698,170	35,676
Heavy Equipment	930,000	320,000	-	1,250,000
	<u>3,670,651</u>	<u>326,999</u>	<u>2,698,170</u>	<u>1,299,480</u>

Total Capital Reserves

TOTAL RESERVES:

<u>10,606,366</u>	<u>2,760,985</u>	<u>4,807,985</u>	<u>8,559,366</u>
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- (1) This reserve is set aside to provide liquidity and reduce financing costs in the interim period between when most of the County's expenses are incurred and when annual property taxes are collected. The maximum amount of the reserve is set by a capping formula. This reserve was first established in 2002 with a transfer from Unappropriated Operating Equity.
- (2) Funding to the General Fire Reserve is based on a 20 year capital replacement plan. Although the 20 year plan is fully funded, within the plan there are years when the reserve will be under funded at year end. When this occurs, funds will be loaned from other funds to offset the deficiency in the General Fire Reserve and the loan is shown as a deletion from the loaning fund and an addition to the General Fire Reserve. \$91,040, \$254,428 and 28,270 was loaned from the Working Capital Reserve in 2003, 2004 and 2005 respectively.

12. CAPITAL FUND

	2005	2004
	\$	\$
Truck Fleet	164,466	147,797
Miscellaneous Capital	(201,460)	(378,431)
Heavy Equipment	<u>197,634</u>	<u>556,056</u>
	<u>160,640</u>	<u>325,422</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 2004 the over expenditure was largely due to land purchases in previous years. In 2005 the land over expenditure was resolved through land sales. Then also 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 funded from the sale of lots at the airport in future years.

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

13. DEBT LIMIT

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for Mountain View County be disclosed as follows:

	2005	2004
	\$	\$
Total debt limit	33,039,114	24,346,995
Total debt	<u>2,982,249</u>	<u>3,059,166</u>
Amount below total debt limit	<u>30,056,865</u>	<u>21,287,829</u>
Service on debt limit	5,506,519	4,057,833
Service on debt	<u>238,928</u>	<u>213,730</u>
Amount below limit on debt service	<u>5,267,591</u>	<u>3,844,103</u>

The debt limit is calculated at 1.5 times revenue of the County (as defined in Alberta Regulation 255/00) 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.

14. 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 153,000 people and 404 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 7.40% of the pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 10.14% for the excess.

The current service contributions by the Mountain View County to the Local Authorities Pension Plan in 2005 were \$187,825 (2004 - \$180,286). Total current service contributions by the employees of the Mountain View County to the Local Authorities Pension Plan in 2005 were \$163,830 (2004 - \$154,524).

At December 31, 2004, the Plan disclosed an actuarial deficit of \$1.29 Billion (2003 - \$1.45 Billion).

The County along with other members of LAPP has been named as a defendant in a class action lawsuit filed by the Alberta Society for Pension Reform. The outcome of this action cannot be determined at this time and therefore there are no provisions made in the financial statements.

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

15. 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:

	----- 2005 -----			----- 2004 -----		
	<u># of Persons</u>	<u>Salary (1)</u> \$	<u>Benefits & Allowances (2)</u> \$	<u>Total</u> \$	<u># of Persons</u>	<u>Total</u> \$
Reeve (3)						
Division 4		-	-	-	1	29,361
Division 7	1	37,541	5,121	42,662	1	6,273
Councillors						
Division 1	1	30,881	4,987	35,868	1	29,582
Division 2	2	23,655	4,126	27,781	1	33,370
Division 3	1	25,039	3,783	28,822	1	26,171
Division 4	1	28,537	4,627	33,164	1	6,359
Division 5	1	26,073	4,237	30,310	1	38,102
Division 6	1	28,404	3,080	31,484	1	28,475
Division 7		-	-	-	1	18,620
Chief Administrative Officer	3	178,355	256,950	435,305	1	130,840

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

MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

16. RELATED PARTY TRANSACTIONS

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

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

The two emergency services provide ambulance services to the residents of Mountain View County and the five urban areas within the County. MVRES is a commission operated jointly by the County and the five urban municipalities. To establish the Commission, the County advanced MVRES \$546,873 for start up costs and initial working capital. The advance is to be repaid over 5 years, which started in 2002, and incurs interest at a rate comparable to other County investments. Repayment is to be at \$110,000 per year plus interest. \$220,000 was paid during 2004. In 2005 the remaining balance was paid, retiring the loan ahead of schedule.

The County continued to offer administrative support to MVRES for a monthly fee. During 2004 MVRES management assumed responsibility for administrative management of S&DEMS. The County began providing administrative support to S&DEMS for a monthly fee, as well. In March of 2005 MVRES acquired the assets of S&DEMS and assumed direct responsibility for emergency services in the Sundre area. At this same time the County discontinued administrative support to S&DEMS. 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 2005 is \$37,169 (2004 - \$31,680).

Mountain View Regional Waste Management Commission

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

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, total amount in 2005 is \$70,800 (2004 - \$78,706).

In 2003 the County advanced MVRWC \$137,121 in prepaid operating requisition. This amount remains outstanding and has been converted into a loan with no fixed terms of repayment and interest being charged at rates equal to royal bank prime (currently 5.5%). 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 equal annual payments.

Mountain View Senior's Housing (See Note 9)

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. This note receivable is secured by the requisitions payable to MVSH by each of the funding municipalities.

**MOUNTAIN VIEW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

17. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

18. CONTINGENCY

Contained within the County's investments is an investment in ALARIE (see Note 4) of \$71,437 (2003 - \$71,437). ALARIE is currently in the process of being wound down. At this point the actual amount that the County will receive cannot be determined. The final amount realized from the investment is contingent on the final resolution of all assets and liabilities of ALARIE. Final liabilities will not be known until all claims have been satisfied or assumed by another party.

19. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.