

**MOUNTAIN VIEW COUNTY**

**FINANCIAL STATEMENTS**

**December 31, 2003**

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## AUDITOR'S 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, 2003 and the consolidated statements of equity and operations, 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, 2003 and the results of its operations and its cash flows for the year then ended in accordance with the disclosed basis of accounting in Note 1.

*Collins Barrow Red Deer LLP*

Red Deer, Alberta  
February 27, 2004

CHARTERED ACCOUNTANTS



**MOUNTAIN VIEW COUNTY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>		
Cash and deposit certificates	11,343,176	12,195,892
Taxes receivable (note 2)	1,064,088	780,207
Accounts receivable		
Federal government	84,230	66,960
Provincial government	460,881	1,148,220
Local governments	69,665	19,359
Other	517,083	787,825
Investments (note 3, 14)	81,587	81,327
MVRES - Note receivable (note 12)	296,107	361,873
MVSH - Note receivable (note 12)	3,027,134	
Inventories	1,357,051	1,379,594
Prepaid expenses	454,897	294,202
Trust accounts (note 4)	<u>308,423</u>	<u>349,539</u>
<b>Total Financial Assets</b>	<u>19,064,322</u>	<u>17,464,998</u>
<b>Physical Assets</b>		
Land and improvements	3,776,838	3,766,838
Buildings	3,172,276	2,656,754
Equipment and furnishings	11,941,192	10,001,226
Vehicles	<u>3,299,950</u>	<u>3,237,346</u>
<b>Total Physical Assets</b>	<u>22,190,256</u>	<u>19,662,164</u>
<b>Total Assets</b>	<u><u>41,254,578</u></u>	<u><u>37,127,162</u></u>

## LIABILITIES

	2003	2002
	\$	\$
<b>Current Liabilities</b>		
Accounts payable		
Federal government	91,906	369
Provincial government	353,601	61,978
Local governments	5,076	23,638
Other	868,168	690,401
Deferred revenue	703,846	567,431
Current portion of capital lease obligation (note 5)	16,542	15,798
Current portion of long-term debt (note 6)	55,655	
Trust accounts (note 4)	<u>308,423</u>	<u>349,539</u>
	2,403,217	1,709,154
<b>Other liabilities</b>	231,918	246,838
<b>Capital lease obligation (note 5)</b>	15,853	32,395
<b>Long-term debt (note 6)</b>	<u>2,944,345</u>	<u>                    </u>
	<u>5,595,333</u>	<u>1,988,387</u>

## EQUITY

Unappropriated operating equity	208,499	197,286
Operating reserves (note 7)	12,349,931	13,157,813
Capital reserves (note 7)	936,805	2,701,805
Capital fund	6,153	(532,100)
Equity in physical assets	<u>22,157,857</u>	<u>19,613,971</u>
<b>Total Equity</b>	<u>35,659,245</u>	<u>35,138,775</u>
<b>Total Liabilities and Equity</b>	<u><u>41,254,578</u></u>	<u><u>37,127,162</u></u>

**MOUNTAIN VIEW COUNTY**  
**STATEMENT OF OPERATIONS AND UNAPPROPRIATED OPERATING EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	Budget (unaudited)	2003	2002
	\$	\$	\$
<b>Revenues</b>			
<b>Net Taxes Available for Municipal Purposes   (Schedule 4)</b>	10,650,283	10,704,447	9,663,422
<b>Sale of Goods and Services</b>			
Sale of goods	366,500	395,187	161,217
Sale of services	219,800	319,244	251,800
Other	44,250	53,737	259,885
<b>Other Revenue From Own Sources</b>			
Return on investments	500,000	534,921	580,341
Other licenses and permits	325,000	331,771	347,324
Park fees	223,500	217,397	213,425
Penalties and costs on taxes	121,000	124,547	118,773
Rentals	151,500	168,854	149,591
Other	101,715	132,715	66,082
<b>Unconditional Provincial Grants</b>	31,769	31,769	34,315
<b>Conditional Grants from Other Governments</b>			
Federal	5,000		752,270
Provincial - Transportation road grant	520,723	520,723	520,723
- Special transportation grants	1,613,500	391,641	580,494
- Other grants	344,758	351,955	450,237
Municipal		9,000	131,294
<b>Other Transfers</b>			
From own agencies			7,786
<b>Total Revenue</b>	15,219,298	14,287,908	14,288,979
<b>Total Operating Expenditures (Schedule 1)</b>	16,404,729	13,542,733	13,129,457
<b>Excess of Revenue over Expenditures</b>	(1,185,431)	745,175	1,159,522
<b>Net Interfund Transfers</b>			
From Reserves (Note 7)	3,400,772	2,346,508	2,453,822
To Reserves (Note 7)	(1,060,341)	(1,538,625)	(7,907,254)
Transfers to Capital Funds	(1,155,000)	(1,541,845)	(1,208,126)
Debt Repayment			(11,778)
<b>Increase in Operating Fund During the Year</b>		11,213	(5,513,814)
<b>Beginning Unappropriated Operating Equity</b>	197,286	197,286	5,711,100
<b>Ending Unappropriated Operating Equity</b>	197,286	208,499	197,286

**MOUNTAIN VIEW COUNTY  
STATEMENT OF CAPITAL FUND EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Budget (unaudited) \$	2003 \$	2002 \$
<b>Revenues</b>			
Sale of physical assets	1,528,000	864,600	470,547
Other	24,000	24,000	109,571
	<u>1,552,000</u>	<u>888,600</u>	<u>580,118</u>
<b>Expenditures</b>			
Public works	2,602,000	2,788,694	1,438,605
Truck fleet	105,000	62,604	149,828
Other capital	273,900	805,894	1,420,765
	<u>2,980,900</u>	<u>3,657,192</u>	<u>3,009,198</u>
<b>Deficiency of Revenues over Expenditures</b>	(1,428,900)	(2,768,592)	(2,429,080)
<b>Net Interfund Transfers</b>			
From Reserves	847,637	1,765,000	656,295
From Operating	1,155,000	1,541,845	1,208,126
	<u>573,737</u>	<u>538,253</u>	<u>(564,659)</u>
<b>Increase (Decrease) in Capital Fund During the Year</b>	<u>573,737</u>	<u>538,253</u>	<u>(564,659)</u>
<b>Capital Fund Equity (Deficiency) at Beginning of Year</b>	<u>(532,100)</u>	<u>(532,100)</u>	<u>32,559</u>
<b>Capital Fund Equity (Deficiency) at End of Year</b>	<u>41,637</u>	<u>6,153</u>	<u>(532,100)</u>

**MOUNTAIN VIEW COUNTY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	2003	2002
	\$	\$
<b>Cash flows provided by:</b>		
<b>Operating Activities</b>		
Increase (Decrease) in Operating Surplus	11,213	(5,513,814)
Increase (Decrease) in Operating Reserves	(807,882)	5,453,432
Increase (Decrease) in Capital Fund	538,253	(564,659)
Decrease in Capital Reserves	(1,765,000)	(656,295)
Increase in Equity in Physical Assets	<u>2,543,886</u>	<u>2,303,641</u>
 Total increase in equity	 520,470	 1,022,305
<b>Changes in Non-Cash Working Capital</b>		
Decrease (Increase) in Taxes Receivable	(283,881)	(79,405)
Decrease (Increase) in Accounts Receivable	890,505	(765,280)
Decrease (Increase) in Inventories	22,543	(256,999)
Decrease (Increase) in Prepaid Expenses	(160,695)	79,924
Increase (Decrease) in Accounts Payable	542,365	(136,912)
Increase in Deferred Revenue	136,415	79,150
Decrease in Other Liabilities	<u>(14,920)</u>	<u>(38,779)</u>
 Total Change in Non-Cash Working Capital	 <u>1,132,332</u>	 <u>(1,118,301)</u>
 <b>Total Funds Provided by Operating Activities</b>	 <u>1,652,802</u>	 <u>(95,996)</u>
<b>Investing and Financing Activities</b>		
Repayment of Long-Term Debt	(15,798)	(11,380)
Proceeds from Long-Term Debt		59,573
Change in Long-Term Investments	(260)	892
Issue Note Receivable - MVSH	(3,027,134)	
Issue Debenture	3,000,000	
Proceeds from Note Receivable - MVRES	65,766	185,000
Additions to Physical Assets (Schedule 2)	(3,641,394)	(2,994,502)
Cost of Physical Assets Disposed (Schedule 2)	<u>1,113,302</u>	<u>617,343</u>
 <b>Total Funds Provided by Investing and Financing Activities</b>	 <u>(2,505,518)</u>	 <u>(2,143,074)</u>
 <b>Change in Cash and Cash Equivalents</b>	 (852,716)	 (2,239,070)
 <b>Net Cash and Cash Equivalents, Beginning</b>	 <u>12,195,892</u>	 <u>14,434,962</u>
 <b>Net Cash and Cash Equivalents, Ending</b>	 <u>11,343,176</u>	 <u>12,195,892</u>
 <b>Net Cash and Cash Equivalents Consists of:</b>		
Cash	73,207	141,338
Bonds and term deposits	<u>11,269,969</u>	<u>12,054,554</u>
	<u>11,343,176</u>	<u>12,195,892</u>

**MOUNTAIN VIEW COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**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.

The schedule of taxes levied also includes requisitions for education and seniors' lodges 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(e).

c) **Fund Accounting**

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

d) **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.

e) **Pension Expenditure**

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

f) **Other Financial Assets**

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

**MOUNTAIN VIEW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

g) **Inventories**

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

h) **Physical Assets**

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

Physical assets for government purposes are not depreciated.

i) **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.

j) **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.

k) **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.

l) **Equity in Physical 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.

m) **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, 2003**

**2. TAXES RECEIVABLE**

	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>
Current taxes and grants in lieu	861,110	599,536
Tax arrears	<u>406,923</u>	<u>402,103</u>
	1,268,033	1,001,639
Less: Allowance for uncollected taxes	<u>203,945</u>	<u>221,432</u>
	<u><u>1,064,088</u></u>	<u><u>780,207</u></u>

**3. INVESTMENTS**

	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>
ALARIE	71,437	71,437
A.A.M.D.&C. (Trade Division)	5,204	5,102
Other	<u>4,946</u>	<u>4,788</u>
	<u>81,587</u>	<u>81,327</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 14)

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, 2003**

**4. TRUST FUNDS**

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

	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>
<b>Cash in lieu of Municipal Reserve</b>		
Balance Beginning of Year	332,556	397,817
Additions to Reserve	29,468	65,253
Interest Revenue	7,391	17,189
Grants	<u>(75,144)</u>	<u>(147,703)</u>
Balance End of Year	<u>294,271</u>	<u>332,556</u>
<b>Cremona Recreation Board</b>		
Balance Beginning of Year	16,983	-
Additions to Reserve	60,881	74,079
Interest Revenue	378	171
Board and Other Expenses	(315)	(539)
Grants	<u>(63,775)</u>	<u>(56,728)</u>
	<u>14,152</u>	<u>16,983</u>
<b>Total Trust Funds</b>	<u><u>308,423</u></u>	<u><u>349,539</u></u>

**5. Obligation Under Capital Leases**

	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>
Capital leases	32,395	48,193
Current portion	<u>16,542</u>	<u>17,690</u>
	<u><u>15,853</u></u>	<u><u>30,503</u></u>

The capital lease is repayable in monthly installments of \$ 1,474 including interest at the rate of 4.62%. Computer equipment with a cost of \$58,890 has been pledged as security. The date of the final installment is November 30, 2005.

Estimated payments are as follows:

2004	17,690
2005	<u>16,221</u>
	33,911
Amount representing interest	<u>1,516</u>
Principal portion	<u><u>32,395</u></u>

**MOUNTAIN VIEW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

6. LONG TERM DEBT	2003 \$
Debentures	3,000,000
Current portion	<u>55,655</u>
	<u><u>2,944,345</u></u>

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 12) There are three individual 25 year debentures, each of \$1,000,000, payable to Alberta Capital Finance Authority. Each debenture has annual payments with the first payments due on their anniversary dates in 2004. The final payments are due in 2028. The debentures have anniversary dates of September 2, November 3 and December 15 and interest rates of 6%, 5.875% and 5.75%.

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

2004	55,655
2005	58,924
2006	62,385
2007	66,049
2008	69,929
Thereafter	2,687,058
	<u><u>3,000,000</u></u>

**MOUNTAIN VIEW COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

**7. RESERVES**

Reserves for operating and capital activities are as follows:

<b>OPERATING RESERVES:</b>	<b>Beginning of Year</b>	<b>Additions</b>	<b>Deletions</b>	<b>End of Year</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Public Transport	202,059	11,437	5,731	207,765
Public Works:				
Divisional Projects	637,735	84,341	536,020	186,056
Road Patching	434,341		340,730	93,611
Public Works Special Projects	1,648,198	445,000	420,224	1,672,974
Snow Removal	331,000	232,995	232,995	331,000
Gravel		64,725		64,725
Re-Chipping		97,225		97,225
Family & Community Support Services (F.C.S.S.)	97,870	5,539	35,785	67,624
Major Projects	1,406,798	79,625		1,486,423
Tax Rate Stabilization	2,263,479	333,534	260,137	2,336,876
Recreation	84,646	4,791	10,745	78,692
Parks	12,008			12,008
Administration Building	20,000			20,000
Didsbury Fire	270,672	15,320		285,992
General Fire (2)	249,007	255,134	504,141	
Working Capital (1), (2)	5,500,000		91,040	5,408,960
	<u>13,157,813</u>	<u>1,629,666</u>	<u>2,437,548</u>	<u>12,349,931</u>
<b>CAPITAL RESERVES:</b>				
Administration Equipment	6,805			6,805
Salt/Sand Pad - Didsbury Yard	95,000		95,000	
Heavy Equipment	2,600,000		1,670,000	930,000
	<u>2,701,805</u>		<u>1,765,000</u>	<u>936,805</u>
<b>TOTAL RESERVES:</b>	<u>15,859,618</u>	<u>1,629,666</u>	<u>4,202,548</u>	<u>13,286,736</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. In 2003, \$91,040 was loaned from the Working Capital Reserve.

**MOUNTAIN VIEW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**8. 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:

	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>
Total debt limit	22,764,762	22,303,646
Total debt	<u>3,032,395</u>	<u>48,193</u>
Amount below total debt limit	<u>19,732,367</u>	<u>22,255,453</u>
Service on debt limit	3,794,127	3,717,274
Service on debt	<u>249,595</u>	<u>17,690</u>
Amount below limit on debt service	<u>3,544,532</u>	<u>3,699,584</u>

**9. 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 143,000 people and 401 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 5.525% of the pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 7.4% for the excess.

The current service contributions by the Mountain View County to the Local Authorities Pension Plan in 2003 were \$137,882 (2002 - \$115,066). Total current service contributions by the employees of the Mountain View County to the Local Authorities Pension Plan in 2003 were \$114,529 (2002 - \$94,830).

At December 31, 2002, the Plan disclosed an actuarial deficit of \$444,980.

**MOUNTAIN VIEW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**10. SALARY AND BENEFITS DISCLOSURE**

Disclosure of salaries and benefits for elected municipal officials and the chief administrative officer as required by provincial regulation 379/94 is as follows:

	----- 2003 -----			----- 2002 -----		
	<u># of Persons</u>	<u>Salary (1)</u> \$	<u>Benefits &amp; Allowances (2)</u> \$	<u>Total</u> \$	<u># of Persons</u>	<u>Total</u> \$
Reeve						
Division 4	1	20,529	14,181	34,710	1	35,665
Councillors						
Division 1	1	15,390	10,818	26,208	1	27,368
Division 2	1	19,038	13,497	32,535	1	23,387
Division 3	1	15,390	10,830	26,220	1	28,211
Division 5	1	20,691	12,743	33,434	1	27,312
Division 6	1	14,022	10,667	24,689	1	23,202
Division 7	1	14,079	10,305	24,384	1	24,615
Commissioner	1	111,263	15,338	126,601	1	117,556

- (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.

**MOUNTAIN VIEW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**11. FINANCIAL INSTRUMENTS**

The County's financial instruments consist of cash and deposit certificates, taxes receivable, accounts receivable, investments, notes receivable from related parties, 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 deposit certificates, 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 deposit certificates, 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 FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**12. RELATED PARTY TRANSACTIONS**

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

**Mountain View Regional Emergency Services**

Mountain View Regional Emergency Services (MVRES) provides ambulance services to the residents of both 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. \$110,000 was paid during 2003.

The County continued to offer administrative support to MVRES for a monthly fee. The fee is an approximation of variable and fixed costs associated with the administrative support and does not contain a profit component.

**Mountain View Senior's Housing**

During 2003 Mountain View County loaned \$3,000,000 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 \$3,000,000 debenture that Mountain View County borrowed from Alberta Capital Financing Authority. (See Note 6). The amount is repayable over 25 years with \$231,905 payable each year. This note receivable is secured by the requisitions payable to MVSH by each of the funding municipalities.

**Mountain View Regional Waste Commission**

Mountain View Regional Waste 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.

During 2003 the County entered into an agreement to provide administrative support services to MVRWC. The agreement begins 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.

In 2003 the County advanced MVRWC \$137,121 in prepaid operating requisition. In addition, Mountain View County purchased rural waste bins from MVRWC at a cost of \$97,896.

**MOUNTAIN VIEW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**13. Commitment**

Mountain View County is proceeding with the construction of a new administration building. Council has been presented with a cost range for the project of between \$5.1 and \$5.5 million. The Cohos Evamy Partners has been retained to design and administer the building construction. A project manager has been hired, and the site selection and exterior design has been approved by Council. To date the County has committed to \$336,000 in architectural fees and approximately \$80,000 in project management costs. Construction completion is expected to be in mid 2005.

**14. Contingency**

Contained within the County's investments is an investment in ALARIE (see Note 3) of \$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.

**15. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by Council and Management.

**MOUNTAIN VIEW COUNTY  
SCHEDULE OF OPERATING EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Budget (Unaudited) \$	2003 \$	2002 \$
<b>General Government</b>			
Legislative	320,250	290,814	276,669
General administration	1,922,000	1,774,338	1,519,172
<b>Protective Services</b>			
Police protection	192,000	187,670	127,824
Fire protection	1,298,260	490,892	473,666
Emergency services	259,371	257,688	256,418
<b>Environmental Development Services</b>			
Agriculture Service Board	626,413	507,747	467,431
Planning and zoning	506,200	492,744	492,642
<b>Recreation and Cultural Services</b>			
Recreation buildings and facilities	257,650	262,944	238,043
Recreation boards	446,810	449,551	412,292
<b>Community Services</b>			
Public transportation	32,500	37,500	31,700
<b>Public Works</b>	10,292,076	8,354,657	8,490,660
<b>Environmental Health Services</b>	81,000	207,200	130,392
<b>Family and Community Support Services</b>	146,650	178,924	115,860
<b>Fiscal Services</b>			
Debt charges and allowances	7,049	43,150	7,302
Other transfers and requisitions	16,500	6,914	89,386
<b>Total Expenditures</b>	<u>16,404,729</u>	<u>13,542,733</u>	<u>13,129,457</u>

**MOUNTAIN VIEW COUNTY  
SCHEDULE OF EQUITY IN PHYSICAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	2003 \$	2002 \$
Balance at beginning of year	19,613,971	17,310,330
Add:		
Additions to physical assets	3,641,394	2,994,502
Long term debt paid by operating fund	15,798	11,380
Less:		
Cost of assets disposed of	1,113,306	617,343
Transfer of equity		25,326
Long term debt received during the year		59,572
	<hr/>	<hr/>
Balance at end of year	<u>22,157,857</u>	<u>19,613,971</u>

**MOUNTAIN VIEW COUNTY  
SCHEDULE OF RESERVES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Budget (unaudited) \$	2003 \$	2002 \$
<b>Balance at beginning of year</b>			
Operating Fund	7,704,381	13,157,813	7,704,381
Capital Fund	3,358,100	2,701,805	3,358,100
	<u>11,062,481</u>	<u>15,859,618</u>	<u>11,062,481</u>
<b>Add (Deduct)</b>			
Transfer from Operating Fund	931,363	1,629,666	7,907,254
Transfer to Operating Fund	(2,249,017)	(2,437,548)	(2,453,822)
	<u>(1,317,654)</u>	<u>(807,882)</u>	<u>5,453,432</u>
Net Transfer from Operating Fund			
Transfer from Capital Fund	(1,190,000)	(1,765,000)	(656,295)
Transfer to Capital Fund	(1,190,000)	(1,765,000)	(656,295)
	<u>(1,190,000)</u>	<u>(1,765,000)</u>	<u>(656,295)</u>
Net Transfer from Capital Fund			
<b>Change in Fund Balance</b>	<u>(2,507,654)</u>	<u>(2,572,882)</u>	<u>4,797,137</u>
<b>Balance at end of year (Note 7)</b>			
Operating Fund	6,386,727	12,349,931	13,157,813
Capital Fund	2,168,100	936,805	2,701,805
	<u>8,554,827</u>	<u>13,286,736</u>	<u>15,859,618</u>

SCHEDULE 4

**MOUNTAIN VIEW COUNTY  
SCHEDULE OF TAXES LEVIED  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Budget (unaudited) \$	2003 \$	2002 \$
<b>Taxation</b>			
Real property taxes	11,293,251	11,350,068	10,281,432
Power and pipelines	9,104,670	9,161,401	8,211,330
Previous Year (Underlevy)Overlevy	(127,708)	(127,708)	76,559
Current Year Underlevy(Overlevy)		(59,384)	127,708
	<u>20,270,213</u>	<u>20,324,377</u>	<u>18,697,029</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	9,329,998	9,329,998	8,756,287
Mountain View Management Board	289,932	289,932	268,186
Chinook's Edge Regional Division No. 5			9,134
	<u>9,619,930</u>	<u>9,619,930</u>	<u>9,033,607</u>
<b>Net Taxes Available for Municipal Purposes</b>	<u>10,650,283</u>	<u>10,704,447</u>	<u>9,663,422</u>

SCHEDULE 5

**SCHEDULE OF EXPENDITURES BY OBJECT  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	2003 \$	2002 \$
<b>Expenditures</b>		
Salaries, wages, and benefits	5,197,752	4,374,459
Contracted and purchased services	3,212,783	4,346,366
Materials, goods, supplies, and utilities	3,421,363	2,867,971
Provision for allowances	(11,533)	29,974
Bank charges and short term interest	14,123	5,414
Long term debt and leases	29,027	1,888
Grants to other organizations	1,679,218	1,503,385
Physical assets acquired	3,657,192	3,009,198
<b>Total Expenditures</b>	<u>17,199,925</u>	<u>16,138,655</u>