

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

<b>2. TAXES RECEIVABLE</b>	<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>
<b>3. INVESTMENTS</b>	<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><u>81,587</u></u>	<u><u>81,327</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 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.

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**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>15,853</u>	<u>30,503</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>

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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>

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**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.

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**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.

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**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
Councilors						
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.

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**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.

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**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.

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**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.