

AUDITORS' REPORT

To the Mayor and Council  
The Village of Myrnam

We have audited the consolidated statement of financial position of the Village of Myrnam as at December 31, 2004 and the consolidated statement of financial activities with change in fund balances, statement of operating revenue and expenditures and the consolidated statement of changes in financial position and the schedules supporting these statements for the year then ended. These consolidated 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 administration, 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 the Village of Myrnam as at December 31, 2004 and the results of its financial activities and changes in its financial position for the year then ended in accordance with the disclosed basis of accounting as described in Note 1.

Vegreville, Alberta  
January 27, 2005

Chartered Accountants

**VILLAGE OF MYRNAM**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2004

	2004 \$	2003 \$
<b>Financial Assets</b>		
Cash and investments - Note 2	110,183	78,547
Taxes receivable - Note 3	21,931	20,480
Receivable from other governments	21,474	12,811
Trade and other receivables	11,256	11,834
Prepaid expenses	191	-
Inventory - land held for resale	23	23
<b>Total Financial Assets</b>	<b>165,058</b>	<b>123,695</b>
<b>Capital Assets - Note 4</b>	<b>2,063,005</b>	<b>2,048,004</b>
<b>TOTAL ASSETS</b>	<b>2,228,063</b>	<b>2,171,699</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	22,081	29,563
Deposit liabilities	5,798	3,158
Deferred revenue - Note 5	89,535	19,968
Long term debt - Note 6	36,066	58,196
<b>TOTAL LIABILITIES</b>	<b>153,480</b>	<b>110,885</b>
<b>Municipal Equity</b>		
Operating fund	679	16,754
Reserve fund - Note 7	46,965	54,253
	47,644	71,007
Equity in capital assets - Note 8	2,026,939	1,989,807
<b>MUNICIPAL EQUITY</b>	<b>2,074,583</b>	<b>2,060,814</b>
<b>TOTAL LIABILITIES AND MUNICIPAL EQUITY</b>	<b>2,228,063</b>	<b>2,171,699</b>

Contingency - Note 9

See accompanying notes

Approved by:

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Chief Administrative Officer

**VILLAGE OF MYRNAM**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES WITH CHANGE IN FUND BALANCES**  
For the year ended December 31, 2004

	Capital \$	Reserves \$	Operating \$	2004 \$	Budget \$ (unaudited)	2003 \$
<b>Revenues</b>						
Net municipal taxes - Page 5			170,778	170,778	151,914	160,550
User fees			93,222	93,222	99,400	94,647
Government transfers	10,000		28,041	38,041	30,609	78,895
Investment income			403	403	900	967
Penalties and costs of taxes			4,998	4,998	5,500	8,558
Other revenue own sources			4,384	4,384	6,975	9,272
	10,000	-	301,826	311,826	295,298	352,889
<b>Expenditures</b>						
Administration and Council			79,196	79,196	85,205	83,991
Protection services			17,689	17,689	21,400	13,963
Ambulance			6,762	6,762	7,004	6,762
Roads, streets, walks, lighting			94,097	109,097	98,964	110,070
Water supply and distribution	15,000		22,067	22,067	26,234	74,859
Wastewater treatment and disposal			3,341	3,341	4,800	4,663
Waste management			16,087	16,087	16,207	16,280
Recreation			2,999	2,999	3,400	9,401
Community Services			2,777	2,777	9,346	6,770
	15,000	-	245,015	260,015	272,560	326,759
<b>Excess of revenues over expenditures</b>	<b>(5,000)</b>	<b>-</b>	<b>56,811</b>	<b>51,811</b>	<b>22,738</b>	<b>26,130</b>
Net interfund transfers						
From (to) reserves	7,288	(7,288)	-	-	-	-
From (to) capital	19,844	-	(19,844)	-	-	-
Loan proceeds	-	-	-	-	-	15,000
Debt repayment	(22,132)	-	-	(22,132)	(22,738)	(16,521)
Prior period adjustment - Note 10	-	-	(36,288)	(36,288)	-	-
	5,000	(7,288)	(56,132)	(58,420)	(22,738)	(1,521)
<b>Change in fund balances</b>						
Balance, beginning of year	-	(7,288)	679	(6,609)	-	24,609
Appropriation of accumulated surplus - Note 10	-	54,253	16,754	71,007	-	46,398
	-	-	(16,754)	(16,754)	-	-
Balance, end of year	-	46,965	679	47,644	-	71,007

See accompanying notes

**VILLAGE OF MYRNAM****CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**

For the year ended December 31, 2004

	2004 \$	2003 \$
<b>Operations</b>		
Excess of revenue over expenditures before financing activities	51,811	26,130
Net changes in non-cash operating working capital balances		
Decrease (increase) in taxes and grants in place of taxes receivable	(1,451)	22,492
Decrease (increase) in receivable from other governments	(8,663)	21,070
Decrease (increase) in trade and other receivables	578	(4,872)
Decrease (increase) in prepaid expenses	(191)	342
Decrease in inventory	-	2
Decrease in accounts payable and accrued liabilities	(7,481)	(8,532)
Increase in deposit liabilities	2,640	1,560
Increase (decrease) in deferred revenue	16,525	(18,334)
	1,957	13,728
<i>Net cash provided by operating activities</i>	53,768	39,858
<b>Investing</b>		
Decrease (increase) in restricted cash and temporary investments	(69,563)	18,334
<i>Net cash provided by (used in) investing activities</i>	(69,563)	18,334
<b>Financing</b>		
Loan proceeds	-	15,000
Repayment of long term debt	(22,132)	(16,520)
<i>Net cash used in financing activities</i>	(22,132)	(1,520)
<b>Change in cash and cash equivalents during the year</b>	(37,927)	56,672
Cash and cash equivalents, beginning of year	58,579	1,907
<b>Cash and cash equivalents, end of year</b>	20,652	58,579
<b>Cash and cash equivalents are made up of:</b>		
Cash - Note 2	110,183	78,547
Less: restricted portion of cash - Note 2	(89,531)	(19,968)
	20,652	58,579

See accompanying notes

**VILLAGE OF MYRNAM**  
**STATEMENT OF OPERATING REVENUE AND EXPENDITURES**  
For the year ended December 31, 2004

	2004			2003
	Revenues	Expenditures (recoveries)	Net revenue (expenditure)	Net revenue (expenditure)
	\$	\$	\$	\$
				(unaudited)
<b>General Municipal Revenues to fund Municipal Operations</b>				
Municipal taxes - Page 5	170,778		170,778	160,550
Unconditional government transfers	1,092		1,092	1,092
Penalties and costs of taxes	4,998		4,998	8,557
Fines	867		867	-
Return on investments	403		403	967
	178,138	-	178,138	171,166
<b>Municipal Operations</b>				
Administration and Council	7,503	(79,196)	(71,693)	(79,910)
Fire fighting	8,326	(17,689)	(9,363)	(6,084)
Ambulance	-	(6,762)	(6,762)	(6,762)
Roads, streets, walks, lighting	19,071	(94,097)	(75,026)	(43,135)
Water supply and distribution	47,183	(22,067)	25,116	1,963
Wastewater treatment and disposal	21,448	(3,341)	18,107	15,478
Waste management	17,157	(16,087)	1,070	(167)
Recreation	-	(2,999)	(2,999)	(6,724)
Community Services	3,000	(2,777)	223	(2,972)
	123,688	(245,015)	(121,327)	(128,313)
<b>Excess of revenues over expenditures</b>	301,826	(245,015)	56,811	42,853
Net transfer from (to) reserves			7,288	(24,000)
Prior period adjustment - Note 10			(36,288)	-
Net transfer from (to) capital fund			(5,000)	(1,723)
Repayment of capital fund long term debt			(22,132)	(16,521)
<b>Changes in operating fund during the year</b>			679	609

**VILLAGE OF MYRNAM**  
**SCHEDULE OF PROPERTY TAXES LEVIED**  
For the year ended December 31, 2004

	2004 \$	Budget \$ (unaudited)	2003 \$
<b>Taxation</b>			
Real property	185,368		183,221
Linear property	20,490		18,319
Minimum tax	3,591		3,942
<b>Total taxes and grants in place</b>	<b>209,449</b>	<b>196,508</b>	<b>205,482</b>
<b>Requisitions</b>			
Alberta School Foundation Fund	35,388	41,311	41,311
Eagle Hill Foundation	3,283	3,283	3,621
<b>Total requisitions</b>	<b>38,671</b>	<b>44,594</b>	<b>44,932</b>
Net taxes available for general municipal operations	170,778	151,914	160,550

**SCHEDULE OF GENERAL OPERATING EXPENDITURES BY OBJECT**  
For the year ended December 31, 2004

	2004 \$	Budget \$ (unaudited)	2003 \$
<b>Expenditures</b>			
Council fees and expenses	8,031	9,322	8,306
Salaries and benefits	79,428	91,718	66,831
Contracted and general services	62,190	65,549	116,343
Materials, goods, supplies and utilities	81,880	89,932	64,633
Provision for allowances	7,588	8,521	-
Transfers to local boards and agencies	2,061	2,061	15,404
Interest on capital long term debt	3,538	5,457	4,970
Other	299	-	18,549
Capital assets acquired	15,000	-	31,723
	<b>260,015</b>	<b>272,560</b>	<b>326,759</b>

See accompanying notes

**VILLAGE OF MYRNAM**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended December 31, 2004

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**1. Significant Accounting Policies**

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

**a) Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes operating requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

**b) Basis of Accounting**

Revenues are accounted for in the period in which the transactions or events occurred that give rise to the revenues.

Funds for external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

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, the municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

**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. Proceeds from land sales are recorded as operating fund revenues.

**e) Interest on Long Term Debt**

Interest on long term debt is accrued to year end. The amount payable as at December 31, 2004 is included with trade accounts payable.

**f) Investments**

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

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**VILLAGE OF MYRNAM**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended December 31, 2004

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**g) Inventories**

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

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as capital assets under their respective function.

**h) 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.

Government contributions for the acquisition of capital assets are reported as capital revenue and do not reduce the related asset costs.

Capital assets for government purposes are not depreciated.

**i) Prepaid Local Improvement Charges**

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

**j) Allowances for Operating and Capital Assets**

Allowances for asset valuations are netted against the related asset and are segregated between operating and capital purposes. Increases in allowances are recorded as expenditures, while decreases in allowances are recorded as revenues in the respective operating and capital fund.

**k) Reserve Fund**

Reserve fund represents the amounts set aside to finance future operating and capital expenditures. Reserves are established at the discretion of Council. Transfers to and/or from the reserve fund are reflected as an adjusted to the respective fund.

**l) Operating Fund**

Operating fund represents the amounts available to offset future operational revenue requirements (or the shortfall which will be financed from future operational revenues).

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**m) Equity in Capital Assets**

Equity in capital assets represents the Village of Myrnam's net investment in its capital assets, after deducting the portion financed by third parties through debenture, bond and mortgage debts, long term capital borrowings, capitalized leases and other capital liabilities which will be repaid by the municipality.

**n) Requisition Over-levy and Under-levy**

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

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

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

**o) 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.

<b>2. Cash and Investments</b>	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Cash	109,815	78,238
Investment	368	309
	<b>110,183</b>	<b>78,547</b>

Council has designated funds of \$37,095 (2003 - \$44,383) included in the above amounts for equipment replacement.

Included in cash is a restricted amount of \$89,531 (2003 - \$19,968) consisting of \$19,746 for a dove monument, \$395 for fire training, and \$69,390 for use under the Streets Improvement Program.

<b>3. Taxes and Utilities Receivable</b>	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Current taxes receivable	12,588	14,464
Arrears receivable	12,849	15,016
	<b>25,437</b>	<b>29,480</b>
Allowance for doubtful accounts	(3,506)	(9,000)
	<b>21,931</b>	<b>20,480</b>

**VILLAGE OF MYRNAM**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended December 31, 2004

<b>4. Capital Assets</b>	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Buildings	103,754	103,754
Engineering structures	1,610,305	1,610,305
Machinery and equipment	232,911	232,910
Land for government use	44,657	44,657
Vehicles	71,378	56,378
	<b>2,063,005</b>	<b>2,048,004</b>

<b>5. Deferred Revenue</b>	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Fire training	395	1,472
Street improvement grants	69,390	2,129
Dove Statue	19,746	16,367
Myrnam Agricultural Society lease	4	-
	<b>89,535</b>	<b>19,968</b>

<b>6. Long Term Debt</b>	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Tax supported debentures	26,679	43,981
Bank loans	9,387	14,215
	<b>36,066</b>	<b>58,196</b>

The current portion of long term debt amounts to \$10,919 (2003 - \$22,075).

Principal and interest payments are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
2005	10,919	2,706	13,625
2006	10,691	1,925	12,616
2007	6,925	1,265	8,190
2008	7,531	659	8,190
	<b>36,066</b>	<b>6,555</b>	<b>42,621</b>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates of 8.75% per annum, before Provincial subsidy, and matures in periods 2007 through 2008. The average annual interest rate is 9.34% for 2004 (8.38% for 2003). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Village of Myrnam at large.

The bank loan is repayable in monthly installments of \$453 including principal and interest at 5.5% due October 1, 2006. The bank loan is secured by a backhoe purchased by the Village.

Interest on long term debt amounted to \$2,955 (2003 - \$4,970).

**VILLAGE OF MYRNAM**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended December 31, 2004

**6. Long Term Debt (continues)**

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

	2004 \$	2003 \$
Total debt limit	452,739	506,834
Total debt	36,066	58,196
Debt limit remaining	416,673	448,638
Service on debt limit	75,457	84,472
Service on debt	13,625	26,795
Service on debt limit remaining	61,832	57,677

The debt limit is calculated at 1.5 times revenue of the municipality (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 municipality. Rather, the financial statements must be interpreted as a whole.

**7. Reserve Fund**

Reserves for operating and capital activities changed as follows:

	Balance, beginning of year \$	Transfer to Reserves \$	Transfer from Reserves \$	Balance, end of year \$
<b>Operating</b>				
Let's Get Wired	4,000	-	-	4,000
Fireman Training	4,400	-	-	4,400
Beautification	1,470	-	-	1,470
	9,870	-	-	9,870
<b>Capital</b>				
Water	42,280	29,000	(36,288)	34,992
Campground	2,103	-	-	2,103
	44,383	29,000	(36,288)	37,095
	54,253	29,000	(36,288)	46,965

**VILLAGE OF MYRNAM**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended December 31, 2004

<b>8. Equity in Capital Assets</b>	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Acquisition of capital assets		
Roads, streets, walks, lighting	15,000	29,046
Recreation and culture	-	2,677
	15,000	31,723
Capital Financing		
Capital debt issued	-	(15,000)
Capital debt repaid from operating fund	22,132	16,521
Change in equity balance	37,132	33,244
Equity balance at beginning of year	1,989,807	1,956,563
Equity balance at end of year	2,026,939	1,989,807
Capital assets - Note 4	2,063,005	2,048,004
Long term debt - Note 6	(36,066)	(58,196)
	2,026,939	1,989,807

**9. Contingency**

The Village of Myrnam is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the Village of Myrnam could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

**10. Prior Period Adjustment**

An adjustment for a prior period has been recorded as follows:

Appropriation of accumulated surplus	\$	16,754
Prior period adjustment - reduction of reserves		<u>36,288</u>
	\$	<u>53,042</u>

This adjustment is a result of new information received related to Alberta Transportation grants received in prior years and unexpended. Prior years financial statements have not been restated.

<b>11. Taxation</b>	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Mill rates - residential	31.29	31.99
- non-residential	32.75	36.54
Taxable assessment - residential	4,905,530	4,810,260
- non-residential	1,158,000	1,280,030
	6,063,530	6,090,290

**VILLAGE OF MYRNAM**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended December 31, 2004

**12. Salary and Benefits Disclosure**

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

	<b>2004</b>			<b>2003</b>
	Salary	Benefits & Allowances	Total	Total
	\$	\$	\$	\$
	(i)	(ii)		
Mayor - Sosnowski	2,368	-	2,368	2,145
Yaremchuk	2,698	-	2,698	2,340
Heighes	2,496	-	2,496	2,640
Rudolf	645	-	645	-
	<u>8,207</u>	<u>-</u>	<u>8,207</u>	<u>7,125</u>
Chief Administrative Officer	<u>19,507</u>	<u>-</u>	<u>19,507</u>	<u>18,431</u>
	<u>27,714</u>	<u>-</u>	<u>27,714</u>	<u>25,556</u>

- i) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, and any other direct cash remuneration.
- ii) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships, and tuition.

**13. Financial Instruments**

The Village's financial instruments consist of cash and temporary investments, receivables, bank overdraft, accounts payable, accrued liabilities and long term debt. It is management's opinion that the Village is not exposed to significant interest or currency risks arising from these financial instruments.

The Village is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Village provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

**14. Approval of Financial Statements**

Council and management have approved these financial statements.

**15. Budget Figures**

Budget figures are included for information purposes only and are not audited.