

VILLAGE OF MYRNAM
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2005

	2005 \$	2004 \$
Financial Assets		
Cash and investments - Note 2	279,047	110,183
Taxes and utilities receivable - Note 3	29,266	21,931
Receivable from other governments	13,112	21,474
Trade and other receivables	9,200	11,256
Prepaid expenses	-	191
Inventory - land held for resale	23	23
Total Financial Assets	330,648	165,058
Capital Assets - Note 4	2,087,536	2,063,005
TOTAL ASSETS	2,418,184	2,228,063
Liabilities		
Accounts payable and accrued liabilities	19,515	22,081
Deposit liabilities	6,038	5,798
Deferred revenue - Note 5	199,287	89,535
Long term debt - Note 6	25,150	36,066
TOTAL LIABILITIES	249,990	153,480
Municipal Equity		
Operating fund	843	679
Reserve fund - Note 7	104,965	46,965
	105,808	47,644
Equity in capital assets - Note 8	2,062,386	2,026,939
MUNICIPAL EQUITY	2,168,194	2,074,583
TOTAL LIABILITIES AND MUNICIPAL EQUITY	2,418,184	2,228,063

Contingency and Commitment - Note 9

See accompanying notes

Approved by:

Mayor

Chief Administrative Officer

VILLAGE OF MYRNAM
SCHEDULE OF PROPERTY TAXES LEVIED
For the year ended December 31, 2005

	2005 \$	Budget \$ (unaudited)	2004 \$
Taxation			
Real property	181,191		185,368
Linear property	18,487		20,490
Minimum tax	4,363		3,591
Total taxes and grants in place	204,041	196,508	209,449
Requisitions			
Alberta School Foundation Fund	33,341	35,388	35,388
Eagle Hill Foundation	3,139	3,139	3,283
Total requisitions	36,480	38,527	38,671
Net taxes available for general municipal operations	167,561	157,981	170,778

SCHEDULE OF GENERAL OPERATING EXPENDITURES BY OBJECT
For the year ended December 31, 2005

	2005 \$	Budget \$ (unaudited)	2004 \$
Expenditures			
Council fees and expenses	8,246	7,650	8,031
Salaries and benefits	80,487	102,410	79,428
Contracted and general services	65,175	64,659	62,190
Materials, goods, supplies and utilities	97,730	100,232	81,880
Provision for allowances	(430)	1,300	7,588
Transfers to local boards and agencies	2,061	2,061	2,061
Interest on capital long term debt	2,366	2,834	3,538
Other	653	-	299
Capital assets acquired	30,532	5,000	15,000
	286,820	286,146	260,015

See accompanying notes

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

For the year ended December 31, 2005

	2005 \$	2004 \$
Operations		
Excess of revenue over expenditures before financing activities	69,079	51,811
Net changes in non-cash operating working capital balances		
Increase in taxes and grants in place of taxes receivable	(7,335)	(1,451)
Decrease (increase) in receivable from other governments	8,362	(8,663)
Decrease in trade and other receivables	2,056	578
Decrease (increase) in prepaid expenses	191	(191)
Decrease in accounts payable and accrued liabilities	(2,566)	(7,481)
Increase in deposit liabilities	240	2,640
Increase in deferred revenue	109,752	16,525
	110,700	1,957
<i>Net cash provided by operating activities</i>	179,779	53,768
Investing		
Increase in restricted cash and investments	(109,753)	(69,563)
<i>Net cash used in investing activities</i>	(109,753)	(69,563)
Financing		
Repayment of long term debt	(10,915)	(22,132)
<i>Net cash used in financing activities</i>	(10,915)	(22,132)
Change in cash and cash equivalents during the year	59,111	(37,927)
Cash and cash equivalents, beginning of year	20,652	58,579
Cash and cash equivalents, end of year	79,763	20,652
Cash and cash equivalents are made up of:		
Cash - Note 2	279,047	110,183
Less: restricted portion of cash - Note 2	(199,284)	(89,531)
	79,763	20,652

See accompanying notes

VILLAGE OF MYRNAM**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES WITH CHANGE IN FUND BALANCES**

For the year ended December 31, 2005

	Capital \$	Reserves \$	Operating \$	2005 \$	Budget \$ (unaudited)	2004 \$
Revenues						
Net municipal taxes - Page 5			167,561	167,561	157,981	170,778
User fees			96,747	96,747	99,850	93,222
Government transfers			46,712	46,712	28,561	38,041
Investment income			1,399	1,399	500	403
Penalties and costs of taxes			5,837	5,837	5,870	4,998
Other revenue own sources	1,600		36,043	37,643	4,675	4,384
	1,600	-	354,299	355,899	297,437	311,826
Expenditures						
Administration and Council			69,373	69,373	73,536	79,196
Protection services			18,549	18,549	26,230	17,689
Ambulance			6,762	6,762	6,762	6,762
Roads, streets, walks, lighting	2,100		104,366	106,466	114,394	109,097
Water supply and distribution			28,487	28,487	24,630	22,067
Wastewater treatment and disposal			3,176	3,176	11,500	3,341
Waste management			17,958	17,958	17,817	16,087
Recreation	28,432		2,358	30,790	3,667	2,999
Community Services			5,259	5,259	7,611	2,777
	30,532	-	256,288	286,820	286,147	260,015
Excess of revenues over expenditures	(28,932)	-	98,011	69,079	11,290	51,811
Net interfund transfers						
From (to) reserves	-	58,000	(58,000)	-	-	-
From (to) capital	39,847	-	(39,847)	-	-	-
Debt repayment	(10,915)	-	-	(10,915)	(11,290)	(22,132)
Prior period adjustment - Note 10	-	-	-	-	-	(36,288)
	28,932	58,000	(97,847)	(10,915)	(11,290)	(58,420)
Change in fund balances						
Balance, beginning of year	-	46,965	679	47,644	-	71,007
Appropriation of accumulated surplus - Note 10	-	-	-	-	-	(16,754)
Balance, end of year	-	104,965	843	105,808	-	47,644

See accompanying notes

VILLAGE OF MYRNAM
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2005

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 Village 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 gave rise to the revenues.

Funds from 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, 2005 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.

(continues)

VILLAGE OF MYRNAM
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2005

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 physical 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) 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 adjustment to the respective fund.

k) 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).

l) 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.

(continues)

m) 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 or under-levies of the prior year.

n) 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.

2. Cash and Investments	2005	2004
	\$	\$
Cash	278,573	109,815
Investments	474	368
	279,047	110,183

Council has designated funds of \$95,095 (2004 - \$37,095) included in the above amounts for equipment replacement.

Included in cash is a restricted amount of \$199,284 (2004 - \$89,531) consisting of \$15,015 for a dove monument, \$84,269 for use under the Streets Improvement Program, and \$100,000 for use under the Municipal Infrastructure Program.

3. Taxes and Utilities Receivable	2005	2004
	\$	\$
Current taxes receivable	16,800	12,588
Arrears receivable	15,972	12,849
	32,772	25,437
Allowance for doubtful accounts	(3,506)	(3,506)
	29,266	21,931

4. Capital Assets	2005	2004
	\$	\$
Buildings	103,754	103,754
Engineering structures	1,638,736	1,610,305
Machinery and equipment	235,011	232,911
Land for government use	44,657	44,657
Vehicles	65,378	71,378
	2,087,536	2,063,005

VILLAGE OF MYRNAM
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2005

5. Deferred Revenue	2005	2004
	\$	\$
Fire training	-	395
Street improvement grants	84,269	69,390
Municipal Infrastructure grant	100,000	-
Dove Statue	15,015	19,746
Myrnam Agricultural Society lease	3	4
	199,287	89,535

Funding in the amount of \$199,287 was received in the current year from grants and donations. The use of these funds is restricted to eligible projects as approved under the funding agreements.

6. Long Term Debt	2005	2004
	\$	\$
Tax supported debentures	20,823	26,679
Bank loans	4,327	9,387
	25,150	36,066

The current portion of long term debt amounts to \$10,695 (2004 - \$10,919).

Principal and interest payments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2006	10,695	1,925	12,620
2007	6,925	1,265	8,190
2008	7,530	659	8,189
	25,150	3,849	28,999

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. 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 instalments 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 \$2,009 (2004 - \$2,955).

VILLAGE OF MYRNAM
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2005

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:

	2005 \$	2004 \$
Total debt limit	531,449	452,739
Total debt	25,150	36,066
Amount of debt limit unused	506,299	416,673
Service on debt limit	88,575	75,457
Service on debt	12,620	13,625
Amount of debt servicing limit unused	75,955	61,832

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 \$
Operating				
Let's Get Wired	4,000	-	-	4,000
Fireman Training	4,400	-	-	4,400
Beautification	1,470	-	-	1,470
	9,870	-	-	9,870
Capital				
Roads	34,992	33,631	-	68,623
Campground	2,103	-	-	2,103
Debenture repayment	-	24,369	-	24,369
	37,095	58,000	-	95,095
	46,965	-	-	104,965

VILLAGE OF MYRNAM
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2005

8. Equity in Capital Assets	2005	2004
	\$	\$
Acquisition of capital assets		
Roads, streets, walks, lighting	2,100	15,000
Recreation and culture	28,432	-
Disposal of capital assets	30,532	15,000
Roads, streets, walks, lighting	-6,000	-
	24,532	15,000
Capital Financing		
Capital debt repaid from operating fund	10,915	22,132
Change in equity balance	35,447	37,132
Equity balance at beginning of year	2,026,939	1,989,807
Equity balance at end of year	2,062,386	2,026,939
Equity in capital assets is represented by:		
Capital assets - Note 4	2,087,536	2,063,005
Long term debt - Note 6	(25,150)	(36,066)
	2,062,386	2,026,939

9. Contingency and Commitment

- i) 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.
- ii) The Village is committed to purchasing a sander/spreader with an estimated cost of \$9,000 plus GST. The Village has applied for funding from Alberta Municipal Affairs in the amount of \$4,815, which will partially offset this purchase. Costs incurred to December 31, 2005 is nil.

10. Prior Period Adjustment

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

Appropriation of accumulated surplus	\$	16,754
Prior period adjustment - increase 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.

3
it

VILLAGE OF MYRNAM
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2005

11. Taxation	2005	2004
	\$	\$
Mill rates - residential	31.29	31.29
- non-residential	32.75	32.75
Taxable assessment - residential	5,142,480	4,905,530
- non-residential	1,193,590	1,158,000
	6,336,070	6,063,530

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:

	2005			2004
	Salary	Benefits & Allowances	Total	Total
	\$	\$	\$	\$
	(i)	(ii)		
Mayor - Sosnowski	2,550	-	2,550	2,368
Yaremchuk	2,430	-	2,430	2,698
Heighes	-	-	-	2,496
Rudolf	2,325	-	2,325	645
	<u>7,305</u>	-	<u>7,305</u>	<u>8,207</u>
Chief Administrative Officer	<u>18,357</u>	-	<u>18,357</u>	<u>19,507</u>
	<u>25,662</u>	-	<u>25,662</u>	<u>27,714</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 receivables 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.

VILLAGE OF MYRNAM
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2005

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.

VILLAGE OF MYRNAM**STATEMENT OF OPERATING REVENUE AND EXPENDITURES**

For the year ended December 31, 2005

	2005			Budget \$ (unaudited)	2004
	Revenues \$	Expenditures (recoveries) \$	Net revenue (expenditure) \$		Net revenue (expenditure) \$
General Municipal Revenues to fund Municipal Operations					
Municipal taxes - Page 5	167,561		167,561	157,981	170,778
Unconditional government transfers	34,092		34,092	6,441	1,092
Penalties and costs of taxes	5,837		5,837	5,870	4,998
Fines	499		499	500	867
Return on investments	1,399		1,399	500	403
	209,388	-	209,388	171,292	178,138
Municipal Operations					
Administration and Council	7,226	(69,373)	(62,147)	(67,511)	(71,693)
Fire fighting	13,478	(18,549)	(5,071)	(19,230)	(9,363)
Ambulance	-	(6,762)	(6,762)	(6,762)	(6,762)
Roads, streets, walks, lighting	4,441	(104,366)	(99,925)	(95,074)	(75,026)
Water supply and distribution	48,894	(28,487)	20,407	25,420	25,116
Wastewater treatment and disposal	22,225	(3,176)	19,049	11,250	18,107
Waste management	17,780	(17,958)	(178)	383	1,070
Recreation	28,432	(2,358)	26,074	(3,667)	(2,999)
Community Services	2,435	(5,259)	(2,824)	(4,811)	223
	144,911	(256,288)	(111,377)	(160,002)	(121,327)
Excess of revenues over expenditures	354,299	(256,288)	98,011	11,290	56,811
Net transfer from reserves			(58,000)	-	7,288
Prior period adjustment - Note 10			-	-	(36,288)
Net transfer to capital fund			(28,932)	-	(5,000)
Repayment of capital fund long term debt			(10,915)	(11,290)	(22,132)
Changes in operating fund during the year			164	-	679