

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, 2006 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 Village's management. 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, 2006 and the results of its financial activities and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Vegreville, Alberta
February 6, 2007

Wilde & Company
Chartered Accountants

VILLAGE OF MYRNAM
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2006

	2006 \$	2005 \$
Financial Assets		
Cash and investments - Note 2	401,452	279,047
Taxes and utilities receivable - Note 3	14,846	29,266
Receivable from other governments	28,710	13,112
Trade and other receivables	17,286	9,200
Inventory - land held for resale	3,773	23
Total Financial Assets	466,067	330,648
Capital Assets - Note 4	2,148,792	2,087,536
TOTAL ASSETS	2,614,859	2,418,184
Liabilities		
Accounts payable and accrued liabilities	20,406	19,515
Deposit liabilities	7,678	6,038
Deferred revenue - Note 5	310,916	199,287
Long term debt - Note 6	-	25,150
TOTAL LIABILITIES	339,000	249,990
Municipal Equity		
Operating fund	1,102	843
Reserve fund - Note 7	125,965	104,965
	127,067	105,808
Equity in capital assets - Note 8	2,148,792	2,062,386
MUNICIPAL EQUITY	2,275,859	2,168,194
TOTAL LIABILITIES AND MUNICIPAL EQUITY	2,614,859	2,418,184

Contingency and Commitment - 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, 2006

	Capital \$	Reserves \$	Operating \$	2006 \$	Budget \$ (unaudited)	2005 \$
Revenues						
Net municipal taxes - Page 5			162,324	162,324	161,942	167,561
User fees			92,209	92,209	94,227	96,747
Government transfers	9,958		95,839	105,797	240,680	46,712
Investment income			1,517	1,517	1,300	1,399
Penalties and costs of taxes			6,826	6,826	6,700	5,837
Other revenue own sources	21,000		10,253	31,253	26,215	37,643
	30,958	-	368,968	399,926	531,064	355,899
Expenditures						
Administration and Council			74,471	74,471	118,304	69,373
Protection services			18,349	33,675	24,820	18,549
Ambulance	15,326		6,762	6,762	6,762	6,762
Roads, streets, walks, lighting			137,771	162,701	475,459	106,466
Water supply and distribution	24,930		24,441	24,441	31,062	28,487
Wastewater treatment and disposal			1,484	1,484	9,900	3,176
Waste management			18,664	18,664	18,265	17,958
Recreation	21,000		323	21,323	66,668	30,790
Community Services			9,996	9,996	14,688	5,259
	61,256	-	292,261	353,517	765,928	286,820
Excess of revenues over expenditures	(30,298)	-	76,707	46,409	(234,864)	69,079
Net interfund transfers						
From (to) reserves	24,369	21,000	(45,369)	-	255,120	-
From (to) capital	31,079		(31,079)	-	-	-
Debt repayment	(25,150)		-	(25,150)	(33,441)	(10,915)
	30,298	21,000	(76,448)	(25,150)	221,679	(10,915)
Change in fund balances						
Balance, beginning of year	-	21,000	259	21,259	(13,185)	58,164
Balance, end of year	-	104,965	843	105,808	-	47,644
	-	125,965	1,102	127,067	(13,185)	105,808

See accompanying notes

VILLAGE OF MYRNAM
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the year ended December 31, 2006

	2006 \$	2005 \$
Operations		
Excess of revenue over expenditures before financing activities	76,707	98,011
Net changes in non-cash operating working capital balances		
Increase in taxes and grants in place of taxes receivable	14,420	(7,335)
Decrease (increase) in receivable from other governments	(15,598)	8,362
Decrease in trade and other receivables	(8,086)	2,056
Decrease (increase) in prepaid expenses	-	191
Decrease (increase) in land held for resale	(3,750)	-
Decrease in accounts payable and accrued liabilities	891	(2,566)
Increase (decrease) in deposit liabilities	1,640	240
Increase in deferred revenue	111,629	109,752
	101,146	110,700
<i>Net cash provided by operating activities</i>	177,853	208,711
Investing		
Increase in capital assets	(30,298)	(28,932)
Increase in restricted cash and investments	(111,630)	(109,753)
<i>Net cash used in investing activities</i>	(141,928)	(138,685)
Financing		
Repayment of long term debt	(25,150)	(10,915)
<i>Net cash used in financing activities</i>	(25,150)	(10,915)
Change in cash and cash equivalents during the year	10,775	59,111
Cash and cash equivalents, beginning of year	79,763	20,652
Cash and cash equivalents, end of year	90,538	79,763
Cash and cash equivalents are made up of:		
Cash - Note 2	401,452	279,047
Less: restricted portion of cash - Note 2	(310,914)	(199,284)
	90,538	79,763

See accompanying notes

VILLAGE OF MYRNAM
STATEMENT OF OPERATING REVENUE AND EXPENDITURES
For the year ended December 31, 2006

	2006			2005	
	Revenues \$	Expenditures (recoveries) \$	Net revenue (expenditure) \$	Budget \$ (unaudited)	Net revenue (expenditure) \$
General Municipal Revenues to fund Municipal Operations					
Municipal taxes - Page 5	162,324		162,324	161,942	167,561
Unconditional government transfers	51,592		51,592	6,441	34,092
Penalties and costs of taxes	6,826		6,826	6,700	5,837
Fines	83		83	500	499
Return on investments	1,517		1,517	1,300	1,399
	222,342	-	222,342	176,883	209,388
Municipal Operations					
Administration and Council	9,085	(74,471)	(65,386)	(67,511)	(62,147)
Fire fighting	10,587	(18,349)	(7,762)	(19,230)	(5,071)
Ambulance	-	(6,762)	(6,762)	(6,762)	(6,762)
Roads, streets, walks, lighting	35,098	(137,771)	(102,673)	(95,074)	(99,925)
Water supply and distribution	48,431	(24,441)	23,990	25,420	20,407
Wastewater treatment and disposal	22,014	(1,484)	20,530	11,250	19,049
Waste management	17,611	(18,664)	(1,053)	383	(178)
Recreation	-	(323)	(323)	(3,667)	26,074
Community Services	3,800	(9,996)	(6,196)	(4,811)	(2,824)
	146,626	(292,261)	(145,635)	(160,002)	(111,377)
Excess of revenues over expenditures	368,968	(292,261)	76,707	16,881	98,011
Net transfer from reserves			(45,369)	-	(58,000)
Net transfer to capital fund			(5,929)	-	(28,932)
Repayment of capital fund long term debt			(25,150)	(33,441)	(10,915)
Changes in operating fund during the year			259	(16,560)	164

VILLAGE OF MYRNAM
SCHEDULE OF PROPERTY TAXES LEVIED
For the year ended December 31, 2006

	2006 \$	Budget \$ (unaudited)	2005 \$
Taxation			
Real property	175,168		181,191
Linear property	19,477		18,487
Minimum tax	5,737		4,363
Total taxes and grants in place	200,382	200,000	204,041
Requisitions			
Alberta School Foundation Fund	31,748	31,748	33,341
Eagle Hill Foundation	6,310	6,310	3,139
Total requisitions	38,058	38,058	36,480
Net taxes available for general municipal operations	162,324	161,942	167,561

SCHEDULE OF GENERAL OPERATING EXPENDITURES BY OBJECT
For the year ended December 31, 2006

	2006 \$	Budget \$ (unaudited)	2005 \$
Expenditures			
Council fees and expenses	8,352	8,650	8,246
Salaries and benefits	86,260	104,030	80,487
Contracted and general services	66,031	64,109	65,175
Materials, goods, supplies and utilities	122,475	567,593	97,730
Provision for allowances	4,859	1,900	(430)
Transfers to local boards and agencies	2,164	2,164	2,061
Interest on capital long term debt	1,629	1,822	2,366
Other	491	660	653
Capital assets acquired	61,256	15,000	30,532
	353,517	765,928	286,820

See accompanying notes

VILLAGE OF MYRNAM
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2006

1. Significant Accounting Policies

The consolidated financial statements of the Village of Myrnam are the representations of management prepared in accordance with generally accepted accounting principles for local governments 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, 2006 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, 2006

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.

Effective January 1, 2007, the Village of Myrnam will adopt Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2007, the Village of Myrnam will work towards compliance with the new recommendations for accounting for tangible capital assets.

As of January 1, 2007, capital assets including assets held under capital leases will be recorded at cost in the period they are acquired and recorded as an expenditure within the capital fund. Donated assets related to waterworks and wastewater distribution and collection systems will be capitalized and recorded at their estimated fair value upon acquisition. Certain capital assets for which historical cost information is not available will be recorded at current fair market value discounted by a relevant inflation factor.

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.

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VILLAGE OF MYRNAM
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2006

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.

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	2006	2005
	\$	\$
Cash	400,784	278,573
Investments	668	474
	401,452	279,047

Council has designated funds of \$70,726 (2005 - \$95,095) included in the above amounts for equipment replacement.

Included in cash is a restricted amount of \$310,914 (2005 - \$199,284) consisting of \$11,170 for a dove monument, \$103,257 for use under the Streets Improvement Program, \$186,755 for use under the Municipal Infrastructure and New Deal Programs, and \$9,732 for use under the Municipal Sponsorship Program.

3. Taxes and Utilities Receivable	2006	2005
	\$	\$
Current taxes receivable	10,609	16,800
Arrears receivable	7,237	15,972
	17,846	32,772
Allowance for doubtful accounts	(3,000)	(3,506)
	14,846	29,266

4. Capital Assets	2006	2005
	\$	\$
Buildings	103,754	103,754
Engineering structures	1,659,736	1,638,736
Machinery and equipment	245,337	235,011
Land for government use	44,657	44,657
Vehicles	95,308	65,378
	2,148,792	2,087,536

5. Deferred Revenue	2006	2005
	\$	\$
Municipal Sponsorship grant	9,732	-
Street improvement grants	103,257	84,269
Municipal Infrastructure and New Deal grants	186,755	100,000
Dove Statue	11,170	15,015
Myrnam Agricultural Society lease	2	3
	310,916	199,287

Funding in the amount of \$310,916 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.

VILLAGE OF MYRNAM
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2006

6. Long Term Debt	2006	2005
	\$	\$
Tax supported debentures	-	20,823
Bank loans	-	4,327
	-	25,150

Debenture debt and bank loan repaid in full during the year.

Interest on long term debt amounted to \$1,525 (2005 - \$2,009).

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:

	2006	2005
	\$	\$
Total debt limit	553,452	531,449
Total debt	-	25,150
Amount of debt limit unused	553,452	506,299
Debt servicing limit	92,242	88,575
Debt servicing	-	12,620
Amount of debt servicing limit unused	92,242	75,955

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.

VILLAGE OF MYRNAM**NOTES TO FINANCIAL STATEMENTS**

For the year ended December 31, 2006

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)	-
Beautification	-	55,239	-	55,239
	9,870	55,239	(9,870)	55,239
Capital				
Roads	68,623	-	-	68,623
Campground	2,103	-	-	2,103
Debenture repayment	24,369	-	(24,369)	-
	95,095	-	(24,369)	70,726
	104,965	55,239	(34,239)	125,965

8. Equity in Capital Assets

	2006 \$	2005 \$
Acquisition of capital assets		
Roads, streets, walks, lighting	-	2,100
Equipment	10,326	-
Vehicles	29,930	-
Recreation and culture	21,000	28,432
Disposal of capital assets	61,256	30,532
Roads, streets, walks, lighting	-	(6,000)
	61,256	24,532
Capital Financing		
Capital debt repaid from operating fund	25,150	10,915
Change in equity balance	86,406	35,447
Equity balance at beginning of year	2,062,386	2,026,939
Equity balance at end of year	2,148,792	2,062,386
Equity in capital assets is represented by:		
Capital assets - Note 4	2,148,792	2,087,536
Long term debt - Note 6	-	(25,150)
	2,148,792	2,062,386

VILLAGE OF MYRNAM
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2006

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 has entered into a road construction contract for 2007 with Black Track Paving. The tender price is \$523,789. The Village will pay this amount when grant funds become available, with no interest.

10. Taxation	2006	2005
	\$	\$
Mill rates - residential	28.25	31.29
- non-residential	31.12	32.75
Taxable assessment - residential	5,560,750	5,142,480
- non-residential	1,206,710	1,193,590
	6,767,460	6,336,070

11. 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:

	2006			2005
	Salary	Benefits & Allowances	Total	Total
	\$	\$	\$	\$
	(i)	(ii)		
Mayor - Sosnowski	2,685	-	2,685	2,550
Yaremchuk	2,655	-	2,655	2,430
Rudolf	2,250	-	2,250	2,325
	7,590	-	7,590	7,305
Chief Administrative Officer	20,351	-	20,351	18,357
	27,941	-	27,941	25,662

- 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.

VILLAGE OF MYRNAM
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2006

12. 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.

13. Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

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.