
INDEPENDENT AUDITOR'S REPORT

To the Members of Village of Myrnam

We have audited the accompanying financial statements of Village of Myrnam, which comprise the statement of financial position as at December 31, 2012 and the statements of revenues and expenditures, change in net financial debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report to the Members of Village of Myrnam (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Village of Myrnam as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of Matter

The accompanying financial statements have been prepared on the going concern assumption that the Village will be able to realize its assets and discharge its liabilities in the normal course of business. Uncertainty exists that may cast significant doubt on the ability to continue as a going concern. We draw attention to Note 2 to the financial statements.

Vegreville, Alberta
April 29, 2013

Synergy
Chartered Accountants


VILLAGE OF MYRNAM
Statement of Financial Position
Year Ended December 31, 2012

	2012	2011
FINANCIAL ASSETS		
Cash and temporary investments (Note 3)	\$ 80,921	\$ 103,495
Taxes and grants in place of taxes receivable (Note 4)	26,631	19,355
Trade and other receivables	25,783	38,074
Receivable from other governments	20,385	27,643
Land for resale inventory	23	23
	153,743	188,590
LIABILITIES		
Accounts payable and accrued liabilities	94,018	90,944
Deferred revenue (Note 5)	178,248	124,645
Long term debt (Note 6)	22,648	38,985
	294,914	254,574
NET FINANCIAL DEBT	(141,171)	(65,984)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	1,661,437	1,417,389
ACCUMULATED SURPLUS (Note 8)	\$ 1,520,266	\$ 1,351,405

Commitments and contingencies (Notes 11, 12)

ON BEHALF OF THE VILLAGE OF MYRNAM

 Mayor

 Chief Administrative Officer

VILLAGE OF MYRNAM**Statement of Change in Net Financial Debt****Year Ended December 31, 2012**

	Budget <i>(unaudited)</i>	2012	2011
EXCESS OF REVENUES OVER EXPENSES	\$ 19,438	\$ 168,861	\$ 147,847
Amortization of tangible capital assets	-	94,275	85,541
Acquisition of tangible capital assets	-	(338,323)	(242,200)
INCREASE IN NET FINANCIAL DEBT	19,438	(75,187)	(8,812)
Net financial debt, beginning of year	-	(65,984)	(57,172)
NET FINANCIAL DEBT, END OF YEAR		\$ (141,171)	\$ (65,984)

VILLAGE OF MYRNAM
Statement of Revenues and Expenditures
Year Ended December 31, 2012

	Budget (unaudited)	2012	2011
REVENUE			
Net municipal taxes (Schedule 1)	\$ 174,089	\$ 173,665	\$ 184,511
Sales of goods and services	159,137	141,229	127,020
Government transfers for operating (Schedule 2)	79,380	94,365	148,298
Investment income	390	423	478
Penalties and costs of taxes	8,500	8,708	12,267
Other	108,175	5,823	6,875
	529,671	424,213	479,449
EXPENSES			
Legislative	19,400	18,051	16,071
Administration	143,375	151,604	137,449
Protective services	18,500	32,180	32,682
Roads, streets, walks, lighting	196,277	225,601	178,854
Water supply and distribution	48,342	97,012	144,228
Wastewater treatment and disposal	5,105	15,233	14,682
Waste management	37,600	37,400	36,190
Family and community support	8,400	5,869	14,700
Parks and recreation	13,234	12,657	9,234
	490,233	595,607	584,090
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES BEFORE TRANSFERS FOR CAPITAL			
	39,438	(171,394)	(104,641)
Government transfers for capital (Schedule 3)	(20,000)	340,255	252,488
EXCESS OF REVENUE OVER EXPENSES	\$ 19,438	\$ 168,861	\$ 147,847

VILLAGE OF MYRNAM
Statement of Cash Flows
Year Ended December 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 168,861	\$ 147,847
Item not affecting cash:		
Amortization of tangible capital assets	94,275	85,541
	<u>263,136</u>	<u>233,388</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes receivable	(7,276)	6,699
Trade and other receivables	12,291	(6,221)
Receivable from other governments	7,258	(18,479)
Accounts payable and accrued liabilities	3,072	64,843
Deferred revenue	53,603	(288,435)
Deposit liabilities	-	(5,000)
	<u>68,948</u>	<u>(246,593)</u>
Cash flow from (used by) operating activities	<u>332,084</u>	<u>(13,205)</u>
CAPITAL ACTIVITY		
Purchase of tangible capital assets	(338,323)	(242,200)
FINANCING ACTIVITY		
Repayment of long term debt	(16,336)	(15,807)
INVESTING ACTIVITY		
Decrease (increase) in restricted cash or cash equivalents	(53,602)	288,435
INCREASE (DECREASE) IN CASH FLOW	<u>(76,177)</u>	<u>17,223</u>
Deficiency - beginning of year	(21,150)	(38,373)
DEFICIENCY - END OF YEAR	<u>\$ (97,327)</u>	<u>\$ (21,150)</u>
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	\$ 423	\$ 477
Interest paid	\$ 1,115	\$ 1,619
DEFICIENCY CONSISTS OF:		
Cash and temporary investments	\$ 80,921	\$ 103,495
Less: restricted cash or cash equivalents	(178,248)	(124,645)
	<u>\$ (97,327)</u>	<u>\$ (21,150)</u>

VILLAGE OF MYRNAM
Schedule of Property and Other Taxes
Year Ended December 31, 2012

(Schedule 1)

	Budget (unaudited)	2012	2011
TAXATION			
Residential	\$ 191,865	\$ 191,440	\$ 199,277
Non-residential	14,703	14,703	14,563
Machinery and equipment	656	656	641
Linear property	8,640	8,640	8,394
Farmland	636	636	622
	216,500	216,075	223,497
REQUISITIONS			
Alberta School Foundation	36,740	36,739	33,121
Eagle Hill Foundation	5,671	5,671	5,865
	42,411	42,410	38,986
	\$ 174,089	\$ 173,665	\$ 184,511

VILLAGE OF MYRNAM**Schedule of Government Transfers for Operating
Year Ended December 31, 2012***(Schedule 2)*

	Budget (<i>unaudited</i>)	2012	2011
TRANSFERS FOR OPERATING			
Federal grants-operating	\$ 2,700	\$ 2,605	\$ 2,140
Provincial grants-operating	76,680	91,760	146,158
	\$ 79,380	\$ 94,365	\$ 148,298

Schedule of Government Transfers for Capital*(Schedule 3)*

	Budget (<i>unaudited</i>)	2012	2011
TRANSFERS FOR CAPITAL			
Provincial grants-capital	\$ (20,000)	\$ 340,255	\$ 252,488

Schedule of Consolidated Expenses by Object*(Schedule 4)*

	Budget (<i>unaudited</i>)	2012	2011
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 212,292	\$ 215,103	\$ 189,063
Contracted and general services	84,920	98,954	111,571
Materials, goods, supplies and utilities	189,596	186,039	196,430
Provision for allowances	1,925	(310)	(680)
Bank charges and short term interest	-	431	535
Amortization of tangible capital assets	-	94,275	85,541
Interest on long term debt	1,500	1,115	1,630
	\$ 490,233	\$ 595,607	\$ 584,090

VILLAGE OF MYRNAM
Notes to Financial Statements
Year Ended December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

The 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 municipality are as follows:

Reporting entity

The 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 municipal Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes 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.

Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act. Tax mill rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed.

Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector 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.

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VILLAGE OF MYRNAM

Notes to Financial Statements

Year Ended December 31, 2012

1. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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.

Inventories for resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes cost for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges.

Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

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VILLAGE OF MYRNAM
Notes to Financial Statements
Year Ended December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Debt for the year.

a) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Buildings - permanent	50
Engineered structures	
Roads	30
Water system	40-75
Wastewater system	40-75
Machinery and equipment	10
Vehicles	10

Assets under construction are not amortized until the asset is available for productive use.

b) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

c) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Budget figures

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

2. GOING CONCERN

The accompanying financial statements have been prepared on the going concern assumption that the municipality will be able to realize its assets and discharge its liabilities in the normal course of business. Due to continued operating losses, a material uncertainty exists that may cause significant doubt on the ability to continue as a going concern. The Village's ability to continue as a going concern is dependent upon its ability to sustain operations, and increase amounts charged to ratepayers to a level sufficient to meet current and future obligations. The Village is in the process of increasing mill rates and utility rates in 2013. These financial statements do not reflect the adjustments or reclassification of assets and liabilities, which would be necessary if the Village were unable to continue its operations. Additional uncertainties exist that may cast doubt on this ability as disclosed in Note 12 to the financial statements.

VILLAGE OF MYRNAM
Notes to Financial Statements
Year Ended December 31, 2012

3. CASH AND TEMPORARY INVESTMENTS

	2012	2011
Cash	\$ 80,921	\$ 103,495

Included in cash is a restricted amount of \$178,248 (2011 - \$124,645) for deferred income - (Note 5).

4. TAXES RECEIVABLE

	2012	2011
Current	\$ 19,832	\$ 10,131
Arrears	6,799	9,224
	\$ 26,631	\$ 19,355

5. DEFERRED REVENUE

Deferred revenue is comprised of the funds noted below, the use of which are externally restricted. These funds are recognized as revenue in the period they are used for in the purpose specified.

	2012	2011
Alberta Municipal Infrastructure Program (AMIP)	\$ -	\$ 40,660
Basic Municipal Transportation Grant	63,397	41,480
Federal Gas Tax Fund	18,564	-
Heritage Canada	655	561
Municipal Sustainability Initiative (MSI) - capital	95,631	25,922
Municipal Sustainability Initiative (MSI) - operating	-	16,021
Myrnam Agricultural Society lease	1	1
	\$ 178,248	\$ 124,645

6. LONG TERM DEBT

	2012	2011
Debenture debt	\$ 6,771	\$ 13,342
Bank loan	15,877	25,643
	\$ 22,648	\$ 38,985

VILLAGE OF MYRNAM
Notes to Financial Statements
Year Ended December 31, 2012

Principal and interest repayments are as follows:

	Principal	Interest	Total
2013	\$ 16,888	\$ 550	\$ 17,438
2014	5,760	65	5,825
	\$ 22,648	\$ 615	\$ 23,263

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at 3.05% per annum, before Provincial subsidy and matures in 2014. 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 day borrowed.

Debenture debt is issued on the credit and security of the Village at large.

Bank loan is repayable in monthly instalments of \$876 including principal and interest at 3.5%. The bank loan is secured by a general assignment of property taxes receivable.

Interest on long term debt in 2012 was \$1,115 (2011 - \$1,629).

The Village's total cash payments for interest in 2012 were \$1,546 (2011 - \$1,619).

VILLAGE OF MYRNAM
Notes to Financial Statements
Year Ended December 31, 2012

7. TANGIBLE CAPITAL ASSETS

	2011 Opening Balance	Additions / Amortization	Disposals	2012 Closing Balance
<u>COST</u>				
Land	\$ 89,058	\$ -	\$ -	\$ 89,058
Buildings	399,139	146,032	11,677	556,848
Machinery and equipment	124,926	47,876	-	172,802
Vehicles	103,314	-	-	103,314
Engineered structures				
Roads	585,742	-	-	585,742
Water system	1,253,644	-	18,534	1,272,178
Wastewater system	462,706	-	-	462,706
Assets under construction	129,565	144,415	(30,211)	243,769
	<u>3,148,094</u>	<u>338,323</u>	<u>-</u>	<u>3,486,417</u>
<u>ACCUMULATED AMORTIZATION</u>				
Buildings	108,670	11,137	-	119,807
Machinery and equipment	50,553	18,413	-	74,966
Vehicles	38,773	10,331	-	49,104
Engineered structures				
Roads	413,738	19,526	-	433,264
Water system	727,352	24,342	-	751,694
Wastewater system	385,619	10,526	-	396,145
	<u>1,730,705</u>	<u>94,275</u>	<u>-</u>	<u>1,824,980</u>
	<u>\$ 1,417,389</u>	<u>\$ 244,048</u>	<u>\$ -</u>	<u>\$ 1,661,437</u>

VILLAGE OF MYRNAM
Notes to Financial Statements
Year Ended December 31, 2012

8. ACCUMULATED SURPLUS

	2012	2011
Unrestricted surplus		
Unrestricted surplus, beginning of year	\$ (26,999)	\$ (2,380)
Excess of revenues over expenses	168,861	147,847
Current funds used for tangible capital assets	(338,323)	(242,200)
Amortization of tangible capital assets	94,275	85,541
Long term debt repayment	(16,337)	(15,807)
Unrestricted surplus, end of year	(118,523)	(26,999)
Equity in tangible capital assets		
Equity in tangible capital assets, beginning of year	1,378,404	1,205,936
Current funds used for tangible capital assets	338,323	242,200
Amortization of tangible capital assets	(94,275)	(85,541)
Long term debt repayment	16,337	15,809
Equity in tangible capital assets, end of year	1,638,789	1,378,404
	\$ 1,520,266	\$ 1,351,405

Equity in tangible capital assets consists of the following:

	2012	2011
Tangible capital assets (Note 7)	\$ 1,661,437	\$ 1,417,389
Long term debt (Note 6)	(22,648)	(38,985)
	\$ 1,638,789	\$ 1,378,404

VILLAGE OF MYRNAM
Notes to Financial Statements
Year Ended December 31, 2012

9. DEBT LIMITS

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:

	2012	2011
Total debt limit	\$ 636,320	\$ 719,174
Long term debt	(22,648)	(38,985)
Amount of debt limit unused	\$ 613,672	\$ 680,189
Debt servicing limit	\$ 106,053	\$ 119,862
Debt servicing	(17,438)	(17,436)
Amount of debt servicing limit unused	\$ 88,615	\$ 102,426

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.

10. 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:

		Salary	Benefits & Allowances	2012	2011
Mayor	Sosnowski	\$ 4,450	\$ 687	\$ 5,137	\$ 4,741
Councillors	Dubell	4,950	619	5,569	6,818
	Yaremchuk	4,600	573	5,173	4,513
Administrator	Dupuis	48,910	4,338	53,248	47,436

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. 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.
3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

VILLAGE OF MYRNAM
Notes to Financial Statements
Year Ended December 31, 2012

11. COMMITMENTS

The Village of Myrnam is committed to a lease for public works equipment. At the end of the lease the buyout amount is \$1. The future minimum payments under these operating leases is as follows:

2013	\$	27,751
2014		30,274
2015		30,274
2016		30,274
2017		30,274
Thereafter		2,523
	\$	<u>151,370</u>

12. CONTINGENCIES

The Village of Myrnam is a member of the Alberta Central East (ACE) Regional Water System. Phase One and Two of the system are currently being completed. The Village has accrued \$59,735, as their prorated ownership share of the costs incurred to December 31, 2012. To date, the Village has withheld payment due to concern that the water system may not be completed and the Village will not realize any future benefit. Future costs to complete the water system cannot be readily determined. If additional costs are to be shared by the Village, there will be a significant impact on the Village's ability to continue as a going concern.

The Village of Myrnam is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the Village 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.

13. FINANCIAL INSTRUMENTS

The municipality's financial instruments consist of cash and temporary investments, accounts receivable, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long term debt. It is management's opinion that the municipality is not exposed to significant interest or currency risks arising from these financial instruments.

The municipality 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 municipality provides services may experience financial difficulty and be unable to fulfil 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. COMPARATIVE FIGURES

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