

TOWN OF TURNER VALLEY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

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SCASE & LIVELY
PROFESSIONAL ACCOUNTANTS

AUDITORS' REPORT

TO THE MEMBERS OF COUNCIL
TOWN OF TURNER VALLEY

We have audited the consolidated statement of financial position of the Town of Turner Valley as at December 31, 2005 and the consolidated statements of financial activities and consolidated statement of cash flows and the supporting schedules for the year then ended. These financial statements are the responsibility of the management of the Town of Turner Valley. 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 presentation of the financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the Town of Turner Valley as at December 31, 2005 and the results of its financial activities and cash flows for the year then ended in accordance with the accounting principles for municipal governments.

May 9, 2006
Nanton, Alberta

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**Town of Turner Valley
Combined Financial Position
As at December 31, 2005**

	2005	2004
Assets		
Cash and Temporary investments	\$ 3,696,759	\$ 2,983,869
Taxes and grants in lieu receivables	148,834	120,500
Trade and other receivables	317,521	277,251
Inventory of materials and supplies	32,769	21,521
Land Inventory	48,414	48,414
Debt charges recoverable		
Prepaid Expenses	25,010	19,111
Capital Assets	14,479,794	14,119,882
Long term investments		
Total assets	\$ 18,749,101	\$ 17,590,548
Liabilities		
Accounts payable and accrued liabilities	\$ 144,755	\$ 166,625
Deposit liabilities	85,450	74,600
Deferred revenue	1,161,018	745,045
Long Term debt	856,658	911,840
Total liabilities	2,247,881	1,898,110
Municipal Equity		
Operating fund	636,886	443,229
Capital fund	(358,568)	(322,405)
Equity in capital assets	13,764,496	13,349,402
Reserves	2,458,406	2,222,212
	16,501,220	15,692,438
Total municipal position	\$ 18,749,101	\$ 17,590,548

Town of Turner Valley
Consolidated Statement of Financial Activities and Change in Fund Balances
For the Twelve Months Ending December 31, 2005

	Budget (Unaudited)	2005	2004
Revenue			
Property taxes	\$ 1,745,043	\$ 1,747,070	\$ 1,622,960
Less: Education taxes	556,473	556,473	542,941
Other requisitions	15,359	15,358	13,908
	<hr/>	<hr/>	<hr/>
Net municipal property taxes	1,173,211	1,175,239	1,066,111
Sales to other governments	54,727	55,850	40,440
User fees	657,925	658,902	638,012
Penalties and costs on taxes	30,100	28,106	31,532
Franchise and concessions	54,300	48,101	85,562
Fines & costs	51,500	35,166	22,433
Investment income	16,000	94,085	55,277
Rentals	15,440	25,788	16,048
Government transfers	72,059	450,734	791,958
Licenses & permit fees	99,196	53,200	52,002
Development levies	0	88,370	107,825
Other	10,649	36,057	114,952
	<hr/>	<hr/>	<hr/>
Total Revenues	2,235,107	2,749,598	3,022,152
Expenditures			
Legislative	98,867	90,169	83,536
General administrative	263,079	217,625	206,462
Fire	88,817	75,638	60,004
Disaster services	20,024	251,949	14,415
Ambulance	47,650	47,650	37,505
Bylaw enforcement	115,537	87,660	55,698
Other protective services	30,186	16,795	8,759
Common services	126,739	148,335	157,892
Roads, streets, walks, lights	139,355	133,792	96,043
Storm sewers	5,350	3,800	5,900
Water supply & distribution	224,618	206,223	197,581
Wastewater treatment	174,957	184,988	152,560
Waste management	105,104	103,489	86,392
FCSS	57,891	54,009	45,156
Cemetaries	20,496	20,496	7,566
Planning	69,846	46,648	49,505
Land subdivision	0	0	80
Other planning & development	52,282	37,159	20,671
Parks & recreation	225,286	178,017	184,647
Culture	36,374	36,374	34,787
	<hr/>	<hr/>	<hr/>
Total operating expenditures	1,902,458	1,940,816	1,505,158

Capital			
General administrative		2,609	31,018
Fire		147,624	20,216
Disaster services		10,065	34,000
Bylaw enforcement		11,585	45,256
Common services		0	31,676
Roads, streets, walks, lights		9,913	13,030
Water supply & distribution		160,684	1,517,736
Wastewater treatment		0	9,104
Economic development		8,679	1
Parks & recreation		8,753	96,501
Total capital expenditures		<u>-</u>	<u>359,912</u>
Excess (deficiency) of revenues over expenditures		<u>332,649</u>	<u>448,870</u>
Add: Capital debt issued		0	396,700
Capital debt repaid		(55,182)	(78,222)
Transfer from (to) reserves		(236,193)	(359,339)
Increase(decrease) in fund balances		<u>157,495</u>	<u>(322,405)</u>
Fund balance at beginning of year		0	120,824
Fund balance at end of year		<u>\$ 278,319</u>	<u>\$ 120,824</u>

Town of Turner Valley
Consolidated Statement of Changes in Financial Position
As at December 31, 2005

	2005	2004
Operations		
Net operating revenue	\$ 530,805	\$ 623,336
Add(deduct)		
Items not affecting working capital		
Increase (decrease) in deferred revenue	415,973	348,312
 Net changes in non-cash working capital balance		
Decrease (increase) in taxes and grants in lieu	(28,335)	21,116
Decrease (increase) in trade and other receivables	(20,085)	179,240
Decrease (increase) in other assets	(37,329)	(7,981)
Increase (decrease) in payables and accrued liabilities	(21,870)	(2,075)
Increase (decrease) in deposit liabilities & other liabilities	10,850	35,320
	<u>(96,769)</u>	<u>1,197,268</u>
 Net cash provided from operating activities	 850,009	 1,197,268
 Investing		
Restricted cash	(1,886,893)	(346,188)
Capital investing	(82,037)	(904,881)
	<u>(1,968,930)</u>	<u>(1,251,069)</u>
 Net cash provided from investing activities		
 Financing		
Long term debt issued		396,700
Long term debt repaid	(55,082)	(78,222)
	<u>(55,082)</u>	<u>318,478</u>
 Change in cash and cash equivalents during year	 (1,174,003)	 264,677
 Cash and Cash Equivalents and beginning of year	 <u>2,983,869</u>	 <u>2,373,004</u>
 Cash and Cash Equivalents at end of year	 <u>\$ 1,809,866</u>	 <u>\$ 2,637,681</u>
 Cash and Equivalents is made up of:		
 Cash and temporary investments	 \$ 3,696,759	 \$ 2,983,869
less: restricted portion	<u>(1,886,893)</u>	<u>(346,188)</u>
	<u>\$ 1,809,866</u>	<u>\$ 2,637,681</u>

Town of Turner Valley
Schedule of Capital Fund Operations
For the Twelve Months Ending December 31, 2005

	Budget (Unaudited)	2005	2004
Schedule 1			
Revenues			
Sale of physical assets		\$ -	\$ -
Government transfers		117,771	715,788
Interest income		69,686	33,474
Development levies		88,370	107,825
Other		2,050	36,570
		<hr/>	<hr/>
Total revenue		277,877	893,657
Expenditures			
General administrative		2,609	31,018
Fire		147,624	20,216
Disaster services		10,065	34,000
Bylaw enforcement		11,585	45,256
Common services		0	31,676
Roads, streets, walks, lights		9,913	13,030
Water supply & distribution		160,684	1,517,736
Wastewater treatment		0	9,104
Economic development		8,679	0
Parks & recreation		8,753	96,502
		<hr/>	<hr/>
Total expenditures		359,912	1,798,538
Excess (deficiency) of revenues over expenditures		(82,035)	(904,881)
Net interfund transfers			
From reserves		(303,951)	(199,678)
From operating		349,823	385,454
Debenture proceeds		0	396,700
		<hr/>	<hr/>
Change in fund balance		(36,163)	(322,405)
Balance at beginning of year		<hr/>	<hr/>
		(322,405)	0
Balance at end of year		<hr/> <hr/>	<hr/> <hr/>
		\$ (358,568)	\$ (322,405)

**Town of Turner Valley
Statement of Operating Fund
For the Twelve Months Ending December 31, 2005**

	Budget (Unaudited)	2005	2004
Schedule 2			
Operating revenues			
Net taxes available for municipal purposes	\$ 1,173,211	\$ 1,175,239	\$ 1,066,111
Sales to other governments	54,727	55,850	40,440
Sales and user charges			
Water and wastewater	514,862	504,700	483,557
Waste management	94,553	94,024	92,325
Subdivision land management	0	0	0
Administration	10,285	9,344	11,265
Fire and bylaw enforcement	10,000	16,790	20,621
Recreation	28,000	33,520	29,485
Other	225	524	760
Penalties and costs on taxes	30,100	28,106	31,532
Licenses & permit fees	99,196	53,200	52,001
Fines	51,500	35,166	22,433
Franchise and concessions	54,300	48,101	85,562
Return on investments	16,000	24,399	21,802
Rentals	15,440	25,788	16,048
Federal conditional grants	1,500	5,092	5,592
Prov unconditional grants	4,719	4,719	4,719
Prov conditional grants	37,129	323,152	65,860
Local conditonal transfers	28,711		
Other revenues	10,649	34,006	78,382
Total operating revenues	2,235,107	2,471,720	2,128,495
Operating expenditures			
Legislative	98,867	90,169	83,536
General administrative	263,079	217,625	206,462
Fire	88,817	75,638	60,004
Disaster services	20,024	251,949	14,415
Ambulance	47,650	47,650	37,505
Bylaw enforcement	115,537	87,660	55,698
Other protective services	30,186	16,795	8,759
Common services	126,739	148,335	157,892
Roads, streets, walks, lights	139,355	133,792	96,043
Storm sewers	5,350	3,800	5,900
Water supply & distribution	224,618	206,223	197,581
Wastewater treatment	174,957	184,988	152,560
Waste management	105,104	103,489	86,392
FCSS	57,891	54,009	45,156
Cemetaries	20,496	20,496	7,566

Planning	69,846	46,648	49,505
Land subdivision	-	-	80
Other planning & development	52,282	37,159	20,671
Parks & recreation	225,286	178,017	184,647
Culture	36,374	36,374	34,786
Total operating expenditures	<u>1,902,458</u>	<u>1,940,816</u>	<u>1,505,158</u>
Excess of revenue over expenditures	332,649	530,904	623,336
Repayment of capital debt	(55,181)	(55,182)	(78,222)
Transfer from reserves	60,133	67,758	(159,660)
From capital	<u>(347,097)</u>	<u>(349,823)</u>	<u>(385,454)</u>
Change in fund balance	(9,496)	193,657	-
Balance at beginning of year	<u>443,229</u>	<u>443,229</u>	<u>443,229</u>
Balance at end of year	<u>\$ 433,733</u>	<u>\$ 636,886</u>	<u>\$ 443,229</u>

Town of Turner Valley
Schedule of Change in Fund Balance - Reserves
As at December 31, 2005

	Budget (Unaudited)	2005	2004
Schedule 3			
Balance at beginning of year	\$ 2,458,406	\$ 2,222,212	\$ 1,862,873
Add/(deduct):			
Transfer from operating fund	18,566	43,004	223,118
Transfer (to) operating fund	(78,699)	(110,761)	(63,457)
Net transfer to operating fund	(60,133)	(67,757)	159,661
Transfer from capital	-	499,901	514,132
Transfer (to) capital	-	(195,950)	(314,454)
Net transfer to capital fund	-	303,951	199,678
Change in fund balance	(60,133)	236,194	359,339
Balance at end of year	\$ 2,398,273	\$ 2,458,406	\$ 2,222,212

**Town of Turner Valley
Schedule of Taxes Levied
For the Twelve Months Ending December 31, 2005**

	Budget (Unaudited)	2005	2004
Schedule 4			
Taxation			
Real property taxes	\$ 1,605,513	\$ 1,604,338	\$ 1,492,448
Linear property taxes	93,748	95,781	84,213
Business taxes	500	433	433
Government grants in lieu	25,173	25,171	24,840
Special assessments	20,109	21,347	21,027
	<hr/>	<hr/>	<hr/>
Total taxation	1,745,043	1,747,070	1,622,961
Requisitions			
Alberta school supplementary requisitions	532,988	525,994	512,175
Christ the Redeemer school requisition	23,485	30,479	30,766
Foothills Senior Foundation	15,359	15,358	13,909
	<hr/>	<hr/>	<hr/>
	571,832	571,831	556,850
	<hr/>	<hr/>	<hr/>
Net municipal property taxes	\$ 1,173,211	\$ 1,175,239	\$ 1,066,111

**Town of Turner Valley
Government Transfers
For the Twelve Months Ending December 31, 2005**

	Budget (Unaudited)	2005	2004
Schedule 5			
Federal transfers			
Shared-cost agreements and grants	\$ 1,500	\$ 5,092	\$ 5,592
Provincial transfers			
Share-cost agreements and grants	41,292	445,083	769,291
Debt interest rebates	556	560	7,132
	<u>41,848</u>	<u>445,643</u>	<u>776,423</u>
Local government transfers			
Shared-cost agreements and grants	83,438	55,850	50,384
Total government transfers	<u>\$ 126,786</u>	<u>\$ 506,585</u>	<u>\$ 832,399</u>

**Town of Turner Valley
Consolidated Expenditures by Object
For the Twelve Months Ending December 31, 2005**

	Budget (Unaudited)	2005	2004
Schedule 6			
Expenditures			
Salaries, wages and benefits	\$ 763,321	\$ 692,756	\$ 618,185
Contracted and general services	476,862	375,571	335,144
Purchases from other governments	190,118	186,951	170,127
Materials, goods, supplies, utilities	322,188	533,861	268,229
Provision for allowances	0	0	276
Bank charges and short term interest	1,300	2,793	1,122
Interest on long term debt	56,374	56,368	44,369
Physical assets acquired	0	359,912	1,798,538
Other expenditures	92,295	92,516	67,707
Total expenditures	<u>\$ 1,902,458</u>	<u>\$ 2,300,728</u>	<u>\$ 3,303,697</u>

**Town of Turner Valley
Schedule of Accumulated Surplus
As at December 31, 2005**

	Budget (Unaudited)	2005	2004
Schedule 7			
Balance at beginning of year	\$ 443,229	\$ 443,229	\$ 443,229
Change in operating fund during year	<u>(9,496)</u>	<u>193,657</u>	<u>0</u>
Balance at end of year	<u>\$ 433,733</u>	<u>\$ 636,886</u>	<u>\$ 443,229</u>

**Town of Turner Valley
Schedule of Capital Equity
For the Twelve Months Ending December 31, 2005**

2005 ^{D6}
2004

	Budget (Unaudited)	2004
Schedule 8		
Acquisition of capital assets		
General administrative	\$ 2,609	\$ 31,018
Fire	147,624	20,216
Disaster services	10,065	34,000
Bylaw enforcement	11,585	45,256
Common services	0	31,676
Roads, streets, walks, lights	9,913	13,030
Water supply & distribution	160,684	1,517,736
Wastewater treatment	0	9,104
Economic development	8,679	0
Other planning & development	0	0
Parks & recreation	8,753	96,502
	<hr/>	
	359,912	1,798,538
Disposal of capital assets (costs)		
	0	0
Capital financing		
Capital debt issued	0	(396,700)
Capital debt repaid from operating fund	55,182	78,222
	<hr/>	
Change in equity balance	415,094	1,480,060
Equity balance at beginning of year	13,349,402	11,869,342
Equity balance at end of year	<hr/> <hr/>	<hr/> <hr/>
	\$ 13,764,496	\$ 13,349,402

Town of Turner Valley
Notes to Financial Statements
For the Year ended December 31, 2005

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures and changes in the fund balances and in financial position of the reporting entity which comprises all the organizations that are accountable for the administration of their financial affairs and resources to the Council and are owned or controlled by the municipality. They include the following:

Town of Turner Valley Fire Department
Town of Turner Valley Water System

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.

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.

Town of Turner Valley
Notes to Financial Statements
For the Year ended December 31, 2005

c) 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.

d) 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 sales of land are recorded as operating fund revenues.

e) 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.

f) 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.

g) Government Transfers

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

Town of Turner Valley
Notes to Financial Statements
For the Year ended December 31, 2005

h) Pension Expenditure

Contributions for current and past service pension benefits are recorded as expenditures in the year in which they become due.

i) 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 capital asset costs.

Capital assets for government purposes are not depreciated.

i) Debt Charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

k) 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.

Town of Turner Valley
Notes to Financial Statements
For the Year ended December 31, 2005

l) Allowances for Operating and Capital Assets

Allowances for asset valuations are netted against the related asset and are segregated between operating and capital purposes. Increased in allowances are recorded as an expenditure while decreases in allowances are recorded as a revenue in the respective operating and capital fund.

m) Reserves for future expenditures

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the respective fund.

n) Equity in Capital Assets

Equity in capital assets represents the Town of Turner Valley's net investment in its total capital assets, after deducting work in progress, the portion financed by third parties through debenture, bond and mortgage debts, long term capital borrowings, capitalized leases and other capital liabilities.

o) Requisition Over-levies and Under-levies

Over-levies and under-levies arise from the difference between the actual 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 taxes.

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

p) Interest on Long Term Debt

Interest on long-term debt is recorded as an expenditure as payment is made and there is an accrual for long-term debt interest payable at the end of the year.

q) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates

**Town of Turner Valley
Notes to Financial Statements
For the Year ended December 31, 2005**

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.

r) 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).

s) Capital Fund

Capital fund represents the amounts available to finance (or the shortfall in financing available for) capital projects.

2. CASH AND TEMPORARY INVESTMENTS

Cash and Investments	<u>2005</u>	<u>2004</u>
Current		
Current account	\$1,854,421	\$1,299,330
Petty Cash	200	121
Investments Royal Bank	1,888,000	1,719,663
Investments Royal Bank	15,831	15,574
Investments ATB	16,522	16,093
Investments Royal Bank	25,819	33,671
Investments Royal Bank		114,377
	3,800,793	3,198,829
Less current trust reserves		
Skateboard Park		150
Criminal Records	5,643	
GableHouse	36,010	36,010
Bragg Creek	7,602	7,602
Luisin	16,788	16,788
Reward Fund	31,667	31,667
North Feeder Securities		108,669
Royalite Water Securities		12,067
Friends of the Pool	6,323	2,007
	104,034	214,960
Net current cash and investments	\$3,696,759	\$2,983,869
Net to report on financial statements	\$3,696,759	\$2,983,869

Town of Turner Valley
Notes to Financial Statements
For the Year ended December 31, 2005

Note: Restricted Cash \$ 1,886,893 includes unearned government grants advanced to the Town of Turner Valley for capital and operating projects and reserves that have been restricted through legislation and include the Transportation Levies, Water Offsite Levies, Sewer Offsite Levies and Public Land Reserves.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2005</u>	<u>2004</u>
Current:		
Current taxes and grants in lieu	\$124,804	\$ 88,489
Less: allowances for doubtful accounts		
	124,804	\$88,489
Non-current:		
Tax arrears and grants in lieu	24,030	\$32,011
Less: allowance for doubtful accounts		
	24,030	32,011
 Total Taxes Receivable	 \$148,834	 \$120,500

4. CAPITAL ASSETS

	<u>Cost</u>	<u>2005</u> <u>Net Book</u> <u>Value</u>	<u>2004</u> <u>Net Book</u> <u>Value</u>
Land	\$970,267	\$970,267	\$970,267
Buildings	919,352	919,352	919,352
Distribution Systems			
Water	4,028,300	4,028,300	3,867,616
Wastewater	1,115,541	1,115,541	1,115,541
Other engineering structures	4,886,216	4,886,216	4,874,050
Machinery & equipment & furnishings	1,771,212	1,771,212	1,736,904
Vehicles	788,906	788,906	636,152
 TOTAL CAPITAL ASSETS	 \$14,479,794	 \$14,479,794	 \$14,119,882

Town of Turner Valley
Notes to Financial Statements
For the Year ended December 31, 2005

5. DEFERRED REVENUE

	<u>2005</u>	<u>2004</u>
Prepaid local improvement charges	\$ 0	\$ 1,250
Prepaid licenses/fees/rental	1,365	3,958
Unearned income	1,159,653	739,838
	1,161,018	745,045
less: current portion	-1,161,018	-745,045
	\$ 0	\$ 0

Funding in the amount of \$1,159,653 has been received from the Province of Alberta under the following programs:

- Streets Improvement Program \$281,154
 - Water and WasteWater Program - Infiltration Gallery \$ 212,523
 - Water and WasteWater Program - Raw Water Storage \$ 107,062
 - Community Facility Enhancement - Soccer Field \$ 23,983
 - Municipal Sponsorship Program - MMIS \$ 25,000
 - Alberta Infrastructure – Water \$ 5,260
 - Alberta Infrastructure Program – 305,401
 - Community Initiatives Program - EDC - \$ 5,484
 - Alberta Government – Recycling - \$30,000
 - Alberta Infrastructure – Slope Stability \$ 163,785
- Unexpended funds related to the above are supported by temporary investments

6. LONG-TERM DEBT

	<u>2005</u>	<u>2004</u>
Tax supported debentures	\$0	\$217,073
Self supported debentures	856,657	694,767
	856,657	911,840
Less: current portion	-28,720	-55,183
	\$827,937	\$856,657

Town of Turner Valley
Notes to Financial Statements
For the Year ended December 31, 2005

Principal and interest repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 28,720	\$ 52,837	\$ 81,557
2007	30,749	50,807	81,556
2008	32,933	48,623	81,556
2009	35,285	46,271	81,556
2010	37,817	43,740	81,557
Thereafter	691,153	353,166	1,044,319
	\$856,657	\$595,444	\$1,452,101

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 5.096% to 12% per annum, before Provincial subsidy, and matures in periods 2014 through to 2029. The average annual interest rate is 6.9% for 2006. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 9% and 11% to a maximum of annual rate of 12.5% on all debentures except the debentures issued in 1994 and after. Debenture debt is issued on the credit and security of the Town of Turner Valley at large.

7. RESERVES

Reserves for operating and capital activities changed as follows:

	2004 Balance	Decrease	Increase	2005 Balance
Operating Reserves:				
LEG - Opr Reserve - Small Communities Reserve	\$ 500	\$ 0	\$ 0	\$ 500
GEN - Opr Reserves - Computer Training	9,500	6,501	83	3082
GEN - Opr Reserves - ALARIE	31,584		869	32,453
ADM - Operating Reserves - General	12,630		347	12,977
ADM - Opr Reserves - Utilities	47,479		11,683	59,162
FIR - Opr Reserves - Unexpended Building Repairs	162			162
FIR - Opr Reserves - Unexpended Goods	1,270			1270
DIS - Opr Reserves	3,199		602	3,801
BEO - Operating Reserves - Policing	5,025		276	10,301
BEO - Operating Contingency	0		1,336	1,336
CMS - Opr Reserves - Repairs	7,067		3,790	10,857
RSL - Opr Reserves - Seniors Transportation	29,253		5,653	34,906
RSL - Opr Reserves - Street Lighting	25,285		695	25,980
RSL - Opr Reserves - Mtce	11,020		303	11,323
RSL - Opr Reserves - Unexpended Projects	11,640	11,640		0
STM - Opr Reserves - Unexpended Storm	3,884			3,884

Town of Turner Valley
Notes to Financial Statements
For the Year ended December 31, 2005

Maintenance				
WTR - Opr Reserves - Rate Stabilization Fund	79,688		2,452	82,140
SWR - Opr Reserves - Rate Stabilization Fund	47,813		1,665	49,478
GRB - Opr Reserves - Rate Stabilization Fund	49,845	7,587	1,162	43,420
RCY - Opr Reserves - Rate Stabilization Fund	35,980		990	36,970
FCS - Opr Reserves - Fun in Sun	555		15	570
FCS - Operating Reserves - General	1,005		1,055	2,060
PLN - Opr Reserves - General	3,474		95	3,569
PLN - Operating Reserves - Alternate Parking	2,991		638	3,629
PLN - Operating Reserves - LUB Review	3,077		112	4,189
EDC - Opr Reserves - General	10,124		278	10,402
EDC - Operating Reserves - Reg Econ Dev	5,290	5,290		0
EDC - Operating Res - 75th Anniversary	1,000	1,000		0
TRS - Opr Reserves - Discovery Days Fund	2,260	1,300	26	986
TRS - Opr Reserves - Brochures	1,964		54	2,018
PFP - Opr Reserves - Hall	5,728		158	5,886
PFP - Operating Reserves - Pool	9,747		268	10,015
PFP - Opr Reserves - Campground	5,207		143	5,350
PFP - Opr Reserves - Ball	2,260		62	2,322
PFP - Opr Reserves - Joint Facility	629		17	646
PFP - Operating Reserve - Friendship Trail	3,773		104	3,877
OTH - Opr Reserves - Unallocated	137,374	77,031	1,659	62,002
Total Operating Reserves	\$609,281		\$541,523	

Capital Reserves:

ADM - Cap Reserves - Office Equipment	\$ 9,176	\$ 0	\$ 2,196	\$ 11,372
ADM - Cap Reserves - Building Reserve	8,378		10,505	18,883
ADM - Cap Reserves - Computer	14,108		3,470	17,578
FIR - Cap Reserves - Equipment	79,667	79,667		0
FIR - Cap Reserves - Donations	18,926	18,926		0
FIR - Cap Reserves - Unexpended Capital	4,061			4,061
DIS - Capital Reserves - EOC	5,664	4,465	33	1,232
BEO - Cap Reserves - Vehicle Replacement	0		10,429	10,429
BYL - Capital Reserves - Radar Equip	0		1,659	1,659
CMS - Cap Reserves - Building	115,554		120,827	236,381
CMS - Cap Reserves - Machinery & Equipment	25,834		11,038	36,872
RSL - Cap Reserves - Unexpended Roads	24,209		9,873	34,082
RSL - Capital Reserves - Imperial Drive Project	30,000		825	30,825
RSL - Cap Reserves - Slope Stability	33,417		919	34,336
RSL - Capital Reserves Main Town Paving	16,120		444	16,564
RSL - Capital Reserves - Grader Replacement	10,050		10,551	20,601
RSL - Cap Reserves - Offsite Levies Transportation	1,544		2,966	4,510
RSL - Capital Reserves - SIP Interest Earned	4,652		7,860	12,512
RSL - Capital Reserves - INFRA Interest Earned	0		3,499	3,499
STM - Cap Reserves - Storm Sewer	74,265		2,042	76,307
WTR - Cap Reserves - Unexpended Water Debt	32,742	24,666	222	8,298
WTR - Cap Reserves - Water Offsite Levies	374,847		75,299	450,146

Town of Turner Valley
Notes to Financial Statements
For the Year ended December 31, 2005

WTR - Cap Reserves - Water Well	37,295		1,026	38,321
WTR - Cap Reserves - Future Water Projects	16,411		1,329	48,979
WTR - Cap Reserves - Infiltration Interest	6,065		6,012	12,077
WTR - Capital Reserves - North Feeder Project	26,118	19,547	181	6,752
WTR - Reservoir Grant Advance Interest	0		2,970	2,970
SWR - Cap Reserves - Sewer Offsite Levies	217,054		28,853	245,907
SWR - Cap Reserves - Capital Upgrade	196,035		5,941	221,976
GRB - Cap Reserves - Vehicle Replacement	63,658		6,888	70,546
RCY - Cap Reserves - Recycle Depot	3,424		1,120	4,546
FCS - Capital Reserves - Equipment	6,085		2,685	8,770
EDC - Capital Reserves - Unexpended Project	4,300			4,300
PFP - Cap Reserves - General Recreation	5,046		25,312	30,358
PFP - Cap Reserves - Hall	9,269		15,667	24,936
PFP - Cap Reserves - Pool	38,532		19,092	57,624
PFP - Capital Reserves - Campground	10,948		301	11,249
PFP - Cap Reserves - Rink	3			3
PFP - Cap Reserves - Memorial Trees	662		18	680
PFP - Cap Reserves - Unexpended Parking Lot	342			342
PFP - Cap Reserves - Public Reserves	25,964		714	26,678
PFP - Capital Reserves - Millennium Park	271		8	279
Donations				
PFP - Cap Reserves - Land Clean Up	50,366	3,950	1,277	47,693
PFP - Capital Reserves - Mower	5,048		139	5,187
PFP - Cap Reserves - Xeriscape Gardens	6,821	702	169	6,288
CLT - Library Building Reserve	0		10,275	10,275

Total Capital Reserves	\$1,612,931			\$1,916,883

Total Reserves	\$2,222,212			\$2,458,406
				=====

8. TRUST FUNDS

A summary of trust fund activities by the Town of Turner Valley is as follows:

	<u>2005</u>	<u>2004</u>
Tax Sale Surplus		
Balance, beginning of year	\$0	\$8,709
Interest and Additions		
Less: Claims	0	8709
Balance, end of year	<u>\$0</u>	<u>\$0</u>

Town of Turner Valley
Notes to Financial Statements
For the Year ended December 31, 2005

Luisin Trust

Balance, beginning of year	\$16,788	\$33,203
Interest and Additions	0	302
Less: Claims	0	16717
Balance, end of year	<u>\$16,788</u>	<u>\$16,788</u>

Gablehouse Trust

Balance, beginning of year	\$36,010	\$36,010
Interest and Additions		
Less: Claims		
Balance, end of year	<u>\$36,010</u>	<u>\$36,010</u>

Save the Pool Society

Balance, beginning of year	\$2,006	\$252
Interest and Additions	4,317	4,906
Less: Claims	0	3,152
Balance, end of year	<u>\$6,323</u>	<u>\$2,006</u>

Bragg Creek Security

Balance, beginning of year	\$7,602	\$7,489
Interest and Additions	0	113
Less: Claims	0	0
Balance, end of year	<u>\$7,602</u>	<u>\$7,602</u>

Skateboarding Club

Balance, beginning of year	\$ 150	\$150
Interest and Additions	150	
Less: Claims		
Balance, end of year	<u>\$0</u>	<u>\$150</u>

Reward Fund

Balance, beginning of year	\$31,677	\$0
Interest and Additions		31,667
Less: Claims		
Balance, end of year	<u>\$31,667</u>	<u>\$31,667</u>

Town of Turner Valley
Notes to Financial Statements
For the Year ended December 31, 2005

North Feeder Securities

Balance, beginning of year	\$108,669	\$0
Interest and Additions		217,005
Less: Claims	108,669	108,336
Balance, end of year	\$0	\$108,669

Royalite River Crossing Securities

Balance, beginning of year	\$12,067	\$0
Interest and Additions		21,667
Less: Claims	12,067	9,600
Balance, end of year	\$0	\$12,067

Criminal Records Check

Balance, beginning of year	\$ 0	
Interest and Additions	5,644	
Less: Claims	0	
Balance, end of year	\$5,644	\$ 0
Total Trusts	\$104,034	\$214,959

9. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 379/94 is as follows:

	<u>2005</u>			<u>2004</u>		<u>Total</u>
	# of	Salary (1)	Benefits &	# of		
Mayor Tuck	1	\$ 0	0	0	1	\$8,129
Mayor Straub	1	9,962	710	10,672	1	1,869
Councillors						
Councillor Holmes					1	7,508
Councillor Goble					1	7,618
Councillor Dujay	1	7,456	1,356	8,812	1	7,271
Councillor McArthur					1	3,510
Councillor Pool					1	5,959
Councillor Kiiskinen					1	6,075
Councillor Blakeman	1	7,456	322	7,778	1	1,356
Councillor Cress	1	7,456	2,183	9,639	1	1,653
Councillor Flutter	1	7,456	322	7,778	1	1,356

Town of Turner Valley
Notes to Financial Statements
For the Year ended December 31, 2005

Councillor Williamson	1	7,456	321322	7,778	1	1,356
Councillor Schaffer	1	7,456	322	7,778	1	0
Chief Administrative Officer	1	36,077	2,183	38,260	1	60,902
Designated Officers	xx	xx	xx	xx	1	

(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, group life coverage, vision coverage, accidental disability and dismemberment insurance, and long term disability plans.

10. 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 Town of Turner Valley be disclosed as follows:

	<u>2005</u>	<u>2004</u>
Total Debt Limit	\$3,947,739	\$3,474,462
Total Debt	(856,658)	911,841
Amount total debt limit exceeded	<u>\$3,091,081</u>	<u>\$2,562,621</u>
Service on debt limit	\$657,957	\$579,077
Service on debt	81,557	113,310
Amount service on debt limited exceeded	<u>\$576,400</u>	<u>\$352,457</u>

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 which 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.

**Town of Turner Valley
Notes to Financial Statements
For the Year ended December 31, 2005**

11. EMPLOYEE BENEFIT OBLIGATIONS

	2005	2004
Vacation	\$20,378	\$21,127

The vacation liability is comprised of the vacation that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

12. OPERATING FUND

	2005	2004
General Government Operations	\$ 636,886	\$ 443,229

13. CAPITAL FUND

	2005	2004
Raw Water Reservoir	-\$ 358,568	-\$ 322,405

The shortfall in the raw water reservoir project will be funded through future debenture borrowings.

14. CONTINGENCIES

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

15. FINANCIAL INSTRUMENTS

The town's financial instruments consist of cash and temporary investments, accounts receivable, investments, 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 town is not exposed to significant interest or currency risks arising from these financial instruments.

The town 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 town 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.

**Town of Turner Valley
Notes to Financial Statements
For the Year ended December 31, 2005**

16. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved these financial statements.

MANAGEMENT REPORT

The accompanying consolidated financial statements and other information contained in this Financial Report are the responsibility of the management of the Town of Turner Valley.

These consolidated financial statements have been prepared by management. Financial statements are not precise since they include certain amounts based on estimated and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town of Turner Valley are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Council meets regularly with management to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. The Council also approves the engagement or re-appointment of the external auditors. The Council reviews the financial reports.

The consolidated financial statements have been audited by Scase and Lively, Professional Accountants, the external auditors, in accordance with generally accepted auditing standards on behalf of Council, residents and ratepayers of the Town. Scase & Lively Professional Accountants has full and free access to Council.