

TOWN OF TURNER VALLEY

Financial Statements

For the year ended December 31, 2006

TOWN OF TURNER VALLEY
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For the year ended December 31, 2006

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AUDITORS' REPORT

To: The Mayor and Members of Council of
the Town of Turner Valley

We have audited the consolidated statement of financial position of the Town of Turner Valley as at December 31, 2006, the consolidated statement of financial activities and change in fund balances, and the consolidated statement of changes in financial position for the year then ended. These financial statements are the responsibility of the municipal administration. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, 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 Town of Turner Valley as at December 31, 2006 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Lethbridge, Alberta

March 8, 2007

Young Parkyn McNab LLP

Chartered Accountants

TOWN OF TURNER VALLEY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2006

	2006	2005 (restated)
ASSETS		
Financial assets		
Cash and temporary investments (note 2)	\$ 2,809,934	\$ 3,696,759
Taxes and grants in place of taxes receivables (note 3)	177,145	148,834
Trade and other receivables	334,612	287,546
Land held for resale	48,414	48,414
Prepaid expenses	9,914	25,010
	3,380,019	4,206,563
Physical assets		
Capital assets (note 4)	16,746,819	14,479,794
Inventory of materials and supplies	31,389	32,769
	16,778,208	14,512,563
	\$ 20,158,227	\$ 18,719,126

LIABILITIES AND MUNICIPAL EQUITY

Liabilities		
Accounts payable and accrued liabilities	\$ 609,465	\$ 79,842
Deposits	184,400	85,450
Deferred revenue (note 5)	301,555	307,519
Long-term debt (note 6)	827,939	856,658
	1,923,359	1,329,469
Municipal equity		
Fund balances		
Operating (schedule 1)	1,316,138	813,184
Capital (schedule 2)	(1,458,556)	494,931
Reserves (schedule 3) (note 8)	2,458,406	2,458,406
	2,315,988	3,766,521
Equity in physical assets (note 9)	15,918,880	13,623,136
	18,234,868	17,389,657
	\$ 20,158,227	\$ 18,719,126

TOWN OF TURNER VALLEY
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCES
For the year ended December 31, 2006

	Budget (Unaudited)	2006	2005 (restated)
Revenue			
Net municipal property taxes (note 10)	\$ 1,341,008	\$ 1,338,665	\$ 1,173,989
User fees and sale of goods	754,580	778,508	714,752
Penalties and cost of taxes	97,947	94,841	67,636
Franchise and concession contracts	53,154	60,900	73,889
Investment income	16,150	140,222	94,086
Licenses and permits	120,076	95,766	53,200
Government transfers (note 11)	881,969	108,044	957,557
Other revenue	13,800	43,739	118,933
	3,278,684	2,660,685	3,254,042
Expenditures (note 12)			
Legislative	109,838	88,232	90,169
Administration	339,823	344,207	220,234
Fire	146,533	83,630	223,262
Disaster services	26,788	28,504	262,014
Emergency medical	50,000	33,904	47,650
Bylaw enforcement	164,951	130,890	99,245
Building	41,401	2,402	16,795
Common services	166,127	156,073	148,335
Roads, streets, walks and lighting	479,111	543,360	143,705
Water supply and distribution	947,430	1,713,596	366,907
Wastewater treatment and disposal	178,728	204,799	188,787
Waste management	211,209	329,827	103,489
Family and community support	59,126	41,280	54,009
Cemetery	21,330	21,330	20,496
Planning	61,560	61,321	46,648
Economic development	38,457	22,013	40,806
Parks and recreation	270,604	225,625	191,802
Culture	49,823	51,505	36,371
	3,362,839	4,082,498	2,300,724
(Deficiency) excess of revenue over expenditures	(84,155)	(1,421,813)	953,318
Capital financing transactions			
Repayment of long-term debt	(28,300)	(28,719)	(55,182)
Change in fund balances	(112,455)	(1,450,532)	898,136
Fund balance, beginning of year			
As previously stated	2,736,724	2,736,724	2,343,036
Prior period error correction (note 13)	-	1,029,796	525,349
As restated	2,736,724	3,766,520	2,868,385
Fund balance, end of year	\$ 2,624,269	\$ 2,315,988	\$ 3,766,521

TOWN OF TURNER VALLEY
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the year ended December 31, 2006

	2006	2005 (restated)
Cash flows from operating activities		
(Deficiency) excess of revenue over expenditures	\$ (1,421,813)	\$ 953,318
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivables	(28,311)	(28,334)
Trade and other receivables	(47,066)	(40,270)
Prepaid expenses	15,096	(5,899)
Inventory of materials and supplies	1,380	(11,248)
Accounts payable and accrued liabilities	529,622	(21,871)
Deposits	98,950	10,850
Deferred revenue	(5,964)	(88,474)
	(858,106)	768,072
Cash flows from financing activities		
Repayment of long-term debt	(28,719)	(55,182)
(Decrease) increase in cash and temporary investments	(886,825)	712,890
Cash and temporary investments, beginning of year	3,696,759	2,983,869
Cash and temporary investments, end of year	\$ 2,809,934	\$ 3,696,759

TOWN OF TURNER VALLEY
SCHEDULE 1
SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - OPERATING
For the Year Ended December 31, 2006

	Budget (Unaudited)	2006	2005 (restated)
Revenue			
Net municipal property taxes (note 10)	\$ 1,341,008	\$ 1,338,665	\$ 1,173,989
User fees and sale of goods	754,580	778,508	714,752
Penalties and cost of taxes	97,947	94,841	67,636
Franchise and concession contracts	53,154	60,900	73,889
Investment income	16,150	130,499	24,399
Licenses and permits	120,076	95,766	53,200
Government transfers	42,719	50,099	335,339
Other revenue	13,800	36,664	28,514
	2,439,434	2,585,942	2,471,718
Expenditures (note 12)			
Legislative	109,838	88,232	90,169
Administration	309,323	312,826	217,625
Fire	109,533	65,562	75,638
Disaster services	22,788	28,504	251,949
Emergency medical	50,000	33,904	47,650
Bylaw enforcement	145,551	127,655	87,660
Building	41,401	2,402	16,795
Common services	156,127	149,449	148,335
Roads, streets, walks and lighting	139,111	116,758	133,792
Water supply and distribution	235,430	222,538	206,223
Wastewater treatment and disposal	178,728	159,045	188,787
Waste management	124,282	131,516	103,489
Family and community support	59,126	41,280	54,009
Cemetery	21,330	21,330	20,496
Planning	61,560	61,321	46,648
Economic development	33,457	17,486	32,127
Parks and recreation	212,604	184,159	183,049
Culture	49,823	51,505	36,371
	2,060,012	1,815,472	1,940,812
Excess of revenue over expenditures	379,422	770,470	530,906
Net interfund transfers			
Transfer to capital - repayment of long-term debt (schedule 2)	(28,300)	(28,719)	(55,182)
Transfer to capital (schedule 2)	(20,612)	(35,036)	(349,823)
Transfer (to) from reserves (schedule 3)	(263,327)	(203,760)	67,757
Change in fund balance	67,183	502,955	193,658
Fund balance, beginning of year			
As previously stated	636,886	636,886	443,229
Prior period error correction (note 13)	-	176,297	176,297
As restated	636,886	813,183	619,526
Fund balance, end of year	\$ 704,069	\$ 1,316,138	\$ 813,184

TOWN OF TURNER VALLEY
SCHEDULE 2
SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - CAPITAL
For the year ended December 31, 2006

	Budget (Unaudited)	2006	2005 (restated)
Revenue			
Investment income	\$ -	\$ 9,723	\$ 69,687
Government transfers	839,250	57,945	622,218
Other revenue	-	7,075	90,419
	839,250	74,743	782,324
Expenditures (note 12)			
Administration	30,500	31,381	2,609
Fire	37,000	18,068	147,624
Disaster services	4,000	-	10,065
Bylaw enforcement	19,400	3,235	11,585
Common services	10,000	6,624	-
Roads, streets, walks and lighting	340,000	426,602	9,913
Water supply and distribution	712,000	1,491,058	160,684
Wastewater treatment and disposal	-	45,754	-
Waste management	86,927	198,311	-
Economic development	5,000	4,527	8,679
Parks and recreation	58,000	41,466	8,753
	1,302,827	2,267,026	359,912
(Deficiency) excess of revenue over expenditures	(463,577)	(2,192,283)	422,412
Capital financing transactions and net interfund transfers			
Repayment of long-term debt	(28,300)	(28,719)	(55,182)
Transfer from operating - repayment of long-term debt (schedule 1)	28,300	28,719	55,182
Transfer from operating (schedule 1)	20,612	35,036	349,823
Transfer from (to) reserves (schedule 3)	263,327	203,760	(303,951)
Change in fund balance	(179,638)	(1,953,487)	468,284
Fund balance, beginning of year			
As previously stated	(358,568)	(358,568)	(322,405)
Prior period error correction (note 13)	-	853,499	349,052
As restated	-	494,931	26,647
Fund balance, end of year (note 7)	\$ (538,206)	\$ (1,458,556)	\$ 494,931

TOWN OF TURNER VALLEY
SCHEDULE 3
SCHEDULE OF CHANGE IN FUND BALANCE - RESERVES
For the year ended December 31, 2006

	Budget (Unaudited)	2006	2005
Fund balance, beginning of year	\$ 2,458,406	\$ 2,458,406	\$ 2,222,212
Net interfund transfers			
Transfer from (to) operating	263,327	203,760	(67,757)
Transfer (to) from capital	(263,327)	(203,760)	303,951
Fund balance, end of year (note 8)	\$ 2,458,406	\$ 2,458,406	\$ 2,458,406

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2006

1. Significant accounting policies

The consolidated financial statements of the Town of Turner Valley 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 Town are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenditures, changes in fund balances and change in financial position of the reporting entity which comprises all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

Taxes levied also includes requisitions for educational, health care, 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

For reporting purposes, established funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Gains or losses from land sales are recorded as operating fund revenue or expenditures.

(d) Inventories

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

Land held for resale is recorded at the lower of cost and 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 waste water services, roads, sidewalks, and street lighting are recorded as physical assets under their respective function.

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2006

1. Significant accounting policies, continued

- (e) Investments
Investments are recorded at cost.

- (f) Capital assets
Capital assets are reported as expenditures in the period that they are acquired. Capital assets are recorded at cost except for donated assets, which are recorded at estimated fair value when acquired.

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

Capital assets are not amortized.

- (g) 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.

- (h) Prepaid local improvements charges
Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowing. These levies are collectible from property owners for work performed by the Town

Where a taxpayer has elected to prepay the outstanding local improvement charge, 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 borrowing, the deferred revenue is amortized to the revenue by an amount equal to the debt repayment.

- (i) 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).

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

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

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2006

1. Significant accounting policies, continued

(l) **Equity in capital assets**
Equity in capital assets represents the Town'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 borrowing, capitalized leases, and other capital liabilities which will be repaid by the municipality.

(m) **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 expenditures 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 temporary investments

	2006	2005
Cash	\$ 850,628	\$ 1,806,644
Marketable securities	1,959,306	1,890,115
	\$ 2,809,934	\$ 3,696,759

Marketable securities consist of funds invested in the RBC Premium Money Market Fund.

3. Taxes and grants in place of taxes receivables

	2006	2005
Current year	\$ 145,059	\$ 124,804
Arrears	32,086	24,030
	\$ 177,145	\$ 148,834

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2006

4. Capital assets

	2006	2005
Land	\$ 970,267	\$ 970,267
Buildings	923,863	919,352
Engineering Structures - Water	5,503,844	4,022,609
Engineering Structures - Wastewater	1,115,541	1,115,541
Engineering Structures - Other	5,392,931	4,892,716
Machinery and equipment	2,049,041	1,767,977
Vehicles	791,332	791,332
	<u>\$ 16,746,819</u>	<u>\$ 14,479,794</u>

5. Deferred revenue

	2006	2005 (restated)
Municipal sponsorship program	\$ 9,019	\$ 25,000
Streets improvement program	291,838	281,154
Prepaid license, fees and rental	698	1,365
	<u>\$ 301,555</u>	<u>\$ 307,519</u>

6. Long-term debt

	2006	2005
Self supported debentures	\$ 827,939	\$ 856,658
Current portion	\$ 30,749	\$ 28,720

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2007	\$ 30,749	\$ 50,808	\$ 81,557
2008	32,933	48,624	81,557
2009	35,285	46,272	81,557
2010	37,817	43,740	81,557
2011	40,545	41,012	81,557
Thereafter	650,610	312,154	962,764
	<u>\$ 827,939</u>	<u>\$ 542,610</u>	<u>\$ 1,370,549</u>

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2006

6. Long-term debt, continued

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest rates ranging from 5.096% to 9.625% per annum, before Provincial subsidy, and matures in periods 2014 through 2029. The average annual interest rate is 6.9% for 2006 (6.9% in 2005). 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 Town of Turner Valley at large.

Interest on long-term debt amounted to \$52,217 (2005 - \$56,368).

The Town's total cash payments for interest in 2006 were \$52,837 (2005 - \$58,127).

7. Capital fund

	2006	2005 (restated)
Financing available:		
Roads, streets, walks and lighting	\$ -	\$ 305,402
Recycling bailer and bins	-	30,000
Signage	958	5,485
Soccer field and other	1,562	23,983
Slope stability	162,210	163,785
Infiltration gallery	212,523	212,523
	<u>377,253</u>	<u>741,178</u>
Amounts to be financed:		
Water reservoir	(1,725,907)	(246,247)
Roads, streets, walks and lighting	(109,902)	-
	<u>(1,835,809)</u>	<u>(246,247)</u>
	<u>\$ (1,458,556)</u>	<u>\$ 494,931</u>

The shortfall in the water reservoir and roads, streets, walks and lighting projects is expected to be funded through a combination of capital grants and debentures.

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2006

8. Reserves

Council has set up reserves for various purposes. These reserves are either required by legislation or set up at the discretion of Council to provide funding for future expenditures.

	2005	Increase	Decrease	2006
Operating				
Legislative	\$ 500	\$ -	\$ -	\$ 500
General	35,535	-	-	35,535
Administration	72,139	-	-	72,139
Fire	1,430	-	-	1,430
Disaster services	3,801	5,000	1,429	7,372
Bylaw enforcement	11,636	6,300	-	17,936
Common services	10,857	-	-	10,857
Roads, streets, walks and lighting	72,210	4,715	-	76,925
Water supply and distribution	82,140	-	-	82,140
Wastewater treatment and disposal	129,670	2,500	49,638	82,532
Waste management	80,390	-	2,511	77,879
Family and community support	2,631	-	-	2,631
Planning	11,387	-	-	11,387
Economic development	10,402	-	-	10,402
Parks and recreation	31,100	5,020	5,363	30,757
Other	62,002	-	-	62,002
	617,830	23,535	58,941	582,424
Capital				
Administration	47,833	10,000	16,362	41,471
Fire	4,061	4,500	-	8,561
Disaster services	1,232	7,000	7,000	1,232
Bylaw enforcement	12,089	10,000	-	22,089
Common services	273,253	10,000	42,004	241,249
Roads, streets, walks and lighting	156,929	40,000	1,575	195,354
Water supply and distribution	567,542	20,000	-	587,542
Wastewater treatment and disposal	467,883	30,000	-	497,883
Waste management	75,092	10,000	75,546	9,546
Family and community support	8,770	-	-	8,770
Economic development	4,300	-	-	4,300
Parks and recreation	211,316	50,000	13,607	247,709
Culture	10,276	-	-	10,276
	1,840,576	191,500	156,094	1,875,982
	\$ 2,458,406	\$ 215,035	\$ 215,035	\$ 2,458,406

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2006

9. Equity in capital assets

	Budget (Unaudited)	2006	2005 (restated)
Acquisition of capital assets			
Administration	\$ 30,500	\$ 31,381	\$ 2,609
Fire	37,000	18,068	147,624
Disaster services	4,000	-	10,065
Bylaw enforcement	19,400	3,235	11,585
Common services	10,000	6,624	-
Roads, streets, walks and lighting	340,000	426,602	9,913
Water supply and distribution	712,000	1,491,058	160,684
Wastewater treatment and disposal	-	45,754	-
Waste management	86,927	198,311	-
Economic development	5,000	4,527	8,679
Parks and recreation	58,000	41,466	8,753
	1,302,827	2,267,026	359,912
Capital financing			
Repayment of long-term debt	28,300	28,719	55,182
Change in equity balance	1,331,127	2,295,745	415,094
Equity balance, beginning of year			
As previously stated	13,764,497	13,764,496	13,349,403
Prior period error correction (note 13)	-	(141,361)	(141,361)
As restated	13,764,497	13,623,135	13,208,042
Equity balance, end of year	\$ 15,095,624	\$ 15,918,880	\$ 13,623,136
Balance consists of:			
Capital assets (note 4)		\$ 16,746,819	\$ 14,479,794
Long-term debt (note 6)		(827,939)	(856,658)
		\$ 15,918,880	\$ 13,623,136

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2006

10. Net municipal property taxes

	Budget (Unaudited)	2006	2005
Taxation			
Real property taxes	\$ 1,789,290	\$ 1,787,814	\$ 1,604,771
Linear property taxes	88,951	97,646	95,781
Government grants in place of property taxes	26,175	26,174	25,172
Special assessments and local improvement taxes	11,647	11,877	20,097
	1,916,063	1,923,511	1,745,821
Requisitions			
Alberta School Foundation Fund	528,416	537,162	525,994
Christ the Redeemer School	31,254	32,299	30,479
Seniors Foundation	15,385	15,385	15,359
	575,055	584,846	571,832
	\$ 1,341,008	\$ 1,338,665	\$ 1,173,989

11. Government transfers

	Budget (Unaudited)	2006	2005 (restated)
Federal transfers			
Shared cost agreements and grants	\$ -	\$ -	\$ 5,092
Provincial transfers			
Shared cost agreements and grants	881,969	108,044	952,465
	\$ 881,969	\$ 108,044	\$ 957,557

TOWN OF TURNER VALLEY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2006

12. Expenditures by object

	Budget (Unaudited)	2006	2005 (restated)
Operating			
Salaries, wages and benefits	\$ 811,094	\$ 792,226	\$ 692,756
Contracted and general services	527,330	402,702	375,571
Materials, goods, supplies and utilities	342,381	282,493	533,861
Transfers to organizations and others	302,852	284,567	273,353
Interest on long-term debt	52,755	52,217	56,368
Other expenditures	23,600	1,267	8,903
	2,060,012	1,815,472	1,940,812
Capital			
Purchases of capital assets	1,302,827	2,267,026	359,912
	\$ 3,362,839	\$ 4,082,498	\$ 2,300,724

13. Prior period error correction

The prior year's figures have been corrected to reflect a decrease in accounts receivable of \$29,976, a decrease in accounts payable of \$64,913, a decrease in deferred revenue of \$853,499 and a decrease in equity in capital assets of \$141,360 as these balances were previously overstated. The effect of these adjustments is an increase in the operating fund balance as at January 1, 2005 of \$176,297, an increase in the capital fund balance as at January 1, 2005 of \$349,052, an increase in capital fund revenue over expenditures for the year ended December 31, 2005 of \$504,447, and an increase in the capital fund balance as at December 31, 2005 of \$853,499.

14. Salary and benefits disclosure

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

	(1) Salary	(2) Benefits & allowances	2006	2005
Council				
Mayor Straub	\$ 10,261	\$ 801	\$ 11,062	\$ 10,672
Councillor Dujay	6,043	1,636	7,679	8,812
Councillor Blakeman	7,077	602	7,679	7,778
Councillor Fluter	7,077	602	7,679	7,778
Councillor Williamson	7,461	218	7,679	7,778
Councillor Schaffer	7,461	218	7,679	7,778
Councillor Cress	4,897	2,782	7,679	9,639
Administrator Ogrodniczuk	\$ 60,517	\$ 11,583	\$ 72,100	\$ 38,260

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14. Salary and benefits disclosure, continued

- (1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (2) Benefits and allowances include the 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 planning services, retirement planning services, concessionary loans, travel allowances, and club memberships.

15. 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 be disclosed as follows:

	2006	2005
Total debt limit	\$ 3,904,110	\$ 3,947,739
Total debt	827,939	856,658
	<u>\$ 3,076,171</u>	<u>\$ 3,091,081</u>
Debt servicing limit	\$ 650,685	\$ 657,957
Debt servicing	81,557	81,557
	<u>\$ 569,128</u>	<u>\$ 576,400</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.

16. Contingency

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX) which provides liability insurance. The investment in this program is not reflected as an asset in the accompanying financial statements.

Under the terms of 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.

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17. Commitment

As at December 31, 2006 the Town had spent approximately \$2 million on the water reservoir project. The total expected costs for the project are approximately \$5 million. The project is expected to be funded through a combination of capital grants and debentures.

18. Financial instruments

The Town's financial instruments consist of cash and temporary investments, receivables, bank overdraft, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Town is not exposed to significant interest, currency or credit risk arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the 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.

19. Approval of financial statements

These financial statements were approved by Council and Management.

20. Comparative figures

Where necessary the comparative figures for the 2005 year, which were reported on by another auditor, have been reclassified to conform with 2006 financial statement presentation.