

MEYERS NORRIS PENNY & Co.

CHARTERED ACCOUNTANTS

February 22, 1996

Suite 400,
Eau Claire Place II
521-3rd Ave. S.W.
Calgary, Alberta
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Telephone
(403) 263-3385
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VILLAGE OF BEISEKER
Beiseker, Alberta
T0M 0G0

TO THE MAYOR AND COUNCIL:

You have requested that we audit the balance sheet and statements of operating revenue and expenditures, equity in capital assets, accumulated surplus and changes in financial position of Village of Beiseker as of and for the year ended December 31, 1995. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. Our audit will be conducted in accordance with applicable authoritative pronouncements in Canada with the objective of our expressing an opinion on the financial statements.

In forming our opinion on the financial statements, we will perform sufficient tests to obtain reasonable assurance as to whether the information contained in the underlying accounting records and other source data is reliable and sufficient as the basis for the preparation of the financial statements. We will also decide whether the information is properly communicated in the financial statements.

Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any system of internal control, there is an unavoidable risk that even some material misstatement may remain undiscovered.

In addition to our report on the financial statements, we expect to provide you with a separate letter concerning any material weaknesses in internal control which come to our notice.

May we remind you that the responsibility for the preparation of financial statements including adequate disclosure is that of the management of the Village. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of the village. As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit.

We look forward to full co-operation with your staff and we trust that they will make available to us whatever records, documentation and other information are requested in connection with our audit.

PARTNERS:
B.T. STEIN, C.A.*
R.J. McCLELLAND, C.A.*
E.A. DREW, C.A.*
E.J. BENWOOD, C.A.*
A.F. SMITH, C.A.
D.S. RUTHERFORD, C.A.

PROFESSIONALS:
M.G. THOMPSON, C.A.
B.W. HARRIS, C.A.
P.C. ROACH, C.G.A.

CONSULTING PARTNERS:
E.R.J. MCGREGOR, C.A.*
H.R. SHIER, C.A.*

* DENOTES PROFESSIONAL CORPORATION

BRANDON
BROOKS
CALGARY
DELORAINÉ
EDMONTON
KILLARNEY
HUDSON BAY
INNISFAIL
MEDICINE HAT
MELFORT
MOOSOMIN
NEEPAWA
PINCHER CREEK
PORTAGE LA PRAIRIE
RED DEER
SWIFT CURRENT
VIRDEN
WAINWRIGHT
WINNIPEG

Our fees, which will be billed as work progresses, are based on the time required by the individuals assigned to the engagement plus direct out-of-pocket expenses. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required. Fees are due upon receipt of invoice and we may charge interest at the rate of 1.5% per month (effective annual interest rate 19.56%) on overdue accounts.

This letter will be effective for future years unless it is terminated, amended or superseded.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our audit of the financial statements.

Yours very truly,

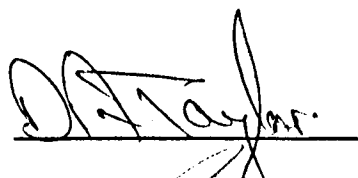
MEYERS NORRIS PENNY & CO.



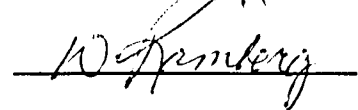
E. A. Drew, CA
Partner

The above arrangement conforms with our understanding and is hereby agreed to:

VILLAGE OF BEISEKER

Signature 

Date Feb. 27, 1996

Signature 

Date March 4, 1996

**Village of Beiseker
Financial Statements**

December 31, 1995

MEYERS NORRIS PENNY & Co.

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Auditors' Report

**To the Members of Council,
VILLAGE OF BEISEKER**

We have audited the balance sheet of the Village of Beiseker as at December 31, 1995 and the statements of operating revenue and expenditures, equity in capital assets, accumulated surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 financial statements present fairly, in all material respects, the financial position of the Village as at December 31, 1995 and the results of its operations and the changes in its capital financing for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

Meyers Norris Penny & Co.

CHARTERED ACCOUNTANTS.

February 21, 1996

PARTNERS:
B.T. STEIN, C.A.*
R.J. McCLELLAND, C.A.*
E.A. DREW, C.A.*
E.J. BENWOOD, C.A.*
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PINCHER CREEK
PORTAGE LA PRAIRIE
RED DEER
SWIFT CURRENT
VIRDEN
WAINWRIGHT
WINNIPEG

Village of Beiseker
Statement of Operating Revenue and Expenditures
 As At December 31, 1995

	<u>1995</u>	<u>1994</u>
REVENUE		
Taxes	\$ 532,619	\$ 520,210
Mobile unit licences	3,120	3,788
Taxes - power, pipe, cable	57,680	55,741
Federal and provincial grants in lieu	9,226	9,067
Special levies and local improvement	28,289	28,289
Franchise fees	13,544	12,602
Provincial grants - Conditional	75,758	24,622
Provincial grants - Unconditional	27,843	36,295
Federal grants - Conditional	42,663	-
Sale of water	98,755	97,044
Sale of sewer	27,474	26,732
Sale of garbage	15,193	14,974
Penalties and costs - taxes	11,175	12,500
Penalties and costs - water and sewer	676	470
Return on investments	28,448	23,122
Bylaw revenue	1,000	905
Fire Department revenue	800	3,000
Planning and development revenue	29,575	56,679
Parks and recreation revenue	12,241	15,138
Miscellaneous	45,736	31,758
Transfers from reserves	142,722	60,466
Transfers from operating allowances	-	1,000
	<u>1,204,537</u>	<u>1,034,402</u>
EXPENDITURES		
Alberta Planning Requisition	-	1,760
Alberta School Foundation Requisition	243,561	40,887
Hospital requisition	-	703
School district requisition	-	217,389
Rockyview Foundation	1,743	2,963
Salaries, wages and benefits	183,617	173,168
Bank and interest charges	126	71
Contract and general services	26,345	26,402
Material, goods, supplies and utilities	317,763	255,932
Repayment of long-term debt - principal	67,874	74,518
Repayment of long-term debt - interest	77,628	80,378
Transfers to allowances	-	1,000
Transfers to reserves	74,000	73,087
Other expenditures	16,646	40,363
Land purchases for resale	161,085	11,500
Capital expenditures	84,362	30,497
	<u>1,254,750</u>	<u>1,030,618</u>
EXCESS REVENUE OVER EXPENDITURES	<u>\$ (50,213)</u>	<u>\$ 3,784</u>

Village of Beiseker
Statement of Equity in Capital Assets
For the Year Ended December 31, 1995

	<u>1995</u>	<u>1994</u>
Equity, beginning of year	\$ 4,486,199	4,385,732
Debenture principal payments	33,373	74,517
Streets and underground services	67,624	3,826
Land and buildings	-	568
Vehicles, machinery and equipment	16,737	26,102
Land held for resale	186,255	(5,296)
Prior year overexpenditure	-	750
Equity, end of year	<u>\$ 4,790,188</u>	<u>\$ 4,486,199</u>

Village of Beiseker
Statement of Accumulated Surplus
For the Year Ended December 31, 1995

	<u>1995</u>	<u>1994</u>
Balance, beginning of year	\$ 111,156	\$ 107,372
Excess revenue over expenditures	<u>(50,213)</u>	<u>3,784</u>
Balance, end of year	<u>\$ 60,943</u>	<u>\$ 111,156</u>

Village of Beiseker
Balance Sheet
December 31, 1995

	<u>1995</u>	<u>1994</u>
ASSETS		
CURRENT		
Cash	\$ 206,193	\$ 436,726
Taxes receivable	81,759	72,171
Utilities receivable	27,927	26,487
Trade and other receivable	143,447	28,817
Prepaid expenses	12,766	14,069
	472,092	578,270
LAND INVENTORY	290,495	35,240
CAPITAL ASSETS (Note 2)	5,161,350	5,076,989
	\$ 5,923,937	\$ 5,690,499
LIABILITIES		
CURRENT		
Accounts payable	\$ 67,472	\$ 54,084
Other liabilities	17,356	16,613
Current portion of long-term debt	71,540	33,373
	156,368	104,070
LONG-TERM DEBT (Note 3)	590,119	592,659
OPERATING ALLOWANCES (Note 4)	33,880	33,880
PREPAID LOCAL IMPROVEMENTS	17,607	18,981
	797,974	749,590
RESERVES (Note 4)	274,832	343,554
EQUITY IN CAPITAL ASSETS	4,790,188	4,486,199
ACCUMULATED SURPLUS	60,943	111,156
	5,125,963	4,940,909
	\$ 5,923,937	\$ 5,690,499

Village of Beiseker
Statement of Changes in Financial Position
For the Year Ended December 31, 1995

	<u>1995</u>	<u>1994</u>
OPERATIONS		
Excess revenue over expenditures	\$ (50,213)	\$ 3,784
Purchase land held for resale	161,085	11,500
Capital assets included in expenditures	84,362	30,495
Long-term debt principal repayment included in expenditures	67,874	74,517
Prepaid local improvements	(1,374)	(1,375)
Prior years overexpenditure	-	750
	<u>261,734</u>	<u>119,671</u>
Taxes receivable	(9,588)	(4,099)
Utilities receivable	(1,440)	(2,940)
Trade and other receivables	(114,630)	(7,123)
Prepaid expenses	1,304	1,425
Accounts payable	13,388	17,049
Other liabilities	744	529
	<u>(110,222)</u>	<u>4,841</u>
NET CASH PROVIDED FROM OPERATIONS	<u>151,512</u>	<u>124,512</u>
 FINANCING		
Long-term debt repaid	(67,874)	(74,517)
Reserves	(68,722)	12,623
	<u>(136,596)</u>	<u>(61,894)</u>
 INVESTING		
Purchase land inventory held for resale	(161,085)	(11,500)
Purchase of capital assets	(84,362)	(30,495)
	<u>(245,447)</u>	<u>(41,995)</u>
INCREASE (DECREASE) IN CASH POSITION	(230,531)	20,623
Cash position, beginning of year	<u>436,726</u>	<u>416,103</u>
CASH POSITION, END OF YEAR	<u>\$ 206,195</u>	<u>\$ 436,726</u>

Village of Beiseker
Statement of Total Revenues and Expenditures
By Function for the Year Ended December 31, 1995

Schedule 1

	<u>Revenues</u>	<u>Expenditures</u>	<u>1995 Net Cost Operations</u>	<u>1994 Net Cost Operations</u>
Council	\$ -	\$ 14,149	\$ 14,149	\$ 13,894
Administration	(11,897)	105,040	93,143	93,501
Fire department	(800)	35,013	34,213	32,996
Disaster services	-	-	-	129
Ambulance	-	11,183	11,182	10,278
By-law enforcement	(1,000)	1,150	150	(561)
Common services	(9,286)	59,362	50,076	59,038
Roads, streets, sidewalks	(147,171)	203,429	56,258	93,572
Airport	(4,133)	8,398	4,265	4,947
Water services	(104,562)	98,918	(5,644)	(4,264)
Sewer services	(27,981)	129,780	101,799	55,096
Garbage services	(15,193)	28,054	12,861	13,845
F.C.S.S.	(5,667)	3,891	(1,776)	2,757
Planning and development	(4,887)	4,187	(700)	(181)
Community services	(1,023)	9,623	8,600	12,041
Tourism	(673)	1,114	441	4,649
Economic development	-	575	575	484
Environmental	-	-	-	(6)
Industrial subdivision	(10,000)	20,580	10,580	-
Residential subdivision	(111,465)	218,023	106,558	(13,728)
Recreation board	-	290	290	323
Parks and recreation	(26,880)	28,897	3,017	13,398
Recreation programs	(6,933)	16,717	9,784	13,285
Library	-	10,072	8,493	10,203
	<u>(491,130)</u>	<u>1,009,444</u>	<u>518,314</u>	<u>415,696</u>

MUNICIPAL REVENUES

Net taxes for general municipal purposes	382,509	325,432
Penalties	11,429	12,800
Franchise fees	13,544	12,603
Return on investments	28,448	23,122
Provincial unconditional grants	27,843	36,295
Other revenue	4,328	9,228
	<u>468,101</u>	<u>419,480</u>

NET SURPLUS

\$ (50,213) \$ 3,784

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted for Alberta municipalities. Significant aspects of these accounting policies are as follows:

a) Financial Statement Presentation

The combined financial statements consist of tax supported and self-supporting activities or entities whose operations and assets are under the control of the municipal council.

The schedule of taxes levied also includes operating requisitions for many educational, health care, social and other external organizations that are not controlled by the municipal council.

The statements exclude trust assets that are administered for the benefit of external parties.

b) 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. Capital fund debt principal and interest payments are recorded as operating fund expenditures. Proceeds from sales of land held for resale are recorded as operating fund revenues.

The operating and capital funds are further segregated by functions which relate to specific areas of activity.

c) Accrual Basis of Accounting

The accrual basis of accounting is followed in the financial statement presentation with the exception of interest on long term debt.

d) 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.

e) Inventories

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 levelling 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. When land is sold the inventory balance is reduced with an offsetting adjustment to equity in capital assets.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Capital Property

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 capital asset costs.

Capital assets of tax supported operations are not depreciated.

g) Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special property 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.

h) 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 operating reserves are reflected as an adjustment to the operating fund while transfers to and/or from capital reserves are shown as an adjustment to capital equity.

i) Equity in Capital Assets

Equity in capital assets represents the Village of Beiseker's net investment in its total capital assets, land held for resale, and other capital assets, after deducting the portion financed by third parties through debenture, bond, and mortgage debts, long term capital borrowing, capitalized leases, and other capital liabilities. Equity in capital assets also includes any capital revenues received but unexpended at year end, and is reduced by any capital expenditures incurred but not funded at year end.

Village of Beiseker

Notes to the Financial Statements
December 31, 1995

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Excess Collections and Under-Levies

Excess collections 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 excess collection is accrued as a liability and shown as an "other" operating expenditure. In situations where the actual levy is less than the requisition amount, the under-levy is accrued as an "other" asset and reflected as "other" operating revenue.

Requisition tax rates in the subsequent year are adjusted for any excess collections or under-levies of the prior year. Amounts previously accrued for excess collections are included in "other" operating revenue while prior year accruals for under-levies are included in "other" operating expenditures.

2. CAPITAL ASSETS

	<u>1995</u>	<u>1994</u>
Land	\$ 50,811	\$ 50,811
Buildings	478,332	478,332
Engineering structures	4,164,822	4,097,197
Machinery and equipment	258,968	246,351
Vehicles	208,419	204,298
	<u>\$ 5,161,352</u>	<u>\$ 5,076,989</u>

3. LONG-TERM DEBT OBLIGATIONS

Principal payments on debenture debt in the next five years are as follows:

	<u>Principal</u>	<u>Interest</u>
1996	\$ 71,540	\$ 71,374
1997	75,612	64,714
1998	45,635	57,603
1999	50,660	52,579
2000	56,240	46,998
Balance to maturity	<u>361,972</u>	<u>140,919</u>
	661,659	\$ 426,424
Less portion included in current liabilities	<u>71,540</u>	
	<u>\$ 590,119</u>	

Village of Beiseker
Notes to the Financial Statements
December 31, 1995

3. LONG-TERM DEBT OBLIGATIONS (Continued)

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 9.125% to 12% per annum, before Provincial subsidy, and mature in periods 1995 through 2011. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9% and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Village of Beiseker at large.

4. RESERVES

	<u>Balance Dec 31/93</u>	<u>Transfers from Operations</u>	<u>Transfers to Operations</u>	<u>Balance Dec 31/94</u>
Operating allowance	\$ 33,880	\$ -	\$ -	\$ 33,880
Operating reserves				
General operating	\$ 2,651	\$ -	\$ -	\$ 2,651
F.C.S.S.	5,667	-	5,667	-
	<u>8,318</u>	<u>-</u>	<u>5,667</u>	<u>2,651</u>
Capital reserves				
General	187,501	50,000	(111,000)	126,501
Fire fighting	14,000	4,000	-	18,000
Airport	18,500	-	-	18,500
Transportation	20,828	-	-	20,828
Common services	9,000	-	-	9,000
Water	34,522	-	-	34,522
Beacon Heights	8,484	-	(8,484)	-
Industrial Park	-	20,000	-	20,000
Tourism	5,500	-	-	5,500
CPR Station	3,700	-	-	3,700
Recreation	32,614	-	(17,571)	15,043
Cash in lieu	587	-	-	587
	<u>335,236</u>	<u>74,000</u>	<u>(137,055)</u>	<u>272,181</u>
Total reserves	<u>\$ 343,554</u>	<u>\$ 74,000</u>	<u>\$ 142,722</u>	<u>\$ 274,832</u>

5. SALARY AND BENEFITS DISCLOSURE

	1995			1994
	Salary	Benefits	Total	Salary
Mayor Taylor	\$ 180	\$ 2,970	\$ 3,150	\$ 2,618
Councillor Beagle	510	3,478	3,988	4,071
Councillor Bell	-	2,288	2,288	2,637
Councillor Fegan	60	448	508	-
Councillor Gancer	60	1,924	1,984	2,290
Councillor Schmaltz	255	793	1,048	-
Councillor Van Hee	150	999	1,149	1,212
	1,035	9,930	10,965	10,210
Municipal Administrator	36,434	4,036	40,470	28,469
	\$ 37,649	\$ 16,936	\$ 54,585	\$ 41,297

6. DEBT LIMITS

Total debt limit	\$ 1,317,410
Excess capacity	661,659
	\$ 655,751
Service of debt	\$ 219,570
Service on debt	103,239
Excess capacity	\$ 116,331

The above calculations are in accordance with Section 271 of the Municipal Government Act which defines debt limit as 1.5 times revenue, net of grants, and service of debt as .25 of revenue less grants.