

# ***TOWN OF MILK RIVER***

Consolidated Financial Statements

For The Year Ended December 31, 2005

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# TOWN OF MILK RIVER

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December 31, 2005

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## **AUDITOR'S REPORT**

To the Members of Council

I have audited the consolidated statement of financial position of the Town of Milk River as at December 31, 2005 and the consolidated statement of financial activities with change in fund balances and consolidated statement of changes in financial position for the year then ended. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 the management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Town of Milk River as at December 31, 2005 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, AB

THOMAS P. BLANCHETTE PROFESSIONAL CORPORATION

March 10, 2006

Chartered Accountant

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# TOWN OF MILK RIVER

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31

2005

2004

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### FINANCIAL ASSETS

Cash and temporary investments (note 2)	\$ 920,892	\$ 601,395
Taxes and grants in place of receivable (note 3)	75,920	73,819
Trade and other receivables	95,429	239,263
Investments (note 4)	226,362	229,935
Prepaid expenses	2,612	5,680
Long term investments	1,765	1,765
	<u>1,322,980</u>	<u>1,151,857</u>

### PHYSICAL ASSETS

Inventory of consumable supplies	51,127	41,165
Capital assets (note 5)	<u>10,545,506</u>	<u>10,180,366</u>
	<u>10,596,633</u>	<u>10,221,531</u>
	<u>\$11,919,613</u>	<u>\$ 11,373,388</u>

### LIABILITIES

Accounts payable and accrued liabilities	\$ -	135,043
Deposit liabilities	249	664
Deferred revenue	7,087	11,397
Other current liabilities	18,613	-
Callable debt (note 7)	119,911	249,006
Long term debt (note 8)	<u>191,951</u>	<u>223,578</u>
	<u>337,811</u>	<u>619,688</u>

### MUNICIPAL EQUITY

Operating fund (schedule 1)	260,657	259,902
Reserves (schedule 3)	1,038,122	696,762
Equity in capital costs (schedule 2)	<u>10,283,023</u>	<u>9,797,036</u>
	<u>11,581,802</u>	<u>10,753,700</u>
	<u>\$11,919,613</u>	<u>\$11,373,388</u>

Contingencies - See Note 12

# TOWN OF MILK RIVER

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

FOR YEAR ENDED DECEMBER 31	Budget (Unaudited)	2005	2004
<b>REVENUES</b>			
Net municipal taxes (schedule 4)	\$ 680,233	\$ 606,550	\$ 580,420
User fees and sales of goods			
Ambulance	79,403	80,062	77,467
Water and wastewater	209,030	272,522	267,169
Waste management	48,700	49,232	49,038
Subdivision land development	50,000	52,000	-
Recreation and parks	24,510	18,775	28,017
Penalties and costs on taxes	19,225	20,991	18,661
Franchise and concession contracts	55,000	56,725	47,892
Investment income	8,765	13,679	10,925
Rentals	41,285	42,927	44,660
Provincial government transfers	68,844	69,288	27,245
Local government transfers	75,603	79,034	70,580
Other revenues	17,000	19,607	17,905
	<u>1,377,598</u>	<u>1,381,392</u>	<u>1,239,979</u>
<b>EXPENDITURES (SCHEDULE 5)</b>			
Legislative	59,874	55,662	40,830
Administration	296,450	259,191	268,767
Fire, ambulance and bylaws enforcement	257,596	252,349	218,130
Roads, streets, walks, lighting	109,732	95,453	104,003
Common services and equipment	75,757	78,774	67,161
Water and wastewater	167,227	144,271	113,300
Waste management	57,876	52,414	51,874
Family and community support	27,262	16,696	27,038
Subdivision land development	56,840	4,140	4,637
Parks and recreation	138,450	113,903	127,747
	<u>1,247,064</u>	<u>1,072,853</u>	<u>1,023,487</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>			
	<u>130,534</u>	<u>308,539</u>	<u>216,492</u>
Repayments of capital fund long term debt	(166,350)	(160,722)	(48,972)
Transferred to reserves	(6,006)	( 6,384)	3,825
Transferred (to) from capital from	41,822	(140,678)	(168,983)
	<u>(130,534)</u>	<u>(307,784)</u>	<u>(214,130)</u>
<b>CHANGES IN FUND DURING YEAR</b>			
	<u>\$ NIL</u>	<u>\$ 755</u>	<u>\$ 2,362</u>

# TOWN OF MILK RIVER

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31	2005	2004
<b>OPERATIONS</b>		
Excess of revenues over expenditures	\$ 308,539	\$ 216,492
Net changes in non-cash working operating balances		
Taxes and grants in place of taxes receivable	(2,101)	(19,310)
Trade and other receivables	143,834	(109,764)
Investments	3,573	9,964
Other financial assets	3,068	3,915
Accounts payable and accrued liabilities	(5,282)	(19,771)
Deposit liabilities	(415)	(674)
Deferred revenue	(4,310)	4,006
Other current liabilities	18,613	(17,744)
	<u>465,519</u>	<u>67,114</u>
<b>INVESTING</b>		
Government capital transfers	519,563	886,852
Disposal of capital assets	56,896	-
Purchases of capital assets		
-Land	(37,384)	-
-Buildings	(8,447)	(7,171)
-Engineering structures	(144,192)	(1,109,121)
-Machinery, equipment and furnishings	(22,667)	(25,469)
-Vehicles	(209,346)	(21,077)
-Materials and supplies	(9,962)	(6,340)
	<u>144,461</u>	<u>(282,326)</u>
<b>FINANCING</b>		
Accounts payable for capital projects	(129,761)	129,761
New callable debt	-	249,005
Long term and callable debt repaid	(160,722)	(48,972)
	<u>(290,483)</u>	<u>329,794</u>
<b>CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING YEAR</b>	319,497	114,582
<b>CASH AND TEMPORARY INVESTMENTS AT BEGINNING OF YEAR</b>	<u>601,395</u>	<u>486,813</u>
<b>CASH AND TEMPORARY INVESTMENTS AT END OF YEAR</b>	<u>\$ 920,892</u>	<u>\$ 601,395</u>
<b>OTHER INFORMATION</b>		
Interest paid	\$ 35,753	\$ 29,678
Interest received	\$ 18,430	\$ 17,894

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# TOWN OF MILK RIVER

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## Schedule 1

### SCHEDULE OF OPERATING FUND EQUITY FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
Balance at beginning of year	\$ 259,902	\$ 257,540
Change in operating fund during the year	<u>755</u>	<u>2,362</u>
Balance at end of year	\$ <u>260,657</u>	\$ <u>259,902</u>

## Schedule 2

### SCHEDULE OF EQUITY IN CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
Balance at beginning of year	\$ 9,797,036	\$ 8,768,162
Government capital transfers	519,563	886,852
Drawn from reserves	(334,976)	(75,933)
Net transferred from operating fund	140,678	168,983
Operating fund payments on long term capital debt	<u>160,722</u>	<u>48,972</u>
Balance at end of year	\$ <u>10,283,023</u>	\$ <u>9,797,036</u>

## Schedule 3

### SCHEDULE OF RESERVES FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
Balance at beginning of year	\$ 696,762	\$ 624,654
Add/ (deduct):		
Transfer from (to) operating fund	6,384	(3,825)
Transfer from capital fund	<u>334,976</u>	<u>75,933</u>
Balance at end of year (note 9)	\$ <u>1,038,122</u>	\$ <u>696,762</u>

# TOWN OF MILK RIVER

Schedule 4

## SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2005

	Budget (Unaudited)	2005	2004
<b>TAXATION</b>			
Real property taxes	\$ 740,562	\$ 669,216	\$ 654,364
Linear property taxes	46,841	46,841	44,292
Government grants in lieu of property taxes	43,431	43,431	42,924
Special assessments and local improvement taxes	<u>65,645</u>	<u>63,308</u>	<u>68,037</u>
	<u>896,479</u>	<u>822,796</u>	<u>809,617</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Requisition	195,592	195,592	204,929
Ridge Country Regional Housing	20,654	20,654	24,268
	<u>216,246</u>	<u>216,246</u>	<u>229,197</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 680,233</u>	<u>\$ 606,550</u>	<u>\$ 580,420</u>

Schedule 5

## SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2005

	Budget (Unaudited)	2005	2004
<b>EXPENDITURES</b>			
Salaries, wages and benefits	\$ 521,705	\$ 507,201	\$ 445,962
Contracted and general services	339,466	247,603	249,475
Materials, goods, and utilities	275,250	212,426	228,815
Bank charges and short term interest	4,863	3,839	31
Grants to organizations and own agencies	15,638	12,365	15,014
Interest on long term debt	31,806	31,914	29,647
Other expenditures	<u>58,336</u>	<u>57,505</u>	<u>54,543</u>
<b>TOTAL EXPENDITURES</b>	<u>\$1,247,064</u>	<u>\$1,072,853</u>	<u>\$ 1,023,487</u>

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# TOWN OF MILK RIVER

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

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## 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Milk River are the representations of management prepared in accordance with generally accepted accounting principles 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, revenues and expenditures, and changes in 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.

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 not 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.

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.

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# TOWN OF MILK RIVER

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### c) Fund Accounting

Management funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Proceeds from the sale of land are recorded as operating fund revenues.

### d) 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).

### e) Capital Fund

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

### f) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

### g) Inventory of Consumable Supplies

Supplies are valued at the lower of cost or net realizable value with cost determined by the average cost method.

### h) 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 market value.

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# TOWN OF MILK RIVER

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### h) Capital Assets (cont.)

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

Physical assets for government purposes are not amortized.

### i) Debt Charges Recoverable

Debt charges recoverable consist of capital 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.

### j) Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of related borrowings. These levies are collectible 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.

### 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.

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# TOWN OF MILK RIVER

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### l) Equity in Capital Assets

Equity in capital assets represents the town's net investment in its 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 which will be repaid by the municipality.

### m) Adjustments to Accumulated Surplus

Council may authorize appropriations from accumulated surplus to fund current year operating expenditures. Such appropriations are recorded as an adjustment in the Statement of Changes in Fund Balances.

Adjustments related to operations of prior periods are recorded as an "adjustment to prior years" on the Statement of Accumulated Surplus.

### n) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned.

If an actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. In situations where the actual levy is less than the requisition amount, the under-levy is accrued as "a prepaid expense" 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.

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# TOWN OF MILK RIVER

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

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**o) 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 amounts reported and disclosed in the financial statements and related notes. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual amounts could differ from those estimates.

**p) Financial Instruments**

The town's financial instruments consist of cash and temporary investments, taxes and grants in place of receivable, trade and other receivables, accounts payable and accrued liabilities, callable debt and long term debt. It is the management's opinion that the town is not exposed to significant interest or currency risks arising from these financial statements.

The town is subject to credit risk with respect to taxes and grants in place of 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.

<b>2. CASH AND TEMPORARY INVESTMENTS</b>	<u>2005</u>	<u>2004</u>
Cash on hand	\$ 200	\$ 200
Cash in chartered banks	704,807	385,970
Guaranteed Investments Certificates	<u>215,885</u>	<u>215,225</u>
	<u>\$ 920,892</u>	<u>\$ 601,395</u>

Cashable Guaranteed Investment Certificates, earning interest of 0.75% to 2.25% mature within three months or less.

<b>3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE</b>	<u>2005</u>	<u>2004</u>
Current		
Current taxes and grants in place of taxes	\$ 49,112	\$ 49,052
Tax arrears	<u>26,808</u>	<u>24,767</u>
	<u>\$ 75,920</u>	<u>\$ 73,819</u>

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# TOWN OF MILK RIVER

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

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## 4. INVESTMENTS

Short term deposits earn interest from 0.75% to 2.75% (2004 - 0.75% to 2.00%) and mature in more than three months and less than one year.

## 5. CAPITAL ASSETS

	<u>2005</u>	<u>2004</u>
Land	\$ 207,062	\$ 169,678
Buildings	1,786,114	1,777,667
Distribution systems		
Water	3,086,878	2,946,037
Wastewater	653,178	653,178
Other engineering structures	3,183,429	3,180,078
Machinery, equipment and furnishings	1,088,241	1,066,045
Vehicles	<u>540,604</u>	<u>387,683</u>
	<u>\$10,545,506</u>	<u>\$10,180,366</u>

## 6. BANK LOAN

The Town is authorized to borrow a maximum of \$200,000 from the bank at bank prime rate minus 0.25%. At year end, there was no loan balance outstanding.

## 7. CALLABLE DEBT

	<u>2005</u>	<u>2004</u>
Bank loan, bearing interest at bank prime rate, repayable \$2,716 monthly including principal and interest maturing January 2010.	\$ 119,911	\$ 146,581
Bank loan, bearing interest at bank prime rate, repayable \$1,898 monthly including principal and interest, repaid in full during year.		<u>102,425</u>
	<u>\$ 119,911</u>	<u>\$ 249,006</u>

The bank loans are secured by a general security agreement covering all present and after acquired personal property, all accounts, specific equipment including serial numbered goods and proceeds and mortgages on numerous parcels of land.

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# TOWN OF MILK RIVER

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

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## 7. Callable Debt (cont.)

Principal and interest repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 27,072	\$ 5,589	\$ 32,661
2007	28,492	4,194	32,686
2008	30,016	2,671	32,687
2009	31,639	1,047	32,686
2010	<u>2,692</u>	<u>12</u>	<u>2,704</u>
	<u>\$ 119,911</u>	<u>\$ 13,513</u>	<u>\$ 133,424</u>

## 8. LONG TERM DEBT

	<u>2005</u>	<u>2004</u>
Debenture supported by Special Taxes	\$ -	\$ 4,356
Debenture for Town Hall	<u>191,951</u>	<u>219,222</u>
	<u>\$ 191,951</u>	<u>\$ 223,578</u>

Principal and interest repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 30,441	\$ 22,314	\$ 52,755
2007	33,980	18,776	52,756
2008	37,930	14,825	52,755
2009	42,339	10,416	52,755
2010	<u>47,261</u>	<u>5,494</u>	<u>52,755</u>
	<u>\$ 191,951</u>	<u>\$ 71,825</u>	<u>\$ 263,776</u>

Interest rates on the debenture debts range from 8.0% to 12½% per annum, before Provincial subsidy, and mature annually through to 2010. The average annual interest rate is 12.5% for 2005 (12.3% for 2004). 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 at large.

# TOWN OF MILK RIVER

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

9. RESERVES	<u>2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>2005</u>
<u>Operating Reserves</u>				
Economic development	\$ 1,897	\$	\$1,897	\$
Dentist recruitment		11,656		11,656
Transfer Station	6,658	212		6,870
Water	10,223	5,000		15,223
Roads, streets, walks, lighting	19,629			19,629
Sewage	6,545	47		6,592
Airport	8,634		8,634	
	<u>53,586</u>	<u>16,915</u>	<u>10,531</u>	<u>59,970</u>
 <u>Capital Reserves</u>				
General	252,918	159,657		412,575
Ambulance		2,933		2,933
Water	47,324	24,300		71,624
Fire truck		20,000		20,000
Fire equipment	32,717		11,556	21,161
Fire hall	100,766	569		101,335
Golf course		10,000		10,000
Recreation	11,694		2,981	8,713
SIP - sidewalk replacement	94,578	54,395		148,973
AMIP grant		81,638		81,638
Ridge Country Regional Waste Management	33,419		21,928	11,491
Land banking		50,000		50,000
Pool	8,720			8,720
Campground Development	28,593	396		28,989
Airport	32,447		32,447	
	<u>643,176</u>	<u>403,888</u>	<u>68,912</u>	<u>978,152</u>
	<u>\$ 696,762</u>	<u>\$420,803</u>	<u>\$ 79,443</u>	<u>\$1,038,122</u>

# TOWN OF MILK RIVER

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

## 10. SALARY AND BENEFITS DISCLOSURE

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

	2005			2004	
	Salary(1)	Benefits & Allowances(2)	Total	Persons	Total
Mayor	\$ 4,185	\$	\$ 4,185	1	\$ 4,685
Councillors					
#1	6,035		6,035	1	1,935
#2	3,660	1,033	4,693		239
#3	2,735	2,716	5,451	1	755
#4	3,085		3,085	1	2,960
	<u>\$ 19,700</u>	<u>\$ 3,749</u>	<u>\$ 23,449</u>	1	<u>10,574</u>
Chief adminis- trative Officer (3) & (4)	1 <u>\$ 50,112</u>	<u>\$ 5,664</u>	<u>\$ 55,776</u>	1	<u>\$42,899</u>
Designated Officer	1 <u>\$ 31,557</u>	<u>\$ 2,888</u>	<u>\$ 34,445</u>	1	<u>\$32,952</u>

- (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, 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, car allowances and club memberships.
- (4) An automobile is not provided.

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# TOWN OF MILK RIVER

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

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## 11. 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 Milk River be disclosed as follows:

	<u>2005</u>	<u>2004</u>
Total debt limit	\$ 2,148,302	\$ 1,934,827
Total debt	<u>311,862</u>	<u>472,584</u>
Amount of limit unused	<u>\$ 1,836,440</u>	<u>\$ 1,462,243</u>
Debt servicing limit	\$ 358,050	\$ 322,471
Debt servicing	<u>85,416</u>	<u>116,912</u>
Amount of debt servicing Limit used	<u>\$ 272,634</u>	<u>\$ 205,559</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 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.

## 12. CONTINGENCIES

The town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the Town of Milk River 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. SUBSEQUENT EVENTS

Subsequent to year end, the town purchased a golf course for \$475,000. The vendor financed the purchase over a maximum of 10 years. The loan is interest free for the first 4 years and thereafter, interest will be charged at prime - 1%.