

**LACOMBE COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

I N D E X

	Page #
Auditors' Report	1
Consolidated Statement of Financial Position.....	2
Statement of Operating Fund Financial Activities and Change In Fund	3
Statement of Capital Fund Financial Activities and Change In Fund Balance	4
Statement of Reserve Fund Activities and Changes In Fund Balance	5
Consolidated Statement of Changes in Financial Position	6
Schedule of Equity in Capital Assets.....	7
Schedule of Property and Other Taxes.....	8
Schedule of Sales, User Charges and Costs Recovered	9
Schedule of Government Transfers	10
Schedule of Consolidated Expenditures by Object.....	11
Notes to the Financial Statements	12

AUDITORS' REPORT

To Members of Council:

We have audited the consolidated statement of financial position of the Lacombe County at December 31, 2004, and the statements of operating, capital and reserve fund financial activities, and consolidated statement of changes in financial position for the year then ended. These financial statements are the responsibility of the County's management. 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 financial statements present fairly, in all material respects, the financial position of the County as at December 31, 2004 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting as described in Note 1.

Lacombe, Alberta
April 8, 2005

 JTS

LACOMBE COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2004

	2004	2003 (Restated)
	\$	\$
FINANCIAL ASSETS		
Cash and term deposits (Note 2)	7,529,192	8,913,285
Accounts receivable—taxes and grants in place (Note 3)	493,228	343,861
—trade and other	933,540	545,765
Prepaid expenses	157,606	169,174
Investments (Note 4)	4,919,643	4,617,109
Funds held in trust	<u>91,230</u>	<u>38,793</u>
	<u>14,124,439</u>	<u>14,627,987</u>
PHYSICAL ASSETS		
Inventory (Note 5)	750,472	545,286
Capital assets (Note 6)	<u>28,374,586</u>	<u>22,801,101</u>
	<u>29,125,158</u>	<u>23,346,387</u>
	<u>43,249,497</u>	<u>37,974,374</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,414,160	684,855
Employee benefit obligations (Note 7)	229,267	205,762
Funds under administration (Note 8)	1,229,993	1,025,666
Deposit liabilities	130,956	67,309
Deferred revenue	228,788	46,570
Long term debt (Note 9)	36,995	-
Trust liabilities (Note 10)	<u>91,230</u>	<u>38,793</u>
	<u>3,361,389</u>	<u>2,068,955</u>
ALLOWANCES (Note 11)	<u>272,079</u>	<u>230,896</u>
MUNICIPAL EQUITY		
Operating fund	1,100,254	895,058
Reserves	<u>10,178,185</u>	<u>11,978,364</u>
	<u>11,278,439</u>	<u>12,873,422</u>
EQUITY IN CAPITAL ASSETS	<u>28,337,590</u>	<u>22,801,101</u>
	<u>43,249,497</u>	<u>37,974,374</u>

**LACOMBE COUNTY
STATEMENT OF OPERATING FUND FINANCIAL ACTIVITIES
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budget (Unaudited) \$	2004 \$	2003 (Restated) \$
REVENUE			
Net taxes available for municipal purposes - Schedule I	15,107,793	15,076,082	14,896,912
Sales, user charges and costs recovered - Schedule II	662,270	1,031,621	429,386
Sales to other governments	4,760	22,256	13,231
Interest, royalties and patronage allocations	625,420	666,433	721,866
Licenses, permits and fines	101,630	188,248	118,045
Penalties and costs	113,760	123,707	152,835
Government transfers - Schedule III	1,998,390	2,593,583	2,350,985
Rentals	45,580	44,791	36,769
Transfer from allowances	-	-	464,430
Other	<u>29,300</u>	<u>22,750</u>	<u>121,994</u>
	<u>18,688,903</u>	<u>19,769,471</u>	<u>19,306,453</u>
EXPENDITURES			
General government	2,053,700	1,948,837	1,638,165
Protective services	1,140,860	1,140,868	775,930
Transportation services	9,925,175	11,206,604	9,980,946
Environmental services	523,990	512,160	322,549
Environmental development	807,300	670,875	528,553
Agriculture services	539,370	531,719	463,044
Public health and welfare	271,261	283,710	307,838
Recreation and culture	720,740	680,027	394,845
Transfer to allowances	174,580	62,472	15,759
Cancellations	<u>-</u>	<u>111,764</u>	<u>262,470</u>
	<u>16,156,976</u>	<u>17,149,036</u>	<u>14,690,099</u>
	<u>2,531,927</u>	<u>2,620,435</u>	<u>4,616,354</u>
NET INTERFUND TRANSFERS			
To reserves	(758,427)	(1,096,145)	(2,687,644)
To capital fund	<u>(1,773,500)</u>	<u>(1,510,493)</u>	<u>(1,945,097)</u>
	<u>(2,531,927)</u>	<u>(2,606,638)</u>	<u>(4,632,741)</u>
CHANGE IN OPERATING FUND BALANCE	-	13,797	(16,387)
OTHER ITEMS (Note 12)	-	191,399	-
FUND BALANCE - BEGINNING OF YEAR	<u>895,058</u>	<u>895,058</u>	<u>911,445</u>
FUND BALANCE - END OF YEAR	<u>895,058</u>	<u>1,100,254</u>	<u>895,058</u>

LACOMBE COUNTY
STATEMENT OF CAPITAL FUND FINANCIAL ACTIVITIES
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budget (Unaudited) \$	2004 \$	2003 \$
REVENUES			
Proceeds from disposal of capital assets	1,359,060	1,479,340	1,406,574
Local government transfers	-	-	22,668
Capital levy - Bridge Materials	<u>-</u>	<u>26,234</u>	<u>-</u>
	<u>1,359,060</u>	<u>1,505,574</u>	<u>1,429,242</u>
EXPENDITURES			
General government	117,100	93,989	441,020
Enforcement	-	-	36,404
Fire protection	270,000	262,984	269,556
Transportation services	6,124,130	5,743,367	4,119,424
Environmental services	42,030	9,353	-
Agriculture services	160,780	153,774	-
Recreation and culture	<u>6,300</u>	<u>5,884</u>	<u>-</u>
	<u>6,720,340</u>	<u>6,269,351</u>	<u>4,866,404</u>
	<u>(5,361,280)</u>	<u>(4,763,777)</u>	<u>(3,437,162)</u>
CAPITAL FINANCING AND NET INTERFUND TRANSFERS			
From reserves	3,602,110	3,267,611	1,492,065
From operating fund	1,773,500	1,510,493	1,945,097
Capital debt repayment	<u>(14,330)</u>	<u>(14,327)</u>	<u>-</u>
	<u>5,361,280</u>	<u>4,763,777</u>	<u>3,437,162</u>
CHANGE IN CAPITAL FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

LACOMBE COUNTY
STATEMENT OF RESERVE FUND ACTIVITIES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budget (Unaudited) \$	2004 \$	2003 \$
NET INTERFUND TRANSFERS			
From operating fund	758,427	1,096,145	2,687,644
To capital fund	<u>(3,602,110)</u>	<u>(3,267,611)</u>	<u>(1,492,065)</u>
	<u>(2,843,683)</u>	<u>(2,171,466)</u>	<u>1,195,579</u>
 OTHER CONTRIBUTIONS			
Developer contributions	-	114,689	17,496
Assumption - Bridge Materials Fund	-	-	842,015
- Village of Mirror (Note 14)	<u>-</u>	<u>256,598</u>	<u>-</u>
	<u>-</u>	<u>371,287</u>	<u>859,511</u>
 CHANGE IN RESERVE FUND BALANCE	<u>(2,843,683)</u>	<u>(1,800,179)</u>	<u>2,055,090</u>
FUND BALANCE - BEGINNING OF YEAR	<u>11,978,364</u>	<u>11,978,364</u>	<u>9,923,274</u>
FUND BALANCE - END OF YEAR	<u><u>9,134,681</u></u>	<u><u>10,178,185</u></u>	<u><u>11,978,364</u></u>
Main road		239,888	1,721,027
Public works equipment		1,658,283	1,166,344
Office - future building		470,378	146,367
Protective services equipment		1,312,756	1,135,351
Gravel		2,213,819	4,213,819
Land development reserve		2,300	-
Recreation - capital assistance		442,525	618,235
Funds held in lieu of municipal reserve		401,789	381,818
Subdivision road development		119,140	172,935
Agriculture equipment		89,905	46,937
Enforcement equipment		69,787	43,100
Subdivision pavement		533,587	420,000
Hamlet street improvement		159,464	58,551
Mill rate stabilization		1,000,000	1,000,000
Planning - gravel fees		48,007	11,865
Mirror contingency		378,111	-
Mirror water system		67,509	-
Mirror sanitary server		<u>50,556</u>	<u>-</u>
		<u>9,257,804</u>	<u>11,136,349</u>
 BRIDGE MATERIALS FUND			
Contingency		806,946	754,814
Capital		<u>113,435</u>	<u>87,201</u>
		<u>920,381</u>	<u>842,015</u>
		<u><u>10,178,185</u></u>	<u><u>11,978,364</u></u>

LACOMBE COUNTY
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2004

	2004 \$	2003 \$
OPERATIONS		
Change in fund balances -		
Operating	13,797	(16,387)
Capital	-	-
Reserves	<u>(2,056,777)</u>	<u>1,213,075</u>
	(2,042,980)	1,196,688
Net change in non-cash item -		
Increase (decrease) in provision for allowances	<u>29,986</u>	<u>(448,674)</u>
	<u>(2,012,994)</u>	<u>748,014</u>
Decrease (increase) in accounts receivable	(368,509)	(194,971)
Decrease (increase) in prepaid expenses	11,568	(160,584)
Increase (decrease) in accounts payable and accrued liabilities	719,575	222,586
Increase (decrease) in funds under administration	204,327	122,114
Increase (decrease) in deposit liabilities	63,647	7,970
Increase in deferred revenue	180,468	(243,702)
Decrease (increase) in inventory	<u>(13,797)</u>	<u>-</u>
	<u>(1,215,715)</u>	<u>501,427</u>
INVESTING		
Decrease (increase) in long-term investments	(302,524)	2,015,939
Decrease (increase) in restricted cash balances	<u>(203,902)</u>	<u>(440,369)</u>
	<u>(506,426)</u>	<u>1,575,570</u>
CHANGE IN CASH AND CASH EQUIVALENTS INVESTMENTS DURING YEAR		
	<u>(1,722,141)</u>	<u>2,076,997</u>
CASH - FORMER VILLAGE OF MIRROR (Note 14)	<u>134,147</u>	<u>-</u>
NET CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>8,472,916</u>	<u>6,395,919</u>
NET CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>6,884,922</u></u>	<u><u>8,472,916</u></u>
Cash and cash equivalents is comprised of:		
Cash and term deposits	7,529,192	8,913,285
Less: restricted	<u>(644,270)</u>	<u>(440,369)</u>
	<u><u>6,884,922</u></u>	<u><u>8,472,916</u></u>

LACOMBE COUNTY
SCHEDULE OF EQUITY IN CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budget (Unaudited) \$	2004 \$	2003 \$
ACQUISITION OF CAPITAL ASSETS			
General government	117,100	93,988	441,019
Enforcement	-	-	36,405
Fire protection	270,000	272,984	269,556
Transportation services	6,124,130	5,876,466	4,119,424
Environmental services	42,030	9,354	-
Agriculture services	160,780	153,774	-
Recreation and culture	<u>6,300</u>	<u>546,902</u>	<u>-</u>
	<u>6,720,340</u>	<u>6,953,468</u>	<u>4,866,404</u>
DISPOSAL OF CAPITAL ASSETS (COST)			
General government	-	566,710	27,859
Enforcement	-	-	37,559
Fire protection	-	64,513	30,950
Transportation services	-	3,508,422	2,093,887
Environmental services	-	1,673,388	-
Agriculture services	-	27,916	-
Recreation and culture	<u>-</u>	<u>31,126</u>	<u>-</u>
	<u>-</u>	<u>5,872,075</u>	<u>2,190,255</u>
	<u>6,720,340</u>	<u>1,081,393</u>	<u>2,676,179</u>
OTHER			
Equity in capital assets - Village of Mirror (Note 14)	-	4,440,769	-
CAPITAL FINANCING			
Capital debt repaid	<u>14,330</u>	<u>14,327</u>	<u>-</u>
	<u>14,330</u>	<u>4,455,096</u>	<u>-</u>
CHANGE IN EQUITY BALANCE	6,734,670	5,536,489	2,676,149
EQUITY BALANCE - BEGINNING OF YEAR	<u>22,732,005</u>	<u>22,801,101</u>	<u>20,124,952</u>
EQUITY BALANCE - END OF YEAR	<u>29,466,675</u>	<u>28,337,590</u>	<u>22,801,101</u>

LACOMBE COUNTY
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2004

Schedule I

	Budget (Unaudited) \$	2004 \$	2003 \$
TAXATION			
Real property	10,778,896	10,770,328	10,211,521
Machinery and equipment	8,541,640	8,513,333	8,578,976
Linear property	4,528,596	4,533,052	4,218,150
Government grants in place of property taxes	<u>89,925</u>	<u>89,299</u>	<u>86,754</u>
	<u>23,939,057</u>	<u>23,906,012</u>	<u>23,095,401</u>
REQUISITIONS			
Alberta School Foundation Fund	8,485,684	8,484,283	7,893,976
Lacombe Foundation	<u>345,580</u>	<u>345,647</u>	<u>304,513</u>
	<u>8,831,264</u>	<u>8,829,930</u>	<u>8,198,489</u>
NET MUNICIPAL TAXES	<u>15,107,793</u>	<u>15,076,082</u>	<u>14,896,912</u>

LACOMBE COUNTY **Schedule II**
SCHEDULE OF SALES, USER CHARGES AND COSTS RECOVERED
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budget (Unaudited) \$	2004 \$	2003 \$
GENERAL GOVERNMENT			
Assessment appeals	200	1,600	100
Services	80,720	93,087	88,442
Maps	8,500	12,046	7,983
Goods and supplies	<u>1,000</u>	<u>864</u>	<u>931</u>
	<u>90,420</u>	<u>107,597</u>	<u>97,456</u>
ENFORCEMENT SERVICES			
	<u>35,770</u>	<u>30,300</u>	<u>16,578</u>
FIRE PROTECTION			
	<u>40,000</u>	<u>60,007</u>	<u>43,095</u>
TRANSPORTATION SERVICES			
Custom work	134,500	181,037	187,494
Goods	15,000	11,760	13,561
Inspection fees	20,000	68,570	19,028
Bridge materials	<u>-</u>	<u>296,254</u>	<u>-</u>
	<u>169,500</u>	<u>557,621</u>	<u>220,083</u>
ENVIRONMENTAL SERVICES			
Water service	142,080	131,701	-
Sewer service	41,190	37,993	-
Garbage service	<u>32,980</u>	<u>30,738</u>	<u>-</u>
	<u>216,250</u>	<u>200,432</u>	<u>-</u>
CEMETERY			
Plots and service	<u>330</u>	<u>1,143</u>	<u>-</u>
ENVIRONMENTAL DEVELOPMENT			
Subdivision redesignation and fees	47,500	21,786	20,700
Development permits	25,000	26,992	19,950
Goods	<u>500</u>	<u>86</u>	<u>391</u>
	<u>73,000</u>	<u>48,864</u>	<u>41,041</u>
AGRICULTURE SERVICES			
Services	27,000	9,357	4,318
Goods	<u>10,000</u>	<u>16,300</u>	<u>6,815</u>
	<u>37,000</u>	<u>25,657</u>	<u>11,133</u>
	<u><u>662,270</u></u>	<u><u>1,031,621</u></u>	<u><u>429,386</u></u>

**SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budget (Unaudited) \$	2004 \$	2003 \$
FEDERAL TRANSFERS			
Shared cost agreements -			
Transportation services	267,680	-	1,000,000
Environmental services	<u>2,180</u>	<u>3,255</u>	<u>-</u>
	<u>269,860</u>	<u>3,255</u>	<u>1,000,000</u>
PROVINCIAL TRANSFERS			
Entitlements	<u>690,660</u>	<u>662,144</u>	<u>29,636</u>
Shared cost agreements -			
General government	20,060	23,918	2,800
Protective services	2,800	2,800	207,700
Transportation services	586,640	1,411,822	731,928
Environmental services	83,690	38,338	-
Public health and welfare	208,870	220,957	243,082
Environmental development	6,170	86,205	8,526
Agriculture services	127,890	142,394	127,313
Recreation and culture	<u>1,750</u>	<u>1,750</u>	<u>-</u>
	<u>1,037,870</u>	<u>1,928,184</u>	<u>1,321,649</u>
	<u>1,998,390</u>	<u>2,593,583</u>	<u>2,350,985</u>

LACOMBE COUNTY **Schedule IV**
SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budget (Unaudited) \$	2004 \$	2003 (Restated) \$
Salaries, wages and benefits	5,459,680	5,411,363	4,776,774
Contracted and general services	6,131,696	7,105,413	5,919,290
Purchases from other governments	325,200	358,832	49,411
Materials, goods, supplies and utilities	2,744,190	2,810,947	2,418,644
Transfer to allowances	174,580	62,472	15,759
Bank charges and short term interest	96,170	83,880	96,977
Interest - long term debt	6,160	5,237	-
Physical assets acquired	6,720,340	6,269,351	4,866,404
Transfers to other governments	408,640	371,650	343,829
Transfers to local boards and agencies	770,510	796,379	765,476
Transfers to individuals and organizations	39,590	29,288	41,469
Cancellations	<u>560</u>	<u>113,575</u>	<u>262,470</u>
	<u><u>22,877,316</u></u>	<u><u>23,418,387</u></u>	<u><u>19,556,503</u></u>

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Lacombe County are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by Lacombe County 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. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality and are therefore accountable to the council for the administration of their financial affairs and resources.

Included in the municipality is Lacombe County Bridge Materials Fund.

The schedule of taxes levied also includes operating requisitions for education and seniors' housing 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, any eligibility criteria have been met by the municipality, 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.

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

- 2 -

1. SIGNIFICANT ACCOUNTING POLICIES cont...

- 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 land sales are recorded as operating revenue.

- e) **Investments** - Investments are recorded at 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 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 physical assets under their respective function.

- g) **Capital Assets** - Capital assets are reported as expenditures in the period 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 capital asset costs. Capital assets for government purposes are not amortized.

- h) **Excess Collections and Under-levies** - Excess collections 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 as a reduction in property tax revenue. Requisition tax rates in the subsequent year are adjusted for any excess collections.

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

- 3 -

1. SIGNIFICANT ACCOUNTING POLICIES cont..

- 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.
- l) **Equity in Capital Assets** - Equity in capital assets represents the County's net investment in its capital assets after deducting the portion financed by third parties through debenture, bond and mortgage debts, long-term capital borrowings, capitalized leases and other capital liabilities which will be repaid by the County.

2. CASH AND TERM DEPOSITS

	2004	2003
	\$	\$
Cash (bank overdraft)	1,377,399	(456,030)
Term deposits with interest rates varying from 3% to 6.60% and maturing in 2004 through 2010	<u>6,151,793</u>	<u>9,369,315</u>
	<u>7,529,192</u>	<u>8,913,285</u>

Restricted cash balances

Included in the above amounts are the following amounts received from the Province of Alberta and Government of Canada Conditional Grants and held exclusively for future projects:

Centennial Grant	33,018	-
Environmental Assessment Grant	50,000	-
Street Improvement Program Grants	<u>159,463</u>	<u>58,551</u>
	242,481	58,551
Cash-in-lieu of municipal reserves	<u>401,789</u>	<u>381,818</u>
	<u>644,270</u>	<u>440,369</u>

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

- 4-

3. TAXES AND GRANTS IN PLACE RECEIVABLE

	2004	2003
	\$	\$
Current taxes and grants in place	413,621	311,875
Non-current taxes and grants in place	<u>193,860</u>	<u>115,534</u>
	607,481	427,409
Allowance for doubtful accounts	<u>(114,253)</u>	<u>(83,548)</u>
	<u><u>493,228</u></u>	<u><u>343,861</u></u>

4. INVESTMENTS

	2004	2003
	\$	\$
Stripped coupons, residual bonds and accrual notes purchased at discounts yielding effective annual rates of 5.822% to 7.703% to maturity, at cost	3,654,797	3,023,295
Estimated accrued interest earned on investments	1,264,666	1,593,644
AMFC shares	<u>180</u>	<u>170</u>
	<u><u>4,919,643</u></u>	<u><u>4,617,109</u></u>

Market value of investments at December 31, 2004 was \$5,159,644 (2003 - 4,908,674).

5. INVENTORY

	2004	2003
	\$	\$
Bridge material	559,083	545,286
Public works materials	170,894	-
Land held for resale	<u>20,495</u>	<u>-</u>
	<u><u>750,472</u></u>	<u><u>545,286</u></u>

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

- 5 -

6. CAPITAL ASSETS

	2004	2003
	\$	\$
Land held for government use	6,678,634	3,171,376
Buildings	7,368,751	6,106,923
Engineering structures	425,125	-
Machinery and equipment	10,137,072	10,197,919
Vehicles	<u>3,695,997</u>	<u>3,255,876</u>
	28,305,579	22,732,094
Bridge materials fund		
Buildings	62,802	62,802
Machinery and equipment	<u>6,205</u>	<u>6,205</u>
	<u>69,007</u>	<u>69,007</u>
	<u>28,374,586</u>	<u>22,801,101</u>

7. EMPLOYEE BENEFIT OBLIGATIONS

	2004	2003
	\$	\$
Vacation	226,319	199,542
Overtime	<u>2,948</u>	<u>6,220</u>
	<u>229,267</u>	<u>205,762</u>

that The vacation and overtime liability is comprised of the vacation and overtime 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.

8. FUNDS UNDER ADMINISTRATION

	2004	2003
	\$	\$
Lacombe Regional Solid Waste Authority	1,173,323	1,000,306
Shared Fire Equipment	<u>56,670</u>	<u>25,360</u>
	<u>1,229,993</u>	<u>1,025,666</u>

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

- 6 -

9. LONG TERM DEBT

	2004 \$	2003 \$
Tax supported debentures	<u>36,995</u>	<u>-</u>

Principal and interest payments are as follows:

	Principal \$	Interest \$	Total \$
2005	16,046	4,439	20,485
2006	6,208	2,514	8,722
2007	6,952	1,769	8,722
2008	<u>7,788</u>	<u>934</u>	<u>8,722</u>
	<u>36,995</u>	<u>9,656</u>	<u>46,651</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates of 12% per annum, before Provincial subsidy, and matures in 2005 and 2008. 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 County at large.

Interest on long-term debt amounted to \$6,159 (2003 - nil). The County's total cash payments for interest in 2004 were \$90,039 (2003 - \$96,977).

10. FUNDS HELD IN TRUST

	2004 \$	2003 \$
Scholarships	38,793	38,793
Agriculture Research Extension Fund	26,465	-
Mirror Public Library	16,814	-
Mirror Cemetery Perpetual Care Fund	<u>9,158</u>	<u>-</u>
	<u>91,230</u>	<u>38,793</u>

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

- 7 -

11. ALLOWANCES

	2004	2003
	\$	\$
Future custom work	-	34,299
Future assessment risk	259,069	196,597
Uncollectible accounts receivable - Mirror	<u>13,010</u>	<u>-</u>
	<u>272,079</u>	<u>230,896</u>

12. PRIOR PERIOD ADJUSTMENTS

Prior year comparative amounts have been adjusted to reflect retroactive application of the change in accounting policy to accrue Employee Benefit Obligations as disclosed in Note 7 and record Public Works Material inventory as disclosed in Note 5. As no reliable inventory amounts for public works materials inventory is available for prior years, current year end balance has been credited to operating fund balance at December 31, 2004.

The former Village of Mirror financial statements reflected an operating fund balance of \$122,220. After transfer of net financial assets to reserves (\$101,715) as disclosed in Note 14, the remaining balance of \$20,505 has been credited to operating fund balance.

	2004	2003
	\$	\$
As originally reported	-	1,100,820
Employee Benefit Obligation applicable to years prior to January 1, 2003	<u>-</u>	<u>(189,375)</u>
As restated	895,058	911,445
Other items:		
Increase to operating fund balance for public works materials	170,894	-
Increase to operating fund balance for former Village of Mirror operating fund balance	<u>20,505</u>	<u>-</u>
	<u>191,399</u>	<u>-</u>
Change in operating fund balance	<u>13,797</u>	<u>(16,387)</u>
Fund Balance - End of Year	<u>1,100,254</u>	<u>895,058</u>

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

- 8-

13. RESERVE FUND

	Opening Balance \$	Additions \$	Reductions \$	Closing Balance \$
Main road	1,721,027	-	1,481,139	239,888
Public works equipment	1,085,344	572,939	-	1,658,283
Office - future building	146,367	367,318	43,307	470,378
Protective services equipment	1,135,351	431,463	254,058	1,312,756
Gravel	4,294,819	919,000	3,000,000	2,213,819
Land development	-	2,300	-	2,300
Recreation - capital assistance	618,235	101,590	277,300	442,525
Funds held in lieu of municipal reserve	381,818	19,971	-	401,789
Subdivision road development	172,935	58,575	112,370	119,140
Agriculture equipment	46,937	45,000	2,032	89,905
Enforcement equipment	43,100	26,687	-	69,787
Subdivision pavement	420,000	113,587	-	533,587
Hamlet street improvement	58,551	100,913	-	159,464
Mill rate stabilization	1,000,000	-	-	1,000,000
Gravel fees	11,865	36,142	-	48,007
Mirror - contingency	-	379,261	1,150	378,111
Mirror - water	-	67,509	-	67,509
Mirror - sewer	-	50,556	-	50,556
	<u>11,136,349</u>	<u>3,292,811</u>	<u>5,171,356</u>	<u>9,257,804</u>
Bridge Materials Contingency	754,814	52,132	-	806,946
Bridge Materials Capital	<u>87,201</u>	<u>26,234</u>	<u>-</u>	<u>113,435</u>
	<u>842,015</u>	<u>78,366</u>	<u>-</u>	<u>920,381</u>
	<u>11,978,364</u>	<u>3,371,177</u>	<u>5,171,356</u>	<u>10,178,185</u>

14. DISSOLUTION OF VILLAGE OF MIRROR

On December 17, 2003, the Lieutenant Governor of Council dissolved the Village of Mirror. With this order, all assets and liabilities of the Village became property and obligation of the County. The County was obligated to retain in a reserve, all money received from the Village of Mirror and all proceeds from sale of Village of Mirror assets received prior to January 1, 2009.

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

- 9-

14. DISSOLUTION OF VILLAGE OF MIRROR cont...

The following assets and liabilities have been recorded at carrying value to the former Village of Mirror as at January 1, 2004:

	\$
Assets	
Cash	134,147
Receivables	
Taxes and grants in place of taxes	52,706
Trade and other	104,730
Land held for resale	20,495
Long-term investments	<u>10</u>
	<u>312,088</u>
Engineering structures	3,719,617
Land and buildings	436,531
Machinery and equipment	231,010
Vehicles	<u>104,933</u>
	<u>4,492,091</u>
	<u>4,804,179</u>
Liabilities	
Accounts payable and accrued liabilities	33,235
Deferred revenue	31,896
Long-term debt	<u>51,322</u>
	<u>116,453</u>
Equity in capital assets	4,440,769
Operating fund	122,220
Reserves	<u>124,737</u>
	<u>4,687,726</u>
	<u>4,804,179</u>

In accordance with the dissolution agreement and to consolidate various municipal position balances, the following was credited to reserve fund during the year:

	\$
Reserves	124,737
Net financial assets in excess of reserves	101,715
Unexpended Street Assistance Grant	<u>30,146</u>
	<u>256,598</u>

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

- 10-

15. LOCAL AUTHORITIES PENSION PLAN

Employees of the Lacombe County participate in Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 133,000 people and about 389 employers. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP fund.

The Lacombe County is required to make current service contributions to the Plan of 5.525% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 7.4% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 4.525% of pensionable salary up to the year's maximum pensionable salary and 6.5% on pensionable salary above this amount.

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

Total current contributions by the Lacombe County to the Local Authorities Pension Plan in 2004 were \$214,471 (2003 - \$154,065). Total current contributions by the employees of the Lacombe County to the Local Authorities Pension Plan in 2004 were \$186,078 (2003 - \$127,991).

At December 31, 2003, the LAPP disclosed an actuarial deficiency of \$445 million.

16. 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:

Division	Salary (1) \$	Benefits & Allow. (2) \$	2004 Total \$	2003 Total \$
1 - Roderick McDermid	35,515	17,768	53,283	54,211
2 - William Knight	40,552	21,455	62,007	54,196
3 - Cliff Soper	33,982	12,464	46,446	39,664
4 - Linda Landmark	35,296	15,956	51,252	45,841
5 - Ray Prins	31,682	12,992	44,674	56,612
5- Kenneth Wigmore	6,570	1,237	7,807	-
6 - Robert Szasz	34,529	16,069	50,598	48,687
7 - Terry Engen	39,238	10,905	50,143	51,400
Commissioner	135,058	23,235	158,293	139,200

- (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 retirement pension, Canada pension plan (CPP), employment insurance (EI), 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 mileage paid to attend meetings.

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

- 11 -

17. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits are defined by Regulation 255/00 for Lacombe County be disclosed as follows:

	2004 \$	2003 \$
Total debt limit	31,912,568	31,103,543
Total debt	<u>(36,995)</u>	<u>-</u>
Total debt limit available	<u>31,875,573</u>	<u>31,103,543</u>
Debt servicing limit	5,318,761	5,183,924
Debt servicing	<u>(20,485)</u>	<u>-</u>
Total debt servicing limit available	<u><u>5,298,276</u></u>	<u><u>5,183,924</u></u>

18. CONTINGENCIES AND COMMITMENTS

- a) Lacombe County is a member of the Genesis Reciprocal Insurance Exchange. Under the terms of membership, Lacombe County 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.

- a) The County has entered into an agreement for gravel crushing services to be completed in late 2004 with payment to contractor in 2005. The total consideration due is \$334,000.

- b) The County has entered into various contracts to acquire physical assets in 2005 for total estimated net cost totalling \$1,604,250.

- d) The County has awarded various road construction contracts totalling \$2,580,912 to be completed in 2005.

19. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and term deposits, accounts receivable, investments, employee benefit obligations, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the County is not exposed to significant interest or currency risks arising from these financial instruments.

The County is subject to credit risk with respect to taxes and grants in place of taxes receivables and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the County 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 instruments approximates fair value.

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

- 12 -

- 20. APPROVAL OF FINANCIAL STATEMENTS**
Council and Management approved these financial statements