

**LACOMBE COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

**LACOMBE COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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AUDITORS' REPORT

To Members of Council:

We have audited the consolidated statement of financial position of the Lacombe County at December 31, 2005, 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, 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.

Lacombe, Alberta
March 27, 2006

CHARTERED ACCOUNTANTS

Cookson Kooyman

LACOMBE COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2005

	2005	2004
	\$	\$
FINANCIAL ASSETS		
Cash and term deposits (Note 2)	9,616,621	7,529,192
Accounts receivable - taxes and grants in place (Note 3)	438,937	493,228
- trade and other	1,382,480	933,540
Prepaid expenses	177,212	157,606
Investments (Note 4)	6,875,191	4,919,643
Funds held in trust	<u>266,840</u>	<u>91,230</u>
	<u>18,757,281</u>	<u>14,124,439</u>
PHYSICAL ASSETS		
Inventory (Note 5)	765,045	750,472
Capital assets (Note 6)	<u>29,753,811</u>	<u>28,374,586</u>
	<u>30,518,856</u>	<u>29,125,058</u>
	<u>49,276,137</u>	<u>43,249,497</u>
LIABILITIES		
Accounts payable and accrued liabilities	975,364	1,414,160
Employee benefit obligations (Note 7)	224,010	229,267
Funds under administration (Note 8)	703,754	1,229,993
Deposit liabilities	93,984	130,956
Deferred revenue	290,449	228,788
Long term debt (Note 9)	20,949	36,995
Trust liabilities (Note 10)	<u>266,840</u>	<u>91,230</u>
	<u>2,575,350</u>	<u>3,361,389</u>
ALLOWANCES (Note 11)	<u>4,119</u>	<u>272,079</u>
MUNICIPAL EQUITY		
Operating fund (Notes 12 and 13)	1,037,009	1,100,254
Reserves (Note 14)	<u>15,935,298</u>	<u>10,178,185</u>
	<u>16,972,307</u>	<u>11,278,439</u>
EQUITY IN CAPITAL ASSETS	<u>29,724,361</u>	<u>28,337,590</u>
	<u>49,276,137</u>	<u>43,249,497</u>

LACOMBE COUNTY
STATEMENT OF OPERATING FUND FINANCIAL ACTIVITIES
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budget (Unaudited)	2005	2004
	\$	\$	\$
REVENUE			
Net taxes available for municipal purposes - Schedule I	16,460,851	16,456,735	15,076,082
Sales, user charges and costs recovered - Schedule II	717,670	1,279,421	1,031,621
Sales to other governments	20,490	17,646	22,256
Interest, royalties and patronage allocations	635,960	711,526	666,433
Licenses, permits, fines and concessions	153,600	169,618	188,248
Penalties and costs	114,000	116,888	123,707
Government transfers - Schedule III	2,838,500	5,183,397	2,593,583
Rentals and land sales	50,000	87,120	44,791
Transfer from allowances	-	24,758	-
Other	<u>380</u>	<u>28,206</u>	<u>22,750</u>
	<u>20,991,451</u>	<u>24,075,315</u>	<u>19,769,471</u>
EXPENDITURES			
General government	2,097,446	1,962,420	1,948,837
Protective services	1,082,797	983,387	1,140,868
Transportation services	10,070,616	11,550,689	11,206,604
Environmental services	565,024	587,828	512,160
Environmental development	928,600	706,963	670,875
Agriculture services	626,735	507,134	531,719
Public health and welfare	369,898	364,592	283,710
Recreation and culture	482,010	494,948	680,027
Transfer to allowances	-	-	62,472
Cancellations	<u>-</u>	<u>19,657</u>	<u>111,764</u>
	<u>16,223,126</u>	<u>17,177,618</u>	<u>17,149,036</u>
	<u>4,768,325</u>	<u>6,897,697</u>	<u>2,620,435</u>
NET INTERFUND TRANSFERS			
To reserves	(3,595,553)	(5,523,694)	(1,096,145)
To capital fund	<u>(1,172,770)</u>	<u>(1,437,248)</u>	<u>(1,510,493)</u>
	<u>(4,768,323)</u>	<u>(6,960,942)</u>	<u>(2,606,638)</u>
NET CHANGE IN BRIDGE MATERIALS INVENTORY			
	-	(75,003)	13,797
CHANGE IN OPERATING FUND BALANCE			
	2	11,758	-
OTHER ITEMS (Note 12)			
	-	-	191,399
FUND BALANCE - BEGINNING OF YEAR			
	<u>1,100,254</u>	<u>1,100,254</u>	<u>895,058</u>
FUND BALANCE - END OF YEAR			
	<u>1,100,256</u>	<u>1,037,009</u>	<u>1,100,254</u>

LACOMBE COUNTY
STATEMENT OF CAPITAL FUND FINANCIAL ACTIVITIES
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budget (Unaudited) \$	2005 \$	2004 \$
REVENUES			
Proceeds from disposal of capital assets	731,230	606,922	1,479,340
Local government transfers	7,000	30,934	-
Capital levy - Bridge Materials	<u>-</u>	<u>32,050</u>	<u>26,234</u>
	<u>738,230</u>	<u>669,906</u>	<u>1,505,574</u>
EXPENDITURES			
General government	21,500	32,761	93,989
Enforcement	4,730	3,649	-
Fire protection	325,000	271,309	262,984
Transportation services	1,723,280	1,623,697	5,743,367
Environmental services	43,230	251,144	9,353
Agriculture services	21,000	27,300	153,774
Recreation and culture	<u>-</u>	<u>-</u>	<u>5,884</u>
	<u>2,138,740</u>	<u>2,209,860</u>	<u>6,269,351</u>
	<u>1,400,510</u>	<u>(1,539,954)</u>	<u>(4,763,777)</u>
CAPITAL FINANCING AND NET INTERFUND TRANSFERS			
From reserves	243,790	118,752	3,267,611
From operating fund	1,172,770	1,437,248	1,510,493
Capital debt repayment	<u>(16,050)</u>	<u>(16,046)</u>	<u>(14,327)</u>
	<u>1,400,510</u>	<u>1,539,954</u>	<u>4,763,777</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>

LACOMBE COUNTY
STATEMENT OF RESERVE FUND ACTIVITIES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budget (Unaudited) \$	2005 \$	2004 \$
NET INTERFUND TRANSFERS			
From operating fund	3,595,553	5,523,694	1,096,145
To capital fund	<u>(243,790)</u>	<u>(118,752)</u>	<u>(3,267,611)</u>
	<u>3,351,763</u>	<u>5,404,942</u>	<u>(2,171,466)</u>
OTHER CONTRIBUTIONS			
Transfer from assessment allowance	-	259,069	-
Developer contributions and other	-	45,000	114,689
Assumption - Village of Mirror (Note 15)	<u>-</u>	<u>48,102</u>	<u>256,598</u>
	<u>-</u>	<u>352,171</u>	<u>371,287</u>
CHANGE IN RESERVE FUND BALANCE	3,351,763	5,757,113	(1,800,179)
FUND BALANCE - BEGINNING OF YEAR	<u>10,178,185</u>	<u>10,178,185</u>	<u>11,978,364</u>
FUND BALANCE - END OF YEAR	<u>13,529,948</u>	<u>15,935,298</u>	<u>10,178,185</u>
Main road		941,140	239,888
Public works equipment		2,317,982	1,658,283
Public works building		400,000	-
Administration building		940,378	470,378
Protective services equipment		1,742,118	1,312,756
Gravel		2,213,819	2,213,819
Pavement		894,724	533,587
Land development		49,758	2,300
Recreation - capital assistance		1,176,836	442,525
Funds held in lieu of municipal reserve		382,034	401,789
Subdivision road development		124,140	119,140
Agriculture equipment		154,485	89,905
Enforcement equipment		94,108	69,787
Disaster services		500,000	-
Hamlet street improvement		215,835	159,464
Assessment risk		1,000,000	1,000,000
Planning - gravel fees		69,376	48,007
Lake access		267,682	-
Mirror contingency		1,165,209	378,111
Mirror water		77,791	67,509
Mirror sanitary sewer		<u>72,679</u>	<u>50,556</u>
		<u>14,800,094</u>	<u>9,257,804</u>
BRIDGE MATERIALS FUND			
Contingency		989,720	806,946
Capital		<u>145,484</u>	<u>113,435</u>
		<u>1,135,204</u>	<u>920,381</u>
		<u>15,935,298</u>	<u>10,178,185</u>

LACOMBE COUNTY
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
	\$	\$
OPERATIONS		
Change in fund balances -		
Operating	(63,245)	13,797
Capital	-	-
Reserves	<u>5,757,113</u>	<u>(2,056,777)</u>
	5,693,868	(2,042,980)
Net change in non-cash item -		
Increase (decrease) in provision for allowances	<u>(267,960)</u>	<u>29,986</u>
	5,425,908	(2,012,994)
Decrease (increase) in accounts receivable	(394,649)	(368,509)
Decrease (increase) in prepaid expenses	(19,606)	11,568
Increase (decrease) in accounts payable and accrued liabilities	(444,053)	719,575
Increase (decrease) in funds under administration	(526,239)	204,327
Increase (decrease) in deposit liabilities	(45,472)	63,647
Increase in deferred revenue	61,661	180,468
Decrease (increase) in inventory	<u>(14,573)</u>	<u>(13,797)</u>
	<u>(1,382,931)</u>	<u>(1,215,715)</u>
INVESTING		
Decrease (increase) in investments	(1,955,548)	(302,524)
Decrease (increase) in restricted cash balances	<u>(136,939)</u>	<u>(203,902)</u>
	<u>(2,092,487)</u>	<u>(506,426)</u>
CHANGE IN CASH AND CASH EQUIVALENTS		
<u> INVESTMENTS DURING YEAR</u>	<u>1,950,490</u>	<u>(1,722,141)</u>
CASH - FORMER VILLAGE OF MIRROR (Note 15)	<u>-</u>	<u>134,147</u>
NET CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>6,884,922</u>	<u>8,472,916</u>
NET CASH AND CASH EQUIVALENTS - END OF YEAR	<u>8,835,412</u>	<u>6,884,922</u>
Cash and cash equivalents is comprised of:		
Cash and term deposits	9,616,621	7,529,192
Less: restricted	<u>(781,209)</u>	<u>(644,270)</u>
	<u>8,835,412</u>	<u>6,884,922</u>

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

	Budget (Unaudited) \$	2005 \$	2004 \$
ACQUISITION OF CAPITAL ASSETS			
General government	21,500	32,761	93,988
Enforcement	4,730	3,649	-
Fire protection	325,000	271,309	272,984
Transportation services	1,723,280	1,623,697	5,876,466
Environmental services	18,230	251,144	9,354
Agriculture services	43,230	27,300	153,774
Recreation and culture	-	-	<u>546,902</u>
	<u>2,135,970</u>	<u>2,209,860</u>	<u>6,953,468</u>
DISPOSAL OF CAPITAL ASSETS (COST)			
General government	-	8,686	566,710
Enforcement	-	2,776	-
Fire protection	-	79,035	64,513
Transportation services	-	728,175	3,508,422
Environmental services	-	-	1,673,388
Agriculture services	-	13,963	27,916
Recreation and culture	-	<u>6,500</u>	<u>31,126</u>
	<u>-</u>	<u>839,135</u>	<u>5,872,075</u>
	<u>2,135,970</u>	<u>1,370,725</u>	<u>1,081,393</u>
OTHER			
Equity in capital assets - Village of Mirror (Note 15)	-	-	4,440,769
Capital debt repaid	<u>16,050</u>	<u>16,046</u>	<u>14,327</u>
	<u>16,050</u>	<u>16,046</u>	<u>4,455,096</u>
CHANGE IN EQUITY BALANCE	2,152,020	1,386,771	5,536,489
EQUITY BALANCE - BEGINNING OF YEAR	<u>28,268,772</u>	<u>28,337,590</u>	<u>22,801,101</u>
EQUITY BALANCE - END OF YEAR	<u>30,420,792</u>	<u>29,724,361</u>	<u>28,337,590</u>

LACOMBE COUNTY
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2005

Schedule I

	Budget (Unaudited) \$	2005 \$	2004 \$
TAXATION			
Real property	11,292,984	11,057,678	10,770,328
Machinery and equipment	9,309,690	9,510,059	8,513,333
Linear property	5,089,963	5,107,627	4,533,052
Government grants in place of property taxes	<u>93,669</u>	<u>93,025</u>	<u>89,299</u>
	<u>25,786,306</u>	<u>25,768,389</u>	<u>23,906,012</u>
REQUISITIONS			
Alberta School Foundation Fund	8,979,875	8,979,875	8,484,283
Lacombe Foundation	<u>345,580</u>	<u>331,779</u>	<u>345,647</u>
	<u>9,325,455</u>	<u>9,311,654</u>	<u>8,829,930</u>
NET MUNICIPAL TAXES	<u>16,460,851</u>	<u>16,456,735</u>	<u>15,076,082</u>

LACOMBE COUNTY
SCHEDULE OF SALES, USER CHARGES AND COSTS RECOVERED
FOR THE YEAR ENDED DECEMBER 31, 2005

Schedule II

	Budget (Unaudited) \$	2005 \$	2004 \$
GENERAL GOVERNMENT			
Assessment appeals	200	-	1,600
Services	80,720	119,033	93,087
Maps	8,500	13,821	12,046
Goods and supplies	<u>1,000</u>	<u>103</u>	<u>864</u>
	<u>90,420</u>	<u>132,957</u>	<u>107,597</u>
ENFORCEMENT SERVICES	<u>56,710</u>	<u>32,312</u>	<u>30,300</u>
FIRE PROTECTION	<u>40,000</u>	<u>72,500</u>	<u>60,007</u>
TRANSPORTATION SERVICES			
Custom work	157,000	226,453	181,037
Goods	10,500	39,539	11,760
Inspection fees	50,000	90,100	68,570
Bridge materials	<u>-</u>	<u>358,889</u>	<u>296,254</u>
	<u>217,500</u>	<u>714,981</u>	<u>557,621</u>
ENVIRONMENTAL SERVICES			
Water service	126,790	144,970	131,701
Sewer service	36,390	43,390	37,993
Garbage service	<u>38,410</u>	<u>33,059</u>	<u>30,738</u>
	<u>201,590</u>	<u>221,419</u>	<u>200,432</u>
CEMETERY			
Plots and service	<u>1,700</u>	<u>2,960</u>	<u>1,143</u>
ENVIRONMENTAL DEVELOPMENT			
Subdivision application and redesignation	47,500	68,100	21,786
Development permits	25,000	24,300	26,992
Goods	<u>250</u>	<u>25</u>	<u>86</u>
	<u>72,750</u>	<u>92,425</u>	<u>48,864</u>
AGRICULTURE SERVICES			
Services	27,000	9,086	9,357
Goods	<u>10,000</u>	<u>781</u>	<u>16,300</u>
	<u>37,000</u>	<u>9,867</u>	<u>25,657</u>
	<u>717,670</u>	<u>1,279,421</u>	<u>1,031,621</u>

LACOMBE COUNTY
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2005

Schedule III

	Budget (Unaudited) \$	2005 \$	2004 \$
FEDERAL TRANSFERS			
Shared cost agreements -			
Transportation services	267,680	267,682	-
Environmental development	<u>50,000</u>	<u>46,729</u>	<u>3,255</u>
	<u>317,680</u>	<u>314,411</u>	<u>3,255</u>
PROVINCIAL TRANSFERS			
Entitlements	<u>958,970</u>	<u>954,974</u>	<u>662,144</u>
Shared cost agreements -			
General government	47,820	46,214	23,918
Protective services	305,720	305,598	2,800
Transportation services	769,430	2,942,949	1,411,822
Environmental services	89,710	244,207	38,338
Public health and welfare	221,280	223,244	220,957
Environmental development	-	(3,271)	86,205
Agriculture services	127,890	155,071	142,394
Recreation and culture	<u>-</u>	<u>-</u>	<u>1,750</u>
	<u>1,561,850</u>	<u>3,914,012</u>	<u>1,928,184</u>
	<u>2,838,500</u>	<u>5,183,397</u>	<u>2,593,583</u>

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

	Budget (Unaudited) \$	2005 \$	2004 \$
Salaries, wages and benefits	5,871,476	5,690,860	5,411,363
Contracted and general services	5,568,240	5,915,563	7,105,413
Purchases from other governments	70,570	64,759	358,832
Materials, goods, supplies and utilities	3,209,190	2,994,320	2,810,947
Transfer to allowances	-	-	62,472
Bank charges and short term interest	91,170	49,001	83,880
Interest - long term debt	4,440	3,407	5,237
Physical assets acquired	2,135,970	2,209,860	6,269,351
Transfers to other governments	456,860	450,888	371,650
Transfers to local boards and agencies	932,690	973,812	796,379
Transfers to individuals and organizations	14,590	11,450	29,288
Cancellations and uncollectible	<u>3,900</u>	<u>23,558</u>	<u>113,575</u>
	<u>18,359,096</u>	<u>19,387,478</u>	<u>23,418,387</u>

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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, 2005

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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, 2005

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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

	2005	2004
	\$	\$
Cash (bank overdraft)	(133,157)	1,377,399
Term deposits with interest rates varying from 2.96% to 6.60% and maturing in 2006 through 2010	<u>9,749,778</u>	<u>6,151,793</u>
	<u>9,616,621</u>	<u>7,529,192</u>
Restricted cash balances		
Included in the above amounts are the following amounts received from the Province of Alberta and Government of Canada as conditional grants and held exclusively for future projects:		
Centennial Grant	-	33,018
Environmental Assessment Grant	-	50,000
Street Improvement Program Grants	215,835	159,463
Sponsorship Grants	120,200	-
Emergency Management Grant	3,000	-
Alberta Municipal Infrastructure Grant	<u>60,140</u>	<u>-</u>
	399,175	242,481
Cash-in-lieu of municipal reserves	<u>382,034</u>	<u>401,789</u>
	<u>781,209</u>	<u>644,270</u>

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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3. TAXES AND GRANTS IN PLACE RECEIVABLE

	2005	2004
	\$	\$
Current taxes and grants in place	294,663	413,621
Non-current taxes and grants in place	<u>257,917</u>	<u>193,860</u>
	552,580	607,481
Allowance for doubtful accounts	<u>(113,643)</u>	<u>(114,253)</u>
	<u><u>438,937</u></u>	<u><u>493,228</u></u>

4. INVESTMENTS

	2005	2004
	\$	\$
Stripped coupons, residual bonds and accrual notes purchased at discounts yielding effective annual rates of 5.74% to 7.56% to maturity, at cost	5,597,286	3,654,797
Estimated accrued interest earned on investments	1,277,725	1,264,666
AMFC shares	<u>180</u>	<u>180</u>
	<u><u>6,875,191</u></u>	<u><u>4,919,643</u></u>

Market value of investments at December 31, 2005 was \$6,914,299 (2004 - \$5,159,644).

5. INVENTORY

	2005	2004
	\$	\$
Bridge material	484,080	559,083
Public works materials	269,157	170,894
Land held for resale	<u>11,808</u>	<u>20,495</u>
	<u><u>765,045</u></u>	<u><u>750,472</u></u>

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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6. CAPITAL ASSETS

	2005 \$	2004 \$
Land held for government use	6,509,035	6,678,634
Buildings	7,374,823	7,368,751
Engineering structures	676,269	425,125
Machinery and equipment	11,060,582	10,137,072
Vehicles	<u>4,064,095</u>	<u>3,695,997</u>
	<u>29,684,804</u>	<u>28,305,579</u>
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>29,753,811</u>	<u>28,374,586</u>

7. EMPLOYEE BENEFIT OBLIGATIONS

	2005 \$	2004 \$
Vacation	221,752	226,319
Overtime	<u>2,258</u>	<u>2,948</u>
	<u>224,010</u>	<u>229,267</u>

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

8. FUNDS UNDER ADMINISTRATION

	2005 \$	2004 \$
Lacombe Regional Solid Waste Authority	629,761	1,173,323
Shared Fire Equipment	<u>73,993</u>	<u>56,670</u>
	<u>703,754</u>	<u>1,229,993</u>

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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9. LONG TERM DEBT

	2005	2004
	\$	\$
Tax supported debentures	<u>20,949</u>	<u>36,995</u>

Principal and interest payments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2006	6,208	2,514	8,722
2007	6,953	1,769	8,722
2008	<u>7,788</u>	<u>934</u>	<u>8,722</u>
	<u>20,949</u>	<u>5,217</u>	<u>26,166</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 \$3,407 (2004 - \$6,159). The County's total cash payments for interest and principal in 2005 were \$53,440 (2004 - \$90,039).

10. TRUST LIABILITIES

	2005	2004
	\$	\$
Tax sale surplus	185,626	-
Scholarships	38,793	38,793
Agriculture Research Extension Fund	24,004	26,465
Mirror Public Library	8,314	16,814
Mirror Cemetery Perpetual Care Fund	<u>10,103</u>	<u>9,158</u>
	<u>266,840</u>	<u>91,230</u>

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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11. ALLOWANCES

	2005	2004
	\$	\$
Future assessment risk	-	259,069
Uncollectible accounts receivable - Mirror	<u>4,119</u>	<u>13,010</u>
	<u><u>4,119</u></u>	<u><u>272,079</u></u>

12. PRIOR PERIOD ADJUSTMENTS

Opening fund balance at January 1, 2004 had been adjusted to reflect the following:

	\$
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>191,399</u></u>

13. OPERATING FUND

	2005	2004
	\$	\$
Bridge Material Fund	484,080	559,083
County Fund	<u>552,929</u>	<u>541,171</u>
	<u><u>1,037,009</u></u>	<u><u>1,100,254</u></u>

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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14. RESERVE FUND

	Opening Balance \$	Additions \$	Reductions \$	Closing Balance \$
Main road	239,888	701,252	-	941,140
Public works equipment	1,658,283	659,699	-	2,317,982
Public works building	-	400,000	-	400,000
Administration building	470,378	470,000	-	940,378
Protective services equipment	1,312,756	553,736	124,374	1,742,118
Gravel	2,213,819	-	-	2,213,819
Pavement	533,587	470,000	108,863	894,724
Land development	2,300	47,458	-	49,758
Recreation - capital assistance	442,525	826,510	92,199	1,176,836
Funds held in lieu of municipal reserve	401,789	-	19,755	382,034
Subdivision road development	119,140	26,732	21,732	124,140
Agriculture equipment	89,905	79,674	15,094	154,485
Enforcement equipment	69,787	26,970	2,649	94,108
Disaster services	-	500,000	-	500,000
Hamlet street improvement	159,464	56,371	-	215,835
Assessment risk	1,000,000	-	-	1,000,000
Gravel fees	48,007	21,369	-	69,376
Lake access reserve	-	267,682	-	267,682
Mirror contingency	378,111	859,477	72,379	1,165,209
Mirror water	67,509	18,541	8,259	77,791
Mirror sewer	<u>50,556</u>	<u>22,123</u>	-	<u>72,679</u>
	<u>9,257,804</u>	<u>6,007,594</u>	<u>465,304</u>	<u>14,800,094</u>
Bridge Materials Contingency	806,946	182,773	-	989,719
Bridge Materials Capital	<u>113,435</u>	<u>32,050</u>	-	<u>145,485</u>
	<u>920,381</u>	<u>214,823</u>	-	<u>1,135,204</u>
	<u>10,178,185</u>	<u>6,222,417</u>	<u>465,304</u>	<u>15,935,298</u>

15. DISSOLUTION OF VILLAGE OF MIRROR

On December 17, 2003, the Lieutenant Governor of Council dissolved the Village of Mirror effective December 31, 2003. 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, 2005

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15. 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, 2005

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16. 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.

Total current contributions by the Lacombe County to the Local Authorities Pension Plan in 2005 were \$265,984 (2004 - \$214,471). Total current contributions by the employees of the Lacombe County to the Local Authorities Pension Plan in 2005 were \$236,793 (2004 - \$186,078).

At December 31, 2005, the LAPP disclosed an actuarial deficiency of \$1,288.9 million.

17. 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) \$	2005 Total \$	2004 Total \$
1 - Roderick McDermid	44,232	15,783	60,015	53,283
2 - William Knight	40,964	13,080	54,044	62,007
3 - Cliff Soper	32,870	4,428	37,298	46,446
4 - Linda Landmark	38,000	10,257	48,257	51,252
5 - Ray Prins	-	-	-	44,674
5- Kenneth Wigmore	38,038	6,228	44,266	7,807
6 - Robert Szasz	39,026	10,204	49,230	50,598
7 - Terry Engen	51,284	14,102	65,386	50,143
Commissioner	140,120	30,043	170,163	158,293

- (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, 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, 2005

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18. 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:

	2005	2004
	\$	\$
Total debt limit	29,531,666	28,022,193
Total debt	<u>(20,949)</u>	<u>(36,995)</u>
Total debt limit available	<u>29,510,717</u>	<u>27,985,198</u>
Debt servicing limit	4,921,944	4,670,366
Debt servicing	<u>(8,722)</u>	<u>(20,485)</u>
Total debt servicing limit available	<u>4,913,222</u>	<u>4,649,881</u>

19. CONTINGENCIES AND COMMITMENTS

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.

Lacombe County has entered into an agreement for gravel crushing services to be completed in late 2005 with payment to contractor in 2006. The total consideration due is \$504,650.

Lacombe County has entered into various agreements for the acquisition of equipment prior to year end. The total commitment after trade-in proceeds is \$1,979,550.

Lacombe County has been named as a defendant in a claim seeking general damages of \$100,000. The County foresees no liability arising from this claim.

20. 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, 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, 2005

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21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved these financial statements.