

LACOMBE COUNTY
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

LACOMBE COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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	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, 2006, 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, 2006 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Lacombe, Alberta
April 24, 2007

CHARTERED ACCOUNTANTS

LACOMBE COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2006

	2006	2005
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	19,439,317	9,616,621
Accounts receivable – taxes and grants in place (Note 3)	337,126	438,937
– trade and other	1,243,532	1,382,480
Prepaid expenses	200,695	177,212
Investments (Note 4)	7,193,338	6,875,191
Funds held in trust	<u>281,557</u>	<u>266,840</u>
	<u>28,695,565</u>	<u>18,757,281</u>
PHYSICAL ASSETS		
Inventory (Note 5)	790,281	765,045
Property and equipment (Note 6)	<u>30,813,409</u>	<u>29,753,811</u>
	<u>31,603,690</u>	<u>30,518,856</u>
	<u>60,299,255</u>	<u>49,276,137</u>
LIABILITIES		
Accounts payable and accrued liabilities	2,394,466	975,364
Employee benefit obligations (Note 7)	292,893	224,010
Funds under administration (Note 8)	1,678,312	703,754
Deposit liabilities	592,700	93,984
Deferred revenue	115,063	290,449
Long term debt (Note 9)	14,740	20,949
Trust liabilities (Note 10)	<u>279,556</u>	<u>266,840</u>
	<u>5,367,730</u>	<u>2,575,350</u>
ALLOWANCES (Note 11)	<u>4,662</u>	<u>4,119</u>
MUNICIPAL EQUITY		
Reserves (Note 12)	23,181,743	15,935,209
Operating fund (Note 13)	<u>962,215</u>	<u>1,037,009</u>
	<u>24,143,958</u>	<u>16,972,307</u>
EQUITY IN PROPERTY AND EQUIPMENT	<u>30,782,905</u>	<u>29,724,361</u>
	<u>60,299,255</u>	<u>49,276,137</u>

The accompanying notes are an integral part of these financial statements

LACOMBE COUNTY
STATEMENT OF OPERATING FUND FINANCIAL ACTIVITIES
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budget (Unaudited) \$	2006 \$	2005 \$
REVENUE			
Net taxes available for municipal purposes - Schedule I	18,475,387	18,501,274	16,456,735
Community aggregate levy	-	426,445	-
Sales, user charges and costs recovered - Schedule II	827,590	1,529,290	1,255,121
Sales to other governments	67,850	75,646	17,646
Interest, royalties and patronage allocations	571,780	842,602	711,526
Licenses, permits, fines and concessions	168,600	205,939	193,918
Penalties and costs	123,200	139,797	116,888
Government transfers - Schedule III	4,066,200	3,717,452	5,183,397
Rentals and land sales	49,850	180,188	87,120
Transfer from allowances	8,314	9,080	24,758
Other	380	67,811	28,206
	<u>24,359,151</u>	<u>25,695,524</u>	<u>24,075,315</u>
EXPENDITURES			
General government	2,244,970	2,074,221	1,962,420
Protective services	1,105,630	1,078,784	983,387
Transportation services	11,455,120	9,884,648	11,550,689
Environmental services	1,012,140	871,929	587,828
Environmental development	1,037,210	825,704	706,963
Agriculture services	600,490	567,928	507,134
Public health and welfare	348,640	346,693	364,592
Recreation and culture	1,025,260	985,025	494,948
Transfer to allowances			-
Cancellations	-	38,745	19,657
	<u>18,829,460</u>	<u>16,673,677</u>	<u>17,177,618</u>
	<u>5,529,691</u>	<u>9,021,847</u>	<u>6,897,697</u>
NET INTERFUND TRANSFERS			
To reserves	(3,916,711)	(7,531,286)	(5,523,694)
To capital fund	(1,612,980)	(1,565,355)	(1,437,248)
	<u>(5,529,691)</u>	<u>(9,096,641)</u>	<u>(6,960,942)</u>
DECREASE IN BRIDGE MATERIALS INVENTORY	-	(74,794)	(75,003)
CHANGE IN OPERATING FUND BALANCE	-	-	11,758
FUND BALANCE - BEGINNING OF YEAR	<u>1,037,009</u>	<u>1,037,009</u>	<u>1,100,254</u>
FUND BALANCE - END OF YEAR	<u>1,037,009</u>	<u>962,215</u>	<u>1,037,009</u>

The accompanying notes are an integral part of these financial statements

LACOMBE COUNTY
STATEMENT OF CAPITAL FUND FINANCIAL ACTIVITIES
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budget (Unaudited) \$	2006 \$	2005 \$
REVENUES			
Proceeds from disposal of capital assets	1,318,500	1,629,121	606,922
Local government transfers	194,970	10,708	30,934
Capital levy - Bridge Materials	<u>-</u>	<u>36,281</u>	<u>32,050</u>
	<u>1,513,470</u>	<u>1,676,110</u>	<u>669,906</u>
EXPENDITURES			
General government	30,000	36,014	32,761
Enforcement	52,200	46,493	3,649
Fire protection	467,020	202,983	271,309
Ambulance services	21,500	1,868	-
Transportation services	3,189,050	3,345,022	1,623,697
Environmental services	601,560	3,063	251,144
Agriculture services	<u>14,800</u>	<u>14,800</u>	<u>27,300</u>
	<u>4,376,130</u>	<u>3,650,243</u>	<u>2,209,860</u>
	<u>(2,862,660)</u>	<u>(1,974,133)</u>	<u>(1,539,954)</u>
CAPITAL FINANCING AND NET INTERFUND TRANSFERS			
From reserves	1,255,890	414,986	118,752
From operating fund	1,612,980	1,565,355	1,437,248
Capital debt repayment	<u>(6,210)</u>	<u>(6,208)</u>	<u>(16,046)</u>
	<u>2,862,660</u>	<u>1,974,133</u>	<u>1,539,954</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>

The accompanying notes are an integral part of these financial statements

LACOMBE COUNTY
STATEMENT OF RESERVE FUND ACTIVITIES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budget (Unaudited) \$	2006 \$	2005 \$
NET INTERFUND TRANSFERS			
From operating fund	3,916,711	7,531,286	5,523,694
To capital fund	<u>(1,255,890)</u>	<u>(414,986)</u>	<u>(118,752)</u>
	<u>2,660,821</u>	<u>7,116,300</u>	<u>5,404,942</u>
OTHER CONTRIBUTIONS			
Transfer from assessment allowance	-	-	259,069
Developer contributions and other	-	130,145	45,000
Assumption - Village of Mirror (Note 14)	<u>-</u>	<u>-</u>	<u>48,102</u>
	<u>-</u>	<u>130,145</u>	<u>352,171</u>
CHANGE IN RESERVE FUND BALANCE	2,660,821	7,246,445	5,757,113
FUND BALANCE - BEGINNING OF YEAR	<u>15,935,298</u>	<u>15,935,298</u>	<u>10,178,185</u>
FUND BALANCE - END OF YEAR	<u>18,596,119</u>	<u>23,181,743</u>	<u>15,935,298</u>
Main road		3,933,525	941,140
Public works equipment		2,098,491	2,317,982
Public works building		460,681	400,000
Administration building		1,740,108	940,378
Protective services		2,201,384	1,742,118
Gravel		2,388,819	2,213,819
Subdivision pavement		1,291,570	894,724
Land development		133,285	49,758
Recreation capital assistance		1,429,501	1,176,836
Funds held in lieu of reserve land		394,971	382,034
Subdivision road development		159,240	124,140
Agriculture equipment		238,905	154,485
Enforcement equipment		87,692	94,108
Disaster services		500,000	500,000
Hamlet street improvement		275,450	215,835
Assessment at risk		1,000,000	1,000,000
Planning gravel fee		141,487	69,376
Lake access		277,682	267,682
Hamlet of Mirror contingency		1,162,728	1,165,209
Hamlet of Mirror water		79,133	77,791
Hamlet of Mirror sewer		86,837	72,679
Community aggregate levy		426,445	-
Infrastructure		363,560	-
Water - waste water		<u>1,000,978</u>	<u>-</u>
		<u>21,872,742</u>	<u>14,800,094</u>
Bridge Materials Contingency		1,127,236	989,720
Bridge Materials Capital		<u>181,765</u>	<u>145,484</u>
		<u>1,309,001</u>	<u>1,135,204</u>
		<u>23,181,743</u>	<u>15,935,298</u>

The accompanying notes are an integral part of these financial statements

LACOMBE COUNTY
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006	2005
	\$	\$
OPERATIONS		
Change in fund balances		
Operating	(74,794)	(63,245)
Reserves	<u>7,246,445</u>	<u>5,757,113</u>
	7,171,651	5,693,868
Net change in non-cash item -		
Increase (decrease) in provision for allowances	543	(267,960)
Decrease (increase) in accounts receivable	240,759	(394,649)
Decrease (increase) in prepaid expenses	(23,483)	(19,606)
Increase (decrease) in accounts payable and accrued liabilities	1,487,985	(444,053)
Increase (decrease) in funds under administration	974,558	(526,239)
Increase (decrease) in deposit liabilities	496,715	(45,472)
Increase in deferred revenue	(175,386)	61,661
Increase in inventory	<u>(32,499)</u>	<u>(14,573)</u>
	<u>10,140,843</u>	<u>(4,042,977)</u>
INVESTING		
Decrease (increase) in investments	(318,147)	(1,955,548)
Decrease (increase) in restricted cash balances	<u>(260,838)</u>	<u>(136,939)</u>
	<u>(578,985)</u>	<u>(2,092,487)</u>
CHANGE IN CASH AND CASH EQUIVALENTS		
INVESTMENTS DURING YEAR	<u>9,561,858</u>	<u>1,950,490</u>
NET CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>8,835,412</u>	<u>6,884,922</u>
NET CASH AND CASH EQUIVALENTS - END OF YEAR	<u>18,397,270</u>	<u>8,835,412</u>
Cash and cash equivalents is comprised of:		
Cash and temporary investments	19,439,317	9,616,621
Less: restricted (Note 2)	<u>(1,042,047)</u>	<u>(781,209)</u>
	<u>18,397,270</u>	<u>8,835,412</u>

The accompanying notes are an integral part of these financial statements

LACOMBE COUNTY
SCHEDULE OF EQUITY IN CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budget (Unaudited) \$	2006 \$	2005 \$
ACQUISITION OF CAPITAL ASSETS			
General government	30,000	36,014	32,761
Enforcement	52,200	46,493	3,649
Fire protection	467,020	192,275	271,309
Transportation services	3,189,050	3,345,022	1,623,697
Environmental services	601,560	3,063	251,144
Agriculture services	<u>14,800</u>	<u>14,800</u>	<u>27,300</u>
	<u>4,354,830</u>	<u>3,637,667</u>	<u>2,209,860</u>
DISPOSAL OF CAPITAL ASSETS (COST)			
General government		46,211	8,686
Enforcement		-	2,776
Fire protection		27,000	79,035
Transportation services		2,512,120	728,175
Agriculture services		-	13,963
Recreation and culture	<u>-</u>	<u>-</u>	<u>6,500</u>
	<u>-</u>	<u>2,585,331</u>	<u>839,135</u>
	4,354,830	1,052,336	1,370,725
OTHER - Capital debt repaid	<u>6,210</u>	<u>6,208</u>	<u>16,046</u>
CHANGE IN EQUITY BALANCE	4,361,040	1,058,544	1,386,771
EQUITY BALANCE - BEGINNING OF YEAR	<u>29,724,361</u>	<u>29,724,361</u>	<u>28,337,590</u>
EQUITY BALANCE - END OF YEAR	<u>34,085,401</u>	<u>30,782,905</u>	<u>29,724,361</u>

The accompanying notes are an integral part of these financial statements

LACOMBE COUNTY
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2006

Schedule I

	Budget (Unaudited) \$	2006 \$	2005 \$
TAXATION			
Real property	11,614,998	11,611,607	11,057,678
Machinery and equipment	10,362,117	10,361,338	9,510,059
Linear property	6,346,626	6,364,313	5,107,627
Government grants in place of property taxes	<u>103,416</u>	<u>102,300</u>	<u>93,025</u>
	<u>28,427,157</u>	<u>28,439,558</u>	<u>25,768,389</u>
REQUISITIONS			
Alberta School Foundation Fund	9,606,190	9,606,190	8,979,875
Lacombe Foundation	<u>345,580</u>	<u>332,094</u>	<u>331,779</u>
	<u>9,951,770</u>	<u>9,938,284</u>	<u>9,311,654</u>
NET MUNICIPAL TAXES	<u><u>18,475,387</u></u>	<u><u>18,501,274</u></u>	<u><u>16,456,735</u></u>

The accompanying notes are an integral part of these financial statements

LACOMBE COUNTY **Schedule II**
SCHEDULE OF SALES, USER CHARGES AND COSTS RECOVERED
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budget (Unaudited) \$	2006 \$	2005 \$
GENERAL GOVERNMENT			
Assessment appeals	200	-	-
Office services	81,220	129,112	119,033
Maps	11,000	17,132	13,821
Goods and supplies	<u>500</u>	<u>4,064</u>	<u>103</u>
	<u>92,920</u>	<u>150,308</u>	<u>132,957</u>
ENFORCEMENT SERVICES			
	<u>42,500</u>	<u>30,705</u>	<u>32,312</u>
FIRE PROTECTION			
	<u>50,000</u>	<u>106,329</u>	<u>72,500</u>
TRANSPORTATION SERVICES			
Custom work	242,000	286,595	226,453
Goods	28,100	124,996	39,539
Inspection fees	70,000	115,041	90,100
Bridge materials	<u>-</u>	<u>407,274</u>	<u>358,889</u>
	<u>340,100</u>	<u>933,906</u>	<u>714,981</u>
ENVIRONMENTAL SERVICES			
Water service	166,390	170,736	144,970
Sewer service	45,460	43,743	43,390
Garbage service	<u>21,270</u>	<u>21,427</u>	<u>33,059</u>
	<u>233,120</u>	<u>235,906</u>	<u>221,419</u>
CEMETERY			
Plots and service	<u>1,700</u>	<u>2,287</u>	<u>2,960</u>
ENVIRONMENTAL DEVELOPMENT			
Subdivision application and redesignation	40,000	56,850	68,100
Goods	<u>250</u>	<u>-</u>	<u>25</u>
	<u>40,250</u>	<u>56,850</u>	<u>68,125</u>
AGRICULTURE SERVICES			
Services	27,000	12,999	9,086
Goods	<u>-</u>	<u>-</u>	<u>781</u>
	<u>27,000</u>	<u>12,999</u>	<u>9,867</u>
	<u><u>827,590</u></u>	<u><u>1,529,290</u></u>	<u><u>1,255,121</u></u>

The accompanying notes are an integral part of these financial statements

LACOMBE COUNTY
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2006

Schedule III

	Budget (Unaudited) \$	2006 \$	2005 \$
FEDERAL TRANSFERS			
Shared cost agreements -			
Transportation services	202,040	-	267,682
Environmental development	<u>-</u>	<u>-</u>	<u>46,729</u>
	<u>202,040</u>	<u>-</u>	<u>314,411</u>
PROVINCIAL TRANSFERS			
Entitlements	<u>31,160</u>	<u>31,163</u>	<u>954,974</u>
Shared cost agreements -			
General government	2,800	5,600	46,214
Protective services	332,430	331,353	305,598
Transportation services	2,827,390	2,826,461	2,942,949
Environmental services	285,160	107,504	244,207
Public health and welfare	226,920	228,209	223,244
Environmental development	-	-	(3,271)
Agriculture services	<u>158,300</u>	<u>187,162</u>	<u>155,071</u>
	<u>3,833,000</u>	<u>3,686,289</u>	<u>3,914,012</u>
	<u>4,066,200</u>	<u>3,717,452</u>	<u>5,183,397</u>

The accompanying notes are an integral part of these financial statements

LACOMBE COUNTY
SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2006

Schedule IV

	Budget (Unaudited) \$	2006 \$	2005 \$
Salaries, wages and benefits	6,893,910	6,549,136	5,690,860
Contracted and general services	6,568,370	5,051,942	5,915,563
Purchases from other governments	90,610	67,367	64,759
Materials, goods, supplies and utilities	3,687,450	3,391,486	2,994,320
Bank charges and short term interest	36,680	20,817	49,001
Interest - long term debt	2,510	1,891	3,407
Physical assets acquired	4,376,130	3,650,243	2,209,860
Transfers to other governments	414,580	390,166	450,888
Transfers to local boards and agencies	1,102,970	1,127,727	973,812
Transfers to individuals and organizations	29,880	32,326	11,450
Cancellations and uncollectible	<u>2,500</u>	<u>40,820</u>	<u>23,558</u>
	<u><u>23,205,590</u></u>	<u><u>20,323,921</u></u>	<u><u>19,387,478</u></u>

The accompanying notes are an integral part of these financial statements

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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, 2006

- 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. Excluded from inventories is gravel inventory.
- 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, 2006

- 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 TEMPORARY INVESTMENTS

	2006	2005
	\$	\$
Current account (bank prime less 2%)	77,983	(133,157)
GIC investments with interest rates varying from 4.5% to 6.6% and maturing in 2007 through 2010	<u>19,361,334</u>	<u>9,749,778</u>
	<u>19,439,317</u>	<u>9,616,621</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:

Street Improvement Program Grants	275,450	215,835
Sponsorship Grants	8,076	120,200
Emergency Management Grant	-	3,000
Alberta Municipal Infrastructure Grant	<u>363,560</u>	<u>60,140</u>
	647,086	399,175
Funds held in lieu of reserve land	<u>394,971</u>	<u>382,034</u>
	<u>1,042,057</u>	<u>781,209</u>

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

- 4-

3. TAXES AND GRANTS IN PLACE RECEIVABLE

	2006	2005
	\$	\$
Current taxes and grants in place	266,174	294,663
Non-current taxes and grants in place	<u>184,595</u>	<u>257,917</u>
	450,769	552,580
Allowance for doubtful accounts	<u>(113,643)</u>	<u>(113,643)</u>
	<u><u>337,126</u></u>	<u><u>438,937</u></u>

4. INVESTMENTS

	2006	2005
	\$	\$
Stripped coupons, residual bonds and accrual notes purchased at discounts yielding effective annual rates of 2.412% to 14.678% to maturity, at cost	6,213,144	5,597,286
Estimated accrued interest	980,014	1,277,725
AMFC shares	<u>180</u>	<u>180</u>
	<u><u>7,193,338</u></u>	<u><u>6,875,191</u></u>

Market value of investments at December 31, 2006 was \$7,180,652 (2005 - \$6,914,299).

5. INVENTORY

	2006	2005
	\$	\$
Bridge material	409,286	484,080
Public works materials	376,453	269,157
Land held for resale	<u>4,541</u>	<u>11,808</u>
	<u><u>790,280</u></u>	<u><u>765,045</u></u>

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

- 5 -

6. CAPITAL ASSETS

	2006	2005
	\$	\$
Land held for government use	6,480,465	6,509,035
Buildings	7,457,443	7,374,823
Engineering structures	679,333	676,269
Machinery and equipment	11,645,238	11,060,582
Vehicles	<u>4,481,923</u>	<u>4,064,095</u>
	<u>30,744,402</u>	<u>29,684,804</u>
Bridge materials - buildings	62,802	62,802
Bridge materials - machinery and equipment	<u>6,205</u>	<u>6,205</u>
	<u>69,007</u>	<u>69,007</u>
	<u><u>30,813,409</u></u>	<u><u>29,753,811</u></u>

7. EMPLOYEE BENEFIT OBLIGATIONS

	2006	2005
	\$	\$
Vacation	288,815	221,752
Overtime	<u>4,078</u>	<u>2,258</u>
	<u><u>292,893</u></u>	<u><u>224,010</u></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

	2006	2005
	\$	\$
Lacombe Regional Solid Waste Authority	985,674	629,761
Shared Fire Equipment	120,961	73,993
Highway 12/21 Water Services Commission	<u>571,677</u>	<u>-</u>
	<u><u>1,678,312</u></u>	<u><u>703,754</u></u>

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

- 6 -

9. LONG TERM DEBT

	2006 \$	2005 \$
Tax supported debentures	<u>14,740</u>	<u>20,949</u>

Principal and interest payments are as follows:

	Principal \$	Interest \$	Total \$
2007	6,953	1,769	8,722
2008	<u>7,787</u>	<u>934</u>	<u>8,721</u>
	<u>14,740</u>	<u>2,703</u>	<u>17,443</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 2007 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 \$1,891 (2005 - \$3,407). The County's total cash payments for interest and principal in 2006 were \$8,099 (2005 - \$53,440).

10. TRUST LIABILITIES

	2006 \$	2005 \$
Tax sale surplus	207,765	185,626
Scholarships	38,793	38,793
Agriculture Research Extension Fund	22,448	24,004
Mirror Public Library	-	8,314
Mirror Cemetery Perpetual Care Fund	<u>10,550</u>	<u>10,103</u>
	<u>279,556</u>	<u>266,840</u>

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

- 7 -

11. ALLOWANCES

	2006 \$	2005 \$
Uncollectible accounts receivable - Mirror	<u>4,662</u>	<u>4,119</u>

12. RESERVE FUND

	Opening Balance \$	Additions \$	Reductions \$	Closing Balance \$
Main road	941,140	2,992,385	-	3,933,525
Public works equipment	2,317,982	-	219,491	2,098,491
Public works building	400,000	143,300	82,619	460,681
Administration building	940,378	799,730	-	1,740,108
Protective services	1,742,118	565,938	106,672	2,201,384
Gravel	2,213,819	175,000	-	2,388,819
Subdivision pavement	894,724	396,846	-	1,291,570
Land development	49,758	83,527	-	133,285
Recreation capital assistance	1,176,836	803,065	550,400	1,429,501
Funds in lieu of reserve land	382,034	12,937	-	394,971
Subdivision road development	124,140	35,100	-	159,240
Agriculture equipment	154,485	99,220	14,800	238,905
Enforcement equipment	94,108	30,525	36,671	87,962
Disaster services	500,000	-	-	500,000
Hamlet street improvement	215,835	59,615	-	275,450
Assessment at risk	1,000,000	-	-	1,000,000
Planning gravel fee	69,376	72,111	-	141,487
Lake access reserve	267,682	10,000	-	277,682
Hamlet of Mirror contingency	1,165,209	-	2,481	1,162,728
Hamlet of Mirror water	77,791	6,193	4,851	79,133
Hamlet of Mirror sewer	72,679	14,158	-	86,837
Community Aggregate levy	-	426,445	-	426,445
Infrastructure	-	363,560	-	363,560
Water - waste water	-	1,000,978	-	1,000,978
	<u>14,800,094</u>	<u>8,090,633</u>	<u>1,017,985</u>	<u>21,872,742</u>
Bridge Materials Contingency	989,719	137,517	-	1,127,236
Bridge Materials Capital	145,485	36,280	-	181,765
	<u>1,135,204</u>	<u>173,797</u>	<u>-</u>	<u>1,309,001</u>
	<u>15,935,298</u>	<u>8,264,430</u>	<u>1,017,985</u>	<u>23,181,743</u>

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

- 8 -

13. OPERATING FUND

	2006	2005
	\$	\$
Bridge Material Fund	409,286	484,080
County Fund	<u>552,929</u>	<u>552,929</u>
	<u>962,215</u>	<u>1,037,009</u>

14. 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.

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 6.4% on pensionable salary above this amount.

Total current contributions by the Lacombe County to the Local Authorities Pension Plan in 2006 were \$320,266 (2005 - \$265,984). Total current contributions by the employees of the Lacombe County to the Local Authorities Pension Plan in 2006 were \$280,810 (2005 - \$236,793).

At December 31, 2005, the LAPP disclosed an actuarial deficiency of \$863.6 million.

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

- 9 -

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) \$	2006 Total \$	2005 Total \$
1 - Roderick McDermid	48,844	15,304	64,148	60,015
2 - William Knight	46,380	15,631	62,011	54,044
3 - Cliff Soper	39,680	6,276	45,956	37,298
4 - Linda Landmark	44,640	11,781	56,421	48,257
5- Kenneth Wigmore	39,060	10,135	49,195	44,266
6 - Robert Szasz	39,200	9,574	48,774	49,230
7 - Terry Engen	58,480	16,426	74,906	65,386
Commissioner	156,240	30,952	186,832	170,163

- (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.

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:

	2006 \$	2005 \$
Total debt limit	32,967,108	29,531,666
Total debt	<u>(14,740)</u>	<u>(20,949)</u>
Total debt limit available	<u><u>32,952,368</u></u>	<u><u>29,510,717</u></u>
Debt servicing limit	5,073,238	4,921,944
Debt servicing	<u>(8,722)</u>	<u>(8,722)</u>
Total debt servicing limit available	<u><u>5,064,415</u></u>	<u><u>4,913,222</u></u>

LACOMBE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

- 10 -

17. DEBT LIMITS cont'd...

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulator 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities, which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

18. 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 2006 with payment to contractor in 2007. The total consideration due is \$563,812 (2005 - \$564,650).

Lacombe County has entered into various agreements for the acquisition of equipment prior to year end. The total commitment after trade-in proceeds is \$2,229,292 (2005 - \$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.

19. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and temporary investments, 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.

20. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved these financial statements.