

TOWN OF LACOMBE

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 the financial position of the Town of Lacombe at December 31, 2005, and the consolidated statement of financial activities with change in fund balances and the consolidated statement of changes in financial position for the year then ended. These financial statements are the responsibility of the administration. 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 disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by administration 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 Town of Lacombe 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

May 23, 2006


Chartered Accountants

Town of Lacombe
Consolidated Statement of Financial Position
As at December 31, 2005

	2005	2004
FINANCIAL ASSETS		
Cash and Temporary Investments (Note 2)	\$ 3,504,676	\$ 6,912,680
Account Receivable (Note 3)	2,211,222	2,034,826
Land Held for Resale	1,389,335	1,364,947
Prepaid Expenses	2,896	6,586
Total Financial Assets	7,108,129	10,319,039
PHYSICAL ASSETS		
Inventory and material Supplies	263,499	285,421
Capital Assets (Note 4)	69,435,105	62,418,941
Total Assets	\$ 76,806,733	\$ 73,023,401
LIABILITIES		
Accounts Payable and Accrued Liabilities (Note 5)	1,398,969	1,846,523
Funds Under Administration (Note 6)	222,057	3,052,532
Deposit Liabilities	112,035	83,036
Deferred Revenue (Note 7)	940,680	1,475,161
Long -Term Debt (Note 8)	9,502,751	9,473,009
Total Liabilities	12,176,492	15,930,261
MUNICIPAL POSITION		
Fund Balances		
Operating Fund (Schedule 2)	1,996,558	1,644,607
Capital Fund (Schedule 1)	(1,127,919)	(1,969,934)
Reserves (Schedule 3)	3,066,993	3,734,666
Total Fund Balances	3,935,632	3,409,340
Equity in Capital Assests (Schedule 4)	60,694,609	53,683,800
	64,630,241	57,093,140
Total Liabilities and Municipal Position	\$ 76,806,733	\$ 73,023,401

 Mayor

 Chief Administrative Officer

Town of Lacombe
Consolidated Statement of Financial Activities
For the Year Ended December 31, 2005

	<u>Budget</u> (unaudited)	<u>2005</u>	<u>2004</u>
REVENUES			
Net Taxes (Schedule 5)	\$ 5,989,024	\$ 5,961,843	\$ 5,459,498
User Fees, Proceeds on Sale of Capital Assets	4,854,391	4,733,499	3,585,837
Government Transfers (Schedule 6)	2,861,574	5,349,115	857,357
Investment Income	43,500	117,494	45,098
Penalties and Costs of Taxes	115,620	86,823	77,963
Development Levies (Net of Costs)	0	106,250	46,520
Fundraising (Net of Costs)	0	171,940	455,265
Franchise and Concession Contracts	414,839	441,617	413,707
Rentals, Licenses, Permits and Fines	1,045,776	1,068,130	1,103,827
Other	156,677	249,210	66,616
Total Revenues	<u>15,481,401</u>	<u>18,285,920</u>	<u>12,111,689</u>
EXPENDITURES			
Legislative	157,254	154,504	145,973
Administration	1,404,073	1,276,431	1,104,116
Police, Fire and Protective Services	1,906,651	2,065,409	1,837,906
Transportation Services	5,435,292	7,352,378	2,029,229
Water and Wastewater	1,861,702	1,803,800	3,753,178
Waste Management	632,061	653,596	594,308
Family and Community Support Services	302,646	262,505	247,821
Planning and Development	712,176	913,201	597,434
Recreation, Parks and Culture	2,135,970	2,444,696	2,610,277
Other	200,320	162,768	15,404
Total Expenditures (Schedule 7)	<u>14,748,145</u>	<u>17,089,289</u>	<u>12,935,647</u>
Excess of Revenues Over Expenditures	733,256	1,196,631	(823,958)
New Debt Issued	367,180	147,100	2,956,800
Debt repaid	(976,519)	(817,438)	(747,185)
Change in Fund Balances	<u>\$ 123,917</u>	<u>\$ 526,293</u>	<u>\$ 1,385,657</u>

Town of Lacombe
Consolidated Statement of Changes in Financial Position
For the Year Ended December 31, 2005

	<u>2005</u>	<u>2004</u>
Operations		
Excess of Revenues over Expenditures	\$ 1,196,631	\$ (823,958)
 Add Back Non-cash Items		
Increase (Decrease) in Deferred Revenue	(534,482)	598,990
Decrease(Increase) in Taxes and Grants in Lieu Receivable	7,121	69,817
Decrease(increase) in Trade and Other Receivable	(183,528)	907,664
Decrease(increase) in Prepaid Expense	3,690	(1,813)
Decrease(increase) in Materials and Supplies	21,922	(46,621)
Increase (decrease) in Accounts Payable and Accrued Liabilities	(447,554)	874,695
Increase(decrease) in Deposit Liabilities	28,999	6,936
Increase (Decrease) in Fund under Administration	<u>(2,830,475)</u>	<u>(846,261)</u>
Net Cash used in Operations	(2,737,676)	739,449
 Investing		
Decrease (increase) in restricted cash and temporary investments	2,668,603	1,683,242
 Financing		
Increase in Long-term debt	147,100	2,956,800
Long-term Debt Repaid	<u>(817,438)</u>	<u>(747,185)</u>
Net Cash from Financing	(670,338)	2,209,615
 Change in Cash and Cash Equivalents	(739,401)	4,632,306
 Net Cash at Beginning of Year	3,860,148	(772,158)
 Net Cash at End of Year	<u>\$ 3,120,747</u>	<u>\$ 3,860,148</u>
 Cash and Cash Equivalents is made of:	<u>2005</u>	<u>2004</u>
Cash and temporary investments (Note 2)	\$ 3,504,676	\$ 6,912,680
Less: restricted portion of cash (Note 2)	(383,929)	(3,052,532)
 Net Cash - End of Year	<u>3,120,747</u>	<u>3,860,148</u>

Town of Lacombe
Schedules to the Consolidated Financial Statement
For the Year Ended December 31, 2005

Schedule 1 - Capital Fund

	Budget (unaudited)	2005	2004
Revenues			
Government Transfers	\$ 2,248,260	\$ 4,415,386	\$ 212,318
Development Levies(Net of Costs)	-	106,250	46,520
Proceeds from Sale of Physical Assets	37,000	16,091	17,881
Fundraising (Net of Costs)	-	171,940	455,265
Third Party Contributions	154,177	195,724	24,760
Total Capital Revenues	2,439,437	4,905,391	756,744
Expenditures			
Administration	-	25,566	6,392
Police and Fire	57,000	36,756	58,721
Roads and Streets	3,476,634	5,537,521	347,581
Water and Wastewater	192,814	670,082	2,932,446
Property Management	-	154,326	57,069
Recreation, Parks and Culture	389,225	619,489	1,012,459
Other	180,000	142,840	-
Total Capital Expenditures	4,295,673	7,186,581	4,414,668
Excess of Revenues Over Expenditures	(1,856,236)	(2,281,190)	(3,657,924)
Net Interfund Transfers			
To Reserves	889,991	1,508,357	(766,508)
From Operating	935,671	1,467,748	1,845,955
New Debt Issued	367,180	147,100	2,956,800
	2,192,842	3,123,205	4,036,247
Change in Fund Balance	336,606	842,015	378,323
Opening Balance	(1,969,934)	(1,969,934)	(2,348,257)
Closing Balance (Note 13)	\$ (1,633,328)	\$ (1,127,919)	\$ (1,969,934)

Town of Lacombe
Schedules to the Consolidated Financial Statement
For the Year Ended December 31, 2005

Schedule 2 - Operating Fund

	<u>Budget</u> (unaudited)	<u>2005</u>	<u>2004</u>
Revenue			
Net Taxes (Schedule 5)	\$ 5,989,024	\$ 5,961,843	\$ 5,459,498
User Fees			
Water and Wastewater	2,986,504	2,736,850	2,131,036
Waste Management	945,257	840,812	841,648
Subdivision, Land Development, Cemetery	460,241	527,581	162,585
Recreation Parks and Culture	232,359	225,425	224,857
Other	140,086	332,945	159,258
Sales to Other Governments	52,943	53,795	48,572
Penalties and Costs of Taxes	115,620	86,823	77,963
Franchise and Concession Contracts	414,839	441,617	413,707
Return on Investments	43,500	117,494	45,098
Rentals, Licenses, Permits and Fines	1,045,776	1,068,130	1,103,827
Government Transfers	613,315	933,729	645,039
Other	2,500	53,486	41,856
Total Operating Revenue	<u>13,041,964</u>	<u>13,380,529</u>	<u>11,354,944</u>
Expenditures			
Legislative	157,254	154,504	145,973
Administration	1,404,073	1,250,865	1,097,724
Protective Services	1,849,651	2,028,653	1,779,185
Transportation Services	1,958,658	1,814,857	1,681,648
Water and Wastewater	1,668,888	1,133,717	820,732
Waste Management	632,061	653,596	594,308
Family and Community Support	302,646	262,505	247,821
Planning and Development	712,176	758,875	540,366
Recreation, Parks and Culture	1,746,745	1,825,207	1,597,818
Other	20,320	19,928	15,404
Total Operating Expenditure	<u>10,452,472</u>	<u>9,902,708</u>	<u>8,520,979</u>
Excess of Revenues Over Expenditures	<u>2,589,492</u>	<u>3,477,821</u>	<u>2,833,965</u>
Net Interfund Transfers			
To Capital Fund	(935,197)	(1,467,748)	(1,845,954)
To Reserves	(568,652)	(840,684)	(2,658)
Debt Repayment	<u>(976,519)</u>	<u>(817,438)</u>	<u>(747,185)</u>
Change in Fund Balance	109,125	351,952	238,168
Opening Balance	1,644,607	1,644,607	1,406,439
Closing Balance	<u>\$ 1,753,732</u>	<u>\$ 1,996,558</u>	<u>\$ 1,644,607</u>

Town of Lacombe
Schedules to the Consolidated Financial Statement
For the Year Ended December 31, 2005

Schedule 3 - Reserve Fund

	Budget (unaudited)	2005	2004
Balance at Beginning of Year	\$ 3,734,666	\$ 3,734,666	\$ 2,965,500
Add (Deduct):			
Transfer From Operating Fund	680,149	916,560	89,546
Transfer to Operating Fund	(111,497)	(75,876)	(86,888)
Net Transfer to Operating Fund	<u>568,652</u>	<u>840,684</u>	<u>2,658</u>
Transfer from Capital Fund	889,991	794,067	1,465,025
Transfer to Capital Fund	0	(2,302,424)	(698,517)
Net Transfer to Capital Fund	<u>889,991</u>	<u>(1,508,357)</u>	<u>766,508</u>
Balance at End of Year (Note 10)	<u>\$ 5,193,309</u>	<u>\$ 3,066,993</u>	<u>\$ 3,734,666</u>

Schedule 4 - Equity in Capital Assets

	Budget (unaudited)	2005	2004
Acquisition of Capital Assets			
Administration	\$ 0	\$ 25,566	\$ 6,392
Police and Fire	57,000	36,756	58,721
Roads and Streets	3,476,634	5,537,521	347,581
Water and Wastewater	192,814	670,082	2,932,446
Cemetery	180,000	142,760	
Property Management	0	192,727	57,069
Recreation, Parks and Culture	389,225	619,489	1,012,459
	<u>4,295,673</u>	<u>7,224,902</u>	<u>4,414,668</u>
Disposition of Capital Assets			
Public Works		0	(2,804)
Police		(16,091)	(15,077)
Property Management	0	(168,339)	(70,593)
	<u>0</u>	<u>(184,430)</u>	<u>(88,474)</u>
Capital Financing			
Capital Debt issued (schedule 1)	(367,180)	(147,100)	(2,956,800)
Capital Debt Repaid from operating fund (Schedule 2)	976,519	817,438	747,185
Capital Debt Issued for 2006	0	(700,000)	0
Change in Equity Balance	4,905,012	7,010,809	2,116,579
Equity Balance at the Beginning of Year	53,683,800	53,683,800	51,567,221
Equity Balance at End of Year	<u>\$ 58,588,812</u>	<u>\$ 60,694,609</u>	<u>\$ 53,683,800</u>

Town of Lacombe
Schedules to the Consolidated Financial Statement
For the Year Ended December 31, 2005

Schedule 5 - Property Taxes Levied

	Budget (unaudited)	2005	2004
Taxation			
Real Property Taxes	\$ 8,453,364	\$ 8,418,106	\$ 7,943,051
Linear and Machinery & Equip. Property Taxes	102,156	121,463	105,129
Government Grants in Lieu of Property Taxes	77,394	110,704	95,885
Special Assessments and Local Improvements	231,461	207,449	211,312
	<u>8,864,374</u>	<u>8,857,721</u>	<u>8,355,377</u>
Requisitions			
Alberta School Foundation Fund	2,822,056	2,842,612	2,842,612
Lacombe Foundation Requisition	53,294	53,267	53,267
	<u>2,875,350</u>	<u>2,895,879</u>	<u>2,895,879</u>
Net Taxes	\$ <u>5,989,024</u>	\$ <u>5,961,843</u>	\$ <u>5,459,498</u>

Schedule 6 - Government Transfers

	Budget (unaudited)	2005	2004
Provincial Transfers			
Shared Cost - Capital Projects	\$ 2,248,260	\$ 4,415,386	\$ 212,318
Protective Services Grants	189,557	404,841	184,600
Recreation Program Grants	14,350	28,929	17,065
FCSS operating Grant	202,037	210,004	198,257
	<u>2,654,204</u>	<u>5,059,160</u>	<u>612,240</u>
Local Government Transfers			
Shared Cost Agreements and Grants	\$ 207,221	\$ 289,955	\$ 245,117
	<u>207,221</u>	<u>289,955</u>	<u>245,117</u>
Total Transfers	\$ <u>2,861,425</u>	\$ <u>5,349,115</u>	\$ <u>857,357</u>

Schedule 7 - Consolidated Expenditures by Object

	Budget (unaudited)	2005	2004
Expenditures			
Salaries, Wages and Benefits	\$ 4,798,758	\$ 4,827,614	\$ 4,371,421
Contracted and General Services	2,461,244	2,215,587	1,885,961
Materials, Goods and Utilities	2,081,326	1,904,089	1,401,012
Grants	446,209	404,112	346,716
Bank Charges and Short Term Interest	38,250	6,127	4,926
Interest on Long Term Debt	626,685	545,180	510,943
Physical Assets & Land Inventory Acquired	4,295,673	7,186,581	4,414,668
Total Expenditures	\$ <u>14,748,145</u>	\$ <u>17,089,290</u>	\$ <u>12,935,649</u>

Town of Lacombe
Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2005

- 1 The consolidated financial statements of the Town of Lacombe are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town of Lacombe are as follows.
- a) Reporting Entity - The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, changes in fund balances and changes in financial position of the reporting entity. The entity is comprised of all the organizations that are owned or controlled by the municipality and are therefore accountable to Council for the administration of their financial affairs and resources. The schedule of taxes levied also includes operating requisitions for the Alberta School Foundation Fund and the Lacombe Foundation. These statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions have been 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, the municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made. Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.
 - c) Fund Accounting - Management funds consist of operating , capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Proceeds from sale of land for resale are recorded as operating fund revenues.
 - d) Pension Expenditure - Contributions for current and past service pension benefits are recorded as expenditures in the year which they become due.
 - e) Taxes & Grants in Lieu Recievables - Taxes and grants in Lieu receivables consist of current tax levies which remain outstanding at December 31.
 - f) Investments - Investments are recorded at cost. Investment premiums and discounts are amortized proportionately over the term of the respective investments.
 - g) 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 the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling 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.
 - h) Capital Assets - Capital assets are reported as expenditures in the period they are acquired. Capital assets are reported at cost except for donated assets, which are reported at estimated fair value. Government contributions for the acquisition of assets are reported as capital revenue and do not reduce the related physical asset costs. Capital assets for government purposes are not depreciated.
 - i) Debt Charges Recoverable -Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long term debt, less actuarial requirements for the retirement of any sinking fund debentures.

Town of Lacombe
Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2005

- j) Allowances for Operating and Physical Assets - Allowances for asset valuations are netted against the related asset and are segregated between operating and capital purposes. Increases in allowances are recorded as expenditures, while decreases in allowances are recorded as revenues in the respective operating and capital fund.
- k) Debt Charges Recoverable -Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long term debt, less actuarial requirements for the retirement of any sinking fund debentures.
- l) Operating Fund - Operating fund represents the amounts available to offset future operational revenue requirements (or the shortfall which can be financed from future operational revenues)
- m) Capital Fund - Capital fund represents the amounts available to finance (or the shortfall in financing available for) capital projects.
- n) 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.
- o) Equity in Capital Assets – Equity in capital assets represents the Town of Lacombe net investment in its total capital assets, after deducting the portion financed by third parties through debenture, and other capital liabilities.
- p) 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 statement, 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.
- q) Requisition Over-Levy and Under-Levy - Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.
 If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.
 Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

2. CASH AND TEMPORARY INVESTMENTS

	2005	2004
Cash	\$ 3,504,646	\$ 6,912,650
Temporary Investments	30	30
	<u>\$ 3,504,676</u>	<u>\$ 6,912,680</u>

- a) Bank Overdraft agreement is comprised of borrowing under By-law 293 which authorizes maximum borrowing of \$3,500,000. Collateral is comprised of a general security agreement and a pledging of all current and arrears property taxes outstanding and to be assessed in future years. Interest is charged on the Community Savings bank overdraft at a rate of prime minus .50%

		2005	2004
b) Restricted Cash	Statutory Reserves	32,572	389,801
	Street Improvement Grants	0	1,418,973
	CLB Grants	129,300	23,276
	Funds Under Administration	222,057	3,052,532
		<u>383,929</u>	<u>4,884,582</u>

Town of Lacombe
Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2005

3. ACCOUNTS RECEIVABLE	2005	2004
Current Taxes and Grants in Lieu of Taxes	\$ 124,054	\$ 3,153
Non-current Taxes and Grants in Lieu of Taxes	24,785	152,817
Total Taxes and Grants in Lieu Receivable	<u>148,839</u>	<u>155,970</u>
Receivables from Other Governments	231,715	309,352
Trade and Other Receivables:		
Water, Wastewater and Waste Management	649,047	575,197
Recreation	60,437	81,514
General	839,530	601,968
Capital Receivables	281,654	310,825
Total Accounts Receivable	\$ <u>2,211,223</u>	\$ <u>2,034,826</u>

4. PHYSICAL ASSETS	2005	2004
Land	\$ 1,897,331	\$ 1,733,986
Buildings	13,594,178	12,465,835
Distribution Systems		
Water	8,045,831	8,045,831
Wastewater	7,696,300	7,609,686
Other Engineering Structures	30,704,047	25,629,446
Machinery, Equipment and Furnishings	4,941,401	4,683,735
Vehicles	2,556,018	2,250,423
Total Fixed Assets	<u>69,435,105</u>	<u>62,418,941</u>
Land Held for Resale	1,389,335	1,364,947
Total Physical Assets	\$ <u>70,824,441</u>	\$ <u>63,783,888</u>

5. ACCOUNTS PAYABLE	2005	2004
Payable to Other Governments	\$ 5,894	\$ 28,978
Employee Benefit Obligations		
Vacation	\$ 214,375	\$ 215,027
Overtime	45,900	49,067
Trade and Other Payables	1,110,244	1,421,237
Capital Payables and Holdbacks	21,168	130,947
Other	1,388	1,268
Total Accounts Payable	\$ <u>1,398,969</u>	\$ <u>1,846,524</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.

6. FUNDS UNDER ADMINISTRATION

In conjunction with providing a portion of funding, the Town of Lacombe provides office space and accounting services for the North Red Deer River Water Services Commission, Lacombe Victim Services Association, and Lacombe Regional Fire Service Association.

Amounts held in trust:	2005	2004
North Red Deer River Water Services Commission	130,262	2,972,754
Lacombe Victim Services Association	62,032	53,318
Lacombe Regional Fire Service Association	29,763	26,460
Total Amounts Held in Trust:	<u>222,057</u>	<u>3,052,532</u>

Town of Lacombe
Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2005

7 DEFERRED REVENUE	<u>2005</u>	<u>2004</u>
Prepaid Local Improvement Charges	\$ 17,318	\$ 17,105
Deferred Grants and Other	923,361	1,458,057
Total Deferred Revenue	<u>940,679</u>	<u>1,475,162</u>

Prepaid local improvements charges are being amortized to revenue on a straight line basis.
The annual amortization for 2005 will be \$3,574 (2004 - \$7,625)

8 LONG-TERM DEBT	<u>2005</u>	<u>2004</u>
Tax Supported Debentures	\$ 4,875,107	\$ 4,296,515
Self Supported Debentures	3,498,714	3,666,256
Self Supported Bank Loans	1,128,927	1,510,237
	<u>9,502,748</u>	<u>9,473,009</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2006	846,024	556,273	1,402,297
2007	837,798	501,799	1,339,597
2008	892,282	447,315	1,339,597
2009	729,127	389,145	1,118,272
2010	764,682	344,182	1,108,864
2011 and Beyond	5,432,838	1,255,918	6,688,756
	<u>9,502,751</u>	<u>\$ 3,494,632</u>	<u>\$ 12,997,383</u>

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 5.375% to 12% per annum, before Provincial subsidy, and mature in periods 2004 through 2015.

Debenture debt is issued on the credit and security of the Town of Lacombe at large.

Bank Loans are repayable to Community Savings Credit Union with interest being calculated at bank prime minus .5%. Terms of repayment include monthly principal and interest payments and are not subject to penalty upon early retirement.

Bank Loans are secured by the credit and security of the Town of Lacombe at large. The Town of Lacombe anticipates future developer contributions will retire outstanding balances of bank loans.

Town of Lacombe
Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2005

10 RESERVES - reserves for operating and capital activities changed as follows:

	Dec 31, 2004	Increases	Decreases	Dec 31, 2005
	\$	\$	\$	\$
Operating Reserves				
Administration	860,154	87,575	(30,579)	917,150
Police/Fire Services	3,723	20,819	0	24,542
Transportation	220,363	11,450	(40,000)	191,813
Water	0	796,716		796,716
Sanitary Sewer	10,000	0	0	10,000
Garbage Bin Replacement	196,485	0	0	196,485
Municipal Plan/ Ec. Dev	13,087	0	0	13,087
Recreation Operating	118,327	0	(5,297)	113,030
	<u>1,422,139</u>	<u>916,560</u>	<u>(75,876)</u>	<u>2,262,823</u>
Capital Reserves				
Administration	34,421	0	(15,000)	19,421
Police/Fire Services	2,700	0	0	2,700
Transportation	750,928	418,062	(1,010,396)	158,593
Utility Systems	857,833	0	(813,549)	44,284
Development	369,470	126,005	(463,479)	31,996
Public Reserve	297,175	250,000	0	547,175
General Reserve	0	0	0	0
	<u>2,312,527</u>	<u>794,067</u>	<u>(2,302,424)</u>	<u>804,169</u>
Total Reserves	<u>3,734,665</u>	<u>1,710,627</u>	<u>(2,378,300)</u>	<u>3,066,993</u>

11 SALARY & BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by the Municipal Government Act section 217(3) is as follows:

Position	Salary	Benefits & Allowances	Total 2005	Total 2004
	\$	\$	\$	\$
Mayor Gordon	29,255	353	29,608	5,320
Councillor Parent	16,103	319	16,421	13,375
Councillor Dixon	14,384	0	14,384	12,619
Councillor Calkins	16,210	0	16,210	2,602
Councillor Christie	14,296	0	14,296	2,557
Councillor Koberstein	14,875	0	14,875	15,235
Councillor Olsen	14,000	0	14,000	16,682
Former Mayor McQuesten				26,864
Former Councillor Gordon				9,695
Former Councillor Armishaw				9,916
Chief Admin. Officer	112,007	17,012	129,019	118,133

- Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash
- 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, ac

Town of Lacombe
Notes to the Consolidated Financial Statement
For the Year Ended December 31, 2005

12 LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Lacombe participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The Plan serves about 160,000 workers and 407 employers. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

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

The Town of Lacombe is required to make current service contributions to LAPP of 7.4% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 10.14% on pensionable earnings above this amount and SFPP current service contributions to the Plan of 11.1%. Employees of the town are required to make current service contributions of 6.4% of pensionable salary up to the year's maximum pensionable salary and 9.14% on pensionable salary above that amount. For SFPP the employees contribution is 10% of pensionable salary.

Total current service contributions by the Town of Lacombe to the LAPP in 2005 were \$ 190,896 (2004-\$154,620) and to the SFPP in 2005 were \$ 89,245 (2004-\$ 80,756). Total current service contributions by the employees of the Town of Lacombe to the LAPP in 2005 were \$ 167,399 (2004 - \$132,326) and the SFPP in 2005 were \$ 80,409 (2004 - \$ 72,760).

At December 31, 2005 the LAPP disclosed an actuarial deficiency of deficit (the Plan's liability to keep the pension promise) of approximately \$0.86 Billion or 7.8% whereas the net assets available to pay benefits increased to \$12.6 billion from \$9.7 billion

13 CAPITAL FUND

Financing Available or (to be financed)	2005	2004
Administration	2,334	7,179
Protective Service	35,356	16,022
Public Works, transportation, Storm Sewer	(747,783)	(315,876)
Cemetery	62,302	131,287
Utility Systems		
Water	0	(152,525)
Waste Water	(113,208)	(790,618)
Development, economic, land, buildings		
Land development	(972,435)	(1,267,232)
Buildings	4,619	4,619
Recreation, culture and community		
Community and cultural centers	127,366	(118,841)
Parks	473,530	516,053
Total unexpended/(overexpended) amounts	(1,127,917)	(1,969,932)

Major Project notes

Of the \$747,783 overexpenditure for Public Works Transportation and Storm Sewer projects, \$683,099 relates to the 2005 Infrastructure Project which will be funded in 2006 with a combination of authorized short and long term borrowings. Unexpended funds of \$90,668 has been carried forward to 2006 to fund the Bruns Park Storm Pond work, underconstruction at year end.

Future Industrial lot sales will fund the overexpenditure of \$788,149 in Land Development activities. As well there remains an overexpenditure of \$184,345 incurred in the development of the Iron Wolf development which will be recovered from the development of future phases.

Funds totalling \$156,323 are carried forward to 2006 for use in the major reconstruction and expansion of the Lacombe Memorial Center. Unexpended funds for Parks development remain available for the completion of identified projects.

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For the Year Ended December 31, 2005

14 CONTINGENCIES

The town is a member of the Alberta Municipal Insurance Exchange (Munix). Under the terms of the membership, the town 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.

15 DEBT LIMITS

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

	<u>2005</u>	<u>2004</u>
Total Debt Limit	\$ 20,805,801	\$ 17,849,057
Total Debt	<u>9,502,748</u>	<u>9,473,009</u>
Amount of Remaining Debt Limit	<u>\$ 11,303,053</u>	<u>\$ 8,376,048</u>
Percentage Used	46%	53%
Debt Servicing Limit	3,467,634	2,974,843
Debt Servicing	<u>1,402,297</u>	<u>1,258,127</u>
Amount of Remaining Debt Servicing Limit	<u>\$ 2,065,337</u>	<u>\$ 1,716,716</u>
Percentage Used	40%	42%

16 FINANCIAL INSTRUMENTS

The town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable, and accrued liabilities, deposit liabilities, requisition over-levy and long-term debt. It is administration's opinion that the town is not exposed to significant interest or currency risks arising from these financial instruments.

The town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value

17 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.