

AUDITORS' REPORT

To the Mayor and Council
Town of Rimbey

We have audited the consolidated statement of financial position of the Town of Rimbey as at December 31, 2005 and the consolidated statement of financial activities with change in fund balances, statement of reserves, equity in capital assets and accumulated operating surplus, statement of municipal revenues, expenditures and change in operating fund, and the consolidated statement of changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the Town'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 administration, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town of Rimbey as at December 31, 2005 and the results of its financial activities and changes in its financial position for the year then ended in accordance with the disclosed basis of accounting as described in Note 1.

Vegreville, Alberta
January 26, 2006

Wilde & Company
Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2005

	2005 \$	2004 \$
ASSETS		
Cash (note 2)	938,200	424,747
Receivables (note 3)	511,969	407,908
Investments	2,329	2,329
Prepaid expenses and deposits	48,893	18,375
	1,501,391	853,359
Capital assets (note 4)	19,893,681	19,129,905
	21,395,072	19,983,264
LIABILITIES		
Accounts payable and deposits	390,068	248,569
Deferred revenue (note 5)	379,745	74,684
Long term debt (note 6)	746,881	703,022
Trust funds (note 10)	56,869	51,240
	1,573,563	1,077,515
MUNICIPAL EQUITY		
Operating reserves (note 8)	124,916	114,332
Capital reserves (note 8)	329,320	267,639
Accumulated operating surplus	220,473	96,895
	674,709	478,866
Equity in capital assets (page 4)	19,146,800	18,426,883
	21,395,072	19,983,264

Contingency (note 12)

Commitment (note 14)

See accompanying notes

Approved by:

Mayor

Chief Administrative Officer

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES WITH CHANGE IN FUND BALANCES
 For the year ended December 31, 2005

	Capital \$	Reserves \$	Operating \$	2005 \$	Budget \$	2004 \$
Revenues					(unaudited)	
Net municipal taxes - page 6			1,143,649	1,143,649	1,143,649	1,040,539
Sales of goods and services			1,115,303	1,115,303	1,148,323	1,063,788
Government transfers	460,588		423,579	884,167	1,048,005	442,757
Investment income	4,449		20,938	25,387	17,600	13,099
Penalties and costs of taxes			21,262	21,262	20,000	23,931
Other revenue own sources	12,000		555,498	567,498	569,322	582,825
Franchise contracts			116,831	116,831	100,000	105,862
	477,037	-	3,397,060	3,874,097	4,046,899	3,272,801
Expenditures						
Administrative and council			532,757	532,757	562,455	574,440
Protective services	161,673		540,072	701,745	571,611	555,647
Public works	34,194		315,489	349,683	345,297	395,167
Water, sewer and waste	101,382		501,324	602,706	527,138	484,926
Public health and welfare			178,866	178,866	171,350	156,355
Planning and development			226,170	226,170	354,520	194,650
Recreation and parks			355,817	355,817	374,696	326,356
Culture and other	466,528		307,841	774,369	326,423	369,005
	763,777	-	2,958,336	3,722,113	3,233,490	3,056,546
Excess of revenues over expenditures	(286,740)	-	438,724	151,984	813,409	216,255
Net interfund transfers						
From (to) capital	154,005		(154,005)	-	(914,344)	
From (to) reserves	(67,265)	72,265	(5,000)	-	(40,000)	
Debt repayment			(156,141)	(156,141)	(155,961)	(145,182)
Debtenture proceeds	200,000			200,000	200,000	
Appropriation from prior year surplus					96,896	
	286,740	72,265	(315,146)	43,859	(813,409)	(145,182)
Change in fund balances	-	72,265	123,578	195,843	-	71,073
Appropriation to operating fund						
Balance, beginning of year	-	381,971	96,895	478,866	-	407,793
Balance, end of year	-	454,236	220,473	674,709	-	478,866

See accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 2005

	2005 \$	2004 \$
Excess of revenues over expenditures - page 2	151,984	216,255
Net change in non-cash operating working capital and other balances:		
(Increase) decrease in receivables	(104,058)	(130,517)
(Increase) decrease in prepaid expenses and deposits	(30,520)	(4,338)
(Increase) decrease in land held for resale	-	152,069
Increase (decrease) in accounts payable and amounts due	141,499	(58,764)
Increase (decrease) in deferred revenue	310,690	2,027
Net cash provided by operating activities	469,594	176,732
FINANCING ACTIVITIES		
Proceeds on long term debt	200,000	-
Long term debt repayments	(156,141)	(145,182)
Net increase (decrease) in cash during year	513,453	31,550
Cash position at beginning of year	424,747	393,197
Cash position at end of year	938,200	424,747

See accompanying notes

**STATEMENT OF RESERVES, EQUITY IN CAPITAL
ASSETS AND ACCUMULATED OPERATING SURPLUS**

For the year ended December 31, 2005

	2005 \$	2004 \$
OPERATING RESERVES		
At beginning of year	114,332	113,332
From current operations	10,584	5,000
Transfers to current operations	-	(4,000)
At end of year	124,916	114,332
CAPITAL RESERVES		
At beginning and end of year	267,639	290,878
Transfers from capital fund	103,432	12,024
Transfers to current operations	(41,751)	(35,263)
At end of year	329,320	267,639
ACCUMULATED OPERATING SURPLUS		
At beginning of year	96,895	3,583
Appropriation from (to) operating fund - page 5	123,578	93,312
At end of year	220,473	96,895
EQUITY IN CAPITAL ASSETS		
At beginning of year	18,426,883	18,026,832
Grants, interest, other	477,036	150,475
Principal payments on debt	156,141	145,182
Net transferred (to) from reserves	(67,265)	23,239
Transferred to deferred revenue	-	405
Net transferred from operating fund	154,005	80,750
At end of year	19,146,800	18,426,883
Capital assets (note 4)	19,893,681	19,129,905
Long term debt (note 6)	(746,881)	(703,022)
	19,146,800	18,426,883

See accompanying notes

**STATEMENT OF MUNICIPAL REVENUES, EXPENDITURES
AND CHANGE IN OPERATING FUND**

For the year ended December 31, 2005

	2005			2004	
	Revenues \$	Expenditures \$	Net revenue (expenditure) \$	Unaudited Budget \$	Net revenue (expenditure) \$
General Municipal Revenues to fund Municipal Operations					
Net municipal property taxes	1,143,649		1,143,649	1,143,649	1,040,539
Interest and dividends	20,174		20,174	17,000	11,784
Penalties and costs of taxes	21,262		21,262	20,000	20,243
Other revenues	13,400		13,400	13,500	27,249
Franchise	116,831		116,831	100,000	105,862
	1,315,316		1,315,316	1,294,149	1,205,677
Municipal Operations					
Administrative and council	111,005	532,757	(421,752)	(462,555)	(456,434)
Protective services	645,948	570,072	75,876	14,942	(2,291)
Public works	69,615	315,489	(245,874)	(276,103)	(183,418)
Water and wastewater	408,454	286,501	121,953	90,421	77,554
Waste management	236,514	264,823	(28,309)	(30,289)	7,000
Public health and welfare	156,354	178,866	(22,512)	(2,745)	(21,277)
Planning and development	172,175	226,170	(53,995)	(56,909)	(43,919)
Recreation and parks	253,529	358,487	(104,958)	(122,421)	(87,079)
Culture and other	112,320	309,341	(197,021)	(206,225)	(175,569)
Excess (deficiency) of revenues over expenditures					
	3,481,230	3,042,506	438,724	242,265	320,244
Transfer from accumulated surplus			-	96,896	-
Repayment of capital fund long term debt			(156,141)	(155,961)	(145,182)
Transfers to capital fund			(154,005)	(178,200)	(80,750)
Net transferred from (to) reserves			(5,000)	(5,000)	(1,000)
Appropriation to (from) accumulated surplus - page 4					
			123,578	-	93,312

See accompanying notes

PROPERTY TAXES

For the year ended December 31, 2005

	2005 \$	2004 \$
LEVIES		
Residential land and improvements	1,174,521	1,077,277
Grants in place	65,302	58,663
Non-residential land, improvements, machinery and equipment	533,360	521,417
Local improvements	60,886	61,875
Total taxes and grants in place	1,834,069	1,719,232
REQUISITIONS		
Alberta School Foundation Fund	620,588	608,094
Rimoka Seniors Foundation	8,946	8,724
Total requisitions	629,534	616,818
Balance of levies for municipal purposes	1,204,535	1,102,414
Less: local improvements	60,886	61,875
Net taxes for general municipal purposes	1,143,649	1,040,539

MUNICIPAL EXPENDITURES BY OBJECT

	2005 \$	2004 \$
Salaries and benefits	1,223,204	1,178,942
Contracted services	914,125	669,521
Materials, goods, supplies	385,568	441,943
Purchases from other governments	164,482	65,639
Grants to individuals and organizations	191,383	-
Debenture and other interest	45,187	49,497
Other transactions, discounts, adjustments	34,387	391,462
Total expenditures - page 5	2,958,336	2,797,004
<i>Net of intra-departmental recoveries</i>		
<i>See accompanying notes</i>		

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Rimbey 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 the Town of Rimbey are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change 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 Town and are, therefore, accountable to the Town Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are 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, 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, with the exception of pension expenditure as disclosed in Note 1e).

c) Fund Accounting

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

d) Interest on Long Term Debt

Interest on long term debt is accrued to year end. The amount payable as at December 31, 2005 is included with trade accounts payable.

e) Pension Expenditure

The Town of Rimbey participates in a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan.

f) Investments

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

g) 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 capital 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 capital assets are reported as capital revenue and do not reduce the related asset costs.

Capital assets for government purposes are not depreciated.

i) Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

j) Allowances for Operating and Capital 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) Equity in Capital Assets

Equity in capital assets represents the Town of Rimbey'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 municipality.

l) Adjustments to Accumulated Surplus

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

m) 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.

n) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

o) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the 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.

p) 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).

q) Capital Fund

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

r) 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.

2. CASH

	2005 \$	2004 \$
Cash and bank	938,200	424,747

Council has designated funds of \$329,318 (2004 - \$267,639) included in the above amounts for equipment replacement.

3. RECEIVABLES

Receivables consist of the following:

	2005 \$	2004 \$
Taxes	58,502	42,875
Less - allowance for doubtful taxes	(1,000)	(1,000)
	57,502	41,875
Trade receivables	236,291	250,364
Utilities receivable	44,549	91,707
Due from government	74,288	20,988
Grants receivable	99,340	2,974
	511,969	407,908

4. CAPITAL ASSETS

	2005			2004
	Municipal \$	Additions \$	Total \$	Total \$
Carrying costs of assets acquired				
Engineered structures	10,653,293	505,655	11,158,948	10,653,294
Machinery and equipment	1,172,587	93,690	1,266,277	1,172,587
Buildings	6,044,721	161,672	6,206,393	6,044,721
Vehicles	835,344	2,760	838,104	835,344
Land	423,959	-	423,959	423,959
	19,129,904	763,777	19,893,681	19,129,905

5. DEFERRED REVENUE

	2005 \$	2004 \$
Deferred grants and fees	318,563	13,620
Prepaid arena sign rental	322	831
Prepaid local improvement charges	60,860	60,233
	379,745	74,684

5. DEFERRED REVENUE (continued)

Prepaid local improvement charges

Prepaid local improvement charges are being amortized to revenue at the rate of \$7,711 per year over the next 14 years.

Deferred grants include:

- *Alberta Municipal Infrastructure Program* - of the \$410,240 received, \$187,741 was spent on the paving project leaving \$222,499 deferred.

- *Municipal Sponsorship Grant* - of the \$192,880 received, \$154,000 was spent on the RCMP building leaving \$38,880 deferred.

- *2005 SIP Street Improvement Program* - of the \$129,600 received \$55,296 remains unspent on road projects.

The use of these are restricted to eligible projects as approved under the funding agreements. Unexpended funds are supported by temporary investments of \$300,000 and cash in the bank.

6. LONG TERM DEBT

	2005 \$	2004 \$
Tax and special levy supported debentures	457,115	506,312
Self supported debentures	289,766	196,710
	746,881	703,022

The current portion of long term debt is \$140,370 (2004 - \$156,141).

Principal repayment requirements on long term debt are as follows:

	Principal \$	Interest \$
2006	140,370	39,477
2007	145,641	31,704
2008	99,762	24,521
2009	79,482	19,635
2010	60,925	16,329
Thereafter	220,701	54,831
	746,881	186,497

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 5.625% to 12% per annum, before Provincial subsidy, and matures in periods 2005 through 2018. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9% and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town of Rimbey at large.

7. 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 Rimbey be disclosed as follows:

	2005 \$	2004 \$
Total debt limit	5,120,264	4,720,274
Total debt	746,881	703,022
Amount of debt limit unused	4,373,383	4,017,252
Service on debt limit	853,377	786,712
Service on debt	179,844	194,674
Amount of debt servicing limit unused	673,533	592,038

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

8. RESERVE FUND

Reserves for operating and capital activities changed as follows:

	Opening \$	Transfers to \$	Transfers from \$	Closing \$
Operating				
Water and sewer	42,000	5,000		47,000
RCMP	6,000	5,584		11,584
Special projects	61,332			61,332
Library	5,000			5,000
Total Operating	114,332	10,584		124,916
Capital				
Restricted Municipal	15,229			15,229
Fire	9,672			9,672
Roads	138,906	18,432	2,524	154,814
Ambulance	1,060	25,000		26,060
Water and sewer	65,708	40,000	39,227	66,481
Community Centre	11,300			11,300
RV park		20,000		20,000
Recreation	25,764			25,764
Total Capital	267,639	103,432	41,751	329,320
	381,971	114,016	41,751	454,236

9. SALARY AND BENEFITS DISCLOSURE

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

			2005	2004
	Salary	Benefits & Allowances	Total	Total
	\$	\$	\$	\$
Mayor				
Dale Barr	30,275	2,095	32,370	30,754
Councillors				
Wayne Clark	11,868	380	12,248	2,907
Ken Connolley				9,438
Dave Huff	9,912	1,423	11,335	2,924
Ray Jarl				12,608
David Karroll	12,372	1,504	13,876	12,090
Anne Ring				12,619
Rhonda Stewart Tarney	12,399	1,505	13,904	2,782
Municipal Treasurer	48,945	9,777	58,722	58,408
Chief Administrative Officer - Past				38,183
Chief Administrative Officer - Current	68,220	11,741	79,961	34,399

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
3. Benefits and allowances also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

10. TRUST FUNDS

A summary of trust funds administered by the Town of Rimbey is as follows:

	2005	2004
	\$	\$
Ambulance donations	1,401	73
Cemetery perpetual care	33,220	32,360
Community Centre donations	6,376	6,375
Fire department funds	10,587	8,037
Library donations	5,112	4,295
Other	173	100
	56,869	51,240

11. TAX RECOVERY PROPERTIES

Tax recovery properties represent properties acquired by the Town for property tax arrears and penalties. The amount reflected represents the lower of the outstanding taxes and penalties, and the appraised value of the property.

12. CONTINGENCY

The Town of Rimbey is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town of Rimbey could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

13. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, receivables, bank overdraft, accounts payable, accrued liabilities and long term debt. It is management'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.

14. COMMITMENT

The Town of Rimbey is committed to the expansion of the lagoon. The 2006 budgeted costs are \$3.5 million with grants available estimated at \$2.17 million. The Town is also completing the water meter project in 2006 with budgeted costs of \$239,000. This project will be funded by future grants.

15. BUDGET FIGURES

Budget figures are included for information purposes only and are not audited.

16. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.