

Financial Statements

Municipal District of Mackenzie No. 23

December 31, 2006

AUDITORS' REPORT

To the Members of Council
Municipal District of Mackenzie No. 23

We have audited the statement of financial position of the Municipal District of Mackenzie No. 23 as at December 31, 2006 and the statements of financial activities and changes in fund balances and changes in financial position for the year then ended. These financial statements are the responsibility of the District's 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 disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the District's 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 Municipal District of Mackenzie No. 23 as at December 31, 2006 and the results of its financial activities and its changes in financial position for the year then ended in accordance with the Canadian generally accepted accounting principles.

Ernst & Young LLP

Edmonton, Canada
March 21, 2007

Chartered Accountants

STATEMENT OF FINANCIAL POSITION

As at December 31

	2006	2005
	\$	\$
ASSETS		
Financial assets		
Cash and cash equivalents	16,069,904	11,555,880
Trust asset	17,968	11,023
Taxes receivable <i>[note 3]</i>	341,263	389,191
Grants and other accounts receivable	1,283,736	1,968,924
Land held for resale	81,615	98,873
Prepaid expenses	84,405	157,381
	17,878,891	14,181,272
Physical assets		
Inventories <i>[note 4]</i>	1,048,717	1,381,989
Land, structures and equipment <i>[note 5]</i>	86,134,862	80,570,380
	87,183,579	81,952,369
	105,062,470	96,133,641
LIABILITIES AND MUNICIPAL POSITION		
Liabilities		
Accounts payable and accrued liabilities <i>[note 6]</i>	4,347,424	3,208,999
Trust liability	17,968	11,023
Deposit liabilities <i>[note 7]</i>	50,209	46,229
Deferred revenue <i>[note 8]</i>	1,139,590	1,862,093
Long-term debt <i>[note 9]</i>	7,203,745	7,720,088
	12,758,936	12,848,432
Contingencies <i>[note 10]</i>		
Municipal position		
Fund balances -		
Operating fund (Schedule 1)	685,307	635,307
Capital fund (Schedule 2)	—	—
Reserve fund (Schedule 3)	11,638,393	8,417,621
Equity in physical assets	79,979,834	74,232,281
	92,303,534	83,285,209
	105,062,470	96,133,641

See accompanying notes

Approved by:

Reeve

Chief Administrative Officer

**STATEMENT OF FINANCIAL ACTIVITIES
AND CHANGES IN FUND BALANCES**

Year ended December 31

	Budget \$	2006 \$	2005 \$
	(note 14)		
REVENUES			
Property taxes	26,328,655	26,477,770	23,443,213
Less: Education requisitions	6,776,568	6,776,568	6,722,877
Lodge requisition	436,896	436,896	325,755
Net municipal property taxes (Schedule 4)	19,115,191	19,264,306	16,394,581
User fees and sales of goods	2,112,163	2,024,028	1,997,941
Government transfers (Schedule 5)	13,832,514	5,265,547	4,999,232
Investment income	163,800	588,519	273,703
Penalties and costs on taxes	99,000	110,565	79,147
Licenses, permits and fines	409,600	166,686	76,434
Rentals	34,400	42,990	40,017
Development levies	—	125,521	132,988
Other	279,000	509,676	636,162
Proceeds on sale of physical assets	—	19,399	92,100
Total revenue	36,045,668	28,117,237	24,722,305
EXPENDITURES (Schedule 6)			
Operating			
Legislative	428,570	384,271	291,579
Administration	3,089,134	2,905,514	2,696,741
Protective services	3,031,342	2,674,787	1,949,134
Transportation	12,091,777	7,291,119	6,379,167
Environmental use and protection	2,390,542	2,350,536	1,977,189
Public health and welfare	530,989	430,821	791,715
Planning and development	2,151,315	1,567,658	1,647,846
Recreation and culture	1,110,752	1,012,374	924,498
Total operating expenditures	24,824,421	18,617,080	16,657,869
Capital			
Administration	500,700	503,345	85,647
Protective services	1,121,351	963,669	209,383
Transportation	4,685,574	2,550,100	2,680,527
Environmental use and protection	10,446,004	1,631,532	3,026,286
Recreation and culture	157,500	64,396	105,067
Total capital expenditures	16,911,129	5,713,042	6,106,910
Total expenditures	41,735,550	24,330,122	22,764,779
Excess (deficiency) of revenue over expenditures	(5,689,882)	3,787,115	1,957,526
Increase in long-term debt	4,570,800	370,000	495,258
Long-term debt repayment	(884,628)	(886,343)	(800,014)
Changes in fund balances	(2,003,710)	3,270,772	1,652,770

See accompanying notes

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31

	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenditures	3,787,115	1,957,526
Change in operating assets and liabilities:		
Decrease in taxes receivable	47,928	130,815
Decrease in grants and other accounts receivable	685,188	3,397,022
Decrease in land held for resale	17,258	—
Decrease (increase) in prepaid expenses	72,976	(14,598)
Increase in accounts payable and accrued liabilities	1,138,425	66,732
Increase in deposit liabilities	3,980	8,191
Increase (decrease) in deferred revenue	(722,503)	1,354,556
	5,030,367	6,900,244
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in long-term debt	370,000	495,258
Long-term debt repayments	(886,343)	(800,014)
	(516,343)	(304,756)
Increase in cash and cash equivalents	4,514,024	6,595,488
Cash and cash equivalents, beginning of the year	11,555,880	4,960,392
Cash and cash equivalents, end of the year	16,069,904	11,555,880

See accompanying notes

**SCHEDULE OF OPERATING FUND ACTIVITIES
AND CHANGE IN FUND BALANCE**

Year ended December 31

	Budget \$	2006 \$	2005 \$
	(note 14)		
Revenues			
Net municipal property taxes (Schedule 4)	19,115,191	19,264,306	16,394,581
User fees and sales of goods	2,112,163	2,024,028	1,997,941
Government transfers	4,853,158	2,873,442	1,669,991
Investment income	163,800	588,519	273,703
Penalties and costs of taxes	99,000	110,565	79,147
Licenses, permits and fines	409,600	166,686	76,434
Rentals	34,400	42,990	40,017
Other	279,000	501,762	389,222
	27,066,312	25,572,298	20,921,036
Expenditures			
Legislative	428,571	384,271	291,579
Administration	3,089,134	2,905,514	2,696,741
Protective services	3,031,342	2,674,787	1,949,134
Transportation	12,091,777	7,291,119	6,379,167
Environmental use and protection	2,390,542	2,350,536	1,977,189
Public health and welfare	530,988	430,821	791,715
Planning and development	2,151,315	1,567,658	1,647,846
Recreation and culture	1,110,752	1,012,374	924,498
	24,824,421	18,617,080	16,657,869
Excess of revenues over expenditures	2,241,891	6,955,218	4,263,167
Net interfund transfers:			
To capital fund (Schedule 2)	(602,359)	(550,304)	(3,089,046)
To reserve fund (Schedule 3)	(754,904)	(5,468,571)	(324,107)
Long-term debt repayment	(884,628)	(886,343)	(800,014)
	(2,241,891)	(6,905,218)	(4,213,167)
Change in fund balance	—	50,000	50,000
Operating fund, opening balance	635,307	635,307	585,307
Operating fund, closing balance	635,307	685,307	635,307

See accompanying notes

**SCHEDULE OF CAPITAL FUND ACTIVITIES
AND CHANGE IN FUND BALANCE**

Year ended December 31

	Budget \$ (note 14)	2006 \$	2005 \$
Revenues			
Government transfers	8,979,356	2,392,105	3,329,241
Development levies	—	125,521	132,988
Proceeds on sale of physical assets	—	19,399	92,100
Other	—	7,914	246,940
	<u>8,979,356</u>	<u>2,544,939</u>	<u>3,801,269</u>
Expenditures			
Administration	500,700	503,345	85,647
Protective services	1,121,350	963,669	209,383
Transportation	4,685,574	2,550,100	2,680,527
Environmental use and protection	10,446,004	1,631,532	3,026,286
Recreation and culture	157,500	64,396	105,067
	<u>16,911,128</u>	<u>5,713,042</u>	<u>6,106,910</u>
Deficiency of revenues over expenditures	<u>(7,931,772)</u>	<u>(3,168,103)</u>	<u>(2,305,641)</u>
Net interfund transfers:			
From (to) reserve fund (Schedule 3)	2,758,613	2,247,799	(1,278,663)
From operating fund (Schedule 1)	602,359	550,304	3,089,046
Increase in long-term debt	4,570,800	370,000	495,258
	<u>7,931,772</u>	<u>3,168,103</u>	<u>2,305,641</u>
Change in fund balance	—	—	—
Capital fund, opening balance	—	—	—
Capital fund, closing balance	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying notes

**SCHEDULE OF RESERVE FUND ACTIVITIES AND
CHANGE IN FUND BALANCE**

Year ended December 31

	Budget \$	2006 \$	2005 \$
	(note 14)		
Net interfund transfers -			
Transfers from operating fund (Schedule 1)	754,904	5,468,571	324,107
Transfers from (to) capital fund (Schedule 2)	(2,758,613)	(2,247,799)	1,278,663
Change in fund balance	(2,003,709)	3,220,772	1,602,770
Reserve fund, opening balance	8,417,621	8,417,621	6,814,851
Reserve fund, closing balance [note 11]	6,413,912	11,638,393	8,417,621

See accompanying notes

SCHEDULE OF PROPERTY TAXES

Year ended December 31

	Budget \$	2006 \$	2005 \$
	(note 14)		
LEVIES			
Residential land and improvements	2,924,556	2,926,440	2,669,252
Non-residential land and improvements	22,676,567	22,855,744	20,130,359
Farmland	399,352	399,096	415,773
Federal grants in lieu of taxes	16,473	17,246	17,533
Provincial grants in lieu of taxes	37,051	36,278	35,753
Special assessments and local improvement taxes	274,656	242,966	174,543
Total taxes and grants in lieu	26,328,655	26,477,770	23,443,213
REQUISITIONS			
Alberta School Foundation Fund	6,776,568	6,776,568	6,722,877
Seniors lodge	436,896	436,896	325,755
Net taxes for general municipal purposes	19,115,191	19,264,306	16,394,581

See accompanying notes

SCHEDULE OF GOVERNMENT TRANSFERS

Year ended December 31

	Budget \$ (note 14)	2006 \$	2005 \$
Provincial transfers			
Shared-cost agreements and grants	13,832,514	5,265,547	4,999,232
Total government transfers	13,832,514	5,265,547	4,999,232

See accompanying notes

SCHEDULE OF TOTAL EXPENDITURES BY OBJECT

Year ended December 31

	Budget \$	2006 \$	2005 \$
	(note 14)		
Salaries, wages and benefits	5,826,570	5,254,184	3,823,123
Contracted and general services	12,305,700	7,654,617	6,619,467
Materials, goods, supplies and utilities	3,661,335	2,860,411	3,170,617
Transfers to other governments	1,280,457	1,265,299	1,162,202
Transfers to other organizations	1,254,944	1,173,636	1,483,506
Interest on long-term debt <i>[note 9]</i>	363,099	368,130	399,036
Physical assets acquired	16,911,129	5,713,042	6,106,910
Other operating expenditures	132,316	40,803	(82)
	41,735,550	24,330,122	22,764,779

See accompanying notes

**SCHEDULE OF CHIEF ADMINISTRATIVE OFFICER
AND COUNCILLOR SALARY AND BENEFITS**

Year ended December 31

Officer/ Councillor	2006			2005
	Salary/ Per Diems \$	Benefits \$	Total \$	Total \$
Odell Flett	—	—	—	300
Ed Froese	22,800	585	23,385	14,498
Greg Newman	19,475	469	19,944	15,241
Jim Thompson	16,525	372	16,897	13,234
John W. Dreidger	31,725	—	31,725	24,885
Lisa Wardley	19,775	479	20,254	16,675
Peter Braun	32,425	897	33,322	22,092
Stuart Watson	15,300	344	15,644	10,915
Walter Sarapuk	26,050	678	26,728	15,942
William Neufeld	40,125	—	40,125	25,733
Willie Neudorf	28,925	781	29,706	18,657
Chief Administrative Officer (3 individuals in 2006 and 2 individuals in 2005)	132,801	20,535	153,336	127,941
	385,926	25,140	411,066	306,113

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and other direct cash remuneration.
2. Benefits include 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, long and short term disability.

Municipal District of Mackenzie No. 23

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Municipal District of Mackenzie No. 23 (the "District") are prepared by the District's administration in accordance with Canadian generally accepted accounting principles which includes financial reporting standards appropriate for local governments recommended by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

The preparation of financial statements in conformity with generally accepted accounting principles requires administration 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.

Basis of accounting

Revenues and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenditures are recognized in the period goods and services are acquired and a liability is incurred or transfers are due.

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 and grants are recognized in the financial statements as revenues in the period in which the events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Fund accounting

Funds are recorded within the financial statements as described below. Transactions between funds are recorded as inter-fund transfers.

i) **Operating fund**

The operating fund reflects the financial activities associated with the provision of general municipal services during the year.

ii) **Capital fund**

The capital fund reflects the financial activities associated with the acquisition, construction and funding of land, structures and equipment.

Municipal District of Mackenzie No. 23

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii) Reserve fund

The reserve fund reflects funds authorized by Council to be set aside for the funding of future operating or capital expenditures.

Cash and cash equivalents

Cash and cash equivalents consists of cash and term deposits with original periods to maturity of less than 90 days.

Land held for resale

Land held for resale is recorded at the lower of cost and 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. Proceeds from the sale of land held for resale are recorded as operating fund revenues.

Over-levies and under-levies

Over-levies and under-levies arise 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 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.

Physical assets

Land, structures and equipment are recognized as expenditures in the period they are acquired. Land, structures and equipment are carried on the statement of financial position at cost. Adjustments are made to relieve the cost of assets for the original cost of assets sold, lost or scrapped where such costs are determinable.

Government contributions for the acquisition of land, structures and equipment are recorded as capital revenue and do not reduce the related land, structures and equipment costs.

Land, structures and equipment for government purposes are not depreciated.

Inventories of materials and supplies are carried at the lower of cost and replacement cost with cost determined by the average cost method.

Municipal District of Mackenzie No. 23

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gravel pit reclamation

Estimated future costs for gravel pit reclamation and site restoration are charged to expenditure over the life of each pit based on the amount of material expected to be extracted. Amounts charged to expenditures but not yet paid are included in accounts payable and accrued liabilities. Due to the long-term nature of assumptions made, it is possible that estimates could prove to be materially incorrect and accordingly, the impact on the financial statements for future periods could be material.

Equity in physical assets

Equity in physical assets represents the District's net investment in its total physical assets after deducting the portion financed by third parties through debenture, bond, and mortgage debts, long-term capital borrowing, capitalized leases, and other capital liabilities.

Pension expenditure

The District participates in a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan, whereby contributions are expensed as incurred.

2. BANK LINE OF CREDIT

The District has an operating line of credit of \$6,000,000 (2005 - \$6,000,000) of which nil (2005 - nil) was utilized at December 31, 2006. The line of credit bears interest at prime less 0.25% (6.00%; 2005 - 5%).

3. TAXES RECEIVABLE

	2006	2005
	\$	\$
Taxes receivable -		
Current	250,693	279,352
Arrears	100,570	119,839
	351,263	399,191
Allowance for uncollectible taxes	(10,000)	(10,000)
	341,263	389,191

Municipal District of Mackenzie No. 23

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

4. INVENTORIES

	2006	2005
	\$	\$
Gravel	496,490	832,393
Parts and supplies	552,227	549,596
	1,048,717	1,381,989

5. LAND, STRUCTURES AND EQUIPMENT

	2006	2005
	\$	\$
Engineering structures	71,495,980	67,727,966
Buildings	4,246,068	3,620,727
Vehicles	4,400,893	3,524,010
Machinery and equipment	5,333,527	5,039,283
Land	658,394	658,394
Total cost	86,134,862	80,570,380

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2006	2005
	\$	\$
Trade payables and accruals	3,538,366	2,490,072
Gravel pit reclamation	442,975	427,696
Employee payable	318,886	238,785
Long-term debt interest payable	47,197	52,446
	4,347,424	3,208,999

7. DEPOSIT LIABILITIES

	2006	2005
	\$	\$
Utilities	49,540	45,560
Land lot sales	669	669
	50,209	46,229

Municipal District of Mackenzie No. 23

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

8. DEFERRED REVENUE

	2006 \$	2005 \$
Prepaid local improvements	84,773	39,806
Restricted grant funding	1,054,817	1,822,287
	1,139,590	1,862,093

9. LONG-TERM DEBT

	2006 \$	2005 \$
Debentures -		
Alberta Capital Finance Authority		
12.000%, due 2007	100,033	189,348
5.750%, due 2011	352,259	411,647
5.375%, due 2012	2,294,924	2,612,101
4.875%, due 2013	304,840	340,676
4.230%, due 2014	3,328,055	3,671,058
3.770%, due 2015	453,634	495,258
4.453%, due 2016	370,000	—
	7,203,745	7,720,088

Principal and interest repayment requirements on long-term debt over the next five years and to maturity are as follows:

	Principal \$	Interest \$	Total \$
2007	965,624	340,349	1,305,973
2008	907,288	286,648	1,193,936
2009	951,024	242,911	1,193,935
2010	996,902	197,034	1,193,936
2011	1,045,027	148,909	1,193,936
To maturity	2,337,880	179,569	2,517,449
	7,203,745	1,395,420	8,599,165

For qualifying debentures, the Province of Alberta rebates 50% 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 District at large.

Municipal District of Mackenzie No. 23

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

9. LONG-TERM DEBT (CONTINUED)

Interest expense on long-term debt amounted to \$368,130 (2005 – \$399,036) and the District's total cash payments for interest were \$373,379 (2005 - \$399,801) for the year ended December 31, 2006.

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

	2006	2005
	\$	\$
Total debt limit	38,587,697	32,092,446
Total debt	7,203,745	7,720,088
Amount by which debt limit exceeds debt	31,383,952	24,372,358
Service on debt limit	6,426,433	5,348,741
Service on debt	1,305,973	1,259,721
Amount by which debt servicing limit exceeds debt servicing	5,120,460	4,089,020

The debt limit is calculated at 1.5 times revenue of the District (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 time 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 District. Rather, the financial statements must be interpreted as a whole.

10. CONTINGENCIES

In the normal conduct of operations, various legal claims are pending against the District in connection with road maintenance and construction and other matters. The District carries liability insurance, subject to certain deductibles and policy limits, against such claims. Administration believes that the District has recognized adequate provisions for probable and reasonably estimable liabilities associated with these claims, and that their ultimate resolutions will not have a material adverse effect on the financial position of the District or its financial activities.

The District is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of the membership, the District 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 of the settlement.

Municipal District of Mackenzie No. 23

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

11. RESERVE FUND

Reserves have been established as follows:

	2006	2005
	\$	\$
Operating		
General operating	2,199,844	1,577,381
Gravel reserve	810,263	274,192
Prepaid local improvements and off-site levy	545,235	391,012
Recreation and parks	106,438	11,791
Subdivision development	134,018	83,530
Total operating reserves	3,795,798	2,337,906
Capital		
Emergency equipment	387,351	638,598
General roads	4,418,737	2,093,166
General capital	2,896,286	3,231,784
Vehicle replacement	140,221	116,167
Total capital reserves	7,842,595	6,079,715
Total reserves	11,638,393	8,471,621

12. LOCAL AUTHORITIES PENSION PLAN

Employees of the District participate in the Local Authorities Pension Plan (LAPP) which is covered by the Public Sector Pension Plans Act. The Plan serves approximately 159,936 employees and 407 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

The District is required to make current service contributions to the Plan of 7.75% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 10.64% for the excess. Employees of the District are required to make current service contributions of 6.75% of pensionable salary up to the year's maximum pensionable salary and 9.64% of the excess.

The current service contributions by the District to the Local Authorities Pension Plan in 2006 were \$155,867 (2005 - \$140,965). Total current service contributions by the employees of the District to the Local Authorities Pension Plan in 2006 were \$136,982 (2005 - \$120,436).

At December 31, 2005, the Plan disclosed an actuarial deficiency of \$863,558,000.

Municipal District of Mackenzie No. 23

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

13. FINANCIAL INSTRUMENTS

The District's financial instruments consist of cash and cash equivalents, taxes receivable, grants and other accounts receivable, accounts payable and accrued liabilities, deposit liabilities and long-term debt. It is administration's opinion that the District is not exposed to significant interest or currency risk arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

The District is subject to credit risk with respect to taxes, grants, and other accounts receivables. Credit risk arises from the possibility that taxpayers and entities to which the District 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.

14. BUDGET FIGURES

Budget figures are included for information purposes only and are unaudited.

15. SUBSEQUENT EVENT

Subsequent to the year end, District Council passed bylaw 614/07 approving the borrowing of approximately \$3,178,230 from Alberta Capital Finance Authority for the construction of Zama water treatment plant. This bylaw replaces bylaw 543/05.

Subsequent to the year end, the sale of the La Crete Municipal Office building was approved and finalized. Buildings cost of \$789,226 is included in land, structures and equipment at December 31, 2006.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.