

Lacombe County
Consolidated Financial Statements
For the year ended December 31, 2013

Lacombe County
Consolidated Financial Statements
For the year ended December 31, 2013

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Independent Auditor's Report

To the Members of Council Lacombe County

We have audited the accompanying consolidated financial statements of the Lacombe County, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Lacombe County as at December 31, 2013 and the results of its operations, change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

April 24, 2014
Lacombe, Alberta

Chartered Accountants

Lacombe County
Consolidated Statement of Financial Position

December 31	2013	2012
Financial assets		
Cash and cash equivalents (Note 1)	\$ 50,233,577	\$ 47,856,522
Investments (Note 2)	13,076,578	12,591,759
Taxes receivable (Note 3)	429,116	449,118
Accounts receivable	1,176,446	2,276,702
Inventories for resale (Note 4)	360,862	428,710
	65,276,579	63,602,811
Liabilities		
Accounts payable and accrued liabilities	2,696,194	2,182,252
Employee benefit obligation (Note 5)	1,093,597	1,047,035
Deposit liabilities	1,033,774	419,008
Deferred revenue (Note 6)	171,958	3,111,867
	4,995,523	6,760,162
Net financial assets	60,281,056	56,842,649
Non-financial assets		
Tangible capital assets (Note 7)	315,533,152	323,072,262
Prepaid expenses and inventories of supplies (Note 8)	6,529,758	5,781,798
	322,062,910	328,854,060
Accumulated surplus (Note 10)	\$ 382,343,966	\$ 385,696,709
Contingent liabilities (Note 18)		
Funds held in trust (Note 19)		

Lacombe County
Consolidated Statement of Operations

For the year ended December 31	Budget 2013	2013	2012
Revenue			
Taxation - net (Note 12)	\$ 25,001,620	\$ 24,993,397	\$ 24,398,576
Taxation - Community Aggregate Levy	350,000	846,935	771,734
Government transfers (Note 13)	9,279,080	8,537,139	8,592,630
Sales, user charges and costs recovered	1,446,280	1,814,066	1,839,592
Sales to other governments	148,510	170,136	236,561
Permits, licenses, fines, penalties and rentals	352,050	507,043	480,972
Interest, royalties and patronage allocations	1,230,770	1,299,237	1,136,478
Contributed assets	-	40,346	350,001
Gain on sale of assets	-	637,812	645,472
Other	1,439,055	587,884	624,796
	<u>39,247,365</u>	<u>39,433,995</u>	<u>39,076,812</u>
Expenses (Note 14)			
General government	4,442,249	4,159,743	3,797,265
Protective services	1,949,669	1,801,734	1,745,417
Transportation services	26,807,421	27,454,211	26,310,140
Environmental services	1,467,483	1,248,503	2,095,483
Cemetery	226,500	75,694	82,297
Social and family services	471,790	476,220	454,129
Recreation and cultural services	3,488,106	4,136,276	1,423,798
Planning and development	1,203,250	1,100,187	908,484
Agriculture services	1,258,812	1,185,596	1,076,746
Write-down of capital assets	-	1,903,010	4,479,183
	<u>41,315,280</u>	<u>43,541,174</u>	<u>42,372,942</u>
Excess (deficiency) of revenue over expenditures	<u>(2,067,915)</u>	<u>(4,107,179)</u>	<u>(3,296,130)</u>
Accumulated surplus, beginning of year	385,696,709	385,696,709	388,992,839
Lacombe Ambulance Association, share of net assets (Note 9)	-	754,436	-
Accumulated surplus, end of year	<u>\$ 383,628,794</u>	<u>\$ 382,343,966</u>	<u>\$ 385,696,709</u>

Lacombe County
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2013	2013	2012
Excess (deficiency) of revenue over expenditures	\$ (2,067,915)	\$ (4,107,179)	\$ (3,296,130)
Acquisition of tangible capital assets	(20,692,660)	(15,320,430)	(14,399,652)
Acquisition of contributed assets	-	(40,346)	(350,001)
Amortization of tangible capital assets	20,730,338	20,730,338	20,268,476
(Gain) on sale of tangible capital assets	-	(637,812)	(645,472)
Proceeds on sale of tangible capital assets	809,440	904,350	801,629
Write-downs of tangible capital assets	-	1,903,010	4,479,183
	(1,220,797)	3,431,931	6,858,033
Change in prepaid expenses and inventory of supplies	-	(747,960)	55,124
Lacombe Ambulance Association, share of net assets (Note 9)	-	754,436	-
Net change in net financial assets	(1,220,797)	3,438,407	6,913,157
Net financial assets, beginning of year	56,842,649	56,842,649	49,929,492
Net financial assets, end of year	\$ 55,621,852	\$ 60,281,056	\$ 56,842,649

Lacombe County
Consolidated Statement of Cash Flows

For the year ended December 31	2013	2012
Operating transactions		
Excess (deficiency) of revenue over expenditures	\$ (4,107,179)	\$ (3,296,130)
Items not involving cash		
Contributed assets	(40,346)	(350,001)
Amortization	20,730,338	20,268,476
Gain on disposal of tangible capital assets	(637,812)	(645,472)
Write-down of tangible capital asset	1,903,010	4,479,183
Changes in non-cash operating balances		
Taxes receivable	20,002	27,561
Accounts receivable	1,100,256	1,405,745
Inventories for resale	67,848	(54,363)
Prepaid expenses and inventories of supplies	(747,960)	55,124
Accounts payable and accrued liabilities	513,942	(442,484)
Employee Benefits Plan liability	46,562	50,321
Deposit liabilities	614,766	134,761
Deferred revenue	(2,939,909)	2,999,891
	<u>16,523,518</u>	<u>24,632,612</u>
Capital transactions		
Acquisition of tangible capital assets	(15,320,430)	(14,399,652)
Proceeds on sale of tangible capital assets	904,350	801,629
	<u>(14,416,080)</u>	<u>(13,598,023)</u>
Investing transactions		
Increase of investments	(484,819)	(422,131)
Restricted cash balances	2,287,233	(3,393,152)
Lacombe Ambulance Association share of net assets (Note 9)	754,436	-
	<u>2,556,850</u>	<u>(3,815,283)</u>
Net change in cash and cash equivalents	4,664,288	7,219,306
Cash and cash equivalents, beginning of year	42,911,092	35,691,786
Cash and cash equivalents, end of year	\$ 47,575,380	\$ 42,911,092
Cash and cash equivalents is comprised of:		
Cash and cash equivalents	\$ 50,233,577	\$ 47,856,522
Less: restricted (Note 1)	(2,658,197)	(4,945,430)
	<u>\$ 47,575,380</u>	<u>\$ 42,911,092</u>

Lacombe County
Summary of Significant Accounting Policies

December 31, 2013

**Management's
Responsibility for the
Financial Statements**

The consolidated financial statements of the County are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Basis of Consolidation

The financial statement reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the County.

**Cash and Cash
Equivalents**

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

Investments

Investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

Inventory for Resale

Inventory for resale includes land and bridge materials. 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 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. Bridge materials inventory is recorded at the lower of cost or net realizable value.

Inventory of Supplies

Inventories of materials and supplies for consumption are valued at the lower of cost or replacement cost.

Inventory of Gravel

Inventories of gravel for consumption are valued at the lower of cost or replacement cost. Cost is determined per tonne and includes the raw material, extraction, crushing, transportation and reclamation costs.

Lacombe County
Summary of Significant Accounting Policies

December 31, 2013

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	20 to 25 years
Buildings	4 to 50 years
Roads	20 to 40 years
Bridges	22 to 87 years
Machinery and equipment	5 to 50 years
Water infrastructure	23 to 47 years
Sewer infrastructure	17 to 75 years
Vehicles	10 to 20 years

Excess Collections and Under-levies

Excess collections 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 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

Collection of Taxes on Behalf of Other Taxation Authorities

The County collects taxation revenue on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of entities are not reflected in these financial statements.

The entities the County collects taxation revenue on behalf of are:
Alberta School Foundation Fund
Lacombe Foundation

Trust Funds

Trust funds held in trust by the County, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately.

Lacombe County
Summary of Significant Accounting Policies

December 31, 2013

**Retirement Benefits and
Other Employee
Benefit Plans**

The County's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred.

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

Government Transfers

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

Revenue Recognition

Taxes are recognized as revenue in the year they are levied.

Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.

Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

Sales of service and other revenue is recognized on an accrual basis.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2013

1. Cash and Cash Equivalents

	2013	2012
Current account (bank prime less 2%)	\$ 1,985,332	\$ 6,772,327
GIC investments with interest rates varying from 1.50% to 4.47% and maturing in 2014 to 2018	46,461,729	40,685,687
Security deposits	1,032,080	398,508
Lacombe Ambulance Association share of cash	754,436	
	\$ 50,233,577	\$ 47,856,522

The County has an undrawn line of credit with a limit of \$5 million that carries an interest rate of prime less 0.50%. The line of credit is secured by a general lien on County assets.

Included in the above amounts are the following amounts that are externally restricted. Externally restricted amounts include amounts received from the Province of Alberta and Government of Canada as conditional grants held exclusively for specific future projects, amounts held in lieu of reserve lands, and deposit liabilities repayable to third parties upon satisfactory completion of the terms of the specific development agreement.

	2013	2012
Street Improvement Program Grants held in Hamlet Street Improvement Reserve	\$ 519,481	\$ 507,691
Municipal Sustainability Initiative	-	2,323,350
Federal Fuel Tax	-	590,356
Regional Collaboration	157,325	155,000
Municipal Internship Program	14,333	17,917
Other	300	25,244
Funds in lieu of reserve land	932,984	906,864
Deposit liabilities	1,033,774	419,008
	\$ 2,658,197	\$ 4,945,430

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2013

2. Investments

	2013	2012
Stripped coupons, residual bonds and accrual notes purchased at discounts yielding effective annual rates of 1.65% to 7.12% to maturity at cost	\$ 11,845,356	\$ 11,514,413
Estimated accrued interest	1,231,042	1,077,166
AMFC shares	180	180
	<u>\$ 13,076,578</u>	<u>\$ 12,591,759</u>

The market value of the County's marketable securities was \$13,141,023 (2012 - \$12,824,882).

3. Taxes Receivable

	2013	2012
Current taxes and grants in place	\$ 398,393	\$ 447,483
Non-current taxes and grants in place	130,723	101,635
	529,116	549,118
Allowance for doubtful accounts	<u>(100,000)</u>	<u>(100,000)</u>
	<u>\$ 429,116</u>	<u>\$ 449,118</u>

4. Inventories for Resale

	2013	2012
Bridge materials	\$ 359,500	\$ 427,349
Land held for resale	1,362	1,361
	<u>\$ 360,862</u>	<u>\$ 428,710</u>

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2013

5. Employee Benefit Obligation

	2013	2012
Sick leave benefits	\$ 500,000	\$ 500,000
Vacation and overtime	593,597	547,035
	\$ 1,093,597	\$ 1,047,035

Sick Leave Benefits

Sick leave benefits accumulate at a rate of 1 sick day per month worked to a maximum of 100 days. Employees are entitled to sick leave benefits for the lesser of 90 calendar days or their accrued sick leave balance. After 90 calendar days, eligible employees would be placed on the County's long-term disability plan. Sick leave benefits are not paid out at termination or retirement.

A portion of sick leave benefits that have accumulated to December 31, 2013 are expected to be utilized in future years and the estimated liability has been accrued.

Vacation and Overtime

Vacation and overtime consist of amounts that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

6. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
MSI	2,323,350	-	-	(2,323,350)	-
FFT	590,356	-	-	(590,356)	-
Internship	17,917	-	-	(3,584)	14,333
Regional					
Collaboration	155,000	2,325	-	-	157,325
Other	25,244	300	-	(25,244)	300
	\$ 3,111,867	2,625	-	(2,942,534)	\$ 171,958

Grants

Under various grant agreements with the Government of Canada and the Province of Alberta, the County is required to account for grants provided and to complete the projects or program in accordance with standards detailed in the various agreements. If these requirements are not adhered to, grants provided will become repayable to the source government. Unexpended funds are repayable to the source government upon final accounting. Funds are deferred until related expenditures under the specific grant agreement have been incurred.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2013

7. Tangible Capital Assets - 2013

	Land	Land Improvements	Buildings	Equipment	Roads	Bridges	Water, Sewer and Other	Vehicles	Total
Cost, beginning of year	\$ 12,339,370	\$ 2,107,570	\$ 13,724,956	\$ 14,666,445	\$ 615,238,212	\$ 13,124,873	\$ 2,839,880	\$ 5,699,562	\$ 679,740,868
Additions	267,120	283,137	1,969,809	2,779,470	4,568,536	403,092	4,344,394	745,218	15,360,776
Disposals	-	-	-	(1,782,237)	-	-	-	(431,660)	(2,213,897)
Write-downs	-	-	-	-	(4,823,457)	(16,755)	-	-	(4,840,212)
Cost, end of year	<u>\$ 12,606,490</u>	<u>\$ 2,390,707</u>	<u>\$ 15,694,765</u>	<u>\$ 15,663,678</u>	<u>\$ 614,983,291</u>	<u>\$ 13,511,210</u>	<u>\$ 7,184,274</u>	<u>\$ 6,013,120</u>	<u>\$ 688,047,535</u>
Accumulated amortization, beginning of year	\$ -	\$ 205,996	\$ 2,177,595	\$ 7,228,893	\$ 338,301,795	\$ 6,356,336	\$ 303,276	\$ 2,094,715	\$ 356,668,606
Amortization	-	98,024	282,940	2,208,808	17,467,015	233,391	52,754	387,406	20,730,338
Disposals	-	-	-	(1,754,290)	-	-	-	(193,069)	(1,947,359)
Write-downs	-	-	-	-	(2,923,175)	(14,027)	-	-	(2,937,202)
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 304,020</u>	<u>\$ 2,460,535</u>	<u>\$ 7,683,411</u>	<u>\$ 352,845,635</u>	<u>\$ 6,575,700</u>	<u>\$ 356,030</u>	<u>\$ 2,289,052</u>	<u>\$ 372,514,383</u>
Net carrying amount, end of year	<u>\$ 12,606,490</u>	<u>\$ 2,086,687</u>	<u>\$ 13,234,230</u>	<u>\$ 7,980,267</u>	<u>\$ 262,137,656</u>	<u>\$ 6,935,510</u>	<u>\$ 6,828,244</u>	<u>\$ 3,724,068</u>	<u>\$ 315,533,152</u>

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2013

7. Tangible Capital Assets (continued) - 2012

	Land						Water, Sewer		
	Land Improvements	Buildings	Equipment	Roads	Bridges	and other	Vehicles	Total	
Cost, beginning of year	\$ 11,254,821	\$ 952,417	\$ 13,669,752	\$ 14,006,786	\$ 614,072,536	\$ 13,124,873	\$ 2,837,073	\$ 5,240,394	\$ 675,158,652
Additions	1,084,549	1,155,153	55,204	2,286,197	9,512,500	-	2,807	653,243	14,749,653
Disposals	-	-	(1,626,538)	-	-	-	-	(194,075)	(1,820,613)
Write-downs	-	-	-	(8,346,824)	-	-	-	-	(8,346,824)
Cost, end of year	\$ 12,339,370	\$ 2,107,570	\$ 13,724,956	\$ 14,666,445	\$ 615,238,212	\$ 13,124,873	\$ 2,839,880	\$ 5,699,562	\$ 679,740,868
Accumulated amortization, beginning of year	\$ -	\$ 156,767	\$ 1,897,577	\$ 6,547,516	\$ 325,058,167	\$ 6,109,100	\$ 250,522	\$ 1,912,578	\$ 341,932,227
Amortization	-	49,229	280,018	2,164,520	17,111,269	247,236	52,754	363,450	20,268,476
Disposals	-	-	(1,483,143)	-	-	-	-	(181,313)	(1,664,456)
Write-downs	-	-	-	(3,867,641)	-	-	-	-	(3,867,641)
Accumulated amortization, end of year	\$ -	\$ 205,996	\$ 2,177,595	\$ 7,228,893	\$ 338,301,795	\$ 6,356,336	\$ 303,276	\$ 2,094,715	\$ 356,668,606
Net carrying amount, end of year	\$ 12,339,370	\$ 1,901,574	\$ 11,547,361	\$ 7,437,552	\$ 276,936,417	\$ 6,768,537	\$ 2,536,604	\$ 3,604,847	\$ 323,072,262

The net book value of tangible capital assets not being amortized because they are under construction is \$785,934 (2012 - \$340,355). \$40,346 (2012 - \$350,001) in contributed land and roads was recognized in the financial statements during the year.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2013

8. Prepaid Expenses and Inventories of Supplies

	2013	2012
Crushed gravel	\$ 1,438,968	\$ 1,264,920
Undeveloped gravel pits	3,776,428	3,805,553
Materials and supplies	502,614	533,774
Prepaid expenses	811,748	177,551
	<u>\$ 6,529,758</u>	<u>\$ 5,781,798</u>

9. Lacombe Municipal Ambulance Service Association

The County has shared control of the Lacombe Municipal Ambulance Service Association which is a non-profit organization incorporated under the Societies Act of Alberta founded to provide ambulance services for the residents of the participating municipalities. As at year end, the Association has determined that it will dissolve and that its members would receive their proportionate share of the net assets of the Association.

As a result of the pending dissolution, it was determined that the County would receive \$754,436 of the net assets of the Association. Therefore, the County has recorded cash of \$754,436 in the current year to account for its proportionate share of the Association. The Association had no operations for the year ended December 31, 2013 and is to be dissolved in 2014.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2013

10. Accumulated Surplus

	2013	2012
Equity in tangible capital assets	\$ 315,533,152	\$ 323,072,262
Equity in other non-financial assets	6,529,758	5,781,798
Unrestricted surplus	575,675	566,269
Lacombe Ambulance Association Share of Net Assets	754,436	-
	323,393,021	329,420,329
 <u>Restricted surplus (Reserves)</u>		
Main Road	13,356,398	12,588,833
Public Works Equipment	6,523,927	5,910,264
Municipal Facilities	3,667,196	3,143,336
Protective Services	2,301,074	2,767,162
Gravel	2,801,382	2,893,577
Subdivision Pavement	2,450,552	2,164,397
Land Development	188,966	188,966
Recreation Capital Assistance	5,441,401	5,616,038
Funds in Lieu of Reserve Land	932,984	906,864
Subdivision Road Development	1,356,643	1,192,118
Agriculture Equipment	555,943	342,099
Peace Officers Equipment	100,301	157,304
Disaster Services	500,000	500,000
Hamlet Street Improvement	519,481	507,691
Tax Rate Stabilization	1,567,000	1,567,000
Lake Access	963,783	963,783
Hamlet of Mirror Contingency	779,242	779,242
Hamlet of Mirror Water	64,316	42,228
Hamlet of Mirror Sewer	116,913	105,969
Community Aggregate Levy	3,761,487	2,950,552
Water - Waste Water	928,925	1,859,065
New Pavement	1,870,537	2,203,688
Trails	640,171	777,653
Bridge	3,944,741	3,071,186
Operational	3,323,199	2,854,351
Cemetery	176,540	173,018
Lakeview Estates Water Reserve	12,746	465
Gull Lake Stabilization Reserve	105,097	49,531
	58,950,945	56,276,380
	\$ 382,343,966	\$ 385,696,709

The investment in tangible capital assets represents amounts already spent and invested in infrastructure. The investment in other non-financial assets represents amounts already spent and invested in supplies for future use. Reserve funds represent funds set aside by bylaw or council resolution for specific purposes.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2013

11. Change in Accumulated Surplus

	Unrestricted surplus	Equity in other non- financial assets	Restricted surplus	Equity in tangible capital assets	2013	2012
Balance, beginning of year	\$ 566,269	\$ 5,781,798	\$ 56,276,380	\$ 323,072,262	\$ 385,696,709	\$ 388,992,839
Excess (deficiency) of revenue over expenses	(4,107,179)	-	-	-	(4,107,179)	(3,296,130)
Lacombe Ambulance Association Share of Net Assets	-	-	-	-	754,436	-
Operating transfers to restricted surplus	(9,894,413)	-	9,894,413	-	-	-
Operating transfers from restricted surplus	3,806,577	-	(3,806,577)	-	-	-
Capital transfers from restricted surplus	3,413,271	-	(3,413,271)	-	-	-
Acquisition of capital	(15,320,430)	-	-	15,320,430	-	-
Contributed assets	(40,346)	-	-	40,346	-	-
Disposals and write-down of assets	2,169,548	-	-	(2,169,548)	-	-
Amortization	20,730,338	-	-	(20,730,338)	-	-
Change in non-financial assets	(747,960)	747,960	-	-	-	-
Change in accumulated surplus	\$ 9,406	\$ 747,960	\$ 2,674,565	\$ (7,539,110)	\$ (3,352,743)	\$ (3,296,130)
Balance, end of year	\$ 575,675	\$ 6,529,758	\$ 58,950,945	\$ 315,533,152	\$ 382,343,966	\$ 385,696,709

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2013

12. Taxation - Net

	Budget 2013	2013	2012
Real property	\$ 15,327,105	\$15,323,842	\$ 14,739,324
Machinery and equipment	12,724,200	12,721,915	12,563,106
Linear property	7,860,610	7,859,175	7,780,015
Government grants in place of property taxes	123,498	122,258	122,586
	<u>36,035,413</u>	<u>36,027,190</u>	<u>35,205,031</u>
Requisitions			
Alberta School Foundation Fund	10,596,323	10,596,323	10,364,176
Lacombe Foundation	437,470	437,470	442,279
	<u>11,033,793</u>	<u>11,033,793</u>	<u>10,806,455</u>
Available for general municipal purposes	<u>\$ 25,001,620</u>	<u>\$24,993,397</u>	<u>\$ 24,398,576</u>

13. Government Transfers

	Budget 2013	2013	2012
Operating			
General government	\$ 305,920	\$ 305,916	\$ 284,575
Protective services	-	-	60,952
Transportation services	541,570	587,429	445,122
Public health and welfare	253,050	253,046	251,528
Planning and development	31,250	103,267	25,083
Agriculture services	195,000	213,359	232,262
Recreation services	750,000	750,000	-
	<u>\$ 2,076,790</u>	<u>\$ 2,213,017</u>	<u>\$ 1,299,522</u>
Capital			
General government	\$ 712,500	\$ -	\$ -
Transportation services	1,176,960	1,182,564	7,249,235
Environmental services	5,312,830	5,141,558	43,873
	<u>\$ 7,202,290</u>	<u>\$ 6,324,122</u>	<u>\$ 7,293,108</u>
Total government transfers	<u>\$ 9,279,080</u>	<u>\$ 8,537,139</u>	<u>\$ 8,592,630</u>

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2013

14. Expenses by Object

	Budget 2013	2013	2012
Salaries and wages	\$ 9,172,063	\$ 9,077,871	\$ 8,350,433
Contracted and general services	4,360,040	3,463,881	3,314,611
Goods, materials and supplies	2,378,850	3,212,543	2,608,004
Transfers to other organizations	4,666,330	5,148,707	3,330,481
Cancellations and uncollectible	7,660	4,825	21,754
Amortization	20,730,337	20,730,337	20,268,476
Write-downs and losses on capital	-	1,903,010	4,479,183
	<u>\$ 41,315,280</u>	<u>\$ 43,541,174</u>	<u>\$ 42,372,942</u>

The budget figure for amortization has been adjusted from the budget approved by council May 9, 2013 (Note 20). Amortization is not funded by the County.

15. Municipal Employees Pension Plans

Local Authorities Pension Plan

Certain employees of the County are eligible to be members of the Local Authorities Pension Plan (LAPP), a multi-employer pension plan which is covered by the Public Sector Pension Plans Act. The plan provides defined pension benefits to employees based on their length of service and rates of pay. Contributions for the year were:

	2013	2012
Employer contributions	\$ 671,109	\$ 623,108
Employee contributions	612,806	566,730
	<u>\$ 1,283,915</u>	<u>\$ 1,189,838</u>

As this is a multi-employer pension plan, these contributions are the County's pension benefit expense. No pension liability for this type of plan is included in the County's financial statements. The most recent valuation as at December 31, 2012 indicates a deficit of \$4.977 billion (2011 - 4.639 billion) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2013

15. Municipal Employees Pension Plans (continued)

Alberta Urban Municipalities Association Apex Supplementary Pension Plan

Certain employees of the County are eligible to be members of the Alberta Urban Municipalities Association APEX Supplementary Pension Plan (APEX), a multi-employer pension plan. This plan provides defined pension benefits to employees based on their length of service and rates of pay.

	2013	2012
Employer contributions	\$ 15,687	\$ 18,420
Employee contributions	13,072	15,350
	<u>\$ 28,759</u>	<u>\$ 33,770</u>

As this is a multi-employer pension plan, these contributions are the County's pension benefit expense. No pension liability for this type of plan is included in the County's financial statements. The most recent valuation as at December 31, 2012 indicates a surplus of \$772,494 (2011 - deficit \$240,911) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

Alberta Urban Municipalities Association Municipal Supplementary Executive Retirement Plan

Certain employees of the County are eligible to be members of the Alberta Urban Municipalities Association MuniSERP pension plan, a multi-employer pension plan. This plan differs from other multi-employer pension plans in that the pension liability is calculated on an individual member basis. This plan provides defined pension benefits to employees based on their length of service and rates of pay.

	2013	2012
Employer contributions	\$ 122,409	\$ 74,430

This pension benefits in this plan were paid to the member employee during the year and the plan was closed.

Lacombe County
Notes to Consolidated Financial Statements

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16. Remuneration Disclosure

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

	<u>Council Compensation</u>	<u>Benefits & Allowances</u>	<u>Total 2013</u>	<u>Total 2012</u>
Councillors:				
Division 1	\$ 48,337	\$ 12,865	\$ 61,202	\$ 62,809
Division 2	50,343	14,463	64,806	65,623
Division 3	37,807	9,668	47,475	44,955
Division 3	8,668	1,697	10,365	-
Division 4	48,050	14,798	62,848	56,288
Division 5 - Reeve	61,558	19,355	80,913	77,973
Division 6	50,112	14,716	64,828	62,978
Division 7	44,856	15,162	60,018	63,417
	<u>Salary</u>	<u>Benefits & Allowances</u>	<u>Total 2013</u>	<u>Total 2012</u>
Administration:				
Chief Administrative Officer	236,973	132,055	369,028	342,355
Designated Officer	111,426	19,415	130,841	132,805

Council Compensation: includes base pay, per diem and expenses for attending meetings and other Council functions.

Council Benefits and Allowances: includes the County's contribution for health, dental and insurance benefits, convention expenses, and mileage paid for attending meetings and other Council functions.

Chief Administrative Officer and Designated Officer Salary: includes regular base pay.

Chief Administrative Officer and Designated Office Benefits and Allowances: includes the County's contribution for Canada Pension Plan, Employment Insurance, health, dental and insurance benefits, pension, professional memberships, tuition and mileage.

Lacombe County
Notes to Consolidated Financial Statements

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17. Debt Limits

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

	2013	2012
Total debt limit	\$49,604,291	\$ 47,150,555
Total debt	-	-
Total debt limit available	<u>49,604,291</u>	<u>47,150,555</u>
Debt servicing limit	8,267,382	7,858,426
Debt servicing	-	-
Total debt servicing limit available	<u>8,267,382</u>	<u>7,858,426</u>

The debt limit is calculated at 1.5 times revenue of the County (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, 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

The County is a member of the Genesis Reciprocal Insurance Exchange. Under the terms of membership, the 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
Notes to Consolidated Financial Statements

December 31, 2013

19. Funds Held in Trust

Certain assets have been conveyed or assigned to the County to be administered as directed by agreement or statute. The County holds the assets for the benefit of and stand in fiduciary relationship to the beneficiaries. The following trust funds and assets are excluded from the County's financial statements:

	<u>2013</u>	<u>2012</u>
Tax Sale Surplus	\$ 251,609	\$ 249,106
Scholarships	38,793	38,793
Mirror Cemetery Perpetual Care Fund	13,295	12,895
Drainage Maintenance Funds	43,606	44,295
Lacombe Regional Solid Waste Authority	2,380,147	2,203,165
Shared Fire Equipment Funds	354,897	308,306
	<u>\$ 3,082,347</u>	<u>\$ 2,856,560</u>

The Lacombe Regional Solid Waste Authority was established in 1984 for the purpose of jointly controlling, constructing, maintaining and managing a regional solid waste disposal system. The Municipality is a member of the Authority and provides bookkeeping and administrative support. Members of the Authority are requisitioned quarterly for their portion of operating and capital expenditures on a per capita basis. This requisition includes an allocation to fund the closure/ post closure liability of the Authority.

The Shared Fire Equipment Funds consist of various agreements between the Municipality and municipalities within Lacombe County who have agreed to share the costs of operating jointly owned fire equipment.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2013

20. Budget

The budget adopted by Council on May 9, 2013 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget anticipated a deficit after transfers to reserve to account for the change in inventory. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the budget adopted by Council on May 9, 2013 with adjustments as follows:

	Budget	Amortization Allocation	Budget per Financial Statements	Actual per Financial Statements
Total Revenues	\$ 39,247,365	-	39,247,365	\$ 39,433,995
General government	4,177,590	264,659	4,442,249	4,159,743
Protective services	1,765,260	184,409	1,949,669	1,801,734
Transportation services	6,834,673	19,972,748	26,807,421	27,454,211
Environmental services	1,407,460	60,023	1,467,483	1,248,503
Cemetery	226,500	-	226,500	75,694
Social and family services	471,790	-	471,790	476,220
Recreation and cultural services	3,391,520	96,586	3,488,106	4,136,276
Planning and development	1,203,250	-	1,203,250	1,100,187
Agriculture services	1,106,900	151,912	1,258,812	1,185,596
Write-down of capital assets	-	-	-	1,903,010
Total Expenditures	20,584,943	20,730,337	41,315,280	43,541,174
Excess of revenues over expenditures	18,662,422	(20,730,337)	(2,067,915)	(4,107,179)
Capital expenditures	(20,692,660)	-	(20,692,660)	(15,320,430)
Contributed assets	-	-	-	(40,346)
Amortization	-	20,730,337	20,730,337	20,730,338
Gain on disposal	-	-	-	(637,812)
Proceeds on sale of capital	809,440	-	809,440	904,350
Write-downs	-	-	-	1,903,010
	(1,220,798)	-	(1,220,798)	3,431,931
Change in inventory	-	-	-	(747,960)
	(1,220,798)	-	(1,220,798)	2,683,971
Inter-fund transfers	1,976,615	-	1,976,615	(2,674,565)
	\$ 755,817	-	755,817	\$ 9,406

December 31, 2013

21. Segmented Information

The County is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General government

Provides legislative and administrative oversight for the entire County.

Protective services

Provides fire, ambulance, safety, community peace officer, and bylaw services for the entire County.

Transportation services

Manages the County's fleet of equipment as well as maintain and improve the County's infrastructure.

Environmental services

Provides water, wastewater, solid waste and recycling services.

Cemetery

Provides support and funding for various cemetery groups in the County.

Social and family services

Provides family and community support services.

Recreation and cultural services

Provides funding to recreation groups including other local municipalities within the County.

Planning and development

Provides services related to all property development plans through its application process.

Agriculture services

Provides services for weed and pest control as well as horticulture and soil conservation.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers have been eliminated. The revenues and expenses that are directly attributable to a particular segment are allocated to that segment. Taxation revenue is revenue of the County as a whole and has not been allocated to individual segments. It has been allocated in its entirety to general government.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2013

21. Segmented Information (continued) - 2013

For the year ended December 31	General government	Protective services	Transportation services	Environmental services	Cemetery	Social and family services	Recreation and cultural service	Planning and development	Agriculture services	2013 Total
Revenue										
Taxation	\$ 25,840,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	25,840,332
Government transfers	305,916	-	1,769,994	5,141,561	-	253,046	750,000	103,267	213,355	8,537,139
User fees and service charges	162,984	335,573	794,604	444,654	2,610	-	-	51,750	21,891	1,814,066
Sales to other governments	-	-	26,949	862	-	142,325	-	-	-	170,136
Permits, licenses and fines	409,531	9,475	48,576	1,548	-	-	-	36,613	1,300	507,043
Investment income	1,299,237	-	-	-	-	-	-	-	-	1,299,237
Gain on sale of assets	-	(23,534)	660,145	-	-	-	-	-	1,201	637,812
Contributed assets	-	-	-	-	-	-	40,346	-	-	40,346
Other	182,431	(1)	6,650	338,764	20	-	51,140	-	8,880	587,884
	<u>28,200,431</u>	<u>321,513</u>	<u>3,306,918</u>	<u>5,927,389</u>	<u>2,630</u>	<u>395,371</u>	<u>841,486</u>	<u>191,630</u>	<u>246,627</u>	<u>39,433,995</u>
Expenses										
Salaries and wages	2,763,676	798,402	3,891,486	188,467	-	12,855	-	819,737	603,248	9,077,871
Contracted and general services	745,808	362,009	1,349,735	170,119	16,576	67,719	325,097	273,530	153,288	3,463,881
Goods, materials and supplies	284,608	285,567	2,221,931	131,256	-	100	5,013	6,920	277,148	3,212,543
Transfers to other organizations	98,780	171,347	18,311	696,025	59,118	395,546	3,709,580	-	-	5,148,707
Cancellations and uncollectible	2,212	-	-	2,613	-	-	-	-	-	4,825
Amortization	264,659	184,409	19,972,748	60,023	-	-	96,586	-	151,912	20,730,337
Write-down of capital assets	-	-	1,903,010	-	-	-	-	-	-	1,903,010
	<u>4,159,743</u>	<u>1,801,734</u>	<u>29,357,221</u>	<u>1,248,503</u>	<u>75,694</u>	<u>476,220</u>	<u>4,136,276</u>	<u>1,100,187</u>	<u>1,185,596</u>	<u>43,541,174</u>
Net surplus (deficit)	\$ 24,040,688	\$ (1,480,221)	\$ (26,050,303)	\$ 4,678,886	\$ (73,064)	\$ (80,849)	\$ (3,294,790)	\$ (908,557)	\$ (938,969)	\$ (4,107,179)

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2013

21. Segmented Information (continued) - 2012

For the year ended December 31	General government	Protective services	Transportation services	Environmental services	Cemetery	Social and family services	Recreation and cultural service	Planning and development	Agriculture services	2012 Total
Revenue										
Taxation	\$ 25,170,310	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	25,170,310
Government transfers	284,575	60,952	7,694,357	43,873	-	251,528	-	25,083	232,263	8,592,631
User fees and service charges	177,316	351,679	753,706	460,439	800	-	-	54,750	40,901	1,839,591
Sales to other governments	-	19,347	80,714	-	-	136,500	-	-	-	236,561
Permits, licenses and fines	378,608	7,260	55,868	1,634	-	-	-	36,352	1,250	480,972
Investment income	1,136,478	-	-	-	-	-	-	-	-	1,136,478
Gain on sale of assets	-	-	645,472	-	-	-	-	-	-	645,472
Contributed assets	-	-	-	-	-	-	350,001	-	-	350,001
Other	224,633	75,000	24,448	569	-	-	288,790	-	11,356	624,796
	<u>27,371,920</u>	<u>514,238</u>	<u>9,254,565</u>	<u>506,515</u>	<u>800</u>	<u>388,028</u>	<u>638,791</u>	<u>116,185</u>	<u>285,770</u>	<u>39,076,812</u>
Expenses										
Salaries and wages	2,555,942	750,123	3,543,019	176,787	-	14,566	-	745,753	564,243	8,350,433
Contracted and general services	654,496	383,925	1,284,923	286,464	37,107	64,800	292,825	154,430	155,641	3,314,611
Goods, materials and supplies	237,727	268,927	1,749,186	126,216	1,008	100	5,994	8,301	210,545	2,608,004
Transfers to other organizations	64,685	170,170	129,406	1,445,406	44,182	374,663	1,078,636	-	23,333	3,330,481
Cancellations and uncollectible	18,835	-	-	2,919	-	-	-	-	-	21,754
Amortization	265,580	172,272	19,603,605	57,692	-	-	46,343	-	122,984	20,268,476
Write-down of capital assets	-	-	4,479,183	-	-	-	-	-	-	4,479,183
Loss on sale of capital assets	-	-	-	-	-	-	-	-	-	-
	<u>3,797,265</u>	<u>1,745,417</u>	<u>30,789,322</u>	<u>2,095,484</u>	<u>82,297</u>	<u>454,129</u>	<u>1,423,798</u>	<u>908,484</u>	<u>1,076,746</u>	<u>42,372,942</u>
Net surplus (deficit)	\$ 23,574,655	\$ (1,231,179)	\$ (21,534,757)	\$ (1,588,969)	\$ (81,497)	\$ (66,101)	\$ (785,007)	\$ (792,299)	\$ (790,976)	\$ (3,296,130)

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2013

22. Comparative Figures

Wherever necessary, comparative figures have been reclassified to conform with current year financial statement presentation.

23. Approval of Financial Statements

Council and Management approved these financial statements.
