

Lacombe County
Consolidated Financial Statements
For the year ended December 31, 2016

Lacombe County
Consolidated Financial Statements
For the year ended December 31, 2016

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Independent Auditors' 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, 2016, 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, 2016 and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

April 27, 2017
Lacombe, Alberta

Chartered Professional Accountants

Lacombe County
Consolidated Statement of Financial Position

December 31	2016	2015
Financial assets		
Cash and cash equivalents (Note 1)	\$ 64,551,976	\$ 64,151,418
Investments (Note 2)	14,229,528	14,009,167
Taxes receivable (Note 3)	788,225	671,696
Accounts receivable (Note 4)	6,760,418	6,195,220
Inventories for resale (Note 5)	417,211	278,037
	86,747,358	85,305,538
Liabilities		
Accounts payable and accrued liabilities	6,811,538	4,583,463
Employee benefit obligation (Note 6)	1,230,948	1,188,077
Deposit liabilities	2,141,935	1,898,024
Deferred revenue (Note 7)	3,839,612	3,093,348
	14,024,033	10,762,912
Net financial assets	72,723,325	74,542,626
Non-financial assets		
Tangible capital assets (Note 8)	316,387,290	319,484,749
Prepaid expenses and inventories of supplies (Note 9)	6,575,040	7,029,565
	322,962,330	326,514,314
Accumulated surplus (Note 10)	\$ 395,685,655	\$ 401,056,940
Contingencies and commitments (Note 19)		
Liability for contaminated sites (Note 20)		
Funds held in trust (Note 21)		

Lacombe County
Consolidated Statement of Operations

For the year ended December 31	Budget 2016	2016	2015
Revenues			
Taxation - net (Note 12)	\$ 27,206,900	\$ 27,158,217	\$ 26,431,074
Taxation - other (Note 13)	730,000	890,970	962,744
Development levies	1,652,450	770,045	218,379
Government transfers (Note 14)	4,940,300	4,971,357	5,617,820
Sales, user charges and costs recovered	1,596,040	1,795,238	2,137,256
Sales to other governments	979,880	1,056,282	1,494,987
Permits, licenses, fines, penalties and rentals	439,530	540,313	931,872
Interest, royalties and patronage allocations	1,372,230	1,431,718	1,447,810
Contributed assets	-	4,838,361	2,944,568
Gain on sale of tangible capital assets	-	60,141	149,784
Other	476,700	263,455	228,602
	<u>39,394,030</u>	<u>43,776,097</u>	<u>42,564,896</u>
Expenditures (Note 15)			
General government	5,994,733	5,887,302	5,862,418
Protective services	2,284,110	2,241,474	2,339,234
Transportation services	28,642,172	29,555,603	28,584,816
Environmental services	2,419,236	2,274,885	2,176,261
Cemetery	68,000	51,025	259,626
Social and family services	539,890	536,528	495,110
Recreation and cultural services	4,967,466	4,795,193	2,782,538
Planning and development	1,542,060	1,234,849	1,174,265
Agriculture services	1,200,310	1,215,152	1,146,542
Write-down of tangible capital assets	-	1,318,357	32,308
Loss on sale of tangible capital assets	-	37,014	41,575
	<u>47,657,977</u>	<u>49,147,382</u>	<u>44,894,693</u>
Excess (deficiency) of revenue over expenditures	<u>(8,263,947)</u>	<u>(5,371,285)</u>	<u>(2,329,797)</u>
Accumulated surplus, beginning of year	<u>401,056,940</u>	<u>401,056,940</u>	<u>403,386,737</u>
Accumulated surplus, end of year	<u>\$ 392,792,993</u>	<u>\$ 395,685,655</u>	<u>\$ 401,056,940</u>

Lacombe County
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2016	2016	2015
Excess (deficiency) of revenue over expenditures	\$ (8,263,947)	\$ (5,371,285)	\$ (2,329,797)
Acquisition of tangible capital assets	(17,841,590)	(15,527,455)	(16,756,991)
Acquisition of contributed assets	-	(4,838,361)	(2,944,568)
Amortization of tangible capital assets	21,897,407	21,897,407	22,043,771
Net loss (gain) on sale of tangible capital assets	-	(23,127)	(108,209)
Proceeds on sale of tangible capital assets	147,950	270,638	332,480
Write-downs of tangible capital assets	-	1,318,357	32,308
	(4,060,180)	(2,273,826)	268,994
Change in prepaid expenses and inventory of supplies	(1,015,380)	454,525	(417,262)
Net change in net financial assets	(5,075,560)	(1,819,301)	(148,268)
Net financial assets, beginning of year	74,542,626	74,542,626	74,690,894
Net financial assets, end of year	\$ 69,467,066	\$ 72,723,325	\$ 74,542,626

Lacombe County
Consolidated Statement of Cash Flows

For the year ended December 31	2016	2015
Operating transactions		
Excess (deficiency) of revenue over expenditures	\$ (5,371,285)	\$ (2,329,797)
Items not involving cash		
Contributed assets	(4,838,361)	(2,944,568)
Amortization	21,897,407	22,043,771
Gain on disposal of tangible capital assets	(60,141)	(149,784)
Write-down of tangible capital asset	1,318,357	32,308
Loss on disposal of tangible capital assets	37,014	41,575
Changes in non-cash operating balances		
Taxes receivable	(116,529)	(111,458)
Accounts receivable	(565,198)	(2,273,935)
Inventories for resale	(139,174)	117,819
Prepaid expenses and inventories of supplies	454,525	(417,262)
Accounts payable and accrued liabilities	2,228,075	1,069,615
Employee Benefits Plan liability	42,871	68,636
Deposit liabilities	243,911	377,291
Deferred revenue	746,264	2,339,260
	<u>15,877,736</u>	<u>17,863,471</u>
Capital transactions		
Acquisition of tangible capital assets	(15,527,455)	(16,756,991)
Proceeds on sale of tangible capital assets	270,638	332,480
	<u>(15,256,817)</u>	<u>(16,424,511)</u>
Investing transactions		
Increase of investments	(220,361)	(384,864)
Restricted cash balances	(992,175)	(2,819,275)
	<u>(1,212,536)</u>	<u>(3,204,139)</u>
Net change in cash and cash equivalents	(591,617)	(1,765,179)
Cash and cash equivalents, beginning of year	<u>59,162,046</u>	<u>60,927,225</u>
Cash and cash equivalents, end of year	<u>\$ 58,570,429</u>	<u>\$ 59,162,046</u>
Cash and cash equivalents is comprised of:		
Cash and cash equivalents	\$ 64,551,976	\$ 64,151,418
Less: restricted (Note 1)	<u>(5,981,547)</u>	<u>(4,989,372)</u>
	<u>\$ 58,570,429</u>	<u>\$ 59,162,046</u>

Lacombe County
Summary of Significant Accounting Policies

December 31, 2016

**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 Chartered Professional Accountants of Canada.

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.

The following entities have been proportionately consolidated:

City of Lacombe Shared Fire Fund	50%
Town of Bentley Shared Fire Fund	50%
Town of Blackfalds Shared Fire Fund	50%
Town of Eckville Shared Fire Fund	50%
Village of Alix Shared Fire Fund	50%
Village of Clive Shared Fire Fund	50%

**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, 2016

**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, 2016

**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 public sector accounting standards 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.

**Liability for
Contaminated Sites**

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to the remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded at net of any expected recoveries.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2016

1. Cash and Cash Equivalents

	2016	2015
Current account (bank prime less 1.85%)	\$ 2,114,813	\$ (1,789,042)
GIC investments with interest rates varying from 0.60% to 4.47% and maturing in 2015 to 2019	60,324,828	64,071,936
Security deposits	2,112,335	1,868,524
	\$ 64,551,976	\$ 64,151,418

The County has an undrawn line of credit with a limit of \$15 million that carries an interest rate of prime less 0.50%. The line of credit is secured by a general lien on County assets. As at December 31, 2016 the prime rate was 2.70% (2015- 2.70%)

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.

	2016	2015
Municipal Sustainability Initiative	3,602,861	2,372,112
ASB	-	504,707
Transportation	31,883	173,350
Regional Collaboration	204,868	12,541
FCSS	-	9,590
Other	-	19,048
Deposit liabilities	2,141,935	1,898,024
	\$ 5,981,547	\$ 4,989,372

2. Investments

	2016	2015
Stripped coupons, residual bonds and accrual notes purchased at discounts yielding effective annual rates of 1.85% to 9.98% to maturity at cost	\$ 13,079,490	\$ 12,647,939
Estimated accrued interest	1,149,858	1,361,048
AMFC shares	180	180
	\$ 14,229,528	\$ 14,009,167

The market value of the County's marketable securities was \$14,360,408 (2015 - \$14,066,053).

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2016

3. Taxes Receivable

	2016	2015
Current taxes and grants in place	\$ 850,700	\$ 382,911
Non-current taxes and grants in place	406,662	388,785
	1,257,362	771,696
Allowance for doubtful accounts	(469,137)	(100,000)
	\$ 788,225	\$ 671,696

4. Accounts Receivable

Included in accounts receivable is \$1,027,495 (2015 - \$1,702,207) in offsite levies receivable. The offsite levies are receivable over either five or ten years and yield interest at 5% and 5.5% per year, respectively. The receivables are secured by a caveat on the title of the land to be developed.

Included in accounts receivable is an advance to the North Red Deer Wastewater Services Commission in the amount of \$1,013,726, including \$13,726 in accrued interest receivable. The advance is interest bearing at prime less 1.5%. The advance is repayable to the County through a reduction in its share of the overall cost of construction of the pipeline project.

5. Inventories for Resale

	2016	2015
Bridge materials	\$ 416,304	\$ 276,676
Land held for resale	907	1,361
	\$ 417,211	\$ 278,037

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2016

6. Employee Benefit Obligation

	2016	2015
Sick leave benefits	\$ 500,000	\$ 500,000
Vacation and overtime	730,948	688,077
	\$ 1,230,948	\$ 1,188,077

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, 2016 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.

7. Deferred Revenue

	Opening balance	Contributions received (returned)	Externally restricted investment income	Revenue recognized	Ending balance
ASB	\$ 504,707	(504,707)	-	-	\$ -
Transportation	175,350	555,951	771	(700,189)	31,883
MSI	2,372,112	4,038,404	32,692	(2,840,347)	3,602,861
FCSS	9,590	303,656	-	(313,246)	-
Regional Collaboration	12,541	418,559	3,050	(229,282)	204,868
Other	19,048	888,292	-	(907,340)	-
	\$ 3,093,348	5,700,155	36,513	(4,990,404)	\$ 3,839,612

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, 2016

8. Tangible Capital Assets - 2016

	Land	Land Improvements	Buildings	Equipment	Roads	Bridges	Water, Sewer and Other	Vehicles	Total
Cost, beginning of year	\$ 21,530,590	\$ 3,215,286	\$ 18,797,218	\$ 17,668,573	\$ 631,303,024	\$ 15,253,795	\$ 15,477,481	\$ 6,661,041	\$ 729,907,008
Additions	1,531,064	1,174,557	2,230,720	759,530	9,878,786	1,272,390	3,072,652	446,117	20,365,816
Disposals	-	-	(169,878)	(499,362)	-	-	-	(62,161)	(731,401)
Write-downs	-	-	-	(257,626)	(3,121,333)	(108,723)	(54,578)	-	(3,542,260)
Cost, end of year	<u>\$ 23,061,654</u>	<u>\$ 4,389,843</u>	<u>\$ 20,858,060</u>	<u>\$ 17,671,115</u>	<u>\$ 638,060,477</u>	<u>\$ 16,417,462</u>	<u>\$ 18,495,555</u>	<u>\$ 7,044,997</u>	<u>\$ 745,999,163</u>
Accumulated amortization, beginning of year	\$ -	\$ 609,540	\$ 3,107,138	\$ 9,687,565	\$ 386,950,539	\$ 6,588,248	\$ 689,072	\$ 2,790,157	\$ 410,422,259
Amortization	-	182,358	328,541	2,232,453	18,136,391	283,967	264,961	468,736	21,897,407
Disposals	-	-	(47,385)	(379,005)	-	-	-	(57,500)	(483,890)
Write-downs	-	-	-	(172,416)	(1,927,546)	(103,537)	(20,404)	-	(2,223,903)
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 791,898</u>	<u>\$ 3,388,294</u>	<u>\$ 11,368,597</u>	<u>\$ 403,159,384</u>	<u>\$ 6,768,678</u>	<u>\$ 933,629</u>	<u>\$ 3,201,393</u>	<u>\$ 429,611,873</u>
Net carrying amount, end of year	<u>\$ 23,061,654</u>	<u>\$ 3,597,945</u>	<u>\$ 17,469,766</u>	<u>\$ 6,302,518</u>	<u>\$ 234,901,093</u>	<u>\$ 9,648,784</u>	<u>\$ 17,561,926</u>	<u>\$ 3,843,604</u>	<u>\$ 316,387,290</u>

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2016

8. Tangible Capital Assets (continued) - 2015

	Land	Land Improvements	Buildings	Equipment	Roads	Bridges	Water, Sewer and other	Vehicles	Total
Cost, beginning of year	\$ 18,901,350	\$ 2,989,820	\$ 16,323,311	\$ 16,425,665	\$ 625,144,997	\$ 13,830,885	\$ 13,427,911	\$ 6,138,908	\$ 713,182,847
Additions	2,641,657	225,466	2,473,907	1,805,432	7,844,602	1,905,481	2,049,570	755,444	19,701,559
Disposals	(12,417)	-	-	(542,624)	-	(410,862)	-	(106,937)	(1,072,840)
Write-downs	-	-	-	(19,900)	(1,686,575)	(71,709)	-	(126,374)	(1,904,558)
Cost, end of year	<u>\$ 21,530,590</u>	<u>\$ 3,215,286</u>	<u>\$ 18,797,218</u>	<u>\$ 17,668,573</u>	<u>\$ 631,303,024</u>	<u>\$ 15,253,795</u>	<u>\$ 15,477,481</u>	<u>\$ 6,661,041</u>	<u>\$ 729,907,008</u>
Accumulated amortization, beginning of year	\$ -	\$ 430,061	\$ 2,767,993	\$ 7,485,899	\$ 370,634,286	\$ 6,828,681	\$ 379,127	\$ 2,573,260	\$ 391,099,307
Amortization	-	179,479	339,145	2,571,265	17,970,520	237,821	309,945	435,596	22,043,771
Disposals	-	-	-	(349,699)	-	(406,545)	-	(92,325)	(848,569)
Write-downs	-	-	-	(19,900)	(1,654,267)	(71,709)	-	(126,374)	(1,872,250)
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 609,540</u>	<u>\$ 3,107,138</u>	<u>\$ 9,687,565</u>	<u>\$ 386,950,539</u>	<u>\$ 6,588,248</u>	<u>\$ 689,072</u>	<u>\$ 2,790,157</u>	<u>\$ 410,422,259</u>
Net carrying amount, end of year	<u>\$ 21,530,590</u>	<u>\$ 2,605,746</u>	<u>\$ 15,690,080</u>	<u>\$ 7,981,008</u>	<u>\$ 244,352,485</u>	<u>\$ 8,665,547</u>	<u>\$ 14,788,409</u>	<u>\$ 3,870,884</u>	<u>\$ 319,484,749</u>

The net book value of tangible capital assets not being amortized because they are under construction is \$1,463,592 (2015 - \$2,422,000). \$4,838,361 (2015 - \$2,944,568) in contributed assets was recognized in the financial statements during the year.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2016

9. Prepaid Expenses and Inventories of Supplies

	<u>2016</u>	<u>2015</u>
Crushed gravel	\$ 1,569,834	\$ 1,334,617
Undeveloped gravel pits	4,283,610	4,232,067
Materials and supplies	442,466	418,200
Prepaid expenses	<u>279,130</u>	<u>1,044,681</u>
	<u>\$ 6,575,040</u>	<u>\$ 7,029,565</u>

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2016

10. Accumulated Surplus

	2016	2015
Equity in tangible capital assets	\$ 316,387,290	\$ 319,484,749
Equity in other non-financial assets	6,575,040	7,029,565
Unrestricted surplus	367,065	672,958
	323,329,395	327,187,272
 <u>Restricted surplus (Reserves)</u>		
Main Road	17,217,224	14,827,289
Public Works Equipment	10,926,970	8,679,182
Municipal Facilities	615,640	2,467,323
Protective Services	3,535,372	3,128,048
Gravel	2,074,039	2,507,799
Subdivision Pavement	3,444,452	3,102,352
Land Development	416,437	410,639
Recreation Capital Assistance	4,053,338	5,728,246
Funds in Lieu of Reserve Land	1,009,140	986,784
Subdivision Road Development	1,627,857	1,425,287
Agriculture Equipment	1,060,074	897,751
Peace Officers Equipment	247,697	182,177
Disaster Services	500,000	500,000
Hamlet Street Improvement	415,352	348,752
Tax Rate Stabilization	2,047,000	1,567,000
Shared Fire Funds	226,004	-
Lake Access	807,404	1,158,783
Hamlet of Mirror Contingency	37,458	788,581
Hamlet of Mirror Water	5,523	42,915
Hamlet of Mirror Sewer	151,735	130,686
Community Aggregate Levy	2,699,810	5,359,705
Water - Waste Water	7,343,370	6,740,804
New Pavement	833,556	1,971,993
Trails	539,837	625,788
Bridge	5,893,628	4,960,186
Shores Water-Sewer	42,406	42,406
Slopes Water-Sewer	53,125	53,125
Operational	3,958,845	4,757,180
Cemetery	245,996	220,216
Lakeview Estates Water Reserve	23,964	17,644
Gull Lake Stabilization Reserve	303,007	241,027
	72,356,260	73,869,668
	\$ 395,685,655	\$ 401,056,940

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, 2016

11. Change in Accumulated Surplus

	Unrestricted surplus	Equity in other non- financial assets	Restricted surplus	Equity in tangible capital assets	2016	2015
Balance, beginning of year	\$ 672,958	\$ 7,029,565	\$ 73,869,668	\$ 319,484,749	\$ 401,056,940	\$ 403,386,737
Excess (deficiency) of revenue over expenses	(5,371,285)	-	-	-	(5,371,285)	(2,329,797)
Operating transfers to restricted surplus	(14,966,728)	-	14,966,728	-	-	-
Operating transfers from restricted surplus	6,799,892	-	(6,799,892)	-	-	-
Capital transfers from restricted surplus	9,680,244	-	(9,680,244)	-	-	-
Acquisition of capital	(15,527,455)	-	-	15,527,455	-	-
Contributed assets	(4,838,361)	-	-	4,838,361	-	-
Disposals and write-down of assets	1,565,868	-	-	(1,565,868)	-	-
Amortization	21,897,407	-	-	(21,897,407)	-	-
Change in non-financial assets	454,525	(454,525)	-	-	-	-
Change in current year accumulated surplus	\$ (305,893)	\$ (454,525)	\$ (1,513,408)	\$ (3,097,459)	\$ (5,371,285)	\$ (2,329,797)
Balance, end of year	\$ 367,065	\$ 6,575,040	\$ 72,356,260	\$ 316,387,290	\$ 395,685,655	\$ 401,056,940

Lacombe County
Notes to Consolidated Financial Statements

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12. Taxation - Net

	Budget 2016	2016	2015
Real property	\$ 18,303,780	\$18,279,380	\$ 16,692,407
Machinery and equipment	12,589,280	12,574,159	12,730,316
Linear property	7,773,300	7,770,607	7,962,340
Government grants in place of property taxes	130,560	124,093	127,201
	<u>38,796,920</u>	<u>38,748,239</u>	<u>37,512,264</u>
Requisitions			
Alberta School Foundation Fund	11,174,100	11,174,101	10,656,524
Lacombe Foundation	415,920	415,921	424,666
	<u>11,590,020</u>	<u>11,590,022</u>	<u>11,081,190</u>
Available for general municipal purposes	<u>\$ 27,206,900</u>	<u>\$27,158,217</u>	<u>\$ 26,431,074</u>

13. Taxation - other

	Budget 2016	2016	2015
Community Aggregate Payment Levy	\$ 700,000	\$ 599,018	\$ 946,282
Well Drilling Tax	30,000	291,952	16,462
	<u>730,000</u>	<u>890,970</u>	<u>962,744</u>

The Community Aggregate Payment Levy is authorized through the Municipal Government Act and established through an approved bylaw. The levy is imposed in respect of all sand and gravel businesses operating in the municipality to raise revenue to be used toward the payment of infrastructure and other costs of the municipality. The amount of revenue generated fluctuates from year to year based upon sand and gravel activity. The levy rate applied is \$0.25 per tonne of sand or gravel hauled.

The Well Drilling Equipment Tax is authorized through the Municipal Government Act and established through an approved bylaw. The revenue generated is based upon the amount of well drilling activity from year to year and rates set by Alberta Regulation.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2016

14. Government Transfers

	Budget 2016	2016	2015
Operating			
General government	\$ 152,360	\$ 152,205	\$ 146,195
Protective services	27,060	27,060	-
Transportation services	1,075,950	1,076,722	406,657
Environmental services	55,000	55,000	123,559
Public health and welfare	313,240	313,246	262,435
Planning and development	353,340	229,283	38,063
Agriculture services	167,650	171,809	168,359
Recreation services	-	-	64,688
	\$ 2,144,600	\$ 2,025,325	\$ 1,209,956
Capital			
Protective services	250,000	475,999	-
Transportation services	2,020,350	2,326,566	3,185,982
Environmental services	-	-	1,221,882
Recreation services	525,350	143,467	-
	\$ 2,795,700	\$ 2,946,032	\$ 4,407,864
Total government transfers	\$ 4,940,300	\$ 4,971,357	\$ 5,617,820

15. Expenses by Object

	Budget 2016	2016	2015
Salaries and wages	\$ 11,158,640	\$ 10,727,360	\$ 10,359,601
Contracted and general services	4,788,400	3,919,181	3,152,088
Goods, materials and supplies	2,064,080	2,539,037	3,139,213
Transfers to other organizations	7,221,350	7,880,372	5,931,948
Purchases from other governments	207,560	181,134	191,281
Cancellations and uncollectible	320,540	647,520	2,909
Amortization	21,897,407	21,897,407	22,043,770
Write-downs and losses on capital	-	1,355,371	73,883
	\$ 47,657,977	\$ 49,147,382	\$ 44,894,693

The budget figure for amortization has been adjusted from the budget approved by council May 2, 2016 (Note 22). Amortization is not funded by the County.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2016

16. 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:

	2016	2015
Employer contributions	\$ 792,134	\$ 726,926
Employee contributions	730,873	661,382
	\$ 1,523,007	\$ 1,388,308

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, 2015 indicates a deficit of \$923 million (2014 - 2.455 billion) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

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.

	2016	2015
Employer contributions	\$ 13,005	\$ 12,685
Employee contributions	10,838	10,571
	\$ 23,843	\$ 23,256

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, 2015 indicates a surplus of \$677,018 (2014 - \$6,079,290) 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, 2016

17. 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 2016</u>	<u>Total 2015</u>
Councillors:				
Division 1	\$ 53,999	\$ 16,283	\$ 70,282	\$ 78,455
Division 2	60,339	18,061	78,400	81,948
Division 3	51,620	13,185	64,805	68,266
Division 4 - Reeve	59,968	13,506	73,474	79,752
Division 5	58,279	14,611	72,890	71,796
Division 6	49,244	15,277	64,521	67,810
Division 7	50,775	14,951	65,726	69,787
Administration:				
Chief Administrative Officer	252,910	45,404	298,314	294,223
Designated Officer	130,585	20,484	151,069	143,078

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.

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Notes to Consolidated Financial Statements

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18. 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:

	2016	2015
Total debt limit	\$53,987,151	\$ 52,666,478
Total debt	-	-
Total debt limit available	<u>53,987,151</u>	<u>52,666,478</u>
Debt servicing limit	8,997,859	8,777,746
Debt servicing	-	-
Total debt servicing limit available	<u>8,997,859</u>	<u>8,777,746</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.

19. 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.

The County has entered into an agreement with the Town of Blackfalds to purchase water and wastewater services from the Town of Blackfalds to serve the Joint Economic Area. Rates are set on an annual basis. The agreement will expire in 2054 with an option for renewal. Either party may terminate this agreement with three years written notice.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2016

20. Liability for Contaminated Sites

Effective for years beginning on or after April 1, 2014, municipalities and other public sector entities were required to account for and report liabilities related to the remediation of contaminated sites (Section PS 3260).

In 2015, County management undertook steps to identify sites that would fall under this accounting standard including a comprehensive review of all properties owned and controlled by the County. No sites were identified that would fall under this standard.

Management reviewed the prior year analysis and 2016 activity in the County and again determined that no sites required liability reporting.

21. 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:

	2016		2015
Tax Sale Surplus	\$ 43,898	\$	41,785
Scholarships	38,793		38,793
Mirror Cemetery Perpetual Care Fund	14,695		14,475
Drainage Maintenance Funds	45,463		44,924
Lacombe Regional Waste Services Commission	-		2,407
Shared Fire Equipment Funds	174,928		337,720
	<u>\$ 317,777</u>	\$	<u>480,104</u>

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.

During the year, the County received land in lieu of cash as a security deposit. The County has agreed to not sell lots titled to the County unless the developer defaults on the development agreement.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2016

22. Budget

The budget adopted by Council on May 12, 2016 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 12, 2016 with adjustments as follows:

	Budget	Amortization Allocation	Budget per Financial Statements	Actual per Financial Statements
Total Revenues	\$ 39,394,030	-	39,394,030	\$ 43,776,097
General government	5,696,810	297,923	5,994,733	5,887,302
Protective services	2,021,450	262,660	2,284,110	2,241,474
Transportation services	7,929,850	20,712,322	28,642,172	29,555,603
Environmental services	2,094,040	325,196	2,419,236	2,274,885
Cemetery	68,000	-	68,000	51,025
Social and family services	539,890	-	539,890	536,528
Recreation and cultural services	4,809,780	157,686	4,967,466	4,795,193
Planning and development	1,542,060	-	1,542,060	1,234,849
Agriculture services	1,058,690	141,620	1,200,310	1,215,152
Write-down of capital assets	-	-	-	1,318,357
Loss on sale of capital assets	-	-	-	37,014
Total Expenditures	25,760,570	21,897,407	47,657,977	49,147,382
Excess of revenues over expenditures	13,633,460	(21,897,407)	(8,263,947)	(5,371,285)

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2016

23. Reconciliation of Operating Results to Budget

	Budget 2016	2016	2015
Excess (deficiency) of revenue over expenditures, per financial statements	\$ (8,263,947)	\$ (5,371,285)	\$ (2,329,797)
Add back:			
Amortization expense	21,897,407	21,897,407	22,043,770
Proceeds on disposal of capital assets	147,950	270,638	332,480
Write-downs of capital assets	-	1,318,357	32,308
Net transfers (to) from reserves	4,762,560	1,513,408	245,551
Use (purchase) of inventory	(1,015,380)	454,525	(417,262)
Deduct:			
Tangible capital asset purchases	(17,841,590)	(15,527,455)	(16,756,991)
(Gain) loss on disposal of capital assets	-	(23,127)	(108,209)
Contributed assets	-	(4,838,361)	(2,944,568)
Results of operations before adjustments	(313,000)	(305,893)	97,282
Use of unrestricted surplus to fund allowance for doubtful accounts	313,000	313,000	-
Results of operations	\$ -	\$ 7,107	\$ 97,282

The budget figure for amortization has been adjusted from the budget approved by Council May 12, 2016 (Note 22). Amortization is not funded by the County.

The County budgeted to fund an increase in allowance for doubtful accounts in the current year from the prior year operating surplus.

December 31, 2016

24. 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, 2016

24. Segmented Information (continued) - 2016

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	2016 Total
Revenue										
Taxation	\$ 28,049,187	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,049,187
Government transfers	152,205	503,059	3,403,288	-	-	313,246	143,467	284,283	171,809	4,971,357
User fees and service charges	46,629	37,331	928,018	683,177	1,680	-	-	81,198	17,205	1,795,238
Sales to other governments	108,379	278,823	174,431	95,685	-	141,033	100,000	-	157,931	1,056,282
Permits, licenses and fines	276,797	140,205	69,258	-	-	-	-	52,800	1,253	540,313
Investment income	1,431,718	-	-	-	-	-	-	-	-	1,431,718
Gain on sale of assets	-	-	59,128	-	-	-	1,013	-	-	60,141
Contributed assets	-	-	2,798,098	1,814,675	-	-	225,588	-	-	4,838,361
Other	959,320	-	66,566	-	-	-	7,614	-	-	1,033,500
	<u>31,024,235</u>	<u>959,418</u>	<u>7,498,787</u>	<u>2,593,537</u>	<u>1,680</u>	<u>454,279</u>	<u>477,682</u>	<u>418,281</u>	<u>348,198</u>	<u>43,776,097</u>
Expenses										
Salaries and wages	3,151,236	1,160,377	4,455,307	532,042	-	13,153	-	869,128	546,117	10,727,360
Contracted and general services	755,092	354,709	1,694,071	216,810	11,708	-	243,434	374,878	268,479	3,919,181
Goods, materials and supplies	171,974	211,835	1,790,232	78,242	391	-	53,181	17,190	215,992	2,539,037
Transfers to other organizations	865,555	251,894	903,670	939,461	38,926	523,375	4,340,893	14,654	1,944	7,880,372
Cancellations and uncollectible	645,520	-	-	2,000	-	-	-	-	-	647,520
Purchases from other gov't	-	-	-	181,134	-	-	-	-	-	181,134
Amortization	297,923	262,660	20,712,322	325,196	-	-	157,686	-	141,620	21,897,407
Loss on sale of capital assets	85,210	-	1,198,973	54,937	-	-	-	-	16,251	1,355,371
	<u>5,972,510</u>	<u>2,241,475</u>	<u>30,754,575</u>	<u>2,329,822</u>	<u>51,025</u>	<u>536,528</u>	<u>4,795,194</u>	<u>1,275,850</u>	<u>1,190,403</u>	<u>49,147,382</u>
Net surplus (deficit)	\$ 25,051,725	\$ (1,282,057)	\$ (23,255,788)	\$ 263,715	\$ (49,345)	\$ (82,249)	\$ (4,317,512)	\$ (857,569)	\$ (842,205)	\$ (5,371,285)

Lacombe County
Notes to Consolidated Financial Statements

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24. Segmented Information (continued) - 2015

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	2015 Total
Revenue										
Taxation	\$ 27,393,818	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,393,818
Government transfers	146,195	-	3,592,639	1,290,441	-	262,435	64,688	93,063	168,359	5,617,820
User fees and service charges	35,484	374,023	977,844	665,272	1,950	-	-	63,762	18,921	2,137,256
Sales to other governments	105,997	343,206	640,252	112,191	-	153,186	100,000	-	40,155	1,494,987
Permits, licenses and fines	616,445	212,336	70,866	-	-	-	-	31,500	725	931,872
Investment income	1,447,810	-	-	-	-	-	-	-	-	1,447,810
Gain on sale of assets	1,583	-	148,201	-	-	-	-	-	-	149,784
Contributed assets	-	-	611,607	57,170	-	-	2,275,791	-	-	2,944,568
Other	431,850	-	13,702	-	-	-	1,429	-	-	446,981
	<u>30,179,182</u>	<u>929,565</u>	<u>6,055,111</u>	<u>2,125,074</u>	<u>1,950</u>	<u>415,621</u>	<u>2,441,908</u>	<u>188,325</u>	<u>228,160</u>	<u>42,564,896</u>
Expenses										
Salaries and wages	3,026,086	1,107,962	4,231,229	524,602	-	13,438	-	897,211	559,073	10,359,601
Contracted and general services	890,588	253,301	1,202,553	180,624	14,790	-	255,617	175,104	179,511	3,152,088
Goods, materials and supplies	268,286	249,311	2,229,038	74,768	4	100	58,111	8,163	251,432	3,139,213
Transfers to other organizations	1,375,992	495,087	600	907,260	244,832	481,572	2,332,818	93,787	-	5,931,948
Cancellations and uncollectible	909	-	-	2,000	-	-	-	-	-	2,909
Purchases from other gov't	-	-	-	191,281	-	-	-	-	-	191,281
Amortization	300,556	233,572	20,921,397	295,726	-	-	135,992	-	156,527	22,043,770
Write-down of capital assets	-	-	-	-	-	-	-	-	-	-
Loss on sale of capital assets	5,351	3,484	65,048	-	-	-	-	-	-	73,883
	<u>5,867,768</u>	<u>2,342,717</u>	<u>28,649,865</u>	<u>2,176,261</u>	<u>259,626</u>	<u>495,110</u>	<u>2,782,538</u>	<u>1,174,265</u>	<u>1,146,543</u>	<u>44,894,693</u>
Net surplus (deficit)	\$ 24,311,414	\$ (1,413,152)	\$ (22,594,754)	\$ (51,187)	\$ (257,676)	\$ (79,489)	\$ (340,630)	\$ (985,940)	\$ (918,383)	\$ (2,329,797)

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2016

25. Comparative Figures

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

26. Approval of Financial Statements

Council and Management approved these financial statements.
