

Lacombe County
Consolidated Financial Statements
For the year ended December 31, 2017

Lacombe County
Consolidated Financial Statements
For the year ended December 31, 2017

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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, 2017, 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, 2017 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 26, 2018
Lacombe, Alberta

Chartered Professional Accountants

Lacombe County
Consolidated Statement of Financial Position

December 31	2017	2016
Financial assets		
Cash and cash equivalents (Note 1)	\$ 65,288,020	\$ 64,551,976
Investments (Note 2)	14,618,974	14,229,528
Taxes receivable (Note 3)	938,757	788,225
Accounts receivable (Note 4)	3,084,048	6,760,418
Inventories for resale (Note 5)	393,797	417,211
	84,323,596	86,747,358
Liabilities		
Accounts payable and accrued liabilities	4,339,342	6,811,538
Employee benefit obligation (Note 6)	1,149,595	1,230,948
Deposit liabilities	1,982,988	2,141,935
Deferred revenue (Note 7)	1,663,483	3,839,612
	9,135,408	14,024,033
Net financial assets	75,188,188	72,723,325
Non-financial assets		
Tangible capital assets (Note 8)	309,902,324	316,387,290
Prepaid expenses and inventories of supplies (Note 9)	6,471,420	6,575,040
	316,373,744	322,962,330
Accumulated surplus (Note 10)	\$ 391,561,932	\$ 395,685,655
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 2017	2017	2016
Revenues			
Taxation - net (Note 12)	\$ 28,563,070	\$ 28,648,815	\$ 27,158,217
Taxation - other (Note 13)	730,600	1,027,676	890,970
Government transfers (Note 14)	6,951,340	4,254,469	5,112,390
Sales, user charges and costs recovered	1,542,880	1,850,635	1,795,238
Sales to other governments	808,260	907,560	915,249
Permits, licenses, fines, penalties and rentals	483,620	514,115	540,313
Interest, royalties and patronage allocations	1,328,630	1,474,608	1,431,718
Gain on sale of tangible capital assets	-	1,996,801	60,141
Contributed assets	-	2,514,930	4,838,361
Development levies	597,970	73,855	770,045
Other	128,880	68,116	263,455
	<u>41,135,250</u>	<u>43,331,580</u>	<u>43,776,097</u>
Expenditures (Note 15)			
General government	5,661,706	5,228,359	5,887,302
Protective services	2,244,561	2,066,632	2,241,474
Transportation services	28,604,010	29,095,701	29,555,603
Environmental services	8,209,622	2,456,030	2,274,885
Cemetery	64,670	53,026	51,025
Social and family services	535,770	570,692	536,528
Recreation and cultural services	4,994,114	4,623,407	4,795,193
Planning and development	1,293,450	1,140,626	1,234,849
Agriculture services	1,376,677	1,144,172	1,215,152
Write-down of tangible capital assets	-	956,784	1,318,357
Loss on sale of tangible capital assets	-	119,874	37,014
	<u>52,984,580</u>	<u>47,455,303</u>	<u>49,147,382</u>
Deficiency of revenue over expenditures	<u>(11,849,330)</u>	<u>(4,123,723)</u>	<u>(5,371,285)</u>
Accumulated surplus, beginning of year	<u>395,685,655</u>	<u>395,685,655</u>	<u>401,056,940</u>
Accumulated surplus, end of year	<u>\$ 383,836,325</u>	<u>\$ 391,561,932</u>	<u>\$ 395,685,655</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Lacombe County
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2017	2017	2016
Deficiency of revenue over expenditures	\$ (11,849,330)	\$ (4,123,723)	\$ (5,371,285)
Acquisition of tangible capital assets	(19,536,550)	(14,925,520)	(15,527,455)
Acquisition of contributed assets	-	(2,514,930)	(4,838,361)
Amortization of tangible capital assets	22,610,830	22,610,830	21,897,407
Gain on sale of tangible capital assets	-	(1,996,801)	(60,141)
Loss on sale of tangible capital assets	-	119,874	37,014
Proceeds on sale of tangible capital assets	1,925,500	2,234,729	270,638
Write-downs of tangible capital assets	-	956,784	1,318,357
	(6,849,550)	2,361,243	(2,273,826)
Change in prepaid expenses and inventory of supplies	(206,630)	103,620	454,525
Net change in net financial assets	(7,056,180)	2,464,863	(1,819,301)
Net financial assets, beginning of year	72,723,325	72,723,325	74,542,626
Net financial assets, end of year	\$ 65,667,145	\$ 75,188,188	\$ 72,723,325

Lacombe County
Consolidated Statement of Cash Flows

For the year ended December 31	2017	2016
Operating transactions		
Excess (deficiency) of revenue over expenditures	\$ (4,123,723)	\$ (5,371,285)
Items not involving cash		
Contributed assets	(2,514,930)	(4,838,361)
Amortization	22,610,830	21,897,407
Gain on disposal of tangible capital assets	(1,996,801)	(60,141)
Write-down of tangible capital asset	956,784	1,318,357
Loss on disposal of tangible capital assets	119,874	37,014
Changes in non-cash operating balances		
Taxes receivable	(150,532)	(116,529)
Accounts receivable	3,676,370	(565,198)
Inventories for resale	23,414	(139,174)
Prepaid expenses and inventories of supplies	103,620	454,525
Accounts payable and accrued liabilities	(2,472,196)	2,228,075
Employee benefit obligation	(81,353)	42,871
Deposit liabilities	(158,947)	243,911
Deferred revenue	(2,176,129)	746,264
	13,816,281	15,877,736
Capital transactions		
Acquisition of tangible capital assets	(14,925,520)	(15,527,455)
Proceeds on sale of tangible capital assets	2,234,729	270,638
	(12,690,791)	(15,256,817)
Investing transactions		
Increase of investments	(389,446)	(220,361)
Restricted cash balances	2,335,076	(992,175)
	1,945,630	(1,212,536)
Net change in cash and cash equivalents	3,071,120	(591,617)
Cash and cash equivalents, beginning of year	58,570,429	59,162,046
Cash and cash equivalents, end of year	\$ 61,641,549	\$ 58,570,429
Cash and cash equivalents is comprised of:		
Cash and cash equivalents	\$ 65,288,020	\$ 64,551,976
Less: restricted (Note 1)	(3,646,471)	(5,981,547)
	\$ 61,641,549	\$ 58,570,429

Lacombe County
Summary of Significant Accounting Policies

December 31, 2017

**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, 2017

**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, 2017

**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, 2017

1. Cash and Cash Equivalents

	2017	2016
Current account (bank prime less 1.85%)	\$ 552,125	\$ 2,114,813
GIC investments with interest rates varying from 0.65% to 4.47% and maturing in 2018 to 2022	62,780,983	60,324,828
Security deposits	1,954,912	2,112,335
	\$ 65,288,020	\$ 64,551,976

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, 2017 the prime rate was 3.20% (2016- 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.

	2017	2016
Municipal Sustainability Initiative	1,636,361	3,602,861
Transportation	-	31,883
Regional Collaboration	27,122	204,868
Deposit liabilities	1,982,988	2,141,935
	\$ 3,646,471	\$ 5,981,547

2. Investments

	2017	2016
Stripped coupons, residual bonds and accrual notes purchased at discounts yielding effective annual rates of 1.81% to 4.25% to maturity at cost	\$ 13,497,719	\$ 13,079,490
Estimated accrued interest	1,121,075	1,149,858
AMFC shares	180	180
	\$ 14,618,974	\$ 14,229,528

The market value of the County's marketable securities was \$14,656,295 (2016 - \$14,360,408).

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2017

3. Taxes Receivable

	2017		2016
Current taxes and grants in place	\$ 905,035	\$	850,700
Non-current taxes and grants in place	710,939		406,662
	<u>1,615,974</u>		<u>1,257,362</u>
Allowance for doubtful accounts	(677,217)		(469,137)
	<u>\$ 938,757</u>	\$	<u>788,225</u>

4. Accounts Receivable

Included in accounts receivable is \$682,725 (2016 - \$1,027,495) 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.

5. Inventories for Resale

	2017		2016
Bridge materials	\$ 392,890	\$	416,304
Land held for resale	907		907
	<u>\$ 393,797</u>	\$	<u>417,211</u>

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2017

6. Employee Benefit Obligation

	2017	2016
Sick leave benefits	\$ 500,000	\$ 500,000
Vacation and overtime	649,595	730,948
	\$ 1,149,595	\$ 1,230,948

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, 2017 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	\$	-	226,359	-	(226,359)	\$ -
Transportation		31,883	557,766	675	(590,324)	-
MSI		3,602,861	147,584	42,404	(2,156,488)	1,636,361
FCSS		-	459,356	-	(459,356)	-
STIP		-	362,104	-	(362,104)	-
Regional Collaboration		204,868	(6,823)	1,296	(172,219)	27,122
Other		-	287,619	-	(287,619)	-
	\$	3,839,612	2,033,965	44,375	(4,254,469)	\$ 1,663,483

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, 2017

8. Tangible Capital Assets - 2017

	Land	Land	Buildings	Equipment	Roads	Bridges	Water, Sewer and Other	Vehicles	Total
	Improvements	Improvements							
Cost, beginning of year	\$ 23,061,654	\$ 4,389,843	\$ 20,858,060	\$ 17,671,115	\$ 638,060,477	\$ 16,417,462	\$ 18,495,555	\$ 7,044,997	\$ 745,999,163
Additions	2,532,854	209,679	238,708	5,916,118	5,260,527	2,468,806	-	813,758	17,440,450
Disposals	-	-	-	(4,618,584)	-	-	-	(450,434)	(5,069,018)
Write-downs	-	-	-	-	(2,288,725)	(407,678)	-	-	(2,696,403)
Cost, end of year	\$ 25,594,508	\$ 4,599,522	\$ 21,096,768	\$ 18,968,649	\$ 641,032,279	\$ 18,478,590	\$ 18,495,555	\$ 7,408,321	\$ 755,674,192
Accumulated amortization, beginning of year	\$ -	\$ 791,898	\$ 3,388,294	\$ 11,368,597	\$ 403,159,384	\$ 6,768,678	\$ 933,629	\$ 3,201,393	\$ 429,611,873
Amortization	-	219,248	424,730	2,521,264	18,372,096	299,491	269,857	504,144	22,610,830
Disposals	-	-	-	(4,483,505)	-	-	-	(227,711)	(4,711,216)
Write-downs	-	-	-	-	(1,413,377)	(326,242)	-	-	(1,739,619)
Accumulated amortization, end of year	\$ -	\$ 1,011,146	\$ 3,813,024	\$ 9,406,356	\$ 420,118,103	\$ 6,741,927	\$ 1,203,486	\$ 3,477,826	\$ 445,771,868
Net carrying amount, end of year	\$ 25,594,508	\$ 3,588,376	\$ 17,283,744	\$ 9,562,293	\$ 220,914,176	\$ 11,736,663	\$ 17,292,069	\$ 3,930,495	\$ 309,902,324

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2017

8. Tangible Capital Assets (continued) - 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	\$ 23,061,654	\$ 4,389,843	\$ 20,858,060	\$ 17,671,115	\$ 638,060,477	\$ 16,417,462	\$ 18,495,555	\$ 7,044,997	\$ 745,999,163
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	\$ -	\$ 791,898	\$ 3,388,294	\$ 11,368,597	\$ 403,159,384	\$ 6,768,678	\$ 933,629	\$ 3,201,393	\$ 429,611,873
Net carrying amount, end of year	\$ 23,061,654	\$ 3,597,945	\$ 17,469,766	\$ 6,302,518	\$ 234,901,093	\$ 9,648,784	\$ 17,561,926	\$ 3,843,604	\$ 316,387,290

The net book value of tangible capital assets not being amortized because they are under construction is \$623,640 (2016 - \$1,463,592). \$2,514,930 (2016 - \$4,838,361) in contributed assets was recognized in the financial statements during the year.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2017

9. Prepaid Expenses and Inventories of Supplies

	<u>2017</u>	<u>2016</u>
Crushed gravel	\$ 1,432,946	\$ 1,569,834
Undeveloped gravel pits	4,250,406	4,283,610
Materials and supplies	547,581	442,466
Prepaid expenses	240,487	279,130
	<u>\$ 6,471,420</u>	<u>\$ 6,575,040</u>

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2017

10. Accumulated Surplus

	2017	2016
Equity in tangible capital assets	\$ 309,902,324	\$ 316,387,290
Equity in other non-financial assets	6,471,420	6,575,040
Unrestricted surplus	378,618	367,065
	316,752,362	323,329,395
 <u>Restricted surplus (Reserves)</u>		
Main Road	19,698,318	17,217,224
Public Works Equipment	10,311,767	10,926,970
Municipal Facilities	828,920	615,640
Protective Services	3,713,987	3,535,372
Gravel	2,278,039	2,074,039
Subdivision Pavement	3,704,252	3,444,452
Land Development	416,437	416,437
Recreation Capital Assistance	2,197,101	4,053,338
Funds in Lieu of Reserve Land	1,029,104	1,009,140
Subdivision Road Development	1,589,867	1,627,857
Agriculture Equipment	876,823	1,060,074
Peace Officers Equipment	259,709	247,697
Disaster Services	500,000	500,000
Hamlet Street Improvement	473,992	415,352
Tax Rate Stabilization	2,047,000	2,047,000
Shared Fire Funds	254,846	226,004
Lake Access	859,857	807,404
Hamlet of Mirror Contingency	37,458	37,458
Hamlet of Mirror Water	84,018	5,523
Hamlet of Mirror Sewer	149,241	151,735
Community Aggregate Levy	3,181,448	2,699,810
Water - Waste Water	7,545,045	7,343,370
New Pavement	846,845	833,556
Trails	539,837	539,837
Bridge	6,862,941	5,893,628
Shores Water-Sewer	42,406	42,406
Slopes Water-Sewer	53,125	53,125
Operational	3,855,403	3,958,845
Cemetery	271,776	245,996
Lakeview Estates Water Reserve	33,979	23,964
Gull Lake Stabilization Reserve	266,029	303,007
	74,809,570	72,356,260
	\$ 391,561,932	\$ 395,685,655

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, 2017

11. Change in Accumulated Surplus

	Unrestricted surplus	Equity in other non- financial assets	Restricted surplus	Equity in tangible capital assets	2017	2016
Balance, beginning of year	\$ 367,065	\$ 6,575,040	\$ 72,356,260	\$ 316,387,290	\$ 395,685,655	\$ 401,056,940
Excess (deficiency) of revenue over expenses	(4,123,723)	-	-	-	(4,123,723)	(5,371,285)
Operating transfers to restricted surplus	(11,491,138)	-	11,491,138	-	-	-
Operating transfers from restricted surplus	4,518,511	-	(4,518,511)	-	-	-
Capital transfers from restricted surplus	4,519,317	-	(4,519,317)	-	-	-
Acquisition of capital	(14,925,520)	-	-	14,925,520	-	-
Contributed assets	(2,514,930)	-	-	2,514,930	-	-
Disposals and write-down of assets	1,314,586	-	-	(1,314,586)	-	-
Amortization	22,610,830	-	-	(22,610,830)	-	-
Change in non-financial assets	103,620	(103,620)	-	-	-	-
Change in current year accumulated surplus	\$ 11,553	\$ (103,620)	\$ 2,453,310	\$ (6,484,966)	\$ (4,123,723)	\$ (5,371,285)
Balance, end of year	\$ 378,618	\$ 6,471,420	\$ 74,809,570	\$ 309,902,324	\$ 391,561,932	\$ 395,685,655

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2017

12. Taxation - Net

	Budget 2017	2017	2016
Real property	\$ 19,190,160	\$19,587,944	\$ 18,279,380
Machinery and equipment	14,076,760	13,985,947	12,574,159
Linear property	7,086,920	7,085,994	7,770,607
Government grants in place of property taxes	131,690	128,425	124,093
	<u>40,485,530</u>	<u>40,788,310</u>	<u>38,748,239</u>
Requisitions			
Alberta School Foundation Fund	11,519,020	11,736,052	11,174,101
Lacombe Foundation	403,440	403,443	415,921
	<u>11,922,460</u>	<u>12,139,495</u>	<u>11,590,022</u>
Available for general municipal purposes	<u>\$ 28,563,070</u>	<u>\$28,648,815</u>	<u>\$ 27,158,217</u>

13. Taxation - other

	Budget 2017	2017	2016
Community Aggregate Payment Levy	\$ 700,000	\$ 572,850	\$ 599,018
Well Drilling Tax	30,600	454,826	291,952
	<u>730,600</u>	<u>1,027,676</u>	<u>890,970</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, 2017

14. Government Transfers

	Budget 2017	2017	2016
Operating			
General government	\$ 152,570	\$ 154,595	\$ 152,205
Protective services	65,840	57,962	27,060
Transportation services	1,443,570	523,569	1,076,722
Environmental services	55,000	58,000	55,000
Public health and welfare	420,810	459,356	454,279
Planning and development	238,250	194,346	229,283
Agriculture services	164,000	174,379	171,809
Recreation services	126,230	102,318	-
	\$ 2,666,270	\$ 1,724,525	\$ 2,166,358
Capital			
Protective services	175,000	175,000	475,999
Transportation services	4,110,070	2,354,944	2,326,566
Recreation services	-	-	143,467
	\$ 4,285,070	\$ 2,529,944	\$ 2,946,032
Total government transfers	\$ 6,951,340	\$ 4,254,469	\$ 5,112,390

15. Expenses by Object

	Budget 2017	2017	2016
Salaries and wages	\$ 11,549,160	\$ 11,033,916	\$ 10,727,360
Contracted and general services	3,934,460	2,918,866	3,919,181
Goods, materials and supplies	2,071,100	2,796,466	2,539,037
Transfers to other organizations	12,497,110	6,582,129	7,880,372
Purchases from other governments	195,860	196,083	181,134
Cancellations and uncollectible	126,060	240,355	647,520
Amortization	22,610,830	22,610,830	21,897,407
Write-downs and losses on capital	-	1,076,658	1,355,371
	\$ 52,984,580	\$ 47,455,303	\$ 49,147,382

The budget figure for amortization has been adjusted from the budget approved by council May 11, 2017 (Note 22). Amortization is not funded by the County.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2017

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:

	2017	2016
Employer contributions	\$ 831,054	\$ 792,134
Employee contributions	755,294	730,873
	\$ 1,586,348	\$ 1,523,007

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, 2016 indicates a deficit of \$637 million (2015 - 923 million) 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.

	2017	2016
Employer contributions	\$ 13,676	\$ 13,005
Employee contributions	11,342	10,838
	\$ 25,018	\$ 23,843

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, 2016 indicates a deficit of \$2,269,192 (2015 Surplus - \$677,018) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

Lacombe County
Notes to Consolidated Financial Statements

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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>Compensation</u>	<u>Benefits & Allowances</u>	<u>Total 2017</u>	<u>Total 2016</u>
Councillors:				
Division 1	\$ 53,788	\$ 17,170	\$ 70,958	\$ 70,282
Division 2	58,859	18,033	76,892	78,400
Division 3	54,420	10,999	65,419	64,805
Division 4 - Reeve	63,296	13,987	77,283	73,474
Division 5	59,229	15,197	74,426	72,890
Division 6	52,625	13,133	65,758	64,521
Division 7	55,900	16,142	72,042	65,726
Administration:				
Chief Administrative Officer - T. Hager	290,359	92,079	382,438	298,314
Designated Officer	130,585	15,133	145,718	151,069

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

December 31, 2017

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:

	2017	2016
Total debt limit	\$57,430,058	\$ 53,987,151
Total debt	-	-
Total debt limit available	57,430,058	53,987,151
Debt servicing limit	9,571,676	8,997,859
Debt servicing	-	-
Total debt servicing limit available	9,571,676	8,997,859

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, 2017

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 2017 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:

	<u>2017</u>	<u>2016</u>
Tax Sale Surplus	\$ 44,357	\$ 43,898
Scholarships	38,793	38,793
Mirror Cemetery Perpetual Care Fund	15,095	14,695
Drainage Maintenance Funds	45,118	45,463
Lacombe Regional Waste Services Commission	16	-
Shared Fire Equipment Funds	194,835	367,838
	<u>\$ 338,214</u>	<u>\$ 510,687</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, 2017

22. Budget

The budget adopted by Council on May 11, 2017 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 11, 2017 with adjustments as follows:

	Budget	Amortization Allocation	Budget per Financial Statements	Actual per Financial Statements
Total Revenues	\$ 41,135,250	-	41,135,250	\$ 43,331,580
General government	5,356,380	305,326	5,661,706	5,228,359
Protective services	1,957,760	286,801	2,244,561	2,066,632
Transportation services	7,402,640	21,201,370	28,604,010	29,095,701
Environmental services	7,865,530	344,092	8,209,622	2,456,030
Cemetery	64,670	-	64,670	53,026
Social and family services	535,770	-	535,770	570,692
Recreation and cultural services	4,806,690	187,424	4,994,114	4,623,407
Planning and development	1,293,450	-	1,293,450	1,140,626
Agriculture services	1,090,860	285,817	1,376,677	1,144,172
Write-down of capital assets	-	-	-	956,784
Loss on sale of capital assets	-	-	-	119,874
Total Expenditures	30,373,750	22,610,830	52,984,580	47,455,303
Excess of revenues over expenditures	10,761,500	(22,610,830)	(11,849,330)	(4,123,723)

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2017

23. Reconciliation of Operating Results to Budget

	Budget 2017	2017	2016
Excess (deficiency) of revenue over expenditures, per financial statements	\$ (11,849,330)	\$ (4,123,723)	\$ (5,371,285)
Add back:			
Amortization expense	22,610,830	22,610,830	21,897,407
Proceeds on disposal of capital assets	1,925,500	2,234,729	270,638
Loss on sale of capital assets	-	119,874	37,014
Write-downs of capital assets	-	956,784	1,318,357
Net transfers (to) from reserves	7,056,180	(2,453,310)	1,513,408
Use (purchase) of inventory	(206,630)	103,620	454,525
Deduct:			
Tangible capital asset purchases	(19,536,550)	(14,925,520)	(15,527,455)
(Gain) loss on disposal of capital assets	-	(1,996,801)	(60,141)
Contributed assets	-	(2,514,930)	(4,838,361)
Results of operations before adjustments	-	11,553	(305,893)
Use of unrestricted surplus to fund allowance for doubtful accounts	-	-	313,000
Results of operations	\$ -	\$ 11,553	\$ 7,107

The budget figure for amortization has been adjusted from the budget approved by Council May 11, 2017 (Note 22). Amortization is not funded by the County.

December 31, 2017

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, 2017

24. Segmented Information (continued) - 2017

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	2017 Total
Revenue										
Taxation	\$ 29,676,491	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,676,491
Government transfers	154,595	232,962	2,878,513	-	-	459,356	102,318	252,346	174,379	4,254,469
User fees and service charges	26,991	41,146	1,057,463	657,979	2,225	-	-	53,932	10,899	1,850,635
Sales to other governments	134,384	234,313	317,975	210,403	-	-	-	-	10,485	907,560
Permits, licenses, fines and rentals	332,241	64,438	67,486	-	-	-	-	48,650	1,300	514,115
Investment income	1,474,608	-	-	-	-	-	-	-	-	1,474,608
Gain on sale of assets	-	-	1,741,189	-	-	-	-	-	255,612	1,996,801
Contributed assets	-	-	-	219,340	-	-	2,295,590	-	-	2,514,930
Other	101,997	-	15,545	-	-	-	2,397	2,032	20,000	141,971
	31,901,307	572,859	6,078,171	1,087,722	2,225	459,356	2,400,305	356,960	472,675	43,331,580
Expenses										
Salaries and wages	3,207,568	1,052,465	4,881,432	499,978	-	11,267	-	826,168	555,038	11,033,916
Contracted and general services	804,847	257,869	939,814	190,185	15,616	-	302,762	302,003	105,770	2,918,866
Goods, materials and supplies	212,646	231,421	2,014,301	70,142	397	-	70,573	6,364	190,622	2,796,466
Transfers to other organizations	459,617	238,076	58,784	1,153,550	37,013	559,425	4,062,648	6,091	6,925	6,582,129
Cancellations and uncollectible	238,355	-	-	2,000	-	-	-	-	-	240,355
Purchases from other gov't	-	-	-	196,083	-	-	-	-	-	196,083
Amortization	305,326	286,801	21,201,370	344,092	-	-	187,424	-	285,817	22,610,830
Loss on sale of capital assets	-	21,333	1,054,753	-	-	-	-	-	572	1,076,658
	5,228,359	2,087,965	30,150,454	2,456,030	53,026	570,692	4,623,407	1,140,626	1,144,744	47,455,303
Net surplus (deficit)	\$ 26,672,948	\$ (1,515,106)	\$ (24,072,283)	\$ (1,368,308)	\$ (50,801)	\$ (111,336)	\$ (2,223,102)	\$ (783,666)	\$ (672,069)	\$ (4,123,723)

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2017

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	-	-	454,279	143,467	284,283	171,809	5,112,390
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	-	-	100,000	-	157,931	915,249
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
Write-down of capital assets	-	-	-	-	-	-	-	-	-	-
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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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.
