

**Lacombe County**  
**Consolidated Financial Statements**  
**For the year ended December 31, 2014**

**Lacombe County**  
**Consolidated Financial Statements**  
**For the year ended December 31, 2014**

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## Independent Auditors' Report

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### 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, 2014, 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, 2014 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 23, 2015  
Lacombe, Alberta

*BDO Canada LLP*

Chartered Accountants

**Lacombe County**  
**Consolidated Statement of Financial Position**

December 31	2014	2013
<b>Financial assets</b>		
Cash and cash equivalents (Note 1)	\$ 63,097,321	\$ 50,233,577
Investments (Note 2)	13,624,304	13,076,578
Taxes receivable (Note 3)	560,238	429,116
Accounts receivable (Note 4)	3,921,285	1,176,446
Inventories for resale (Note 5)	395,856	360,862
	<u>81,599,004</u>	<u>65,276,579</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	3,513,848	2,696,194
Employee benefit obligation (Note 6)	1,119,441	1,093,597
Deposit liabilities	1,520,733	1,033,774
Deferred revenue (Note 7)	754,088	171,958
	<u>6,908,110</u>	<u>4,995,523</u>
<b>Net financial assets</b>	<u>74,690,894</u>	<u>60,281,056</u>
<b>Non-financial assets</b>		
Tangible capital assets (Note 8)	322,083,540	315,533,152
Prepaid expenses and inventories of supplies (Note 9)	6,612,303	6,529,758
	<u>328,695,843</u>	<u>322,062,910</u>
<b>Accumulated surplus (Note 10)</b>	<u>\$ 403,386,737</u>	<u>\$ 382,343,966</u>
<b>Contingencies and commitments (Note 18)</b>		
<b>Funds held in trust (Note 19)</b>		

**Lacombe County**  
**Consolidated Statement of Operations**

For the year ended December 31	Budget 2014	2014	2013
<b>Revenue</b>			
Taxation - net (Note 12)	\$ 25,584,270	\$ 25,581,146	\$ 24,993,397
Taxation - Community Aggregate Levy	530,000	1,183,508	846,935
Development levies	8,595,170	8,268,295	515,194
Government transfers (Note 13)	7,362,174	5,448,371	8,537,139
Sales, user charges and costs recovered	1,504,850	1,429,553	1,814,066
Sales to other governments	2,013,260	1,228,312	170,136
Permits, licenses, fines, penalties and rentals	340,840	563,301	507,043
Interest, royalties and patronage allocations	1,384,171	1,494,671	1,299,237
Contributed assets	-	16,341,991	40,346
Gain on sale of tangible capital assets	-	1,181,354	637,812
Other	5,000	410,927	72,690
	<u>47,319,735</u>	<u>63,131,429</u>	<u>39,433,995</u>
<b>Expenses (Note 14)</b>			
General government	4,568,726	4,201,105	4,159,743
Protective services	2,090,196	1,985,902	1,801,734
Transportation services	26,533,940	28,578,062	27,454,211
Environmental services	1,794,567	2,625,349	1,248,503
Cemetery	80,500	43,781	75,694
Social and family services	485,110	484,952	476,220
Recreation and cultural services	1,842,065	1,878,518	4,136,276
Planning and development	995,570	901,130	1,100,187
Agriculture services	1,264,820	1,093,347	1,185,596
Write-down of tangible capital assets	-	171,973	1,903,010
Loss on sale of tangible capital assets	-	124,539	-
	<u>39,655,494</u>	<u>42,088,658</u>	<u>43,541,174</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>7,664,241</u>	<u>21,042,771</u>	<u>(4,107,179)</u>
<b>Accumulated surplus</b> , beginning of year	382,343,966	382,343,966	385,696,709
Lacombe Ambulance Association, share of net assets	-	-	754,436
<b>Accumulated surplus</b> , end of year	<u>\$ 390,008,207</u>	<u>\$ 403,386,737</u>	<u>\$ 382,343,966</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**

<b>For the year ended December 31</b>	<b>Budget 2014</b>	<b>2014</b>	<b>2013</b>
Excess (deficiency) of revenue over expenditures	\$ 7,664,241	\$ 21,042,771	\$ (4,107,179)
Acquisition of tangible capital assets	(18,202,890)	(11,982,745)	(15,320,430)
Acquisition of contributed assets	-	(16,341,991)	(40,346)
Amortization of tangible capital assets	21,286,380	21,286,380	20,730,338
Net gain on sale of tangible capital assets	-	(1,056,815)	(637,812)
Proceeds on sale of tangible capital assets	881,900	1,372,810	904,350
Write-downs of tangible capital assets	-	171,973	1,903,010
	11,629,631	14,492,383	3,431,931
Change in prepaid expenses and inventory of supplies	(591,037)	(82,545)	(747,960)
Lacombe Ambulance Association, share of net assets	-	-	754,436
<b>Net change in net financial assets</b>	<b>11,038,594</b>	<b>14,409,838</b>	<b>3,438,407</b>
<b>Net financial assets, beginning of year</b>	<b>60,281,056</b>	<b>60,281,056</b>	<b>56,842,649</b>
<b>Net financial assets, end of year</b>	<b>\$ 71,319,650</b>	<b>\$ 74,690,894</b>	<b>\$ 60,281,056</b>

**Lacombe County**  
**Consolidated Statement of Cash Flows**

<b>For the year ended December 31</b>	<b>2014</b>	<b>2013</b>
<b>Operating transactions</b>		
Excess (deficiency) of revenue over expenditures	\$ 21,042,771	\$ (4,107,179)
Items not involving cash		
Contributed assets	(16,341,991)	(40,346)
Amortization	21,286,380	20,730,338
Gain on disposal of tangible capital assets	(1,181,354)	(637,812)
Write-down of tangible capital asset	171,973	1,903,010
Loss on disposal of tangible capital assets	124,539	-
Changes in non-cash operating balances		
Taxes receivable	(131,122)	20,002
Accounts receivable	(2,744,839)	1,100,256
Inventories for resale	(34,994)	67,848
Prepaid expenses and inventories of supplies	(82,545)	(747,960)
Accounts payable and accrued liabilities	817,654	513,942
Employee Benefits Plan liability	25,844	46,562
Deposit liabilities	486,959	614,766
Deferred revenue	582,130	(2,939,909)
	<u>24,021,405</u>	<u>16,523,518</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(11,982,745)	(15,320,430)
Proceeds on sale of tangible capital assets	1,372,810	904,350
	<u>(10,609,935)</u>	<u>(14,416,080)</u>
<b>Investing transactions</b>		
Increase of investments	(547,726)	(484,819)
Restricted cash balances	(847,436)	2,287,233
Lacombe Ambulance Association share of net assets	-	754,436
	<u>(1,395,162)</u>	<u>2,556,850</u>
<b>Net change in cash and cash equivalents</b>	<b>12,016,308</b>	<b>4,664,288</b>
Cash and cash equivalents, beginning of year	<u>47,575,380</u>	<u>42,911,092</u>
Cash and cash equivalents, end of year	<u>\$ 59,591,688</u>	<u>\$ 47,575,380</u>
Cash and cash equivalents is comprised of:		
Cash and cash equivalents	\$ 63,097,321	\$ 50,233,577
Less: restricted (Note 1)	<u>(3,505,633)</u>	<u>(2,658,197)</u>
	<u>\$ 59,591,688</u>	<u>\$ 47,575,380</u>

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**Lacombe County**  
**Summary of Significant Accounting Policies**

December 31, 2014

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**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.

**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.



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**Lacombe County**  
**Summary of Significant Accounting Policies**

**December 31, 2014**

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**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.

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**Lacombe County**  
**Summary of Significant Accounting Policies**

December 31, 2014

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**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.

**Lacombe County**  
**Notes to Consolidated Financial Statements**

December 31, 2014

1. Cash and Cash Equivalents

	2014	2013
Current account (bank prime less 1.85%)	\$ 271,178	\$ 1,985,332
GIC investments with interest rates varying from 1.50% to 4.47% and maturing in 2015 to 2019	61,355,973	46,461,729
Security deposits	1,470,170	1,032,080
Lacombe Ambulance Association share of cash	-	754,436
	\$ 63,097,321	\$ 50,233,577

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

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

	2014	2013
Street Improvement Program Grants held in Hamlet Street Improvement Reserve	\$ 269,852	\$ 519,481
Municipal Sustainability Initiative	480,867	-
Regional Collaboration	227,903	157,325
Municipal Internship Program	-	14,333
Other	45,318	300
Funds in lieu of reserve land	960,960	932,984
Deposit liabilities	1,520,733	1,033,774
	\$ 3,505,633	\$ 2,658,197

**Lacombe County**  
**Notes to Consolidated Financial Statements**

December 31, 2014

2. Investments

	2014	2013
Stripped coupons, residual bonds and accrual notes purchased at discounts yielding effective annual rates of 2% to 7.12% to maturity at cost	\$ 12,196,429	\$ 11,845,356
Estimated accrued interest	1,427,695	1,231,042
AMFC shares	180	180
	\$ 13,624,304	\$ 13,076,578

The market value of the County's marketable securities was \$13,666,817 (2013 - \$13,141,023).

3. Taxes Receivable

	2014	2013
Current taxes and grants in place	\$ 357,563	\$ 398,393
Non-current taxes and grants in place	302,675	130,723
	660,238	529,116
Allowance for doubtful accounts	(100,000)	(100,000)
	\$ 560,238	\$ 429,116

4. Accounts Receivable

Included in accounts receivable is \$2,113,547 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

	2014	2013
Bridge materials	\$ 394,495	\$ 359,501
Land held for resale	1,361	1,361
	\$ 395,856	\$ 360,862

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**Lacombe County**  
**Notes to Consolidated Financial Statements**

December 31, 2014

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6. Employee Benefit Obligation

	2014	2013
Sick leave benefits	\$ 500,000	\$ 500,000
Vacation and overtime	619,441	593,597
	<u>\$ 1,119,441</u>	<u>\$ 1,093,597</u>

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, 2014 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.

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**Lacombe County**  
**Notes to Consolidated Financial Statements**

December 31, 2014

7. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
ASB	\$ -	223,359	-	(223,359)	\$ -
Transportation	-	603,819	-	(603,819)	-
MSI	-	4,377,122	-	(3,896,255)	480,867
FCSS	-	253,046	-	(253,046)	-
Building Canada	-	56,114	-	(56,114)	-
Internship	14,333	-	-	(14,333)	-
Minister of Justice	-	55,778	-	(55,778)	-
Regional Collaboration	157,325	529,727	-	(459,149)	227,903
Other	300	45,318	-	(300)	45,318
	<u>\$ 171,958</u>	<u>6,144,283</u>	<u>-</u>	<u>(5,562,153)</u>	<u>\$ 754,088</u>

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, 2014

**8. Tangible Capital Assets - 2014**

	Land	Buildings	Equipment	Roads	Bridges	Water, Sewer and Other	Vehicles	Total	
	Land Improvements								
Cost, beginning of year	\$ 12,606,490	\$ 2,390,707	\$ 15,694,765	\$ 15,663,678	\$ 614,983,291	\$ 13,511,210	\$ 7,184,274	\$ 6,013,120	\$ 688,047,535
Additions	6,466,833	599,113	628,546	3,514,292	10,161,706	323,672	6,295,668	334,906	28,324,736
Disposals	-	-	(2,804,336)	-	(3,997)	-	(209,118)	(3,017,451)	
Write-downs	(171,973)	-	-	-	-	-	-	(171,973)	
Cost, end of year	\$ 18,901,350	\$ 2,989,820	\$ 16,323,311	\$ 16,373,634	\$ 625,144,997	\$ 13,830,885	\$ 13,479,942	\$ 6,138,908	\$ 713,182,847
Accumulated amortization, beginning of year	\$ -	\$ 304,020	\$ 2,460,535	\$ 7,683,411	\$ 352,845,635	\$ 6,575,700	\$ 356,030	\$ 2,289,052	\$ 372,514,383
Amortization	-	126,041	307,458	2,351,977	17,707,814	243,629	125,158	424,303	21,286,380
Disposals	-	-	-	(2,556,899)	-	(3,065)	-	(141,492)	(2,701,456)
Write-downs	-	-	-	-	-	-	-	-	
Accumulated amortization, end of year	\$ -	\$ 430,061	\$ 2,767,993	\$ 7,478,489	\$ 370,553,449	\$ 6,816,264	\$ 481,188	\$ 2,571,863	\$ 391,099,307
Net carrying amount, end of year	\$ 18,901,350	\$ 2,559,759	\$ 13,555,318	\$ 8,895,145	\$ 254,591,548	\$ 7,014,621	\$ 12,998,754	\$ 3,567,045	\$ 322,083,540

**Lacombe County**  
**Notes to Consolidated Financial Statements**

December 31, 2014

**8. Tangible Capital Assets (continued) - 2013**

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

The net book value of tangible capital assets not being amortized because they are under construction is \$1,268,684 (2013 - \$785,934). \$16,341,991 (2013 - \$40,346) in contributed land and roads was recognized in the financial statements during the year.



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**Lacombe County**  
**Notes to Consolidated Financial Statements**

December 31, 2014

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9. Prepaid Expenses and Inventories of Supplies

	<u>2014</u>	<u>2013</u>
Crushed gravel	\$ 1,457,900	\$ 1,438,968
Undeveloped gravel pits	4,279,986	3,776,428
Materials and supplies	626,935	502,614
Prepaid expenses	<u>247,482</u>	<u>811,748</u>
	<u>\$ 6,612,303</u>	<u>\$ 6,529,758</u>

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**Lacombe County**  
**Notes to Consolidated Financial Statements**

December 31, 2014

**10. Accumulated Surplus**

	2014	2013
Equity in tangible capital assets	\$ 322,083,540	\$ 315,533,152
Equity in other non-financial assets	6,612,303	6,529,758
Unrestricted surplus	575,675	575,675
Lacombe Ambulance Association Share of Net Assets	-	754,436
	<b>329,271,518</b>	<b>323,393,021</b>

Restricted surplus (Reserves)

Main Road	12,768,532	13,356,398
Public Works Equipment	6,933,879	6,523,927
Municipal Facilities	4,515,401	3,667,196
Protective Services	3,197,336	2,301,074
Gravel	2,307,799	2,801,382
Subdivision Pavement	2,751,592	2,450,552
Land Development	188,966	188,966
Recreation Capital Assistance	6,090,181	5,441,401
Funds in Lieu of Reserve Land	960,960	932,984
Subdivision Road Development	2,868,397	1,356,643
Agriculture Equipment	741,631	555,943
Peace Officers Equipment	116,237	100,301
Disaster Services	500,000	500,000
Hamlet Street Improvement	269,852	519,481
Tax Rate Stabilization	1,567,000	1,567,000
Lake Access	1,096,283	963,783
Hamlet of Mirror Contingency	788,581	779,242
Hamlet of Mirror Water	47,902	64,316
Hamlet of Mirror Sewer	114,619	116,913
Community Aggregate Levy	5,001,552	3,761,487
Water - Waste Water	7,472,219	928,925
New Pavement	1,900,537	1,870,537
Trails	640,171	640,171
Bridge	5,701,211	3,944,741
Shores Water-Sewer	74,082	-
Operational	4,904,466	3,323,199
Cemetery	402,320	176,540
Lakeview Estates Water Reserve	12,901	12,746
Gull Lake Stabilization Reserve	180,612	105,097
	<b>74,115,219</b>	<b>58,950,945</b>
	<b>\$ 403,386,737</b>	<b>\$ 382,343,966</b>

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, 2014

**11. Change in Accumulated Surplus**

	Unrestricted surplus	Equity in other non- financial assets	Restricted surplus	Equity in tangible capital assets	2014	2013
Balance, beginning of year	\$ 1,330,111	\$ 6,529,758	\$ 58,950,945	\$ 315,533,152	\$ 382,343,966	\$ 385,696,709
Lacombe Ambulance Association Share of Net Assets		-	-	-	-	754,436
Excess (deficiency) of revenue over expenses	21,042,771	-	-	-	21,042,771	(4,107,179)
Operating transfers to restricted surplus	(21,768,742)	-	21,768,742	-	-	-
Operating transfers from restricted surplus	3,697,391	-	(3,697,391)	-	-	-
Capital transfers from restricted surplus	3,661,513	-	(3,661,513)	-	-	-
Acquisition of capital	(11,982,745)	-	-	11,982,745	-	-
Contributed assets	(16,341,991)	-	-	16,341,991	-	-
Disposals and write-down of assets	487,968	-	-	(487,968)	-	-
Amortization	21,286,380	-	-	(21,286,380)	-	-
Change in non-financial assets	(82,545)	82,545	-	-	-	-
Change in current year accumulated surplus	\$ -	\$ 82,545	\$ 14,409,838	\$ 6,550,388	\$ 21,042,771	\$ (4,107,179)
Lacombe Ambulance equity transfer to reserves	\$ (754,436)	\$ -	\$ 754,436	\$ -	\$ -	\$ -
Balance, end of year	<u>\$ 575,675</u>	<u>\$ 6,612,303</u>	<u>\$ 74,115,219</u>	<u>\$ 322,083,540</u>	<u>\$ 403,386,737</u>	<u>\$ 382,343,966</u>

The unrestricted balance at the beginning of the year consists of \$575,675 in unrestricted balances and \$754,436 in equity receivable from the Lacombe Ambulance Association. The equity was received in the year from the Lacombe Ambulance Association in the form of a cash distribution which was transferred to reserves by Council motion.

**Lacombe County**  
**Notes to Consolidated Financial Statements**

December 31, 2014

**12. Taxation - Net**

	Budget 2014	2014	2013
Real property	\$ 15,656,563	\$ 15,665,530	\$ 15,323,842
Machinery and equipment	12,743,830	12,744,237	12,721,915
Linear property	7,882,353	7,869,857	7,859,175
Government grants in place of property taxes	124,324	124,322	122,258
	<u>36,407,070</u>	<u>36,403,946</u>	<u>36,027,190</u>
Requisitions			
Alberta School Foundation Fund	10,385,330	10,385,330	10,596,323
Lacombe Foundation	437,470	437,470	437,470
	<u>10,822,800</u>	<u>10,822,800</u>	<u>11,033,793</u>
Available for general municipal purposes	<u>\$ 25,584,270</u>	<u>\$ 25,581,146</u>	<u>\$ 24,993,397</u>

**13. Government Transfers**

	Budget 2014	2014	2013
Operating			
General government	\$ 169,560	\$ 168,479	\$ 305,916
Protective services	-	461	-
Transportation services	504,400	1,650,135	587,429
Environmental services	75,000	99,463	-
Public health and welfare	253,050	253,046	253,046
Planning and development	18,000	21,711	103,267
Agriculture services	195,000	223,359	213,359
Recreation services	100,000	93,298	750,000
	<u>\$ 1,315,010</u>	<u>\$ 2,509,952</u>	<u>\$ 2,213,017</u>
Capital			
Protective services	-	55,317	-
Transportation services	5,789,274	2,810,715	1,182,564
Environmental services	257,890	72,387	5,141,558
	<u>\$ 6,047,164</u>	<u>\$ 2,938,419</u>	<u>\$ 6,324,122</u>
Total government transfers	<u>\$ 7,362,174</u>	<u>\$ 5,448,371</u>	<u>\$ 8,537,139</u>

**Lacombe County**  
**Notes to Consolidated Financial Statements**

December 31, 2014

**14. Expenses by Object**

	Budget 2014	2014	2013
Salaries and wages	\$ 8,554,974	\$ 9,341,493	\$ 9,077,871
Contracted and general services	4,555,040	3,729,433	3,463,881
Goods, materials and supplies	1,879,060	3,038,464	3,212,543
Transfers to other organizations	3,374,380	4,393,900	5,148,707
Cancellations and uncollectible	5,660	2,476	4,825
Amortization	21,286,380	21,286,380	20,730,337
Write-downs and losses on capital	-	296,512	1,903,010
	<b>\$ 39,655,494</b>	<b>\$ 42,088,658</b>	<b>\$ 43,541,174</b>

The budget figure for amortization has been adjusted from the budget approved by council May 8, 2014 (Note 20). Amortization is not funded by the County.

**15. Municipal Employees Pension Plans**

Local Authorities Pension Plan

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

	2014	2013
Employer contributions	\$ 673,196	\$ 671,109
Employee contributions	620,420	612,806
	<b>\$ 1,293,616</b>	<b>\$ 1,283,915</b>

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, 2013 indicates a deficit of \$4.862 billion (2012 - 4.977 billion) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

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**Lacombe County**  
**Notes to Consolidated Financial Statements**

December 31, 2014

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**14. Municipal Employees Pension Plans (continued)**

Alberta Urban Municipalities Association Apex Supplementary Pension Plan

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

	2014	2013
Employer contributions	\$ 14,371	\$ 15,687
Employee contributions	11,976	13,072
	<u>\$ 26,347</u>	<u>\$ 28,759</u>

As this is a multi-employer pension plan, these contributions are the County's pension benefit expense. No pension liability for this type of plan is included in the County's financial statements. The most recent valuation as at December 31, 2013 indicates a surplus of \$4,106,924 (2012 - \$772,494) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

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**Lacombe County**  
**Notes to Consolidated Financial Statements**

December 31, 2014

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**16. Remuneration Disclosure**

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

	<u>Council Compensation</u>	<u>Benefits &amp; Allowances</u>	<u>Total 2014</u>	<u>Total 2013</u>
<b>Councillors:</b>				
Division 1	\$ 58,782	\$ 17,059	\$ 75,841	\$ 61,202
Division 2	56,856	17,903	74,759	64,806
Division 3	-	-	-	47,475
Division 3	53,015	14,677	67,692	10,365
Division 4 - Reeve	56,247	14,443	70,690	62,848
Division 5	55,634	15,886	71,520	80,913
Division 6	48,256	16,324	64,580	64,828
Division 7	51,017	17,600	68,617	60,018
<b>Administration:</b>				
Chief Administrative Officer	241,712	28,830	270,542	369,028
Designated Officer	113,652	16,677	130,329	130,841

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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**Lacombe County**  
**Notes to Consolidated Financial Statements**

December 31, 2014

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**17. Debt Limits**

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

	2014	2013
Total debt limit	\$65,776,529	\$ 49,604,291
Total debt	-	-
Total debt limit available	<u>65,776,529</u>	<u>49,604,291</u>
Debt servicing limit	10,962,755	8,267,382
Debt servicing	-	-
Total debt servicing limit available	<u>10,962,755</u>	<u>8,267,382</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.

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**18. Contingencies and Commitments**

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

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 before the end of the term with three years written notice.

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**Lacombe County**  
**Notes to Consolidated Financial Statements**

December 31, 2014

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**19. Funds Held in Trust**

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

	2014	2013
Tax Sale Surplus	\$ 254,136	\$ 251,609
Scholarships	38,793	38,793
Mirror Cemetery Perpetual Care Fund	13,855	13,295
Drainage Maintenance Funds	44,260	43,606
Lacombe Regional Waste Services Commission	2,093,227	2,380,147
Shared Fire Equipment Funds	392,803	354,897
	<u>\$ 2,837,074</u>	<u>\$ 3,082,347</u>

The Lacombe Regional Solid Waste Authority was established in 1984 for the purpose of jointly controlling, constructing, maintaining and managing a regional solid waste disposal system. Effective January 1, 2014, The Authority formed a Commission named the Lacombe Regional Waste Services Commission and all assets of the Authority were transferred to the Commission. The Municipality continued to hold the cash balances in trust for the Commission at year end. The Municipality is a member of the Commission and provides bookkeeping and administrative support. Members of the Commission are requisitioned quarterly for their portion of operating and capital expenditures on a per capita basis. This requisition includes an allocation to fund the closure/ post closure liability of the Commission.

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.

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**Lacombe County**  
**Notes to Consolidated Financial Statements**

December 31, 2014

**20. Budget**

The budget adopted by Council on May 8, 2014 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 8, 2014 with adjustments as follows:

	Budget	Amortization Allocation	Budget per Financial Statements	Actual per Financial Statements
Total Revenues	\$ 47,319,735	-	47,319,735	\$ 63,131,429
General government	4,302,340	266,386	4,568,726	4,201,105
Protective services	1,880,670	209,526	2,090,196	1,985,902
Transportation services	6,165,574	20,368,366	26,533,940	28,578,062
Environmental services	1,629,920	164,647	1,794,567	2,625,349
Cemetery	80,500	-	80,500	43,781
Social and family services	485,110	-	485,110	484,952
Recreation and cultural services	1,718,190	123,875	1,842,065	1,878,518
Planning and development	995,570	-	995,570	901,130
Agriculture services	1,111,240	153,580	1,264,820	1,093,347
Write-down of capital assets	-	-	-	171,973
Loss on sale of capital assets	-	-	-	124,539
Total Expenditures	18,369,114	21,286,380	39,655,494	42,088,658
Excess of revenues over expenditures	28,950,621	(21,286,380)	7,664,241	21,042,771

**Lacombe County**  
**Notes to Consolidated Financial Statements**

December 31, 2014

**21. Reconciliation of Operating Results to Budget**

	Budget 2014	2014	2013
Excess (deficiency) of revenue over expenditures, per financial statements	\$ 7,664,241	\$ 21,042,771	\$ (4,107,179)
Add back:			
Amortization expense	21,286,380	21,286,380	20,730,337
Proceeds on disposal of capital assets	881,900	1,372,810	904,350
Write-downs of capital assets	-	171,973	1,903,010
Net transfers (to) from reserves	(11,038,594)	(13,747,746)	(2,674,565)
Use (purchase) of inventory	(591,037)	(82,545)	(747,960)
Deduct:			
Tangible capital asset purchases	(18,202,890)	(11,982,745)	(15,320,430)
Gain on disposal of capital assets	-	(1,056,815)	(637,812)
Contributed assets	-	(16,341,991)	(40,346)
Results of operations before adjustments	-	662,092	9,405
Cash surplus allocation to reserves	-	(662,092)	-
Results of operations	\$ -	\$ -	\$ 9,405

The budget figure for amortization has been adjusted from the budget approved by Council May 8, 2014 (Note 20). Amortization is not funded by the County.

December 31, 2014

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## 22. 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, 2014

**22. Segmented Information (continued) - 2014**

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	2014 Total
<b>Revenue</b>										
Taxation	\$ 26,764,653	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,764,653
Government transfers	168,479	55,778	4,460,852	171,853	-	253,046	93,298	21,711	223,355	5,448,372
User fees and service charges	24,675	193,835	561,180	563,613	2,600	-	-	77,453	6,197	1,429,553
Sales to other governments	108,468	256,901	647,626	56,012	-	147,525	-	-	11,780	1,228,312
Permits, licenses and fines	266,975	210,495	52,633	-	-	-	-	32,200	998	563,301
Investment income	1,494,671	-	-	-	-	-	-	-	-	1,494,671
Gain on sale of assets	-	-	1,181,354	-	-	-	-	-	-	1,181,354
Contributed assets	-	-	4,276,051	7,805,309	-	-	4,260,631	-	-	16,341,991
Other	1,764,120	-	407,774	6,505,978	-	-	1,350	-	-	8,679,222
	<u>30,592,041</u>	<u>717,009</u>	<u>11,587,470</u>	<u>15,102,765</u>	<u>2,600</u>	<u>400,571</u>	<u>4,355,279</u>	<u>131,364</u>	<u>242,330</u>	<u>63,131,429</u>
<b>Expenses</b>										
Salaries and wages	2,737,348	947,692	4,012,507	301,903	-	13,070	-	756,652	572,321	9,341,493
Contracted and general services	772,074	202,385	2,025,016	221,058	9,434	-	227,855	130,452	141,159	3,729,433
Goods, materials and supplies	245,248	195,271	2,171,572	202,287	518	-	(7,114)	12,526	218,156	3,038,464
Transfers to other organizations	177,576	431,028	600	1,735,454	33,829	471,882	1,533,901	1,500	8,130	4,393,900
Cancellations and uncollectible	2,476	-	-	-	-	-	-	-	-	2,476
Amortization	266,386	209,526	20,368,366	164,647	-	-	123,875	-	153,580	21,286,380
Write-down of capital assets	-	-	171,973	-	-	-	-	-	-	171,973
Loss on sale of capital assets	1,846	9,281	37,922	75,449	-	-	-	-	41	124,539
	<u>4,202,954</u>	<u>1,995,183</u>	<u>28,787,956</u>	<u>2,700,798</u>	<u>43,781</u>	<u>484,952</u>	<u>1,878,517</u>	<u>901,130</u>	<u>1,093,387</u>	<u>42,088,658</u>
<b>Net surplus (deficit)</b>	<b>\$ 26,389,087</b>	<b>\$ (1,278,174)</b>	<b>\$ (17,200,486)</b>	<b>\$ 12,401,967</b>	<b>\$ (41,181)</b>	<b>\$ (84,381)</b>	<b>\$ 2,476,762</b>	<b>\$ (769,766)</b>	<b>\$ (851,057)</b>	<b>\$ 21,042,771</b>

**Lacombe County**  
**Notes to Consolidated Financial Statements**

December 31, 2014

**22. Segmented Information (continued) - 2013**

For the year ended December 31	General government	Protective services	Transportation services	Environmental services	Cemetery	Social and family services	Recreation and cultural service	Planning and development	Agriculture services	2013 Total
<b>Revenue</b>										
Taxation	\$ 25,840,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	25,840,332
Government transfers	305,916	-	1,769,993	5,141,558	-	253,046	750,000	103,267	213,359	8,537,139
User fees and service charges	162,984	335,573	794,604	444,654	2,610	-	-	51,750	21,891	1,814,066
Sales to other governments	-	-	26,949	862	-	142,325	-	-	-	170,136
Permits, licenses and fines	409,531	9,475	48,576	1,548	-	-	-	36,613	1,300	507,043
Investment income	1,299,237	-	-	-	-	-	-	-	-	1,299,237
Gain on sale of assets	-	(23,534)	660,145	-	-	-	-	-	1,201	637,812
Contributed assets	-	-	-	-	-	-	40,346	-	-	40,346
Other	182,430	-	6,650	338,764	20	-	51,140	-	8,880	587,884
	<u>28,200,430</u>	<u>321,514</u>	<u>3,306,917</u>	<u>5,927,386</u>	<u>2,630</u>	<u>395,371</u>	<u>841,486</u>	<u>191,630</u>	<u>246,631</u>	<u>39,433,995</u>
<b>Expenses</b>										
Salaries and wages	2,763,676	798,402	3,891,486	188,467	-	12,855	-	819,737	603,248	9,077,871
Contracted and general services	745,808	362,009	1,349,735	170,119	16,576	67,719	325,097	273,530	153,288	3,463,881
Goods, materials and supplies	284,608	285,567	2,221,931	131,256	-	100	5,013	6,920	277,148	3,212,543
Transfers to other organizations	98,780	171,347	18,311	696,025	59,118	395,546	3,709,580	-	-	5,148,707
Cancellations and uncollectible	2,212	-	-	2,613	-	-	-	-	-	4,825
Amortization	264,659	184,409	19,972,748	60,023	-	-	96,586	-	151,912	20,730,337
Write-down of capital assets	-	-	1,903,010	-	-	-	-	-	-	1,903,010
Loss on sale of capital assets	-	-	-	-	-	-	-	-	-	-
	<u>4,159,743</u>	<u>1,801,734</u>	<u>29,357,221</u>	<u>1,248,503</u>	<u>75,694</u>	<u>476,220</u>	<u>4,136,276</u>	<u>1,100,187</u>	<u>1,185,596</u>	<u>43,541,174</u>
<b>Net surplus (deficit)</b>	<b>\$ 24,040,687</b>	<b>\$ (1,480,220)</b>	<b>\$ (26,050,304)</b>	<b>\$ 4,678,883</b>	<b>\$ (73,064)</b>	<b>\$ (80,849)</b>	<b>\$ (3,294,790)</b>	<b>\$ (908,557)</b>	<b>\$ (938,965)</b>	<b>\$ (4,107,179)</b>

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**Lacombe County**  
**Notes to Consolidated Financial Statements**

December 31, 2014

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**23. Comparative Figures**

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

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**24. Approval of Financial Statements**

Council and Management approved these financial statements.

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