

Lacombe County
Consolidated Financial Statements
For the year ended December 31, 2015

Lacombe County
Consolidated Financial Statements
For the year ended December 31, 2015

	Contents
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations	3
Consolidated Statement of Change in Net Financial Assets	4
Consolidated Statement of Cash Flows	5
Summary of Significant Accounting Policies	6 - 8
Notes to the Consolidated Financial Statements	9 - 29



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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, 2015, 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, 2015 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.

BDO Canada LLP

April 28, 2016
Lacombe, Alberta

Chartered Professional Accountants

Lacombe County
Consolidated Statement of Financial Position

December 31	2015	2014
Financial assets		
Cash and cash equivalents (Note 1)	\$ 64,151,418	\$ 63,097,321
Investments (Note 2)	14,009,167	13,624,304
Taxes receivable (Note 3)	671,696	560,238
Accounts receivable (Note 4)	6,195,220	3,921,285
Inventories for resale (Note 5)	278,037	395,856
	85,305,538	81,599,004
Liabilities		
Accounts payable and accrued liabilities	4,583,463	3,513,848
Employee benefit obligation (Note 6)	1,188,077	1,119,441
Deposit liabilities	1,898,024	1,520,733
Deferred revenue (Note 7)	3,093,348	754,088
	10,762,912	6,908,110
Net financial assets	74,542,626	74,690,894
Non-financial assets		
Tangible capital assets (Note 8)	319,484,749	322,083,540
Prepaid expenses and inventories of supplies (Note 9)	7,029,565	6,612,303
	326,514,314	328,695,843
Accumulated surplus (Note 10)	\$ 401,056,940	\$ 403,386,737
Contingencies and commitments (Note 18)		
Liability for contaminated sites (Note 19)		
Funds held in trust (Note 20)		

Lacombe County
Consolidated Statement of Operations

For the year ended December 31	Budget 2015	2015	2014
Revenue			
Taxation - net (Note 12)	\$ 26,428,500	\$ 26,431,074	\$ 25,581,146
Taxation - Community Aggregate Levy	730,000	962,744	1,183,508
Development levies	1,276,170	218,379	8,268,295
Government transfers (Note 13)	8,747,750	5,617,820	5,448,371
Sales, user charges and costs recovered	1,479,030	2,137,256	1,429,553
Sales to other governments	917,620	1,494,987	1,228,312
Permits, licenses, fines, penalties and rentals	387,140	931,872	563,301
Interest, royalties and patronage allocations	1,517,170	1,447,810	1,494,671
Contributed assets	-	2,944,568	16,341,991
Gain on sale of tangible capital assets	-	149,784	1,181,354
Other	221,920	228,602	410,927
	<u>41,705,300</u>	<u>42,564,896</u>	<u>63,131,429</u>
Expenses (Note 14)			
General government	5,169,316	5,862,418	4,201,105
Protective services	2,102,102	2,339,234	1,985,902
Transportation services	27,836,917	28,584,816	28,578,062
Environmental services	2,365,996	2,176,261	2,625,349
Cemetery	294,000	259,626	43,781
Social and family services	488,380	495,110	484,952
Recreation and cultural services	3,750,752	2,782,538	1,878,518
Planning and development	1,303,370	1,174,265	901,130
Agriculture services	1,219,937	1,146,542	1,093,347
Write-down of tangible capital assets	-	32,308	171,973
Loss on sale of tangible capital assets	-	41,575	124,539
	<u>44,530,770</u>	<u>44,894,693</u>	<u>42,088,658</u>
Excess (deficiency) of revenue over expenditures	<u>(2,825,470)</u>	<u>(2,329,797)</u>	<u>21,042,771</u>
Accumulated surplus, beginning of year	<u>403,386,737</u>	<u>403,386,737</u>	<u>382,343,966</u>
Accumulated surplus, end of year	<u>\$ 400,561,267</u>	<u>\$ 401,056,940</u>	<u>\$ 403,386,737</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 2015	2015	2014
Excess (deficiency) of revenue over expenditures	\$ (2,825,470)	\$ (2,329,797)	\$ 21,042,771
Acquisition of tangible capital assets	(26,951,390)	(16,756,991)	(11,982,745)
Acquisition of contributed assets	-	(2,944,568)	(16,341,991)
Amortization of tangible capital assets	22,043,771	22,043,771	21,286,380
Net loss (gain) on sale of tangible capital assets	-	(108,209)	(1,056,815)
Proceeds on sale of tangible capital assets	242,500	332,480	1,372,810
Write-downs of tangible capital assets	-	32,308	171,973
	(7,490,589)	268,994	14,492,383
Change in prepaid expenses and inventory of supplies	-	(417,262)	(82,545)
Net change in net financial assets	(7,490,589)	(148,268)	14,409,838
Net financial assets, beginning of year	74,690,894	74,690,894	60,281,056
Net financial assets, end of year	\$ 67,200,305	\$ 74,542,626	\$ 74,690,894

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

Lacombe County
Consolidated Statement of Cash Flows

For the year ended December 31	2015	2014
Operating transactions		
Excess (deficiency) of revenue over expenditures	\$ (2,329,797)	\$ 21,042,771
Items not involving cash		
Contributed assets	(2,944,568)	(16,341,991)
Amortization	22,043,771	21,286,380
Gain on disposal of tangible capital assets	(149,784)	(1,181,354)
Write-down of tangible capital asset	32,308	171,973
Loss on disposal of tangible capital assets	41,575	124,539
Changes in non-cash operating balances		
Taxes receivable	(111,458)	(131,122)
Accounts receivable	(2,273,935)	(2,744,839)
Inventories for resale	117,819	(34,994)
Prepaid expenses and inventories of supplies	(417,262)	(82,545)
Accounts payable and accrued liabilities	1,069,615	817,654
Employee Benefits Plan liability	68,636	25,844
Deposit liabilities	377,291	486,959
Deferred revenue	2,339,260	582,130
	<u>17,863,471</u>	<u>24,021,405</u>
Capital transactions		
Acquisition of tangible capital assets	(16,756,991)	(11,982,745)
Proceeds on sale of tangible capital assets	332,480	1,372,810
	<u>(16,424,511)</u>	<u>(10,609,935)</u>
Investing transactions		
Increase of investments	(384,863)	(547,726)
Restricted cash balances	(2,819,275)	(847,436)
	<u>(3,204,138)</u>	<u>(1,395,162)</u>
Net change in cash and cash equivalents	(1,765,178)	12,016,308
Cash and cash equivalents, beginning of year	59,591,688	47,575,380
Cash and cash equivalents, end of year	\$ 57,826,510	\$ 59,591,688
Cash and cash equivalents is comprised of:		
Cash and cash equivalents	\$ 64,151,418	\$ 63,097,321
Less: restricted (Note 1)	(6,324,908)	(3,505,633)
	<u>\$ 57,826,510</u>	<u>\$ 59,591,688</u>

Lacombe County
Summary of Significant Accounting Policies

December 31, 2015

**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.

Lacombe County
Summary of Significant Accounting Policies

December 31, 2015

**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, 2015

**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, 2015

1. Cash and Cash Equivalents

	2015	2014
Current account (bank prime less 1.85%)	\$ (1,789,042)	\$ 271,178
GIC investments with interest rates varying from 0.60% to 4.47% and maturing in 2015 to 2019	64,071,936	61,355,973
Security deposits	1,868,524	1,470,170
	\$ 64,151,418	\$ 63,097,321

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, 2015 the prime rate was 2.70% (2014- 3.00%)

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.

	2015	2014
Street Improvement Program Grants held in Hamlet Street Improvement Reserve	\$ 348,752	\$ 269,852
Municipal Sustainability Initiative	2,372,112	480,867
ASB	504,707	-
Transportation	173,350	-
Regional Collaboration	12,541	227,903
FCSS	9,590	-
Other	19,048	45,318
Funds in lieu of reserve land	986,784	960,960
Deposit liabilities	1,898,024	1,520,733
	\$ 6,324,908	\$ 3,505,633

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2015

2. Investments

	2015	2014
Stripped coupons, residual bonds and accrual notes purchased at discounts yielding effective annual rates of 1.85% to 9.98% to maturity at cost	\$ 12,647,939	\$ 12,196,429
Estimated accrued interest	1,361,048	1,427,695
AMFC shares	180	180
	\$ 14,009,167	\$ 13,624,304

The market value of the County's marketable securities was \$14,066,053 (2014 - \$13,666,817).

3. Taxes Receivable

	2015	2014
Current taxes and grants in place	\$ 382,911	\$ 357,563
Non-current taxes and grants in place	388,785	302,675
	771,696	660,238
Allowance for doubtful accounts	(100,000)	(100,000)
	\$ 671,696	\$ 560,238

4. Accounts Receivable

Included in accounts receivable is \$1,702,207 (2014 - \$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.

Included in accounts receivable is an advance to the North Red Deer Wastewater Services Commission in the amount of \$1,001,726, including \$1,726 in accrued interest receivable. The advance is interest bearing at prime less 1.2%. Provided the pipeline project proceeds to construction by 2020, the advance is repayable to the County through a reduction in its share of the overall cost of construction of the pipeline project. If the pipeline does not proceed to construction, the City of Lacombe and the Town of Blackfalds have guaranteed repayment to the County of their share of the advance.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2015

5. Inventories for Resale

	2015	2014
Bridge materials	\$ 276,676	\$ 394,495
Land held for resale	1,361	1,361
	<u>\$ 278,037</u>	<u>\$ 395,856</u>

6. Employee Benefit Obligation

	2015	2014
Sick leave benefits	\$ 500,000	\$ 500,000
Vacation and overtime	688,077	619,441
	<u>\$ 1,188,077</u>	<u>\$ 1,119,441</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, 2015 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.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2015

7. Deferred Revenue

	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance
ASB	\$ -	728,066	-	(223,359)	\$ 504,707
Transportation	-	1,284,917	-	(1,109,567)	175,350
MSI	480,867	4,345,162	-	(2,453,917)	2,372,112
FCSS	-	272,025	-	(262,435)	9,590
Building Canada Regional	-	1,221,882	-	(1,221,882)	-
Collaboration	227,903	85,980	-	(301,342)	12,541
Other	45,318	19,048	-	(45,318)	19,048
	<u>\$ 754,088</u>	<u>7,957,080</u>	<u>-</u>	<u>(5,617,820)</u>	<u>\$ 3,093,348</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, 2015

8. Tangible Capital Assets - 2015

	Land	Land Improvements	Buildings	Equipment	Roads	Bridges	Water, Sewer and Other	Vehicles	Total
Cost, beginning of year	\$ 18,901,350	\$ 2,989,820	\$ 16,323,311	\$ 16,425,665	\$ 625,144,997	\$ 13,830,885	\$ 13,427,911	\$ 6,138,908	\$ 713,182,847
Additions	2,641,657	225,466	2,473,907	1,805,432	7,844,602	1,905,481	2,049,570	755,444	19,701,559
Disposals	(12,417)	-	-	(542,624)	-	(410,862)	-	(106,937)	(1,072,840)
Write-downs	-	-	-	(19,900)	(1,686,575)	(71,709)	-	(126,374)	(1,904,558)
Cost, end of year	<u>\$ 21,530,590</u>	<u>\$ 3,215,286</u>	<u>\$ 18,797,218</u>	<u>\$ 17,668,573</u>	<u>\$ 631,303,024</u>	<u>\$ 15,253,795</u>	<u>\$ 15,477,481</u>	<u>\$ 6,661,041</u>	<u>\$ 729,907,008</u>
Accumulated amortization, beginning of year	\$ -	\$ 430,061	\$ 2,767,993	\$ 7,485,899	\$ 370,553,449	\$ 6,807,457	\$ 481,188	\$ 2,573,260	\$ 391,099,307
Amortization	-	179,479	339,145	2,571,265	17,970,520	237,821	309,945	435,596	22,043,771
Disposals	-	-	-	(349,699)	-	(406,545)	-	(92,325)	(848,569)
Write-downs	-	-	-	(19,900)	(1,654,267)	(71,709)	-	(126,374)	(1,872,250)
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 609,540</u>	<u>\$ 3,107,138</u>	<u>\$ 9,687,565</u>	<u>\$ 386,869,702</u>	<u>\$ 6,567,024</u>	<u>\$ 791,133</u>	<u>\$ 2,790,157</u>	<u>\$ 410,422,259</u>
Net carrying amount, end of year	<u>\$ 21,530,590</u>	<u>\$ 2,605,746</u>	<u>\$ 15,690,080</u>	<u>\$ 7,981,008</u>	<u>\$ 244,433,322</u>	<u>\$ 8,686,771</u>	<u>\$ 14,686,348</u>	<u>\$ 3,870,884</u>	<u>\$ 319,484,749</u>

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2015

8. Tangible Capital Assets (continued) - 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	\$ 15,715,709	\$ 614,983,291	\$ 13,511,210	\$ 7,132,243	\$ 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	\$ 16,425,665	\$ 625,144,997	\$ 13,830,885	\$ 13,427,911	\$ 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	2,359,387	17,707,814	234,822	125,158	425,700	21,286,380
Disposals	-	-	(2,556,899)	-	(3,065)	-	(141,492)	(2,701,456)	
Accumulated amortization, end of year	\$ -	\$ 430,061	\$ 2,767,993	\$ 7,485,899	\$ 370,553,449	\$ 6,807,457	\$ 481,188	\$ 2,573,260	\$ 391,099,307
Net carrying amount, end of year	\$ 18,901,350	\$ 2,559,759	\$ 13,555,318	\$ 8,939,766	\$ 254,591,548	\$ 7,023,428	\$ 12,946,723	\$ 3,565,648	\$ 322,083,540

The net book value of tangible capital assets not being amortized because they are under construction is \$NIL (2014 - \$1,268,684). \$2,944,568 (2014 - \$16,341,991) in contributed land and roads was recognized in the financial statements during the year.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2015

9. Prepaid Expenses and Inventories of Supplies

	<u>2015</u>	<u>2014</u>
Crushed gravel	\$ 1,334,617	\$ 1,457,900
Undeveloped gravel pits	4,232,067	4,279,986
Materials and supplies	418,200	626,935
Prepaid expenses	<u>1,044,681</u>	<u>247,482</u>
	<u>\$ 7,029,565</u>	<u>\$ 6,612,303</u>

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2015

10. Accumulated Surplus

	2015	2014
Equity in tangible capital assets	\$ 319,484,749	\$ 322,083,540
Equity in other non-financial assets	7,029,565	6,612,303
Unrestricted surplus	672,958	575,675
	327,187,272	329,271,518
 <u>Restricted surplus (Reserves)</u>		
Main Road	14,827,289	12,768,532
Public Works Equipment	8,679,182	6,933,879
Municipal Facilities	2,467,323	4,515,401
Protective Services	3,128,048	3,197,336
Gravel	2,507,799	2,307,799
Subdivision Pavement	3,102,352	2,751,592
Land Development	410,639	188,966
Recreation Capital Assistance	5,728,246	6,090,181
Funds in Lieu of Reserve Land	986,784	960,960
Subdivision Road Development	1,425,287	2,868,397
Agriculture Equipment	897,751	741,631
Peace Officers Equipment	182,177	116,237
Disaster Services	500,000	500,000
Hamlet Street Improvement	348,752	269,852
Tax Rate Stabilization	1,567,000	1,567,000
Lake Access	1,158,783	1,096,283
Hamlet of Mirror Contingency	788,581	788,581
Hamlet of Mirror Water	42,915	47,902
Hamlet of Mirror Sewer	130,686	114,619
Community Aggregate Levy	5,359,705	5,001,552
Water - Waste Water	6,740,804	7,472,219
New Pavement	1,971,993	1,900,537
Trails	625,788	640,171
Bridge	4,960,186	5,701,211
Shores Water-Sewer	42,406	74,082
Slopes Water-Sewer	53,125	-
Operational	4,757,180	4,904,466
Cemetery	220,216	402,320
Lakeview Estates Water Reserve	17,644	12,901
Gull Lake Stabilization Reserve	241,027	180,612
	73,869,668	74,115,219
	\$ 401,056,940	\$ 403,386,737

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, 2015

11. Change in Accumulated Surplus

	Unrestricted surplus	Equity in other non- financial assets	Restricted surplus	Equity in tangible capital assets	2015	2014
Balance, beginning of year	\$ 575,675	\$ 6,612,303	\$ 74,115,219	\$ 322,083,540	\$ 403,386,737	\$ 382,343,966
Excess (deficiency) of revenue over expenses	(2,329,797)	-	-	-	(2,329,797)	21,042,771
Operating transfers to restricted surplus	(12,623,504)	-	12,623,504	-	-	-
Operating transfers from restricted surplus	3,531,895	-	(3,531,895)	-	-	-
Capital transfers from restricted surplus	9,337,160	-	(9,337,160)	-	-	-
Acquisition of capital	(16,756,991)	-	-	16,756,991	-	-
Contributed assets	(2,944,568)	-	-	2,944,568	-	-
Disposals and write-down of assets	256,579	-	-	(256,579)	-	-
Amortization	22,043,771	-	-	(22,043,771)	-	-
Change in non-financial assets	(417,262)	417,262	-	-	-	-
Change in current year accumulated surplus	\$ 97,283	\$ 417,262	\$ (245,551)	\$ (2,598,791)	\$ (2,329,797)	\$ 21,042,771
Balance, end of year	\$ 672,958	\$ 7,029,565	\$ 73,869,668	\$ 319,484,749	\$ 401,056,940	\$ 403,386,737

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2015

12. Taxation - Net

	Budget 2015	2015	2014
Real property	\$ 16,672,630	\$16,692,407	\$ 15,665,530
Machinery and equipment	12,744,890	12,730,316	12,744,237
Linear property	7,964,930	7,962,340	7,869,857
Government grants in place of property taxes	127,240	127,201	124,322
	<u>37,509,690</u>	<u>37,512,264</u>	<u>36,403,946</u>
Requisitions			
Alberta School Foundation Fund	10,656,520	10,656,524	10,385,330
Lacombe Foundation	424,670	424,666	437,470
	<u>11,081,190</u>	<u>11,081,190</u>	<u>10,822,800</u>
Available for general municipal purposes	<u>\$ 26,428,500</u>	<u>\$26,431,074</u>	<u>\$ 25,581,146</u>

13. Government Transfers

	Budget 2015	2015	2014
Operating			
General government	\$ 646,200	\$ 146,195	\$ 168,479
Protective services	250,000	-	461
Transportation services	523,570	406,657	1,650,135
Environmental services	80,000	68,559	99,463
Public health and welfare	253,050	262,435	253,046
Planning and development	133,670	38,063	21,711
Agriculture services	219,000	223,359	223,359
Recreation services	150,000	64,688	93,298
	<u>\$ 2,255,490</u>	<u>\$ 1,209,956</u>	<u>\$ 2,509,952</u>
Capital			
Protective services	-	-	55,317
Transportation services	5,038,910	3,185,982	2,810,715
Environmental services	1,278,000	1,221,882	72,387
Recreation services	175,350	-	-
	<u>\$ 6,492,260</u>	<u>\$ 4,407,864</u>	<u>\$ 2,938,419</u>
Total government transfers	<u>\$ 8,747,750</u>	<u>\$ 5,617,820</u>	<u>\$ 5,448,371</u>

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2015

14. Expenses by Object

	Budget 2015	2015	2014
Salaries and wages	\$ 10,609,800	\$ 10,359,601	\$ 9,341,493
Contracted and general services	4,165,260	3,152,088	3,729,433
Goods, materials and supplies	2,052,340	3,141,213	3,038,464
Transfers to other organizations	5,442,310	5,931,948	4,393,900
Purchases from other governments	211,630	191,281	-
Cancellations and uncollectible	5,660	909	2,476
Amortization	22,043,770	22,043,770	21,286,380
Write-downs and losses on capital	-	73,883	296,512
	<u>\$ 44,530,770</u>	<u>\$ 44,894,693</u>	<u>\$ 42,088,658</u>

The budget figure for amortization has been adjusted from the budget approved by council May 4, 2015 (Note 21). Amortization is not funded by the County.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2015

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:

	2015	2014
Employer contributions	\$ 726,926	\$ 673,196
Employee contributions	661,382	620,420
	\$ 1,388,308	\$ 1,293,616

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, 2014 indicates a deficit of \$2.454 billion (2013 - 4.862 billion) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

Alberta Urban Municipalities Association Apex Supplementary Pension Plan

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

	2015	2014
Employer contributions	\$ 12,685	\$ 14,371
Employee contributions	10,571	11,976
	\$ 23,256	\$ 26,347

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, 2014 indicates a surplus of \$9,723,644 (2013 - \$4,106,924) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2015

16. Remuneration Disclosure

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

	<u>Council Compensation</u>	<u>Benefits & Allowances</u>	<u>Total 2015</u>	<u>Total 2014</u>
Councillors:				
Division 1	\$ 59,593	\$ 18,862	\$ 78,455	\$ 75,841
Division 2	60,753	21,195	81,948	74,759
Division 3	53,535	14,731	68,266	67,692
Division 4 - Reeve	64,802	14,950	79,752	70,690
Division 5	56,925	14,871	71,796	71,520
Division 6	51,984	15,826	67,810	64,580
Division 7	51,751	18,036	69,787	68,617
Administration:				
Chief Administrative Officer	249,782	44,441	294,223	270,542
Designated Officer	128,970	14,108	143,078	130,329

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, 2015

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:

	2015	2014
Total debt limit	\$52,666,478	\$ 65,776,529
Total debt	-	-
Total debt limit available	<u>52,666,478</u>	<u>65,776,529</u>
Debt servicing limit	8,777,746	10,962,755
Debt servicing	-	-
Total debt servicing limit available	<u>8,777,746</u>	<u>10,962,755</u>

The debt limit is calculated at 1.5 times revenue of the County (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities, which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

18. Contingencies and Commitments

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

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.

19. 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).

During the year, 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.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2015

20. 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:

	2015	2014
Tax Sale Surplus	\$ 41,785	\$ 254,136
Scholarships	38,793	38,793
Mirror Cemetery Perpetual Care Fund	14,475	13,855
Drainage Maintenance Funds	44,924	44,260
Lacombe Regional Waste Services Commission	2,407	2,093,227
Shared Fire Equipment Funds	337,720	392,803
	<u>\$ 480,104</u>	<u>\$ 2,837,074</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.

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, 2015

21. Budget

The budget adopted by Council on May 4, 2015 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 4, 2015 with adjustments as follows:

	Budget	Amortization Allocation	Budget per Financial Statements	Actual per Financial Statements
Total Revenues	\$ 41,705,300	-	41,705,300	\$ 42,564,896
General government	4,868,760	300,556	5,169,316	5,862,418
Protective services	1,868,530	233,572	2,102,102	2,339,234
Transportation services	6,915,520	20,921,397	27,836,917	28,584,816
Environmental services	2,070,270	295,726	2,365,996	2,176,261
Cemetery	294,000	-	294,000	259,626
Social and family services	488,380	-	488,380	495,110
Recreation and cultural services	3,614,760	135,992	3,750,752	2,782,538
Planning and development	1,303,370	-	1,303,370	1,174,265
Agriculture services	1,063,410	156,527	1,219,937	1,146,542
Write-down of capital assets	-	-	-	32,308
Loss on sale of capital assets	-	-	-	41,575
Total Expenditures	22,487,000	22,043,770	44,530,770	44,894,693
Excess of revenues over expenditures	19,218,300	(22,043,770)	(2,825,470)	(2,329,797)

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2015

22. Reconciliation of Operating Results to Budget

	Budget 2015	2015	2014
Excess (deficiency) of revenue over expenditures, per financial statements	\$ (2,825,470)	\$ (2,329,797)	\$ 21,042,771
Add back:			
Amortization expense	22,043,770	22,043,770	21,286,380
Proceeds on disposal of capital assets	242,500	332,480	1,372,810
Write-downs of capital assets	-	32,308	171,973
Net transfers (to) from reserves	7,441,400	245,551	(13,747,746)
Use (purchase) of inventory	49,190	(417,262)	(82,545)
Deduct:			
Tangible capital asset purchases	(26,951,390)	(16,756,991)	(11,982,745)
Gain on disposal of capital assets	-	(108,209)	(1,056,815)
Contributed assets	-	(2,944,568)	(16,341,991)
Results of operations before adjustments	-	97,282	662,092
Cash surplus allocation to reserves	-	-	(662,092)
Results of operations	\$ -	\$ 97,282	\$ -

The budget figure for amortization has been adjusted from the budget approved by Council May 4, 2015 (Note 21). Amortization is not funded by the County.

December 31, 2015

23. 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, 2015

23. Segmented Information (continued) - 2015

For the year ended December 31	General government	Protective services	Transportation services	Environmental services	Cemetery	Social and family services	Recreation and cultural service	Planning and development	Agriculture services	2015 Total
Revenue										
Taxation	\$ 27,393,818	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,393,818
Government transfers	146,195	-	3,592,639	1,290,441	-	262,435	64,688	93,063	168,359	5,617,820
User fees and service charges	35,484	374,023	977,844	665,272	1,950	-	-	63,762	18,921	2,137,256
Sales to other governments	105,997	343,206	640,252	112,191	-	153,186	100,000	-	40,155	1,494,987
Permits, licenses and fines	616,445	212,336	70,866	-	-	-	-	31,500	725	931,872
Investment income	1,447,810	-	-	-	-	-	-	-	-	1,447,810
Gain on sale of assets	1,583	-	148,201	-	-	-	-	-	-	149,784
Contributed assets	-	-	611,607	57,170	-	-	2,275,791	-	-	2,944,568
Other	431,850	-	13,702	-	-	-	1,429	-	-	446,981
	<u>30,179,182</u>	<u>929,565</u>	<u>6,055,111</u>	<u>2,125,074</u>	<u>1,950</u>	<u>415,621</u>	<u>2,441,908</u>	<u>188,325</u>	<u>228,160</u>	<u>42,564,896</u>
Expenses										
Salaries and wages	3,026,086	1,107,962	4,231,229	524,602	-	13,438	-	897,211	559,073	10,359,601
Contracted and general services	890,588	253,301	1,202,553	180,624	14,790	-	255,617	175,104	179,511	3,152,088
Goods, materials and supplies	268,286	249,311	2,229,038	76,768	4	100	58,111	8,163	251,432	3,141,213
Transfers to other organizations	1,375,992	495,087	600	907,260	244,832	481,572	2,332,818	93,787	-	5,931,948
Cancellations and uncollectible	909	-	-	-	-	-	-	-	-	909
Purchases from other gov't	-	-	-	191,281	-	-	-	-	-	191,281
Amortization	300,556	233,572	20,921,397	295,726	-	-	135,992	-	156,527	22,043,770
Loss on sale of capital assets	5,351	3,484	65,048	-	-	-	-	-	-	73,883
	<u>5,867,768</u>	<u>2,342,717</u>	<u>28,649,865</u>	<u>2,176,261</u>	<u>259,626</u>	<u>495,110</u>	<u>2,782,538</u>	<u>1,174,265</u>	<u>1,146,543</u>	<u>44,894,693</u>
Net surplus (deficit)	\$ 24,311,414	\$ (1,413,152)	\$ (22,594,754)	\$ (51,187)	\$ (257,676)	\$ (79,489)	\$ (340,630)	\$ (985,940)	\$ (918,383)	\$ (2,329,797)

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2015

23. 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
Revenue										
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>
Expenses										
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>
Net surplus (deficit)	\$ 26,389,087	\$ (1,278,174)	\$ (17,200,486)	\$ 12,401,967	\$ (41,181)	\$ (84,381)	\$ 2,476,762	\$ (769,766)	\$ (851,057)	\$ 21,042,771

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2015

24. Comparative Figures

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

25. Approval of Financial Statements

Council and Management approved these financial statements.
