

**City of Lacombe**  
**Consolidated Financial Statements**  
**For the year ended December 31, 2017**

**City of Lacombe**  
**Consolidated Financial Statements**  
**For the year ended December 31, 2017**

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## Independent Auditor's Report

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### To the Members of the Council of the City of Lacombe

#### *Report on the Financial Statements*

We have audited the accompanying financial statements of City of Lacombe, which comprise the Statement of Financial Position as at December 31, 2017, and the Statements of Operations, Change in Net Debt 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 financial statements present fairly, in all material respects, the financial position of City of Lacombe as at December 31, 2017, and the results of its operations, change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Red Deer, Alberta  
April 23, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

**City of Lacombe**  
**Consolidated Statement of Financial Position**

<b>December 31</b>	<b>2017</b>	<b>2016</b>
<b>Financial assets</b>		
Cash and cash equivalents (Note 1)	\$ 10,248,612	\$ 8,570,469
Taxes receivable (Note 2)	761,112	472,279
Accounts receivable (Note 3)	4,420,470	12,401,160
Inventory held for resale	3,798,839	3,798,689
	<u>19,229,033</u>	<u>25,242,597</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	3,267,584	6,781,664
Employee benefit obligation (Note 4)	718,174	872,942
Deposit liabilities	3,070,363	3,250,504
Deferred revenue (Note 5)	4,099,455	5,365,374
Long-term debt (Note 6)	16,176,619	13,605,935
	<u>27,332,195</u>	<u>29,876,419</u>
<b>Net debt</b>	<u>(8,103,162)</u>	<u>(4,633,822)</u>
<b>Non-financial assets</b>		
Tangible capital assets (Note 7)	167,787,856	159,992,016
Inventory for consumption	306,337	290,256
Prepaid expenses	50,210	81,921
	<u>168,144,403</u>	<u>160,364,193</u>
<b>Accumulated surplus (Note 9)</b>	<u>\$ 160,041,241</u>	<u>\$ 155,730,371</u>
<b>Debenture debt limits (Note 15)</b>		
<b>Contingencies (Note 16)</b>		

**City of Lacombe**  
**Consolidated Statement of Operations**

<b>For the year ended December 31</b>	Budget 2017	2017	2016
<b>Revenue</b>			
Net municipal taxes (Note 10)	\$ 13,706,790	<b>\$ 13,726,614</b>	\$ 13,148,095
Government transfers for operating (Note 11)	13,852,674	<b>7,223,466</b>	13,474,300
Sales and user fees	10,669,347	<b>10,812,899</b>	9,169,101
Rental revenue	226,412	<b>251,233</b>	115,527
Franchises and concessions	1,133,246	<b>1,179,164</b>	1,089,019
Return on investments	125,955	<b>73,522</b>	28,939
Penalties and costs on taxes	224,144	<b>204,607</b>	156,256
Fines	432,535	<b>273,532</b>	464,459
Licenses and permits	499,500	<b>474,712</b>	641,852
Development levies	-	<b>753,669</b>	-
Contributed assets	-	-	3,008,510
Other	204,412	<b>446,846</b>	857,238
	<u>41,075,015</u>	<u><b>35,420,264</b></u>	<u>42,153,296</u>
<b>Expenditures (Note 12)</b>			
General government services	3,353,349	<b>3,242,204</b>	3,213,829
Protective services	5,205,452	<b>5,019,370</b>	4,951,522
Transportation services	7,127,387	<b>7,212,479</b>	7,196,192
Water, wastewater and waste management	7,910,902	<b>7,456,998</b>	7,371,003
Environmental development services	1,714,498	<b>1,644,070</b>	2,330,448
Recreation and culture services	5,950,637	<b>5,980,602</b>	5,192,386
Public health and welfare	565,696	<b>553,671</b>	530,241
	<u>31,827,921</u>	<u><b>31,109,394</b></u>	<u>30,785,621</u>
<b>Excess of revenue over expenditures</b>	<u>9,247,094</u>	<u><b>4,310,870</b></u>	<u>11,367,675</u>
<b>Accumulated surplus, beginning of the year</b>	<u>155,730,371</u>	<u><b>155,730,371</b></u>	<u>144,362,696</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 164,977,465</u>	<u><b>\$ 160,041,241</b></u>	<u>\$ 155,730,371</u>

**City of Lacombe**  
**Consolidated Statement of Change in Net Financial Debt**

<b>For the year ended December 31</b>	Budget 2017	2017	2016
Excess of revenue over expenditures	\$ 9,247,094	\$ 4,310,870	\$ 11,367,675
Acquisition of tangible capital assets	(22,147,206)	(13,716,125)	(23,655,778)
Amortization of tangible capital assets	5,848,919	5,848,919	5,256,989
Net (gain) loss on sale of tangible capital assets	-	(82,701)	146,839
Proceeds on sale of tangible capital assets	-	154,067	118,017
Write-downs of tangible capital assets	-	-	(2,992)
	(7,051,193)	(3,484,970)	(6,769,250)
Change in prepaid expenses	-	(31,711)	-
Use/consumption of inventory of supplies	-	47,341	(14,488)
<b>Net change in net debt</b>	(7,051,193)	(3,469,340)	(6,783,738)
<b>Net financial assets (debt), beginning of year</b>	(4,633,822)	(4,633,822)	2,149,916
<b>Net debt, end of year</b>	\$ (11,685,015)	\$ (8,103,162)	\$ (4,633,822)

**City of Lacombe**  
**Consolidated Statement of Cash Flows**

For the year ended December 31	2017	2016
<b>Operating transactions</b>		
Excess of revenue over expenditures	\$ 4,310,870	\$ 11,367,675
Items not involving cash		
Contributed assets	-	(3,008,510)
Amortization	5,848,919	5,256,989
Net loss (gain) on disposal of tangible capital assets	(82,701)	146,839
Changes in non-cash operating balances		
Taxes receivable	(288,833)	(152,321)
Accounts receivable	7,980,690	(5,116,878)
Inventory held for resale	(150)	-
Prepaid expenses	31,711	-
Accounts payable and accrued liabilities	(3,514,080)	1,468,259
Inventory for consumption	(16,081)	14,495
Employee benefit obligation	(154,768)	(18,346)
Deposit liabilities	(180,141)	1,190,572
Deferred revenue	(1,265,919)	(4,480,951)
	<b>12,669,517</b>	<b>6,667,823</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(13,716,125)	(20,647,268)
Proceeds on sale of tangible capital assets	154,067	118,017
	<b>(13,562,058)</b>	<b>(20,529,251)</b>
<b>Investing transactions</b>		
Restricted cash balances	3,098,049	4,484,276
	<b>3,098,049</b>	<b>4,484,276</b>
<b>Financing transactions</b>		
Proceeds from issuance of debt	3,765,931	9,296,437
Repayment of debt	(1,195,247)	(1,463,485)
	<b>2,570,684</b>	<b>7,832,952</b>
<b>Net change in cash and cash equivalents</b>	<b>4,776,192</b>	<b>(1,544,200)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,554,498</b>	<b>3,098,698</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 6,330,690</b>	<b>\$ 1,554,498</b>
<b>Cash and cash equivalents is comprised of:</b>		
Cash and cash equivalents	\$ 10,248,612	\$ 8,570,469
Less: restricted (Note 1)	(3,917,922)	(7,015,971)
	<b>\$ 6,330,690</b>	<b>\$ 1,554,498</b>

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**City of Lacombe**  
**Summary of Significant Accounting Policies**

**December 31, 2017**

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

The consolidated financial statements of the City 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.

**Reporting Entity**

The financial statement reflect the assets, liabilities, revenue and expenditures, changes in funds balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations owned or control by the City and are, therefore, accountable to the City Council for the administration of their financial affairs and resources.

Included in the municipality is the City of Lacombe Police Department, the City of Lacombe Fire Department and the Lacombe Public Library.

The schedule of property taxes levied also includes requisitions for education and seniors' housing that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

**Basis of Accounting**

Revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenses are recognized in the period goods and services are acquired and a liability is incurred or transfers due.

Funds from external parties and earning thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions, and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

Expenditures are recognized in the period the goods or services are acquired and a liability is incurred or transfers are due.

**Investments**

Investments are recorded at amortized cost. Investment premiums and discounts are amortized using the effective interest rate method over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

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**City of Lacombe**  
**Summary of Significant Accounting Policies**

**December 31, 2017**

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**Land held for Resale** 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.

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

**Requisition Over-Levy and Under Levy**

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

**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	15 to 40 years
Buildings	20 to 25 years
Engineered Structures	
Roadway system	15 to 60 years
Water system	30 to 75 years
Wastewater system	30 to 75 years
Storm Sewer	45 to 75 years
Machinery, equipment and furnishings	5 to 30 years
Vehicles	10 to 25 years

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**City of Lacombe**  
**Summary of Significant Accounting Policies**

**December 31, 2017**

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**Leased Assets** Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the City, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.

**Prepaid Local Improvement Charges** Construction and borrowing costs associated with local improvements projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the municipality. Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

**Government Transfers** Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of direct financial return.

Government transfers are recognized in the financial statements as revenue in the period which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

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**City of Lacombe**  
**Summary of Significant Accounting Policies**

**December 31, 2017**

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**Use of Estimates**

The preparation of consolidated 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 remediation activities including post remediation operations, maintenance and monitoring.

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**City of Lacombe**  
**Notes to Consolidated Financial Statements**

**December 31, 2017**

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**1. Cash and Cash Equivalents**

	2017	2016
Cash	\$ 10,248,582	\$ 8,570,439
Temporary Investments	30	30
	\$ 10,248,612	\$ 8,570,469

The City has a line of credit with an authorized limit of \$3,500,000 at an interest rate of Bank Prime less 0.50%. Bank prime at year end was 3.20%. The City had not utilized this line of credit at year end. The line of credit is secured by a general security agreement, and overdraft agreement and a borrowing resolution passed by Council.

Included in the above amounts are restricted funds held exclusively for the following:

	2017	2016
Statutory Reserves	\$ -	\$ 1,914,557
Basic Municipal Transportation Grant	9,760	9,630
Federal Gas Tax	118,409	259,251
Municipal Sustainability Initiative Grants	2,956,885	3,060,170
Municipal Sustainability Housing Grants	231,594	228,500
Other Provincial Government Grants	601,274	1,543,863
	\$ 3,917,922	\$ 7,015,971

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**City of Lacombe**  
**Notes to Consolidated Financial Statements**

**December 31, 2017**

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**2. Taxes Receivable**

	2017	2016
Current taxes and grants in place	\$ 555,165	\$ 368,727
Non-current taxes and grants in place	205,947	103,552
	<u>\$ 761,112</u>	<u>\$ 472,279</u>

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**3. Accounts Receivable**

	2017	2016
Trade receivables	\$ 4,310,733	\$ 12,360,739
Receivables from Other Governments	109,737	40,421
	<u>\$ 4,420,470</u>	<u>\$ 12,401,160</u>

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**4. Employee Benefit Obligation**

Accrued vacation pay	\$ 386,396	\$ 497,856
Accrued overtime	6,298	552
Accrued retirement benefits	147,631	186,113
Accrued sick leave	177,849	188,421
	<u>\$ 718,174</u>	<u>\$ 872,942</u>

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to those benefits within the next budgetary year. Employees hired prior to February 28, 2011 with over 5 years of service are eligible for a retirement benefit based on 2.5 days per year of service to the date of retirement. Employees that meet the criteria in the policy will be eligible for these benefits in a future year. Sick leave benefits accumulate at a rate of 1.5 days per month to a maximum of 12 days per year. Sick leave benefits can be carried over from year to year to a maximum of 180 days, depending on years of service. Sick leave benefits are not paid out. The sick leave liability is estimated based on the estimated future utilization of sick leave accrued to year end.

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**City of Lacombe**  
**Notes to Consolidated Financial Statements**

**December 31, 2017**

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5. Deferred Revenue

	2017	2016
Prepaid Local Improvement Charges	\$ 54,548	\$ 25,911
Deferred Grants	3,917,924	5,204,691
Other Deferred Revenue	126,983	134,772
	<b>\$ 4,099,455</b>	<b>\$ 5,365,374</b>

Deferred revenue represents amounts received which will be taken into revenue in the period in which they are earned and corresponding expenditures are incurred.

Prepaid local improvement charges are being amortized to revenue on a straight-line basis. Annual amortization for 2017 is \$3,637 (2016 -\$3,637)

Deferred grants consist of funds received during the year for eligible capital projects as approved by the Province, which are scheduled for completion in the future. These grants cannot be used for any other purpose but the designated capital project.

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**City of Lacombe**  
**Notes to Consolidated Financial Statements**

**December 31, 2017**

**6. Long-Term Debt**

Net long-term debt reported on the statement of financial position is comprised of the following:

	2017	2016
Alberta Capital Finance Authority Debt	<b>11,940,119</b>	10,129,285
Bank loans	<b>4,236,500</b>	3,476,650
	<b>\$16,176,619</b>	\$ 13,605,935

Principal and interest payments relating to net debt of \$16,176,619 outstanding are due as follows:

	Principal Repayments	Interest Payments	Total
2018	\$ 1,228,269	\$ 470,174	\$ 1,698,443
2019	1,079,630	465,725	1,545,355
2020	963,523	430,188	1,393,711
2021	973,229	397,629	1,370,858
2022	920,990	365,001	1,285,991
Thereafter	11,010,978	2,294,068	13,305,046
	\$ 16,176,619	\$ 4,422,785	\$ 20,599,404

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.058% to 5.39% per annum, before Provincial subsidy, and matures in periods 2017 to 2038. Debenture debt is issued on credit and security of the City at large.

The bank loans of \$4,236,500 is comprised of a promissory note to Servus Credit Union with interest being calculated at bank prime minus 0.50%. Annual equalized repayments are \$248,350 and interest is paid monthly. One loan is secured by a General Security Agreement dated October 1, 2001 under borrowing bylaw 276. In the event of default, all monies become due and payable at the discretion of the Credit Union.

Bank loans are secured by the credit and security of the City of Lacombe at large. The City of Lacombe anticipates future developer contributions will retire the current bank loan.

**City of Lacombe**  
**Notes to Consolidated Financial Statements**

December 31, 2017

**7. Tangible Capital Assets**

								<b>2017</b>
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	Total
Cost, beginning of year	\$ 12,336,621	\$ 6,970,057	\$ 35,817,527	\$ 142,323,735	\$ 6,225,022	\$ 5,774,750	\$ 15,472,779	\$ 224,920,491
Additions	281,576	-	-	-	947,293	176,136	12,311,120	13,716,125
Change in Work in Progress	276,123	402,747	16,746,663	4,097,315	-	-	(21,522,848)	-
Write-downs & disposals	-	-	-	-	(266,938)	(129,580)	-	(396,518)
Cost, end of year	\$ 12,894,320	\$ 7,372,804	\$ 52,564,190	\$ 146,421,050	\$ 6,905,377	\$ 5,821,306	\$ 6,261,051	\$ 238,240,098
Accumulated amortization, beginning of year	\$ -	\$ 2,935,758	\$ 9,718,120	\$ 46,048,589	\$ 2,931,180	\$ 3,294,828	\$ -	\$ 64,928,475
Amortization	-	347,436	1,100,917	3,599,494	483,485	317,587	-	5,848,919
Write-downs & disposals	-	-	-	-	(197,103)	(128,049)	-	(325,152)
Accumulated amortization, end of year	\$ -	\$ 3,283,194	\$ 10,819,037	\$ 49,648,083	\$ 3,217,562	\$ 3,484,366	\$ -	\$ 70,452,242
Net carrying amount, end of year	\$ 12,894,320	\$ 4,089,610	\$ 41,745,153	\$ 96,772,967	\$ 3,687,815	\$ 2,336,940	\$ 6,261,051	\$ 167,787,856

**City of Lacombe**  
**Notes to Consolidated Financial Statements**

December 31, 2017

**7. Tangible Capital Assets (continued)**

								2016
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	Total
Cost, beginning of year	\$ 12,336,621	\$ 6,489,935	\$ 27,636,690	\$ 137,594,591	\$ 5,217,806	\$ 5,094,552	\$ 7,345,626	\$ 201,715,821
Additions		150,491	23,064	4,619,633	207,407	149,206	18,505,977	23,655,778
Change in work in progress		338,288	8,308,979	162,977	934,889	633,691	(10,378,824)	-
Disposals	-	(8,657)	(151,206)	(53,466)	(135,080)	(102,699)	-	(451,108)
Cost, end of year	\$ 12,336,621	\$ 6,970,057	\$ 35,817,527	\$ 142,323,735	\$ 6,225,022	\$ 5,774,750	\$ 15,472,779	\$ 224,920,491
Accumulated amortization, beginning of year, restated	\$ -	\$ 2,702,396	\$ 9,037,540	\$ 42,521,998	\$ 2,582,763	\$ 3,045,019	\$ -	\$ 59,889,716
Amortization		233,362	719,894	3,535,569	440,625	327,539	-	5,256,989
Write-downs & disposals		-	(39,314)	(8,978)	(92,208)	(77,730)	-	(218,230)
Accumulated amortization, end of year	\$ -	\$ 2,935,758	\$ 9,718,120	\$ 46,048,589	\$ 2,931,180	\$ 3,294,828	\$ -	\$ 64,928,475
Net carrying amount, end of year	\$ 12,336,621	\$ 4,034,299	\$ 26,099,407	\$ 96,275,146	\$ 3,293,842	\$ 2,479,922	\$ 15,472,779	\$ 159,992,016

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**City of Lacombe**  
**Notes to Consolidated Financial Statements**

**December 31, 2017**

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**8. Equity in Tangible Capital Assets**

	<u>2017</u>	<u>2016</u>
Tangible capital assets	\$ 238,240,098	\$ 224,920,491
Accumulated amortization	(70,452,242)	(64,928,475)
Long-term debt	(16,176,619)	(13,605,935)
	<u>\$ 151,611,237</u>	<u>\$ 146,386,081</u>

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**City of Lacombe**  
**Notes to Consolidated Financial Statements**

**December 31, 2017**

**9. Accumulated Surplus**

	2017	2016
Equity in tangible capital assets	<b>\$ 151,611,237</b>	\$ 146,386,081
Unrestricted surplus	<b>5,589,052</b>	5,084,372
	<b>157,200,289</b>	151,470,453
Restricted surplus		
General Capital Reserves	<b>186,449</b>	131,422
General Government Reserves	<b>26,596</b>	32,459
IT Equipment Replacement Reserve	<b>(11,671)</b>	70,280
Lacombe Police Reserve	<b>121,074</b>	83,958
Lacombe Fire Department	<b>102,854</b>	124,914
Safety Committee Reserve	<b>33,723</b>	33,396
Equipment Replacement Reserve	<b>296,424</b>	292,283
Streets and Road Reserve	<b>1,542,829</b>	1,483,982
Public Transportation Reserve	<b>44,972</b>	92,797
Storm Sewer Reserve	<b>164,799</b>	125,749
Water System Reserve	<b>1,882,097</b>	60,951
Wastewater System Reserve	<b>1,481,220</b>	586,382
Solid Waste Reserve	<b>441,460</b>	458,771
Cemetery Reserve	<b>209,247</b>	194,247
Economic Development Reserve	<b>13,148</b>	13,148
Offsite Levy Reserve	<b>(2,141,354)</b>	1,728,755
Land Held for Resale Reserve	<b>(1,879,777)</b>	(1,637,917)
Recreation Facility Reserve	<b>250,937</b>	259,687
Parks and Recreation Reserve	<b>(118,346)</b>	(59,617)
Municipal Dedication Reserve	<b>155,123</b>	155,123
Municipal Art Bank Reserve	<b>39,148</b>	29,148
	<b>2,840,952</b>	4,259,918
	<b>\$ 160,041,241</b>	\$ 155,730,371

The equity in tangible capital assets represents amounts already spent and invested in infrastructure. Restricted surplus represents funds set aside by bylaw or council resolution for specific purposes.

**City of Lacombe**  
**Notes to Consolidated Financial Statements**

**December 31, 2017**

**10. Taxation - Net**

	Budget 2017	2017	2016
Real property	\$ 18,173,744	<b>\$18,312,217</b>	\$ 17,307,233
Linear property	150,127	<b>132,676</b>	143,109
Government grants in place of property taxes	120,357	<b>111,600</b>	121,729
Special assessments and local improvement taxes	63,543	<b>20,311</b>	26,044
	<u>18,507,771</u>	<u><b>18,576,804</b></u>	<u>17,598,115</u>
Requisitions			
Alberta School Foundation Fund	161,585	<b>153,213</b>	146,650
Senior Housing Requisition	4,526,681	<b>4,584,262</b>	4,196,064
Lacombe Foundation Requisition	112,715	<b>112,715</b>	107,306
	<u>4,800,981</u>	<u><b>4,850,190</b></u>	<u>4,450,020</u>
Available for general municipal purposes	<u>\$ 13,706,790</u>	<u><b>\$13,726,614</b></u>	<u>\$ 13,148,095</u>

**11. Government Transfers**

	Budget 2017	2017	2016
Operating			
General Government Services	\$ 28,631	<b>\$ 28,432</b>	\$ 27,027
Protective Services	611,651	<b>709,471</b>	611,925
Transportation Services	33,000	<b>38,895</b>	48,726
Waste Management Services	39,804	<b>29,711</b>	41,194
Family Community Support Services	317,914	<b>317,914</b>	317,914
Public Health and Welfare Services	14,905	<b>22,905</b>	9,208
Environmental Development Services	42,800	<b>34,470</b>	574,676
Recreation and Cultural Services	713,449	<b>680,171</b>	622,208
	<u>\$ 1,802,154</u>	<u><b>\$ 1,861,969</b></u>	<u>\$ 2,252,878</u>
Capital			
Protective Services	\$ 32,500	<b>\$ 220,348</b>	\$ 3,233,222
Transportation Services	2,376,173	<b>1,788,415</b>	2,462,887
Water and Wastewater Services	7,438,822	<b>785,868</b>	257,968
Recreation and Cultural Services	2,203,025	<b>2,566,866</b>	5,267,345
	<u>\$ 12,050,520</u>	<u><b>\$ 5,361,497</b></u>	<u>\$ 11,221,422</u>
Total government transfers	<u>\$ 13,852,674</u>	<u><b>\$ 7,223,466</b></u>	<u>\$ 13,474,300</u>

**City of Lacombe**  
**Notes to Consolidated Financial Statements**

**December 31, 2017**

**12. Expenditures by Object**

	Budget 2017	2017	2016
Salaries and wages	\$ 13,005,673	\$ 12,733,537	\$ 12,593,740
Contracted and general services	4,927,784	5,011,730	5,491,171
Materials, goods and utilities	5,359,599	4,827,798	4,431,663
Transfer to local agencies	1,951,555	1,993,625	2,565,541
Transfer to individuals and organizations	127,315	142,504	134,242
Bank charges and short term interest	99,420	41,824	41,260
Interest on long-term debt	507,656	509,457	271,016
Amortization	5,848,919	5,848,919	5,256,988
	<b>\$ 31,827,921</b>	<b>\$ 31,109,394</b>	<b>\$ 30,785,621</b>

**13. Municipal Employees Pension Plans**

Local Authorities Pension Plan

Certain employees of the City 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 serves about 244,621 people and over 426 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund. The plan provides defined pension benefits to employees based on their length of service and rates of pay.

The City contributes to the Plan at a rate of 11.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 15.84% for the excess. Employees contribute to the Plan at a rate of 10.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 14.84% for the excess.

Contributions for the year were:

	2017	2016
Employer contributions	\$ 834,089	\$ 839,932
Employee contributions	767,854	773,410
	<b>\$ 1,601,943</b>	<b>\$ 1,613,342</b>

As this is a multi-employer pension plan, these contributions are the City's pension benefit expense. No pension liability for this type of plan is included in the City's financial statements. The most recent valuation as at December 31, 2016 indicates a deficit of \$637 million (2015- \$923 million) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

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**City of Lacombe**  
**Notes to Consolidated Financial Statements**

**December 31, 2017**

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

Alberta Urban Municipalities Association Apex Supplementary Pension Plan

Previously, any City of Lacombe employees that were in a position class as Level E or higher had the choice to participate in the APEX Supplementary Pension Plan, which is covered by the Alberta Employment Pensions Plan Act. Effective January 1, 2011 APEX is only available for those employees in a management position. APEX serves as an enhancement to the LAPP base pension, matches pensions provided to other public sector senior management and professional employees, and provides pensions that are reflective of total earnings.

Contributions for current service are recorded as expenditures in the year in which they become due.

The City of Lacombe is required to make current service contributions to APEX of 3.0% of the member's earnings up to the APEX earnings Maximum, which is \$144,722 for 2017.

Contributing employees of the City are required to make current service contributions of 2.0% of earnings up to the APEX Earnings Maximum

Contributions for the year were:

	2017	2016
Employer contributions	\$ 48,521	\$ 39,418
Employee contributions	36,455	32,848
	<b>\$ 84,976</b>	<b>\$ 72,266</b>

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**City of Lacombe**  
**Notes to Consolidated Financial Statements**

**December 31, 2017**

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

Special Forces Pension Plan

Municipal Police Officers of the City of Lacombe participate in the Special Forces Pension Plan (SFPP), which is covered by the Alberta Public Sector Pensions Plan Act. The Plan serves about 6,000 officers from seven municipalities. It is financed by employer and employee contributions and investments earnings of the SFPP fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The City of Lacombe was required to make current service contributions of 15% of pensionable salary for 2017.

Police Officers of the City were required to make current service contributions of 13.45% of pensionable salary for 2017.

Contributions for the year were:

	2017	2016
Employer contributions	\$ 237,455	\$ 214,828
Employee contributions	219,504	232,397
	<u>\$ 456,959</u>	<u>\$ 447,225</u>

As this is a multi-employer pension plan, these contributions are the City's pension benefit expense. No pension liability for this type of plan is included in the City's financial statements. The most recent valuation as at December 31, 2016 indicates a deficit of \$109 million for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

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**City of Lacombe**  
**Notes to Consolidated Financial Statements**

**December 31, 2017**

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**14. Salary and Benefits Disclosure**

Disclosure of salaries and benefits for municipal officials and designated officers as required by Alberta Regulation 313/2000 is as follows:

	<u>Salary</u>	<u>Benefits &amp; Allowances</u>	<u>Total 2017</u>	<u>Total 2016</u>
Mayor Christie	\$ 46,435	\$ 1,388	\$ 47,823	\$ 65,098
Mayor Creasey	10,884	326	11,210	-
Councilor Konnik	24,573	638	25,211	25,407
Councilor Rempel	19,884	512	20,396	26,936
Councilor Armishaw	19,884	512	20,396	27,192
Councilor Harder	19,884	512	20,396	25,206
Councilor McQuesten	19,884	512	20,396	30,059
Councilor Gullekson	4,689	111	4,800	-
Councilor Hibbs	4,689	111	4,800	-
Councilor Jacobson	4,689	111	4,800	-
Councilor Ross	4,689	111	4,800	-
Councilor Hoekstra	4,689	111	4,800	-
Councilor Bouwsema	19,884	511	20,395	27,072
Chief Administration				
Officer Pollard	96,368	14,533	110,901	-
Chief Administration	45,898	5,850	51,748	236,434
Officer MacQuarrie				

Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

Benefits and allowances includes the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment, dental coverage, vision coverage, and long and short term disability plans.

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**City of Lacombe**  
**Notes to Consolidated Financial Statements**

**December 31, 2017**

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**15. Debt Limits**

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

	<u>2017</u>	<u>2016</u>
Total debt limit	<b>\$45,088,150</b>	\$ 42,105,305
Total debt	<b>16,176,619</b>	13,605,935
Total debt limit available	<b>28,911,531</b>	28,499,370
Debt servicing limit	<b>7,313,701</b>	7,017,551
Debt servicing	<b>1,698,443</b>	1,463,485
Total debt servicing limit available	<b>5,615,258</b>	5,554,066

The debt limit is calculated at 1.5 times revenue of the City (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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**16. Contingencies**

a) Floodplain's

The City is current involved in legal proceedings regarding the issuance of building permits on land now constituted as a flood plain. At this point the potential liability is undeterminable.

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**City of Lacombe**  
**Notes to Consolidated Financial Statements**

**December 31, 2017**

**17. Budget**

Municipal Affairs encourages the creation of a budget on the basis of Public Sector Accounting. The approved budget for 2017 was, however, created using the historical methods which reflects a balanced budget. Cash inflows and outflows includes such items as debt proceeds, transfers to and from reserves, and debt principal repayment. These items are not recognized as revenues and expenses in the Statement of Operations as they do not meet the Public Sector Accounting Standards requirement.

The approved Council budget does not include funding for non-cash items such as amortization or contributed assets. These items are recognized as revenues and expenses in the Statement of Operations as required by Public Sector Accounting Standards.

The following provides detail related to the differences between the Council approved budget and budget figures included with the financial statements.

	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>2016 Actual</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	9,247,094	<b>4,310,870</b>	11,367,675
<b>Adjustments for non-cash items</b>			
Contributed Assets	-	-	(3,008,510)
Amortization of Tangible Capital Assets	5,848,919	<b>5,848,919</b>	5,256,989
Loss (Gain) on Disposal of Tangible Capital Assets	-	<b>(82,701)</b>	146,839
<b>Adjustments for cash items not recognized as revenue or expense</b>			
Proceeds on Disposal of Tangible Capital Assets	-	<b>154,067</b>	118,017
Acquisition of Tangible Capital Assets	(22,147,206)	<b>(13,716,125)</b>	(20,647,268)
Long Term Debt Principal Payments	(1,336,125)	<b>(1,195,247)</b>	(1,463,485)
New Debt	8,520,214	<b>3,765,931</b>	9,296,437
<b>Adjustments for Non-cash Items from Inter-Fund Allocations</b>			
Transfer from Reserves	2,586,639	<b>2,142,125</b>	3,854,518
Transfer to Reserves	(2,719,535)	<b>(3,407,967)</b>	(2,483,710)
<b>Council approved Balance</b>	<u>-</u>	<u><b>(2,180,128)</b></u>	<u>2,437,502</u>
Operating Surplus	-	<b>697,357</b>	120,860
Capital Surplus (Deficit)	<u>-</u>	<u><b>(2,877,485)</b></u>	<u>2,316,647</u>
<b>Total Surplus (Deficit)</b>	-	<b>(2,180,128)</b>	2,437,507

**December 31, 2017**

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## **18. Segmented Information**

The City 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:

### **Protective Services**

Protective services is comprised of police, bylaw enforcement and fire protection. This service area is responsible for the overall safety of the public through various prevention and enforcement activities.

### **Transportation Services**

Transportation services is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the maintenance of park and open space, and street lighting.

### **Water and Wastewater Services**

Water and wastewater provides drinking water to the Town's citizens and collects and treats wastewater. The City processes and cleans sewage and ensures the water system meets all Provincial standards.

### **Waste Management Services**

Waste management provides collection disposal and recycling programs.

### **Environmental Development Services**

The planning department provides a number of services including town planning and enforcement of building and construction codes and review of all property development plans through its application process.

### **Recreation, Parks and Culture**

This service area maintains recreation infrastructure such as parks, arenas, aquatic centres and community centres as well as provides recreational programs and cultural programs at those locations.

### **Public Health and Welfare**

This service area provides and administers community support programs.

### **General Government**

This service area includes legislative and administrative support to all other service areas and also relates to the revenues and expenses that relate to the operations of the City itself and cannot be directly attributed to a specific segment.

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**City of Lacombe**  
**Notes to Consolidated Financial Statements**

**December 31, 2017**

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**22. Segmented Information (continued)**

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 has been allocated to general government except where specific tax revenues can be directly allocated to a service area.

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**City of Lacombe**  
**Notes to Consolidated Financial Statements**

December 31, 2017

**18. Segmented Information** (continued)

<b>For the year ended December 31</b>	Protective Services	Transportation Services	Water, Wastewater and Waste Management	Environmental Development Services	Recreation, Parks, Culture	Public Health and Welfare	General Government	<b>2017 Total</b>
<b>Revenue</b>								
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	13,726,614	\$ 13,726,614
Government transfers	958,251	1,827,610	815,579	34,470	3,246,737	340,819	-	7,223,466
Other	49,164	90,790	160,095	13,666	25,908	12,452	94,770	446,845
Sales and user fees	321,418	185,682	8,976,501	115,856	1,104,820	53,181	55,442	10,812,900
Franchises and concessions	-	-	-	-	-	-	1,179,164	1,179,164
Investment income	-	-	-	-	-	-	73,522	73,522
Penalties and costs on taxes	-	-	40,452	-	-	-	164,155	204,607
Rental Revenue	13,670	-	-	-	237,563	-	-	251,233
Licences and permits	176,501	34,581	-	-	263,630	-	-	474,712
Fines	273,532	-	-	-	-	-	-	273,532
Offsite Levies	-	-	-	692,610	61,059	-	-	753,669
	<u>1,792,536</u>	<u>2,138,663</u>	<u>9,992,627</u>	<u>856,602</u>	<u>4,939,717</u>	<u>406,452</u>	<u>15,293,667</u>	<u>35,420,264</u>
<b>Expenses</b>								
Salaries and wages	3,797,438	1,692,889	1,259,865	845,923	2,700,323	70,466	2,366,633	12,733,537
Contracted and general services	379,154	626,920	3,096,833	107,906	282,578	22,570	495,769	5,011,730
Materials, goods and utilities	417,689	1,337,986	1,245,923	379,662	1,180,990	9,460	256,085	4,827,795
Transfer to local agencies	11,353	25,000	910,207	222,084	421,252	403,729	-	1,993,625
Transfers to individuals and organizations	-	108,939	-	-	8,565	25,000	-	142,504
Bank charges and short- term interests	1,415	-	3,686	-	11,384	-	25,339	41,824
Interest on long-term debt	57,121	44,660	66,741	78,062	250,365	-	12,508	509,457
Amortization	354,901	3,359,740	873,744	10,433	1,125,145	22,447	102,512	5,848,922
	<u>5,019,071</u>	<u>7,196,134</u>	<u>7,456,999</u>	<u>1,644,070</u>	<u>5,980,602</u>	<u>553,672</u>	<u>3,258,846</u>	<u>31,109,394</u>
<b>Net surplus (deficit)</b>	<u>\$ (3,226,535)</u>	<u>\$ (5,057,471)</u>	<u>\$ 2,535,628</u>	<u>\$ (787,468)</u>	<u>\$ (1,040,885)</u>	<u>\$ (147,220)</u>	<u>\$ 12,034,821</u>	<u>\$ 4,310,870</u>

**City of Lacombe**  
**Notes to Consolidated Financial Statements**

December 31, 2017

**18. Segmented Information** (continued)

<b>For the year ended December 31</b>	Protective Services	Transportation Services	Water, Wastewater and Waste Management	Environmental Development Services	Recreation, Parks, Culture	Public Health and Welfare	General Government	2016 Total
<b>Revenue</b>								
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,148,095	\$ 13,148,095
Government transfers	3,856,586	2,514,175	299,162	574,676	5,886,991	327,122	15,588	13,474,300
Rental Revenue	13,670	-	-	-	101,857	-	-	115,527
User fees and Sale of Good	69,451	172,986	8,032,613	65,702	736,642	42,261	49,444	9,169,099
Franchises and concessions	-	-	-	-	-	-	1,089,019	1,089,019
Investment income	-	-	-	-	-	-	28,939	28,939
Penalties and fines	-	-	38,881	-	-	-	117,375	156,256
Licences and permits	182,058	31,022	-	2	428,772	-	-	641,854
Other	9,693	407,212	77,258	59,747	227,959	9,420	65,949	857,238
Fines	464,459	-	-	-	-	-	-	464,459
Contributed assets	-	1,946,718	1,051,792	-	10,000	-	-	3,008,510
	<u>4,595,917</u>	<u>5,072,113</u>	<u>9,499,706</u>	<u>700,127</u>	<u>7,392,221</u>	<u>378,803</u>	<u>14,514,409</u>	<u>42,153,296</u>
<b>Expenses</b>								
Salaries and wages	3,608,927	1,602,997	1,332,212	888,800	2,702,678	54,242	2,403,884	12,593,740
Contracted and general services	751,323	840,947	3,014,115	183,276	243,700	14,264	443,546	5,491,171
Materials, goods and utilities	306,932	1,236,685	1,279,364	339,483	1,041,201	9,048	218,944	4,431,657
Transfer to local agencies	51,520	25,000	845,309	878,728	361,255	403,729	-	2,565,541
Transfers to individuals and organizations	-	84,170	-	10,205	7,010	25,000	7,857	134,242
Bank charges and short- term interest	1,408	-	1,185	-	12,095	-	26,572	41,260
Interest on long-term debt	18,506	55,102	40,701	29,735	107,304	-	19,668	271,016
Amortization	212,907	3,351,290	858,118	221	717,140	23,959	93,359	5,256,994
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,951,523</u>	<u>7,196,191</u>	<u>7,371,004</u>	<u>2,330,448</u>	<u>5,192,383</u>	<u>530,242</u>	<u>3,213,830</u>	<u>30,785,621</u>
<b>Net surplus (deficit)</b>	<b>\$ (355,606)</b>	<b>\$ (2,124,078)</b>	<b>\$ 2,128,702</b>	<b>\$ (1,630,321)</b>	<b>\$ 2,199,838</b>	<b>\$ (151,439)</b>	<b>\$ 11,300,579</b>	<b>\$ 11,367,675</b>

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**City of Lacombe**  
**Notes to Consolidated Financial Statements**

**December 31, 2017**

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**19. Comparative Figures**

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

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**20. Approval of Financial Statements**

Council and Management approved these financial statements.

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