

**CITY OF LACOMBE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**CITY OF LACOMBE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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	Page
Auditors' Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations	3
Consolidated Statement of Change in Net Financial Assets (Debt)	4
Consolidated Statement of Cash Flows	5
Schedules	6
Notes to the Financial Statements	12



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## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of the City of Lacombe, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of operations, change in net financial assets (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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 City of Lacombe as at December 31, 2013 and the results of its operations, change in its net assets (debt) and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

April 28, 2014  
Red Deer, Alberta

Chartered Accountants

**CITY OF LACOMBE  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>2013</b>	2012
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and Temporary Investments (Note 2)	<b>23,766,848</b>	14,201,860
Receivables (Note 3)		
Taxes and Grants-in-Place of Taxes Receivable	<b>399,955</b>	615,663
Trade and Other Receivables	<b>2,779,479</b>	10,703,654
Land Held for Resale Inventory	<b>2,493,558</b>	2,270,713
	<b>29,439,840</b>	27,791,890
<b>FINANCIAL LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	<b>2,828,168</b>	5,124,727
Employee Benefit Obligations (Note 4)	<b>781,959</b>	827,294
Deposit Liabilities	<b>1,684,459</b>	1,248,556
Deferred Revenue (Note 5)	<b>11,173,923</b>	9,318,057
Long-Term Debt (Note 6)	<b>9,012,010</b>	8,916,045
	<b>25,480,519</b>	25,434,679
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>3,959,321</b>	2,357,211
<b>NON FINANCIAL ASSETS</b>		
Tangible Capital Assets (Schedule 1)	<b>118,475,675</b>	116,800,211
Inventory for Consumption	<b>348,733</b>	203,880
Prepaid Expenses	<b>301,597</b>	34,890
	<b>119,126,005</b>	117,038,981
<b>ACCUMULATED SURPLUS (Note 9)</b>	<b>123,085,326</b>	119,396,192

The accompanying notes are an integral part of these financial statements.

**CITY OF LACOMBE  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget	2013	2012
	\$	\$	\$
<b>REVENUE</b>			
Net Municipal Property Taxes (Schedule 2)	10,949,341	<b>10,933,181</b>	10,258,591
User Fees and Sales of Goods	9,150,652	<b>8,210,302</b>	8,761,948
Government Transfers (Schedule 3)	8,877,891	<b>6,443,205</b>	15,178,994
Penalties and Costs on Taxes	224,144	<b>223,331</b>	223,912
Development Levies	-	<b>115,009</b>	422,488
Contributed Assets	-	-	1,048,530
Franchise and Concession Contracts	873,171	<b>921,732</b>	797,597
Licenses and Permits	444,200	<b>435,616</b>	443,700
Rental Revenue	91,762	<b>119,235</b>	92,781
Return on Investments	70,950	<b>143,228</b>	67,034
Fines	310,000	<b>314,246</b>	211,387
Other	299,112	<b>202,042</b>	183,448
Total revenue	<u>31,291,223</u>	<u><b>28,061,127</b></u>	<u>37,690,410</u>
<b>EXPENSES (Schedule 4)</b>			
General Government Services	2,869,515	<b>3,152,348</b>	2,665,917
Protective Services	3,603,330	<b>3,869,317</b>	3,261,375
Transportation Services	5,365,619	<b>5,433,228</b>	4,788,749
Water, Wastewater and Waste Management	6,098,587	<b>6,204,237</b>	5,868,967
Public Health and Welfare Services	464,210	<b>412,006</b>	409,541
Environmental Development Services	1,886,932	<b>1,424,840</b>	1,572,590
Recreation and Cultural Services	4,562,485	<b>4,732,511</b>	4,273,872
Total expense	<u>24,850,678</u>	<u><b>25,228,487</b></u>	<u>22,841,011</u>
	6,440,545	<b>2,832,640</b>	14,849,399
ACCUMULATED SURPLUS, BEGINNING OF YEAR	119,396,192	<b>119,396,192</b>	104,546,793
Equity in Lacombe Ambulance	-	<b>856,495</b>	-
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u><u>125,836,737</u></u>	<u><u><b>123,085,326</b></u></u>	<u><u>119,396,192</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LACOMBE  
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget	2013	2012
	\$	\$	\$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	6,440,545	2,832,640	14,849,399
Acquisition of Tangible Capital Assets	(10,004,688)	(6,341,504)	(16,268,311)
Contributed Assets	-	-	(1,048,530)
Proceeds on Disposal of Tangible Capital Assets	-	25,033	75,422
Amortization of Tangible Capital Assets	4,239,554	4,239,554	3,729,315
Loss (Gain) on Disposal of Tangible Capital Assets	-	401,453	63,555
	675,411	1,157,176	1,400,850
Change in prepaid expense and inventory for consumption	-	(411,560)	(37,343)
<b>(DECREASE) INCREASE IN NET ASSETS</b>	675,411	745,616	1,363,507
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	-	2,357,211	993,704
<b>Equity in Lacombe Ambulance</b>	-	856,495	-
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	675,411	3,959,321	2,357,211

The accompanying notes are an integral part of these financial statements.

**CITY OF LACOMBE  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013	2012
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of Revenues over Expenses	2,832,640	14,849,399
Non-cash items included in excess of revenues over expenses:		
Amortization of Tangible Capital Assets	4,239,554	3,729,315
Loss (Gain) on Disposal of Assets	401,453	63,555
Tangible Capital Assets Received as Contributions	-	(1,048,530)
Net changes in non-cash working capital balances:		
Taxes and Grants in Place of Receivables	215,708	(72,256)
Trade and Other Receivables	7,924,172	1,102,688
Land Held for Resale Inventory	(222,845)	(1,495,453)
Inventory for Consumption and Prepaid Expenses	(411,560)	(37,344)
Accounts Payable and Accrued Liabilities	(2,296,559)	1,140,799
Employee Benefit Obligations	(45,335)	93,538
Deposit Liabilities	435,903	94,101
Deferred Revenue	1,855,866	(2,684,268)
	<b>14,928,997</b>	<b>15,735,544</b>
<b>INVESTING ACTIVITIES</b>		
Decrease (Increase) in Restricted Cash Balances	(1,918,387)	2,220,577
Equity in Lacombe Ambulance	856,495	-
	<b>(1,061,892)</b>	<b>2,220,577</b>
<b>FINANCING ACTIVITIES</b>		
Long-Term Debt Repaid	(1,554,034)	(1,168,495)
Long-Term Debt	1,650,000	-
	<b>95,966</b>	<b>(1,168,495)</b>
<b>CAPITAL ACTIVITIES:</b>		
Acquisition of tangible capital assets	(6,341,503)	(16,268,311)
Proceeds on sale of tangible capital assets	25,033	75,422
	<b>(6,316,470)</b>	<b>(16,192,889)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>7,646,601</b>	<b>594,737</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>3,037,127</b>	<b>2,442,390</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>10,683,728</b>	<b>3,037,127</b>
<b>CASH AND EQUIVALENTS - COMPRISED OF (Note 2.)</b>		
Cash and Temporary Investments	23,766,848	14,201,860
Restricted Cash	(13,083,120)	(11,164,733)
	<b>10,683,728</b>	<b>3,037,127</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LACOMBE  
SCHEDULE OF TANGIBLE CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Schedule 1**

	Cost					Amortization				2013	2012	
	Beginning of year	Acquisition	Change in assets under construction	Disposals	Write Down	End of year	Beginning of year	Amortization	Disposals	End of year	\$	\$
Land	10,720,891	-	-	-	-	10,720,891	-	-	-	-	<b>10,720,891</b>	10,720,891
Land improvements	4,071,830	974,982	363,843	-	-	5,410,655	1,946,954	245,624	-	2,192,578	<b>3,218,076</b>	2,124,876
Buildings	26,880,011	383,423	-	-	-	27,263,434	7,126,246	636,299	-	7,762,545	<b>19,500,889</b>	19,753,765
Engineered Structures	102,134,556	3,842,513	11,558,469	(492,343)	-	117,043,195	33,475,073	2,708,183	76,282	36,106,974	<b>80,936,220</b>	68,659,481
Machinery & Equipment	3,797,683	689,260	-	(115,353)	-	4,371,590	2,155,933	288,204	104,928	2,339,209	<b>2,032,381</b>	1,641,749
Vehicles	4,294,671	325,704	-	(56,816)	-	4,563,559	2,475,101	361,242	56,816	2,779,527	<b>1,784,032</b>	1,819,571
Assets Under Construction	12,079,878	125,621	(11,922,312)	-	-	283,187	-	-	-	-	<b>283,186</b>	12,079,878
	<b>163,979,520</b>	<b>6,341,503</b>	<b>-</b>	<b>(664,512)</b>	<b>-</b>	<b>169,656,511</b>	<b>47,179,307</b>	<b>4,239,552</b>	<b>238,026</b>	<b>51,180,833</b>	<b>118,475,675</b>	<b>116,800,211</b>

The accompanying notes are an integral part of these financial statements.



**SCHEDULE OF PROPERTY AND OTHER TAXES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Schedule 2**

	Budget	2013	2012
	\$	\$	\$
<b>NET MUNICIPAL PROPERTY TAXES</b>			
Real Property Taxes	14,809,139	<b>14,824,008</b>	13,950,621
Linear Property Taxes	129,305	<b>129,305</b>	128,545
Government Grants in Place of Property Taxes	106,615	<b>106,614</b>	129,715
Special Assessments and Local Improvement Taxes	63,543	<b>32,514</b>	36,035
	<u>15,108,602</u>	<u><b>15,092,441</b></u>	<u>14,244,916</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	3,899,944	<b>3,899,944</b>	3,715,229
Seperate School Requisition	156,695	<b>156,695</b>	170,702
Lacombe Foundation Requisition	102,622	<b>102,622</b>	100,395
	<u>4,159,261</u>	<u><b>4,159,261</b></u>	<u>3,986,326</u>
<b>NET MUNICIPAL TAXES</b>	<u>10,949,341</u>	<u><b>10,933,180</b></u>	<u>10,258,590</u>

The accompanying notes are an integral part of these financial statements.

**SCHEDULE OF GOVERNMENT TRANSFERS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Schedule 3**

	Budget	2013	2012
	\$	\$	\$
<b>OPERATING</b>			
General Government Services	40,000	<b>30,451</b>	45,228
Protective Services	551,762	<b>575,747</b>	480,902
Transportation Services	75,000	<b>99,823</b>	-
Waste Management Services	5,160	<b>72,085</b>	20,879
Family Community Support Services	251,687	<b>251,687</b>	251,687
Public Health and Welfare Services	34,493	<b>25,129</b>	17,716
Environment Development Services	249,585	<b>159,262</b>	146,435
Recreation and Cultural Services	470,056	<b>537,028</b>	378,674
	<u>1,677,743</u>	<u><b>1,751,212</b></u>	<u>1,341,521</u>
<b>CAPITAL</b>			
General Government Services	35,000	<b>29,806</b>	21,660
Protective Services	378,166	<b>8,998</b>	73,458
Transportation Services	5,141,705	<b>2,542,581</b>	12,126,189
Water and Wastewater Services	821,277	<b>905,199</b>	1,059,723
Public Health and Welfare Services	-	<b>22,258</b>	-
Recreation and Cultural Services	824,000	<b>1,183,151</b>	556,443
	<u>7,200,148</u>	<u><b>4,691,993</b></u>	<u>13,837,473</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u><u>8,877,891</u></u>	<u><u><b>6,443,205</b></u></u>	<u><u>15,178,994</u></u>

The accompanying notes are an integral part of these financial statements.

**SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Schedule 4**

	Budget	2013	2012
	\$	\$	\$
<b>CONSOLIDATED EXPENDITURES BY OBJECT</b>			
Salaries, Wages, and Benefits	9,592,039	<b>10,080,661</b>	8,635,273
Contracted and General Services	5,438,755	<b>5,651,898</b>	5,214,991
Materials, Goods and Utilities	3,419,353	<b>2,868,764</b>	3,211,968
Provision for Allowances	22,446	<b>11,211</b>	3,918
Transfer to Local Boards and Agencies	1,051,871	<b>1,043,554</b>	1,022,880
Transfer to Individuals and Organizations	507,076	<b>464,248</b>	441,440
Bank Charges and Short-Term Interest	21,350	<b>30,277</b>	28,046
Interest on Long-Term Debt	521,586	<b>436,867</b>	489,624
Amortization of Tangible Capital Assets	4,239,554	<b>4,239,554</b>	3,729,316
Loss (Gain) on Disposal of Tangible Capital Assets	-	<b>401,453</b>	63,555
Other	36,648	-	-
	<u>24,850,678</u>	<u><b>25,228,487</b></u>	<u>22,841,011</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LACOMBE  
SCHEDULE OF SEGMENTED DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Schedule 5**

	General Government Services	Protective Services	Transportation Services	Water, Wastewater and Waste Management	Public Health and Welfare Services	Environmental Development Services	Recreation and Cultural Services	Total \$
<b>REVENUE</b>								
Net Municipal Property Taxes	10,900,667	-	32,514	-	-	-	-	<b>10,933,181</b>
Government Transfers	60,256	584,745	2,642,404	977,284	299,074	159,262	1,720,179	<b>6,443,204</b>
User Fees and Sales of Goods	49,643	54,981	37,359	6,963,426	31,649	65,634	1,007,611	<b>8,210,303</b>
Licenses, Permits and Fines	175,028	499,320	-	48,304	-	250,542	-	<b>973,194</b>
Franchise and Concession Contracts	921,732	-	-	-	-	-	-	<b>921,732</b>
Return on Investments	143,228	-	-	-	-	-	-	<b>143,228</b>
Other	31,866	50,576	29,738	63,565	-	148,621	111,921	<b>436,287</b>
	<b>12,282,420</b>	<b>1,189,622</b>	<b>2,742,015</b>	<b>8,052,579</b>	<b>330,723</b>	<b>624,059</b>	<b>2,839,711</b>	<b>28,061,129</b>
<b>EXPENDITURES</b>								
Salaries, Wages, and Benefits	2,046,030	2,690,039	1,238,715	1,057,291	34,387	745,062	2,269,137	<b>10,080,661</b>
Contracted and General Services	549,589	679,687	387,450	2,968,219	19,906	464,934	582,112	<b>5,651,897</b>
Materials, Goods and Utilities	27,875	223,901	1,132,534	679,026	4,270	41,725	759,433	<b>2,868,764</b>
Provision for Allowances	5,829	5,115	-	(937)	-	1,205	-	<b>11,212</b>
Transfer to Local Boards and Agencies	-	74,092	-	642,831	326,631	-	-	<b>1,043,554</b>
Transfer to Individuals and Organizations	-	-	58,357	-	15,000	105,455	285,436	<b>464,248</b>
Interest on Long-Term Debt	34,640	23,421	109,226	77,177	-	66,350	126,053	<b>436,867</b>
Bank Charges and Short-Term Interest	17,049	923	-	-	-	-	12,305	<b>30,277</b>
Amortization of Tangible Capital Assets	69,883	172,139	2,506,945	780,629	11,812	110	698,035	<b>4,239,553</b>
Loss (Gain) on Disposal of Tangible Capital Assets	401,453	-	-	-	-	-	-	<b>401,453</b>
	<b>3,152,348</b>	<b>3,869,317</b>	<b>5,433,227</b>	<b>6,204,236</b>	<b>412,006</b>	<b>1,424,841</b>	<b>4,732,511</b>	<b>25,228,486</b>
<b>NET SURPLUS (DEFICIT)</b>	<b>9,130,072</b>	<b>(2,679,695)</b>	<b>(2,691,212)</b>	<b>1,848,343</b>	<b>(81,283)</b>	<b>(800,782)</b>	<b>(1,892,800)</b>	<b>2,832,643</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LACOMBE  
SCHEDULE OF SEGMENTED DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Schedule 6**

	General Government Services	Protective Services	Transportation Services	Water, Wastewater and Waste Management	Public Health and Welfare Services	Environmental Development Services	Recreation and Cultural Services	Total \$
<b>REVENUE</b>								
Net Municipal Property Taxes	10,222,555	-	36,035	-	-	-	-	<b>10,258,590</b>
Government Transfers	66,888	554,360	12,126,189	1,080,602	269,403	146,435	935,117	<b>15,178,994</b>
User Fees and Sales of Goods	97,621	28,013	35,419	6,739,599	39,383	821,907	1,000,006	<b>8,761,948</b>
Licenses, Permits and Fines	173,199	411,165	-	50,713	-	243,922	-	<b>878,999</b>
Franchise and Concession Contracts	797,597	-	-	-	-	-	-	<b>797,597</b>
Return on Investments	67,034	-	-	-	-	-	-	<b>67,034</b>
Contributed Assets	-	-	-	-	-	610,820	437,710	<b>1,048,530</b>
Other	34,371	30,398	1,868	53,350	-	474,863	103,868	<b>698,718</b>
	<b>11,459,265</b>	<b>1,023,936</b>	<b>12,199,511</b>	<b>7,924,264</b>	<b>308,786</b>	<b>2,297,947</b>	<b>2,476,701</b>	<b>37,690,410</b>
<b>EXPENDITURES</b>								
Salaries, Wages, and Benefits	1,765,794	2,194,023	1,064,875	1,021,681	47,366	580,215	1,961,319	<b>8,635,273</b>
Contracted and General Services	510,226	615,585	407,258	2,717,540	4,480	481,119	478,784	<b>5,214,992</b>
Materials, Goods and Utilities	191,546	176,637	1,057,675	649,324	4,253	323,560	808,972	<b>3,211,967</b>
Provision for Allowances	2,627	2,597	-	(2,137)	-	831	-	<b>3,918</b>
Transfer to Local Boards and Agencies	-	72,522	-	623,726	326,631	-	-	<b>1,022,879</b>
Transfer to Individuals and Organizations	-	-	37,039	-	15,000	128,798	260,603	<b>441,440</b>
Bank Charges and Short-Term Interest	17,300	1,061	1	-	-	-	9,684	<b>28,046</b>
Interest on Long-Term Debt	39,655	24,875	145,512	91,958	-	55,501	132,123	<b>489,624</b>
Amortization of Tangible Capital Assets	75,215	174,074	2,076,389	766,875	11,812	2,566	622,385	<b>3,729,316</b>
Loss (Gain) on Disposal of Tangible Capital Assets	63,555	-	-	-	-	-	-	<b>63,555</b>
	<b>2,665,918</b>	<b>3,261,374</b>	<b>4,788,749</b>	<b>5,868,967</b>	<b>409,542</b>	<b>1,572,590</b>	<b>4,273,870</b>	<b>22,841,010</b>
<b>NET SURPLUS (DEFICIT)</b>	<b>8,793,347</b>	<b>(2,237,438)</b>	<b>7,410,762</b>	<b>2,055,297</b>	<b>(100,756)</b>	<b>725,357</b>	<b>(1,797,169)</b>	<b>14,849,400</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LACOMBE**  
**Notes to the Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**1. Significant Accounting Policies**

The consolidated financial statements of the City of Lacombe are the representation of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City of Lacombe are as follows:

**a) Reporting Entity**

The consolidated financial statements represent the assets, liabilities, revenues, and expenditures, changes in fund 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 controlled by the City and are, therefore, accountable to the City Council for the administration of their financial affairs and resources.

Included with the municipality is the City of Lacombe Police Department and the City of Lacombe Fire Department.

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.

**b) Basis of Accounting**

Revenues 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.

**CITY OF LACOMBE**  
**Notes to the Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Significant Accounting Policies continued**

**c) Use of Estimates**

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

**d) 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.

**e) Inventories**

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the average cost method.

Land held for resale is recorded at the lower of cost or net realizable value. Cost included costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and levelling 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.

**CITY OF LACOMBE**  
**Notes to the Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Significant Accounting Policies continued**

**f) Tangible Capital Assets**

**i) Asset Classes**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital asset are amortized on a straight line basis over the estimated useful life as follows:

<u>ASSET CLASS</u>	<u>YEARS</u>
Land improvements	15-40
Buildings	20-50
Engineered structures	
Roadway systems	15-60
Water systems	30-75
Wastewater systems	30-75
Storm Sewer	45-75
Machinery and equipment	5-30
Vehicles	10-25

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**ii) Contributions of Tangible Capital Assets**

Tangible capital assets received as contributions are recorded at their fair market value at the date of receipt and are also recorded as revenue.

**iii) Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

**iv) Cultural and Historical Tangible Capital Assets**

Works of art for display are not recorded as tangible capital assets but are disclosed.



**CITY OF LACOMBE**  
**Notes to the Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Significant Accounting Policies continued**

**g) 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.

**h) Prepaid Local Improvement Charges**

Construction and borrowing costs associated with local improvement 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.

**i) 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 a direct financial return.

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.

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**  
**Notes to the Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**2. CASH AND TEMPORARY INVESTMENTS**

	<b>2013</b>	2012
	\$	\$
Cash (Bank prime less 1 to 1.25%)	<b>23,766,818</b>	14,201,830
Temporary Investments	<b>30</b>	30
	<b>23,766,848</b>	14,201,860
Included in the above amounts are restricted funds held exclusively for the following:		
Statutory Reserves	<b>2,067,176</b>	1,951,928
Basic Municipal Transportation Grant	<b>2,051,581</b>	2,310,357
Alberta Municipal Infrastructure Program Grants	<b>1,413,693</b>	1,720,055
Federal Gas Tax	-	371,990
Municipal Sustainability Initiative Grants	<b>4,435,195</b>	3,548,459
Municipal Sustainability Housing Grants	<b>945,903</b>	935,072
Other Provincial Government Grants	<b>2,169,571</b>	326,872
	<b>13,083,119</b>	11,164,733

The City has a line of credit with an authorized limit of \$3,500,000 at an interest rate of Bank prime less 0.25%. Bank prime at year end was 3.00% 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.

**3. RECEIVABLES**

	<b>2013</b>	2012
	\$	\$
Current Taxes and Grants in Place of Taxes	<b>315,354</b>	473,111
Arrears Taxes	<b>84,601</b>	142,552
	<b>399,955</b>	615,663
Receivables from Other Governments	<b>4,926</b>	1,662
Trade and Other Receivables	<b>2,774,554</b>	10,701,991
	<b>2,779,480</b>	10,703,653
	<b>3,179,435</b>	11,319,316

**CITY OF LACOMBE**  
**Notes to the Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**4. EMPLOYEE BENEFIT OBLIGATION**

	<b>2013</b>	2012
	<b>\$</b>	\$
Vacation	<b>450,547</b>	394,354
Overtime	<b>30,808</b>	16,269
Retirement Benefits	<b>117,387</b>	227,818
Sick Leave	<b>183,218</b>	188,853
	<b>781,960</b>	827,294

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 these 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 18 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.

**5. DEFERRED REVENUE**

	<b>2013</b>	2012
	<b>\$</b>	\$
Prepaid Local Improvement Charges	<b>29,548</b>	29,548
Deferred Grants	<b>11,015,945</b>	9,212,805
Other Deferred Revenue	<b>128,431</b>	75,704
	<b>11,173,924</b>	9,318,057

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 2014 will be \$3,637 ( 2013- \$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 projects.

**CITY OF LACOMBE**  
**Notes to the Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**6. LONG-TERM DEBT**

	<b>2013</b>	2012
	<b>\$</b>	\$
Tax Supported Debentures	<b>6,031,802</b>	6,923,640
Self Supported Debentures	<b>1,312,649</b>	1,528,992
Bank loan	<b>1,667,559</b>	463,412
	<b>9,012,010</b>	8,916,044

The current portion of the long-term debt amounts to  
Principal and interest repayments are as follows:

Principal	Interest	Total
\$	\$	\$
1,657,174	316,470	1,973,644
1,527,184	331,876	1,859,060
1,499,994	262,866	1,762,860
1,041,929	201,286	1,243,215
545,243	157,418	702,661
2,740,486	703,189	3,443,675
<b>9,012,010</b>	<b>1,973,105</b>	<b>10,985,115</b>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 4.45% to 9.75% per annum, before Provincial subsidy, and matures in periods 2014 through 2031. Debenture debt is issued on the credit and security of the City at large.

The bank loans of \$2,113,412 is comprised of a promissory note to Servus Credit Union with interest being calculated at bank prime minus 0.50%. Annual equalized principal repayments are \$445,853 and interest is paid monthly for 15 years. One loan is secured by a General Security Agreement dated Oct. 26, 2001 under borrowing bylaw 276. The second loan was realized in 2013. Maturity date of these loans is 2016 and the 2013 loan matures in 2018. 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 the Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**7. DEBT LIMITS**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the City of Lacombe be disclosed as follows:

	<b>2013</b>	2012
	<b>\$</b>	\$
Total debt limit	<b>35,053,701</b>	35,779,406
Long-Term Debt	<b>9,012,010</b>	8,916,045
	<b>26,041,691</b>	26,863,361
Debt servicing limit	<b>5,842,284</b>	5,963,234
Debenture Principle Payments	<b>1,554,034</b>	1,655,029
	<b>4,288,250</b>	4,308,205

The debt limit is calculated at 1.5 times the revenue of the municipality (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 that 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 represented as a whole.

**8. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<b>2013</b>	2012
	<b>\$</b>	\$
Tangible Capital Assets	<b>169,656,511</b>	163,932,505
Accumulated Amortization	<b>(51,180,836)</b>	(47,132,294)
Long-Term Debt	<b>(9,012,010)</b>	(8,916,045)
	<b>109,463,665</b>	107,884,166

**CITY OF LACOMBE**  
**Notes to the Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**9. ACCUMULATED SURPLUS**

	<b>2013</b>	2012
	\$	\$
<b>Reserves (Restricted Surplus):</b>		
General Operating Reserve	<b>115,043</b>	115,043
General Capital Reserve	<b>285,405</b>	417,625
General Government Reserve	<b>22,339</b>	22,339
IT Equipment Replacement Reserve	<b>55,603</b>	71,316
Lacombe Police Reserve	<b>125,547</b>	98,547
Lacombe Fire Department	<b>27,944</b>	35,128
Safety Committee Reserve	<b>30,614</b>	28,114
Equipment Replacement Reserve	<b>592,158</b>	377,034
Streets and Roads Reserve	<b>1,988,543</b>	1,989,118
Sandpit Reclamation Reserve	<b>116,391</b>	111,788
Public Transportation Reserve	<b>90,710</b>	75,710
Storm Sewer Reserve	<b>89,728</b>	165,317
Water System Reserve	<b>1,028,395</b>	713,125
Wastewater System Reserve	<b>280,328</b>	209,532
Solid Waste Reserve	<b>364,687</b>	250,928
Cemetery Reserve	<b>313,894</b>	309,573
Economic Development Reserve	<b>13,148</b>	13,148
Offsite Levy Reserve	<b>1,986,422</b>	1,871,413
Land Held for Resale Reserve	<b>(226,353)</b>	540,475
Recreation Facility Reserve	<b>216,452</b>	283,831
Parks and Recreation Reserve	<b>(7,948)</b>	(106,304)
Municipal Dedication Reserve	<b>50,737</b>	50,737
<b>Total Reserves</b>	<b>7,559,787</b>	7,643,537
<b>Unrestricted Surplus</b>	<b>5,205,380</b>	3,868,489
<b>Equity in Lacombe Ambulance</b>	<b>856,495</b>	-
<b>Equity in Fixed Assets</b>	<b>109,463,665</b>	107,884,166
<b>Accumulated Surplus</b>	<b>123,085,326</b>	119,396,192

**CITY OF LACOMBE**  
**Notes to the Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**10. SEGMENTED DISCLOSURE**

The City of Lacombe provides a range of services to its' residents and ratepayers. For each reported segment in Schedule 5 revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in (Note 1)

**11. SALARY AND BENEFIT DISCLOSURE**

Disclosure of salaries and benefits for municipal officials and the chief administrative officer as required by Alberta Regulation 313/2000 is as follows:

			<b>2013</b>	2012
			<b>\$</b>	\$
	Salary <sup>1</sup>	Benefits & Allowances <sup>2</sup>	<b>Total</b>	Total
<b>Council:</b>				
Councillor Foster	19,514	6,753	<b>26,267</b>	26,258
Councillor Rempel	23,427	3,382	<b>26,809</b>	29,268
Councillor Kite	19,514	3,407	<b>22,921</b>	25,757
Councillor Bouwsema	23,427	3,131	<b>26,558</b>	25,336
Councillor Creasey	19,514	1,461	<b>20,975</b>	31,511
Councillor Konnik	23,427	2,775	<b>26,202</b>	26,943
Mayor Christie	53,469	10,163	<b>63,632</b>	54,252
Councillor Armishaw	4,165	1,375	<b>5,540</b>	-
Councillor Harder	4,165	1,151	<b>5,316</b>	-
Councillor McQuesten	4,165	1,141	<b>5,306</b>	-
Chief Administrative Officer MacQuarrie	166,349	43,488	<b>209,837</b>	203,044
	<b>361,136</b>	<b>78,227</b>	<b>439,363</b>	<b>422,369</b>

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

2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships, and tuition.

## **12. MUNICIPAL EMPLOYEE PENSION PLANS**

### **Local Authorities Pension Plan**

Employees of the City of Lacombe participate in the Local Authorities Pension Plan (LAPP), which is covered by the Alberta Public Sector Pensions Plan Act. The Plan serves about 206,249 people from 421 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

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 LAPP of 10.43% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 14.47% for the excess.

Employees of the City are required to make current service contributions of 9.40% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

Total current service contributions by the City to the plan in 2013 were \$617,086 (2012 - \$628,688). Total current service contributions by employees to the plan in 2013 were \$568,635 (2012 - \$571,592). At December 31, 2011, the plan disclosed an actuarial deficiency of \$4.98 billion.

### **APEX Supplementary Pension Plan**

Previously, any City of Lacombe employees that were in a position classed 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 was \$134,834 for 2013.

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

Total current service contributions by the City to the plan in 2013 were \$40,205 (2012 - \$35,448). Total current service contributions by employees to the plan in 2013 were \$33,505 (2012 - \$29,568).



**CITY OF LACOMBE**  
**Notes to the Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**12. MUNICIPAL EMPLOYEE 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 investment 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 to SFPP of 15% of pensionable salary for 2013.

Police Officers of the City were required to make current service contributions of 13.45% of pensionable salary for 2013.

Total current service contributions by the City to the plan in 2013 were \$189,598 (2012 - \$173,342). Total current service contributions by employees to the plan in 2013 were \$175,264 (2012 - \$160,238). At December 31, 2012, the plan disclosed an actuarial deficiency of \$574 million.

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**CITY OF LACOMBE**  
**Notes to the Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**13. RESTATED BUDGET FIGURES - BUDGET TO PUBLIC SECTOR ACCOUNTING**

Municipal Affairs encourages the creation of a budget on the basis of Public Sector Accounting. The approved Council budget for 2013 was, however, created using historical methods which reflects a balanced budget. Cash inflows and outflows included 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 Statements of Operations as required by Public Sector Accounting Standards.

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 Statements 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.

	<b>2013 Budget</b>	<b>2013 Actual</b>	2012 actual
	\$	\$	\$
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	6,440,545	<b>2,832,640</b>	14,849,399
<b>Adjustments for non-cash items</b>			
Contributed Assets	-	-	(1,048,530)
Amortization of Tangible Capital Assets	4,239,554	<b>4,239,554</b>	3,729,316
Loss (Gain) on Disposal of Tangible Capital Assets	-	<b>401,453</b>	63,555
<b>Adjustments for cash items not recognized as revenue or expense</b>			
Proceeds on Disposal of Tangible Capital Assets	-	<b>25,033</b>	75,422
Acquisition of Tangible Capital Assets	(10,004,688)	<b>(6,341,504)</b>	(16,268,311)
Debenture Principle Payments	(1,428,136)	<b>(1,554,034)</b>	(1,168,495)
Land Held for Resale - Debt Financed	(2,479,918)	<b>(1,650,000)</b>	-
New Debt	2,479,918	<b>1,650,000</b>	-
<b>Adjustments for non-cash items from Inter-Fund Allocations</b>			
Transfer from Reserves	3,404,494	<b>2,388,680</b>	2,395,129
Transfer to Reserves	(2,631,938)	<b>(2,297,131)</b>	(2,538,599)
Internal Recoveries & Transfers	(19,831)	-	(241)
<b>Council approved Balance</b>	-	<b>(305,308)</b>	88,644

**CITY OF LACOMBE**  
**Notes to the Financial Statements**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**14. PRESENTATION**

Certain comparative figures have been restated to conform to the current year's presentation.

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**15. APPROVAL OF FINANCIAL STATEMENTS**

Council and Administration have approved these financial statements.

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**16. LACOMBE MUNICIPAL AMBULANCE SERVICE ASSOCIATION**

The City has shared control of the Lacombe Municipal Ambulance Service Association which is a non-profit organization incorporated under the Societies Act of Alberta founded to provide ambulance services for the residents of the participating municipalities. As at year end, the Association has determined that it will dissolve and that its members would received their proportionate share of the net assets of the Association.

As a result of the pending dissolution, it is determined that the City would receive \$865,495 of the net assets of the Association. Therefore, the City has recorded cash of \$865,495 in the current year to account for its proportionate share of the Association. The Association had no operation for the year ended December 31, 2013 and is to be dissolved in 2014.