

CITY OF LACOMBE
Financial Statements
Year Ended December 31, 2015

**CITY OF LACOMBE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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Independent Auditor's Report

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, 2015, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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, 2015 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.

BDO Canada LLP

April 25, 2016
Red Deer, Alberta

Chartered Professional Accountants

**CITY OF LACOMBE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015	2014
	\$	\$
FINANCIAL ASSET		
Cash and Temporary Investments (Note 2)	14,595,690	21,592,044
Receivables (Note 3)		
Taxes and Grants-in-Place of Taxes Receivable	319,958	396,912
Trade and Other Receivables	7,284,282	3,790,864
Land Held for Resale Inventory	3,798,689	3,384,857
	<u>25,998,619</u>	<u>29,164,677</u>
FINANCIAL LIABILITIES		
Accounts Payable and Accrued Liabilities	5,313,409	3,151,863
Employee Benefit Obligations (Note 4)	891,288	774,373
Deposit Liabilities	2,059,932	1,514,839
Deferred Revenue (Note 5)	9,743,048	10,941,488
Long-Term Debt (Note 6)	5,841,026	7,729,457
	<u>23,848,703</u>	<u>24,112,020</u>
NET FINANCIAL ASSETS (DEBT)	2,149,916	5,052,657
NON FINANCIAL ASSETS		
Tangible Capital Assets (Schedule 1)	141,826,108	124,221,150
Inventory for Consumption	324,231	387,348
Prepaid Expenses	62,441	50,278
	<u>142,212,780</u>	<u>124,658,776</u>
ACCUMULATED SURPLUS (Note 9)	144,362,696	129,711,433

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

**CITY OF LACOMBE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget	2015	2014
	\$	\$	\$
REVENUE			
Net Municipal Property Taxes (Schedule 2)	12,416,649	12,396,230	11,522,764
User Fees and Sales of Goods	9,334,078	8,929,328	9,688,439
Government Transfers (Schedule 3)	23,092,867	10,517,769	6,721,603
Penalties and Costs on Taxes	224,144	159,787	175,550
Development Levies	-	349,211	478,836
Contributed Assets	-	8,025,303	4,272,151
Franchise and Concession Contracts	991,648	1,014,666	958,722
Licenses and Permits	520,500	570,009	485,559
Rental Revenue	112,732	130,453	111,218
Return on Investments	95,955	154,753	167,605
Fines	622,455	1,096,125	999,981
Other	867,095	355,782	298,895
Total revenue	<u>48,278,123</u>	<u>43,699,416</u>	<u>35,881,323</u>
EXPENSES (Schedule 4)			
General Government Services	2,935,505	2,958,085	2,840,253
Protective Services	4,403,000	4,585,585	4,345,456
Transportation Services	6,691,557	6,691,096	8,009,782
Water, Wastewater and Waste Management	7,298,000	7,478,573	7,231,527
Public Health and Welfare Services	481,938	471,314	416,815
Environmental Development Services	1,747,011	1,888,515	1,749,971
Recreation and Cultural Services	5,026,438	4,974,985	4,661,412
Total expense	<u>28,583,449</u>	<u>29,048,153</u>	<u>29,255,216</u>
EXCESS OF REVENUES OVER EXPENSES	19,694,674	14,651,263	6,626,107
ACCUMULATED SURPLUS	<u>129,711,433</u>	<u>129,711,433</u>	<u>123,085,326</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>149,406,107</u></u>	<u><u>144,362,696</u></u>	<u><u>129,711,433</u></u>

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

**CITY OF LACOMBE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budget	2015	2014
	\$	\$	\$
EXCESS OF REVENUES OVER EXPENSES	10,259,575	14,651,263	6,626,107
Acquisition of Tangible Capital Assets	(18,774,271)	(14,499,302)	(6,311,948)
Contributed Assets	-	(8,025,303)	(4,272,151)
Proceeds on Disposal of Tangible Capital Assets	53,500	11,217	13,987
Amortization of Tangible Capital Assets	4,679,771	4,925,648	4,679,771
Loss (Gain) on Disposal of Tangible Capital Assets	-	(38,111)	81,024
Write Down of Asset	-	3,140	63,843
	(3,781,425)	(2,971,448)	880,633
Change in prepaid expense and inventory for consumption	212,704	68,707	212,704
INCREASE IN NET ASSETS	(3,568,721)	(2,902,741)	1,093,337
NET FINANCIAL ASSETS, BEGINNING OF YEAR	5,052,657	5,052,657	3,959,321
NET FINANCIAL ASSETS (DEBT), END OF YEAR	1,483,936	2,149,916	5,052,657

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, 2015**

	2015	2014
	\$	\$
OPERATING ACTIVITIES		
Excess of Revenues over Expenses	14,651,263	6,626,107
Non-cash items included in excess of revenues over expenses:		
Amortization of Tangible Capital Assets	4,925,648	4,679,771
Loss (Gain) on Disposal of Assets	(38,111)	81,024
Tangible Capital Assets Received as Contributions	(8,025,303)	(4,272,151)
Net changes in non-cash working capital balances:		
Taxes and Grants in Place of Receivables	76,954	3,043
Trade and Other Receivables	(3,493,418)	(1,011,385)
Land Held for Resale Inventory	(413,832)	(891,299)
Inventory for Consumption and Prepaid Expenses	68,707	212,704
Accounts Payable and Accrued Liabilities	2,161,546	323,446
Employee Benefit Obligations	116,915	(7,586)
Deposit Liabilities	545,093	(169,620)
Deferred Revenue	(1,198,510)	(202,170)
Write Down of Capital Asset	3,140	63,843
	<u>9,380,092</u>	<u>5,435,727</u>
INVESTING ACTIVITIES		
Decrease (Increase) in Restricted Cash Balances	1,833,556	(247,358)
FINANCING ACTIVITIES		
Long-Term Debt Repaid	(1,888,431)	(1,282,554)
CAPITAL ACTIVITIES:		
Acquisition of tangible capital assets	(14,499,302)	(6,311,948)
Proceeds on sale of tangible capital assets	11,217	13,987
	<u>(14,488,085)</u>	<u>(6,297,961)</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(5,162,868)	(2,392,146)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	8,261,566	10,653,712
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>3,098,698</u>	<u>8,261,566</u>
CASH AND EQUIVALENTS - COMPRISED OF (Note 2.)		
Cash and Temporary Investments	14,595,690	21,592,044
Restricted Cash	(11,496,992)	(13,330,478)
	<u>3,098,698</u>	<u>8,261,566</u>

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

**SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Schedule 1

	Cost					Amortization				2015	2014	
	Beginning of year	Acquisition	Change in assets under construction	Disposals	Write Down	End of year	Beginning of year	Amortization	Disposals	End of year	\$	\$
Land	12,324,271	-	13,400	-	(1,050)	12,336,621	-	-	-	-	12,336,621	12,324,271
Land improvements	5,681,322	228,369	580,244	-	-	6,489,935	2,459,620	242,775	-	2,702,395	3,787,540	3,221,702
Buildings	27,329,273	298,426	8,991	-	-	27,636,690	8,404,286	633,253	-	9,037,539	18,599,151	18,924,987
Engineered Structures	122,537,897	12,777,278	2,281,507	-	(2,090)	137,594,592	39,204,214	3,317,784	-	42,521,998	95,072,594	83,333,683
Machinery & Equipment	4,758,317	732,747	52,939	(326,197)	-	5,217,806	2,481,091	362,319	(260,647)	2,582,763	2,635,043	2,277,226
Vehicles	4,976,418	453,669	-	(335,535)	-	5,094,552	2,979,925	369,517	(304,423)	3,045,019	2,049,533	1,996,493
Assets Under Construction	2,142,788	8,139,919	(2,937,081)	-	-	7,345,626	-	-	-	-	7,345,626	2,142,788
	179,750,286	22,630,408	-	(661,732)	(3,140)	201,715,822	55,529,136	4,925,648	(565,070)	59,889,714	141,826,108	124,221,150

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

**SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Schedule 2

	Budget	2015	2014
	\$	\$	\$
NET MUNICIPAL PROPERTY TAXES			
Real Property Taxes	16,356,567	16,372,890	15,391,181
Linear Property Taxes	140,908	140,451	132,310
Government Grants in Place of Property Taxes	114,779	116,084	109,794
Special Assessments and Local Improvement Taxes	63,543	28,420	42,365
	<u>16,675,797</u>	<u>16,657,845</u>	<u>15,675,650</u>
REQUISITIONS			
Alberta School Foundation Fund	4,011,301	4,011,302	3,897,746
Seperate School Requisition	145,225	145,255	152,518
Lacombe Foundation Requisition	102,622	105,058	102,622
	<u>4,259,148</u>	<u>4,261,615</u>	<u>4,152,886</u>
	<u><u>12,416,649</u></u>	<u><u>12,396,230</u></u>	<u><u>11,522,764</u></u>

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

**SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Schedule 3

	Budget	2015	2014
	\$	\$	\$
OPERATING			
General Government Services	14,008	14,008	55,355
Protective Services	606,153	608,837	597,108
Transportation Services	12,500	12,500	1,799,703
Waste Management Services	39,804	23,809	24,097
Family Community Support Services	251,687	270,564	251,687
Public Health and Welfare Services	12,000	11,180	8,011
Environment Development Services	161,682	398,725	72,286
Recreation and Cultural Services	493,456	497,445	478,415
	<u>1,591,290</u>	<u>1,837,068</u>	<u>3,286,662</u>
CAPITAL			
Protective Services	6,219,549	2,790,327	48,307
Transportation Services	9,101,149	3,257,953	3,050,955
Water and Wastewater Services	3,270,880	550,144	37,021
Public Health and Welfare Services	220,370	207,884	-
Recreation and Cultural Services	2,689,629	1,874,393	298,658
	<u>21,501,577</u>	<u>8,680,701</u>	<u>3,434,941</u>
TOTAL GOVERNMENT TRANSFERS	<u><u>23,092,867</u></u>	<u><u>10,517,769</u></u>	<u><u>6,721,603</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, 2015**

Schedule 4

	Budget	2015	2014
	\$	\$	\$
CONSOLIDATED EXPENDITURES BY OBJECT			
Salaries, Wages, and Benefits	11,434,395	11,639,519	10,533,417
Contracted and General Services	6,315,840	6,687,525	8,133,869
Materials, Goods and Utilities	3,520,957	3,264,326	3,722,603
Provision for Allowances	22,446	6,341	54,584
Transfer to Local Boards and Agencies	1,245,118	1,634,472	1,253,966
Transfer to Individuals and Organizations	592,216	579,773	486,561
Bank Charges and Short-Term Interest	25,390	36,919	31,984
Interest on Long-Term Debt	501,439	311,741	387,417
Amortization of Tangible Capital Assets	4,925,648	4,925,648	4,679,773
Loss (Gain) on Disposal of Tangible Capital Assets	-	(38,111)	(28,958)
	28,583,449	29,048,153	29,255,216

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

**SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2015**

Schedule 5

	General Government Services	Protective Services	Transportation Services	Water, Wastewater and Waste Management	Public Health and Welfare Services	Environment al Developme nt Services	Recreation and Cultural Services	Total \$
REVENUE								
Net Municipal Property Taxes	12,367,810	-	20,311	8,109	-	-	-	12,396,230
Government Transfers	14,008	3,399,164	3,288,514	573,953	489,628	398,725	2,353,777	10,517,769
User Fees and Sales of Goods	43,476	55,777	46,348	7,609,777	48,250	128,793	996,907	8,929,328
Licenses, Permits and Fines	132,371	1,277,378	38,625	27,416	-	350,131	-	1,825,921
Franchise and Concession Contracts	1,014,666	-	-	-	-	-	-	1,014,666
Return on Investments	154,753	-	-	-	-	-	-	154,753
Contributed Assets	-	-	5,293,772	2,731,531	-	-	-	8,025,303
Other	75,348	18,053	147,731	68,360	-	397,936	128,018	835,446
	13,802,432	4,750,372	8,835,301	11,019,146	537,878	1,275,585	3,478,702	43,699,416
EXPENDITURES								
Salaries, Wages, and Benefits	2,201,157	3,158,273	1,493,278	1,271,284	61,213	819,748	2,634,566	11,639,519
Contracted and General Services	502,352	1,074,128	703,873	3,432,352	5,317	430,857	538,646	6,687,525
Materials, Goods and Utilities	147,143	194,726	1,177,809	1,035,793	4,433	42,511	661,911	3,264,326
Provision for Allowances	2,579	1,090	-	2,063	-	609	-	6,341
Transfer to Local Boards and Agencies	-	6,992	30,000	858,205	355,490	383,785	-	1,634,472
Transfer to Individuals and Organizations	-	-	72,120	-	25,275	175,655	306,723	579,773
Interest on Long-Term Debt	25,070	20,405	66,586	52,958	-	35,129	111,593	311,741
Bank Charges and Short-Term Interest	22,915	1,404	-	-	-	-	12,600	36,919
Amortization of Tangible Capital Assets	94,980	128,567	3,147,430	825,918	19,586	221	708,946	4,925,648
Loss (Gain) on Disposal of Tangible Capital Assets	(38,111)	-	-	-	-	-	-	(38,111)
	2,958,085	4,585,585	6,691,096	7,478,573	471,314	1,888,515	4,974,985	29,048,153
NET SURPLUS (DEFICIT)	10,844,347	164,787	2,144,205	3,540,573	66,564	(612,930)	(1,496,283)	14,651,263

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

**SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2014**

Schedule 6

	General Government Services	Protective Services	Transportatio n Services	Water, Wastewater and Waste Management	Public Health and Welfare Services	Environment al Developme nt Services	Recreation and Cultural Services	Total \$
REVENUE								
Net Municipal Property Taxes	11,480,399	-	25,620	16,745	-	-	-	11,522,764
Government Transfers	55,355	645,415	4,850,658	61,118	259,698	72,286	777,073	6,721,603
User Fees and Sales of Goods	49,902	68,568	45,709	7,426,934	27,550	1,067,132	1,002,644	9,688,439
Licenses, Permits and Fines	132,959	1,169,664	39,280	42,591	-	276,596	-	1,661,090
Franchise and Concession Contracts	958,722	-	-	-	-	-	-	958,722
Return on Investments	167,605	-	-	-	-	-	-	167,605
Contributed Assets	1,821,584	-	1,387,661	1,062,906	-	-	-	4,272,151
Other	48,450	54,022	16,595	54,122	35	592,891	122,834	888,949
	14,714,976	1,937,669	6,365,523	8,664,416	287,283	2,008,905	1,902,551	35,881,323
EXPENDITURES								
Salaries, Wages, and Benefits	2,037,050	2,850,848	1,399,151	1,165,995	46,759	748,492	2,285,122	10,533,417
Contracted and General Services	492,961	962,998	2,260,589	3,518,207	6,001	382,047	511,066	8,133,869
Materials, Goods and Utilities	194,655	215,695	1,164,443	985,926	4,112	460,461	697,311	3,722,603
Provision for Allowances	5,171	41,882	-	11	-	7,520	-	54,584
Transfer to Local Boards and Agencies	-	78,778	150,000	698,557	326,631	-	-	1,253,966
Transfer to Individuals and Organizations	-	-	68,090	-	21,500	97,455	299,516	486,561
Bank Charges and Short-Term Interest	19,328	946	-	-	-	-	11,710	31,984
Interest on Long-Term Debt	28,814	22,079	93,395	67,547	-	53,775	121,807	387,417
Amortization of Tangible Capital Assets	91,232	172,230	2,874,114	795,284	11,812	221	734,880	4,679,773
Loss (Gain) on Disposal of Tangible Capital Assets	(28,958)	-	-	-	-	-	-	(28,958)
	2,840,253	4,345,456	8,009,782	7,231,527	416,815	1,749,971	4,661,412	29,255,216
NET SURPLUS (DEFICIT)	11,874,723	(2,407,787)	(1,644,259)	1,432,889	(129,532)	258,934	(2,758,861)	6,626,107

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

**CITY OF LACOMBE
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Schedule 7

	Budget	2015	2014
	\$	\$	\$
NET MUNICIPAL PROPERTY TAXES			
Real Property Taxes	12,200,041	16,372,890	15,391,181
Linear Property Taxes	140,908	140,451	132,310
Government Grants in Place of Property Taxes	114,779	116,084	109,794
Special Assessments and Local Improvement Taxes	63,543	28,420	42,365
	<u>12,519,271</u>	<u>16,657,845</u>	<u>15,675,650</u>
REQUISITIONS			
Alberta School Foundation Fund	-	4,011,302	3,897,746
Seperate School Requisition	-	145,255	152,518
Lacombe Foundation Requisition	(102,622)	105,058	102,622
	<u>(102,622)</u>	<u>4,261,615</u>	<u>4,152,886</u>
NET MUNICIPAL TAXES	<u>12,621,893</u>	<u>12,396,230</u>	<u>11,522,764</u>

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, 2015

CITY OF LACOMBE
Notes to the Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2015

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 Profession 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 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.

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, 2015

1. 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 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.

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>2015</u>
Land improvements	15-40
Buildings	20-25
Engineered structures	
Roadway systems	15-60
Water systems	30-75
Wastewater systems	30-75
Storm Sewer	45-75
Machinery and equipment	5-30

CITY OF LACOMBE
Notes to the Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2015

1. Significant Accounting Policies continued

f) Tangible Capital Assets continued

i) Asset Classes continued

<u>ASSET CLASS</u>	<u>2015</u>
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.

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

CITY OF LACOMBE
Notes to the Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2015

1. Significant Accounting Policies continued

h) Prepaid Local Improvement Charges continued

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

CITY OF LACOMBE
Notes to the Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2015

1. Significant Accounting Policies continued

j) Liability for Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environment 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 attributed to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

CITY OF LACOMBE
Notes to the Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2015

2. CASH AND TEMPORARY INVESTMENTS

	2015	2014
	\$	\$
Cash (Bank prime less 1.85 %)	14,595,660	21,592,014
Temporary Investments	30	30
	14,595,690	21,592,044
Included in the above amounts are restricted funds held exclusively for the following:		
Statutory Reserves	1,914,352	2,547,217
Basic Municipal Transportation Grant	1,081,153	2,753,891
Federal Gas Tax	155,872	-
Municipal Sustainability Initiative Grants	6,090,053	6,462,295
Municipal Sustainability Housing Grants	699,404	957,190
Other Provincial Government Grants	1,556,088	609,885
	11,496,922	13,330,478

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 2.70% 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.

CITY OF LACOMBE
Notes to the Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2015

3. RECEIVABLES

	2015	2014
	\$	\$
Current Taxes and Grants in Place of Taxes	283,007	296,765
Arrears Taxes	36,951	100,147
	319,958	396,912
Receivables from Other Governments	26,153	3,563
Trade and Other Receivables	7,258,129	3,787,301
	7,284,282	3,790,864
	7,604,240	4,187,776

CITY OF LACOMBE
Notes to the Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2015

4. EMPLOYEE BENEFIT OBLIGATION

	2015	2014
	\$	\$
Vacation	525,153	456,569
Overtime	611	3,746
Retirement Benefits	186,113	140,758
Sick Leave	179,411	173,300
	891,288	774,373

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 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.

CITY OF LACOMBE
Notes to the Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2015

5. DEFERRED REVENUE

	2015	2014
	\$	\$
Prepaid Local Improvement Charges	29,548	29,548
Deferred Grants	9,582,570	10,783,261
Other Deferred Revenue	130,930	128,679
	9,743,048	10,941,488

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 2016 will be \$3,637 (2015- \$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, 2015

6. LONG-TERM DEBT

	2015	2014
	\$	\$
Tax Supported Debentures	4,244,833	4,964,905
Self Supported Debentures	820,340	1,212,846
Bank loan	775,853	1,551,706
	5,841,026	7,729,457

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

	Principal	Interest	Total
	\$	\$	\$
2016	1,541,581	243,032	1,784,613
2017	969,718	191,382	1,161,100
2018	544,677	157,983	702,660
2019	427,983	129,738	557,721
2020	300,943	111,840	412,783
Subsequent	2,056,124	504,835	2,560,959
	5,841,026	1,338,810	7,179,836

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 4.42% to 6.13% per annum, before Provincial subsidy, and matures in periods 2015 through 2031. Debenture debt is issued on the credit and security of the City at large.

The bank loans of \$775,853 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 \$775,853 and interest is paid monthly. 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, 2015

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:

	2015	2014
	\$	\$
Total debt limit	40,490,118	42,286,238
Long-Term Debt	5,841,026	7,729,457
	34,649,092	34,556,781
Debt servicing limit	6,748,353	7,043,489
Long Term Debt Principal Payments	1,888,431	1,282,554
	4,859,922	5,760,935

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

	2015	2014
	\$	\$
Tangible Capital Assets	201,715,822	179,750,286
Accumulated Amortization	(59,889,714)	(55,529,136)
Long-Term Debt	(5,841,026)	(7,729,457)
	135,985,082	116,491,693

CITY OF LACOMBE
Notes to the Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2015

9. ACCUMULATED SURPLUS

	2015	2014
	\$	\$
Reserves (Restricted Surplus):		
General Capital Reserve	249,226	260,438
General Government Reserve	42,459	42,339
IT Equipment Replacement Reserve	19,855	(24,211)
Lacombe Police Reserve	215,901	229,056
Lacombe Fire Department	421,097	574,782
Safety Committee Reserve	30,896	28,396
Equipment Replacement Reserve	(82,575)	376,133
Streets and Roads Reserve	1,914,811	2,179,161
Public Transportation Reserve	71,100	105,710
Storm Sewer Reserve	86,699	103,554
Water System Reserve	90,104	730,292
Wastewater System Reserve	370,640	532,939
Solid Waste Reserve	423,034	434,446
Cemetery Reserve	179,247	376,224
Economic Development Reserve	38,585	15,057
Offsite Levy Reserve	1,728,755	2,361,829
Land Held for Resale Reserve	(1,101,590)	(142,461)
Recreation Facility Reserve	318,341	326,100
Parks and Recreation Reserve	15,172	13,052
Municipal Dedication Reserve	155,123	155,123
Municipal Art Bank Reserve	19,148	3,072
Total Reserves	5,206,028	8,681,031
Unrestricted Surplus	3,171,586	4,538,709
Equity in TCA	135,985,082	116,491,693
Accumulated Surplus	144,362,696	129,711,433

CITY OF LACOMBE
Notes to the Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2015

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:

			2015 \$	2014 \$
	Salary ¹	Benefits & Allowances ²	Total	Total
Council:				
Councillor Rempel	24,162	6,573	30,735	30,951
Councillor Bouwsema	24,162	3,359	27,521	29,186
Councillor Konnik	24,162	2,978	27,140	25,310
Mayor Christie	55,151	8,881	64,032	61,790
Councillor Armishaw	24,162	734	24,896	24,435
Councillor Harder	24,162	2,704	26,866	26,206
Councillor McQuesten	24,162	4,567	28,729	26,284
Chief Administrative Officer MacQuarrie	173,865	53,125	226,990	221,207
	373,988	82,921	456,909	445,369

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.

CITY OF LACOMBE
Notes to the Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2015

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 11.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 15.84% for the excess.

Employees of the City are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the City to the plan in 2015 were \$770,519 (2014 - \$689,290). Total current service contributions by employees to the plan in 2015 were \$709,036 (2014 - \$634,112). At December 31, 2014, the plan disclosed an actuarial deficiency of \$2.4 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 \$140,944 for 2015.

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 2015 were \$38,608 (2014 - \$36,121). Total current service contributions by employees to the plan in 2015 were \$32,173 (2014 - \$30,101).

CITY OF LACOMBE
Notes to the Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2015

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 2015.

Police Officers of the City were required to make current service contributions of 13.45% of pensionable salary for 2015.

Total current service contributions by the City to the plan in 2015 were \$217,146 (2014 - \$213,602). Total current service contributions by employees to the plan in 2015 were \$300,730 (2014 - \$197,453). At December 31, 2014, the plan disclosed an actuarial deficiency of \$191 million.

CITY OF LACOMBE
Notes to the Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2015

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 2015 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 following provides detail related to the differences between the Council approved budget and budget figures included with the financial statements.

	2015 Budget	2015 Actual	2014 actual
	\$	\$	\$
EXCESS OF REVENUES OVER EXPENSES	19,694,674	14,651,263	6,626,107
Adjustments for non-cash items			
Contributed Assets	-	(8,025,303)	(4,272,151)
Amortization of Tangible Capital Assets	4,925,648	4,925,648	4,679,773
Loss (Gain) on Disposal of Tangible Capital Assets	-	(38,111)	144,867
Adjustments for cash items not recognized as revenue or expense			
Proceeds on Disposal of Tangible Capital Assets	53,500	11,217	13,987
Acquisition of Tangible Capital Assets	(29,689,915)	(14,605,105)	(6,311,948)
Long Term Debt Principal Payments	(1,466,695)	(1,888,431)	(1,282,554)
New Debt	7,411,624	-	-
Adjustments for non-cash items from Inter-Fund Allocations			
Transfer from Reserves	1,138,384	5,886,573	3,322,226
Transfer to Reserves	(2,067,220)	(2,048,941)	(3,886,650)
Council approved Balance	<u>20,168</u>	<u>(1,113,190)</u>	<u>(966,345)</u>
Operating Surplus	8,401	454,767	422,878
Capital Surplus	11,767	(1,585,597)	(1,563,050)
Total Surplus (Deficit)	20,168	(1,113,190)	(966,345)

CITY OF LACOMBE
Notes to the Financial Statements
FOR THE YEAR ENDED DECEMBER 31, 2015

14. CONTINGENT LIABILITIES

a) WASTEWATER

The City has guaranteed \$360,000 plus interest at prime less 1.2% of a \$1,000,000 advance from Lacombe County to the North Red Deer Regional Wastewater Services Commission. The guarantee would be exercised by Lacombe County if the Commission does not enter the construction phase of the regional wastewater supply service by 2020 and the Commission is unable to obtain Provincial funding for the project.

b) FLOODPLAINS

The City is currently involved in legal proceedings regarding the issuance of building permits on land now constitute as a flood plain. The proceedings are in the discovery phase. At this point the potential liability is undeterminable.

15. PRESENTATION

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

16. APPROVAL OF FINANCIAL STATEMENTS

Council and Administration have approved these financial statements.
