

**City of Lacombe**  
**Consolidated Financial Statements**  
**For the year ended December 31, 2019**

**City of Lacombe**  
**Consolidated Financial Statements**  
**For the year ended December 31, 2019**

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## Independent Auditor's Report

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To the Mayor and Council of the City of Lacombe

### Opinion

We have audited the consolidated financial statements of City of Lacombe and its controlled or owned organizations (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of operations, consolidated statement of changes in net financial debt, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and its consolidated financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

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## Independent Auditor's Report, continued

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- obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants,  
Red Deer, Alberta  
April 27, 2020

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

December 31	2019	2018
<b>Financial assets</b>		
Cash and cash equivalents (Note 1)	\$ 17,119,112	\$ 3,080,371
Short-term investment (Note 2)	6,000,000	18,000,000
Taxes receivable (Note 3)	990,551	854,003
Accounts receivable (Note 4)	4,402,032	5,786,134
Inventory held for resale	3,696,448	3,798,839
	32,208,143	31,519,347
<b>Liabilities</b>		
Accounts payable and accrued liabilities	4,232,919	2,343,856
Employee benefit obligation (Note 5)	753,275	728,721
Deposit liabilities	2,097,231	3,398,725
Deferred revenue (Note 6)	8,386,296	7,398,472
Long-term debt (Note 7)	25,813,044	21,543,370
	41,282,765	35,413,144
<b>Net debt</b>	<b>(9,074,622)</b>	<b>(3,893,797)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 8)	177,304,279	165,761,128
Inventory for consumption	314,694	335,372
Prepaid expenses	83,262	40,374
	177,702,235	166,136,874
<b>Accumulated surplus (Note 10)</b>	<b>\$ 168,627,613</b>	<b>\$ 162,243,077</b>
<b>Debenture debt limits (Note 16)</b>		

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

<b>For the year ended December 31</b>	Budget 2019	2019	2018
<b>Revenue</b>			
Net municipal taxes (Note 11)	\$ 14,923,335	\$ 14,770,419	\$ 14,177,606
Government transfers (Note 12)	14,728,130	9,072,565	3,974,639
Sales and user fees	14,267,795	13,341,349	12,185,803
Rental revenue	255,553	272,221	255,185
Franchises and concessions	1,679,166	1,662,942	1,105,564
Return on investments	150,000	193,264	234,707
Penalties and costs on taxes	227,144	287,990	243,834
Fines	322,455	276,283	251,012
Licenses and permits	449,800	451,089	437,547
Development levies	-	90,931	2,445,623
Contributed assets	-	1,512,860	175,000
Other	263,629	445,918	1,239,164
	<u>47,267,007</u>	<u>42,377,831</u>	<u>36,725,684</u>
<b>Expenditures (Note 13)</b>			
General government services	3,696,655	3,676,282	3,482,104
Protective services	5,975,947	5,933,157	5,736,299
Transportation services	7,686,600	7,520,126	7,127,955
Water, wastewater and waste management	10,190,368	9,569,756	9,722,094
Environmental development services	1,780,246	1,810,697	1,577,976
Recreation and culture services	6,874,979	6,901,599	6,303,631
Public health and welfare	608,402	581,678	573,788
	<u>36,813,197</u>	<u>35,993,295</u>	<u>34,523,847</u>
<b>Excess of revenue over expenditures</b>	<u>10,453,810</u>	<u>6,384,536</u>	<u>2,201,837</u>
<b>Accumulated surplus, beginning of the year</b>	<u>162,243,077</u>	<u>162,243,077</u>	<u>160,041,240</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 172,696,887</u>	<u>\$ 168,627,613</u>	<u>\$ 162,243,077</u>

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

<b>For the year ended December 31</b>	Budget 2019	2019	2018
Excess of revenue over expenditures	\$ 10,453,810	\$ 6,384,536	\$ 2,201,837
Acquisition of tangible capital assets	(26,099,822)	(17,910,405)	(4,190,139)
Amortization of tangible capital assets	6,199,372	6,199,372	6,072,628
Net loss on sale of tangible capital assets	-	1,630	28,022
Proceeds on sale of tangible capital assets	-	166,252	116,218
	(9,446,640)	(5,158,615)	4,228,566
Change in prepaid expenses	-	(42,888)	9,836
Use/consumption of inventory of supplies	-	20,678	(29,037)
<b>Net change in net debt</b>	(9,446,640)	(5,180,825)	4,209,365
<b>Net debt, beginning of year</b>	(3,893,797)	(3,893,797)	(8,103,162)
<b>Net debt, end of year</b>	\$ (13,340,437)	\$ (9,074,622)	\$ (3,893,797)

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

<b>For the year ended December 31</b>	<b>2019</b>	<b>2018</b>
<b>Operating transactions</b>		
Excess of revenue over expenditures	\$ 6,384,536	\$ 2,201,837
Items not involving cash		
Contributed assets	(1,512,860)	(175,000)
Amortization	6,199,372	6,072,628
Net loss on disposal of tangible capital assets	1,630	28,022
<b>Changes in non-cash operating balances</b>		
Taxes receivable	(136,548)	(92,891)
Accounts receivable	1,384,102	(1,365,664)
Inventory held for resale	102,391	-
Prepaid expenses	(42,888)	9,834
Accounts payable and accrued liabilities	1,889,063	(923,728)
Inventory for consumption	20,678	(29,035)
Employee benefit obligation	24,554	10,547
Deposit liabilities	(1,301,494)	328,362
Deferred revenue	987,824	3,299,017
	<b>14,000,360</b>	<b>9,363,929</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(16,397,545)	(4,015,139)
Proceeds on sale of tangible capital assets	166,252	116,218
	<b>(16,231,293)</b>	<b>(3,898,921)</b>
<b>Investing transactions</b>		
Change of investments	12,000,000	(18,000,000)
Restricted cash balances	(795,217)	(3,325,361)
	<b>11,204,783</b>	<b>(21,325,361)</b>
<b>Financing transactions</b>		
Proceeds from issuance of debt	5,750,000	6,852,000
Repayment of debt	(1,480,326)	(1,485,249)
	<b>4,269,674</b>	<b>5,366,751</b>
<b>Net change in cash and cash equivalents</b>	<b>13,243,524</b>	<b>(10,493,602)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>(4,162,912)</b>	<b>6,330,690</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 9,080,612</b>	<b>\$ (4,162,912)</b>
<b>Cash and cash equivalents is comprised of:</b>		
Cash and cash equivalents	\$ 17,119,112	\$ 3,080,371
Less: restricted (Note 1)	(8,038,500)	(7,243,283)
	<b>\$ 9,080,612</b>	<b>\$ (4,162,912)</b>

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

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

**December 31, 2019**

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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, 2019**

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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, 2019**

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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, 2019**

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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, 2019**

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**1. Cash and Cash Equivalents**

	2019	2018
Cash	\$ 17,119,082	\$ 3,080,341
Temporary Investments	30	30
	\$ 17,119,112	\$ 3,080,371

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 3.95%. 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:

	2019	2018
Federal Gas Tax	1,287,723	726,399
Municipal Sustainability Initiative Grants	5,948,136	5,843,841
Municipal Sustainability Housing Grants	381,419	237,891
Other Provincial Government Grants	421,222	435,152
	\$ 8,038,500	\$ 7,243,283

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**2. Short-term Investments**

	2019	2018
Guaranteed investment certificates, bearing interest at rates of 2.18% and maturing in October, 2020.	\$ 6,000,000	\$ 18,000,000

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

**December 31, 2019**

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**3. Taxes Receivable**

	2019	2018
Current taxes and grants in place	\$ 550,321	\$ 648,056
Non-current taxes and grants in place	440,230	205,947
	<u>\$ 990,551</u>	<u>\$ 854,003</u>

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**4. Accounts Receivable**

	2019	2018
Trade receivables	\$ 4,391,015	\$ 5,784,482
Receivables from Other Governments	11,017	1,652
	<u>\$ 4,402,032</u>	<u>\$ 5,786,134</u>

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**5. Employee Benefit Obligation**

	2019	2018
Accrued vacation pay	\$ 426,566	\$ 412,434
Accrued overtime	1,198	1,680
Accrued retirement benefits	121,479	138,616
Accrued sick leave	204,032	175,991
	<u>\$ 753,275</u>	<u>\$ 728,721</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, 2019**

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**6. Deferred Revenue**

	2019	2018
Prepaid Local Improvement Charges	\$ 47,274	\$ 50,911
Deferred Grants	8,038,500	7,243,283
Other Deferred Revenue	300,522	104,278
	<b>\$ 8,386,296</b>	<b>\$ 7,398,472</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 2019 is \$3,637 (2018 -\$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, 2019**

**7. Long-Term Debt**

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

	2019	2018
Alberta Capital Finance Authority Debt	<b>21,083,185</b>	17,125,561
Bank loans	<b>4,729,859</b>	4,417,809
	<b>\$ 25,813,044</b>	<b>\$ 21,543,370</b>

Principal and interest payments relating to net debt of \$25,813,044 outstanding are due as follows:

	Principal Repayments	Interest Payments	Total
2020	\$ 1,478,188	\$ 781,214	\$ 2,259,402
2021	1,454,084	776,081	2,230,165
2022	1,412,018	724,936	2,136,954
2023	1,403,680	676,844	2,080,524
2024	1,437,131	628,593	2,065,724
Thereafter	18,627,943	4,481,844	23,109,787
	<b>\$ 25,813,044</b>	<b>\$ 8,069,512</b>	<b>\$ 33,882,556</b>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 2.711% to 5.15% per annum, before Provincial subsidy, and matures in periods 2018 to 2044. Debenture debt is issued on credit and security of the City at large.

The bank loans of \$4,729,859 is comprised of a promissory note to Servus Credit Union with interest being calculated at bank prime minus 0.50% to 0.70%. Repayments are an annual payment of \$273,350, semi annual payments of \$69,800 and interest is paid monthly.

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, 2019

**8. Tangible Capital Assets**

								2019
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	Total
Cost, beginning of year	\$ 12,895,370	\$ 8,190,948	\$ 53,440,353	\$ 147,580,005	\$ 7,232,631	\$ 5,968,891	\$ 6,441,939	\$ 241,750,137
Additions		96,396	87,998	1,637,445	407,646	280,970	15,399,951	17,910,406
Change in Work in Progress	-	92,430	351,180	6,103,362	43,900	-	(6,590,872)	-
Write-downs & disposals	-	-	-	-	(295,189)	(157,180)	-	(452,369)
Cost, end of year	\$ 12,895,370	\$ 8,379,774	\$ 53,879,531	\$ 155,320,812	\$ 7,388,988	\$ 6,092,681	\$ 15,251,018	\$ 259,208,174
Accumulated amortization, beginning of year	\$ -	\$ 3,541,366	\$ 12,200,908	\$ 53,190,087	\$ 3,513,409	\$ 3,543,239	\$ -	\$ 75,989,009
Amortization	-	271,663	1,402,218	3,657,782	534,925	332,784	-	6,199,372
Write-downs & disposals	-	-	-	-	(147,033)	(137,453)	-	(284,486)
Accumulated amortization, end of year	\$ -	\$ 3,813,029	\$ 13,603,126	\$ 56,847,869	\$ 3,901,301	\$ 3,738,570	\$ -	\$ 81,903,895
Net carrying amount, end of year	\$ 12,895,370	\$ 4,566,745	\$ 40,276,405	\$ 98,472,943	\$ 3,487,687	\$ 2,354,111	\$ 15,251,018	\$ 177,304,279

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

December 31, 2019

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

								2018
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	Total
Cost, beginning 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
Additions	1,050	802,891	556,844	-	621,623	456,050	1,751,681	4,190,139
Change in work in progress		15,253	319,319	1,158,955	77,266	-	(1,570,793)	-
Disposals	-	-	-	-	(371,635)	(308,465)	-	(680,100)
Cost, end of year	\$ 12,895,370	\$ 8,190,948	\$ 53,440,353	\$ 147,580,005	\$ 7,232,631	\$ 5,968,891	\$ 6,441,939	\$ 241,750,137
Accumulated amortization, beginning of year, restated	\$ -	\$ 3,283,194	\$ 10,819,037	\$ 49,648,083	\$ 3,217,562	\$ 3,484,366	\$ -	\$ 70,452,242
Amortization		258,172	1,381,871	3,542,004	552,587	337,994	-	6,072,628
Write-downs & disposals		-	-	-	(256,740)	(279,121)	-	(535,861)
Accumulated amortization, end of year	\$ -	\$ 3,541,366	\$ 12,200,908	\$ 53,190,087	\$ 3,513,409	\$ 3,543,239	\$ -	\$ 75,989,009
Net carrying amount, end of year	\$ 12,895,370	\$ 4,649,582	\$ 41,239,445	\$ 94,389,918	\$ 3,719,222	\$ 2,425,652	\$ 6,441,939	\$ 165,761,128

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

**December 31, 2019**

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**9. Equity in Tangible Capital Assets**

	<u>2019</u>	<u>2018</u>
Tangible capital assets	\$ 259,208,174	\$ 241,750,137
Accumulated amortization	(81,903,895)	(75,989,009)
Long-term debt	(25,813,044)	(21,543,370)
	<u>\$ 151,491,235</u>	<u>\$ 144,217,758</u>

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

**December 31, 2019**

**10. Accumulated Surplus**

	2019	2018
Equity in tangible capital assets	\$ 151,491,235	\$ 144,217,758
Unrestricted surplus	11,208,884	11,879,117
	<b>162,700,119</b>	<b>156,096,875</b>
Restricted surplus		
General Capital Reserves	1,170,167	1,055,126
General Government Reserves	185,651	26,596
IT Equipment Replacement Reserve	76,386	(9,941)
Lacombe Police Reserve	169,498	295,420
Lacombe Fire Department	110,717	102,854
Safety Committee Reserve	33,723	33,723
Equipment Replacement Reserve	665,302	196,161
Streets and Road Reserve	2,450,810	1,922,327
Public Transportation Reserve	14,138	59,972
Storm Sewer Reserve	232,620	197,081
Water System Reserve	2,663,500	2,237,440
Wastewater System Reserve	1,362,634	1,551,798
Solid Waste Reserve	500,992	406,469
Cemetery Reserve	211,747	211,747
Economic Development Reserve	13,148	13,148
Offsite Levy Reserve	(1,538,044)	101,475
Land Held for Resale Reserve	(2,300,470)	(2,133,608)
Recreation Facility Reserve	(246,792)	(190,855)
Parks and Recreation Reserve	(78,346)	(98,346)
Municipal Dedication Reserve	207,621	155,123
Municipal Art Bank Reserve	22,492	12,492
	<b>5,927,494</b>	<b>6,146,202</b>
	<b>\$ 168,627,613</b>	<b>\$ 162,243,077</b>

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, 2019**

**11. Taxation - Net**

	Budget 2019	2019	2018
Real property	\$ 19,968,479	\$ 19,753,253	\$ 18,908,344
Linear property	137,486	146,792	133,741
Government grants in place of property taxes	114,252	119,553	111,141
Special assessments and local improvement taxes	18,495	18,495	20,311
	<u>20,238,712</u>	<u>20,038,093</u>	<u>19,173,537</u>
Requisitions			
Separate School Requisition	162,963	159,660	151,306
Alberta School Foundation Fund	5,040,368	4,995,704	4,731,021
Lacombe Foundation Requisition	112,046	112,310	113,604
	<u>5,315,377</u>	<u>5,267,674</u>	<u>4,995,931</u>
Available for general municipal purposes	<u>\$ 14,923,335</u>	<u>\$ 14,770,419</u>	<u>\$ 14,177,606</u>

**12. Government Transfers**

	Budget 2019	2019	2018
Operating			
General Government Services	\$ 66,765	\$ 69,209	\$ 73,241
Protective Services	665,109	633,329	661,532
Transportation Services	45,800	47,569	45,228
Waste Management Services	98,400	110,704	117,528
Family Community Support Services	332,914	392,680	333,234
Public Health and Welfare Services	15,000	12,298	15,540
Recreation and Cultural Services	799,803	818,655	856,862
	<u>\$ 2,023,791</u>	<u>\$ 2,084,444</u>	<u>\$ 2,103,165</u>
Capital			
Protective Services	\$ -	\$ -	\$ 67,249
Transportation Services	4,123,763	2,385,485	1,260,920
Water and Wastewater Services	7,308,906	4,601,292	177,996
Recreation and Cultural Services	1,271,670	61,110	365,309
	<u>\$ 12,704,339</u>	<u>\$ 7,047,887</u>	<u>\$ 1,871,474</u>
Total government transfers	<u>\$ 14,728,130</u>	<u>\$ 9,132,331</u>	<u>\$ 3,974,639</u>

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

**December 31, 2019**

**13. Expenditures by Object**

	Budget 2019	2019	2018
Salaries and wages	\$ 14,474,510	\$ 14,320,130	\$ 13,258,691
Contracted and general services	8,078,387	7,486,370	7,417,908
Materials, goods and utilities	4,589,125	4,597,216	4,786,364
Transfer to local agencies	2,302,863	2,363,436	2,106,776
Transfer to individuals and organizations	145,367	158,229	140,946
Bank charges and short term interest	120,979	46,164	49,752
Interest on long-term debt	902,594	822,378	690,783
Amortization	6,199,372	6,199,372	6,072,627
	<b>\$ 36,813,197</b>	<b>\$ 35,993,295</b>	<b>\$ 34,523,847</b>

**14. 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 260,000 people and over 420 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 9.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 13.84% for the excess. Employees contribute to the Plan at a rate of 8.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 13.84% for the excess.

Contributions for the year were:

	2019	2018
Employer contributions	\$ 777,393	\$ 770,343
Employee contributions	704,220	703,617
	<b>\$ 1,481,613</b>	<b>\$ 1,473,960</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, 2018 indicates a surplus of \$3,469 million (2017- \$4,836 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, 2019**

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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 3.78% of the member's earnings up to the APEX earnings Maximum, which is \$144,722 for 2019.

Contributing employees of the City are required to make current service contributions of 2.84% of earnings up to the APEX Earnings Maximum

Contributions for the year were:

	2019	2018
Employer contributions	\$ 41,161	\$ 42,294
Employee contributions	30,925	31,776
	<u>\$ 72,086</u>	<u>\$ 74,070</u>

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

**December 31, 2019**

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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 7,285 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 14.55% of pensionable salary for 2019.

Police Officers of the City were required to make current service contributions of 13.45% of pensionable salary for 2019.

Contributions for the year were:

	2019	2018
Employer contributions	\$ 289,750	\$ 273,600
Employee contributions	267,845	252,916
	<u>\$ 557,595</u>	<u>\$ 526,516</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, 2018 indicates a deficit of \$191 million for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

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

**December 31, 2019**

**15. 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 2019</u>	<u>Total 2018</u>
Mayor Creasey	69,509	2,577	<b>72,086</b>	58,773
Councilor Konnik	28,822	965	<b>29,787</b>	25,211
Councilor Gullekson	28,822	965	<b>29,787</b>	25,312
Councilor Hibbs	28,822	965	<b>29,787</b>	25,312
Councilor Jacobson	28,822	965	<b>29,787</b>	25,312
Councilor Ross	28,822	965	<b>29,787</b>	24,671
Councilor Hoekstra	28,822	965	<b>29,787</b>	24,671
Chief Administration Officer Goudy	199,239	<b>36,308</b>	<b>235,547</b>	194,610

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.

**16. 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>2019</u>	<u>2018</u>
Total debt limit	<b>\$ 50,980,904</b>	\$ 52,018,817
Total debt	<b>25,813,044</b>	21,543,370
Total debt limit available	<b>25,167,860</b>	30,475,447
Debt servicing limit	<b>8,496,817</b>	8,669,803
Debt servicing	<b>2,259,402</b>	2,077,541
Total debt servicing limit available	<b>6,237,415</b>	6,592,262

The debt limit is calculated at 1.5 times revenue of the City (as defined in Alberta Regulation 255/2000) 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.

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

**December 31, 2019**

**17. Budget**

Municipal Affairs encourages the creation of a budget on the basis of Public Sector Accounting. The approved budget for 2019 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>2019 Budget</u>	<u>2019 Actual</u>	<u>2018 Actual</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	10,453,810	<b>6,384,536</b>	2,201,837
<b>Adjustments for non-cash items</b>			
Contributed Assets	-	<b>(1,512,860)</b>	(175,000)
Amortization of Tangible Capital Assets	6,199,372	<b>6,199,372</b>	6,072,628
Loss (Gain) on Disposal of Tangible Capital Assets	-	<b>1,630</b>	28,022
<b>Adjustments for cash items not recognized as revenue or expense</b>			
Proceeds on Disposal of Tangible Capital Assets	-	<b>166,252</b>	116,218
Acquisition of Tangible Capital Assets	(26,099,822)	<b>(16,397,545)</b>	(4,015,139)
Long Term Debt Principal Payments	(1,524,375)	<b>(1,480,326)</b>	(1,485,249)
New Debt	8,677,249	<b>5,750,000</b>	6,852,000
<b>Adjustments for Non-cash Items from Inter-Fund Allocations</b>			
Transfer from Reserves	5,120,633	<b>2,160,440</b>	2,498,527
Transfer to Reserves	(2,826,867)	<b>(3,314,009)</b>	(5,243,970)
<b>Council approved Balance</b>	<u>-</u>	<u><b>(2,042,510)</b></u>	<u>6,849,874</u>
Operating Surplus	-	<b>165,637</b>	318,907
Capital Surplus (Deficit)	<u>-</u>	<u><b>(2,208,147)</b></u>	<u>6,530,967</u>
<b>Total Surplus (Deficit)</b>	-	<b>(2,042,510)</b>	6,849,874

**December 31, 2019**

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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, 2019**

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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, 2019**

**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>2019 Total</b>
<b>Revenue</b>								
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	14,770,419	\$ 14,770,419
Government transfers	633,329	2,433,054	4,712,038	34,711	845,054	345,212	69,168	9,072,566
Other	40,066	52,758	3,495	35,493	136,003	-	178,101	445,916
Sales and user fees	666,214	103,723	10,976,920	308,689	1,063,901	53,068	168,836	13,341,351
Franchises and concessions	-	-	-	-	-	-	1,662,942	1,662,942
Investment income	-	-	-	-	-	-	193,264	193,264
Penalties and costs on taxes	-	-	50,228	-	-	-	237,762	287,990
Rental Revenue	13,670	-	-	-	258,551	-	-	272,221
Licences and permits	170,824	25,284	-	-	254,980	-	-	451,088
Fines	276,283	-	-	-	-	-	-	1,789,143
Contributed assets	-	1,104,125	408,735	-	-	-	-	-
Offsite Levies	-	-	-	-	90,931	-	-	90,931
	<b>1,800,386</b>	<b>3,718,944</b>	<b>16,151,416</b>	<b>378,893</b>	<b>2,649,420</b>	<b>398,280</b>	<b>17,280,492</b>	<b>42,377,831</b>
<b>Expenses</b>								
Salaries and wages	4,512,357	1,776,410	1,428,124	817,581	3,001,810	86,640	2,697,208	14,320,130
Contracted and general services	477,956	593,302	5,325,608	157,898	384,358	15,000	532,248	7,486,370
Materials, goods and utilities	467,880	1,396,081	679,389	426,193	1,303,488	9,925	314,261	4,597,217
Transfer to local agencies	11,989	25,000	1,089,171	250,457	574,152	412,667	-	2,363,436
Transfers to individuals and organizations	-	108,571	-	-	14,658	35,000	-	158,229
Bank charges and short-term interests	1,545	-	9,254	-	12,165	-	23,200	46,164
Interest on long-term debt	82,562	150,614	150,216	137,703	299,799	-	1,484	822,378
Amortization	378,869	3,459,301	887,995	20,865	1,311,169	22,447	118,725	6,199,371
	<b>5,933,158</b>	<b>7,509,279</b>	<b>9,569,757</b>	<b>1,810,697</b>	<b>6,901,599</b>	<b>581,679</b>	<b>3,687,126</b>	<b>35,993,295</b>
<b>Net surplus (deficit)</b>	<b>\$ (4,132,772)</b>	<b>\$ (3,790,335)</b>	<b>\$ 6,581,659</b>	<b>\$ (1,431,804)</b>	<b>\$ (4,252,179)</b>	<b>\$ (183,399)</b>	<b>\$ 13,593,366</b>	<b>\$ 6,384,536</b>

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

**December 31, 2019**

**18. Segmented Information (continued)**

<b>For the year ended December 31</b>	<b>Protective Services</b>	<b>Transportation Services</b>	<b>Water, Wastewater and Waste Management</b>	<b>Environmental Development Services</b>	<b>Recreation, Parks, Culture</b>	<b>Public Health and Welfare</b>	<b>General Government</b>	<b>2018 Total</b>
<b>Revenue</b>								
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,177,606	\$ 14,177,606
Government transfers	688,450	1,305,519	295,524	15,540	1,222,171	333,234	114,201	3,974,639
Rental Revenue	13,670	-	-	-	241,515	-	-	255,185
User fees and Sale of Good	636,917	156,886	10,075,728	92,250	1,028,304	63,585	132,132	12,185,802
Franchises and concessions	-	-	-	-	-	-	1,105,564	1,105,564
Investment income	-	-	-	-	-	-	234,707	234,707
Development levies	-	-	-	-	2,445,623	-	-	2,445,623
Penalties and fines	-	-	46,120	-	-	-	197,714	243,834
Licences and permits	171,614	30,495	-	-	261,841	-	-	463,950
Other	36,221	434,406	111,867	5,476	520,546	15,696	88,550	1,212,762
Fines	251,012	-	-	-	-	-	-	251,012
Contributed assets	-	-	-	-	175,000	-	-	175,000
	<b>1,797,884</b>	<b>1,927,306</b>	<b>10,529,239</b>	<b>113,266</b>	<b>5,895,000</b>	<b>412,515</b>	<b>16,050,474</b>	<b>36,725,684</b>
<b>Expenses</b>								
Salaries and wages	4,373,414	1,571,500	1,246,956	836,073	2,747,593	89,266	2,393,889	13,258,691
Contracted and general services	447,235	524,448	5,563,385	100,463	339,125	14,063	429,186	7,417,905
Materials, goods and utilities	444,490	1,387,163	941,315	297,915	1,181,616	9,281	524,582	4,786,362
Transfer to local agencies	6,500	88,366	994,156	220,933	393,092	403,729	-	2,106,776
Transfers to individuals and organizations	-	96,939	-	-	9,007	35,000	-	140,946
Bank charges and short-term interest	1,436	-	8,958	-	15,318	-	24,040	49,752
Interest on long-term debt	87,909	93,750	85,766	101,727	313,526	-	8,105	690,783
Amortization	375,316	3,350,424	881,559	20,865	1,304,354	22,447	117,667	6,072,632
	<b>5,736,300</b>	<b>7,112,590</b>	<b>9,722,095</b>	<b>1,577,976</b>	<b>6,303,631</b>	<b>573,786</b>	<b>3,497,469</b>	<b>34,523,847</b>
<b>Net surplus (deficit)</b>	<b>\$ (3,938,416)</b>	<b>\$ (5,185,284)</b>	<b>\$ 807,144</b>	<b>\$ (1,464,710)</b>	<b>\$ (408,631)</b>	<b>\$ (161,271)</b>	<b>\$ 12,553,005</b>	<b>\$ 2,201,837</b>

**December 31, 2019**

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**19. Subsequent Events**

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy has increased.

If the impacts of COVID-19 continue there could be further impact on the Municipality and its major customers, suppliers and other third party businesses and Municipality associates that could impact the time and amounts realized of the Municipality's assets and future profitability. At this time, the full potential impact of COVID-19 on the entity is not known.

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**20. Comparative Figures**

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

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**21. Approval of Financial Statements**

Council and Management approved these financial statements.

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