

Lacombe County
Consolidated Financial Statements
For the year ended December 31, 2023

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For the year ended December 31, 2023

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Independent Auditor's Report

To the Members of Council of Lacombe County

Opinion

We have audited the consolidated financial statements of Lacombe County and its controlled or owned organizations (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of operations, consolidated statement of change in net financial assets, 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, 2023 and its consolidated results of operations, its consolidated measurement gains and losses, its consolidated change in net financial assets, and its consolidated 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.

Independent Auditor's Report - continued

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 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 30, 2024

Lacombe County
Consolidated Statement of Financial Position

December 31	2023	2022
		Restated (see Note 1)
Financial assets		
Cash and cash equivalents (Note 3)	\$ 84,776,006	\$ 69,859,982
Investments (Note 4)	16,487,836	18,056,432
Taxes receivable (Note 5)	1,017,290	1,147,029
Accounts receivable (Note 6)	3,884,493	6,459,858
Inventories for resale (Note 7)	809,991	572,778
	106,975,616	96,096,079
Liabilities		
Accounts payable and accrued liabilities	2,515,827	2,503,661
Asset retirement obligation (Note 8)	1,877,217	1,790,710
Employee benefit obligation (Note 9)	1,266,888	1,887,963
Deposit liabilities	1,337,050	1,317,023
Deferred revenue (Note 10)	219,437	1,751,126
	7,216,419	9,250,483
Net financial assets	99,759,197	86,845,596
Non-financial assets		
Tangible capital assets (Note 11)	286,082,772	293,904,405
Prepaid expenses and inventories of supplies (Note 13)	6,664,208	6,852,631
	292,746,980	300,757,036
Accumulated surplus (Note 14)	\$ 392,506,177	\$ 387,602,632
Contingencies and commitments (Note 23)		
Liability for contaminated sites (Note 24)		
Funds held in trust (Note 25)		

Lacombe County
Consolidated Statement of Operations

For the year ended December 31	Budget 2023	2023	2022
	(see Note 27)		Restated (see Note 1)
Revenues			
Taxation - net (Note 16)	\$ 36,156,500	\$ 36,157,850	\$ 33,338,856
Taxation - other (Note 17)	800,000	754,625	902,635
Government transfers for operating (Note 18)	1,471,760	1,484,157	1,386,101
Sales, user charges and costs recovered	2,395,440	2,937,112	2,408,830
Sales to other governments	1,297,250	1,598,239	1,505,708
Permits, licenses, fines, penalties and rentals	578,820	880,004	959,432
Interest, royalties and patronage allocations	3,049,310	4,316,959	2,273,537
Gain on sale of tangible capital assets	-	1,896,316	2,622,749
Development levies	172,500	2,040	2,529,301
Other	12,100	135,168	79,488
	<u>45,933,680</u>	<u>50,162,470</u>	<u>48,006,637</u>
Expenses (Note 19)			
General government	6,442,442	6,147,974	6,140,642
Protective services	4,622,980	4,269,232	3,566,451
Transportation services	29,296,035	28,498,730	29,039,087
Environmental services	3,230,380	3,434,490	3,047,799
Cemetery	58,510	81,241	68,424
Social and family services	454,250	393,749	386,621
Recreation and cultural services	2,919,560	3,074,458	2,943,643
Planning and development	1,183,030	1,087,804	1,032,110
Agriculture services	1,435,427	1,342,715	1,125,972
Write-down of tangible capital assets	-	679,183	793,469
Loss on sale of tangible capital assets	-	15,137	29,022
	<u>49,642,614</u>	<u>49,024,713</u>	<u>48,173,240</u>
Annual surplus (deficiency) before other income	(3,708,934)	1,137,757	(166,603)
Other Income			
Government transfers for capital (Note 18)	3,987,150	3,588,488	6,817,705
Contributed assets (Note 11)	-	177,300	4,258,200
Annual surplus (deficiency)	<u>278,216</u>	<u>4,903,545</u>	<u>10,909,302</u>
Accumulated surplus, beginning of year	<u>387,602,632</u>	<u>387,602,632</u>	<u>376,693,330</u>
Accumulated surplus, end of year	<u>\$ 387,880,848</u>	<u>\$ 392,506,177</u>	<u>\$ 387,602,632</u>

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

Lacombe County
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2023	2023	2022
			Restated (see Note 1)
Annual surplus (deficiency)	\$ 278,216	\$ 4,903,545	\$ 10,909,302
Acquisition of tangible capital assets	(20,327,210)	(15,262,580)	(25,626,602)
Amortization of tangible capital assets	22,216,784	22,216,784	21,401,363
Gain on sale of tangible capital assets	-	(1,896,316)	(2,622,749)
Loss on sale of tangible capital assets	-	15,137	29,022
Proceeds on sale of tangible capital assets	1,360,900	2,069,425	2,830,692
Write-downs of tangible capital assets	-	679,183	793,469
	3,528,690	12,725,178	7,714,497
Change in prepaid expenses and inventory of supplies	(445,330)	188,423	(281,609)
Net change in net financial assets	3,083,360	12,913,601	7,432,888
Net financial assets, beginning of year	86,845,596	86,845,596	79,412,708
Net financial assets, end of year	\$ 89,928,956	\$ 99,759,197	\$ 86,845,596

Lacombe County
Consolidated Statement of Cash Flows

For the year ended December 31	2023	2022
		Restated (see Note 1)
Operating transactions		
Annual surplus (deficiency)	\$ 4,903,545	\$ 10,909,302
Items not involving cash		
Accretion Expense	86,507	106,603
Amortization	22,216,784	21,401,363
Gain on disposal of tangible capital assets	(1,896,316)	(2,622,749)
Write-down of tangible capital asset	679,183	793,469
Loss on disposal of tangible capital assets	15,137	29,022
Changes in non-cash operating balances		
Taxes receivable	129,739	(520,798)
Accounts receivable	2,575,365	2,878,006
Inventories for resale	(237,213)	(23,263)
Prepaid expenses and inventories of supplies	188,423	(281,609)
Accounts payable and accrued liabilities	12,166	(1,272,212)
Employee benefit obligation	(621,075)	425,859
Deposit liabilities	20,027	48,125
Deferred revenue	(1,531,689)	(4,386,725)
	<u>26,540,583</u>	<u>27,484,393</u>
Capital transactions		
Acquisition of tangible capital assets	(15,262,580)	(25,626,602)
Proceeds on sale of tangible capital assets	2,069,425	2,830,692
	<u>(13,193,155)</u>	<u>(22,795,910)</u>
Investing transactions		
Decrease of investments	1,568,596	1,551,765
Restricted cash balances	(66,604)	786,224
	<u>1,501,992</u>	<u>2,337,989</u>
Net change in cash and cash equivalents	14,849,420	7,026,472
Cash and cash equivalents, beginning of year	68,509,580	61,483,108
Cash and cash equivalents, end of year	\$ 83,359,000	\$ 68,509,580
Cash and cash equivalents is comprised of:		
Cash and cash equivalents	\$ 84,776,006	\$ 69,859,982
Less: restricted (Note 3)	(1,417,006)	(1,350,402)
	<u>\$ 83,359,000</u>	<u>\$ 68,509,580</u>

Lacombe County
Summary of Significant Accounting Policies

December 31, 2023

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

The consolidated financial statements of the County are the responsibility of management. They have been prepared in accordance with Public Sector Accounting Standards 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 expenses of all municipal organizations, committees and Boards which are owned or controlled by the County.

The following entities have been proportionately consolidated:

Town of Bentley Shared Fire Services Partnership	60%
Town of Blackfalds Shared Fire Services Partnership	50%
Town of Eckville Shared Fire Services Partnership	60%
Village of Alix Shared Fire Services Partnership	60%
Village of Clive Shared Fire Services Partnership	60%

**Cash and Cash
Equivalents**

Management considers all highly liquid investments with a maturity of 12 months or less from the year end to be cash equivalents.

Investments

Investments are recorded at amortized cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

Inventory for Resale

Inventory for resale includes land and bridge materials. Land held for resale is recorded at lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under their respective function. Bridge materials inventory is recorded at the lower of cost or net realizable value.

Inventory of Supplies

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

Inventory of Gravel

Inventories of gravel for consumption are valued at the lower of cost or replacement cost. Cost is determined per tonne and includes the raw material, extraction, crushing, transportation and reclamation costs.

Lacombe County
Summary of Significant Accounting Policies

December 31, 2023

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	20 to 25 years
Buildings	4 to 50 years
Roads	20 to 40 years
Bridges	22 to 87 years
Machinery and equipment	5 to 50 years
Water infrastructure	23 to 47 years
Sewer infrastructure	17 to 75 years
Vehicles	10 to 20 years

Excess Collections and Under-levies

Excess collections arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the excess collection is accrued as a liability and as a reduction in property tax revenue. Requisition tax rates in the subsequent year are adjusted for any excess collections.

Collection of Taxes on Behalf of Other Taxation Authorities

The County collects taxation revenue on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of these entities are not reflected in these financial statements.

The entities the County collects taxation revenue on behalf of are:

- Alberta Municipal Affairs
- Alberta School Foundation Fund
- Lacombe Foundation
- Red Deer Catholic Regional Division No 39
- St Thomas Aquinas Roman Catholic Separate Regional Division No 38

Lacombe County
Summary of Significant Accounting Policies

December 31, 2023

**Retirement Benefits and
Other Employee
Benefit Plans**

The County's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred.

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

Government Transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Revenue Recognition

Charges for sewer and water usage are recorded as user fees and revenue is recognized when service has been provided and collection is reasonably assured. Connection fee revenues are recognized when the connection has been established.

Sales of service and other revenue is recognized when the service or goods are provided.

Taxation Revenue

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Estimates have been used in determining the presented value of accrued accounts receivable, accrued accounts payable, asset retirement obligation liability and tangible capital assets in determining current amortization and accretion expense.

Lacombe County
Summary of Significant Accounting Policies

December 31, 2023

**Liability for
Contaminated Sites**

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when the County is either directly responsible or accepts responsibility and is management's estimate of the cost of post-remediation including operation, maintenance, and monitoring.

**Asset Retirement
Obligation**

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the County to incur retirement costs, the past transaction has or event giving rise to the liability has occurred, it is expected that future economic benefit will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. At each financial reporting date, the County reviews the carrying amount of the liability. The County recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The County continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Lacombe County
Summary of Significant Accounting Policies

December 31, 2023

Financial Instruments Cash is measured at fair value. Accounts receivable, accounts payable and long-term debt are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized costs. Transaction costs are expensed for financial instruments measured at fair value.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

1. New Accounting Policies Adopted During the Year

PS 3280 Asset Retirement Obligations, a new standard establishing guidance on the accounting and reporting of legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use.

Implementation of PS 3280 was applied under the modified retroactive approach with restatement of prior year comparatives. The information presented for comparative purposes is restated unless the necessary financial data is not reasonably determinable.

PS 3450 Financial Instruments, provides guidance on the recognition, measurement, presentation, and disclosure of financial instruments including derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments; all other financial instruments can be measured at either cost or fair value depending upon elections made by the County. Management has reviewed the standard and all the financial statements and determine the County does not have derivative or equity instruments. The financial instruments have been measured based on the significant accounting policy. Refer to Note 2 on the County's financial instrument risk.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

1. New Accounting Policies Adopted During the Year (continued)

Impacts on the prior year's financial statements as a result of the adoption of accounting policy PS 3280 Asset Retirement Obligation is as follows:

	2022 Previously reported	Adjustment recognized	2022 Restated
Statement of Operations			
Revenue	48,006,637	-	48,006,637
Expenses	48,042,402	130,838	48,173,240
Surplus/(Deficiency) of revenue over expenditures	11,040,140	(130,838)	10,909,302
Accumulated surplus, beginning of year	376,893,703	(200,373)	376,693,330
Accumulated surplus, end of year	387,933,843	(331,211)	387,602,632
Statement of Financial Position			
Financial Assets	96,096,079	-	96,096,079
Liabilities	7,956,086	1,294,397	9,250,483
Net Financial Assets	88,139,993	(1,294,397)	86,845,596
Non-Financial Assets	299,793,850	963,186	300,757,036
Statement of Change in net Financial Assets			
Deficiency of revenue over expenditures	11,040,140	(130,838)	10,909,302
Amortization of tangible capital assets	21,330,881	70,482	21,401,363
Net change in financial assets	7,493,244	(60,356)	7,432,888
Net financial assets, beginning of year	80,646,749	(1,234,041)	79,412,708
Net financial assets, end of year	88,139,993	(1,294,397)	86,845,596

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

2. Financial Instruments

The County is exposed to credit risk, liquidity risk, and interest rate risk from its financial instruments. This note describes the County's objectives, policies, and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

Credit risk:

Credit risk is that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The County is exposed to credit risk through its cash, accounts receivable, and investments.

The County manages its credit risk by credit approval process. Cash is held at federally regulated chartered banks, provincially regulated credit unions and cash accounts are insured. The County measures its exposure to credit risk based on historical experience regarding collections. The maximum exposure to credit risk at the financial statement date is the carrying value of its cash and accounts receivable and investments, as reported on the statement of financial position. Accounts receivable arise primarily as a result of sales receivable. Based on this knowledge, credit risk of cash and accounts receivable are assessed as low.

Liquidity risk:

Liquidity risk is the risk that the County will encounter difficulty in meeting obligations associated with financial liabilities. The County is exposed to liquidity risk through its accounts payable.

The County manages this risk by planning, budgeting and forecasting process to help determine the funds required to support the normal operating requirements. The County measures its exposure to liquidity risk based on extensive budgeting.

Interest rate risk:

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The County is exposed to interest rate risk on the interest bearing instruments as disclosed in notes 3 and 4 as the fair value will change as interest rates change.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

3. Cash and Cash Equivalents

	2023	2022
Current account (bank prime less 1.85%)	\$ 59,758,284	\$ 19,072,733
GIC investments with interest rates varying from 2.25% to 5.60% and maturing in 2024	23,740,373	49,582,927
Security deposits	1,277,349	1,204,322
	\$ 84,776,006	\$ 69,859,982

The County has an undrawn line of credit with a limit of \$15 million that carries an interest rate of prime less 0.50%. The line of credit is secured by a general lien on County assets. As at December 31, 2023 the prime rate was 7.20% (2022 - 6.45%)

Included in the above amounts are the following amounts that are externally restricted. Externally restricted amounts include amounts received from the Province of Alberta and Government of Canada as conditional grants held exclusively for specific future projects, amounts held in lieu of reserve lands, and deposit liabilities repayable to third parties upon satisfactory completion of the terms of the specific development agreement.

	2023	2022
Alberta Community Partnership	-	33,304
Municipal Stimulus Program	30,994	-
Other	48,962	75
Deposit liabilities	1,337,050	1,317,023
	\$ 1,417,006	\$ 1,350,402

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

4. Investments

	2023	2022
Stripped coupons, residual bonds and accrual notes purchased at discounts yielding effective annual rates of 2.00% to 6.14% to maturity at amortized cost	\$ 15,509,622	\$ 17,191,737
Estimated accrued interest	801,776	747,421
MuniSERP	176,438	117,274
	\$ 16,487,836	\$ 18,056,432

The market value of the County's stripped coupons, residual bonds and accrual notes were \$16,346,627 (2022 - \$17,772,001) which would include accrued interest receivable. Investments are held in compliance of Alberta Regulation 66/2000.

5. Taxes Receivable

	2023	2022
Current taxes and grants in place	\$ 1,757,467	\$ 1,822,318
Non-current taxes and grants in place	1,406,040	1,406,040
	3,163,507	3,228,358
Allowance for doubtful accounts	(2,146,217)	(2,081,329)
	\$ 1,017,290	\$ 1,147,029

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

6. Accounts Receivable

Included in accounts receivable are the following receivables with terms over one year.

	2023	2022
Development levies at 5% per year	\$ 110,535	\$ 235,298
Development levies at 6.5% per year	806,424	896,945
Development levy at prime + 1%	1,488,625	1,715,238
Municipal Sustainability Initiative Capital Grant	-	1,717,747
Total long-term receivables	<u>\$ 2,405,584</u>	<u>\$ 4,565,228</u>

The receivables are secured by a caveat on the title of the land to be developed.

7. Inventories for Resale

	2023	2022
Bridge materials	\$ 809,083	\$ 571,870
Land held for resale	908	908
	<u>\$ 809,991</u>	<u>\$ 572,778</u>

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

8. Asset Retirement Obligation

Asbestos abatement

The County owns buildings which contain asbestos and has obligations to remove hazardous asbestos fiber containing materials. Regulations require the County to handle and dispose of the asbestos in a prescribed manner when it is disturbed, such as when the building undergoes renovations or is demolished.

Gravel pits

The County owns lands for the purpose of extracting gravel and has obligations to restore the lands to its original state. Annually the County performs reclamation work on these lands.

Boat launch

The County owns two boat launches which contain cement pilings in the lake bed. Regulations require the County to remove the pilings when the launches are no longer in active use.

Water/Wastewater

The County owns assets used to operate and supply water and wastewater service to its residents. Regulations require the County to remove and dispose of above ground infrastructure when the infrastructure is no longer needed to supply these services.

The estimated total liability of \$1,877,217 (2022-\$1,790,710) is based on the sum of discounted future cash flows for retirement activities using a discount rate of 4.99%.

	2023	2022
		Restated (see Note 1)
Balance, beginning of year	\$ 1,790,710	\$ 1,684,107
Accretion expense	86,507	106,603
Estimated total liability	\$ 1,877,217	\$ 1,790,710

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

9. Employee Benefit Obligation

	2023	2022
Sick leave benefits	\$ 513,891	\$ 1,100,000
Vacation and overtime	752,997	787,963
	\$ 1,266,888	\$ 1,887,963

Sick Leave Benefits

Sick leave benefits accumulate at a rate of 1 sick day per month worked to a maximum of 100 days. Employees are entitled to sick leave benefits for the lesser of 90 calendar days or their accrued sick leave balance. After 90 calendar days, eligible employees would be placed on the County's long-term disability plan. Sick leave benefits are not paid out at termination or retirement.

A portion of sick leave benefits that have accumulated to December 31, 2023 are expected to be utilized in future years and the estimated liability has been accrued, based on a third party actuarial review of sick leave. The following are management's assumptions used in the calculations as at December 31, 2023. The rate used to discount future benefits is 4.60%, salary increases estimated at 3.6% for 2024 and 3.30% for 2025 and thereafter, termination of employment rates range from 1.20% - 2.75% and employees are assumed to retire at age 60. Historical data was used to determine the probability of employees using more hours that accrued in one year.

Vacation and Overtime

Vacation and overtime consist of amounts that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

10. Deferred Revenue

	Opening balance	Contributions received	Investment income	Revenue recognized	Ending balance
ASB	\$ -	226,247	-	(226,247)	\$ -
MSI Operating	-	298,984	-	(298,984)	-
MSI Capital	1,717,747	1,881,530	3,016	(3,523,566)	78,727
FCSS	-	313,904	-	(313,904)	-
CCBF	-	647,489	1,754	(588,489)	60,754
NRED	-	30,000	994	-	30,994
ACP	33,304	-	270	(33,574)	-
Other	75	48,887	-	-	48,962
	<u>\$ 1,751,126</u>	<u>3,447,041</u>	<u>6,034</u>	<u>(4,984,764)</u>	<u>\$ 219,437</u>

Grants

Under various grant agreements with the Government of Canada and the Province of Alberta, the County is required to account for grants provided and to complete the projects or program in accordance with standards detailed in the various agreements. If these requirements are not adhered to, grants provided, along with any investment returns will become repayable to the source government. Unexpended funds are repayable to the source government upon final accounting. Funds are deferred until related expenditures under the specific grant agreement have been incurred.

Municipal Sustainability Initiative (MSI)

Funding in the amount of \$78,727 was received in the current year from the Municipal Sustainability Initiative. These funds are from the capital component of the program and is restricted to eligible capital projects, as approved under the funding agreement, which are scheduled for completion in 2024.

Canada Community Building Fund (CCBF)

Funding in the amount of \$60,754 was received in the current year from the Canada Community Building Fund. These funds are restricted to eligible capital projects, as approved under the funding agreement, which are scheduled for completion in 2024.

Northern and Regional Economic Development (NRED)

Funding in the amount of \$30,944 was received from the Northern and Regional Economic Development Program. These funds are restricted to program activities as approved under the funding agreement. These program activities are scheduled for completion in 2024.

Other Deferred Revenue

Revenue in the amount of \$48,962 was collected in the current year for operating services to be completed in 2024.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

11. Tangible Capital Assets - 2023

	Land	Land Improvements	Buildings	Equipment	Roads	Bridges	Water, Sewer and Other	Vehicles	Total
Cost, beginning of year	\$ 31,176,467	\$ 5,441,221	\$ 21,366,747	\$ 24,786,059	\$647,550,664	\$ 30,008,157	\$ 29,068,502	\$ 9,103,806	\$798,501,623
Additions	211,824	339,959	77,940	4,128,469	9,093,516	33,238	40,545	1,337,089	15,262,580
Disposals	-	-	-	(3,022,605)	-	-	-	(602,520)	(3,625,125)
Write-downs	-	-	-	-	(10,483,155)	-	-	-	(10,483,155)
Cost, end of year	<u>\$ 31,388,291</u>	<u>\$ 5,781,180</u>	<u>\$ 21,444,687</u>	<u>\$ 25,891,923</u>	<u>\$646,161,025</u>	<u>\$ 30,041,395</u>	<u>\$ 29,109,047</u>	<u>\$ 9,838,375</u>	<u>\$799,655,923</u>
Accumulated amortization, beginning of year	\$ -	\$ 2,412,616	\$ 5,939,233	\$ 12,020,575	\$469,012,471	\$ 7,879,376	\$ 2,814,492	\$ 4,518,455	\$504,597,218
Amortization	-	331,461	427,512	3,420,323	16,480,957	546,127	441,317	569,087	22,216,784
Disposals	-	-	-	(2,933,969)	-	-	-	(502,910)	(3,436,879)
Write-downs	-	-	-	-	(9,803,972)	-	-	-	(9,803,972)
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 2,744,077</u>	<u>\$ 6,366,745</u>	<u>\$ 12,506,929</u>	<u>\$475,689,456</u>	<u>\$ 8,425,503</u>	<u>\$ 3,255,809</u>	<u>\$ 4,584,632</u>	<u>\$513,573,151</u>
Net carrying amount, end of year	<u>\$ 31,388,291</u>	<u>\$ 3,037,103</u>	<u>\$ 15,077,942</u>	<u>\$ 13,384,994</u>	<u>\$170,471,569</u>	<u>\$ 21,615,892</u>	<u>\$ 25,853,238</u>	<u>\$ 5,253,743</u>	<u>\$286,082,772</u>

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

11. Tangible Capital Assets (continued) - 2022 Restated (see Note1)

	Land	Land Improvements	Buildings	Equipment	Roads	Bridges	Water, Sewer and other	Vehicles	Total
Cost, beginning of year	\$ 26,915,390	\$ 5,441,221	\$ 21,366,747	\$ 23,487,503	\$643,413,833	\$ 27,836,999	\$ 29,068,502	\$ 8,673,784	\$786,203,979
Additions	4,261,077	-	-	6,847,059	11,469,659	2,291,954	-	756,853	25,626,602
Disposals	-	-	-	(5,548,503)	-	(120,796)	-	(326,831)	(5,996,130)
Write-downs	-	-	-	-	(7,332,828)	-	-	-	(7,332,828)
Cost, end of year	<u>\$ 31,176,467</u>	<u>\$ 5,441,221</u>	<u>\$ 21,366,747</u>	<u>\$ 24,786,059</u>	<u>\$647,550,664</u>	<u>\$ 30,008,157</u>	<u>\$ 29,068,502</u>	<u>\$ 9,103,806</u>	<u>\$798,501,623</u>
Accumulated amortization, beginning of year	\$ -	\$ 2,098,642	\$ 5,511,774	\$ 14,527,754	\$459,386,560	\$ 7,490,424	\$ 2,371,630	\$ 4,107,595	\$495,494,379
Amortization	-	313,974	427,459	3,009,973	16,165,270	506,784	442,862	535,041	21,401,363
Disposals	-	-	-	(5,517,152)	-	(117,832)	-	(124,181)	(5,759,165)
Write-downs	-	-	-	-	(6,539,359)	-	-	-	(6,539,359)
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 2,412,616</u>	<u>\$ 5,939,233</u>	<u>\$ 12,020,575</u>	<u>\$469,012,471</u>	<u>\$ 7,879,376</u>	<u>\$ 2,814,492</u>	<u>\$ 4,518,455</u>	<u>\$504,597,218</u>
Net carrying amount, end of year	<u>\$ 31,176,467</u>	<u>\$ 3,028,605</u>	<u>\$ 15,427,514</u>	<u>\$ 12,765,484</u>	<u>\$178,538,193</u>	<u>\$ 22,128,781</u>	<u>\$ 26,254,010</u>	<u>\$ 4,585,351</u>	<u>\$293,904,405</u>

The net book value of tangible capital assets not being amortized because they are under construction is \$952,790 (2022 - \$790,425). \$177,300 (2022 - \$4,228,200) in contributed assets was recognized in the financial statements during the year.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

12. Equity in Tangible Capital Assets

	<u>2023</u>	<u>2022</u>
		Restated (see Note 1)
Tangible capital assets	\$ 799,655,923	\$ 798,501,623
Accumulated amortization	(513,573,151)	(504,597,218)
Asset retirement obligation	<u>(1,877,217)</u>	<u>(1,790,710)</u>
	<u>\$ 284,205,555</u>	<u>\$ 292,113,695</u>

13. Prepaid Expenses and Inventories of Supplies

	<u>2023</u>	<u>2022</u>
Crushed gravel	\$ 1,334,026	\$ 1,538,109
Undeveloped gravel pits	4,082,474	4,080,623
Materials and supplies	721,087	761,483
Prepaid expenses	<u>526,622</u>	<u>472,416</u>
	<u>\$ 6,664,209</u>	<u>\$ 6,852,631</u>

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

14. Accumulated Surplus

	2023	2022
		Restated (see Note 1)
Equity in tangible capital assets (Note 12)	\$ 284,205,555	\$ 292,113,695
Equity in other non-financial assets	6,664,208	6,852,631
Unrestricted surplus	1,562,601	523,055
Restricted surplus (Reserves) - total on next page	100,073,813	88,113,251
	392,506,177	387,602,632
 <u>Restricted surplus (Reserves)</u>		
Main Road	-	16,688,121
Fleet and Equipment	21,114,132	-
Paved Road	22,081,654	-
Public Works Equipment	-	14,859,403
Municipal Facilities	4,863,309	4,308,068
Airport Capital	74,570	47,184
Assessment Equipment	-	26,940
Planning Equipment	-	12,450
Protective Services	3,261,621	4,802,537
Gravel	4,438,377	3,738,377
Subdivision Pavement	-	4,102,417
Land Development	444,201	444,201
Recreation Capital Assistance	3,951,586	3,077,316
Funds in Lieu of Reserve Land	1,310,214	1,217,897
Development Road	1,610,116	1,610,116
Agriculture Equipment	-	1,065,313
Peace Officers Equipment	-	351,480
Disaster Services	500,000	500,000
Hamlet Street Improvement	-	425,956
Tax Rate Stabilization	5,056,774	5,056,774
Shared Fire Funds	139,014	305,181
Lake Access	929,418	937,357
Hamlet of Mirror Utility System	218,418	242,851
Community Resource	6,449,364	5,754,979
Water - Waste Water	14,159,624	14,055,721
New Pavement	2,714,711	1,173,368
Trails	1,007,411	1,037,573
Bridge	8,885,034	7,117,913
Gravel Reclamation	519,474	496,312
Shores Water-Sewer	42,406	42,406
Slopes Water-Sewer	-	53,125
Sylvan Lake Utility	(184,528)	-

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

14. Accumulated Surplus (continued)

	2023	2022
		Restated (see Note 1)
<u>Restricted surplus (Reserves) (continued)</u>		
Wildrose Utility	(411,338)	(10,350,923)
Aspelund Utility	71,698	60,493
Operational	5,063,280	4,172,740
Cemetery	382,040	366,330
Lakeview Estates Water	2,095	73,628
Gull Lake Stabilization	254,088	251,504
Aspelund Utility Offsite Levy	3,652,891	(11,857)
Palm Cove Utility Offsite Levy	(1,791,247)	-
Wildrose Utility Offsite Levy	(10,736,594)	-
	100,073,813	88,113,251

The investment in tangible capital assets represents amounts already spent and invested in infrastructure. The investment in other non-financial assets represents amounts already spent and invested in supplies for future use. Reserve funds represent funds set aside by bylaw or council resolution for specific purposes.

Collection of funds for offsite levy and utility operating reserves in a deficit position will be collected by future development and expansion of the utility service areas. The deficit amount of \$13,123,707 (2022-\$7,398,838) is offset by the Water/Wastewater reserve.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

15. Change in Accumulated Surplus

	Equity in other non-		Equity in tangible		2023	2022
	Unrestricted surplus	financial assets	Restricted surplus	capital assets		
Balance, beginning of year	\$ 523,055	\$ 6,852,631	\$ 88,113,251	\$ 292,113,695	\$ 387,602,632	\$ 376,693,330
Excess (deficiency) of revenue over expenses	4,903,545	-	-	-	4,903,545	10,909,302
Operating transfers to restricted surplus	(19,677,576)	-	19,677,576	-	-	-
Operating transfers from restricted surplus	3,752,268	-	(3,752,268)	-	-	-
Capital transfers from restricted surplus	3,964,746	-	(3,964,746)	-	-	-
Acquisition of capital	(15,262,580)	-	-	15,262,580	-	-
Contributed assets	-	-	-	-	-	-
Disposals and write-down of assets	867,429	-	-	(867,429)	-	-
Amortization	22,216,784	-	-	(22,216,784)	-	-
Accretion Expense	86,507	-	-	(86,507)	-	-
Change in non-financial assets	188,423	(188,423)	-	-	-	-
Change in current year accumulated surplus	\$ 1,039,546	\$ (188,423)	\$ 11,960,562	\$ (7,908,140)	\$ 4,903,545	\$ 10,909,302
Balance, end of year	\$ 1,562,601	\$ 6,664,208	\$ 100,073,813	\$ 284,205,555	\$ 392,506,177	\$ 387,602,632

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

16. Taxation - Net

	Budget 2023	2023	2022
Real property	\$ 15,770,540	\$ 15,756,718	\$ 15,339,226
Machinery and equipment	189,430	188,252	166,130
Linear property	7,682,650	7,664,918	7,260,894
Government grants in place of property taxes	153,750	153,074	159,334
Designated Industrial Property	24,830,320	24,863,600	22,982,242
	<u>48,626,690</u>	<u>48,626,562</u>	<u>45,907,826</u>
Requisitions			
ASFF/Opted-Out Schools	11,619,590	11,619,585	11,829,436
Lacombe Foundation	504,680	504,680	406,740
Designated Industrial Property	345,920	344,447	332,794
	<u>12,470,190</u>	<u>12,468,712</u>	<u>12,568,970</u>
Available for general municipal purposes	<u>\$ 36,156,500</u>	<u>\$ 36,157,850</u>	<u>\$ 33,338,856</u>

17. Taxation - other

	Budget 2023	2023	2022
Community Aggregate Payment Levy	\$ 800,000	\$ 754,625	\$ 902,635

The Community Aggregate Payment Levy is authorized through the Municipal Government Act and established through an approved bylaw. The levy is imposed in respect of all sand and gravel businesses operating in the municipality to raise revenue to be used toward the payment of infrastructure and other costs of the municipality. The amount of revenue generated fluctuates from year to year based upon sand and gravel activity. The levy rate applied is \$0.40 per tonne of sand or gravel hauled.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

18. Government Transfers

	Budget 2023	2023	2022
Operating			
General government - Provincial	\$ 298,980	\$ 298,984	\$ 149,492
Protective services - Other Government	69,660	87,881	113,491
Transportation services - Provincial	523,570	523,566	608,221
Environmental services - Provincial	60,000	60,000	60,000
Public health and welfare - Provincial	349,200	313,904	303,656
Planning and development - Provincial	46,440	33,574	27,334
Agriculture services - Provincial	123,910	166,247	123,907
	<u>\$ 1,471,760</u>	<u>\$ 1,484,156</u>	<u>\$ 1,386,101</u>
Capital			
Transportation services - Federal	619,300	3,000,000	5,567,583
Transportation services - Provincial	3,000,000	588,489	1,250,122
Recreation services - Provincial	367,850	-	-
	<u>\$ 3,987,150</u>	<u>\$ 3,588,489</u>	<u>\$ 6,817,705</u>
Total government transfers	<u>\$ 5,458,910</u>	<u>\$ 5,072,645</u>	<u>\$ 8,203,806</u>

19. Expenses by Object

	Budget 2023	2023	2022
			Restated (see Note 1)
Salaries and wages	\$ 13,276,720	\$ 12,167,687	\$ 12,600,048
Contracted and general services	4,166,950	3,942,220	3,612,461
Goods, materials and supplies	3,397,870	3,154,007	3,234,783
Transfers to other organizations	6,168,240	6,040,661	5,344,586
Purchases from other governments	410,120	528,117	366,182
Accretion expense	-	86,508	106,603
Cancellations and uncollectible	5,930	194,409	684,722
Amortization	22,216,784	22,216,784	21,401,365
Write-downs and losses on capital	-	694,320	822,490
	<u>\$ 49,642,614</u>	<u>\$ 49,024,713</u>	<u>\$ 48,173,240</u>

The budget figure for amortization has been adjusted from the budget approved by council April 27, 2023 (Note 26). Amortization is not funded by the County.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

20. Municipal Employees Pension Plans and Retirement Benefits

Local Authorities Pension Plan

Certain employees of the County are eligible to be members of the Local Authorities Pension Plan (LAPP), a multi-employer pension plan which is covered by the Public Sector Pension Plans Act. 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 County contributes to the Plan at a rate of 8.45% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 12.23% for the excess. Employees contribute to the Plan at a rate of 7.45% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 11.23% for the excess.

Contributions for the year were:

	2023	2022
Employer contributions	\$ 759,559	\$ 742,224
Employee contributions	678,299	667,111
	<u>\$ 1,437,858</u>	<u>\$ 1,409,335</u>

As this is a multi-employer pension plan, these contributions are the County's pension benefit expense. No pension liability for this type of plan is included in the County's financial statements. The most recent valuation as at December 31, 2022 indicates a surplus of \$12.671 billion (2021 surplus - \$11.992 billion) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

20. Municipal Employees Pension Plans and Retirement Benefits (continued)

Alberta Municipalities Apex Supplementary Pension Plan

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

	2023	2022
Employer contributions	\$ 25,900	\$ 33,797
Employee contributions	21,175	22,911
	\$ 47,075	\$ 56,708

As this is a multi-employer pension plan, these contributions are the County's pension benefit expense. No pension liability for this type of plan is included in the County's financial statements. The most recent valuation as at December 31 2022 indicates a surplus of \$3.32 million (2021 - \$2.06 million deficit) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

Alberta Municipalities Municipal Supplemental Employee Retirement Plan

The County is a participant in the Alberta Municipalities MuniSERP retirement plan, a multiple-employer defined benefit plan. The County has made this plan available to certain employees to enrol as members. The benefit liability to the County is calculated on an individual member basis. This plan provides a supplemental retirement defined benefit to employees based on their length of service and rates of pay. Contribution fluctuations are the result of market changes.

	2023	2022
Employer contributions	\$ 42,360	\$ 10,275

The accrued benefit liability as at December 31, 2023 was \$186,991 (2022 - \$133,027). The benefit liability as at December 31, 2023 was under funded by \$10,553 (2022 - under funded \$15,753).

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

21. Remuneration Disclosure

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

	<u>Compensation</u>	<u>Benefits & Allowances</u>	<u>Total 2023</u>	<u>Total 2022</u>
Councillors:				
Division 1	\$ 57,583	\$ 14,798	\$ 72,381	\$ 76,207
Division 2	72,413	16,572	88,985	97,484
Division 3- Reeve	75,035	11,813	86,848	86,299
Division 4	59,588	12,972	72,560	75,674
Division 5	68,103	15,737	83,840	81,546
Division 6	57,170	12,694	69,864	71,262
Division 7	<u>70,836</u>	<u>17,777</u>	<u>88,613</u>	<u>91,228</u>
Administration:				
County Manager	287,502	94,847	382,349	322,996
Designated Officer	143,683	27,900	171,583	165,909
Designated Officer	127,488	25,929	153,417	129,875

Council Compensation: includes base pay and per diem.

Council Benefits and Allowances: includes the County's contribution for health, dental and insurance benefits, convention expenses, and mileage paid for attending meetings and other Council functions.

County Manager and Designated Officer Salary: includes regular base pay.

County Manager and Designated Officer Benefits and Allowances: includes the County's contribution for Canada Pension Plan, Employment Insurance, health, dental and insurance benefits, pension, professional memberships, tuition and mileage.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

22. Debt Limits

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

	2023	2022
		Restated (see Note 1)
Total debt limit	\$ 72,267,922	\$ 69,212,678
Total debt	-	-
	72,267,922	69,212,678
Total debt limit available	72,267,922	69,212,678
Debt servicing limit	12,044,654	11,535,446
Debt servicing	-	-
	12,044,654	11,535,446
Total debt servicing limit available	12,044,654	11,535,446

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

23. Contingencies and Commitments

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

The County has entered into an agreement with the Town of Blackfalds to purchase water and wastewater services from the Town of Blackfalds to serve the Joint Economic Area. Rates are set on an annual basis. The agreement will expire in 2054 with an option for renewal. Either party may terminate this agreement with three years written notice.

The County has entered into an agreement with the City of Lacombe to purchase water and wastewater services from the City of Lacombe to serve the Joint Economic Area. Rates are set on an annual basis. The agreement will expire in 2057 with an option for renewal. Either party may terminate this agreement with three years written notice.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

24. Liability for Contaminated Sites

Effective for years beginning on or after April 1, 2014, municipalities and other public sector entities were required to account for and report liabilities related to the remediation of contaminated sites (Section PS 3260).

In 2015, County management undertook steps to identify sites that would fall under this accounting standard including a comprehensive review of all properties owned and controlled by the County. No sites were identified that would fall under this standard.

Management reviewed the prior year analysis and 2023 activity in the County and determined that no sites met the criteria to be reported as a liability.

25. Funds Held in Trust

Certain assets have been conveyed or assigned to the County to be administered as directed by agreement or statute. The County holds the assets for the benefit of and stand in fiduciary relationship to the beneficiaries. The following trust funds and assets are excluded from the County's financial statements:

	<u>2023</u>	<u>2022</u>
Tax Sale Surplus	\$ 43,608	\$ 33,062
Scholarships	36,916	36,916
Mirror Cemetery Perpetual Care Fund	17,915	17,855
Drainage Maintenance Funds	48,343	57,283
Lacombe Regional Waste Services Commission	-	21,232
Shared Fire Equipment Funds	9,471	193,509
	<u>\$ 156,253</u>	<u>\$ 359,857</u>

The Shared Fire Equipment Funds consist of various agreements between the Municipality and municipalities within Lacombe County who have agreed to share the costs of operating jointly owned fire equipment.

The County holds land in lieu of cash as a security deposit. The County has agreed to not sell lots titled to the County unless the developer defaults on the development agreement.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

26. Budget

The budget adopted by Council on April 27, 2023 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis.

The modifications from full accrual basis are as follows:

The County does not budget for amortization. The actual amortization expense for the year is included in the budget presentation to provide comparability between budgeted and actual results.

The County budgets for capital expenditures and proceeds from the disposition of capital in a separate capital budget (Note 27).

The County budgets for transfers to and from reserves for both operations and capital (Note 27).

The County budgets for the purchase and use of inventory (Note 27).

As a result, the budget figures presented in the statements of operations and change in net financial assets represent the budget adopted by Council on April 27, 2023 with adjustments as follows:

	Approved Budget	Amortization Allocation	Budget per Financial Statements	Actual per Financial Statements
Total Revenues	\$ 45,933,680	-	45,933,680	\$ 50,162,470
General government	6,163,770	278,672	6,442,442	6,147,974
Protective services	4,223,500	399,480	4,622,980	4,269,232
Transportation services	8,707,640	20,588,395	29,296,035	28,498,730
Environmental services	2,695,020	535,360	3,230,380	3,434,490
Cemetery	58,510	-	58,510	81,241
Social and family services	454,250	-	454,250	393,749
Recreation and cultural services	2,691,360	228,200	2,919,560	3,074,458
Planning and development	1,180,960	2,070	1,183,030	1,087,804
Agriculture services	1,250,820	184,607	1,435,427	1,342,715
Write-down of capital assets	-	-	-	679,183
Loss on sale of capital assets	-	-	-	15,137
Total Expenditures	27,425,830	22,216,784	49,642,614	49,024,713
Excess of revenues over expenditures	18,507,850	(22,216,784)	(3,708,934)	1,137,757

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

27. Reconciliation of Operating Results to Budget

	Budget 2023	2023	2022
			Restated (see Note 1)
Excess (deficiency) of revenue over expenditures, per financial statements	\$ 278,216	\$ 4,903,545	\$ 10,909,302
Add back:			
Amortization expense	22,216,784	22,216,784	21,401,365
Accretion Expense	-	86,507	106,603
Proceeds on disposal of capital assets	1,360,900	2,069,425	2,830,692
Loss on sale of capital assets	-	15,137	29,022
Write-downs of capital assets	-	679,183	793,469
Net transfers (to) from reserves	(3,083,360)	(11,960,562)	(7,484,267)
Use (purchase) of inventory	(445,330)	188,423	(281,609)
Deduct:			
Tangible capital asset purchases	(20,327,210)	(15,262,580)	(25,626,602)
(Gain) loss on disposal of capital assets	-	(1,896,316)	(2,622,749)
Results of operations	\$ -	\$ 1,039,546	\$ 55,226

The budget figure for amortization has been adjusted from the budget approved by Council April 27, 2023 (Note 26). Amortization is not funded by the County.

December 31, 2023

28. Segmented Information

The County is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General government

Provides legislative and administrative oversight for the entire County.

Protective services

Provides fire, ambulance, safety, community peace officer, and bylaw services for the entire County.

Transportation services

Manages the County's fleet of equipment as well as maintain and improve the County's infrastructure.

Environmental services

Provides water, wastewater, solid waste and recycling services.

Cemetery

Provides support and funding for various cemetery groups in the County.

Social and family services

Provides family and community support services.

Recreation and cultural services

Provides funding to recreation groups including other local municipalities within the County.

Planning and development

Provides services related to all property development plans through its application process.

Agriculture services

Provides services for weed and pest control as well as horticulture and soil conservation.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers have been eliminated. The revenues and expenses that are directly attributable to a particular segment are allocated to that segment. Taxation revenue is revenue of the County as a whole and has not been allocated to individual segments. It has been allocated in its entirety to general government.

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

28. Segmented Information (continued) - 2023

For the year ended December 31	General government	Protective services	Transportation services	Environmental services	Cemetery	Social and family services	Recreation and cultural service	Planning and development	Agriculture services	2023 Total
Revenue										
Taxation	\$ 36,912,474	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,912,474
Government transfers	298,984	87,881	4,112,055	-	-	313,904	-	33,574	226,247	5,072,645
User fees and service charges	53,939	173,116	1,486,736	1,041,717	2,200	-	99,474	55,737	24,194	2,937,113
Sales to other governments	283,989	550,107	227,369	481,675	-	-	15,998	-	39,101	1,598,239
Permits, licenses, fines and rentals	542,780	179,426	108,573	-	-	-	-	47,200	2,025	880,004
Investment income	4,316,959	-	-	-	-	-	-	-	-	4,316,959
Gain on sale of assets	-	192,150	1,700,519	1,020	-	-	-	-	2,626	1,896,315
Contributed assets	33,300	-	11,600	-	-	-	132,400	-	-	177,300
Other	122,265	-	743	-	-	-	7,701	-	6,500	137,209
	<u>42,564,690</u>	<u>1,182,680</u>	<u>7,647,595</u>	<u>1,524,412</u>	<u>2,200</u>	<u>313,904</u>	<u>255,573</u>	<u>136,511</u>	<u>300,693</u>	<u>53,928,258</u>
Expenses										
Salaries and wages	3,487,834	1,595,077	4,582,432	735,793	-	16,877	-	977,818	771,856	12,167,687
Contracted and general services	1,322,555	409,483	1,072,440	407,503	30,157	-	459,219	97,226	143,637	3,942,220
Goods, materials and supplies	227,685	272,849	2,229,724	127,663	716	-	52,774	7,871	234,725	3,154,007
Transfers to other organizations	643,834	1,592,342	203	1,042,087	50,368	376,872	2,324,247	2,818	7,890	6,040,661
Cancellations and uncollectible	185,829	-	-	8,580	-	-	-	-	-	194,409
Purchases from other gov't	-	-	-	528,117	-	-	-	-	-	528,117
Amortization	278,672	399,480	20,588,395	535,360	-	-	228,200	2,070	184,607	22,216,784
Loss on sale of capital assets	-	15,137	679,183	-	-	-	-	-	-	694,320
Accretion expense	1,567	-	25,536	49,387	-	-	10,018	-	-	86,508
	<u>6,147,976</u>	<u>4,284,368</u>	<u>29,177,913</u>	<u>3,434,490</u>	<u>81,241</u>	<u>393,749</u>	<u>3,074,458</u>	<u>1,087,803</u>	<u>1,342,715</u>	<u>49,024,713</u>
Net surplus (deficit)	\$ 36,416,714	\$ (3,101,688)	\$ (21,530,318)	\$ (1,910,078)	\$ (79,041)	\$ (79,845)	\$ (2,818,885)	\$ (951,292)	\$ (1,042,022)	\$ 4,903,545

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Notes to Consolidated Financial Statements

December 31, 2023

28. Segmented Information (continued) - 2022 Restated (see Note1)

For the year ended December 31	General government	Protective services	Transportation services	Environmental services	Cemetery	Social and family services	Recreation and cultural service	Planning and development	Agriculture services	2022 Total
Revenue										
Taxation	\$ 34,241,492	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,241,492
Government transfers	149,492	113,491	7,425,926	-	-	303,656	-	27,334	183,907	8,203,806
User fees and service charges	38,976	140,698	1,142,639	941,517	1,800	-	91,037	40,410	11,753	2,408,830
Sales to other governments	275,175	485,611	202,627	488,686	-	-	21,381	-	32,228	1,505,708
Permits, licenses, fines, rentals	683,048	142,968	86,616	-	-	-	-	45,000	1,800	959,432
Investment income	2,273,537	-	-	-	-	-	-	-	-	2,273,537
Gain on sale of assets	-	-	2,316,749	-	-	-	-	-	306,000	2,622,749
Contributed assets	-	-	-	258,200	-	-	4,000,000	-	-	4,258,200
Other	2,597,003	5,000	196	-	-	-	3,339	-	3,250	2,608,788
	<u>40,258,723</u>	<u>887,768</u>	<u>11,174,753</u>	<u>1,688,403</u>	<u>1,800</u>	<u>303,656</u>	<u>4,115,757</u>	<u>112,744</u>	<u>538,938</u>	<u>59,082,542</u>
Expenses										
Salaries and wages	3,403,402	1,469,714	5,396,956	732,780	-	15,951	-	892,478	688,767	12,600,048
Contracted and general services	941,008	349,740	1,331,589	293,153	10,629	-	450,645	129,484	106,213	3,612,461
Goods, materials and supplies	222,811	261,970	2,371,410	111,760	-	-	41,950	6,108	218,774	3,234,783
Transfers to other organizations	607,697	1,118,690	1,554	961,703	57,795	370,670	2,217,108	1,969	7,400	5,344,586
Cancellations and uncollectible	682,722	-	-	2,000	-	-	-	-	-	684,722
Purchases from other gov't	-	-	-	366,182	-	-	-	-	-	366,182
Amortization	281,509	366,337	19,889,050	533,183	-	-	224,398	2,070	104,818	21,401,365
Write-down of capital assets	-	-	-	-	-	-	-	-	-	-
Loss on sale of capital assets	-	2,408	820,082	-	-	-	-	-	-	822,490
Accretion expense	1,492	-	48,530	47,039	-	-	9,542	-	-	106,603
	<u>6,140,641</u>	<u>3,568,859</u>	<u>29,859,171</u>	<u>3,047,800</u>	<u>68,424</u>	<u>386,621</u>	<u>2,943,643</u>	<u>1,032,109</u>	<u>1,125,972</u>	<u>48,173,240</u>
Net surplus (deficit)	\$ 34,118,082	\$ (2,681,091)	\$ (18,684,418)	\$ (1,359,397)	\$ (66,624)	\$ (82,965)	\$ 1,172,114	\$ (919,365)	\$ (587,034)	\$ 10,909,302

Lacombe County
Notes to Consolidated Financial Statements

December 31, 2023

29. Comparative Figures

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

30. Approval of Financial Statements

Council and Management approved these financial statements.
