

**CITY OF LLOYDMINSTER**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

CITY OF LLOYDMINSTER

2011

MAYOR  
Jeff Mulligan

ALDERMEN

Herb Flieger	Rob Saunders
Alan Cayford	Allan Park
T.J. Altman	Larry Sauer

CITY MANAGER/CAO  
Glenn Carroll

CITY CLERK  
Beth Kembel

DEPUTY CAO, CORPORATE SERVICES  
Don Newlin

GENERAL MANAGER, FINANCE  
Nicole Reiniger

DEPUTY CAO, COMMUNITY SERVICES  
Ken Coleman

DEPUTY CAO, INFRASTRUCTURE SERVICES  
Adam Homes

DEPUTY CAO, PROTECTIVE SERVICES  
Brent Stasiuk

FIRE CHIEF  
Todd Gustavson

POLICE  
R.C.M.P

AUDITORS  
Wilkinson Livingston Stevens LLP

**CITY OF LLOYDMINSTER**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

<b>INDEX</b>	<b>PAGE</b>
Independent auditor's report	2
Consolidated statement of financial position	3
Consolidated statement of operations and accumulated surplus	4
Consolidated statement of cash flows	5
Consolidated statement of change in net financial assets	6
Consolidated schedule of tangible capital assets	7
Consolidated schedule of property and other taxes	8
Consolidated schedule of government transfers	9
Consolidated schedule of segment disclosures	10 - 11
Notes to the consolidated financial statements	12 - 22



## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Aldermen of the City of Lloydminster

We have audited the accompanying financial statements of the City of Lloydminster, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the City of Lloydminster as at December 31, 2011, and their financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Wilkinson Livingston Stevens LLP*

Lloydminster, Alberta  
April 23, 2012

Chartered Accountants

CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2011

	2011	2010 (Restated)
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash and temporary investments (Note 4)	38,869,117	48,871,433
Receivables		
Taxes and grants in lieu of taxes (Note 5)	973,011	1,018,926
Trade and other receivables (Note 5)	4,833,770	3,830,205
Loans receivable (Note 6)	457,243	-
Land and inventories for resale (Note 7)	15,331,864	14,380,602
Long-term investments	<u>2,442</u>	<u>2,442</u>
	<u>60,467,447</u>	<u>68,103,608</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	14,478,737	10,697,605
Deposit liabilities	1,395,056	1,056,976
Deferred revenue (Note 8)	9,635,306	12,537,907
Employee benefit obligations (Note 9)	1,201,486	971,947
Provision for landfill closure and post-closure costs (Note 10)	330,113	144,630
Long-term debt (Note 11)	<u>965,600</u>	<u>1,207,000</u>
	<u>28,006,298</u>	<u>26,616,065</u>
<b>Net Financial Assets</b>	<u>32,461,149</u>	<u>41,487,543</u>
<b>Non-Financial Assets</b>		
Inventory for consumption	440,963	688,208
Prepaid expenses	348,708	333,643
Tangible capital assets (Schedule 1)	<u>331,458,085</u>	<u>299,925,252</u>
	<u>332,247,756</u>	<u>300,947,103</u>
<b>Accumulated Surplus (Page 4)</b>	<u>\$364,708,905</u>	<u>\$342,434,646</u>
<b>Commitments (Note 14, 15 &amp; 16)</b>		
<b>Contingencies (Note 17)</b>		

Approved On Behalf Of Council

Councilor

Councilor

**CITY OF LLOYDMINSTER**

**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS  
YEAR ENDED DECEMBER 31, 2011**

	<b>Budget (Unaudited)</b>	<b>2011</b>	<b>2010 (Restated)</b>
<b>Revenue</b>			
Net municipal taxes (Schedule 2)	15,405,735	15,587,586	14,406,942
User fees and sales of goods	26,991,769	26,225,472	26,331,292
Government transfers (Schedule 3)	6,130,808	17,684,429	15,562,942
Investment income	127,650	614,317	346,862
Penalties and costs of taxes	1,316,500	1,140,337	1,172,273
Development levies	-	789,444	423,965
Licenses and permits	4,167,883	4,798,122	4,340,141
Third party developer capital contributions-in-kind	-	3,969,040	372,532
Gain (loss) on disposal of tangible capital assets	1,000	(32,606)	35,380
Donations	119,730	601,045	266,902
Other	<u>195,640</u>	<u>1,851,439</u>	<u>172,736</u>
	<u>54,456,715</u>	<u>73,228,625</u>	<u>63,431,967</u>
<b>Expenditures</b>			
Legislative	529,728	498,393	416,493
Administration	2,690,541	2,726,836	2,872,194
Bylaws enforcement	7,350,380	7,410,346	6,708,728
Roads, streets, walks, lighting	9,984,421	9,163,961	7,658,170
Water supply and distribution	8,063,669	7,540,109	7,495,052
Wastewater treatment and disposal	1,958,881	2,028,955	1,852,484
Waste management	2,736,531	2,395,922	2,631,007
Family and community support	2,130,500	2,423,636	2,152,514
Land use planning, zoning and development	1,221,675	999,756	897,335
Subdivision land development	310,000	1,643,681	1,208,659
Parks and recreation	10,685,718	11,720,899	9,030,619
Culture	<u>2,308,722</u>	<u>2,401,872</u>	<u>2,297,873</u>
	<u>49,970,766</u>	<u>50,954,366</u>	<u>45,221,128</u>
<b>Excess Of Revenue Over Expenditures</b>	\$ <u>4,485,949</u>	22,274,259	18,210,839
Accumulated Surplus, Beginning of Year (restated)		<u>342,434,646</u>	<u>324,223,807</u>
<b>Accumulated Surplus, End of Year</b>		<u>\$364,708,905</u>	<u>\$342,434,646</u>

CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2011

	2011	2010 (Restated)
<b>Cash Provided By (Used In):</b>		
Operating Activities		
Excess (deficiency) of revenues over expenditures	22,274,259	18,210,839
Amortization	11,941,404	11,482,555
Gain (loss) on sale of tangible capital assets	32,809	(34,760)
Net decrease (increase) in non-cash operating working capital balances:		
Taxes and grants in lieu of taxes	45,915	27,006
Trade and other receivables	(1,003,565)	2,146,293
Loans receivable	(457,243)	15,360
Land and inventories for resale	(951,262)	637,039
Long-term investments	-	(2,412)
Inventory for consumption	247,245	(136,085)
Prepaid expenses	(15,065)	(36,972)
Accounts payable and accrued liabilities	3,781,132	2,029,625
Deposit liabilities	338,080	(449,063)
Deferred revenue	(2,902,601)	(1,146,748)
Employee benefit obligations	229,539	7,156
Provision for landfill closure and post-closure costs	<u>185,483</u>	<u>70,027</u>
	<u>33,746,130</u>	<u>32,819,860</u>
Capital Activities		
Acquisition of tangible capital assets	(43,577,122)	(20,820,951)
Proceeds on disposal of tangible capital assets	<u>70,076</u>	<u>35,380</u>
	<u>(43,507,046)</u>	<u>(20,785,571)</u>
Investing Activities		
Temporary investments	<u>(409,193)</u>	<u>(266,865)</u>
Financing Activities		
Long-term debt advanced (repaid)	<u>(241,400)</u>	<u>(500,000)</u>
<b>Increase (decrease) in cash and cash equivalents during the year</b>	(10,411,509)	11,267,424
Cash and Cash Equivalents, Beginning of Year	<u>23,447,431</u>	<u>12,180,007</u>
<b>Cash and Cash Equivalents At End (Note 4)</b>	<u>\$ 13,035,922</u>	<u>\$ 23,447,431</u>

CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS  
YEAR ENDED DECEMBER 31, 2011

	Budget (Unaudited)	2011	2010 (Restated)
<b>Excess Of Revenue Over Expenditures</b>	4,485,949	22,274,259	18,210,839
Amortization of tangible capital assets	10,099,084	11,941,404	11,482,555
Proceeds on disposal of tangible capital assets	1,000	70,076	35,380
Change in inventories and prepaid expenses	-	232,180	(173,057)
Gain (loss) on sale of tangible capital assets	-	32,809	(34,760)
Acquisition of tangible capital assets	<u>(24,522,072)</u>	<u>(43,577,122)</u>	<u>(20,820,951)</u>
<b>Increase (Decrease) in Net Financial Assets</b>	(9,936,039)	(9,026,394)	8,700,006
Net Financial Assets, Beginning Of Year (restated)	<u>41,487,543</u>	<u>41,487,543</u>	<u>32,787,537</u>
<b>Net Financial Assets, End Of Year</b>	<u>\$ 31,551,504</u>	<u>\$ 32,461,149</u>	<u>\$ 41,487,543</u>



CITY OF LLOYDMINSTER

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS  
 YEAR ENDED DECEMBER 31, 2011  
 (SCHEDULE 1)

	Land	Buildings	Machinery & Equipment	Engineering Structures	Total 2011	Total 2010 (Restated)
<b>Cost</b>						
Balance, beginning of year (restated)	17,141,415	90,064,133	21,347,498	319,230,895	447,783,941	426,994,328
Additions	2,191,630	9,452,482	3,448,034	28,484,976	43,577,122	20,820,951
Disposals	<u>-</u>	<u>-</u>	<u>(340,678)</u>	<u>(71,119)</u>	<u>(411,797)</u>	<u>(31,338)</u>
Balance, end of year	<u>19,333,045</u>	<u>99,516,615</u>	<u>24,454,854</u>	<u>347,644,752</u>	<u>490,949,266</u>	<u>447,783,941</u>
<b>Accumulated Amortization</b>						
Balance, beginning of year	-	29,889,763	15,264,667	102,704,259	147,858,689	136,406,852
Amortization	-	2,210,200	1,600,001	8,131,203	11,941,404	11,482,555
Accumulated amortization on disposals	<u>-</u>	<u>-</u>	<u>(296,466)</u>	<u>(12,446)</u>	<u>(308,912)</u>	<u>(30,718)</u>
Balance, end of year	<u>-</u>	<u>32,099,963</u>	<u>16,568,202</u>	<u>110,823,016</u>	<u>159,491,181</u>	<u>147,858,689</u>
<b>Net Book Value of Tangible Capital Assets</b>	<b><u>\$ 19,333,045</u></b>	<b><u>\$ 67,416,652</u></b>	<b><u>\$ 7,886,652</u></b>	<b><u>\$ 236,821,736</u></b>	<b><u>\$ 331,458,085</u></b>	<b><u>\$ 299,925,252</u></b>

**CITY OF LLOYDMINSTER**

**CONSOLIDATED SCHEDULE OF PROPERTY AND OTHER TAXES  
YEAR ENDED DECEMBER 31, 2011  
(SCHEDULE 2)**

	<b>Budget (Unaudited)</b>	<b>2011</b>	<b>2010</b>
<b>Taxation</b>			
Real property taxes	28,435,061	25,564,020	27,377,545
Government grants in lieu of property taxes	276,821	304,044	299,196
Special assessments and local improvement	<u>61,040</u>	<u>67,023</u>	<u>61,481</u>
	<u>28,772,922</u>	<u>25,935,087</u>	<u>27,738,222</u>
<b>Requisitions</b>			
Lloydminster Public School Division	10,671,570	8,242,946	10,651,570
Lloydminster Separate School Division	2,572,421	1,981,878	2,561,944
Lloydminster Business Improvement District	<u>123,196</u>	<u>122,677</u>	<u>117,766</u>
	<u>13,367,187</u>	<u>10,347,501</u>	<u>13,331,280</u>
<b>Net Municipal Taxes</b>	<b>\$ <u>15,405,735</u></b>	<b>\$ <u>15,587,586</u></b>	<b>\$ <u>14,406,942</u></b>

CITY OF LLOYDMINSTER

CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS  
 YEAR ENDED DECEMBER 31, 2011  
 (SCHEDULE 3)

	Budget (Unaudited)	2011	2010
<b>Federal</b>			
Shared-cost agreements and grants	<u>22,000</u>	<u>327,758</u>	<u>706,953</u>
	<u>22,000</u>	<u>327,758</u>	<u>706,953</u>
<b>Provincial</b>			
Shared-cost agreements and grants - Alberta	3,507,567	13,704,169	8,667,184
Shared-cost agreements and grants - Saskatchewan	<u>2,349,778</u>	<u>3,402,287</u>	<u>5,911,284</u>
	<u>5,857,345</u>	<u>17,106,456</u>	<u>14,578,468</u>
<b>Local</b>			
Shared-cost agreements and grants	<u>251,463</u>	<u>250,215</u>	<u>277,521</u>
	<u>\$ 6,130,808</u>	<u>\$ 17,684,429</u>	<u>\$ 15,562,942</u>

**CITY OF LLOYDMINSTER**

**CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES  
YEAR ENDED DECEMBER 31, 2011  
(SCHEDULE 4)**

For the year ended December 31, 2011 (in thousands)

	Protection and corporate	Transportation	Finance	Planning	Recreation	Utilities	Water and sewer	Land Development	Eliminations	Total
<b>Revenue</b>										
Net municipal taxes	-	-	15,588	-	-	-	-	-	-	15,588
User fees and sales of goods	917	12	50	49	4,998	3,615	9,431	7,154	-	26,226
Government transfers	582	57	15,954	-	748	343	-	-	-	17,684
Investment income	-	-	614	-	2	-	-	-	-	616
Penalties and costs of taxes	1,442	-	-	(2)	-	-	-	-	(300)	1,140
Development levies	-	-	-	-	-	-	-	789	-	789
Licenses and permits	310	-	-	1,073	-	3,415	-	-	-	4,798
Third party developer contributions	-	-	-	-	-	-	-	3,969	-	3,969
Gain (loss) on disposal of capital assets	-	-	(33)	-	-	-	-	-	-	(33)
Donations	-	-	526	-	75	-	-	-	-	601
Other	-	-	1,734	-	117	-	-	-	-	1,851
	<u>3,251</u>	<u>69</u>	<u>34,433</u>	<u>1,120</u>	<u>5,940</u>	<u>7,373</u>	<u>9,431</u>	<u>11,912</u>	<u>(300)</u>	<u>73,229</u>
<b>Expenditures</b>										
Salaries, wages and benefits	2,027	2,160	2,202	402	4,958	322	1,533	-	-	13,604
Contracted and general services	6,867	2,737	1,196	591	3,028	1,608	1,597	146	(2,342)	15,428
Materials, goods and utilities	442	2,231	170	7	3,025	362	2,106	1,498	(516)	9,325
Transfers to local boards or agencies	44	-	-	-	600	-	-	-	-	644
Bank charges	-	-	9	-	4	-	-	-	-	13
Amortization	624	5,181	160	-	2,351	105	3,520	-	-	11,941
	<u>10,004</u>	<u>12,309</u>	<u>3,737</u>	<u>1,000</u>	<u>13,966</u>	<u>2,397</u>	<u>8,756</u>	<u>1,644</u>	<u>(2,858)</u>	<u>50,955</u>
<b>Excess (Deficiency) of Revenue Over Expenditure</b>	<u>\$ (6,753)</u>	<u>\$ (12,240)</u>	<u>\$ 30,696</u>	<u>\$ 120</u>	<u>\$ (8,026)</u>	<u>\$ 4,976</u>	<u>\$ 675</u>	<u>\$ 10,268</u>	<u>\$ 2,558</u>	<u>\$ 22,274</u>

**CITY OF LLOYDMINSTER**

**CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES  
YEAR ENDED DECEMBER 31, 2011  
(SCHEDULE 4)**

For the year ended December 31, 2010 (in thousands)

	Protection and corporate	Transportation	Finance	Planning	Recreation	Utilities	Water and sewer	Land Development	Eliminations	Total (Restated)
<b>Revenue</b>										
Net municipal taxes	-	-	14,407	-	-	-	-	-	-	14,407
User fees and sales of goods	751	5	32	40	3,563	3,289	7,975	10,676	-	26,331
Government transfers	642	105	13,715	-	797	304	-	-	-	15,563
Investment income	-	-	347	-	-	-	-	-	-	347
Penalties and costs of taxes	1,323	-	-	51	-	-	-	-	(202)	1,172
Development levies	-	-	-	-	-	-	-	424	-	424
Licenses and permits	327	-	-	703	-	3,310	-	-	-	4,340
Third party developer contributions	-	-	-	-	-	-	-	373	-	373
Gain (loss) on disposal of capital assets	-	-	35	-	-	-	-	-	-	35
Donations	-	-	235	-	31	-	-	-	-	266
Other	-	-	134	-	40	-	-	-	-	174
	<u>3,043</u>	<u>110</u>	<u>28,905</u>	<u>794</u>	<u>4,431</u>	<u>6,903</u>	<u>7,975</u>	<u>11,473</u>	<u>(202)</u>	<u>63,432</u>
<b>Expenditures</b>										
Salaries, wages and benefits	1,885	1,710	2,063	415	3,700	507	1,271	-	-	11,551
Contracted and general services	6,197	1,746	1,108	472	2,621	1,501	1,611	33	(2,255)	13,034
Materials, goods and utilities	473	2,073	285	11	2,523	532	2,127	1,175	(496)	8,703
Transfers to local boards or agencies	81	-	-	-	366	-	-	-	-	447
Bank charges	-	-	3	-	-	-	-	-	-	3
Amortization	543	4,946	140	-	1,994	91	3,769	-	-	11,483
	<u>9,179</u>	<u>10,475</u>	<u>3,599</u>	<u>898</u>	<u>11,204</u>	<u>2,631</u>	<u>8,778</u>	<u>1,208</u>	<u>(2,751)</u>	<u>45,221</u>
<b>Excess (Deficiency) of Revenue Over</b>										
Expenditures	<u>\$ (6,136)</u>	<u>\$ (10,365)</u>	<u>\$ 25,306</u>	<u>\$ (104)</u>	<u>\$ (6,773)</u>	<u>\$ 4,272</u>	<u>\$ (803)</u>	<u>\$ 10,265</u>	<u>\$ 2,549</u>	<u>\$ 18,211</u>

## CITY OF LLOYDMINSTER

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2011

#### 1. Principal Accounting Policies

The consolidated financial statements of the City of Lloydminster (the "City") are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The significant accounting policies are summarized as follows:

##### a) Basis of Consolidation

The consolidated financial statements include the assets, liabilities, reserves, surplus/deficits, revenues and expenses of entities which have been determined to comprise a part of the aggregate City operations based upon control exercised by the City. Inter-fund balances and transactions have been eliminated.

##### i) Consolidated entities

The organizations included in the consolidated financial statements are as follows:

Vic Juba Community Theatre Board

Lloydminster Public Library

Lloydminster Facilities Corporation

Lloydminster Economic Development Corporation

##### b) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions on such areas as employee benefits, environmental provisions and estimated useful lives of assets. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.

##### c) Reporting Entity

The schedule of taxes levied includes operating requisitions for the Public and Catholic School Boards 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.

##### d) Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due, with the exception of pension expenditures as disclosed in 1e).

##### e) Pension Expenditure

The City participates in a multi-employer defined contribution pension plan for certain employees. Under the plan, the City's obligations are limited to their contributions. These contributions are recorded as expenditures in the year in which they become due.

##### f) Temporary Investments

Investments are recorded at the lower of cost or net realizable value.

CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011

1. Principal Accounting Policies (continued)

g) Inventories

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

Land held for resale is recorded at the lower of cost or net realizable value. Cost 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 and sidewalks are recorded as tangible capital assets under their respective function.

h) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Government contributions for the acquisition of capital assets are reported as revenue and do not reduce the related capital asset costs. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Distribution systems	40 years
Engineering structures	40 years
Machinery and equipment	5 years

Amortization is not charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

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

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

i) Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the city.

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.

**CITY OF LLOYDMINSTER**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

**1. Principal Accounting Policies (continued)**

**j) Reserves for Future Expenditures**

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Reserves represent a component of the Accumulated Surplus.

**k) Over-Levies and Under-Levies**

Over-levies and under-levies 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 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 taxes.

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

**l) Developers' Levies**

Developers' levies are estimated using the rates established by bylaw at the time of the agreement. Although there is an external restriction on funds received via legislation and/or agreement, the City does not have the future planning information required to determine an appropriate deferral. The levies are taken into income as they are received or become receivable.

**m) Deferred Revenue**

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of 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.

**n) Government Transfers**

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future or are the result of a direct financial return. Government transfers are recognized in the consolidated financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.



CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011

1. Principal Accounting Policies (continued)

o) Landfill Closure and Post-Closure Liability

Environmental law requires closure and post-closure care of solid waste landfill sites. Closure care includes final covering and landscaping of the landfill and implementation of drainage and gas management plans. Post-closure care requirements include cap maintenance, groundwater monitoring, gas management system operations, inspections and annual reports. This requirement is being provided for over the estimated remaining life of the landfill site based on usage.

p) Joint Venture Accounting

Some of the City's land development activities are contracted through a 50% joint venture with Nelson Group Inc. ("NGI") These statements reflect only the City's proportionate interest in such activities.

2. Prior Period Adjustments

During 2011, the consolidated financial statements were restated to reflect the following prior period adjustment:

a) Acquisition of contributed tangible capital assets

Management did not previously calculate fair value estimates for contributed tangible capital assets related to park land. Management developed fair value estimates for all contributed land related to parks based on fair market values reflected on land title transfer documents and affidavits.

**Adjustments to 2010 accumulated surplus balance:**

Accumulated surplus balance at December 31, 2009, as previously reported	323,514,769
Contributed tangible capital assets	<u>709,038</u>
As restated	<u>\$324,223,807</u>

**Adjustment to 2010 excess of revenues over expenditures:**

Excess of revenues over expenditures, as previously reported	18,167,476
Contributed tangible capital assets	<u>43,363</u>
As restated	<u>\$ 18,210,839</u>

Certain 2010 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year. The reclassifications resulted in no effect on reported excess of revenue over expenditures.

CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011

**3. Financial Instruments, Interest Risk, Credit Risk and Fair Value**

The City's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable and accrued liabilities, deposit liabilities, employee benefit liabilities and long term debt.

Interest rate risk

Interest rate risk is the risk to the City's earnings that arise from fluctuations in interest rates and the degree of volatility of these rates. See Notes 4 and 11.

Credit risk

The City is exposed to credit risk on receivables from taxpayers and customers. In order to reduce its credit risk, the City reviews credit limits on a regular basis. Concentration of credit risk is limited due to the diverse customer base covered by the City's operations.

Fair value

The stated value for accrued income and expenses and certain other assets and liabilities approximate their fair value due to their short term maturity.

Fair value of loans payable are estimated to be similar to the stated value as the inherent interest rate approximates the market rates for similar loans.

Fair value of those financial instruments which have no specific terms of maturity nor interest and those financial instruments for which a reasonable estimate of fair value could not be made without incurring excessive cost, have not been determined.

**4. Cash and Temporary Investments**

	<b>2011</b>	<b>2010</b>
Cash	13,035,922	23,447,431
Temporary investments	<u>25,833,195</u>	<u>25,424,002</u>
	<u>\$ 38,869,117</u>	<u>\$ 48,871,433</u>

Cash consists of cash on hand and balances with banks and brokers available for operations. Temporary investments are short-term deposits with maturities of one year or less.

Included in cash and temporary investments are restricted monies totaling \$8,037,367 (2010 - \$11,840,781) received through government transfers to be used exclusively for capital projects (Note 8).

**CITY OF LLOYDMINSTER**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

**5. Receivables**

	<b>2011</b>	<b>2010</b>
Current taxes and grants in lieu of taxes	781,479	848,857
Arrears taxes receivable	<u>191,532</u>	<u>170,069</u>
	<u>973,011</u>	<u>1,018,926</u>
Trade accounts receivable	5,220,066	4,171,014
Less: allowance for doubtful accounts	<u>386,296</u>	<u>340,809</u>
	<u>4,833,770</u>	<u>3,830,205</u>
	<u>\$ 5,806,781</u>	<u>\$ 4,849,131</u>

**6. Loans Receivable**

	<b>2011</b>	<b>2010</b>
(a) The Bea Fisher Enterprises Inc.	-	185,943
(b) Lloydminster Communiplex	-	60,360
(c) Pioneer Lodge	457,243	-
Allowance for doubtful amounts	<u>-</u>	<u>(246,303)</u>
	<u>\$ 457,243</u>	<u>\$ -</u>

- (a) The loan receivable from The Bea Fisher Enterprises Inc. was written off during the year.
- (b) The loan receivable from the Lloydminster Communiplex was written off during the year.
- (c) The City extended a loan to a senior citizens' residence in the amount of \$500,000 to fund an expansion project. The term of the loan is 10 years, repayable in semi-annual installments of \$29,703.16, including interest at a rate of 3.402% per annum. The loan is secured by a proportionate guarantee from the City of Lloydminster, County of Vermilion River, Village of Kitscoty, Village of Marwayne and Village of Paradise Valley. The City's share of the guarantee is 59.2% of the principal amount.

**7. Land and Inventories for Resale**

	<b>2011</b>	<b>2010</b>
Land under development and lots available for sale		
Residential	2,328,869	2,706,143
Industrial and commercial	3,488,819	2,018,173
Raw land held for future development	9,480,041	9,616,600
Gift shop inventory	<u>34,135</u>	<u>39,686</u>
	<u>\$ 15,331,864</u>	<u>\$ 14,380,602</u>

**CITY OF LLOYDMINSTER**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

**8. Deferred Revenue**

Deferred revenue consists of funds received which relate to expenditures to be incurred in future periods, as follows:

	<b>2011</b>	<b>2010</b>
Infrastructure Canada - Alberta Program	467,420	819,526
Alberta - Municipal Sustainability Initiative - Capital	4,691,713	5,382,694
Alberta - Municipal Infrastructure	318,875	713,077
Alberta - New Deal Cities	653,538	1,782,102
Alberta - Municipal Sustainability Housing Program - Capital	1,642,223	2,023,700
Alberta - Major Community Facilities Program	-	636,861
Alberta - Municipal Sponsorship Program	-	96,232
Saskatchewan - New Deal Cities	1,907	-
Saskatchewan - Urban Highway Connector Program	257,140	382,038
Saskatchewan - Building Canada Fund	4,551	4,551
Prepaid taxes	1,301,244	624,606
Prepaid licenses, rental and utilities	197,610	46,607
Gift Certificates	11,624	13,454
Other	<u>87,461</u>	<u>12,459</u>
	<b>\$ <u>9,635,306</u></b>	<b>\$ <u>12,537,907</u></b>

**9. Employee Benefit Obligations**

	<b>2011</b>	<b>2010</b>
Regular payroll	453,725	331,443
Vacation	623,779	533,229
Post-employment benefits	<u>123,982</u>	<u>107,275</u>
	<b>\$ <u>1,201,486</u></b>	<b>\$ <u>971,947</u></b>

**Regular payroll**

The regular payroll liability is comprised of payroll owed to employees for days worked that will not be paid until the next fiscal year.

**Vacation**

The vacation liability is comprised of the vacation time that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary years.

**Post-employment benefits**

The City provides a sick leave benefit plan. This plan is based on the accumulation of sick leave credits to a maximum of 120 days. If not utilized during their employment term, the employee is entitled to a cash payment upon retirement based on one-half of the accumulated credit.

The City has not obtained an actuarial accounting valuation for the sick leave benefit plan. The maximum accumulated sick leave liability is \$1,539,156 (2010 - \$1,210,356). The City does not expect to have to pay the full amount and has accrued only a portion of the total liability.

**CITY OF LLOYDMINSTER**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

**10. Landfill Closure and Post-Closure Liability**

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 25 years after closure using a discount rate of 3.2% and assuming annual inflation of 2%.

The accrued liability portion is based on the cumulative capacity of Phase 1 of the landfill used at year end compared to the estimated total Phase 1 landfill capacity. Based on the 2006 Functional Landfill Study prepared by an independent consultant, management estimates that 5.81% of the total Phase 1 capacity has been utilized. The Phase 1 site is expected to reach capacity in approximately the year 2046.

The City has not yet designated assets for settling closure and post-closure liabilities.

The following summarizes the total net present value for the estimated costs of Phase 1 of the Sanitary Landfill closure and post closure care:

	<b>2011</b>	<b>2010</b>
Estimated closure and post-closure costs, present value	\$ 5,682,151	\$ 3,571,199
Estimated capacity used	5.8100 %	4.0499 %
Amount accrued to December 31, 2011	\$ 330,113	\$ 144,630

**11. Long Term Debt**

	<b>2011</b>	<b>2010</b>
Mortgage payable	\$ <u>965,600</u>	\$ <u>1,207,000</u>

The mortgage payable is due in annual instalments of \$241,400. Unless the City defaults on the payment terms, the mortgage is non-interest bearing. Land has been pledged as security.

Aggregate annual maturities based on current interest rates and terms of repayment follow:

2012	241,400
2013	241,400
2014	241,400
2015	<u>241,400</u>
	<u>\$ 965,600</u>

## CITY OF LLOYDMINSTER

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2011

#### 12. Segment Disclosures

The segments have been selected based on the City's municipal financial planning and budget processes. City services are provided by departments. Certain departments that have been disclosed in the segmented information, along with the services they provide, are as follows:

(a) Protection & Corporate

Protection and corporate operates municipal buildings, 911 emergency response, by-law enforcement, RCMP contract operations, fire prevention and suppression and airport services. It also oversees grants to senior citizen's taxi service and the handivan service.

(b) Transportation

Transportation provides engineering services, maintains roadway surfaces, street lighting, traffic signals, operates the storm drainage system and the City equipment pool.

(c) Finance

Finance manages City investments, property assessment contract services, cash collection and management services and oversees the grant to the Lloydminster Public Library.

(d) Planning

Planning carries out zoning and subdivision approvals, issues development permits and manages building permits and inspections.

(e) Recreation

Recreation operates economic development and tourism programs, recreation facilities including parks, cemetery, campground, swimming pools, arenas, museum and art gallery and oversees community grant programs including family and community support services.

(f) Utilities

Utilities operation is divided between solid waste management, recycling, collection and landfill operation.

(g) Water & Sewer

Water and sewer operations is divided between water and sewer utility which operates water intake, treatment, distribution and sanitary sewage treatment and removal.

(h) Land Development

Land development includes development levies, contributed tangible capital assets and residential and commercial lots sales.

**CITY OF LLOYDMINSTER**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011**

**13. Accumulated Surplus**

Accumulated surplus consists of individual fund surplus/(deficit) and reserves as follows:

	<b>2011</b>	<b>2010 (Restated)</b>
<b>Surplus</b>		
Invested in tangible capital assets	331,458,085	299,925,252
General surplus	<u>4,413,457</u>	<u>7,370,287</u>
Total Surplus	<u>335,871,542</u>	<u>307,295,539</u>
<b>Internal Reserves</b>		
Capital Reserves		
Capital financing reserve	2,778,608	6,296,211
New facilities and equipment	8,823,744	8,421,148
Infrastructure replacement	<u>9,192,697</u>	<u>12,103,159</u>
	20,795,049	26,820,518
Operating Reserves	731,635	745,779
<b>Restricted Reserves</b>		
Developer levies	<u>7,310,679</u>	<u>7,572,810</u>
Total Reserves	<u>28,837,363</u>	<u>35,139,107</u>
	<u>\$364,708,905</u>	<u>\$342,434,646</u>

**14. Guarantees**

The City has guaranteed the bank loan of a local not-for-profit group to a maximum amount of \$240,000. The bank loan is repayable over a 60 month term at monthly blended payments of \$2,607, including interest at a rate of 5.51% per annum. The bank loan is secured by a general security agreement on the personal property of the group. The bank indebtedness amounted to \$219,872 at December 31, 2011. No liability has been accrued in the financial statements as no payments are expected to be made.

**15. Debentures**

City Council currently has outstanding approved bylaws for borrowings by way of debentures as follows: Construction of Multiplex Recreation Facility for \$7,500,000, Construction of New Police Station for \$6,500,000 and Expansion of the Sewage Treatment Plant for \$4,000,000.

During January 2012, City Council authorized the first reading of the bylaw for Construction of New Infrastructure Services Operations Centre debentures for \$20,592,965.

As at December 31, 2011 there are no debentures outstanding.

## CITY OF LLOYDMINSTER

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2011

#### 16. Contractual Obligations and Commitments

The City of Lloydminster has the following capital construction commitment as at December 31:

##### (a) New RCMP Building

The City entered into a contract for construction of the new RCMP building in the amount of \$16.5 million plus applicable taxes. The City has incurred \$4.0 million of expenditures related to this project as at December 31, 2011. Project completion is expected in 2012.

#### 17. Contingent Liabilities

In 2009, the City took possession of expropriated lands. Compensation in the amount of \$728,525 was paid in consideration of the fair market value of the lands. On December 29, 2010, the previous owners filed an Application for Determination of Compensation with the Alberta Land Compensation Board requesting total compensation for the expropriated lands and damages suffered in the amount of \$1,904,000, plus additional damages to be determined by the Board. In December 2011, the City made an offer together with additional payment of \$226,380. If a settlement is not reached, total compensation for the land will be determined by the Alberta Land Compensation Board. Because the amount is indeterminable the claim has not been reflected in the financial statements.

In March 2010, the City took possession of expropriated lands. Compensation in the amount of \$400,000 was paid in consideration for the fair market value of the lands as determined by an independent appraisal. On February 14, 2011, the previous owners filed an Application for Determination of Compensation with the Alberta Land Compensation Board requesting total compensation for the expropriated lands in the amount of \$1,400,000, also determined by an independent appraisal. Compensation for the land will be determined by the Alberta Land Compensation Board. Because the amount is indeterminable the claim has not been reflected in the financial statements.

#### 18. Approval of Financial Statements

Council and Management have approved these consolidated financial statements.