

CITY OF LLOYDMINSTER
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

CITY OF LLOYDMINSTER

2014

MAYOR

Rob Saunders

COUNCILLORS

Larry Sauer

Chris McQuid

Jason Whiting

Linnea Goodhand

Lachlan Cummine

Ken Baker

CITY MANAGER/CAO

Glenn Carroll

DEPUTY CAO

Kirk Morrison

DIRECTOR, FINANCE

Nicole Reiniger

AUDITORS

Wilkinson Livingston Stevens LLP

CITY OF LLOYDMINSTER
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors 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, 2014, and the consolidated statements of operations and accumulated surplus, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of 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, 2014, and their financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Wilkinson Livingston Stevens LLP

Lloydminster, Alberta
April 27, 2015

Chartered Accountants

CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

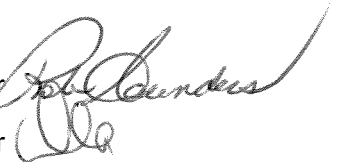
	2014	2013
ASSETS		
Financial Assets		
Cash and temporary investments (Note 3)	27,263,752	11,530,852
Receivables		
Taxes and grants in lieu of taxes (Note 4)	969,823	874,189
Trade and other receivables (Note 4)	5,521,564	5,501,048
Land and inventories for resale (Note 5)	18,768,146	20,629,802
Long-term investments	<u>43,483</u>	<u>37,217</u>
	<u>52,566,768</u>	<u>38,573,108</u>
Financial Liabilities		
Accounts payable and accrued liabilities	10,206,873	10,267,223
Deposit liabilities	1,328,805	1,203,906
Deferred revenue (Note 6)	2,414,206	2,520,335
Employee benefit obligations (Note 7)	1,677,450	1,616,423
Provision for landfill closure and post-closure costs (Note 9)	661,359	447,517
Long-term debt (Note 10)	31,189,845	26,954,821
Obligations under capital lease (Note 11)	<u>133,762</u>	<u>60,022</u>
	<u>47,612,300</u>	<u>43,070,247</u>
Net Financial Assets (Debt)	<u>4,954,468</u>	<u>(4,497,139)</u>
Non-Financial Assets		
Inventory for consumption	431,959	651,041
Prepaid expenses	498,299	423,490
Tangible capital assets (Schedule 1)	<u>439,946,736</u>	<u>412,655,537</u>
	<u>440,876,994</u>	<u>413,730,068</u>
Accumulated Surplus (Page 4)	<u>\$445,831,462</u>	<u>\$409,232,929</u>

Commitments (Note 14, 15 & 16)

Approved On Behalf Of Council

Councillor

Councillor



CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2014

	Budget (Unaudited)	2014	2013
Revenue			
Net municipal taxes (Schedule 2)	23,460,000	23,975,122	20,866,836
User fees and sales of goods	57,422,160	59,617,156	41,796,500
Government transfers (Schedule 3)	8,293,595	11,558,141	14,159,390
Investment income	100,860	251,089	341,174
Penalties and costs of taxes	2,101,164	2,404,683	2,316,456
Development levies	-	1,529,010	1,551,508
Licenses and permits	5,772,092	6,238,647	6,037,003
Third party developer capital contributions-in-kind	-	8,401,167	-
Gain (loss) on disposal of tangible capital assets	-	30,730	386,517
Donations	88,500	128,182	117,819
Other	1,750	26,299	340,733
	<u>97,240,121</u>	<u>114,160,226</u>	<u>87,913,936</u>
Expenditures			
Legislative	614,520	561,817	594,154
Administration	7,632,218	4,505,734	4,778,248
Bylaws enforcement	10,961,614	9,808,750	9,131,573
Roads, streets, walks, lighting	14,081,976	13,858,129	12,869,702
Water supply and distribution	10,354,588	10,848,502	9,024,443
Wastewater treatment and disposal	2,695,565	2,703,923	2,492,968
Waste management	3,333,900	3,326,103	2,921,293
Family and community support	4,859,569	4,131,295	3,595,608
Land use planning, zoning and development	2,170,344	2,193,735	1,778,938
Subdivision land development	7,815,000	7,501,766	4,116,723
Parks and recreation	16,444,604	15,466,898	14,209,656
Culture	2,825,206	2,655,041	2,665,047
	<u>83,789,104</u>	<u>77,561,693</u>	<u>68,178,353</u>
Excess Of Revenue Over Expenditures	\$ <u>13,451,017</u>	36,598,533	19,735,583
Accumulated Surplus, Beginning of Year		<u>409,232,929</u>	<u>389,497,346</u>
Accumulated Surplus, End of Year (Note 13)		<u>\$445,831,462</u>	<u>\$409,232,929</u>

CITY OF LLOYDMINSTER

**CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014**

	2014	2013
Cash Provided By (Used In):		
Operating Activities		
Excess (deficiency) of revenues over expenditures	36,598,533	19,735,583
Amortization	16,521,562	14,491,258
(Gain) loss on sale of tangible capital assets	(30,730)	(386,517)
Contributed tangible capital assets	(8,811,166)	-
Net change in non-cash operating working capital balances:		
Decrease (increase) in taxes and grants in lieu of taxes	(95,634)	(106,658)
Decrease (increase) in trade and other receivables	(20,516)	662,374
Decrease (increase) in land and inventories for resale	1,861,656	(2,040,578)
Decrease (increase) in long-term investments	(6,266)	(30,973)
Decrease (increase) in inventory for consumption	219,082	(299,791)
Decrease (increase) in prepaid expenses	(74,809)	(34,523)
Increase (decrease) in accounts payable and accrued liabilities	(60,350)	811,583
Increase (decrease) in deposit liabilities	124,899	(366,896)
Increase (decrease) in deferred revenue	(106,129)	(681,657)
Increase (decrease) in employee benefit obligations	61,027	308,994
Increase (decrease) in provision for landfill closure and post-closure costs	<u>213,842</u>	<u>(20,869)</u>
	<u>46,395,001</u>	<u>32,041,330</u>
Capital Activities		
Acquisition of tangible capital assets	(35,303,448)	(59,933,524)
Proceeds on disposal of tangible capital assets	<u>332,583</u>	<u>486,086</u>
	<u>(34,970,865)</u>	<u>(59,447,438)</u>
Investing Activities		
Temporary investments	(9,886,930)	7,001,818
Decrease (increase) restricted cash and cash equivalents	<u>274,858</u>	<u>901,334</u>
	<u>(9,612,072)</u>	<u>7,903,152</u>
Financing Activities		
Long-term debt advanced (repaid)	4,235,024	19,730,621
Obligations under capital lease advanced (repaid)	<u>73,740</u>	<u>60,022</u>
	<u>4,308,764</u>	<u>19,790,643</u>
Increase in cash and cash equivalents during the year	6,120,828	287,687
Cash and Cash Equivalents, Beginning of Year	<u>4,945,723</u>	<u>4,658,036</u>
Cash and Cash Equivalents At End	<u>\$ 11,066,551</u>	<u>\$ 4,945,723</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	12,263,752	6,417,782
Less: restricted portion of cash and temporary investments (Note 3)	<u>(1,197,201)</u>	<u>(1,472,059)</u>
	<u>\$ 11,066,551</u>	<u>\$ 4,945,723</u>

CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
YEAR ENDED DECEMBER 31, 2014

	2014	2013
Excess Of Revenue Over Expenditures	36,598,533	19,735,583
Amortization of tangible capital assets	16,521,562	14,491,258
Proceeds on disposal of tangible capital assets	332,583	486,086
Change in inventories and prepaid expenses	144,273	(334,314)
(Gain) loss on sale of tangible capital assets	(30,730)	(386,517)
Acquisition of tangible capital assets	<u>(44,114,614)</u>	<u>(59,933,524)</u>
Increase (Decrease) in Net Financial Assets (Debt)	9,451,607	(25,941,428)
Net Financial Assets (Debt), Beginning Of Year	<u>(4,497,139)</u>	<u>21,444,289</u>
Net Financial Assets (Debt), End Of Year	<u>\$ 4,954,468</u>	<u>\$ (4,497,139)</u>

CITY OF LLOYDMINSTER

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2014
(SCHEDULE 1)

	Land	Buildings	Machinery & Equipment	Engineering Structures	Work in Progress	Total 2014	Total 2013
Cost							
Balance, beginning of year	21,194,001	129,221,357	32,704,648	395,622,867	19,030,043	597,772,916	538,747,851
Additions	766,525	7,600,882	6,240,975	16,915,588	12,590,644	44,114,614	59,933,524
Disposals	(997)	(499,318)	(685,311)	-	-	(1,185,626)	(908,459)
Transfers	-	16,937,843	1,604,413	6,493,008	(25,035,264)	-	-
Balance, end of year	<u>21,959,529</u>	<u>153,260,764</u>	<u>39,864,725</u>	<u>419,031,463</u>	<u>6,585,423</u>	<u>640,701,904</u>	<u>597,772,916</u>
Accumulated Amortization							
Balance, beginning of year	-	36,714,247	19,787,272	128,615,860	-	185,117,379	171,435,011
Amortization	-	3,210,137	3,573,986	9,737,439	-	16,521,562	14,491,258
Accumulated amortization on disposals	-	(575,371)	(308,402)	-	-	(883,773)	(808,890)
Balance, end of year	<u>-</u>	<u>39,349,013</u>	<u>23,052,856</u>	<u>138,353,299</u>	<u>-</u>	<u>200,755,168</u>	<u>185,117,379</u>

Net Book Value of Tangible Capital Assets \$ 21,959,529 \$ 113,911,751 \$ 16,811,869 \$ 280,678,164 \$ 6,585,423 \$ 439,946,736 \$ 412,655,537

Included in current year additions for machinery & equipment are assets under capital lease totaling \$106,400.

CITY OF LLOYDMINSTER

**CONSOLIDATED SCHEDULE OF PROPERTY AND OTHER TAXES
YEAR ENDED DECEMBER 31, 2014
(SCHEDULE 2)**

	Budget (Unaudited)	2014	2013
Taxation			
Real property taxes	36,125,707	36,837,664	32,879,851
Government grants in lieu of property taxes	214,909	378,594	346,659
Special assessments and local improvement	<u>66,943</u>	<u>-</u>	<u>67,023</u>
	<u>36,407,559</u>	<u>37,216,258</u>	<u>33,293,533</u>
Requisitions			
Lloydminster Public School Division	10,132,480	10,383,827	9,719,795
Lloydminster Separate School Division	<u>2,815,079</u>	<u>2,857,309</u>	<u>2,706,902</u>
	<u>12,947,559</u>	<u>13,241,136</u>	<u>12,426,697</u>
Net Municipal Taxes	\$ <u>23,460,000</u>	\$ <u>23,975,122</u>	\$ <u>20,866,836</u>

CITY OF LLOYDMINSTER

CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS
 YEAR ENDED DECEMBER 31, 2014
 (SCHEDULE 3)

	Budget (Unaudited)	2014	2013
Federal			
Shared-cost agreements and grants	<u>22,000</u>	<u>531,854</u>	<u>97,000</u>
Provincial			
Shared-cost agreements and grants -Alberta	4,949,096	7,446,410	7,770,450
Shared-cost agreements and grants -Saskatchewan	<u>2,952,631</u>	<u>3,233,920</u>	<u>5,922,958</u>
	<u>7,901,727</u>	<u>10,680,330</u>	<u>13,693,408</u>
Local			
Shared-cost agreements and grants	<u>369,868</u>	<u>345,957</u>	<u>368,982</u>
	<u>\$ 8,293,595</u>	<u>\$ 11,558,141</u>	<u>\$ 14,159,390</u>

CITY OF LLOYDMINSTER

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES
YEAR ENDED DECEMBER 31, 2014
(SCHEDULE 4)

For the year ended December 31, 2014 (in thousands)

	Administration	Recreation & Facilities	Planning & Engineering	Public Works	Protective Services	Total
Revenue						
Net municipal taxes	23,975	-	-	-	-	23,975
User fees and sales of goods	1,019	6,867	31,138	20,367	226	59,617
Government transfers	9,509	926	-	479	644	11,558
Investment income	241	10	-	-	-	251
Penalties and costs of taxes	173	-	-	-	2,232	2,405
Development levies	-	-	1,529	-	-	1,529
Licenses and permits	370	-	1,199	4,669	1	6,239
Third party developer contributions	-	-	8,401	-	-	8,401
Gain (loss) on disposal of capital assets	31	-	-	-	-	31
Donations	34	94	-	-	-	128
Other	22	4	-	-	-	26
	<u>35,374</u>	<u>7,901</u>	<u>42,267</u>	<u>25,515</u>	<u>3,103</u>	<u>114,160</u>
Expenditures						
Salaries, wages and benefits	5,274	8,641	2,071	4,543	2,206	22,735
Contracted and general services	121	2,866	2,212	4,890	7,495	17,584
Materials, goods and utilities	832	4,265	6,873	7,218	233	19,421
Transfers to local boards or agencies	71	349	-	-	-	420
Bank charges	28	64	-	-	-	92
Interest on long term debt	781	-	-	7	-	788
Amortization	1,518	2,867	177	11,507	453	16,522
	<u>8,625</u>	<u>19,052</u>	<u>11,333</u>	<u>28,165</u>	<u>10,387</u>	<u>77,562</u>
Excess (Deficiency) of Revenue Over Expenditure	\$ 26,749	\$ (11,151)	\$ 30,934	\$ (2,650)	\$ (7,284)	\$ 36,598

CITY OF LLOYDMINSTER

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES
YEAR ENDED DECEMBER 31, 2014
(SCHEDULE 4)

For the year ended December 31, 2013 (in thousands)

	Administration	Recreation & Facilities	Planning & Engineering	Public Works	Protective Services	Total
Revenue						
Net municipal taxes	20,857	-	-	9	-	20,866
User fees and sales of goods	548	6,521	17,191	17,268	269	41,797
Government transfers	11,921	1,094	-	516	628	14,159
Investment income	332	9	-	-	-	341
Penalties and costs of taxes	155	-	-	-	2,161	2,316
Development levies	-	-	1,552	-	-	1,552
Licenses and permits	337	-	1,478	4,215	7	6,037
Gain (loss) on disposal of capital assets	387	-	-	-	-	387
Donations	30	88	-	-	-	118
Other	299	42	-	-	-	341
	<u>34,866</u>	<u>7,754</u>	<u>20,221</u>	<u>22,008</u>	<u>3,065</u>	<u>87,914</u>
Expenditures						
Salaries, wages and benefits	4,342	7,792	1,682	4,133	1,896	19,845
Contracted and general services	1,739	2,733	1,676	2,952	7,288	16,388
Materials, goods and utilities	465	4,558	3,919	7,157	247	16,346
Transfers to local boards or agencies	62	360	-	-	-	422
Interest and bank charges	16	33	-	-	-	49
Interest on long term debt	690	-	-	-	-	690
Amortization	388	2,541	-	11,119	390	14,438
	<u>7,702</u>	<u>18,017</u>	<u>7,277</u>	<u>25,361</u>	<u>9,821</u>	<u>68,178</u>
Excess (Deficiency) of Revenue Over Expenditures	\$ 27,164	\$ (10,263)	\$ 12,944	\$ (3,353)	\$ (6,756)	\$ 19,736

CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014

1. Significant Accounting Policies

The consolidated financial statements of the City of Lloydminster (the "City") are the representations of management prepared in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

a) Reporting Entity

The consolidated financial statements include the assets, liabilities, revenues, expenses, changes in accumulated surplus, changes in net financial assets and cash flows of the reporting entity. The reporting entity is comprised of all organizations and enterprises which are controlled by the City, which include the following:

Vic Juba Community Theatre Board

Lloydminster Public Library

The Lloydminster Downtown Business Improvement District

Lloydminster Facilities Corporation

Lloydminster Economic Development Corporation

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.

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) Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are 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 1d).

d) Defined Contribution Plan

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.

e) 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, 2014

1. Significant Accounting Policies (continued)

f) 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.

g) 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. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease. Assets recorded under capital leases are amortized on the same straight-line method described above.

h) 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, 2014**

1. Significant Accounting Policies (continued)

i) 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.

j) 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.

k) 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.

l) 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.

m) Revenue Recognition

Revenues are recorded on the accrual basis. Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues, provided the amount to be received can be reasonably estimated and collection is reasonably assured.

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 financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Property tax revenues are based on market value assessments and tax mill rates determined annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal.

CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

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

n) **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.

o) **Financial Instruments**

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost adjusted by transaction costs, which are amortized over the expected life of this instrument.

2. **Financial Instruments**

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 3 and 10.

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.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The City is exposed to this risk mainly in respect of funds from its customers, accounts payable long term debt.

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

3. Cash and Temporary Investments

	2014	2013
Cash	12,263,752	6,417,782
Temporary investments	<u>15,000,000</u>	<u>5,113,070</u>
	<u>\$ 27,263,752</u>	<u>\$ 11,530,852</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 \$1,120,396 (2013 - \$1,394,075) received through government transfers to be used exclusively for operating and capital projects, amounts have been recorded through deferred revenue.

Included in cash and temporary investments are restricted funds totaling \$76,805 (2013 - \$77,984) held on behalf of the Vermilion River Regional Alliance, a group which the City took over financial management of in 2013. The liability associated with the funds being held is included in accounts payable and accrued liabilities.

4. Receivables

	2014	2013
Current taxes and grants in lieu of taxes	754,299	594,843
Arrears taxes receivable	<u>215,524</u>	<u>279,346</u>
	<u>969,823</u>	<u>874,189</u>
Trade accounts receivable	5,645,644	5,599,785
Less: allowance for doubtful accounts	<u>124,080</u>	<u>98,737</u>
	<u>5,521,564</u>	<u>5,501,048</u>
	<u>\$ 6,491,387</u>	<u>\$ 6,375,237</u>

5. Land and Inventories for Resale

	2014	2013
Land under development and lots available for sale		
Residential	3,885,957	5,068,278
Industrial and commercial	6,545,395	7,806,351
Raw land held for future development	8,285,607	7,671,827
Gift shop inventory	<u>51,187</u>	<u>83,346</u>
	<u>\$ 18,768,146</u>	<u>\$ 20,629,802</u>

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

6. Deferred Revenue

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

	2014	2013
Alberta - Family and Community Support Services Grant	11,574	-
Alberta - Municipal Sustainability Initiative - Capital	381,891	-
Alberta - New Deal Cities	-	1,379,075
Saskatchewan - New Deal Cities	558,716	-
Saskatchewan - Urban Highway Connector Program	168,215	-
CBC Hockey Day in Canada	-	231,105
Community Housing Initiative	-	12,000
Prepaid taxes	717,815	311,405
Prepaid licenses, rental and utilities	447,093	331,326
Gift Certificates	23,801	21,497
Other	<u>105,101</u>	<u>233,927</u>
	<u>\$ 2,414,206</u>	<u>\$ 2,520,335</u>

7. Employee Benefit Obligations

	2014	2013
Regular payroll	845,851	751,609
Vacation	571,663	655,874
Post-employment benefits	<u>259,936</u>	<u>208,940</u>
	<u>\$ 1,677,450</u>	<u>\$ 1,616,423</u>

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 \$2,474,745 (2013 - \$1,999,747). 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, 2014**

8. Defined Contribution Plan

The Manulife Financial Pension Plan is funded by employee and employer contributions at a rate of 5% of the employee's earnings. Pension benefits are based on accumulated contributions and investment earnings. Under the defined contribution plan, the City's obligations are limited to its contributions.

Details of the Manulife Financial Pension Plan are as follows:

	2014	2013
Number of active City members	198	178
Member contribution rate (percentage of salary)	5.00 %	5.00 %
City contribution rate (percentage of salary)	5.00 %	5.00 %
Member contributions for the year	\$ 479,455	\$ 373,936
City contributions	\$ 458,733	\$ 367,536

9. 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 3.43% 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 11.54% 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:

	2014	2013
Estimated closure and post-closure costs, present value	\$ 5,733,296	\$ 4,698,535
Estimated capacity used	11.5400 %	9.5200 %
Amount accrued to December 31, 2014	\$ 661,359	\$ 447,517

CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

10. Long Term Debt

	2014	2013
(a) Mortgage payable	241,400	482,800
(b) Debenture debt - RCMP Building	6,007,208	6,257,202
(c) Debenture debt - Operations Centre	19,441,237	20,214,819
(d) Debenture debt - North South Corridor	<u>5,500,000</u>	<u>-</u>
	<u>\$ 31,189,845</u>	<u>\$ 26,954,821</u>

- (a) 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.
- (b) The debenture is repayable to Alberta Capital Finance Authority and bears interest at a rate of 2.942% per annum and matures on December 17, 2032. Semi annual payments are \$216,128.
- (c) The debenture is repayable to Alberta Capital Finance Authority and bears interest at a rate of 3.033% per annum and matures on March 15, 2033. Semi annual payments are \$690,438.
- (d) The debenture is repayable to Alberta Capital Finance Authority and bears interest at a rate of 2.957% per annum and matures on December 15, 2034. Semi annual payments are \$183,128.

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

2015	1,501,153
2016	1,297,855
2017	1,337,109
2018	1,377,552
2019	1,419,217
2020 and subsequent	<u>24,256,959</u>
	<u>\$ 31,189,845</u>

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

11. Obligations Under Capital Lease

	2014	2013
a) Capital lease - golf carts	\$ 47,076	\$ 60,022
b) Capital lease - reelmasters	<u>86,686</u>	<u>-</u>
	<u>\$ 133,762</u>	<u>\$ 60,022</u>

- a) The capital lease bears interest at a rate of 9.507% per annum, repayable in blended payments of \$3,041 for the months of May through October each year. The lease matures on November 1, 2017 and is secured by the specified equipment.
- b) The capital lease bears interest at a rate of 7.50% per annum, repayable in blended payments of \$3,472 for the months of May through October each year and a \$20,571 option to purchase at the end of the lease. The lease matures on November 1, 2018 and is secured by the specified equipment.

The following is a schedule of future minimum lease payments together with the balance of the obligation under capital lease.

2015	39,078
2016	39,078
2017	39,078
2018	<u>41,403</u>
Total minimum lease payments	158,637
Less: amounts representing interest	<u>(24,875)</u>
	<u>\$ 133,762</u>

Included in interest on long term debt is \$8,832 of interest paid on capital lease obligations.

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

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) Protective Services

Protective services operate 911 emergency response, by-law enforcement, RCMP contract operations, fire prevention and suppression.

(b) Public Works

Public works provides engineering services, maintains roadway surfaces, street lighting, traffic signals, operates the storm drainage system, airport services and the City equipment pool. Utilities operation is divided between solid waste management, recycling, collection and landfill operation. Water and sewer operations are divided between water and sewer utility which operates water intake, treatment, distribution and sanitary sewage treatment and removal.

(c) Administration

Administration manages municipal buildings, property assessment contract services, City investments, cash collection and management services. It also oversees grants to senior citizen's taxi service and the handivan service.

(d) Planning & Engineering

Planning & engineering carries out zoning and subdivision approvals, issues development permits and manages building permits and inspections, development levies, contributed tangible capital assets and residential and commercial lots sales.

(e) Recreation & Facilities

Recreation & facilities 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. It also oversees grants to Lloydminster Public Library and Theatre.

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

13. Accumulated Surplus

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

	2014	2013
Surplus		
Invested in tangible capital assets	408,864,529	386,123,494
General surplus (deficit)	<u>28,461,340</u>	<u>(14,201,453)</u>
Total Surplus	<u>437,325,869</u>	<u>371,922,041</u>
Internal Reserves		
Capital Reserves		
Capital financing reserve	706,195	7,488,090
New facilities and equipment	1,036,557	7,206,788
Infrastructure replacement	<u>2,441,178</u>	<u>12,430,326</u>
	4,183,930	27,125,204
Operating Reserves	2,213,057	736,294
Restricted Reserves		
Developer levies	<u>2,108,606</u>	<u>9,449,390</u>
Total Reserves	<u>8,505,593</u>	<u>37,310,888</u>
	<u>\$445,831,462</u>	<u>\$409,232,929</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 and expires November 2020. The bank loan is secured by a general security agreement on the personal property of the group. The bank indebtedness amounted to \$157,536 at December 31, 2014. No liability has been accrued in the financial statements as no payments are expected to be made.

15. Debentures

City Council has outstanding approved bylaws for borrowings by way of debentures as at December 31, 2014 as follows: Completion of the West Sanitary Trunk for \$1,365,000, Completion of Wastewater Mechanical Upgrade for \$2,500,000, Completion of the Outdoor Pool Upgrades for \$350,000 and Completion of the 25th Street Sanitary Trunk for 53 Avenue for \$1,400,000.

On March 16, 2015, a debenture for Completion of the 25th Street Sanitary Trunk for Lakeside of \$2,600,000 was drawn and outstanding. The debenture is repayable to Alberta Capital Finance Authority and bears interest at a rate of 2.511% per annum and matures on March 16, 2035. Semi annual payments are \$83,081.

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

16. Contractual Obligations and Commitments

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

(a) 25th Street Sanitary Trunk

The City entered into contracts for construction of the 25th Street Sanitary Trunk Extension for a total cost of \$6.97 million plus applicable taxes. Work on the project started in January 2015, so the City has not incurred any expenditures as of December 31, 2014. Project completion is expected in 2015.

(b) Mechanical Wastewater Treatment Facility

The City entered into contracts for the preliminary design of a new Mechanical Wastewater Treatment Facility for a total cost of \$1.74 million plus applicable taxes. Work on the project started in January 2015, so the City has not incurred any expenditures related to this project as at December 31, 2014. Project completion is expected in 2015.

17. Subsequent Events

In March 2015, council approved the Agreement for Sale of the Old RCMP land and building to the Lloydminster Community Youth Centre for \$1. The net book value of the land and building is \$1.05 million as at December 31, 2014 and included in tangible capital assets. The sale is expected to occur in 2015.

18. Approval of Financial Statements

Council and Management have approved these consolidated financial statements.

19. Comparative Amounts

Certain 2013 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 net income.

