

CITY OF LLOYDMINSTER
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

CITY OF LLOYDMINSTER

2010

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

CITY TREASURER
Diane Beecroft

DEPUTY CAO, COMMUNITY SERVICES
Ken Coleman

DEPUTY CAO, INFRASTRUCTURE SERVICES
Adam Homes

DEPUTY CAO, PROTECTIVE SERVICES
Brent Stasiuk

CHIEF DEVELOPMENT OFFICER
Richard Power

FIRE CHIEF
Todd Gustavson

POLICE
R.C.M.P

AUDITORS
Wilkinson Livingston Stevens LLP

CITY OF LLOYDMINSTER
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Aldermen of the City of Lloydminster

We have audited the accompanying consolidated financial statements of the City of Lloydminster and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2010, 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Lloydminster and its subsidiaries as at December 31, 2010, 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 25, 2011

Chartered Accountants

CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

	2010	2009 (Restated)
ASSETS		
Financial Assets		
Cash and temporary investments (Note 4)	48,871,433	37,337,145
Receivables		
Taxes and grants in lieu of taxes (Note 5)	1,018,926	1,045,932
Trade and other receivables (Note 5)	3,830,205	5,976,498
Loans receivable (Note 6)	-	15,360
Land and inventories for resale (Note 7)	14,380,602	15,017,641
Long-term investments	<u>2,442</u>	<u>30</u>
	<u>68,103,608</u>	<u>59,392,606</u>
Financial Liabilities		
Accounts payable and accrued liabilities	10,697,606	8,667,981
Deposit liabilities	1,056,976	1,506,039
Deferred revenue (Note 8)	12,537,907	13,684,655
Employee benefit obligations (Note 9)	971,947	964,791
Provision for landfill closure and post-closure costs (Note 10)	144,630	74,603
Long-term debt (Note 11)	<u>1,207,000</u>	<u>1,707,000</u>
	<u>26,616,066</u>	<u>26,605,069</u>
Net Financial Assets	<u>41,487,542</u>	<u>32,787,537</u>
Non-Financial Assets		
Inventory for consumption	688,208	552,123
Prepaid expenses	333,643	296,671
Tangible capital assets (Schedule 1)	<u>299,172,852</u>	<u>289,878,438</u>
	<u>300,194,703</u>	<u>290,727,232</u>
Accumulated Surplus (Page 4)	<u>\$341,682,245</u>	<u>\$323,514,769</u>
Contingencies (Note 17)		

Approved On Behalf Of Council

Councilor

Councilor

CITY OF LLOYDMINSTER

**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2010**

	Budget (Unaudited)	2010	2009 (Restated)
Revenue			
Net municipal taxes (Schedule 2)	14,351,755	14,406,942	13,898,724
User fees and sales of goods	27,423,733	26,365,628	16,684,935
Government transfers (Schedule 3)	6,096,831	15,534,012	13,910,021
Investment income	128,265	346,862	528,680
Penalties and costs of taxes	1,379,500	1,172,273	1,425,768
Development levies	-	423,965	86,040
Licenses and permits	4,003,059	4,340,141	3,610,512
Third party developer capital contributions-in-kind	-	329,170	3,070,757
Proceeds from disposal of tangible capital assets	1,000	35,380	2,478
Donations	84,300	266,902	490,836
Other	<u>42,500</u>	<u>172,736</u>	<u>22,595</u>
	<u>53,510,943</u>	<u>63,394,011</u>	<u>53,731,346</u>
Expenditures			
Legislative	357,200	416,495	336,751
Administration	1,913,936	2,237,627	1,598,817
Bylaws enforcement	7,281,337	7,343,295	7,028,928
Roads, streets, walks, lighting	9,196,536	7,658,170	7,346,591
Water supply and distribution	7,699,711	7,495,052	7,287,911
Wastewater treatment and disposal	1,906,107	1,852,484	1,652,068
Waste management	2,280,806	2,631,007	2,158,135
Family and community support	2,106,209	2,148,377	1,940,055
Land use planning, zoning and development	980,223	897,335	457,991
Subdivision land development	320,000	1,208,659	558,923
Parks and recreation	8,500,830	9,034,755	8,569,958
Culture	<u>2,141,474</u>	<u>2,303,279</u>	<u>2,040,417</u>
	<u>44,684,369</u>	<u>45,226,535</u>	<u>40,976,545</u>
Excess Of Revenue Over Expenditures	8,826,574	18,167,476	12,754,801
Accumulated Surplus, Beginning of Year (restated)		<u>323,514,769</u>	<u>310,759,968</u>
Accumulated Surplus, End of Year		<u>\$341,682,245</u>	<u>\$323,514,769</u>

CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010

	2010	2009 (Restated)
Cash Provided By (Used In):		
Operating Activities		
Excess (deficiency) of revenues over expenditures	18,167,476	12,754,801
Amortization	11,482,555	10,911,317
Gain (loss) on sale of tangible capital assets	(34,760)	(428)
Net decrease (increase) in non-cash operating working capital balances:		
Taxes and grants in lieu of taxes	27,006	(406,035)
Trade and other receivables	2,146,293	(480,927)
Loans receivable	15,360	22,500
Land and inventories for resale	637,039	(1,556,810)
Long-term investments	(2,412)	-
Inventory for consumption	(136,085)	(38,893)
Prepaid expenses	(36,972)	(4,735)
Accounts payable and accrued liabilities	2,029,625	(8,674,342)
Deposit liabilities	(449,063)	(39,845)
Deferred revenue	(1,146,748)	6,492,203
Employee benefit obligations	7,156	249,907
Provision for landfill closure and post-closure costs	<u>70,027</u>	<u>45,568</u>
	<u>32,776,497</u>	<u>19,274,281</u>
Capital Activities		
Acquisition of tangible capital assets	(20,777,589)	(23,340,902)
Proceeds on disposal of tangible capital assets	<u>35,380</u>	<u>2,478</u>
	<u>(20,742,209)</u>	<u>(23,338,424)</u>
Investing Activities		
Temporary investments	<u>(266,865)</u>	<u>(214,594)</u>
Financing Activities		
Long-term debt advanced (repaid)	<u>(500,000)</u>	<u>(542,255)</u>
Increase (decrease) in cash and cash equivalents during the year	11,267,423	(4,820,992)
Cash and Cash Equivalents, Beginning of Year	<u>12,180,007</u>	<u>17,000,999</u>
Cash and Cash Equivalents At End (Note 4)	<u>\$ 23,447,430</u>	<u>\$ 12,180,007</u>

CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2010

	Budget (Unaudited)	2010	2009 (Restated)
Excess Of Revenue Over Expenditures	8,826,574	18,167,476	12,754,801
Amortization of tangible capital assets	10,099,084	11,482,555	10,911,317
Proceeds on disposal of tangible capital assets	1,000	35,380	2,478
Change in inventories and prepaid expenses	-	(173,057)	(43,628)
Gain (loss) on sale of tangible capital assets	-	(34,760)	(428)
Acquisition of tangible capital assets	<u>(24,522,072)</u>	<u>(20,777,589)</u>	<u>(23,340,902)</u>
Increase (Decrease) in Net Financial Assets	(5,595,414)	8,700,005	283,638
Net Financial Assets, Beginning Of Year (restated)	<u>32,787,537</u>	<u>32,787,537</u>	<u>32,503,899</u>
Net Financial Assets, End Of Year	<u>\$ 27,192,123</u>	<u>\$ 41,487,542</u>	<u>\$ 32,787,537</u>

CITY OF LLOYDMINSTER

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2010
(SCHEDULE 1)

	Land	Buildings	Machinery & Equipment	Engineering Structures	Total 2010	Total 2009
Cost						
Balance, beginning of year	15,252,869	86,948,501	18,560,681	305,523,239	426,285,290	410,538,213
Additions	1,136,146	3,115,632	2,818,155	13,707,656	20,777,589	23,340,902
Disposals	-	-	(31,338)	-	(31,338)	(7,593,825)
Balance, end of year	<u>16,389,015</u>	<u>90,064,133</u>	<u>21,347,498</u>	<u>319,230,895</u>	<u>447,031,541</u>	<u>426,285,290</u>
Accumulated Amortization						
Balance, beginning of year	-	27,735,674	13,763,571	94,907,607	136,406,852	133,087,310
Amortization	-	2,154,089	1,531,814	7,796,652	11,482,555	10,911,317
Accumulated amortization on disposals	-	-	(30,718)	-	(30,718)	(7,591,775)
Balance, end of year	-	<u>29,889,763</u>	<u>15,264,667</u>	<u>102,704,259</u>	<u>147,858,689</u>	<u>136,406,852</u>
Net Book Value of Tangible Capital Assets	\$ <u>16,389,015</u>	\$ <u>60,174,370</u>	\$ <u>6,082,831</u>	\$ <u>216,526,636</u>	\$ <u>299,172,852</u>	\$ <u>289,878,438</u>

CITY OF LLOYDMINSTER

CONSOLIDATED SCHEDULE OF PROPERTY AND OTHER TAXES
 YEAR ENDED DECEMBER 31, 2010
 (SCHEDULE 2)

	Budget (Unaudited)	2010	2009
Taxation			
Real property taxes	27,312,955	27,377,545	26,940,939
Government grants in lieu of property taxes	220,039	299,196	306,177
Special assessments and local improvement	<u>60,000</u>	<u>61,481</u>	<u>61,481</u>
	<u>27,592,994</u>	<u>27,738,222</u>	<u>27,308,597</u>
Requisitions			
Lloydminster Public School Division	10,757,903	10,651,570	10,757,903
Lloydminster Separate School Division	2,542,474	2,561,944	2,542,474
Lloydminster Business Improvement District	<u>109,496</u>	<u>117,766</u>	<u>109,496</u>
	<u>13,409,873</u>	<u>13,331,280</u>	<u>13,409,873</u>
Net Municipal Taxes	\$ <u>14,183,121</u>	\$ <u>14,406,942</u>	\$ <u>13,898,724</u>

CITY OF LLOYDMINSTER
CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS
YEAR ENDED DECEMBER 31, 2010
(SCHEDULE 3)

	Budget (Unaudited)	2010	2009
Federal			
Shared-cost agreements and grants	<u>17,980</u>	<u>706,953</u>	<u>31,620</u>
	<u>17,980</u>	<u>706,953</u>	<u>31,620</u>
Provincial			
Shared-cost agreements and grants - Alberta	3,696,976	8,667,184	8,382,623
Shared-cost agreements and grants - Saskatchewan	<u>2,135,324</u>	<u>5,911,284</u>	<u>5,285,611</u>
	<u>5,832,300</u>	<u>14,578,468</u>	<u>13,668,234</u>
Local			
Shared-cost agreements and grants	<u>246,551</u>	<u>248,591</u>	<u>210,167</u>
	<u>\$ 6,096,831</u>	<u>\$ 15,534,012</u>	<u>\$ 13,910,021</u>

CITY OF LLOYDMINSTER

**CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES
YEAR ENDED DECEMBER 31, 2010
(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
Revenue										
Net municipal taxes	-	-	14,407	-	-	-	-	-	-	14,407
User fees and sales of goods	751	5	32	40	3,598	3,289	7,975	10,676	-	26,366
Government transfers	642	105	13,715	-	768	304	-	-	-	15,534
Investment income	-	-	346	-	-	-	-	-	-	346
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	-	-	-	-	-	-	-	329	-	329
Proceeds from disposal of capital assets	-	-	36	-	-	-	-	-	-	36
Donations	-	-	236	-	31	-	-	-	-	267
Other	-	-	133	-	40	-	-	-	-	173
	<u>3,043</u>	<u>110</u>	<u>28,905</u>	<u>794</u>	<u>4,437</u>	<u>6,903</u>	<u>7,975</u>	<u>11,429</u>	<u>(202)</u>	<u>63,394</u>
Expenditures										
Salaries, wages and benefits	1,885	1,710	2,063	415	3,704	507	1,271	-	-	11,555
Contracted and general services	6,198	1,746	1,108	472	2,622	1,501	1,611	33	(2,255)	13,036
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>9,180</u>	<u>10,475</u>	<u>3,599</u>	<u>898</u>	<u>11,209</u>	<u>2,631</u>	<u>8,778</u>	<u>1,208</u>	<u>(2,751)</u>	<u>45,227</u>
Excess (Deficiency) of Revenue Over Expenditure	<u>\$ (6,137)</u>	<u>\$ (10,365)</u>	<u>\$ 25,306</u>	<u>\$ (104)</u>	<u>\$ (6,772)</u>	<u>\$ 4,272</u>	<u>\$ (803)</u>	<u>\$ 10,221</u>	<u>\$ 2,549</u>	<u>\$ 18,167</u>

CITY OF LLOYDMINSTER

**CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES
YEAR ENDED DECEMBER 31, 2010
(SCHEDULE 4)**

For the year ended December 31, 2009 (in thousands)

	Protection and corporate	Transportation	Finance	Planning	Recreation	Utilities	Water and sewer	Land Development	Eliminations	Total (Restated)
Revenue										
Net municipal taxes	-	-	13,899	-	-	-	-	-	-	13,899
User fees and sales of goods	1,009	14	22	19	3,415	2,601	7,570	2,035	-	16,685
Government transfers	587	120	12,094	-	820	289	-	-	-	13,910
Investment income	-	-	529	-	-	-	-	-	-	529
Penalties and costs of taxes	1,634	-	-	21	-	-	-	-	(229)	1,426
Development levies	-	-	-	-	-	-	-	86	-	86
Licenses and permits	315	-	-	371	-	2,925	-	-	-	3,611
Third party developer contributions	-	-	-	-	-	-	-	3,070	-	3,070
Proceeds from disposal of capital assets	-	-	2	-	-	-	-	-	-	2
Donations	-	-	457	-	34	-	-	-	-	491
Other	-	-	18	-	4	-	-	-	-	22
	<u>3,545</u>	<u>134</u>	<u>27,021</u>	<u>411</u>	<u>4,273</u>	<u>5,815</u>	<u>7,570</u>	<u>5,191</u>	<u>(229)</u>	<u>53,731</u>
Expenditures										
Salaries, wages and benefits	1,506	1,640	1,413	382	3,308	245	1,258	-	-	9,752
Contracted and general services	6,414	1,564	781	79	2,494	1,763	1,155	356	(2,247)	12,359
Materials, goods and utilities	423	2,310	452	64	2,361	73	2,265	203	(507)	7,644
Transfers to local boards or agencies	(117)	-	-	-	429	-	-	-	-	312
Bank charges	-	-	1	-	-	-	-	-	-	1
Amortization	446	4,665	139	-	1,980	81	3,601	-	-	10,912
	<u>8,672</u>	<u>10,179</u>	<u>2,786</u>	<u>525</u>	<u>10,572</u>	<u>2,162</u>	<u>8,279</u>	<u>559</u>	<u>(2,754)</u>	<u>40,980</u>
Excess (Deficiency) of Revenue Over										
Expenditures	<u>\$ (5,127)</u>	<u>\$ (10,045)</u>	<u>\$ 24,235</u>	<u>\$ (114)</u>	<u>\$ (6,299)</u>	<u>\$ 3,653</u>	<u>\$ (709)</u>	<u>\$ 4,632</u>	<u>\$ 2,525</u>	<u>\$ 12,751</u>

CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2010

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

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, 2010

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, 2010**

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, 2010

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 2010, the consolidated financial statements were restated to reflect the following prior period adjustments:

a) Land development adjustments

Management identified land development adjustments that related to prior year events. Land and inventories for resale were understated and related cost of goods sold expenditures were overstated in the amount of \$186,238.

b) Landfill closure and post-closure liability

Management identified landfill closure and post-closure cost adjustments that related to prior year events. Landfill closure and post-closure liabilities were overstated and related provisions for landfill closure and post-closure liabilities were overstated.

Adjustments to 2009 accumulated surplus balance:

Accumulated surplus balance at December 31, 2008, as previously reported	309,687,868
Increase in land inventory	160,371
Decrease in landfill closure and post-closure liability	<u>911,729</u>
As restated	<u>\$310,759,968</u>

Adjustment to 2009 excess of revenues over expenditures:

Excess of revenues over expenditures, as previously reported	12,656,863
Decrease in cost of goods sold on land development adjustments	25,866
Decrease in accrual for landfill closure and post-closure liability	<u>72,072</u>
As restated	<u>\$ 12,754,801</u>

Certain 2009 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, 2010**

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

	2010	2009 (Restated)
Cash	23,447,431	12,180,007
Temporary investments	<u>25,424,002</u>	<u>25,157,138</u>
	<u>\$ 48,871,433</u>	<u>\$ 37,337,145</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 \$11,840,781 (2009 - \$12,802,955) received through government transfers to be used exclusively for capital transportation projects (Note 8).

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010**

5. Receivables

	2010	2009
Current taxes and grants in lieu of taxes	848,857	937,296
Arrears taxes receivable	<u>170,069</u>	<u>108,636</u>
	<u>1,018,926</u>	<u>1,045,932</u>
Trade accounts receivable	4,171,014	6,424,416
Less: allowance for doubtful accounts	<u>340,809</u>	<u>447,918</u>
	<u>3,830,205</u>	<u>5,976,498</u>
	<u>\$ 4,849,131</u>	<u>\$ 7,022,430</u>

6. Loans Receivable

	2010	2009
(a) The Bea Fisher Enterprises Inc.	185,943	185,943
(b) Lloydminster Communiplex	60,360	127,860
Allowance for doubtful amounts	<u>(246,303)</u>	<u>(298,443)</u>
	<u>\$ -</u>	<u>\$ 15,360</u>

(a) The loan receivable is due from The Bea Fisher Enterprises Inc. The unsecured loan is due in annual instalments of \$32,573 including interest at 5.375% per annum. Payments have not been received since 2005 due to Bea Fisher Enterprises Inc. incurring a deficit in those years. The loan remains due in 2010, the full balance is included in the Allowance for doubtful amounts.

(b) The City has advanced funds to the Lloydminster Communiplex under a transition agreement. The loan receivable is non-interest bearing and unsecured. Revenue streams attributable to the Communiplex facility will be applied to the loan. Fifty percent of the original loan was included in the Allowance for doubtful amounts in 2008, pursuant to an agreement reached between both parties. In 2010, the City recovered \$56,500 of the balance that was previously allowed for.

7. Land and Inventories for Resale

	2010	2009 (Restated)
Land under development and lots available for sale		
Residential	2,706,143	2,955,864
Industrial and commercial	2,018,173	2,078,552
Raw land held for future development	9,616,600	9,943,093
Gift shop inventory	<u>39,686</u>	<u>40,132</u>
	<u>\$ 14,380,602</u>	<u>\$ 15,017,641</u>

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010**

8. Deferred Revenue

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

	2010	2009
Infrastructure Canada - Alberta Program	819,526	863,765
Alberta - Municipal Sustainability Initiative - Capital	5,382,694	2,481,710
Alberta - Municipal Infrastructure	713,077	3,408,986
Alberta - New Deal Cities	1,782,102	839,420
Alberta - Municipal Sustainability Housing Program - Capital	2,023,700	1,409,890
Alberta - Major Community Facilities Program	636,861	2,072,863
Alberta - Municipal Sponsorship Program	96,232	-
Saskatchewan - New Deal Cities	-	247,735
Saskatchewan - Urban Highway Connector Program	382,038	399,681
Saskatchewan - Building Canada Fund	4,551	1,078,905
Prepaid taxes	624,606	765,117
Prepaid licenses, rental and utilities	46,607	88,773
Gift Certificates	13,454	16,082
Other	<u>12,459</u>	<u>11,728</u>
	\$ <u>12,537,907</u>	\$ <u>13,684,655</u>

9. Employee Benefit Obligations

	2010	2009
Regular payroll	331,443	301,386
Vacation	533,229	570,984
Post-employment benefits	<u>107,275</u>	<u>92,421</u>
	\$ <u>971,947</u>	\$ <u>964,791</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 \$1,210,356 (2009 - \$1,320,565). 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, 2010**

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 4.29% 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 4.0499% of the total Phase 1 capacity of 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:

	2010	2009 (Restated)
Estimated closure and post-closure costs, present value	\$ 3,571,199	\$ 2,936,233
Estimated capacity used	4.0499 %	2.5408 %
Amount accrued to December 31, 2010	\$ 144,630	\$ 74,603

11. Long Term Debt

	2010	2009
(b) Mortgage payable	<u>1,207,000</u>	<u>1,707,000</u>
(b) 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:

2011	241,400
2012	241,400
2013	241,400
2014	241,400
2015	<u>241,400</u>
	\$ <u>1,207,000</u>

CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2010

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 and the water and sewer utility which operates water intake, treatment, distribution and sanitary sewage treatment and removal.

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010**

13. Accumulated Surplus

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

	2010	2009 (Restated)
Surplus		
Invested in tangible capital assets	299,172,851	289,878,438
General surplus	<u>7,370,287</u>	<u>2,018,832</u>
Total Surplus	<u>306,543,138</u>	<u>291,897,270</u>
Internal Reserves		
Capital Reserves		
Capital financing reserve	6,296,211	4,515,855
New facilities and equipment	8,421,148	8,398,663
Infrastructure replacement	<u>12,103,159</u>	<u>11,571,964</u>
	26,820,518	24,486,482
Operating Reserves	745,779	746,060
Restricted Reserves		
Developer levies	<u>7,572,810</u>	<u>6,384,957</u>
Total Reserves	<u>35,139,107</u>	<u>31,617,499</u>
	<u>\$341,682,245</u>	<u>\$323,514,769</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 \$238,479.90 at December 31, 2010. No liability has been accrued in the financial statements as no payments are expected to be made.

15. Acquisition of Lloydminster Golf and Country Club Assets

In October 2010, the City approved acquisition of the Lloydminster Golf and Country Club assets for consideration totalling \$419,377. Consideration represents payment of outstanding Club loans for \$236,368, current year operating expenses paid by the City of \$126,759 and outstanding City receivable of \$56,250.

16. Subsequent Events

On January 28, 2011, 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. No liability has been accrued in the financial statements as no payments are expected to be made.

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010**

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. 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.