

CITY OF LLOYDMINSTER
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

CITY OF LLOYDMINSTER

2016

MAYOR

Gerald Aalbers (effective October 2016)
Rob Saunders (ending October 2016)

COUNCILLORS

Ken Baker
Stephanie Brown Munro (effective October 2016)
Aaron Buckingham (effective October 2016)
Michael Diachuk (effective October 2016)
Glenn Fagnan (effective October 2016)
Jonathon Torresan (effective October 2016)
Larry Sauer (ending October 2016)
Chris McQuid (ending October 2016)
Jason Whiting (ending October 2016)
Linnea Goodhand (ending October 2016)
Lachlan Cummine (ending October 2016)

ACTING CITY MANAGER

Kirk Morrison

DIRECTOR, BUSINESS SERVICES

Lisa Buchan

AUDITORS

Wilkinson Livingston Stevens LLP

CITY OF LLOYDMINSTER
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

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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, 2016, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, 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 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 consolidated financial statements present fairly, in all material respects, the financial position of the City of Lloydminster as at December 31, 2016, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Wilkinson Livingston Stevens LLP

Lloydminster, Alberta
April 24, 2017

Chartered Accountants

CITY OF LLOYDMINSTER

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

	2016	2015
Financial Assets		
Cash and temporary investments (Note 3)	25,300,106	11,535,112
Receivables		
Taxes and grants in lieu of taxes (Note 4)	1,682,405	1,427,227
Trade and other receivables (Note 4)	8,913,587	5,359,365
Land and inventories for resale (Note 5)	18,731,349	20,394,040
Investments (Note 6)	<u>5,116,845</u>	<u>9,910,017</u>
	<u>59,744,292</u>	<u>48,625,761</u>
Financial Liabilities		
Accounts payable and accrued liabilities	6,213,346	7,571,546
Deposit liabilities	663,450	776,595
Deferred revenue (Note 7)	2,010,013	1,608,097
Employee benefit obligations (Note 8)	1,417,334	1,876,653
Provision for landfill closure and post-closure costs (Note 10)	946,467	866,359
Long-term debt (Note 11)	39,333,193	33,988,254
Obligations under capital lease (Note 12)	<u>73,355</u>	<u>104,836</u>
	<u>50,657,158</u>	<u>46,792,340</u>
Net Financial Assets (Page 7)	<u>9,087,134</u>	<u>1,833,421</u>
Non-Financial Assets		
Inventory for consumption	552,154	695,654
Prepaid expenses	492,640	585,980
Tangible capital assets (Schedule 1)	<u>475,834,342</u>	<u>463,510,993</u>
	<u>476,879,136</u>	<u>464,792,627</u>
Accumulated Surplus	<u>\$485,966,270</u>	<u>\$466,626,048</u>
Represented by:		
Surplus (Note 14)	466,365,751	449,495,440
Internal reserve funds (Note 15)	15,897,593	14,863,548
Restricted reserve funds (Note 16)	<u>3,706,926</u>	<u>2,477,060</u>
Accumulated surplus from operations (Page 4)	485,970,270	466,836,048
Accumulated remeasurement gains (losses) (Page 6)	<u>(4,000)</u>	<u>(210,000)</u>
	<u>\$485,966,270</u>	<u>\$466,626,048</u>
Commitments (Note 17)		
Subsequent event (Note 18)		

Approved On Behalf Of Council

Councillor:

Councillor:

CITY OF LLOYDMINSTER

**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2016**

	Budget (Unaudited)	2016	2015
Revenue			
Net municipal taxes (Schedule 2)	27,284,358	27,580,333	27,072,987
User fees and sales of goods	40,957,766	30,565,411	37,861,886
Government transfers (Schedule 3)	9,537,433	11,078,905	13,414,114
Investment income	112,280	282,548	367,055
Penalties and costs of taxes	2,050,500	2,239,033	2,177,110
Development levies	-	-	1,218,119
Licenses and permits	6,546,258	5,823,477	6,060,045
Third party developer capital contributions-in-kind	-	17,459,211	11,825,431
Gain (loss) on disposal of tangible capital assets	-	288,088	120,813
Donations	71,300	173,951	184,744
Other	92,073	269,245	207,928
	<u>86,651,968</u>	<u>95,760,202</u>	<u>100,510,232</u>
Expenditures			
Legislative	638,141	402,750	449,143
Administration	9,300,965	8,985,595	8,912,950
Bylaws enforcement	13,035,171	11,711,942	11,771,617
Roads, streets, walks, lighting	15,425,548	13,302,693	13,150,599
Water supply and distribution	10,814,574	9,611,404	9,098,544
Wastewater treatment and disposal	4,467,663	3,384,623	3,479,303
Waste management	3,253,285	3,325,728	3,781,178
Family and community support	4,302,893	4,748,428	5,483,302
Land use planning, zoning and development	2,720,057	1,308,485	1,765,723
Subdivision land development	2,024,300	599,964	2,688,857
Parks and recreation	17,827,056	16,344,643	16,027,804
Culture	2,889,192	2,899,725	2,896,626
	<u>86,698,845</u>	<u>76,625,980</u>	<u>79,505,646</u>
Excess (Deficit) Of Revenue Over Expenditures	\$ <u>(46,877)</u>	19,134,222	21,004,586
Accumulated Surplus from Operations, Beginning of Year		<u>466,836,048</u>	<u>445,831,462</u>
Accumulated Surplus from Operations, End of Year		<u>\$485,970,270</u>	<u>\$466,836,048</u>

CITY OF LLOYDMINSTER
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

	2016	2015
Cash Provided By (Used In):		
Operating Activities		
Excess (deficiency) of revenues over expenditures	19,134,222	21,004,586
Amortization	20,359,445	18,788,979
Gain on sale of tangible capital assets	(288,088)	(120,814)
Loss on donation of tangible capital assets	-	1,002,378
Contributed tangible capital assets	(17,363,285)	(11,312,186)
Net change in non-cash operating working capital balances		
Decrease (increase) in taxes and grants in lieu of taxes	(255,178)	(457,404)
Decrease (increase) in trade and other receivables	(3,554,222)	162,198
Decrease (increase) in land and inventories for resale	1,662,691	(1,625,894)
Decrease (increase) in investments	4,793,172	(9,866,534)
Decrease (increase) in inventory for consumption	143,500	(263,695)
Decrease (increase) in prepaid expenses	93,340	(87,681)
Increase (decrease) in accounts payable and accrued liabilities	(1,358,200)	(2,635,326)
Increase (decrease) in deposit liabilities	(113,145)	(552,210)
Increase (decrease) in deferred revenue	401,916	(806,109)
Increase (decrease) in employee benefit obligations	(459,319)	199,203
Increase (decrease) in provision for landfill closure and post-closure costs	<u>80,108</u>	<u>205,000</u>
	<u>23,276,957</u>	<u>13,634,491</u>
Capital Activities		
Acquisition of tangible capital assets	(15,407,836)	(32,055,351)
Proceeds on disposal of tangible capital assets	<u>376,415</u>	<u>132,737</u>
	<u>(15,031,421)</u>	<u>(31,922,614)</u>
Investing Activities		
Temporary investments	(7,794,000)	9,790,000
Decrease (increase) restricted cash and cash equivalents	<u>(1,525,125)</u>	<u>(1,233,510)</u>
	<u>(9,319,125)</u>	<u>8,556,490</u>
Financing Activities		
Long-term debt advanced (repaid)	5,344,939	2,798,409
Obligations under capital lease advanced (repaid)	<u>(31,481)</u>	<u>(28,926)</u>
	<u>5,313,458</u>	<u>2,769,483</u>
Change in cash and cash equivalents during the year	4,239,869	(6,962,150)
Cash and Cash Equivalents, Beginning of Year	<u>4,104,401</u>	<u>11,066,551</u>
Cash and Cash Equivalents, End of Year	\$ 8,344,270	\$ 4,104,401
Cash and cash equivalents is made up of:		
Cash (Note 3)	12,300,106	6,535,112
Less: restricted portion of cash (Note 3)	<u>(3,955,836)</u>	<u>(2,430,711)</u>
	<u>\$ 8,344,270</u>	<u>\$ 4,104,401</u>

CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
DECEMBER 31, 2016

	2016	2015
Accumulated Remeasurement Gains (Losses), Beginning of Year	(210,000)	-
Unrealized gains (losses) on investments	<u>206,000</u>	<u>(210,000)</u>
Accumulated Remeasurement Gains (Losses), End Of Year	<u>\$ (4,000)</u>	<u>\$ (210,000)</u>

CITY OF LLOYDMINSTER

**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2016**

	2016	2015
Excess Of Revenue Over Expenditures	19,134,222	21,004,586
Amortization of tangible capital assets	20,359,445	18,788,979
Proceeds on disposal of tangible capital assets	376,415	132,737
Change in inventories and prepaid expenses	236,840	(351,376)
(Gain) loss on sale of tangible capital assets	(288,088)	(120,814)
Loss on donation of tangible capital assets	-	1,002,378
Acquisition of tangible capital assets	<u>(32,771,121)</u>	<u>(43,367,537)</u>
	7,047,713	(2,911,047)
Net remeasurement gains (losses)	<u>206,000</u>	<u>(210,000)</u>
Increase (Decrease) in Net Financial Assets	7,253,713	(3,121,047)
Net Financial Assets, Beginning Of Year	<u>1,833,421</u>	<u>4,954,468</u>
Net Financial Assets, End Of Year	\$ <u>9,087,134</u>	\$ <u>1,833,421</u>

CITY OF LLOYDMINSTER

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2016
(SCHEDULE 1)

	Land	Land Improvements	Buildings	Machinery & Equipment	Engineering Structures	Work in Progress	Total 2016	Total 2015
Cost								
Balance, beginning of year	22,186,563	1,941,576	154,938,319	48,990,446	451,233,044	1,384,752	680,674,700	640,701,904
Additions	2,838,414	550,102	1,028,310	4,002,582	24,272,063	79,650	32,771,121	43,584,717
Disposals	-	-	-	(1,322,760)	-	(87,655)	(1,410,415)	(3,611,921)
Transfers	-	6,849	-	1,141,801	-	(1,148,650)	-	-
Balance, end of year	<u>25,024,977</u>	<u>2,498,527</u>	<u>155,966,629</u>	<u>52,812,069</u>	<u>475,505,107</u>	<u>228,097</u>	<u>712,035,406</u>	<u>680,674,700</u>
Accumulated Amortization								
Balance, beginning of year	-	-	42,004,855	26,510,491	148,648,361	-	217,163,707	200,755,168
Amortization	-	81,378	3,876,464	5,423,670	10,977,933	-	20,359,445	18,788,979
Accumulated amortization on disposals	-	-	-	(1,322,088)	-	-	(1,322,088)	(2,380,440)
Balance, end of year	<u>-</u>	<u>81,378</u>	<u>45,881,319</u>	<u>30,612,073</u>	<u>159,626,294</u>	<u>-</u>	<u>236,201,064</u>	<u>217,163,707</u>

Net Book Value of Tangible Capital Assets \$ 25,024,977 \$ 2,417,149 \$ 110,085,310 \$ 22,199,996 \$ 315,878,813 \$ 228,097 \$ 475,834,342 \$ 463,510,993

CITY OF LLOYDMINSTER
CONSOLIDATED SCHEDULE OF PROPERTY AND OTHER TAXES
YEAR ENDED DECEMBER 31, 2016
(SCHEDULE 2)

	Budget (Unaudited)	2016	2015
Taxation			
Real property taxes	45,469,857	43,250,930	40,962,915
Government grants in lieu of property taxes	235,200	261,120	308,976
Special assessments and local improvement	<u>57,543</u>	<u>48,409</u>	<u>67,023</u>
	<u>45,762,600</u>	<u>43,560,459</u>	<u>41,338,914</u>
Requisitions			
Lloydminster Public School Division	13,987,007	12,493,530	11,200,189
Lloydminster Separate School Division	<u>4,491,235</u>	<u>3,486,596</u>	<u>3,065,738</u>
	<u>18,478,242</u>	<u>15,980,126</u>	<u>14,265,927</u>
Net Municipal Taxes	<u>\$ 27,284,358</u>	<u>\$ 27,580,333</u>	<u>\$ 27,072,987</u>

CITY OF LLOYDMINSTER
CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS
YEAR ENDED DECEMBER 31, 2016
(SCHEDULE 3)

	Budget (Unaudited)	2016	2015
Federal			
Shared-cost agreements and grants	<u>-</u>	<u>5,004</u>	<u>26,614</u>
Provincial			
Shared-cost agreements and grants -Alberta	6,153,006	7,319,335	9,048,659
Shared-cost agreements and grants -Saskatchewan	<u>3,073,337</u>	<u>3,362,979</u>	<u>3,994,371</u>
	<u>9,226,343</u>	<u>10,682,314</u>	<u>13,043,030</u>
Local			
Shared-cost agreements and grants	<u>311,090</u>	<u>391,587</u>	<u>344,470</u>
	<u>\$ 9,537,433</u>	<u>\$ 11,078,905</u>	<u>\$ 13,414,114</u>

CITY OF LLOYDMINSTER

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES
YEAR ENDED DECEMBER 31, 2016
(SCHEDULE 4)

For the year ended December 31, 2016 (in thousands)

	Administration	Recreation & Facilities	Planning & Engineering	Public Works	Protective Services	Total
Revenue						
Net municipal taxes	27,580	-	-	-	-	27,580
User fees and sales of goods	522	6,763	1,671	21,438	171	30,565
Government transfers	8,662	1,114	-	583	720	11,079
Investment income	275	8	-	-	-	283
Penalties and costs of taxes	261	-	-	-	1,978	2,239
Licenses and permits	484	-	285	5,049	5	5,823
Third party developer contributions	-	-	17,459	-	-	17,459
Gain (loss) on disposal of capital assets	288	-	-	-	-	288
Donations	91	83	-	-	-	174
Other	265	5	-	-	-	270
	<u>38,428</u>	<u>7,973</u>	<u>19,415</u>	<u>27,070</u>	<u>2,874</u>	<u>95,760</u>
Expenditures						
Salaries, wages and benefits	7,030	9,262	1,670	4,998	2,634	25,594
Contracted and general services	2,492	3,128	1,010	660	8,572	15,862
Materials, goods and utilities	590	4,437	545	7,211	300	13,083
Transfers to local boards or agencies	57	541	-	-	-	598
Bank charges	43	55	-	-	-	98
Interest on long term debt	720	28	-	283	-	1,031
Amortization	2,029	3,259	162	14,013	897	20,360
	<u>12,961</u>	<u>20,710</u>	<u>3,387</u>	<u>27,165</u>	<u>12,403</u>	<u>76,626</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>\$ 25,467</u>	<u>\$ (12,737)</u>	<u>\$ 16,028</u>	<u>\$ (95)</u>	<u>\$ (9,529)</u>	<u>\$ 19,134</u>

CITY OF LLOYDMINSTER

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES
YEAR ENDED DECEMBER 31, 2016
(SCHEDULE 4)

For the year ended December 31, 2015 (in thousands)

	Administration	Recreation & Facilities	Planning & Engineering	Public Works	Protective Services	Total
Revenue						
Net municipal taxes	27,064	-	-	9	-	27,073
User fees and sales of goods	533	7,062	7,803	22,249	214	37,861
Government transfers	10,977	977	-	733	727	13,414
Investment income	358	9	-	-	-	367
Penalties and costs of taxes	198	-	-	-	1,979	2,177
Development levies	-	-	1,218	-	-	1,218
Licenses and permits	494	-	636	4,923	7	6,060
Third party developer contributions	-	-	11,825	-	-	11,825
Gain (loss) on disposal of capital assets	121	-	-	-	-	121
Donations	-	185	-	-	-	185
Other	208	1	-	-	-	209
	<u>39,953</u>	<u>8,234</u>	<u>21,482</u>	<u>27,914</u>	<u>2,927</u>	<u>100,510</u>
Expenditures						
Salaries, wages and benefits	6,980	9,713	1,811	5,059	2,491	26,054
Contracted and general services	2,304	2,783	992	2,043	8,814	16,936
Materials, goods and utilities	650	4,194	2,647	7,281	346	15,118
Transfers to local boards or agencies	69	1,474	-	-	-	1,543
Interest and bank charges	28	63	-	-	-	91
Interest on long term debt	751	2	-	223	-	976
Amortization	1,870	3,140	192	12,621	964	18,787
	<u>12,652</u>	<u>21,369</u>	<u>5,642</u>	<u>27,227</u>	<u>12,615</u>	<u>79,505</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>\$ 27,301</u>	<u>\$ (13,135)</u>	<u>\$ 15,840</u>	<u>\$ 687</u>	<u>\$ (9,688)</u>	<u>\$ 21,005</u>

CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2016

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 (debt) 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 allowance for doubtful accounts, 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 1(d).

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) Investments

Investments are recorded in accordance with its policy for financial instruments, as described in Note 1 (o).

CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

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:

Land improvements	7 - 25 years
Buildings	10 - 45 years
Engineering structures	10 - 75 years
Machinery and equipment	5 - 50 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, 2016

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, 2016

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, investments, 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, 6 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.

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, and long term debt.

CITY OF LLOYDMINSTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

3. Cash and Temporary Investments

	2016	2015
Cash	12,300,106	6,535,112
Temporary investments	<u>13,000,000</u>	<u>5,000,000</u>
	<u>\$ 25,300,106</u>	<u>\$ 11,535,112</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 \$3,897,297 (2015 - \$2,353,793) received through government transfers to be used exclusively for operating and capital projects, amounts have been recorded through deferred revenue and restricted reserves.

Included in cash and temporary investments are restricted funds totaling \$58,539 (2015 - \$76,918) 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.

The City has a demand operating credit facility with a maximum borrowing limit of \$12,500,000 that bears interest at the prime rate minus 0.75% per annum. This credit facility is secured by all book accounts and book debt. The balance drawn on the revolving loan at December 31, 2016 was \$0 (2015 - \$0).

4. Receivables

	2016	2015
Current taxes and grants in lieu of taxes	1,616,329	1,084,830
Arrears taxes receivable	<u>66,076</u>	<u>342,397</u>
	<u>1,682,405</u>	<u>1,427,227</u>
Trade accounts receivable	9,094,076	5,539,837
Less: allowance for doubtful accounts	<u>180,489</u>	<u>180,472</u>
	<u>8,913,587</u>	<u>5,359,365</u>
	<u>\$ 10,595,992</u>	<u>\$ 6,786,592</u>

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

5. Land and Inventories for Resale

	2016	2015
Residential:		
Land being developed	2,705,306	2,689,464
Available for sale	<u>3,751,018</u>	<u>3,818,203</u>
	6,456,324	6,507,667
Commercial:		
Land being developed	2,867,525	3,344,175
Available for sale	<u>3,869,164</u>	<u>3,879,326</u>
	6,736,689	7,223,501
Raw land held for future development	5,495,112	6,619,764
Gift shop inventory	<u>43,224</u>	<u>43,108</u>
	<u>\$ 18,731,349</u>	<u>\$ 20,394,040</u>

6. Investments

	2016		2015	
	Cost	Market Value	Cost	Market Value
Equity shares	40,845	40,845	40,017	40,017
Notes and deposits	<u>5,080,000</u>	<u>5,076,000</u>	<u>10,080,000</u>	<u>9,870,000</u>
	<u>\$ 5,120,845</u>	<u>\$ 5,116,845</u>	<u>\$ 10,120,017</u>	<u>\$ 9,910,017</u>

Equity shares include equity common shares of local credit unions and co-operatives carried at cost.

Notes and deposits have effective interest rates of 1.35% to 2.80% with maturity dates ranging from February 8, 2017 to February 8, 2021. Notes and deposits are carried at the lower of cost and market value in accordance with the City's policy for financial instruments, as described in Note 1(o).

7. Deferred Revenue

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

	2016	2015
Alberta - Family and Community Support Services Grant	11,392	25,915
Other grants	316,377	20,500
Prepaid taxes	1,121,491	916,624
Prepaid licenses, rental and utilities	448,579	544,088
Gift certificates	106,673	100,970
Other	<u>5,501</u>	<u>-</u>
	<u>\$ 2,010,013</u>	<u>\$ 1,608,097</u>

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

8. Employee Benefit Obligations

	2016	2015
Regular payroll	548,124	1,160,166
Vacation	439,213	377,611
Post-employment benefits	<u>429,997</u>	<u>338,876</u>
	\$ <u>1,417,334</u>	\$ <u>1,876,653</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 \$3,151,808 (2015 - \$2,694,550). The City does not expect to have to pay the full amount and has accrued only a portion of the total liability.

9. 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:

	2016	2015
Number of active City members	208	221
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	\$ 570,572	\$ 516,963
City contributions	\$ 549,744	\$ 494,945

CITY OF LLOYDMINSTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

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 3.32% 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 14.85% 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:

	2016	2015
Estimated closure and post-closure costs, present value	\$ 6,373,536	\$ 6,525,956
Estimated capacity used	14.85 %	13.28 %
Amount accrued to December 31, 2016	\$ 946,467	\$ 866,359

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

11. Long Term Debt

	2016	2015
(a) Debenture debt - Husky Land	1,292,346	-
(b) Debenture debt - RCMP Building	5,484,774	5,749,805
(c) Debenture debt - Operations Centre	17,822,427	18,644,014
(d) Debenture debt - North South Corridor	5,083,636	5,294,873
(e) Debenture debt - 25th Street Sanitary Trunk (Lakeside)	2,446,780	2,549,562
(f) Debenture debt - 25th Street Sanitary Trunk (53 Avenue)	1,346,486	1,400,000
(g) Debenture debt - 2015 W&S Replacement Program	2,385,686	-
(h) Debenture debt - 2016 W&S Replacement Program	1,850,000	-
(i) Debenture debt - Outdoor Pool Upgrade	317,806	350,000
(j) Debenture debt - Russ Robertson Expansion	<u>1,303,252</u>	<u>-</u>
	<u>\$ 39,333,193</u>	<u>\$ 33,988,254</u>

- (a) The debenture is repayable to Alberta Capital Finance Authority and bears interest at a rate of 3.058% per annum and matures on December 15, 2036. Semi annual payments are \$43,428.
- (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.
- (e) 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.
- (f) The debenture is repayable to Alberta Capital Finance Authority and bears interest at a rate of 2.718% per annum and matures on September 15, 2035. Semi annual payments are \$45,602.
- (g) The debenture is repayable to Alberta Capital Finance Authority and bears interest at a rate of 1.860% per annum and matures on June 15, 2026. Semi annual payments are \$137,564.
- (h) The debenture is repayable to Alberta Capital Finance Authority and bears interest at a rate of 2.299% per annum and matures on December 15, 2026. Semi annual payments are \$104,068.
- (i) The debenture is repayable to Alberta Capital Finance Authority and bears interest at a rate of 1.835% per annum and matures on September 15, 2025. Semi annual payments are \$19,235.
- (j) The debenture is repayable to Alberta Capital Finance Authority and bears interest at a rate of 2.081% per annum and matures on March 15, 2026. Semi annual payments are \$75,951.

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

11. Long Term Debt (cont'd)

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

2017	3,197,246
2018	3,197,246
2019	3,197,246
2020	3,197,246
2021	3,197,246
2022 and subsequent	33,472,872
Less: amounts representing interest	<u>(10,125,909)</u>
	<u>\$ 39,333,193</u>

12. Obligations Under Capital Lease

	2016	2015
a) Capital lease - golf carts	\$ 17,200	\$ 32,845
b) Capital lease - reelmasters	<u>56,155</u>	<u>71,991</u>
	<u>\$ 73,355</u>	<u>\$ 104,836</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.

2017	39,078
2018	41,403
2019	<u>-</u>
Total minimum lease payments	80,481
Less: amounts representing interest	<u>(7,126)</u>
	<u>\$ 73,355</u>

Included in interest on long term debt is \$7,540 of interest paid on capital lease obligations.

CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

13. 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 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, airport services, 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, 2016**

14. Surplus

	2016	2015
Surplus invested in tangible capital assets	436,427,794	429,417,903
General surplus	<u>29,937,957</u>	<u>20,077,537</u>
	<u>\$466,365,751</u>	<u>\$449,495,440</u>

15. Internal Reserves

	Opening balance	Transfers from other funds	Transfers to other funds	Interest earned	Closing balance
Equipment pool	1,771,088	1,278,989	(402,964)	37,676	2,684,789
Offsite reserves	6,831,985	-	(197,350)	135,817	6,770,452
Subdivision prepaid improvement	2,004,241	-	-	28,526	2,032,767
Engineering capital	539,059	95,926	-	4,518	639,503
Revolving capital fund / CTF	2,816,920	-	-	40,093	2,857,013
Park development assessment	36,407	-	-	518	36,925
Parks and recreation capital	762,353	-	-	10,851	773,204
New cultural facility	<u>101,495</u>	<u>-</u>	<u>-</u>	<u>1,445</u>	<u>102,940</u>
	<u>\$14,863,548</u>	<u>\$ 1,374,915</u>	<u>\$ (600,314)</u>	<u>\$ 259,444</u>	<u>\$15,897,593</u>

16. Restricted Reserves

	Opening balance	Transfers from other funds	Transfers to other funds	Interest earned	Closing balance
AB Federal gas tax fund	1,186,454	1,064,243	(31,529)	16,780	2,235,948
SK Federal gas tax fund	1,126,428	715,133	(556,027)	18,929	1,304,463
Public reserve - municipal	<u>164,178</u>	<u>-</u>	<u>-</u>	<u>2,337</u>	<u>166,515</u>
	<u>\$ 2,477,060</u>	<u>\$ 1,779,376</u>	<u>\$ (587,556)</u>	<u>\$ 38,046</u>	<u>\$ 3,706,926</u>

17. Contractual Obligations and Commitments

The City of Lloydminster is committed to support any requisition increase that may arise from any future operating deficit and debt servicing costs resulting from the construction of the Pioneer House and renovations to the Pioneer Lodge.

18. Subsequent Events

As per terms of an agreement between the City and the Lloydminster Economic Development Corporation, the City will take possession of all property for the consideration of \$1. Effective February 26, 2017 the Lloydminster Economic Development Corporation ceased operations.

19. Approval of Financial Statements

Council and Management have approved these consolidated financial statements.

CITY OF LLOYDMINSTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

20. Comparative Amounts

Certain 2015 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.

Exhibit "A" - Effective January 1, 2016 - December 31, 2016

Band No:	Level 1 (Start)	Level 2 (2080 Hours)	Level 3 (4160 Hours)	Level 4 (6240 Hours)
Band 8	\$39.13	40.35	41.62	\$42.86
Heavy Duty Technician Development Coordinator Engineering Support Specialist Lead Building Maintenance Lead GIS Technician Project Lead - Traffic Branch Project Lead - Utilities Branch				
Band 7	\$35.95	\$36.72	\$37.51	\$38.30
Planner 1				
Band 6	\$32.23	\$33.19	\$34.17	\$35.20
CAD Technician Coordinator, Advertising and Sales Coordinator, Community Development Coordinator, Legislative Services Coordinator, RCMP and Exhibits Coordinator, Marketing GIS Technician Land Use Technician Mechanic - Journeyman Planning Technician Project Technician Network Analyst Systems Analyst Stores Welder - Journeyman				
Band 5	\$28.62	\$29.48	\$30.37	\$31.28
Building Maintenance Technician Computer Support Technician Lab Technician Plant Operator Senior Accounting Clerk Senior Equipment Operator Head Concrete Finisher				
Band 4	\$25.43	\$26.19	\$26.99	\$27.78
911 Admin Support Admin Support 4 Bylaw Enforcement Officer Equipment Operator Intermediate Accounting Clerk Mechanic - Apprentice Parks Caretaker RCMP Admin Support Utilityman Welder - Apprentice Concrete Finisher				
Band 3	\$22.58	\$23.27	\$23.97	\$24.83
Accounting Clerk Admin Support 3 Communications and Marketing Assistant Instrument Person Head Lifeguard Municipal Worker 2 Recreation Programmer 2				
Band 2	\$20.09	\$20.68	\$21.30	\$21.94
Admin Support 2 Fitness Centre Attendant Lifeguard/Instructor Recreation Programmer 1				
Band 1	\$17.84	\$18.38	\$18.92	\$19.49
Activity Leader Admin Support 1 Lifeguard Municipal Worker 1 Visitor Service Attendant				

Out of Scope Salary Grid - 2016

	Range ->					<- Range
Deputy	\$74.50	\$77.50	\$80.60	\$83.80	\$87.20	\$90.65
	\$154,960.00	\$161,200.00	\$167,648.00	\$174,304.00	\$181,376.00	\$188,552.00
Directors	\$57.90	\$60.25	\$62.65	\$65.15	\$67.75	\$70.45
Executive Director	\$120,432.00	\$125,320.00	\$130,312.00	\$135,512.00	\$140,920.00	\$146,536.00
General Managers, Business Dev. Lead Fire Chief	\$47.60	\$49.51	\$51.50	\$53.55	\$55.70	\$57.95
	\$99,008.00	\$102,980.80	\$107,120.00	\$111,384.00	\$115,856.00	\$120,536.00
Managers	\$40.70	\$42.35	\$44.05	\$45.80	\$47.60	\$49.50
	\$84,656.00	\$88,088.00	\$91,624.00	\$95,264.00	\$99,008.00	\$102,960.00
Supervisors, Crime Analyst, Financial Controller Coordinators, Deputy Fire Chief, Senior Executive Assistant	\$32.80	\$34.75	\$36.85	\$39.05	\$41.40	\$43.90
	\$68,224.00	\$72,280.00	\$76,648.00	\$81,224.00	\$86,112.00	\$91,312.00
Executive Assistants	\$32.15	\$33.45	\$34.80	\$36.20	\$37.65	\$39.15
	\$66,872.00	\$69,576.00	\$72,384.00	\$75,296.00	\$78,312.00	\$81,432.00
HR Generalist	\$30.90	\$32.15	\$33.45	\$34.80	\$36.20	\$37.60
	\$64,272.00	\$66,872.00	\$69,576.00	\$72,384.00	\$75,296.00	\$78,208.00
Payroll Admin/Information Officer/Safety Admin	\$27.50	\$28.60	\$29.75	\$30.95	\$32.15	\$33.45
	\$57,200.00	\$59,488.00	\$61,880.00	\$64,376.00	\$66,872.00	\$69,576.00

2016 Mayor Remuneration
\$94,555

2016 Council Remuneration
\$31,515