

CITY OF LLOYDMINSTER
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

CITY OF LLOYDMINSTER

2012

MAYOR

Jeff Mulligan

COUNCILLORS

DEPUTY MAYOR - Rob Saunders

Larry Sauer

Alan Cayford (January 2012 to December 2012)

Herb Flieger (January 2012 to October 2012)

Allan Park (January 2012 to October 2012)

T.J. Altman (January 2012 to October 2012)

Chris McQuid (effective November 2012)

Jason Whiting (effective November 2012)

Linnea Goodhand (effective November 2012)

CITY MANAGER/CAO

Glenn Carroll

DEPUTY CAO

Don Newlin

CITY CLERK

Beth Kembel

DIRECTOR, FINANCE

Nicole Reiniger

DIRECTOR, COMMUNITY SERVICES

Alan Cayford

DIRECTOR, CORPORATE SERVICES

Ken Coleman

DIRECTOR, PLANNING & ENGINEERING

Terry Burton

DIRECTOR, PUBLIC WORKS

Kirk Morrison

DIRECTOR, PROTECTIVE SERVICES

Brent Stasiuk

FIRE CHIEF

Todd Gustavson

POLICE

R.C.M.P

AUDITORS

Wilkinson Livingston Stevens LLP

CITY OF LLOYDMINSTER
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

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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, 2012, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public 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, 2012, and their financial performance and cash flows for the year then ended in accordance with Canadian public accounting standards.

Wilkinson Livingston Stevens LLP

Lloydminster, Alberta
April 22, 2013

Chartered Accountants

CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

	2012	2011 (Restated)
ASSETS		
Financial Assets		
Cash and temporary investments (Note 4)	19,146,317	38,869,117
Receivables		
Taxes and grants in lieu of taxes (Note 5)	1,268,100	973,011
Trade and other receivables (Note 5)	6,163,422	5,168,753
Loans receivable (Note 6)	-	457,243
Land and inventories for resale (Note 7)	18,589,224	15,251,776
Long-term investments	<u>6,244</u>	<u>2,442</u>
	<u>45,173,307</u>	<u>60,722,342</u>
Financial Liabilities		
Accounts payable and accrued liabilities	9,956,209	12,870,549
Deposit liabilities	1,570,802	1,395,056
Deferred revenue (Note 8)	3,201,992	7,993,083
Employee benefit obligations (Note 9)	1,307,429	1,201,486
Provision for landfill closure and post-closure costs (Note 10)	468,386	330,113
Long-term debt (Note 11)	<u>7,224,200</u>	<u>965,600</u>
	<u>23,729,018</u>	<u>24,755,887</u>
Net Financial Assets	<u>21,444,289</u>	<u>35,966,455</u>
Non-Financial Assets		
Inventory for consumption	351,250	440,963
Prepaid expenses	388,967	348,708
Tangible capital assets (Schedule 1)	<u>367,312,840</u>	<u>329,726,806</u>
	<u>368,053,057</u>	<u>330,516,477</u>
Accumulated Surplus (Page 4)	<u>\$389,497,346</u>	<u>\$366,482,932</u>
Commitments (Note 14, 15 & 16)		
Contingencies (Note 17)		

Approved On Behalf Of Council

Councilor

Councilor



CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2012

	Budget (Unaudited)	2012	2011 (Restated)
Revenue			
Net municipal taxes (Schedule 2)	18,176,091	18,231,498	15,587,586
User fees and sales of goods	33,680,940	37,975,196	26,225,472
Government transfers (Schedule 3)	6,394,151	15,976,974	18,826,652
Investment income	256,650	376,761	614,317
Penalties and costs of taxes	1,482,000	2,258,429	1,140,337
Development levies	-	3,082,042	789,444
Licenses and permits	4,200,693	5,170,049	4,798,122
Third party developer capital contributions-in-kind	-	-	3,969,040
Gain (loss) on disposal of tangible capital assets	1,000	237,235	(32,606)
Donations	44,000	681,987	432,628
Other	1,000	626,378	2,019,856
	<u>64,236,525</u>	<u>84,616,549</u>	<u>74,370,848</u>
Expenditures			
Legislative	563,175	628,638	498,393
Administration	4,022,799	3,908,843	2,726,836
Bylaws enforcement	8,720,702	8,348,350	6,776,762
Roads, streets, walks, lighting	12,735,912	9,001,520	9,165,741
Water supply and distribution	8,395,854	8,129,179	7,540,109
Wastewater treatment and disposal	2,170,861	2,133,786	2,028,955
Waste management	2,370,830	2,707,340	2,395,922
Family and community support	2,970,059	3,122,982	2,423,636
Land use planning, zoning and development	1,333,753	1,411,557	999,756
Subdivision land development	310,000	3,911,602	1,643,681
Parks and recreation	12,767,096	15,891,538	11,720,899
Culture	2,382,748	2,406,800	2,401,872
	<u>58,743,789</u>	<u>61,602,135</u>	<u>50,322,562</u>
Excess Of Revenue Over Expenditures	\$ <u>5,492,736</u>	23,014,414	24,048,286
Accumulated Surplus, Beginning of Year (restated)		<u>366,482,932</u>	<u>342,434,646</u>
Accumulated Surplus, End of Year		<u>\$389,497,346</u>	<u>\$366,482,932</u>

CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

	2012	2011 (Restated)
Cash Provided By (Used In):		
Operating Activities		
Excess (deficiency) of revenues over expenditures	23,014,414	24,048,286
Amortization	12,902,713	11,941,404
Gain (loss) on sale of tangible capital assets	3,195,420	32,809
Net decrease (increase) in non-cash operating working capital balances:		
Taxes and grants in lieu of taxes	(295,089)	45,915
Trade and other receivables	(994,669)	(3,123,646)
Loans receivable	457,243	(457,243)
Land and inventories for resale	(3,337,448)	(871,173)
Long-term investments	(3,802)	-
Inventory for consumption	89,713	247,245
Prepaid expenses	(40,259)	(15,065)
Accounts payable and accrued liabilities	(2,914,340)	3,958,041
Deposit liabilities	175,746	338,080
Deferred revenue	(4,791,091)	(4,544,824)
Employee benefit obligations	105,943	229,539
Provision for landfill closure and post-closure costs	<u>138,273</u>	<u>185,483</u>
	<u>27,702,767</u>	<u>32,014,851</u>
Capital Activities		
Acquisition of tangible capital assets	(54,455,578)	(41,845,843)
Proceeds on disposal of tangible capital assets	<u>771,411</u>	<u>70,076</u>
	<u>(53,684,167)</u>	<u>(41,775,767)</u>
Investing Activities		
Temporary investments	<u>13,718,307</u>	<u>(409,193)</u>
Financing Activities		
Long-term debt advanced (repaid)	<u>6,258,600</u>	<u>(241,400)</u>
Increase (decrease) in cash and cash equivalents during the year	(6,004,493)	(10,411,509)
Cash and Cash Equivalents, Beginning of Year	<u>13,035,922</u>	<u>23,447,431</u>
Cash and Cash Equivalents At End (Note 4)	<u>\$ 7,031,429</u>	<u>\$ 13,035,922</u>

CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2012

	Budget (Unaudited)	2012	2011 (Restated)
Excess Of Revenue Over Expenditures	5,492,736	23,014,414	24,048,286
Amortization of tangible capital assets	12,542,726	12,902,713	11,941,404
Proceeds on disposal of tangible capital assets	1,000	771,411	70,076
Change in inventories and prepaid expenses	-	49,454	232,180
Gain (loss) on sale of tangible capital assets	-	3,195,420	32,809
Acquisition of tangible capital assets	<u>(56,225,000)</u>	<u>(54,455,578)</u>	<u>(41,845,843)</u>
Increase (Decrease) in Net Financial Assets	(38,188,538)	(14,522,166)	(5,521,088)
Net Financial Assets, Beginning Of Year (restated)	<u>35,966,455</u>	<u>35,966,455</u>	<u>41,487,543</u>
Net Financial Assets, End Of Year	\$ <u>(2,222,083)</u>	\$ <u>21,444,289</u>	\$ <u>35,966,455</u>

CITY OF LLOYDMINSTER

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
 YEAR ENDED DECEMBER 31, 2012
 (SCHEDULE 1)

	Land	Buildings	Machinery & Equipment	Engineering Structures	Work in Progress	Total 2012	Total 2011 (Restated)
Cost							
Balance, beginning of year (restated)	19,333,045	92,357,360	24,453,778	347,050,082	6,023,722	489,217,987	447,783,941
Additions	1,851,326	430,218	5,473,591	28,677,555	18,022,888	54,455,578	41,845,843
Disposals	<u>(375,295)</u>	<u>(90,822)</u>	<u>(1,324,290)</u>	<u>(26,778)</u>	<u>(3,108,529)</u>	<u>(4,925,714)</u>	<u>(411,797)</u>
Balance, end of year	<u>20,809,076</u>	<u>92,696,756</u>	<u>28,603,079</u>	<u>375,700,859</u>	<u>20,938,081</u>	<u>538,747,851</u>	<u>489,217,987</u>
Accumulated Amortization							
Balance, beginning of year	-	32,099,963	16,568,202	110,823,016	-	159,491,181	147,858,689
Amortization	-	2,287,653	2,066,910	8,548,150	-	12,902,713	11,941,404
Accumulated amortization on disposals	<u>-</u>	<u>(5,672)</u>	<u>(945,847)</u>	<u>(7,364)</u>	<u>-</u>	<u>(958,883)</u>	<u>(308,912)</u>
Balance, end of year	<u>-</u>	<u>34,381,944</u>	<u>17,689,265</u>	<u>119,363,802</u>	<u>-</u>	<u>171,435,011</u>	<u>159,491,181</u>
Net Book Value of Tangible Capital Assets	<u>\$ 20,809,076</u>	<u>\$ 58,314,812</u>	<u>\$ 10,913,814</u>	<u>\$ 256,337,057</u>	<u>\$ 20,938,081</u>	<u>\$ 367,312,840</u>	<u>\$ 329,726,806</u>

CITY OF LLOYDMINSTER
CONSOLIDATED SCHEDULE OF PROPERTY AND OTHER TAXES
YEAR ENDED DECEMBER 31, 2012
(SCHEDULE 2)

	Budget (Unaudited)	2012	2011
Taxation			
Real property taxes	28,195,750	29,204,704	25,564,020
Government grants in lieu of property taxes	266,362	314,506	304,044
Special assessments and local improvement	<u>61,480</u>	<u>67,023</u>	<u>67,023</u>
	<u>28,523,592</u>	<u>29,586,233</u>	<u>25,935,087</u>
Requisitions			
Lloydminster Public School Division	8,242,946	8,781,723	8,242,946
Lloydminster Separate School Division	1,981,878	2,443,667	1,981,878
Lloydminster Business Improvement District	<u>122,677</u>	<u>129,345</u>	<u>122,677</u>
	<u>10,347,501</u>	<u>11,354,735</u>	<u>10,347,501</u>
Net Municipal Taxes	<u>\$ 18,176,091</u>	<u>\$ 18,231,498</u>	<u>\$ 15,587,586</u>

For 2012, the City negotiated the introduction of the seamless education delivery levy with the Lloydminster Public School Division and Lloydminster Catholic School Division. The amount requisitioned for 2012 was \$1,893,249, the breakdown between School Division's is based on enrolment.

CITY OF LLOYDMINSTER

CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS
 YEAR ENDED DECEMBER 31, 2012
 (SCHEDULE 3)

	Budget (Unaudited)	2012	2011 (Restated)
Federal			
Shared-cost agreements and grants	<u>22,000</u>	<u>52,725</u>	<u>327,758</u>
	<u>22,000</u>	<u>52,725</u>	<u>327,758</u>
Provincial			
Shared-cost agreements and grants - Alberta	3,534,858	11,158,076	14,924,214
Shared-cost agreements and grants - Saskatchewan	<u>2,672,005</u>	<u>4,514,456</u>	<u>3,324,465</u>
	<u>6,206,863</u>	<u>15,672,532</u>	<u>18,248,679</u>
Local			
Shared-cost agreements and grants	<u>165,288</u>	<u>251,717</u>	<u>250,215</u>
	<u>\$ 6,394,151</u>	<u>\$ 15,976,974</u>	<u>\$ 18,826,652</u>

CITY OF LLOYDMINSTER

**CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES
YEAR ENDED DECEMBER 31, 2012
(SCHEDULE 4)**

For the year ended December 31, 2012 (in thousands)

	Protection and corporate	Transportation	Finance	Planning	Recreation	Utilities	Water and sewer	Land Development	Eliminations	Total
Revenue										
Net municipal taxes	18,222	-	9	-	-	-	-	-	-	18,231
User fees and sales of goods	619	275	-	94	5,490	4,166	10,427	16,904	-	37,975
Government transfers	14,945	142	-	-	537	353	-	-	-	15,977
Investment income	373	-	-	-	4	-	-	-	-	377
Penalties and costs of taxes	2,241	-	-	17	-	-	-	-	-	2,258
Development levies	-	-	-	-	-	-	-	3,082	-	3,082
Licenses and permits	327	-	-	1,089	-	3,754	-	-	-	5,170
Gain (loss) on disposal of capital assets	237	-	-	-	-	-	-	-	-	237
Donations	647	-	-	-	35	-	-	-	-	682
Other	594	-	(3)	-	36	-	-	-	-	627
	<u>38,205</u>	<u>417</u>	<u>6</u>	<u>1,200</u>	<u>6,102</u>	<u>8,273</u>	<u>10,427</u>	<u>19,986</u>	<u>-</u>	<u>84,616</u>
Expenditures										
Salaries, wages and benefits	5,769	2,382	-	571	6,472	494	1,710	-	-	17,398
Contracted and general services	9,288	949	-	827	2,919	1,928	1,558	78	(1,907)	15,640
Materials, goods and utilities	652	3,131	3	14	3,498	84	2,104	3,802	(609)	12,679
Transfers to local boards or agencies	65	-	-	-	2,898	-	-	-	-	2,963
Bank charges	16	-	-	-	18	-	-	-	-	34
Amortization	888	5,693	-	-	2,112	201	3,994	-	-	12,888
	<u>16,678</u>	<u>12,155</u>	<u>3</u>	<u>1,412</u>	<u>17,917</u>	<u>2,707</u>	<u>9,366</u>	<u>3,880</u>	<u>(2,516)</u>	<u>61,602</u>
Excess (Deficiency) of Revenue Over Expenditure	\$ <u>21,527</u>	\$ <u>(11,738)</u>	\$ <u>3</u>	\$ <u>(212)</u>	\$ <u>(11,815)</u>	\$ <u>5,566</u>	\$ <u>1,061</u>	\$ <u>16,106</u>	\$ <u>2,516</u>	\$ <u>23,014</u>

CITY OF LLOYDMINSTER

**CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES
YEAR ENDED DECEMBER 31, 2012
(SCHEDULE 4)**

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

	Protection and corporate	Transportation	Finance	Planning	Recreation	Utilities	Water and sewer	Land Development	Eliminations	Total (Restated)
Revenue										
Net municipal taxes	15,579	-	9	-	-	-	-	-	-	15,588
User fees and sales of goods	736	243	-	49	4,997	3,615	9,431	7,154	-	26,225
Government transfers	17,646	57	288	-	493	343	-	-	-	18,827
Investment income	612	-	-	-	2	-	-	-	-	614
Penalties and costs of taxes	1,142	-	-	(2)	-	-	-	-	-	1,140
Development levies	-	-	-	-	-	-	-	789	-	789
Licenses and permits	310	-	-	1,073	-	3,415	-	-	-	4,798
Third party developer contributions	-	-	-	-	-	-	-	3,969	-	3,969
Gain (loss) on disposal of capital assets	(33)	-	-	-	-	-	-	-	-	(33)
Donations	358	-	-	-	75	-	-	-	-	433
Other	22	-	1,712	-	286	-	-	-	-	2,020
	<u>36,372</u>	<u>300</u>	<u>2,009</u>	<u>1,120</u>	<u>5,853</u>	<u>7,373</u>	<u>9,431</u>	<u>11,912</u>	<u>-</u>	<u>74,370</u>
Expenditures										
Salaries, wages and benefits	4,306	2,160	41	402	4,958	322	1,533	-	-	13,722
Contracted and general services	7,261	2,737	47	591	2,818	1,608	1,597	146	(2,342)	14,463
Materials, goods and utilities	604	2,231	10	7	3,026	362	2,106	1,498	(516)	9,328
Transfers to local boards or agencies	254	-	-	-	600	-	-	-	-	854
Bank charges	9	-	-	-	4	-	-	-	-	13
Amortization	784	5,181	-	-	2,351	105	3,520	-	-	11,941
	<u>13,218</u>	<u>12,309</u>	<u>98</u>	<u>1,000</u>	<u>13,757</u>	<u>2,397</u>	<u>8,756</u>	<u>1,644</u>	<u>(2,858)</u>	<u>50,321</u>
Excess (Deficiency) of Revenue Over Expenditures	\$ 23,154	\$ (12,009)	\$ 1,911	\$ 120	\$ (7,904)	\$ 4,976	\$ 675	\$ 10,268	\$ 2,858	\$ 24,049

CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

1. Principal Accounting Policies

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

a) Basis of Consolidation

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

i) Consolidated entities

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

Vic Juba Community Theatre Board	Lloydminster Public Library
Lloydminster Facilities Corporation	Lloydminster Economic Development Corporation

b) Use of Estimates

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

c) Reporting Entity

The schedule of taxes levied includes operating requisitions for the Public and Catholic School Boards that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

d) Basis of Accounting

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

e) Pension Expenditure

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

f) Temporary Investments

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

CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

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, 2012

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, 2012

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 2012, the consolidated financial statements were restated to reflect the following prior period adjustments:

a) RCMP policing contract expense

Subsequent to the year ended December 31, 2011, the City identified an error in the RCMP policing contract expense. Due to this error, the City's expenses and accounts payable and accrued liabilities were overstated by \$631,804. The prior period comparative amounts have been restated from those previously reported to correct this error.

b) Holdbacks

Subsequent to the year ended December 31, 2011, the City identified an error related to capital project holdbacks. Due to this error, the City's tangible capital assets were overstated by \$849,803, land and inventories for resale were overstated by \$80,088, GST receivable was overstated by \$46,495 and accounts payable and accrued liabilities were overstated by \$976,386. The prior period comparative amounts have been restated from those previously reported to correct this error. The net effect on excess of revenues over expenditures is nil.

c) Libbie Young Project

Subsequent to the year ended December 31, 2011, the City identified an error related to the Libbie Young capital project. Accounts receivable were understated and tangible capital assets were overstated by \$381,477 due to project costs to be covered by Libbie Young. Deferred revenues were overstated by \$1,642,223, government transfer revenues were understated by \$1,142,223 and tangible capital assets were overstated by \$500,000. The prior period comparative amounts have been restated from those previously reported to correct this error.

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

2. Prior Period Adjustments (continued)

Adjustment to 2011 excess of revenues over expenditures:	
Excess of revenues over expenditures, as previously reported	22,274,259
RCMP policing contract	631,804
Libbie Young capital project	<u>1,142,223</u>
As restated	<u>\$ 24,048,286</u>

Certain 2011 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.

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

	2012	2011
Cash	7,031,429	13,035,922
Temporary investments	<u>12,114,888</u>	<u>25,833,195</u>
	<u>\$ 19,146,317</u>	<u>\$ 38,869,117</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 \$2,332,503 (2011 - \$6,395,144) received through government transfers to be used exclusively for capital projects, amounts have been recorded through deferred revenue.

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

5. Receivables

	2012	2011 (Restated)
Current taxes and grants in lieu of taxes	972,521	781,479
Arrears taxes receivable	<u>295,579</u>	<u>191,532</u>
	<u>1,268,100</u>	<u>973,011</u>
Trade accounts receivable	6,262,159	5,555,049
Less: allowance for doubtful accounts	<u>98,737</u>	<u>386,296</u>
	<u>6,163,422</u>	<u>5,168,753</u>
	<u>\$ 7,431,522</u>	<u>\$ 6,141,764</u>

6. Loans Receivable

	2012	2011
Pioneer Lodge	<u>-</u>	<u>457,243</u>
	<u>\$ -</u>	<u>\$ 457,243</u>

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 was 10 years, repayable in semi-annual installments of \$29,703.16, including interest at a rate of 3.402% per annum.

7. Land and Inventories for Resale

	2012	2011 (Restated)
Land under development and lots available for sale		
Residential	2,612,728	2,328,869
Industrial and commercial	6,933,062	3,408,731
Raw land held for future development	9,006,595	9,480,041
Gift shop inventory	<u>36,839</u>	<u>34,135</u>
	<u>\$ 18,589,224</u>	<u>\$ 15,251,776</u>

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

8. Deferred Revenue

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

	2012	2011 (Restated)
Infrastructure Canada - Alberta Program	430,687	467,420
Alberta - Municipal Sustainability Initiative - Capital	-	4,691,713
Alberta - Municipal Infrastructure	260,257	318,875
Alberta - New Deal Cities	1,641,559	653,538
Saskatchewan - New Deal Cities	-	1,907
Saskatchewan - Urban Highway Connector Program	-	257,140
Saskatchewan - Building Canada Fund	-	4,551
Prepaid taxes	374,819	1,301,244
Prepaid licenses, rental and utilities	208,437	197,610
Gift Certificates	16,828	11,624
Other	<u>269,405</u>	<u>87,461</u>
	<u>\$ 3,201,992</u>	<u>\$ 7,993,083</u>

9. Employee Benefit Obligations

	2012	2011
Regular payroll	533,432	453,725
Vacation	619,186	623,779
Post-employment benefits	<u>154,811</u>	<u>123,982</u>
	<u>\$ 1,307,429</u>	<u>\$ 1,201,486</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 \$1,853,434 (2011 - \$1,539,156). 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, 2012**

10. Landfill Closure and Post-Closure Liability

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

The accrued liability portion is based on the cumulative capacity of Phase 1 of the landfill used at year end compared to the estimated total Phase 1 landfill capacity. Based on the 2006 Functional Landfill Study prepared by an independent consultant, management estimates that 7.84% 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:

	2012	2011
Estimated closure and post-closure costs, present value	\$ 5,974,311	\$ 5,682,151
Estimated capacity used	7.8400 %	5.8100 %
Amount accrued to December 31, 2012	\$ 468,386	\$ 330,113

11. Long Term Debt

	2012	2011
Debenture debt	6,500,000	-
Mortgage payable	<u>724,200</u>	<u>965,600</u>
	<u>\$ 7,224,200</u>	<u>\$ 965,600</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at a rate of 2.942% per annum and matures on December 17, 2032. Annual payments are \$216,128.

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:

2013	457,528
2014	457,528
2015	457,528
2016	457,528
2017	216,128
2018 and subsequent	<u>5,177,960</u>
	<u>\$ 7,224,200</u>

CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

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, property assessment contract services, 911 emergency response, by-law enforcement, RCMP contract operations, fire prevention and suppression. It also oversees grants to senior citizen's taxi service, Lloydminster Public Library and the handivan service.

(b) Transportation

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

(c) Finance

Finance manages City investments, cash collection and management services.

(d) Planning

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

(e) Recreation

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

(f) Utilities

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

(g) Water & Sewer

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

(h) Land Development

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

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

13. Accumulated Surplus

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

	2012	2011 (Restated)
Surplus		
Invested in tangible capital assets	360,812,838	329,726,804
General surplus (deficit)	<u>(7,333,643)</u>	<u>7,918,765</u>
Total Surplus (Deficit)	<u>353,479,195</u>	<u>337,645,569</u>
Internal Reserves		
Capital Reserves		
Capital financing reserve	5,175,248	2,778,608
New facilities and equipment	7,576,257	8,823,744
Infrastructure replacement	<u>12,972,516</u>	<u>9,192,697</u>
	25,724,021	20,795,049
Operating Reserves	744,181	731,635
Restricted Reserves		
Developer levies	<u>9,549,949</u>	<u>7,310,679</u>
Total Reserves	<u>36,018,151</u>	<u>28,837,363</u>
	<u>\$389,497,346</u>	<u>\$366,482,932</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 \$201,265 at December 31, 2012. No liability has been accrued in the financial statements as no payments are expected to be made.

15. Debentures

City Council currently has outstanding approved bylaws for borrowings by way of debentures as follows: Construction of Multiplex Recreation Facility for \$7,500,000, Construction of New Police Station for \$6,500,000, Expansion of the Sewage Treatment Plant for \$4,000,000 and Construction of New Operations Centre debentures for \$20,592,965.

As at December 31, 2012 the debenture of \$6,500,000 was drawn and outstanding, see Note 11.

On March 15, 2013, the debenture of \$20,592,965 was drawn and outstanding. 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.

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

16. Contractual Obligations and Commitments

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

(a) New RCMP Building

The City entered into contracts for construction of the new RCMP building for a total cost of \$16.5 million plus applicable taxes. The City has incurred \$10.2 million of expenditures related to this project as at December 31, 2012. Project completion is expected in 2013.

(b) New Operations Centre

The City entered into contracts for construction of the new Operations Centre for a total cost of \$36.5 million plus applicable taxes. The City has incurred \$10.7 million of expenditures related to this project as at December 31, 2012. Project completion is expected in 2013.

17. Contingent Liabilities

In 2009, the City took possession of expropriated lands. Compensation in the amount of \$728,525 was paid in consideration of the fair market value of the lands. On December 29, 2010, the previous owners filed an Application for Determination of Compensation with the Alberta Land Compensation Board requesting total compensation for the expropriated lands and damages suffered in the amount of \$1,904,000, plus additional damages to be determined by the Board. In December 2011, the City made an offer together with additional payment of \$226,380. A settlement was not reached and mediation commenced through 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.