

CITY OF LLOYDMINSTER
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

CITY OF LLOYDMINSTER

2018

MAYOR

Gerald Aalbers

COUNCILLORS

Ken Baker

Stephanie Brown Munro

Aaron Buckingham

Michael Diachuk

Glenn Fagnan

Jonathon Torresan

CITY MANAGER

Dion Pollard

AUDITORS

Wilkinson Livingston Stevens LLP

CITY OF LLOYDMINSTER
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors of the City of Lloydminster

Opinion

We have audited the consolidated financial statements of the City of Lloydminster, which comprise the consolidated statement of financial position as at December 31, 2018, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the City of Lloydminster as at December 31, 2018, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Consolidated Financial Statements* section of our report. We are independent of the City of Lloydminster in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

In preparing the financial statements, management is responsible for assessing the City of Lloydminster's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City of Lloydminster or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City of Lloydminster's financial reporting process.

Auditor's Responsibility for the Audit of Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 City of Lloydminster's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City of Lloydminster's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City of Lloydminster to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Wilkinson Livingston Stevens LLP

Lloydminster, Alberta
April 30, 2019

Chartered Accountants


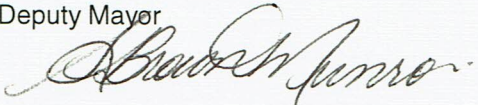
CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

	2018	2017
Financial Assets		
Cash and temporary investments (Note 3)	56,649,907	46,560,518
Receivables		
Taxes and grants in lieu of taxes (Note 4)	2,124,418	1,806,009
Trade and other receivables (Note 4)	6,456,166	8,128,700
Land and inventories for resale (Note 5)	17,514,243	17,532,992
Investments (Note 6)	<u>7,275,238</u>	<u>5,197,088</u>
	<u>90,019,972</u>	<u>79,225,307</u>
Financial Liabilities		
Accounts payable and accrued liabilities	8,275,245	10,672,576
Deposit liabilities	962,631	708,339
Deferred revenue (Note 7)	8,121,459	8,382,115
Employee benefit obligations (Note 8)	1,460,168	1,286,190
Provision for landfill closure and post-closure costs (Note 12)	1,219,223	1,074,490
Long-term debt (Note 14)	35,072,168	37,231,426
Obligations under capital lease (Note 15)	20,988	39,090
Liability for contaminated sites (Note 13)	<u>305,824</u>	<u>305,824</u>
	<u>55,437,706</u>	<u>59,700,050</u>
Net Financial Assets (Page 8)	<u>34,582,266</u>	<u>19,525,257</u>
Non-Financial Assets		
Inventory for consumption	687,196	681,967
Prepaid expenses	264,281	331,815
Tangible capital assets (Schedule 1)	<u>472,693,361</u>	<u>472,434,844</u>
	<u>473,644,838</u>	<u>473,448,626</u>
Accumulated Surplus	<u>\$508,227,104</u>	<u>\$492,973,883</u>
Represented by:		
Accumulated surplus	468,125,690	466,735,750
Unrestricted reserve funds (Note 20)	29,849,929	12,627,715
Restricted reserve funds (Note 21)	<u>10,251,485</u>	<u>13,610,418</u>
Accumulated surplus from operations (Page 4) (Note 18)	<u>\$508,227,104</u>	<u>\$492,973,883</u>

Contingent Liabilities - See Note 23

Approved On Behalf Of Council

Mayor 
Deputy Mayor 

CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
Revenue			
Net municipal taxes (Schedule 2)	35,262,012	35,443,598	28,536,232
User fees and sales of goods	31,704,015	32,227,048	35,476,991
Government transfers (Schedule 3)	22,162,242	13,259,616	7,165,724
Investment income	380,000	1,281,979	586,126
Penalties and costs of taxes	2,247,300	881,659	1,911,216
Development levies	-	136,405	189,398
Licenses and permits	989,700	914,536	410,558
Third party developer capital contributions-in-kind	-	1,057,734	4,588,216
Franchise and concession contracts	5,843,100	5,699,264	5,930,878
Gain (loss) on disposal of tangible capital assets	-	321,740	188,857
Donations	92,010	78,551	170,079
Other	-	11,873	670
	<u>98,680,379</u>	<u>91,314,003</u>	<u>85,154,945</u>
Expenditures			
Council and other legislative	1,477,356	1,365,510	1,359,305
Administration	9,333,925	8,522,214	11,085,364
Protective services	11,961,869	11,005,744	11,977,164
Transportation	9,343,033	8,393,020	6,717,092
Water supply and distribution	3,933,429	3,652,807	3,495,590
Wastewater treatment and disposal	2,279,309	1,985,146	2,156,174
Waste management	2,741,625	2,630,706	2,763,968
Family and community support	1,478,823	1,312,500	1,247,841
Planning development	1,861,274	1,480,125	981,339
Subdivision land development	1,437,410	288,287	1,514,321
Parks and recreation	10,807,055	11,885,229	11,165,769
Culture	2,914,553	2,913,471	2,623,765
Amortization	<u>20,400,000</u>	<u>20,626,023</u>	<u>21,063,640</u>
	<u>79,969,661</u>	<u>76,060,782</u>	<u>78,151,332</u>
Excess (Deficit) Of Revenue Over Expenditures	<u>\$ 18,710,718</u>	<u>15,253,221</u>	<u>7,003,613</u>
Accumulated Surplus from Operations, Beginning of Year		<u>492,973,883</u>	<u>485,970,270</u>
Accumulated Surplus from Operations, End of Year		<u>\$508,227,104</u>	<u>\$492,973,883</u>

CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

	2018	2017
Cash Provided By (Used In):		
Operating Activities		
Excess (deficiency) of revenues over expenditures	15,253,221	7,003,613
Amortization	20,626,023	21,063,640
Gain on sale of tangible capital assets	(321,740)	(188,857)
Contributed tangible capital assets	(1,057,734)	(4,588,216)
Unrealized gain on investments	-	4,000
Net change in non-cash operating working capital balances		
Decrease (increase) in taxes and grants in lieu of taxes	(318,409)	(123,604)
Decrease (increase) in trade and other receivables	1,672,534	777,712
Decrease (increase) in land and inventories for resale	18,749	1,198,357
Decrease (increase) in investments	(2,078,150)	(80,243)
Decrease (increase) in inventory for consumption	(5,229)	(129,813)
Decrease (increase) in prepaid expenses	67,534	168,200
Increase (decrease) in accounts payable and accrued liabilities	(2,397,331)	4,486,393
Increase (decrease) in deposit liabilities	254,292	44,689
Increase (decrease) in deferred revenue	(260,656)	6,344,940
Increase (decrease) in employee benefit obligations	173,978	(131,144)
Increase (decrease) in provision for landfill closure and post-closure costs	144,733	128,023
Increase (decrease) in liability for contaminated sites	-	305,824
	<u>31,771,815</u>	<u>36,283,514</u>
Capital Activities		
Acquisition of tangible capital assets	(19,893,807)	(13,224,374)
Proceeds on disposal of tangible capital assets	388,741	337,305
	<u>(19,505,066)</u>	<u>(12,887,069)</u>
Investing Activities		
Temporary investments (acquired) matured	(16,490,410)	(2,090,000)
Decrease (increase) restricted cash and cash equivalents	4,171,834	(6,798,538)
	<u>(12,318,576)</u>	<u>(8,888,538)</u>
Financing Activities		
Long-term debt advanced (repaid)	(2,159,258)	(2,101,768)
Obligations under capital lease advanced (repaid)	(18,102)	(34,265)
	<u>(2,177,360)</u>	<u>(2,136,033)</u>
Change in cash and cash equivalents during the year	(2,229,187)	12,371,874
Cash and Cash Equivalents, Beginning of Year	<u>20,716,144</u>	<u>8,344,270</u>
Cash and Cash Equivalents, End of Year	\$ 18,486,957	\$ 20,716,144
Cash and cash equivalents is made up of:		
Cash (Note 3)	25,069,497	31,470,518
Less: restricted portion of cash (Note 3)	<u>(6,582,540)</u>	<u>(10,754,374)</u>
	<u>\$ 18,486,957</u>	<u>\$ 20,716,144</u>

CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
DECEMBER 31, 2018

	2018	2017
Accumulated Remeasurement Gains (Losses), Beginning of Year	-	(4,000)
Unrealized gains (losses) on investments	<u>-</u>	<u>4,000</u>
Accumulated Remeasurement Gains (Losses), End Of Year	<u>\$ -</u>	<u>\$ -</u>

CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2018

	2018	2017
Excess Of Revenue Over Expenditures	15,253,221	7,003,613
Amortization of tangible capital assets	20,626,023	21,063,640
Proceeds on disposal of tangible capital assets	388,741	337,305
Change in inventories and prepaid expenses	62,305	31,012
(Gain) loss on sale of tangible capital assets	(321,740)	(188,857)
Acquisition of tangible capital assets	<u>(20,951,541)</u>	<u>(17,812,590)</u>
	15,057,009	10,434,123
Net remeasurement gains (losses)	<u>-</u>	<u>4,000</u>
Increase (Decrease) in Net Financial Assets	15,057,009	10,438,123
Net Financial Assets, Beginning Of Year	<u>19,525,257</u>	<u>9,087,134</u>
Net Financial Assets, End Of Year	<u>\$ 34,582,266</u>	<u>\$ 19,525,257</u>

CITY OF LLOYDMINSTER

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
 YEAR ENDED DECEMBER 31, 2018
 (SCHEDULE 1)

	Land		Buildings	Machinery &	Engineering	Work in	Total	Total
	Land	Improvements		Equipment	Structures	Progress		
Cost								
Balance, beginning of year	26,693,255	3,912,080	156,899,587	55,815,313	485,598,139	539,945	729,458,319	712,035,406
Additions	-	4,054,125	1,172,355	3,724,413	1,678,388	10,322,260	20,951,541	17,812,590
Disposals	-	-	-	(1,429,789)	-	-	(1,429,789)	(389,677)
Transfers	-	1,453,339	-	406,640	6,882,375	(8,742,354)	-	-
Balance, end of year	<u>26,693,255</u>	<u>9,419,544</u>	<u>158,071,942</u>	<u>58,516,577</u>	<u>494,158,902</u>	<u>2,119,851</u>	<u>748,980,071</u>	<u>729,458,319</u>
Accumulated Amortization								
Balance, beginning of year	-	184,704	49,685,540	36,018,724	171,134,507	-	257,023,475	236,201,064
Amortization	-	177,185	3,895,955	4,813,559	11,739,324	-	20,626,023	21,063,640
Accumulated amortization on disposals	-	-	-	(1,362,788)	-	-	(1,362,788)	(241,229)
Balance, end of year	<u>-</u>	<u>361,889</u>	<u>53,581,495</u>	<u>39,469,495</u>	<u>182,873,831</u>	<u>-</u>	<u>276,286,710</u>	<u>257,023,475</u>
Net Book Value of Tangible Capital Assets	<u>\$ 26,693,255</u>	<u>\$ 9,057,655</u>	<u>\$ 104,490,447</u>	<u>\$ 19,047,082</u>	<u>\$ 311,285,071</u>	<u>\$ 2,119,851</u>	<u>\$ 472,693,361</u>	<u>\$ 472,434,844</u>

CITY OF LLOYDMINSTER

CONSOLIDATED SCHEDULE OF PROPERTY AND OTHER TAXES
 YEAR ENDED DECEMBER 31, 2018
 (SCHEDULE 2)

	Budget (Unaudited)	2018	2017
Taxation			
Real property taxes	50,962,498	51,302,584	45,113,001
Government grants in lieu of property taxes	54,200	106,213	114,764
Local improvement	<u>34,200</u>	<u>34,272</u>	<u>59,957</u>
	<u>51,050,898</u>	<u>51,443,069</u>	<u>45,287,722</u>
Requisitions			
Lloydminster Public School Division	12,349,103	12,530,248	13,097,694
Lloydminster Separate School Division	3,294,783	3,324,391	3,516,399
Lloydminster Business Improvement District	<u>145,000</u>	<u>144,832</u>	<u>137,397</u>
	<u>15,788,886</u>	<u>15,999,471</u>	<u>16,751,490</u>
Net Municipal Taxes	<u>\$ 35,262,012</u>	<u>\$ 35,443,598</u>	<u>\$ 28,536,232</u>

CITY OF LLOYDMINSTER

CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS
 YEAR ENDED DECEMBER 31, 2018
 (SCHEDULE 3)

	Budget (Unaudited)	2018	2017
Federal			
Conditional grants	<u>11,812,274</u>	<u>132,413</u>	<u>67,611</u>
Provincial			
Conditional and grants - Alberta	7,241,201	9,931,127	3,878,737
Conditional grants - Saskatchewan	<u>2,753,232</u>	<u>2,831,355</u>	<u>2,902,135</u>
	<u>9,994,433</u>	<u>12,762,482</u>	<u>6,780,872</u>
Local			
Conditional grants	<u>355,535</u>	<u>364,721</u>	<u>317,241</u>
	<u>\$ 22,162,242</u>	<u>\$ 13,259,616</u>	<u>\$ 7,165,724</u>

CITY OF LLOYDMINSTER

**CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES
YEAR ENDED DECEMBER 31, 2018
(SCHEDULE 4)**

For the year ended December 31, 2018 (in thousands)

	General Government	Recreation & Culture	Planning & Development	Environmental Services	Protective Services	Transportation	Public Health & Welfare	Total	2017 Total
Revenue									
Net municipal taxes	35,444	-	-	-	-	-	-	35,444	28,536
User fees and sales of goods	230	5,995	735	24,064	142	839	222	32,227	35,477
Government transfers	11,047	845	6	15	741	52	554	13,260	7,166
Investment income	1,268	14	-	-	-	-	-	1,282	586
Penalties and costs of taxes	278	-	-	-	603	-	-	881	1,911
Development levies	-	-	136	-	-	-	-	136	189
Licenses and permits	532	-	263	-	13	106	-	914	411
Third party developer contributions	-	-	1,058	-	-	-	-	1,058	4,588
Franchise & concession contracts	5,699	-	-	-	-	-	-	5,699	5,931
Gain (loss) on disposal of capital assets	322	-	-	-	-	-	-	322	189
Donations	8	71	-	-	-	-	-	79	170
Other	12	-	-	-	-	-	-	12	1
	<u>54,840</u>	<u>6,925</u>	<u>2,198</u>	<u>24,079</u>	<u>1,499</u>	<u>997</u>	<u>776</u>	<u>91,314</u>	<u>85,155</u>
Expenditures									
Salaries, wages and benefits	8,101	8,938	1,107	2,915	3,316	2,733	259	27,369	25,356
Contracted and general services	1,066	2,870	577	2,938	7,300	1,298	282	16,331	18,075
Materials, goods and utilities	694	2,905	84	2,209	238	3,719	25	9,874	12,050
Transfers to local boards or agencies	-	-	-	-	-	-	746	746	422
Bank charges	27	23	-	-	-	-	-	50	102
Interest on long term debt	501	65	-	206	151	142	-	1,065	1,083
Amortization	2,200	2,928	7	7,248	888	7,336	19	20,626	21,063
	<u>12,589</u>	<u>17,729</u>	<u>1,775</u>	<u>15,516</u>	<u>11,893</u>	<u>15,228</u>	<u>1,331</u>	<u>76,061</u>	<u>78,151</u>
Excess (Deficiency) of Revenue Over Expenditures	\$ <u>42,251</u>	\$ <u>(10,804)</u>	\$ <u>423</u>	\$ <u>8,563</u>	\$ <u>(10,394)</u>	\$ <u>(14,231)</u>	\$ <u>(555)</u>	\$ <u>15,253</u>	\$ <u>7,004</u>

CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

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

Lloydminster Family Counselling and Social Services

The schedule of taxes levied includes requisitions for education that is not part of the municipal reporting entity.

b) 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).

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

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

c) 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.

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.

CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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

e) **Registered Retirement Savings Plan**

The City participates in a registered retirement savings 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) **Investments**

Investments are recorded at cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

g) **Land Held for Resale**

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) **Revenue Recognition**

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.

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue.

i) **Requisitions**

Requisitions are paid on a cash basis. As taxes are collected, requisitions plus any penalties are accumulated and remitted to the requisitioning authority on a monthly basis. This collection of funds by the municipality for school boards are collected and remitted in accordance with relevant legislation.

j) **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.

k) **Landfill Closure and Post-Closure Liability**

Pursuant to The Environmental Management and Protection Act of Saskatchewan, the City is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

1. Significant Accounting Policies (continued)

l) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

m) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial assets (Debt) for the year.

i) 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. The cost, less residual value, of the tangible capital assets is 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	3 - 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.

ii) Contributions of Tangible Capital Assets

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

iii) Leases

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.

iv) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

v) Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets.

CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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 14.

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.

3. Cash and Temporary Investments

	2018	2017
Cash	25,069,497	31,470,518
Temporary investments	<u>31,580,410</u>	<u>15,090,000</u>
	<u>\$ 56,649,907</u>	<u>\$ 46,560,518</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 \$6,582,540 (2017 - \$10,754,374) received through government transfers to be used exclusively for operating and capital projects, amounts have been recorded through deferred revenue and restricted reserves.

The City has been approved for 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. The balance drawn on the revolving loan at December 31, 2018 was \$0 (2017 - \$0). This credit facility is secured by all book accounts and book debt.

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

4. Receivables

	2018	2017
Current taxes and grants in lieu of taxes	1,618,495	1,265,480
Arrears taxes receivable	<u>505,923</u>	<u>540,529</u>
	<u>2,124,418</u>	<u>1,806,009</u>
Trade accounts receivable	1,304,995	899,147
Utility receivable	3,382,175	3,536,836
GST receivable	774,159	220,953
Other receivable	1,220,375	3,634,619
Less: allowance for doubtful accounts	<u>(225,538)</u>	<u>(162,855)</u>
	<u>6,456,166</u>	<u>8,128,700</u>
	<u>\$ 8,580,584</u>	<u>\$ 9,934,709</u>

5. Land and Inventories for Resale

	2018	2017
Residential:		
Land being developed	2,732,560	2,732,669
Available for sale	<u>3,486,371</u>	<u>3,533,961</u>
	6,218,931	6,266,630
Commercial:		
Land being developed	62,418	62,418
Available for sale	<u>5,673,337</u>	<u>5,670,896</u>
	5,735,755	5,733,314
Raw land held for future development	5,495,112	5,495,112
Gift shop inventory for recreation and cultural facilities	<u>64,445</u>	<u>37,936</u>
	<u>\$ 17,514,243</u>	<u>\$ 17,532,992</u>

6. Investments

	2018	2017
Equity shares	43,404	42,088
Notes and deposits	<u>7,231,834</u>	<u>5,155,000</u>
	<u>\$ 7,275,238</u>	<u>\$ 5,197,088</u>

Notes and deposits have effective interest rates ranging from 2.96% to 3.52% with maturity dates between July 2020 and November 2023. Investment book values are equal to fair market values as at December 31, 2018.

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

7. Deferred Revenue

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

	2018	2017
Alberta - Municipal Sustainability Initiative - Capital	2,907,197	3,584,787
Alberta - Resilience Grant	2,681,640	2,681,640
Other grants	5,500	5,500
Prepaid taxes	1,768,845	1,452,039
Prepaid licenses, rental and utilities	614,163	507,716
Gift certificates	115,468	119,119
Other	28,646	31,314
	<u>\$ 8,121,459</u>	<u>\$ 8,382,115</u>

8. Employee Benefit Obligations

	2018	2017
Regular payroll	636,657	459,103
Vacation	325,002	347,476
Post-employment benefits	498,509	479,611
	<u>\$ 1,460,168</u>	<u>\$ 1,286,190</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, subject to being a minimum of 55 years of age and 10 years of employment with the City.

The City has not obtained an actuarial accounting valuation for the sick leave benefit plan. The maximum accumulated sick leave liability is \$3,659,649 (2017 - \$3,057,178). 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, 2018**

9. Council Remuneration

The Lloydminster Charter requires the disclosure of salaries and benefits for municipal officers, the chief administrative officer and designated officers to follow Alberta Regulation 313/2000 and is as follows:

	Salaries (a)	Benefits & Allowances (b)	2018	2017
Mayor				
Gerald Aalbers	100,472	15,847	116,319	106,370
Councillors				
Ken Baker	35,857	1,600	37,457	36,995
Stephanie Brown Munro	39,457	1,600	41,057	38,795
Aaron Buckingham	38,657	1,713	40,370	38,195
Michael Diachuk	39,657	5,558	45,215	38,086
Glen Fagnan	40,657	5,677	46,334	39,153
Jonathon Torresan	39,657	1,600	41,257	38,195
City Manager				
Glenn Carroll	-	-	-	106,410
J.R McDonald & Associates Inc.	-	-	-	158,948
Dion Pollard	<u>189,018</u>	<u>22,707</u>	<u>211,725</u>	<u>31,400</u>
	<u>\$ 523,432</u>	<u>\$ 56,302</u>	<u>\$ 579,734</u>	<u>\$ 632,547</u>

(a) Salaries (a) above includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration. Differences in remuneration among Councillors is due to committee meeting requirements and portfolio.

(b) Benefits and allowances (b) above include employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long term disability plan, professional memberships, tuition and car allowances.

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

10. 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:

	2018	2017
Number of active City members	211	206
Member contributions for the year	\$ 600,502	\$ 574,177
City contributions	\$ 584,403	\$ 557,931

11. Registered Retirement Savings Plan

The Manulife RRSP Plan is funded by employee and employer contributions at rates ranging between 5-7% of the employee's earnings. Benefits are based on accumulated contributions and investment earnings. Under the RRSP plan, the City's obligations are limited to its contributions.

Details of the Manulife RRSP Plan are as follows:

	2018	2017
Number of active City members	114	115
Member contributions for the year	\$ 467,674	\$ 407,870
City contributions	\$ 399,528	\$ 354,797

12. Landfill Closure and Post-Closure Liability

Landfill closure and post-closure care requirements have been defined in accordance with The Environmental Management and Protections Act of Saskatchewan and include final covering and landscaping of the landfill, pumping of ground water, methane gas and leachate management, and ongoing environmental monitoring, site inspections and maintenance.

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 3.28% 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 17.68% 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:

	2018	2017
Estimated closure and post-closure costs, present value	\$ 6,897,626	\$ 6,569,691
Estimated capacity used	17.68 %	16.36 %
Amount accrued to December 31, 2018	\$ 1,219,223	\$ 1,074,490

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

13. Liability for Contaminated Sites

As of December 31, 2018, the liability for contaminated sites includes sites associated with former City operations and sites acquired through acquisition. The nature of the contamination includes hydrocarbons, chlorides, nitrates and asbestos. The sources of contamination include fuel handling, vehicle storage and maintenance, salt storage, animal waste and construction materials.

Liability estimates are based on environmental site assessments. The City has not recognized a change in the liability over the prior year, representing a total liability for the remediation of contaminated sites of \$305,824 (2017 - \$305,824).

14. Long Term Debt

	2018	2017
Tax supported debentures	\$ <u>35,072,168</u>	\$ <u>37,231,426</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2019	2,218,362	978,884	3,197,246
2020	2,279,125	918,121	3,197,246
2021	2,341,595	855,651	3,197,246
2022	2,405,820	791,426	3,197,246
2023	2,471,852	725,394	3,197,246
Thereafter	<u>23,355,414</u>	<u>3,585,401</u>	<u>26,940,815</u>
	\$ <u>35,072,168</u>	\$ <u>7,854,877</u>	\$ <u>42,927,045</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.835% to 3.058% per annum and matures in periods September 2025 through December 2036.

Debenture debt is issued on the credit and security of the City at large.

Interest on long-term debt amounted to \$999,029 (2017 - \$1,052,696).

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

15. Obligations Under Capital Lease

	2018	2017
a) Capital lease - reelmasters	\$ <u>20,988</u>	\$ <u>39,090</u>
a) The capital lease bears interest at a rate of 7.50% per annum, repayable in blended payments of \$3,665 for the months of May through October each year. The lease matures on November 1, 2019 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.

2019	21,990
Less: amounts representing interest	<u>(1,002)</u>
	\$ <u>20,988</u>

Included in interest on long term debt is \$2,572 (2017 - \$4,950) of interest paid on capital lease obligations.

16. Debt Limits

Section 185(1) of the Lloydminster Charter requires that debt and debt limits follow the regulations of the Alberta Municipal Government Act. Alberta Regulation 255/2000 requires the City's debt and debt limit be disclosed as follows:

	2018	2017
Total debt limit	121,933,573	116,422,529
Total debt	<u>35,093,156</u>	<u>37,270,516</u>
Amount of debt limit unused	\$ <u>86,840,417</u>	\$ <u>79,152,013</u>
Debt servicing limit	20,322,262	19,403,755
Debt servicing	<u>3,218,234</u>	<u>3,238,649</u>
Amount of Debt Servicing Limit Unused	\$ <u>17,104,028</u>	\$ <u>16,165,106</u>

The debt limit is calculated at 1.5 times revenue of the City (as defined in Alberta Regulation 255/2000) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the City, rather, the financial statements must be interpreted as a whole.

17. Segment Disclosures

The City provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1. Refer to the Schedule of Segmented Disclosure (Schedule 4).

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

18. Accumulated Surplus

Accumulated surplus consists of unrestricted, restricted and amounts invested in tangible capital assets as follows:

	2018	2017
Accumulated surplus	30,525,485	31,571,422
Unrestrictive reserves (Note 20)	29,849,929	12,627,715
Restricted reserves (Note 21)	10,251,485	13,610,418
Equity in tangible capital assets (Note 19)	<u>437,600,205</u>	<u>435,164,328</u>
	<u>\$508,227,104</u>	<u>\$492,973,883</u>

19. Equity in Tangible Capital Assets

	2018	2017
Tangible capital assets (Schedule 1)	748,980,071	729,458,319
Accumulated amortization (Schedule 1)	(276,286,710)	(257,023,475)
Long-term debt (Note 14)	(35,072,168)	(37,231,426)
Obligations under capital lease (Note 15)	<u>(20,988)</u>	<u>(39,090)</u>
	<u>\$437,600,205</u>	<u>\$435,164,328</u>

20. Unrestricted Reserves

	Opening balance	Transfers from other funds	Transfers to other funds	Closing balance
Equipment pool	2,727,864	-	-	2,727,864
Capital	-	18,143,450	(6,876,538)	11,266,912
Resilience Reserve	169,186	711,409	-	880,595
Municipal stabilization	-	5,600,000	-	5,600,000
Engineering capital	644,634	12,790	-	657,424
Capital asset replacement	5,205,584	-	(40,196)	5,165,388
Revolving capital fund / CTF	2,902,851	-	-	2,902,851
Park development assessment	37,518	-	-	37,518
Parks and recreation capital	785,609	-	(507,845)	277,764
New cultural facility	104,591	-	-	104,591
Special events	49,878	-	-	49,878
Business Improvement District	-	179,144	-	179,144
	<u>\$12,627,715</u>	<u>\$24,646,793</u>	<u>\$(7,424,579)</u>	<u>\$29,849,929</u>

21. Restricted Reserves

	Opening balance	Transfers from other funds	Transfers to other funds	Interest earned	Closing balance
AB Federal gas tax fund	3,226,268	1,083,502	(3,567,788)	65,131	807,113
SK Federal gas tax fund	1,241,012	597,069	(1,691,917)	18,665	164,829
Offsite reserves	7,077,757	136,405	-	-	7,214,162
Subdivision prepaid improvement	<u>2,065,381</u>	-	-	-	<u>2,065,381</u>
	<u>\$13,610,418</u>	<u>\$ 1,816,976</u>	<u>\$(5,259,705)</u>	<u>\$ 83,796</u>	<u>\$10,251,485</u>

CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

22. Amalgamation

The City has effective control over the Lloydminster Facilities Corporation and Lloydminster Downtown Business Improvement District. All financial assets, liabilities, accumulated surplus, revenues and expenses have been consolidated in the City financial statements in past years. Effective December 31, 2018 the City approved amalgamation of these entities into the City's financial statements.

The following summarizes the Lloydminster Facilities Corporation financial position and statement of operations amalgamated as at December 31, 2018.

Total Assets	\$ 124,001
Total Liabilities	\$(1,179,248)
Revenues	\$ 1,932,171
Expenses	\$(2,091,959)
Accumulated Surplus (Deficit)	\$(1,055,247)

The following summarizes the Lloydminster Downtown Business Improvement District's financial position and statement of operations amalgamated as at December 31, 2018.

Total Assets	\$ 192,767
Total Liabilities	\$ (13,623)
Revenues	\$ 154,698
Expenses	\$ (173,238)
Accumulated Surplus (Deficit)	\$ 179,144

23. Contingent Liabilities

There are two actions commenced against the City for wrongful dismissal. No provision has been made in these financial statements in respect of this action.

24. Approval of Financial Statements

Council and Management have approved these consolidated financial statements.

25. Comparative Amounts

Certain 2017 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.

Band No:	Level 1 (Start)	Level 2 (2080 Hours)	Level 3 (4160 Hours)	Level 4 (6240 Hours)
Band 8	\$41.31	42.60	43.94	\$45.25
Heavy Duty Technician Development Coordinator Engineering Support Specialist Lead Building Maintenance Lead GIS Technician Project Lead - Traffic Branch Project Lead - Utilities Branch				
Band 7	\$37.96	\$38.78	\$39.60	\$40.43
Planner 1 Master Electrician				
Band 6	\$34.02	\$35.04	\$36.08	\$37.16
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 Purchasing Officer Project Technician Network Analyst Systems Analyst Stores Welder - Journeyman				
Band 5	\$30.21	\$31.13	\$32.07	\$33.03
Building Maintenance Technician Computer Support Technician Lab Technician Plant Operator Senior Accounting Clerk Senior Equipment Operator Planning Assistant Head Watch Support Head Concrete Finisher				
Band 4	\$26.85	\$27.65	\$28.49	\$29.33
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	\$23.84	\$24.57	\$25.31	\$26.21
Accounting Clerk Admin Support 3 Communications and Marketing Assistant Instrument Person Head Lifeguard Municipal Worker 2 Recreation Programmer 2				
Band 2	\$21.21	\$21.83	\$22.49	\$23.16
Admin Support 2 Fitness Centre Attendant Lifeguard/Instructor Recreation Programmer 1				
Band 1	\$18.84	\$19.41	\$19.98	\$20.58
Activity Leader Admin Support 1 Lifeguard Municipal Worker 1 Visitor Service Attendant				

Out of Scope Salary Grid - 2018

Band	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6
Band 8						
Executive Managers, CFO, Chief of Staff, City Clerk	\$75.62 \$157,289.60	\$78.66 \$163,612.80	\$81.81 \$170,164.80	\$85.06 \$176,924.80	\$88.51 \$184,100.80	\$92.01 \$191,380.80
Band 7						
Fire Chief, Directors	\$58.77 \$122,241.60	\$61.15 \$127,192.00	\$63.59 \$132,267.20	\$66.13 \$137,550.40	\$68.77 \$143,041.60	\$71.51 \$148,740.80
Band 6						
Senior Managers, Ec Dev Officer, Assistant Fire Chief	\$48.31 \$100,484.80	\$50.25 \$104,520.00	\$52.27 \$108,721.60	\$54.35 \$113,048.00	\$56.54 \$117,603.20	\$58.82 \$122,345.60
Band 5						
Managers, CPO1, Safety Officer, Long Range Planner, Executive Coordinator, EMO Manager, IT Coordinator, Transportation Canada Liason, Information Project Manager	\$41.31 \$85,924.80	\$42.99 \$89,419.20	\$44.71 \$92,996.80	\$46.49 \$96,699.20	\$48.31 \$100,484.80	\$50.24 \$104,499.20
Band 4						
Supervisors, Coordinators, Advisor Employee Relations, Deputy Fire Chief Employee Relations & Benefits Lead, Financial Controller, Safety Training Officer	\$33.29 \$69,243.20	\$35.27 \$73,361.60	\$37.40 \$77,792.00	\$39.64 \$82,451.20	\$42.02 \$87,401.60	\$44.56 \$92,684.80
Band 3						
Executive Assistants	\$32.63 \$67,870.40	\$33.95 \$70,616.00	\$35.32 \$73,465.60	\$36.74 \$76,419.20	\$38.21 \$79,476.80	\$39.74 \$82,659.20
Band 2						
HR Generalist	\$31.36 \$65,228.80	\$32.63 \$67,870.40	\$33.95 \$70,616.00	\$35.32 \$73,465.60	\$36.74 \$76,419.20	\$38.16 \$79,372.80
Band 1						
Administrators	\$27.91 \$58,052.80	\$29.03 \$60,382.40	\$30.20 \$62,816.00	\$31.41 \$65,332.80	\$32.63 \$67,870.40	\$33.95 \$70,616.00