

CITY OF LLOYDMINSTER
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

CITY OF LLOYDMINSTER

2013

MAYOR

Rob Saunders (effective October 2013)
Jeff Mulligan (ending July 2013)

COUNCILLORS

DEPUTY MAYOR - Rob Saunders (ending October 2013)
Larry Sauer
Chris McQuid
Jason Whiting
Linnea Goodhand
Lachlan Cummine (effective April 2013)
Ken Baker (effective January 2014)

CITY MANAGER/CAO

Glenn Carroll

DEPUTY CAO

Don Newlin

DIRECTOR, LEGISLATIVE SERVICES

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, 2013

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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, 2013, and the consolidated statements of operations and accumulated surplus, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

One specific land development project by the City was contracted through a 50% joint venture, as at December 31, 2013 all lots have been sold and the City has accrued a payable relating to this joint venture of \$931,500 which is included in accounts payable and accrued liabilities. We were unable to substantiate sufficient appropriate audit evidence about the payable and related land development revenues and expenditures. Accordingly, our verification of these revenues and expenditures was limited to the amounts recorded in the records of the City and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenditures, assets, liabilities and accumulated surplus balances.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the City of Lloydminster as at December 31, 2013, and their financial performance and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Wilkinson Livingston Stevens LLP

Lloydminster, Alberta
April 28, 2014

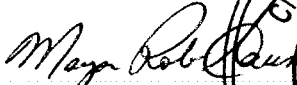

Chartered Accountants

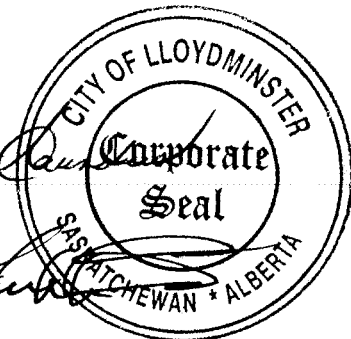
CITY OF LLOYDMINSTER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013


	2013	2012
ASSETS		
Financial Assets		
Cash and temporary investments (Note 3)	11,530,852	19,146,317
Receivables		
Taxes and grants in lieu of taxes (Note 4)	874,189	767,531
Trade and other receivables (Note 4)	5,501,048	6,163,422
Land and inventories for resale (Note 5)	20,629,802	18,589,224
Long-term investments	<u>37,217</u>	<u>6,244</u>
	<u>38,573,108</u>	<u>44,672,738</u>
Financial Liabilities		
Accounts payable and accrued liabilities	10,267,223	9,455,640
Deposit liabilities	1,203,906	1,570,802
Deferred revenue (Note 6)	2,520,335	3,201,992
Employee benefit obligations (Note 7)	1,616,423	1,307,429
Provision for landfill closure and post-closure costs (Note 8)	447,517	468,386
Long-term debt (Note 9)	26,954,821	7,224,200
Obligations under capital lease (Note 10)	<u>60,022</u>	<u>-</u>
	<u>43,070,247</u>	<u>23,228,449</u>
Net Financial Assets (Debt)	<u>(4,497,139)</u>	<u>21,444,289</u>
Non-Financial Assets		
Inventory for consumption	651,041	351,250
Prepaid expenses	423,490	388,967
Tangible capital assets (Schedule 1)	<u>412,655,537</u>	<u>367,312,840</u>
	<u>413,730,068</u>	<u>368,053,057</u>
Accumulated Surplus (Page 4)	<u>\$409,232,929</u>	<u>\$389,497,346</u>

Commitments (Note 13, 14 & 15)

Approved On Behalf Of Council


 Mayor Rob Caudill
 Councillor

 Councillor




 Nicole J. Reinger
 Director Finance

CITY OF LLOYDMINSTER

**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2013**

	Budget (Unaudited)	2013	2012
Revenue			
Net municipal taxes (Schedule 2)	18,619,480	20,866,836	18,231,498
User fees and sales of goods	52,223,893	41,623,827	37,975,196
Government transfers (Schedule 3)	8,153,839	14,159,390	15,976,974
Investment income	120,950	341,174	376,761
Penalties and costs of taxes	1,954,000	2,316,456	2,258,429
Development levies	-	1,551,508	3,082,042
Licenses and permits	5,308,977	6,037,003	5,170,049
Gain (loss) on disposal of tangible capital assets	-	386,517	237,235
Donations	41,200	117,819	681,987
Other	<u>21,750</u>	<u>340,733</u>	<u>626,378</u>
	<u>86,444,089</u>	<u>87,741,263</u>	<u>84,616,549</u>
Expenditures			
Legislative	694,793	407,129	445,376
Administration	5,020,238	5,207,378	4,092,108
Bylaws enforcement	9,967,646	9,073,823	8,348,350
Roads, streets, walks, lighting	13,463,300	12,787,106	9,001,520
Water supply and distribution	9,277,814	8,909,633	8,129,179
Wastewater treatment and disposal	2,516,514	2,492,968	2,133,786
Waste management	3,096,400	2,921,293	2,707,340
Family and community support	3,642,105	3,611,108	3,120,924
Land use planning, zoning and development	1,617,897	1,716,134	1,411,557
Subdivision land development	1,793,917	4,116,723	6,394,995
Parks and recreation	15,065,423	14,098,772	13,410,200
Culture	<u>2,501,504</u>	<u>2,663,613</u>	<u>2,406,800</u>
	<u>68,657,551</u>	<u>68,005,680</u>	<u>61,602,135</u>
Excess Of Revenue Over Expenditures	\$ <u>17,786,538</u>	19,735,583	23,014,414
Accumulated Surplus, Beginning of Year		<u>389,497,346</u>	<u>366,482,932</u>
Accumulated Surplus, End of Year (Note 12)		<u>\$409,232,929</u>	<u>\$389,497,346</u>

CITY OF LLOYDMINSTER

**CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013**

	2013	2012
Cash Provided By (Used In):		
Operating Activities		
Excess (deficiency) of revenues over expenditures	19,735,583	23,014,414
Amortization	14,491,258	12,902,713
(Gain) loss on sale of tangible capital assets	(386,517)	(237,235)
Net decrease (increase) in non-cash operating working capital balances:		
Taxes and grants in lieu of taxes	(106,658)	(295,089)
Trade and other receivables	662,374	(994,669)
Loans receivable	-	457,243
Land and inventories for resale	(2,040,578)	(3,337,448)
Long-term investments	(30,973)	(3,802)
Inventory for consumption	(299,791)	89,713
Prepaid expenses	(34,523)	(40,259)
Accounts payable and accrued liabilities	811,583	(2,914,340)
Deposit liabilities	(366,896)	175,746
Deferred revenue	(681,657)	(4,791,091)
Employee benefit obligations	308,994	105,943
Provision for landfill closure and post-closure costs	<u>(20,869)</u>	<u>138,273</u>
	<u>32,041,330</u>	<u>24,270,112</u>
Capital Activities		
Acquisition of tangible capital assets	(59,933,524)	(51,022,923)
Proceeds on disposal of tangible capital assets	<u>486,086</u>	<u>771,411</u>
	<u>(59,447,438)</u>	<u>(50,251,512)</u>
Investing Activities		
Temporary investments	7,001,818	13,718,307
Decrease (increase) restricted cash and cash equivalents	<u>901,334</u>	<u>4,021,751</u>
	<u>7,903,152</u>	<u>17,740,058</u>
Financing Activities		
Long-term debt advanced (repaid)	19,730,621	6,258,600
Obligations under capital lease advanced (repaid)	<u>60,022</u>	<u>-</u>
	<u>19,790,643</u>	<u>6,258,600</u>
Increase (decrease) in cash and cash equivalents during the year	287,687	(1,982,742)
Cash and Cash Equivalents, Beginning of Year	<u>4,658,036</u>	<u>6,640,778</u>
Cash and Cash Equivalents At End	<u>\$ 4,945,723</u>	<u>\$ 4,658,036</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	6,417,782	7,031,429
Less: restricted portion of cash and temporary investments (Note 3)	<u>(1,472,059)</u>	<u>(2,373,393)</u>
	<u>\$ 4,945,723</u>	<u>\$ 4,658,036</u>

CITY OF LLOYDMINSTER

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
YEAR ENDED DECEMBER 31, 2013

	Budget (Unaudited)	2013	2012
Excess Of Revenue Over Expenditures	17,786,538	19,735,583	23,014,414
Amortization of tangible capital assets	12,542,726	14,491,258	12,902,713
Proceeds on disposal of tangible capital assets	-	486,086	771,411
Change in inventories and prepaid expenses	-	(334,314)	49,454
(Gain) loss on sale of tangible capital assets	-	(386,517)	(237,235)
Acquisition of tangible capital assets	<u>(56,225,000)</u>	<u>(59,933,524)</u>	<u>(51,022,923)</u>
Increase (Decrease) in Net Financial Assets (Debt)	<u>(25,895,736)</u>	<u>(25,941,428)</u>	<u>(14,522,166)</u>
Net Financial Assets (Debt), Beginning Of Year	<u>21,444,289</u>	<u>21,444,289</u>	<u>35,966,455</u>
Net Financial Assets (Debt), End Of Year	<u>\$ (4,451,447)</u>	<u>\$ (4,497,139)</u>	<u>\$ 21,444,289</u>

CITY OF LLOYDMINSTER

**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2013
(SCHEDULE 1)**

	Land	Buildings	Machinery & Equipment	Engineering Structures	Work in Progress	Total 2013	Total 2012
Cost							
Balance, beginning of year (restated)	20,809,076	92,696,756	28,603,079	375,700,859	20,938,081	538,747,851	489,217,987
Additions	398,931	25,795,700	4,996,022	19,922,008	8,820,863	59,933,524	51,022,923
Disposals/ transfers	(14,006)	10,728,901	(894,453)	-	(10,728,901)	(908,459)	(1,493,059)
Balance, end of year	<u>21,194,001</u>	<u>129,221,357</u>	<u>32,704,648</u>	<u>395,622,867</u>	<u>19,030,043</u>	<u>597,772,916</u>	<u>538,747,851</u>
Accumulated Amortization							
Balance, beginning of year	-	34,381,944	17,689,265	119,363,802	-	171,435,011	159,491,181
Amortization	-	2,332,303	2,906,897	9,252,058	-	14,491,258	12,902,713
Accumulated amortization on disposals	-	-	(808,890)	-	-	(808,890)	(958,883)
Balance, end of year	<u>-</u>	<u>36,714,247</u>	<u>19,787,272</u>	<u>128,615,860</u>	<u>-</u>	<u>185,117,379</u>	<u>171,435,011</u>
Net Book Value of Tangible Capital Assets	<u>\$ 21,194,001</u>	<u>\$ 92,507,110</u>	<u>\$ 12,917,376</u>	<u>\$ 267,007,007</u>	<u>\$ 19,030,043</u>	<u>\$ 412,655,537</u>	<u>\$ 367,312,840</u>

Included in current year additions for machinery & equipment are assets under capital lease totaling \$117,600.

CITY OF LLOYDMINSTER
CONSOLIDATED SCHEDULE OF PROPERTY AND OTHER TAXES
YEAR ENDED DECEMBER 31, 2013
(SCHEDULE 2)

	Budget (Unaudited)	2013	2012
Taxation			
Real property taxes	29,738,390	32,879,851	29,204,704
Government grants in lieu of property taxes	97,000	346,659	314,506
Special assessments and local improvement	<u>9,480</u>	<u>67,023</u>	<u>67,023</u>
	<u>29,844,870</u>	<u>33,293,533</u>	<u>29,586,233</u>
Requisitions			
Lloydminster Public School Division	8,781,723	9,719,795	8,781,723
Lloydminster Separate School Division	2,443,667	2,706,902	2,443,667
Lloydminster Business Improvement District	<u>-</u>	<u>-</u>	<u>129,345</u>
	<u>11,225,390</u>	<u>12,426,697</u>	<u>11,354,735</u>
Net Municipal Taxes	\$ <u>18,619,480</u>	\$ <u>20,866,836</u>	\$ <u>18,231,498</u>

CITY OF LLOYDMINSTER
CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS
YEAR ENDED DECEMBER 31, 2013
(SCHEDULE 3)

	Budget (Unaudited)	2013	2012
Federal			
Shared-cost agreements and grants	<u>22,000</u>	<u>97,000</u>	<u>52,725</u>
	<u>22,000</u>	<u>97,000</u>	<u>52,725</u>
Provincial			
Shared-cost agreements and grants -Alberta	4,789,730	7,770,450	11,158,076
Shared-cost agreements and grants -Saskatchewan	<u>2,979,517</u>	<u>5,922,958</u>	<u>4,514,456</u>
	<u>7,769,247</u>	<u>13,693,408</u>	<u>15,672,532</u>
Local			
Shared-cost agreements and grants	<u>362,592</u>	<u>368,982</u>	<u>251,717</u>
	<u>\$ 8,153,839</u>	<u>\$ 14,159,390</u>	<u>\$ 15,976,974</u>

CITY OF LLOYDMINSTER

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES
YEAR ENDED DECEMBER 31, 2013
(SCHEDULE 4)

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

	Administration	Recreation & Facilities	Planning & Engineering	Public Works	Protective Services	Total
Revenue						
Net municipal taxes	20,857	-	-	9	-	20,866
User fees and sales of goods	548	6,521	17,191	17,095	269	41,624
Government transfers	11,921	1,094	-	516	628	14,159
Investment income	332	9	-	-	-	341
Penalties and costs of taxes	155	-	-	-	2,161	2,316
Development levies	-	-	1,552	-	-	1,552
Licenses and permits	337	-	1,478	4,215	7	6,037
Gain (loss) on disposal of capital assets	387	-	-	-	-	387
Donations	30	88	-	-	-	118
Other	299	42	-	-	-	341
	<u>34,866</u>	<u>7,754</u>	<u>20,221</u>	<u>21,835</u>	<u>3,065</u>	<u>87,741</u>
Expenditures						
Salaries, wages and benefits	4,342	7,790	1,682	4,133	1,896	19,843
Contracted and general services	1,928	2,733	1,551	2,890	7,288	16,390
Materials, goods and utilities	460	4,446	3,919	7,104	245	16,174
Transfers to local boards or agencies	62	360	-	-	-	422
Bank charges	16	33	-	-	-	49
Interest on long term debt	690	-	-	-	-	690
Amortization	388	2,541	-	11,119	390	14,438
	<u>7,886</u>	<u>17,903</u>	<u>7,152</u>	<u>25,246</u>	<u>9,819</u>	<u>68,006</u>
Excess (Deficiency) of Revenue Over Expenditure	\$ 26,980	\$ (10,149)	\$ 13,069	\$ (3,411)	\$ (6,754)	\$ 19,735

CITY OF LLOYDMINSTER

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES
YEAR ENDED DECEMBER 31, 2013
(SCHEDULE 4)

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

	Administration	Recreation & Facilities	Planning & Engineering	Public Works	Protective Services	Total
Revenue						
Net municipal taxes	18,223	-	-	9	-	18,232
User fees and sales of goods	502	5,639	16,998	14,596	240	37,975
Government transfers	13,796	1,043	-	494	644	15,977
Investment income	370	7	-	-	-	377
Penalties and costs of taxes	(121)	-	17	-	2,362	2,258
Development levies	-	-	3,082	-	-	3,082
Licenses and permits	318	-	1,089	3,754	9	5,170
Gain (loss) on disposal of capital assets	237	-	-	-	-	237
Donations	639	43	-	-	-	682
Other	589	37	-	-	-	626
	<u>34,553</u>	<u>6,769</u>	<u>21,186</u>	<u>18,853</u>	<u>3,255</u>	<u>84,616</u>
Expenditures						
Salaries, wages and benefits	3,701	6,966	1,431	3,605	1,722	17,425
Contracted and general services	1,261	5,270	1,258	1,277	6,907	15,973
Materials, goods and utilities	332	4,469	3,897	5,891	214	14,803
Transfers to local boards or agencies	59	421	-	-	-	480
Interest and bank charges	12	21	-	-	-	33
Interest on long term debt	-	-	-	-	-	-
Amortization	342	2,283	-	9,888	375	12,888
	<u>5,707</u>	<u>19,430</u>	<u>6,586</u>	<u>20,661</u>	<u>9,218</u>	<u>61,602</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>\$ 28,846</u>	<u>\$ (12,661)</u>	<u>\$ 14,600</u>	<u>\$ (1,808)</u>	<u>\$ (5,963)</u>	<u>\$ 23,014</u>

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013**

1. Significant Accounting Policies

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

a) Reporting Entity

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

Vic Juba Community Theatre Board

Lloydminster Public Library

The Lloydminster Downtown Business Improvement District

Lloydminster Facilities Corporation

Lloydminster Economic Development Corporation

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

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

b) Use of Estimates

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

c) Basis of Accounting

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

d) 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.

e) Temporary Investments

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

CITY OF LLOYDMINSTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

1. Significant Accounting Policies (continued)

f) Inventories

Inventories of materials and supplies for consumption and inventories for resale are valued at the lower of cost or net realizable value with cost determined by the average cost method.

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads and sidewalks are recorded as tangible capital assets under their respective function.

g) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Government contributions for the acquisition of capital assets are reported as revenue and do not reduce the related capital asset costs. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Distribution systems	40 years
Engineering structures	40 years
Machinery and equipment	5 years

Amortization is not charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

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

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease. Assets recorded under capital leases are amortized on the same straight-line method described above.

h) Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the City.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013**

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 revenue 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, 2013**

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) Joint Venture Accounting

Some of the City's land development activities were contracted through a 50% joint venture with Nelson Group Inc. ("NGI"). All lot sales for the project were completed as at December 31, 2013. These statements reflect only the City's proportionate interest in such activities.

2. 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 3 and 9.

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.

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013**

3. Cash and Temporary Investments

	2013	2012
Cash	6,417,782	7,031,429
Temporary investments	<u>5,113,070</u>	<u>12,114,888</u>
	<u>\$ 11,530,852</u>	<u>\$ 19,146,317</u>

Cash consists of cash on hand and balances with banks and brokers available for operations. Temporary investments are short-term deposits with maturities of one year or less.

Included in cash and temporary investments are restricted monies totaling \$1,394,075 (2012 - \$2,373,393) received through government transfers to be used exclusively for operating and capital projects, amounts have been recorded through deferred revenue.

Included in cash and temporary investments are restricted funds totaling \$77,984 held on behalf of the Vermilion River Regional Alliance, a group which the City took over financial management of in 2013.

4. Receivables

	2013	2012
Current taxes and grants in lieu of taxes	594,843	471,952
Arrears taxes receivable	<u>279,346</u>	<u>295,579</u>
	<u>874,189</u>	<u>767,531</u>
Trade accounts receivable	5,599,785	6,262,159
Less: allowance for doubtful accounts	<u>98,737</u>	<u>98,737</u>
	<u>5,501,048</u>	<u>6,163,422</u>
	<u>\$ 6,375,237</u>	<u>\$ 6,930,953</u>

5. Land and Inventories for Resale

	2013	2012
Land under development and lots available for sale		
Residential	5,068,278	2,612,728
Industrial and commercial	7,806,351	6,933,062
Raw land held for future development	7,671,827	9,006,595
Gift shop inventory	<u>83,346</u>	<u>36,839</u>
	<u>\$ 20,629,802</u>	<u>\$ 18,589,224</u>

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013**

6. Deferred Revenue

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

	2013	2012
Infrastructure Canada - Alberta Program	-	430,687
Alberta - Municipal Infrastructure	-	260,257
Alberta - New Deal Cities	1,379,075	1,641,559
CBC Hockey Day in Canada	231,105	-
Community Housing Initiative	12,000	-
Prepaid taxes	311,405	374,819
Prepaid licenses, rental and utilities	331,326	208,437
Gift Certificates	21,497	16,828
Other	<u>233,927</u>	<u>269,405</u>
	<u>\$ 2,520,335</u>	<u>\$ 3,201,992</u>

7. Employee Benefit Obligations

	2013	2012
Regular payroll	751,609	533,432
Vacation	655,874	619,186
Post-employment benefits	<u>208,940</u>	<u>154,811</u>
	<u>\$ 1,616,423</u>	<u>\$ 1,307,429</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 \$1,999,747 (2012 - \$1,853,434). 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, 2013**

8. 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 3.88% 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 9.52% 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:

	2013	2012
Estimated closure and post-closure costs, present value	\$ 4,698,535	\$ 5,974,311
Estimated capacity used	9.5200 %	7.8400 %
Amount accrued to December 31, 2013	\$ 447,517	\$ 468,386

9. Long Term Debt

	2013	2012
(a) Mortgage payable	482,800	724,200
(b) Debenture debt - RCMP Building	6,257,202	6,500,000
(c) Debenture debt - Operations Centre	<u>20,214,819</u>	<u>-</u>
	<u>\$ 26,954,821</u>	<u>\$ 7,224,200</u>

(a) The mortgage payable is due in annual instalments of \$241,400. Unless the City defaults on the payment terms, the mortgage is non-interest bearing. Land has been pledged as security.

(b) The debenture is repayable to Alberta Capital Finance Authority and bears interest at a rate of 2.942% per annum and matures on December 17, 2032. Semi annual payments are \$216,128.

(c) The debenture is repayable to Alberta Capital Finance Authority and bears interest at a rate of 3.033% per annum and matures on March 15, 2033. Semi annual payments are \$690,438.

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

2014	1,264,976
2015	1,296,026
2016	1,086,617
2017	1,119,580
2018	1,153,542
2019 and subsequent	<u>21,034,080</u>
	<u>\$ 26,954,821</u>

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013**

10. Obligations Under Capital Lease

	2013	2012
Capital lease - golf carts	\$ <u>60,022</u>	\$ <u>-</u>

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.

Future minimum capital lease payments are approximately:

2014	18,246	
2015	18,246	
2016	18,246	
2017	<u>18,246</u>	
 Total minimum lease payments	 72,984	
Less: amounts representing interest at 9.507%	<u>(12,962)</u>	
	 <u>\$ 60,022</u>	

Included in interest on long term debt is \$4,168 of interest paid on capital lease obligations.

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013**

11. Segment Disclosures

The segments have been selected based on the City's municipal financial planning and budget processes. City services are provided by departments. Certain departments that have been disclosed in the segmented information, along with the services they provide, are as follows:

(a) Protective Services

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

(b) Public Works

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

(c) Administration

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

(d) Planning & Engineering

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

(e) Recreation & Facilities

Recreation & facilities operates economic development and tourism programs, recreation facilities including parks, cemetery, campground, swimming pools, arenas, museum and art gallery and oversees community grant programs including family and community support services. It also oversees grants to Lloydminster Public Library and Theatre.

CITY OF LLOYDMINSTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013**

12. Accumulated Surplus

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

	2013	2012
Surplus		
Invested in tangible capital assets	386,183,516	360,812,838
General surplus (deficit)	<u>(14,261,475)</u>	<u>(7,333,643)</u>
Total Surplus (Deficit)	<u>371,922,041</u>	<u>353,479,195</u>
Internal Reserves		
Capital Reserves		
Capital financing reserve	7,488,090	5,175,248
New facilities and equipment	7,206,788	7,576,257
Infrastructure replacement	<u>12,430,326</u>	<u>12,972,516</u>
	27,125,204	25,724,021
Operating Reserves	736,294	744,181
Restricted Reserves		
Developer levies	<u>9,449,390</u>	<u>9,549,949</u>
Total Reserves	<u>37,310,888</u>	<u>36,018,151</u>
	<u>\$409,232,929</u>	<u>\$389,497,346</u>

13. 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 \$179,478 at December 31, 2013. No liability has been accrued in the financial statements as no payments are expected to be made.

14. Debentures

City Council currently has outstanding approved bylaws for borrowings by way of debentures as follows: Construction of a Multiplex Recreation Facility for \$7,500,000, Expansion of the Sewage Treatment Plant for \$4,000,000, Completion of the West Sanitary Trunk for \$1,365,000, Completion of the 25th Street Sanitary Trunk for \$2,600,000 and Completion of Highway 17 Couplet Phase 1A for \$5,500,000.

CITY OF LLOYDMINSTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

15. 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 \$18.7 million plus applicable taxes. The City has incurred \$13.8 million of expenditures related to this contract as at December 31, 2013. The City's maximum contribution related to this contract is \$15.5 million plus applicable taxes. Any additional costs incurred in excess of the City's maximum contribution will be covered through the performance bond. Project completion is expected in 2014.

(b) New Operations Centre

The City entered into contracts for construction of the new Operations Centre for a total cost of \$37.4 million plus applicable taxes. The City has incurred \$31.6 million of expenditures related to this project as at December 31, 2013. Project completion is expected in 2014.

16. Subsequent Events

In October 2013, council approved the sale of the Old RCMP land and building to the Lloydminster Community Youth Centre for \$1. The net book value of the land and building is \$1.1 million as at December 31, 2013 and included in tangible capital assets. The sale is expected to occur in 2014.

In January 2014, council approved the sale of the Old Libbie Young property to the Lloydminster Social Action Coalition Society for \$1. The net book value of the property is \$345,000 as at December 31, 2013 and is included in land and inventories for resale. The sale is expected to occur in 2014.

In April 2014, council approved receipt of the Saskatchewan Visitors Reception Centre building for a nominal amount. The fair market value of the building is \$350,000 and will be an addition to tangible capital assets in 2014.

17. Approval of Financial Statements

Council and Management have approved these consolidated financial statements.

18. Comparative Amounts

Certain 2012 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.