

Financial Statements of

LETHBRIDGE COUNTY

Year ended December 31, 2014

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Lethbridge County's management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying financial statements and the notes thereto. Management believes that the financial statements present fairly the County's financial position as at December 31, 2014 and the results of its operations for the year then ended.

The financial statements have been prepared in accordance with Canadian public sector accounting standards. Financial statements are not precise, since they include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintained a system of internal controls to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The County Council carries out its responsibilities for review of the financial statements principally through its Audit Committee. This committee meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Audit Committee with and without the presence of management. The County Council has approved the financial statements.

The financial statements have been audited by the independent firm of KPMG LLP. Their report to the Members of Council of Lethbridge County, stating the scope of their examination and opinion on the financial statements, follows.



Chief Administrative Officer



Director of Corporate Services



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INDEPENDENT AUDITORS' REPORT

To the Reeve and Councillors of Lethbridge County

We have audited the accompanying financial statements of Lethbridge County (the "County") which comprise the statement of financial position as at December 31, 2014, and the statements of operations, changes in net financial assets, and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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 Lethbridge County as at December 31, 2014, and its results of financial activities, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

April 16, 2015

Lethbridge, Canada

LETHBRIDGE COUNTY

Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Financial assets:		
Cash and short-term investments (note 3)	\$ 19,943,546	\$ 17,541,519
Taxes and grants in place of taxes (note 4)	497,375	394,747
Trade and other receivables	4,874,659	6,058,615
Restricted cash (note 5)	764,742	802,526
	<u>26,080,322</u>	<u>24,797,407</u>
Financial liabilities:		
Accounts payable and accrued liabilities	2,409,007	1,984,037
Deferred lease payments (note 7)	5,082,892	5,381,885
Deposit liabilities	411,172	162,898
Deferred revenue (note 6)	5,016,697	6,002,657
Employee future benefits (note 17)	523,138	549,829
Long-term debt (note 8)	6,108,255	5,789,475
Other liabilities	764,742	802,526
	<u>20,315,903</u>	<u>20,673,307</u>
Net financial assets	5,764,419	4,124,100
Non-financial assets:		
Tangible capital assets (note 10)	124,416,064	127,561,955
Prepaid expenses and deposits	270,315	1,165,839
Inventories for consumption	1,377,873	1,260,339
	<u>126,064,252</u>	<u>129,988,133</u>
Contingent liabilities (note 13)		
Accumulated surplus (note 11)	\$ 131,828,671	\$ 134,112,233

See accompanying notes to financial statements.

LETHBRIDGE COUNTY

Statement of Operations

Year ended December 31, 2014, with comparative information for 2013

	Budget (note 20)	2014	2013
Revenue:			
Net municipal property taxes (note 12)	\$ 14,733,515	\$ 13,885,875	\$ 13,328,203
Sales and users charges	4,487,982	4,385,819	4,176,764
Government transfers (note 14)	2,049,317	2,256,678	2,061,858
Fines	140,000	203,807	153,300
Special levies	26,000	29,124	3,016,020
Penalties and cost of taxes	133,118	139,336	159,765
Licenses and permits	23,100	36,647	29,531
Rentals	652,950	661,195	277,803
Return on investments	130,102	270,807	221,307
Gain (Loss) on sale of tangible capital assets	-	(92,506)	71,013
Other	(292,234)	981,617	1,134,032
Total revenue	22,083,850	22,758,399	24,629,596
Expenses (note 15):			
Council and other legislative	431,667	421,386	490,185
General administration	3,842,226	3,970,887	3,731,674
Protective Services	1,742,999	1,898,391	1,693,279
Roads, Streets, walks and lighting	6,109,563	9,983,365	10,182,596
Airport	1,770,239	2,380,444	2,426,164
Fleet services	2,439,440	3,384,853	3,499,955
Water, wastewater and waste management	3,072,219	4,118,203	3,765,432
Family and community support	74,621	69,320	67,912
Agriculture development	875,302	731,667	777,153
Parks and recreation	48,682	72,728	67,613
Total expenses	20,406,958	27,031,244	26,701,963
Excess (deficiency) of revenue over expenses before the undemoted	1,676,892	(4,272,845)	(2,072,367)
Other income:			
Deferred lease payments	298,994	298,993	298,994
Government transfers for capital (note 14)	3,067,275	1,690,290	892,393
	3,366,269	1,989,283	1,191,387
Excess (deficiency) of revenue over expenses	5,043,161	(2,283,562)	(880,980)
Accumulated surplus, beginning of year	134,112,233	134,112,233	134,993,213
Accumulated surplus, end of year	\$ 139,155,394	\$ 131,828,671	\$ 134,112,233

See accompanying notes to financial statements.

LETHBRIDGE COUNTY

Statement of Change in Net Financial Assets

Year ended December 31, 2014, with comparative information for 2013

	Budget (note 20)	2014	2013
Excess (deficiency) of revenue over expenses \$	5,043,161	\$ (2,283,562)	\$ (880,980)
Acquisition of tangible capital assets	(6,773,215)	(5,083,932)	(3,169,086)
Amortization of tangible capital assets	-	7,445,988	7,563,933
(Gain) loss on sale of tangible capital assets	-	92,506	(71,013)
Proceeds on sale of tangible capital assets	551,500	691,329	596,065
	(6,221,715)	862,329	4,038,919
Acquisition inventories for consumption	-	(2,480,446)	(1,878,007)
Acquisition of prepaid expenses	-	(270,315)	(1,165,839)
Consumption of inventories for consumption	-	2,362,912	2,272,124
Use of prepaid expenses	-	1,165,839	239,976
	-	777,990	(531,746)
Change in net financial assets (net debt)	(1,178,554)	1,640,319	3,507,173
Net financial assets, beginning of year	4,124,100	4,124,100	616,927
Net financial assets, end of year	\$ 2,945,546	\$ 5,764,419	\$ 4,124,100

See accompanying notes to financial statements.

LETHBRIDGE COUNTY

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (2,283,562)	\$ (880,980)
Items not involving cash:		
Amortization of tangible capital assets	7,445,988	7,563,933
(Gain) loss on disposal of tangible capital assets	92,506	(71,013)
Change in non-cash operating assets and liabilities:		
Taxes and grants in place of taxes	(102,628)	74,108
Trade and other receivables	1,183,956	(2,022,213)
Accounts payable and accrued liabilities	424,970	(203,680)
Employee benefit obligations	(26,691)	(6,700)
Deposit liabilities	248,274	(1,852)
Deferred revenue	(985,960)	1,085,815
Prepaid expenses and deposits	895,524	(925,863)
Inventories for consumption	(117,534)	394,117
	<u>6,774,843</u>	<u>5,005,672</u>
Capital activities:		
Acquisition of tangible capital assets	(5,083,932)	(3,169,086)
Proceeds on sale of tangible capital assets	691,329	596,065
	<u>(4,392,603)</u>	<u>(2,573,021)</u>
Financing activities:		
Proceeds of long-term debt	665,000	-
Payments on long-term debt	(346,220)	(316,098)
Decrease deferred lease payments	(298,993)	(298,994)
	<u>19,787</u>	<u>(615,092)</u>
Increase cash and short-term investments	2,402,027	1,817,559
Cash and short-term investments, beginning of year	17,541,519	15,723,960
Cash and short-term investments, end of year	<u>\$ 19,943,546</u>	<u>\$ 17,541,519</u>

See accompanying notes to financial statements.

LETHBRIDGE COUNTY

Notes to Financial Statements

Year ended December 31, 2014

1. Significant accounting policies:

The financial statements of Lethbridge County (the "County") are prepared by management in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the County are as follows:

(a) Reporting entity:

The financial statements reflect the assets, liabilities, revenue and expenses of the reporting entity which comprises all of the organizations that are owned or controlled by the County and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

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

(b) Basis of accounting:

The 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 as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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

(c) Use of estimates:

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period.

Actual results could differ from these estimates.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(d) Investments:

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the effective rate method over the term of the respective investments. 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.

(e) Revenue recognition:

Net municipal property taxes are recognized as revenue as levied.

Sales and user charges are recognized as revenue as goods are transferred or services are rendered.

Contributed assets are recognized as revenue at fair market value of the assets at the date of receipt.

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(f) Requisition over-levy and under-levy:

Over-levies and under-levies arise from the difference between the actual property tax 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 tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(g) Government transfers:

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or 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.

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.

(h) Employee future benefits:

- (i) The County and its employees make contributions to the Municipal Pension Plan. These contributions are expensed as incurred.

Sick leave and other retirement benefits are also available to the County's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

- (ii) The costs of multi-employer defined contribution pension plan benefits, such as the Municipal Pension Plan, are the employer's contributions due to the plan in the period.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(i) 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 ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. When conditions indicate that they no longer contribute to the County's ability to provide goods and services, or when the value of the future economic benefits associated with the tangible capital asset are less than their book value the assets are written down. The net write downs are accounted for as an expense. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - years
Land improvements	15- 40
Buildings	15- 50
Engineered structures	
Road systems	5- 100
Water systems	45- 75
Wastewater systems	45- 75
Storm systems	45- 75
Machinery and equipment	3- 40
Vehicles	5 -25

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.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(iii) Leased tangible capital assets:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(iv) Works of art and cultural and historical assets:

Works of art and cultural and historical assets are not recorded as assets in these financial statements.

(v) Interest capitalization:

The County does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(vi) Inventories for consumption:

Inventories held for consumption are recorded at the lower of cost and replacement cost with costs determined on an average cost basis.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

2. Future accounting pronouncements:

The following is a summary of future accounting pronouncements. The impact of these pronouncements is expected to have a limited impact on the financial statements of the County.

1. Liability for contaminated sites:

The Public Sector Accounting Standards Board (PSAB) approved Section PS 3260. This section establishes standards for reporting a liability associated with the remediation of certain contaminated sites. This section is effective for years beginning on or after April 1, 2014. The County has not yet adopted this standard or determined the effect of the adoption of this standard on its financial statements.

2. Financial instruments, foreign currency translation and financial statements presentation:

PSAB approved Sections PS 3450 financial instruments, PS 2601 foreign currency translation, and PS 1201 financial statements presentation. PS 3450 provides guidance on the recognition, measurement, presentation, and disclosure of financial instruments including derivative instruments. PS 2601 provides guidance on how to account for and report financial instruments and transactions denominated in foreign currency. PS 1201 includes the adoption of a new statement outlining re-measurement gains and losses. This section is effective for years beginning on or after April 1, 2016. The County has not yet adopted these standards or determined the effect of the adoption on its financial statements.

3. Cash and temporary investments:

	2014	2013
Cash	\$ 3,430,980	\$ 1,638,148
Temporary investments	16,512,566	15,903,371
Total	\$ 19,943,546	\$ 17,541,519

Temporary investments are short-term deposits comprised of redeemable GICs with interest rates ranging from 1.67% to 2.10% (2013 – 1.50% to 2.00%). The investments will mature on or before August 21, 2015 (2013 – August 10, 2014).

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

4. Taxes and grant in place of taxes:

	2014	2013
Secured:		
Current taxes and grants in place of taxes	\$ 96,860	\$ 35,447
Arrears taxes	162,732	152,553
Credit transferred to payables	290,613	254,171
	550,205	442,171
Provision for doubtful accounts	(52,830)	(47,424)
	\$ 497,375	\$ 394,747

5. Restricted cash:

Restricted cash is made up of funds set aside in the Municipal land reserve account. Municipal reserve funds may be used only for the purposes specified in the Municipal Government Act, section 671(4). Accordingly, these amounts are not available for current operations.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

6. Deferred revenue:

Deferred revenue, reported on the statement of financial position, is made up of the following:

	December 31, 2013	Externally restricted inflows	Revenue earned	December 31, 2014
Alberta Municipal Infrastructure Program Grant (AMIP)	\$ 1,420,871	\$ 11,258	\$ (571,079)	\$ 861,050
Municipal Sustainability Initiative Grant-Capital (MSI)	3,272,262	1,600,313	(2,431,665)	2,440,910
Federal Gas Tax Fund Grant (FGTF)	709,622	588,645	(39,526)	1,258,741
Streets Improvement Program Grant (SIP)	204,847	1,639	(73,340)	133,146
Municipal Sustainability Initiative Grant- Operating (MSI)	146,474	109,464	(150,000)	105,938
Regional Collaboration Grant Program	99,000	1,154	(37,851)	62,303
Flood Recovery Erosion Control Program (FREC)	-	361,662	(256,508)	105,154
Other	149,581	-	(100,126)	49,455
Total	\$ 6,002,657	\$ 2,674,135	\$ (3,660,095)	\$ 5,016,697

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

7. Deferred lease payments:

	2014	2013
Balance, beginning of year	\$ 5,381,885	\$ 5,680,879
Amortization	(298,993)	(298,994)
	<u>\$ 5,082,892</u>	<u>\$ 5,381,885</u>

The County received \$8,969,812 as a prepaid lease payment from McCain Foods Limited for the use of a water treatment plant. The lease is for the useful operating life of the plant. The minimum term is for an initial period of ten years ending December 31, 2011 with four subsequent renewal terms of five years each. The deferred lease payments will be recognized as revenue as the payments are being used to fund the acquisition of the water treatment plant. The revenue will be recognized evenly over the thirty year minimum term of the lease, including the four renewal terms.

8. Long-term debt:

	2014	2013
Debenture tax supported	\$ 6,108,255	\$ 5,789,475
Current portion	\$ 377,979	\$ 334,009

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

8. Long-term debt (continued):

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2014	\$ 377,979	\$ 322,050	\$ 700,029
2015	398,856	301,173	700,029
2016	420,936	279,093	700,029
2017	444,290	255,739	700,029
2018	468,994	231,035	700,029
Thereafter	3,997,200	901,573	4,898,773

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at the rate of 3.145% to 6.500% per annum, before Provincial subsidy, and matures in periods 2024 to 2034. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Lethbridge County at large.

Interest payments on long-term debt amounted to \$326,564 (2013 - \$333,130).

9. Debt limits:

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 of the Lethbridge County be disclosed as follows:

	2014	2013
Total debt limit	\$ 34,137,599	\$ 36,944,394
Total debt	6,108,255	5,789,475
Unused debt limit	\$ 28,029,344	\$ 31,154,919
Debt servicing limit	\$ 5,689,600	\$ 6,157,399
Debt servicing	700,029	654,142
Amount of debt servicing limit unused	\$ 4,989,571	\$ 5,503,257

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) 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 municipality. Rather, the financial statements must be interpreted as a whole.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

10. Tangible capital assets:

	Land	Land improve- ments	Building - capital asset	Road systems	Water Systems	Wastewater Systems	Storm systems	Machinery and equipment	Vehicles	Total 2014	Total 2013
Cost:											
Balance, beginning of year	\$8,914,114	\$11,761,990	\$11,696,973	\$282,218,262	\$19,896,835	\$25,149,451	\$4,740,424	\$12,113,613	\$5,712,398	\$382,204,060	\$380,059,688
Additions	-	57,143	109,800	813,855	169,100	-	977,934	2,559,669	396,431	5,083,932	3,169,086
Disposals	-	-	-	-	-	-	-	(1,571,848)	(458,353)	(2,030,201)	(1,024,714)
Balance, end of year	\$8,914,114	\$11,819,133	\$11,806,773	\$283,032,117	\$20,065,935	\$25,149,451	\$5,718,358	\$13,101,434	\$5,650,476	\$385,257,791	\$382,204,060
Accumulated amortization:											
Balance, beginning of year	-	\$7,492,535	\$8,685,831	\$218,131,896	(3,863,804)	\$6,549,147	\$1,115,229	\$5,810,022	\$2,993,641	\$254,642,105	\$247,577,834
Disposals	-	-	-	-	-	-	-	(930,585)	(315,781)	(1,246,366)	(499,662)
Amortization	-	463,717	158,464	4,411,009	333,027	520,925	93,037	1,077,836	387,973	7,445,988	7,563,933
Balance, end of year	\$-	7,956,252	8,844,295	222,542,905	4,196,831	7,070,072	1,208,266	5,957,273	3,065,833	260,841,727	254,642,105
Net book value, end of year	\$8,914,114	\$3,862,881	\$2,962,478	\$60,489,212	\$15,869,104	\$18,079,379	\$4,510,092	\$7,144,161	\$2,584,643	\$124,416,064	\$127,561,955
Net book value, end of year 2013	\$8,914,114	\$4,269,455	\$3,011,142	\$64,086,366	\$16,033,031	\$18,600,304	\$3,625,195	\$6,303,591	\$2,718,757	\$-	\$127,561,955

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

10. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$178,086 (2013 - \$18,099) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

There were no contributed assets recognized during the year.

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset has been recognized at a nominal value. Land is the only category where nominal values were assigned, a nominal value of \$190 has been applied to 11.80 acres total of Municipal reserve public access walk ways.

(d) Write-down of tangible capital assets:

No write-down of tangible capital assets occurred during the year.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

11. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	Unrestricted	Restricted Surplus (i)	Equity in TCA (ii)	Accumulated Surplus 2014	Accumulated Surplus 2013
Balance, beginning of year	\$ 2,640,200	\$ 15,081,438	\$ 116,390,595	\$ 134,112,233	\$ 134,993,213
Deficiency of revenue over expenses	(2,283,562)	-	-	(2,283,562)	(880,980)
Designation operating funds	-	-	-	-	-
Transferred to restricted surplus	(4,365,661)	4,365,661	-	-	-
Transferred from restricted surplus	1,335,878	(1,335,878)	-	-	-
Acquisition of tangible capital assets internally funded	(2,816,179)	-	2,816,179	-	-
Externally funded	-	(2,267,753)	2,267,753	-	-
Net book value of tangible capital assets disposed	783,835	-	(783,835)	-	-
Amortization of capital assets	7,445,988	-	(7,445,988)	-	-
Debt issued	665,000	-	(665,000)	-	-
Debt principal paid	(645,213)	-	645,213	-	-
Balance, end of year	\$ 2,760,286	\$ 15,843,468	\$ 113,224,917	\$ 131,828,671	\$ 134,112,233

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

11. Accumulated surplus (continued):

	2014	2013
(i) Reserves:		
Administration Building Reserve	\$ 663,376	\$ 725,386
ASB Reserve Future Projects	194,423	201,423
Airport Capital Reserve	285,500	116,000
Airport Operating Reserve	68,325	68,325
Bridges Reserve	200,000	75,000
Business Tax Reserve	120,000	120,000
Computer Replacement Reserve	165,661	209,187
Council Discretionary Reserve	118,160	120,449
Disaster Services Reserve	1,158	1,158
Drainage Reserve	300,000	100,000
Economic Development Reserve	75,000	75,000
Utilities Future Project Reserve	591,312	643,908
Fleet Equipment Replacement	2,319,783	2,189,552
G.I.S. Reserve	159,350	159,350
Gravel Pit Reclamation Reserve	50,000	50,000
Kedon Road Reserve	162,000	135,000
Local Improvement Reserve	2,862,317	3,021,408
Safety Program Reserve	167,716	133,596
Municipal Debt Reduction Proceeds Reserve	1,212,092	1,024,625
Protective services Reserve	2,195,470	1,813,642
Public works Reserve	2,625,658	2,863,436
Public Works Infrastructure Reserve	68,483	68,483
Recreation Reserve	225,104	229,430
Shaughnessy debenture- sewer Reserve	27,880	27,880
Shaughnessy debenture- water Reserve	27,400	27,400
Snow Removal Reserve	512,000	462,000
Waterline Replacement Reserve	445,300	419,800
Total reserves	\$ 15,843,468	\$ 15,081,438
(ii) Equity in tangible capital assets:		
	2014	2013
Tangible capital assets (note 9)	\$ 385,257,791	\$ 382,204,060
Accumulated amortization (note 9)	(260,841,727)	(254,642,105)
Long-term debt (note 8)	(6,108,255)	(5,789,475)
Deferred lease (note 7)	(5,082,892)	(5,381,885)
		1,813,642
Total equity in TCA	\$ 113,224,917	\$ 116,390,595

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

12. Net municipal property taxes:

Taxation revenue, reported on the statement of operations, is made up of the following:

	Budget	2014	2013
General taxation:			
Real property taxes	\$ 15,238,149	\$ 14,390,510	\$ 14,149,511
Linear property taxes	2,998,112	2,998,112	2,683,414
Government grants in place of property taxes	1,392,044	1,392,043	1,435,803
	<u>19,628,305</u>	<u>18,780,665</u>	<u>18,268,728</u>
Less taxes levied for other authorities:			
School Authorities	304,069	304,069	329,368
Alberta School Foundation Fund	4,369,382	4,369,382	4,400,812
Green Acres Foundation	221,339	221,339	210,345
	<u>4,894,790</u>	<u>4,894,790</u>	<u>4,940,525</u>
Net municipal property taxes	<u>\$ 14,733,515</u>	<u>\$ 13,885,875</u>	<u>\$ 13,328,203</u>

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

13. Contingent liabilities:

Lethbridge County is a member of Genesis which provides liability insurance. The investment in this program is not reflected as an asset in the accompanying financial statements. The County was also a member of the Alberta Local Authorities Reciprocal Insurance Exchange (ALARIE), which is in the process of being wound down.

Under the terms of membership, the County could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

14. Government transfers:

	Budget	2014	2013
Federal transfers:			
Shared-cost agreement and grants-operating	\$ -	\$ -	\$ -
Shared cost agreement and grants- capital	2,050,615	210,665	493,161
Total federal transfer	2,050,615	210,665	493,161
Provincial transfers:			
Shared-cost agreement and grants- operating	2,049,317	2,256,678	\$ (2,061,858)
Shared cost agreement and grants- capital	1,016,660	1,479,625	399,232
Total provincial transfers	\$ 5,116,592	\$ 3,946,968	\$ 2,954,251
Total government transfers:			
Shared cost agreements and grants- operating	\$ 2,049,317	\$ 2,256,678	\$ 2,061,858
Shared cost agreements and grants- capital	3,067,275	1,690,290	892,393
Total government transfers	\$ 5,116,592	\$ 3,946,968	\$ 2,954,251

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

15. Expenses by object:

	Budget	2014	2013
Salaries, wages and benefits	\$ 8,873,650	\$ 8,453,482	\$ 8,154,122
Contracted and general services	5,033,647	5,347,098	5,056,413
Materials, good and utilities	5,452,896	4,816,206	4,816,207
Provision for Allowances	-	5,406	32,983
Transfers to local boards and agencies	526,316	519,507	506,487
Transfers to individual and organizations	134,649	116,993	238,688
Interest on long-term debt	385,800	326,564	333,130
Amortization	-	7,445,988	7,563,933
Total expenses by object	\$ 20,406,958	\$ 27,031,244	\$ 26,701,963

16. Segmented information:

Segmented information has been identified based upon lines of service provided by the County. County services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain lines of service that have been separately disclosed in the segments information, along with the services they provide, are as follows:

(a) Protective Services:

The mandate of Protective Services is to provide for the rescue and protection of people and property within Lethbridge County through effective and efficient management and coordination of emergency service systems and resources.

(b) Public Works:

The Public Works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, streets, walks and lighting.

(c) Airport:

The Airport is a modern thriving air service centre providing air transportation services to the Southern Alberta Community.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

16. Segmented information (continued):

(d) Utility Services:

The Utility department is responsible for water supply and distribution services within Lethbridge County, as well as wastewater treatment and disposal activities and waste management functions.

(e) Community Services:

Community Services provides funding for programs that support individuals, families, and communities. Programs and services are delivered through Family and Community Support Services.

(f) Parks and Recreation:

The Parks and Recreation department is responsible for clean, safe and attractive parks within Lethbridge County.

(g) Agricultural Development:

The County is responsible for agricultural development activities including pest control, soil, weed and crop services, agricultural field services, and roadside mowing programs.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment's budgeted net expenditure. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

16. Segmented information (continued):

2014	Emergency Services	Public Works	Airport	Utility Services	Community Services	Parks and Recreation	Agriculture Development	Other and unallocated	Total
Revenue:									
Taxation	\$ 1,678,090	\$ 7,202,933	\$ -	\$ 757,127	\$ 69,320	\$ 76,757	\$ 855,199	\$ 3,246,449	\$ 13,885,875
Goods and services	-	441,018	1,259,355	2,554,042	-	-	44,255	87,149	4,385,819
Government transfers	-	2,084,966	-	847,172	-	-	259,359	755,471	3,946,968
Fines	203,807	-	-	-	-	-	-	-	203,807
Penalties and cost of taxes	-	-	(4)	9,475	-	-	-	129,865	139,336
Licenses and permits	-	-	887	-	-	-	-	35,760	36,647
Rentals	2,632	-	452,168	27,836	-	-	1,975	176,584	661,195
Return on investments	-	-	-	-	-	-	-	270,807	270,807
Gain (loss) on sale of	-	-	4,100	-	-	-	-	(96,606)	(92,506)
Tangible Capital Assets	413,249	97,378	4,420	36,010	-	-	220	758,457	1,309,734
Other revenue	2,297,778	9,826,295	1,720,926	4,231,662	69,320	76,757	1,161,008	5,363,936	24,747,682
Expenses:									
Salaries and wages	310,321	2,943,090	834,192	668,438	-	63,287	574,180	3,059,974	8,453,482
Operating expenses	1,483,543	2,674,818	756,550	1,926,330	-	9,441	156,196	3,161,832	10,168,710
Transfer to local boards and agencies	-	-	-	379,695	69,320	-	-	70,492	519,507
Transfers to individuals and organizations	-	-	-	-	-	-	-	116,993	116,993
Interest on long-term debt	-	3,515	8,132	314,917	-	-	-	-	326,564
Amortization	104,527	4,361,942	781,570	828,823	-	-	1,291	1,367,835	7,445,988
Total expenses	1,898,391	9,983,365	2,380,444	4,118,203	69,320	72,728	731,667	7,777,126	27,031,244
Excess (deficiency) of revenue over expenses	\$ 399,387	\$ (157,070)	\$ (659,518)	\$ 113,459	\$ -	\$ 4,029	\$ 429,341	\$ (2,413,190)	\$ (2,283,562)

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

16. Segmented information (continued):

2013	Emergency Services	Public Works	Airport	Utility Services	Community Services	Parks and Recreation	Agriculture Development	Other and unallocated	Total
Revenue:									
Taxation	\$ 1,668,133	\$ 6,896,517	\$ -	\$ 889,672	\$ 67,912	\$ 79,820	\$ 751,401	\$ 2,974,748	\$ 13,328,203
Goods and services	-	299,547	1,323,761	2,427,224	-	-	40,776	85,456	4,176,764
Government transfers	122,910	1,554,744	-	13,825	-	-	243,359	1,019,413	2,954,251
Fines	153,300	-	-	-	-	-	-	-	153,300
Penalties and cost of taxes	-	-	-	5,523	-	-	-	154,242	159,765
Licenses and permits	-	-	(15)	-	-	-	-	29,546	29,531
Rentals	-	-	98,526	2,427	-	-	1,800	175,050	277,803
Return on investments	-	-	-	-	-	-	-	221,307	221,307
Gain (loss) on sale of Tangible Capital Assets	-	-	(3,160)	-	-	-	-	74,173	71,013
Other revenue	326,045	132,490	285,372	2,929,006	-	25	259	775,849	4,449,046
Total revenue	2,270,388	8,883,298	1,704,484	6,267,677	67,912	79,845	1,037,595	5,509,784	25,820,983
Expenses:									
Salaries and wages	333,726	2,692,377	824,587	657,906	-	57,013	580,048	3,008,465	8,154,122
Operating expenses	1,255,026	2,845,676	834,419	1,589,506	-	10,600	195,814	3,174,562	9,905,603
Transfers to local boards and agencies	-	-	-	369,440	67,912	-	-	69,135	506,487
Transfers to individuals and organizations	-	-	-	-	-	-	-	238,688	238,688
Interest on long-term debt	-	-	-	333,130	-	-	-	-	333,130
Amortization	104,527	4,644,543	767,158	815,450	-	-	1,291	1,230,964	7,563,933
Total expenses	1,693,279	10,182,596	2,426,164	3,765,432	67,912	67,613	777,153	7,721,814	26,701,963
Excess (deficiency) of revenue over expenses	\$ 577,109	\$ (1,299,298)	\$ (721,680)	\$ 2,502,245	\$ -	\$ 12,232	\$ 260,442	\$ (2,212,030)	\$ (880,980)

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

17. Employee benefit obligations:

	2014	2013
Vacation	\$ 307,828	\$ 329,263
Post-employment benefits	215,310	220,566
	<u>\$ 523,138</u>	<u>\$ 549,829</u>

Vacation:

The vacation liability is comprised of the vacation that employees are deferring to future years. Employees have earned these benefits and are expected to use them within the next budgetary year.

Post-employment benefits:

The County provides a retirement allowance for its employees. Employees with over 10 years of service to the County are eligible for the allowance at a rate of \$450 per year for each year of service over 10 years, plus \$1,500, up to a maximum of \$15,000. The benefit is paid out when the employee ceases to be an employee of the County.

18. Local authorities pension plan:

The County participates in a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan.

Employees of the County participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 230,534 people and about 418 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

18. Local authorities pension plan (continued):

The County is required to make current service contributions to the Plan of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current services contributions by the County to the Local Authorities Pension Plan in 2014 were \$714,258 (2013 - \$630,169). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2014 were \$659,155 (2013 - \$577,037).

At December 31, 2013, the LAPP disclosed an actuarial deficit of \$4.86 billion.

19. Comparative information:

Certain 2013 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

20. Budget and statement of operation reconciliation:

The following table reconciles the Excess (deficiency) of revenue over expenses in the Statement of Operations to the Budget Balance as shown in the 2012-2014 Budget and demonstrates how the legislative requirement for a balanced budget (where planned revenue sources equal planned expenditures) has been met.

The reconciliation below to encompass these items is provided for information purposes only to provide users with supplementary comparative information. It should not be used as a replacement for the statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	Budget	2014	2013
Excess (deficiency) of revenue over expenses	\$ 5,043,161	\$ (2,283,562)	\$ (880,980)
Adjustments to revenue:			
Equipment rental revenue, internal	3,339,355	3,383,555	3,206,530
Transfers from reserves	2,818,483	3,603,631	2,376,993
Proceeds from equipment sales	551,500	691,329	596,065
Gain (loss) on sales of tangible capital assets	-	92,506	(71,013)
Deferred lease payment	(298,994)	(298,993)	(298,994)
Services recovered, internal	504,718	509,914	478,323
Provision for allowances	15,000	-	-
Proceeds from debenture	772,500	665,000	-
Adjustments to expenses:			
Equipment rental costs, internal	(3,339,355)	(3,383,555)	(3,206,530)
Transfer to reserves	(1,722,744)	(3,326,161)	(5,061,872)
Capital purchases as per budget	(6,773,215)	(5,083,931)	(3,169,086)
Debt principal payments	(390,691)	(346,219)	(316,098)
Services performed, internal	(504,718)	(509,915)	(478,323)
Surplus allocation to reserves	-	(1,039,500)	(715,000)
Amortization expense	-	7,445,988	7,563,933
Provision for allowances	(15,000)	-	-
Budget balance, surplus (deficit)	\$ -	\$ 120,087	\$ 23,948

The budget information was approved by Council on January 16, 2014.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2014

21. Salary and benefits disclosure:

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	2014		2013	
	Salary (i)	Benefits and Allowances (ii)	Salary (i)	Benefits and Allowances (ii)
Councillors:				
Division 1	\$ 49,356	\$ 18,388	\$ 67,744	\$ 65,750
Division 2	27,707	15,544	43,251	44,403
Division 3	42,080	11,471	53,551	60,406
Division 4	32,527	12,339	44,866	44,914
Division 5	26,103	11,645	37,748	36,639
Division 6	31,857	14,309	46,166	39,635
Division 7	27,439	16,449	43,888	46,981
County Manager (outgoing)	-	-	-	207,831
County Manager (incoming)	177,874	36,190	214,064	30,152
Designated officers (2 positions)	186,420	40,312	226,732	215,140

- (i) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (ii) Benefits and allowances include the 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- and short-term disability plans, professional memberships, and tuition.

Benefits and allowances also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement services, concessionary loans, travel allowances, car allowances, and club memberships.

22. Approval of financial statements:

These financial statements were approved by Council.

LETHBRIDGE COUNTY

Statement of Operations - Airport

Year ended December 31, 2014, with comparative information for 2013

	Budget	2014	2013
Revenue:			
Parking fees	\$ 81,500	\$ 82,931	\$ 97,167
Leases	540,000	486,202	520,428
Vending machines	2,000	1,304	967
Air service fees	309,000	268,989	278,611
Passenger facility fees	420,000	394,539	397,389
International Landing fees	10,000	25,390	26,712
Utility recoveries	45,000	65,156	54,974
Custom cost recovered	145,668	93,709	108,884
Enhanced marketing costs recovered	257,132	293,303	200,000
Gain on sale of Tangible Capital Asset	-	4,100	(3,160)
Miscellaneous revenues	19,600	5,303	22,512
	<u>1,829,900</u>	<u>1,720,926</u>	<u>1,704,484</u>
Expenses:			
Wages and benefits	848,942	834,192	824,587
Travel and sustenance	9,300	4,790	8,278
Telephone	12,025	11,765	15,391
Building repairs and maintenance	79,181	95,927	126,758
Insurance	51,408	35,966	38,426
Commissionaires	149,000	156,841	152,657
Miscellaneous services	237,368	126,909	196,750
Utilities	174,497	128,899	137,686
Lubes and asphalt oil	3,122	2,497	4,771
Fuel	30,870	31,528	27,060
Materials and supplies	42,968	37,408	39,432
Machine parts	25,829	28,825	19,471
Amortization expense	-	781,570	767,158
Enhanced marketing costs	-	1,154	-
Miscellaneous supplies	5,359	8,752	8,444
Registration and membership fees	27,972	2,366	2,402
Legal and professional services	44,000	22,184	41,329
Equipment repairs and maintenance	13,273	60,741	15,564
Interest on long term debt	16,041	8,130	-
	<u>1,771,155</u>	<u>2,380,444</u>	<u>2,426,164</u>
Excess (deficiency) of revenue over expenses	\$ 58,745	\$ (659,518)	\$ (721,680)

