

Financial Statements of

LETHBRIDGE COUNTY

Year ended December 31, 2013

LETHBRIDGE COUNTY

Table of Contents
Year Ended December 31, 2013

MANAGEMENT REPORT	1
INDEPENDENT AUDITORS' REPORT	2
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF OPERATIONS	4
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7-24

Management's Responsibility for Financial Reporting

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, 2013 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 is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the County's external auditors.

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



Chief Administrative Officer
April 17, 2014



KPMG LLP
500 Lethbridge Centre Tower
400 - 4th Avenue South
Lethbridge AB T1J 4E1
Canada

Telephone (403) 380-5700
Fax (403) 380-5760
Internet www.kpmg.ca

Independent Auditors' Report

To the Reeve and Members of Lethbridge County

We have audited the accompanying consolidated financial statements of Lethbridge County (the "County") which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated 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 Consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Lethbridge County as at December 31, 2013, and its results of consolidated 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

April 17, 2014
Lethbridge, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

LETHBRIDGE COUNTY

Statement of Financial Position

As at December 31, 2013, with comparative information for 2012

	2013	2012
Financial assets:		
Cash and temporary investments (note 4)	\$ 17,541,519	\$ 15,723,960
Taxes and grants in place of taxes (note 5)	394,747	468,855
Trade and other receivables	6,058,615	4,036,402
Restricted cash accounts (note 6)	802,526	756,430
	<u>24,797,407</u>	<u>20,985,647</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,984,037	2,187,717
Deposit liabilities	162,898	164,750
Employee benefit obligations (note 7)	549,829	556,529
Deferred revenue (note 8)	6,002,657	4,916,842
Deferred lease payments (note 9)	5,381,885	5,680,879
Long-term debt (note 10)	5,789,475	6,105,573
Other liabilities	802,526	756,430
	<u>20,673,307</u>	<u>20,368,720</u>
Net financial assets	<u>4,124,100</u>	<u>616,927</u>
Non-financial assets:		
Tangible capital assets (note 12)	127,561,955	132,481,854
Inventory for consumption	1,260,339	1,654,456
Prepaid expenses	1,165,839	239,976
	<u>129,988,133</u>	<u>134,376,286</u>
Contingent liability (note 13)		
Accumulated surplus (note 14)	<u>\$ 134,112,233</u>	<u>\$ 134,993,213</u>

LETHBRIDGE COUNTY

Statement of Operations

For the year ended December 31, 2013, with comparative information for 2012

	Budget	2013	2012
Revenue:			
Net municipal property taxes (note 15)	\$ 13,336,694	\$ 13,328,203	\$ 12,703,392
Sales and user charges	4,140,324	4,176,764	4,155,140
Government transfers for operating (note 16)	1,745,699	2,061,858	1,974,345
Fines	120,000	153,300	125,378
Special levies	138,500	3,016,020	162,608
Penalties and cost of taxes	125,510	159,765	154,100
Licenses and permits	20,500	29,531	20,396
Rentals	691,186	277,803	115,684
Return on investments	130,100	221,307	182,230
Gain (Loss) on sale of tangible capital assets	--	71,013	(26,675)
Other revenues	2,995,337	1,134,032	2,244,655
Total revenue	23,443,850	24,629,596	21,811,253
Expenses (note 17):			
Council and other legislative	379,284	490,185	387,209
General administration	3,912,424	3,731,674	3,205,714
Protective services	1,709,991	1,693,279	1,773,884
Roads, streets, walks and lighting	4,702,914	10,182,596	10,084,810
Airport	1,758,220	2,426,164	2,299,694
Fleet services	2,469,073	3,499,955	3,251,684
Water, wastewater and waste management	4,011,705	3,765,432	5,052,152
Family and community support	73,158	67,912	68,817
Agricultural development	856,183	777,153	839,197
Parks and recreation	45,060	67,613	54,009
Total Expenses	19,918,012	26,701,963	27,017,170
Excess (Deficiency) of revenue over expenses – before other	3,525,838	(2,072,367)	(5,205,917)
Other revenue			
Deferred lease payment	298,994	298,994	298,994
Government transfers for capital (note 16)	4,403,672	892,393	7,174,848
Excess (Deficiency) of revenue over expenses	8,228,504	(880,980)	2,267,925
Accumulated surplus, beginning of year	134,993,213	134,993,213	132,725,288
Accumulated surplus, end of year	\$ 143,221,717	\$ 134,112,233	\$ 134,993,213

LETHBRIDGE COUNTY

Statement of Change in Net Financial Assets

For the year ended December 31, 2013, with comparative information for 2012

	Budget	2013	2012
Excess (Deficiency) of revenue over expenses	\$ 8,228,504	\$ (880,980)	\$ 2,267,925
Acquisition of tangible capital assets	(8,451,025)	(3,169,086)	(8,936,126)
Amortization of tangible capital assets	--	7,563,933	7,632,702
(Gain) Loss on sale of tangible capital assets	--	(71,013)	26,675
Proceeds on sale of tangible capital assets	495,000	596,065	318,483
	<u>272,479</u>	<u>4,038,919</u>	<u>1,309,659</u>
Acquisition of inventories for consumption	--	(1,878,007)	(3,097,801)
Acquisition of prepaid expenses	--	(1,165,839)	(239,976)
Consumption of inventories for consumption	--	2,272,124	2,929,859
Use of prepaid expenses	--	239,976	221,065
	<u>272,479</u>	<u>3,507,173</u>	<u>1,122,806</u>
Change in net financial assets	272,479	3,507,173	1,122,806
Net financial assets (debt), beginning of year	<u>616,927</u>	<u>616,927</u>	<u>(505,879)</u>
Net financial assets, end of year	\$ 889,406	\$ 4,124,100	\$ 616,927

LETHBRIDGE COUNTY

Statement of Cash Flows

For the year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess (Deficiency) of revenue over expenses	\$ (880,980)	\$ 2,267,925
Items not involving cash:		
Amortization of tangible capital assets	7,563,933	7,632,702
Loss on sale of tangible capital assets	(71,013)	26,675
Change in non-cash working capital:		
Taxes and grants in place of taxes	74,108	229,942
Trade and other receivables	(2,022,213)	4,269,559
Accounts payable and accrued liabilities	(203,680)	(1,603,659)
Deposit liabilities	(1,852)	1,852
Employee benefit obligations	(6,700)	(40,558)
Deferred revenue	1,085,815	(1,525,458)
Inventory for consumption	394,117	(167,941)
Prepaid expenses	(925,863)	(18,911)
Net change in cash from operating activities	5,005,672	11,072,128
Capital activities:		
Acquisition of tangible capital assets	(3,169,086)	(8,936,126)
Proceeds on sale of tangible capital assets	596,065	318,483
Net change in cash from capital activities	(2,573,021)	(8,617,643)
Financing activities		
Long-term debt repaid	(316,098)	(454,629)
Deferred lease payments	(298,994)	(298,994)
Net change in cash from financing activities	(615,092)	(753,623)
Net change in cash	1,817,559	1,700,862
Cash and cash equivalents, beginning of year	15,723,960	14,023,098
Cash and cash equivalents, end of year	\$ 17,541,519	\$ 15,723,960

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2013

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lethbridge County are the representations of management prepared in accordance 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.

(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) Investment income

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

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2013

(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.

(g) Government transfers

Government transfers are the transfer of assets from senior levels or 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) 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.

(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. The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over the estimated useful life as follows:

Asset	Useful Life – Years
Land Improvements	15 - 40
Buildings	15 - 50
Engineered structures	
Roadway 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.

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2013

(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) **Leased tangible capital assets**

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 for consumption**

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

(v) **Works of art and cultural and historical tangible capital assets**

Works of art for display are not recorded as assets in these financial statements.

(vi) **Interest capitalization**

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

NOTE 2. CHANGE IN ACCOUNTING POLICY

During the year, the County implemented Public Sectors Accounting Standards ("PSAS") Section 3510 Tax Revenue. Section 3510 established general reporting principles and standards for the recognition of tax revenues. The County has elected to implement this section on a prospective basis. Due to the implementation of this section, certain levies and taxes are now recognized upon the taxing event, this resulted in certain revenues and receivables relating to certain levies were recognized in the current year. The impact of the adoption of this standard is that \$2,737,822 of certain tax levies and related receivables were recognized in the current year.

NOTE 3. FUTURE ACCOUNTING PRONOUNCEMENTS

The following is a summary of the future accounting pronouncements. The impact of these pronouncements, if any, has not yet been determined:

(i) **Liability for containment 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.

(ii) **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 statement presentation. PS 3450 provides guidance on the recognition, measurement, presentation and disclosure of financial instruments including derivative instruments. PS 1201 provides guidance on deferral and amortization of unrealized gains and losses, hedge accounting and separation of realized and unrealized gains and losses. PS 1201 discloses unrealized gains and losses. These sections are effective for years beginning on or after April 1, 2015. While early adoption is allowed, all three sections must be adopted at the same time. The County has not yet adopted these standards or determined the effect of the adoption on the financial statements.

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2013

NOTE 4. CASH AND TEMPORARY INVESTMENTS

	2013		2012	
Cash	\$	1,638,149	\$	5,721,530
Temporary investments		15,903,370		10,002,430
Total	\$	17,541,519	\$	15,723,960

Temporary investments are short-term deposits comprised of redeemable GICs with interest rates ranging from 1.50% to 2.00% (2012 – 0.83% to 1.95%). The investments will mature before August 13, 2014 (2012 – October 10, 2013).

NOTE 5. TAXES AND GRANTS IN PLACE OF TAXES

	2013		2012	
Current taxes and grants in place of taxes	\$	35,447	\$	87,893
Arrears taxes		152,553		178,478
Credit transferred to payables		254,171		216,925
		442,171		483,297
Less: Allowance for uncollectible taxes		(47,424)		(14,441)
Total	\$	394,747	\$	468,855

NOTE 6. RESTRICTED CASH ACCOUNTS

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.

NOTE 7 EMPLOYEE BENEFIT OBLIGATIONS

	2013		2012	
Vacation	\$	329,264	\$	293,410
Post-employment benefits		220,565		263,119
Total	\$	549,829	\$	556,529

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.

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2013

NOTE 7. EMPLOYEE BENEFIT OBLIGATIONS, continued

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.

NOTE 8. DEFERRED REVENUE

The deferred revenues, reported on the statement of financial position, are made up of the following:

	December 31, 2012	Externally restricted inflows	Revenue earned	December 31, 2013
Alberta Municipal Infrastructure Program Grant (AMIP)	1,447,814	17,871	(44,814)	1,420,871
Municipal Sustainability Initiative Grant - capital (MSI)	2,158,672	2,432,003	(1,318,413)	3,272,262
Federal Gas Tax Fund Grant (FGTF)	762,637	9,455	(62,470)	709,622
Streets Improvement Program Grant (SIP)	170,782	67,319	(33,254)	204,847
Municipal Sustainability Initiative Grant -operating (MSI)	169,906	191,568	(215,000)	146,474
Regional Collaboration Grant Program	64,270	39,539	(4,809)	99,000
Rural Transportation Grant (RTF)	--	547,421	(547,421)	--
Airport Capital Assistance Program (ACAP)	--	426,151	(426,151)	--
ASB Grants	--	243,359	(243,359)	--
Other	142,761	65,380	(58,560)	149,581
Total	4,916,842	4,040,066	(2,954,251)	6,002,657

NOTE 9. DEFERRED LEASE PAYMENTS

	2013	2012
Balance, beginning of year	\$ 5,680,879	\$ 5,979,873
Amortization	(298,994)	(298,994)
Total	\$ 5,381,885	\$ 5,680,879

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 to 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.

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2013

NOTE 10. LONG-TERM DEBT

	2013	2012
Debentures – tax supported	\$ 5,789,475	\$ 6,105,573
Current Portion	\$ 334,009	\$ 316,461

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2013	\$ 334,009	\$ 320,133	\$ 654,142
2014	352,966	301,175	654,141
2015	373,034	281,108	654,142
2016	394,277	259,865	654,142
2017	416,768	237,374	654,142
Thereafter	3,918,421	980,494	4,898,915
Total	\$ 5,789,475	\$ 2,380,149	\$ 8,169,624

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 2031. 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 \$333,130 (2012 - \$366,385).

NOTE 11. DEBT LIMITS

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

	2013	2012
Total debt limit	\$ 36,944,393	\$ 32,716,880
Total debt	5,789,475	6,105,573
Unused debt limit	\$ 31,154,918	\$ 26,611,307
Debt servicing limit	\$ 6,157,399	\$ 5,452,813
Debt servicing	654,142	654,504
Unused debt servicing limit	\$ 5,503,257	\$ 4,798,309

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 which could be at financial risk if further debt is acquired.

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2013

NOTE 12. TANGIBLE CAPITAL ASSETS

Cost	Balance at December 31, 2012	Additions	Disposals	Balance at December 31, 2013
Land	\$ 8,886,187	\$ 30,492	\$ (2,565)	\$ 8,914,114
Land Improvements	11,761,990			11,761,990
Buildings	11,461,495	235,478		11,696,973
Road systems	282,088,072	130,190		282,218,262
Water systems	19,824,992	71,843		19,896,835
Wastewater systems	25,149,451			25,149,451
Storm systems	4,740,424			4,740,424
Machinery and equipment	11,037,270	2,041,243	(964,900)	12,113,613
Vehicles	5,109,807	659,840	(57,249)	5,712,398
Total	\$ 380,059,688	\$ 3,169,086	\$ (1,024,714)	\$ 382,204,060

Accumulated Amortization	Balance at December 31, 2012	Additions	Disposals	Balance at December 31, 2013
Land Improvements	7,040,467	452,068		7,492,535
Buildings	8,527,367	158,464		8,685,831
Road systems	213,438,285	4,693,611		218,131,896
Water systems	3,540,417	323,387		3,863,804
Wastewater systems	6,027,487	521,660		6,549,147
Storm systems	1,035,232	79,997		1,115,229
Machinery and equipment	5,315,469	944,693	(450,140)	5,810,022
Vehicles	2,653,110	390,053	(49,522)	2,993,641
Total	\$ 247,577,834	\$ 7,563,933	\$ (499,662)	\$ 254,642,105

Net Book Value	Balance at December 31, 2012	Balance at December 31, 2013
Land	\$ 8,886,187	\$ 8,914,114
Land Improvements	4,721,523	4,269,455
Buildings	2,934,128	3,011,142
Road systems	68,649,787	64,086,366
Water systems	16,284,576	16,033,031
Wastewater systems	19,121,963	18,600,304
Storm systems	3,705,192	3,625,195
Machinery and equipment	5,721,801	6,303,591
Vehicles	2,456,696	2,718,757
Total	\$ 132,481,854	\$ 127,561,955

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2013

NOTE 12. TANGIBLE CAPITAL ASSETS, continued

(a) Assets under construction

Assets under construction having a value of \$18,099 (2012 - \$1,199,478) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was 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.

NOTE 13. CONTINGENT LIABILITY

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.

NOTE 14. ACCUMULATED SURPLUS

	Unrestricted Surplus	Restricted Surplus ⁽¹⁾	Equity in TCA ⁽¹⁾	Accumulated Surplus/Deficit	
				2013	2012
Balance –beginning of year	\$ 2,616,253	\$11,681,558	\$120,695,402	\$134,993,213	\$132,725,288
Excess (Deficiency) of revenue over expenses	(880,980)			\$ (880,980)	2,267,925
Designation operating funds					
Transferred to restricted surplus	(5,776,872)	5,776,872			
Transferred from restricted surplus	864,638	(864,638)			
Acquisition of capital assets					
Internal	(1,656,732)		1,656,732		
Restricted		(1,512,354)	1,512,354		
Net book value of capital Assets disposed	525,052		(525,052)		
Amortization of capital assets	7,563,933		(7,563,933)		
Debt principal paid	(615,092)		615,092		
Balance – end of year	\$2,640,200	\$15,081,438	\$116,390,595	\$134,112,233	\$134,993,213

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2013

NOTE 14. ACCUMULATED SURPLUS, continued

(i) Restricted surplus is comprised of the following:

	2013	2012
Administration building	\$ 725,386	\$ 739,469
Agricultural service projects	201,422	201,423
Airport operating reserve	116,000	116,000
Airport capital replacement reserve	68,325	38,325
Bridge Projects	75,000	--
Business tax reserve	120,000	120,000
Computer replacement	209,188	228,117
Council discretionary reserve	120,449	143,385
Disaster services	1,158	1,158
Drainage reserve	100,000	100,000
Economic Development	75,000	--
Environmental health projects	643,907	639,143
Fleet equipment replacement	2,189,552	2,576,040
Frontage reserve	--	136,899
GIS projects	159,350	168,618
Gravel pit reclamation	50,000	50,000
Kedon road reserves	135,000	108,000
Local Improvement reserve	3,021,408	--
Municipal debt reduction proceeds	1,024,625	1,020,341
Municipal safety program	133,596	121,043
Protective services	1,813,642	1,440,366
Public works	2,863,436	2,645,304
Public works infrastructure	68,483	68,483
Recreation	229,430	157,863
Shaughnessy debenture – sewer	27,881	27,881
Shaughnessy debenture – water	27,400	27,400
Snow removal	462,000	412,000
Waterline replacement reserve	419,800	394,300
Total	\$ 15,081,438	\$ 11,681,558

(ii) Equity in tangible capital assets:

	2013	2012
Tangible capital assets (note 12)	\$ 382,204,060	\$ 380,059,688
Accumulated amortization (note 12)	(254,642,105)	(247,577,834)
Long-term debt (note 10)	(5,789,475)	(6,105,573)
Deferred lease (note 9)	(5,381,885)	(5,680,879)
Total	\$ 116,390,595	\$ 120,695,402

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2013

NOTE 15. NET MUNICIPAL PROPERTY TAXES

	Budget	2013	2012
Taxation			
Real property taxes	\$ 14,158,002	\$ 14,149,511	\$ 13,417,182
Linear property taxes	2,683,414	2,683,414	2,600,287
Government grants in place of property taxes	1,435,803	1,435,803	1,415,769
	<u>18,277,219</u>	<u>18,268,728</u>	<u>17,433,238</u>
Requisitions			
School boards	329,368	329,368	322,795
Alberta School Foundation Fund	4,400,812	4,400,812	4,207,054
Seniors foundations	210,345	210,345	199,997
	<u>4,940,525</u>	<u>4,940,525</u>	<u>4,729,846</u>
Net municipal property taxes	\$ 13,336,694	\$ 13,328,203	\$ 12,703,392

NOTE 16. GOVERNMENT TRANSFERS

	Budget	2013	2012
Federal transfers			
Shared-cost agreements and grants - operating	\$123,478	\$ --	\$ 923,839
Shared-cost agreements and grants - capital	1,099,368	493,161	493,161
	<u>1,222,846</u>	<u>493,161</u>	<u>1,417,000</u>
Provincial transfers			
Shared-cost agreements and grants - operating	1,622,222	2,061,858	1,050,506
Shared-cost agreements and grants - capital	3,304,303	399,232	6,681,687
	<u>4,926,525</u>	<u>2,461,090</u>	<u>7,732,193</u>
Total government transfers	\$ 6,149,371	\$ 2,954,251	\$ 9,149,193
Total Government transfers			
Operating	1,745,699	2,061,858	1,974,345
Shared-cost agreements and grants - capital	4,403,672	892,393	7,174,848
	<u>\$ 6,149,371</u>	<u>\$ 2,954,251</u>	<u>\$ 9,149,193</u>

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2013

NOTE 17. EXPENSES BY OBJECT

	BUDGET	2013	2012
Expenses			
Salaries, wages and benefits	\$ 8,406,901	\$ 8,154,123	\$ 7,466,033
Contracted and general services	5,631,798	5,056,412	5,985,320
Materials, goods and utilities	4,788,256	4,816,207	4,860,172
Provision for allowances	--	32,983	394
Transfers to local boards and agencies	512,597	506,487	460,100
Transfers to individuals and organizations	231,817	238,688	238,598
Interest on long-term debt	346,643	333,130	373,850
Amortization	--	7,563,933	7,632,703
Total expenses	\$ 19,918,012	\$ 26,701,963	\$ 27,017,170

NOTE 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 206,000 people and about 421 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.

The County is required to make current service contributions to the Plan of 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.47% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.74% on pensionable salary above this amount.

Total current services contributions by the County to the Local Authorities Pension Plan in 2013 were \$630,169 (2012 - \$553,102). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2013 were \$577,037 (2012 - \$503,600).

At December 31, 2012, the LAPP disclosed an actuarial deficit of \$4.977 billion.

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2013

NOTE 19. 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.

(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
Year ended December 31, 2013

NOTE 19. SEGMENTED INFORMATION, continued

2013

	Emergency Services	Public Works	Airport	Utility Services	Community Services	Parks and Recreation	Agricultural Development	Other and unallocated	Total
Revenues:									
Net Municipal Property Taxes	\$ 1,668,133	\$ 6,896,517	\$ 58,150	\$ 889,672	\$ 67,912	\$ 79,820	\$ 751,401	\$ 2,916,598	\$ 13,328,203
Sales and user charges	--	299,547	1,323,761	2,427,224	--	--	40,776	85,456	4,176,764
Government transfers	122,910	1,554,744	567,828	13,825	--	--	243,359	451,585	2,954,251
Fines	153,300	--	--	--	--	--	--	--	153,300
Penalties and cost of taxes	--	--	--	5,523	--	--	--	154,241	159,764
Licenses and permits	--	--	(14)	--	--	--	--	29,545	29,531
Rentals	--	--	98,526	2,427	--	--	1,800	175,051	277,804
Return on investments	--	--	--	--	--	--	--	221,307	221,307
Loss on sale of Tangible Capital Assets	--	--	(3,160)	--	--	--	--	74,173	71,013
Other revenues	326,045	132,490	285,372	2,929,006	--	25	259	775,849	4,449,046
Total revenues	2,270,388	8,883,298	2,330,463	6,267,677	67,912	79,845	1,037,595	4,883,805	25,820,983
Expenses:									
Salaries, wages and benefits	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	104,528	4,644,544	767,158	815,450	--	--	1,291	1,230,962	7,563,933
Total expenses:	1,693,280	10,182,597	2,426,164	3,765,432	67,912	67,613	777,153	7,721,812	26,701,963
Annual surplus (deficit)	\$ 577,108	\$ (1,299,299)	\$ (95,701)	\$ 2,502,245	\$ --	\$ 12,232	\$ 260,442	\$ (2,838,007)	\$ (860,980)

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2013

NOTE 19. SEGMENTED INFORMATION, continued

2012

	Emergency Services	Public Works	Airport	Utility Services	Community Services	Parks and Recreation	Agricultural Development	Other and unallocated	Total
Revenues:									
Net Municipal Property Taxes	\$ 1,460,269	\$ 7,153,547	\$ 178,330	\$ 854,582	\$ 68,817	\$ 65,206	\$ 711,721	\$ 2,210,920	\$ 12,703,392
Sales and user charges	-	304,239	1,311,257	2,328,405	-	-	50,663	160,576	4,155,140
Government transfers	286,775	7,890,320	262,013	166,908	-	-	408,797	134,380	9,149,193
Fines	125,378	-	-	-	-	-	-	-	125,378
Penalties and cost of taxes	-	-	(433)	7,061	-	-	-	147,472	154,100
Licenses and permits	-	-	-	-	-	-	-	20,396	20,396
Rentals	-	-	-	-	-	-	862	114,822	115,684
Return on investments	-	-	32	-	-	-	-	182,198	182,230
Loss on sale of Tangible Capital Assets	-	(721)	-	-	-	-	-	(25,954)	(26,675)
Other revenues	468,300	62,122	274,758	1,719,468	-	-	-	181,609	2,706,257
Total revenues	2,340,722	15,409,507	2,025,957	5,076,424	68,817	65,206	1,172,043	3,126,419	29,285,095
Expenses:									
Salaries, wages and benefits	205,569	2,566,369	747,039	677,411	-	43,870	587,382	2,638,393	7,466,033
Operating expenses	1,483,771	2,727,454	812,708	2,850,682	-	10,139	250,525	2,718,073	10,853,352
Transfers to local boards and agencies	-	-	-	343,785	68,817	-	-	47,498	460,100
Transfers to individuals and organizations	-	-	-	-	-	-	-	238,598	238,598
Interest on long-term debt	-	-	-	366,385	-	-	-	-	366,385
Amortization	84,544	4,790,987	739,947	813,889	-	-	1,291	1,202,044	7,632,702
Total expenses:	1,773,884	10,084,810	2,299,694	5,052,152	68,817	54,009	839,198	6,844,606	27,017,170
Annual surplus (deficit)	\$ 566,838	\$ 6,324,697	\$ (273,737)	\$ 24,272	\$ -	\$ 11,197	\$ 332,845	\$ (3,718,187)	\$ 2,267,925

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2013

NOTE 20. 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:

	Salary ⁽ⁱ⁾	Benefits and Allowances ⁽ⁱⁱ⁾	2013 Total	2012 Total
Councillors:				
Division 1	\$ 47,831	\$ 17,919	\$ 65,750	\$ 61,639
Division 2	29,758	14,645	44,403	39,389
Division 3	45,963	14,443	60,406	55,226
Division 4	31,709	13,205	44,914	39,097
Division 5	25,367	11,272	36,639	33,853
Division 6	28,615	11,020	39,635	32,387
Division 7	29,752	17,229	46,981	40,101
County Manager (outgoing)	170,833	36,998	207,831	200,239
County Manager (incoming)	24,911	5,241	30,152	--
Designated officers (2 positions)	174,054	41,086	215,140	202,253

- (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

NOTE 21. FINANCIAL INSTRUMENTS

It is management's opinion that the County is not exposed to significant interest or currency risks arising from its financial instruments.

The County is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the County provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

NOTE 22. COMPARATIVE INFORMATION

Where necessary the comparative information for the 2012 year have been reclassified to conform with 2013 financial statement presentation.

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2013

NOTE 23. BUDGET AND STATEMENT OF OPERATIONS 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 2013	ACTUAL 2013	ACTUAL 2012
Excess (Deficiency) of revenue over expenses	\$ 8,228,504	\$ (880,980)	\$ 2,267,925
<i>Adjustments to revenue:</i>			
Equipment rental revenue - internal	3,430,784	3,206,530	3,670,010
Transfers from reserves	2,657,500	2,376,993	2,236,573
Proceeds from equipment sales	495,000	596,065	318,482
Gain (loss) on sales of tangible capital assets	-	(71,013)	26,675
Deferred lease payment	(298,994)	(298,994)	(298,994)
Services recovered - internal	481,137	478,323	456,971
Provision for allowances	15,000	-	-
<i>Adjustments to expenses:</i>			
Equipment rental costs - internal	(3,269,712)	(3,206,530)	(3,670,010)
Transfers to reserves	(2,475,960)	(5,061,872)	(2,080,831)
Capital purchases as per budget	(8,451,025)	(3,169,086)	(8,936,126)
Debt principal payments	(316,097)	(316,098)	(454,629)
Services performed - internal	(481,137)	(478,323)	(456,972)
Provision for allowances	(15,000)	-	-
Surplus allocation to reserves	-	(715,000)	(726,000)
Amortization expense	-	7,563,933	7,632,703
Budget Balance - Surplus (Deficit)	\$ -	\$ 23,948	\$ (14,223)

* Transferred to Unrestricted Surplus

The budget information was approved by Council on January 16, 2013.

NOTE 24. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.

LETHBRIDGE COUNTY

Airport - Statement of Operations

For the year ended December 31, 2013, with comparative figures for 2012

	Budget	2013	2012
Revenue:			
Parking fees	\$ 79,000	\$ 97,167	\$ 80,445
Leases	520,000	520,428	498,845
Vending machines	2,000	967	1,377
Registrations	3,500	-	1,354
Air service fees	300,000	278,611	307,775
Passenger facility fees	405,000	397,389	392,482
International Landing fees	-	26,712	26,383
Utility recoveries	40,000	54,974	52,808
Custom costs recovered	145,668	108,884	126,446
Enhanced marketing costs recovered	281,618	200,000	86,078
Gain on sale of TCA	-	(3,160)	-
Miscellaneous revenues	9,300	22,512	12,755
Total revenue	1,786,086	1,704,484	1,586,748
Expenses:			
Wages and benefits	804,492	824,587	739,802
Travel and sustenance	9,000	8,278	10,805
Telephones	9,917	15,391	14,758
Registration and membership fees	6,400	2,402	2,275
Legal and professional services	64,000	41,329	31,753
Equipment repairs and maintenance	8,997	15,564	14,714
Building repairs and maintenance	77,628	126,758	85,015
Insurance	50,400	38,426	44,808
Commissionaires	136,017	152,657	147,052
Miscellaneous services	316,445	196,750	173,940
Utilities	170,252	137,686	127,733
Lubes and asphalt oil	3,060	4,771	1,299
Fuel	29,400	27,060	18,056
Materials and supplies	41,636	39,432	28,186
Machine parts	30,576	19,471	5,812
Amortization expense	-	767,158	739,947
Enhanced marketing costs	-	-	107,597
Miscellaneous supplies	-	8,444	6,142
Total expenses	1,758,220	2,426,164	2,299,694
Deficiency of revenue over expenses	\$ 27,866	\$ (721,680)	\$ (712,946)