

Financial Statements of

LETHBRIDGE COUNTY

Year ended December 31, 2017

LETHBRIDGE COUNTY

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Year Ended December 31, 2017

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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, 2017 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 Administration Officer



Director of Corporate Services



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INDEPENDENT AUDITORS' REPORT

To the Reeve and Members 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, 2017, 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, 2017, 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 Professional Accountants

Lethbridge, Canada

April 19, 2018



LETHBRIDGE COUNTY

Statement of Financial Position

As at December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets:		
Cash and temporary investments (note 3)	\$ 31,098,251	\$ 28,710,564
Taxes and grants in place of taxes (note 4)	299,444	424,252
Trade and other receivables	4,854,398	4,751,636
Restricted cash accounts (note 5)	919,942	814,708
	<u>37,172,035</u>	<u>34,701,160</u>
Financial liabilities:		
Accounts payable and accrued liabilities	3,343,227	1,143,291
Deposit liabilities	493,903	185,748
Employee benefit obligations (note 6)	531,106	585,410
Deferred revenue (note 7)	7,349,804	7,580,151
Deferred lease payments (note 8)	4,185,907	4,484,900
Long-term debt (note 9)	10,423,482	5,549,503
Other liabilities	919,942	814,708
Special taxes refundable	317	694,099
	<u>27,247,688</u>	<u>21,037,810</u>
Net financial assets	<u>9,924,347</u>	<u>13,663,350</u>
Non-financial assets:		
Tangible capital assets (note 11)	135,454,610	127,852,696
Inventory for consumption	1,366,307	1,765,113
Prepaid expenses	264,583	303,057
	<u>137,085,500</u>	<u>129,920,866</u>
Contingent liability (note 12)		
Subsequent event (note 13)		
Accumulated Surplus (note 14)	<u>\$ 147,009,847</u>	<u>\$ 143,584,216</u>

See accompanying notes to financial statements.

LETHBRIDGE COUNTY

Statement of Operations

For the year ended December 31, 2017, with comparative information for 2016

	Budget (note 21)	2017	2016
Revenue:			
Net municipal property taxes (note 15)	\$ 15,079,915	\$ 15,057,402	\$ 14,893,317
Sales and user charges	5,099,995	5,482,260	4,937,123
Government transfers for operating (note 16)	2,034,405	652,243	629,479
Fines	200,000	181,125	211,609
Penalties and costs on taxes	147,100	172,104	194,130
Licenses and permits	30,100	40,146	43,608
Rentals	591,900	563,586	533,149
Return on Investments	175,110	310,996	342,155
Gain(loss) on sale of tangible capital assets	-	139,369	(482,895)
Other revenues	469,525	3,140,383	2,403,751
Total revenue	23,828,050	25,739,614	23,705,426
Expenses (note 17):			
Council and other legislative	507,825	548,719	464,095
General administration	3,875,385	4,206,917	3,986,723
Protective services	2,234,920	1,927,161	1,757,791
Roads, streets, walks and lighting	6,631,205	9,066,783	8,629,312
Airport	1,810,735	2,288,038	2,868,099
Fleet services	2,039,070	3,054,796	2,920,295
Water, wastewater and waste management	3,217,735	4,033,301	3,925,920
Family and community support	73,870	73,546	72,137
Agricultural development	934,630	958,921	868,066
Parks and recreation	94,570	67,683	68,225
Total expenses	21,419,945	26,225,865	25,560,663
Excess (deficiency) of revenue over expenses - before other	2,408,105	(486,251)	(1,855,237)
Other			
Deferred lease payment	298,994	298,993	298,996
Government transfers for capital (note 16)	6,258,565	3,612,889	6,313,120
Excess of revenue over the expenses	8,965,664	3,425,631	4,756,879
Accumulated surplus, beginning of year	138,827,337	143,584,216	138,827,337
Accumulated surplus, end of year	\$ 147,793,001	\$ 147,009,847	\$ 143,584,216

See accompanying notes to financial statements

LETHBRIDGE COUNTY

Statement of Change in Net Financial Assets

For the year ended December 31, 2017, with comparative information for 2016

	Budget (note 21)	2017	2016
Excess of revenue over expenses	\$ 8,965,664	\$ 3,425,631	\$ 4,756,879
Acquisition of tangible capital assets	(18,125,080)	(14,491,673)	(11,694,005)
Amortization of tangible capital assets	-	6,454,835	7,079,394
Loss (gain) on sale of tangible capital assets	-	(139,369)	482,895
Proceeds on sale of tangible capital assets	439,000	574,293	520,449
	<u>(8,720,416)</u>	<u>(4,176,283)</u>	<u>1,145,612</u>
Acquisition of inventories of supplies	-	(1,703,394)	(1,952,291)
Acquisition of prepaid expenses	-	(264,583)	(303,057)
Consumption of inventories of supplies	-	2,102,200	2,115,142
Use of prepaid expenses	-	303,057	241,855
		<u>437,280</u>	<u>101,649</u>
Change in net financial assets	(8,720,416)	(3,739,003)	1,247,261
Net financial assets, beginning of year	12,416,089	13,663,350	12,416,089
Net financial assets, end of year	<u>\$ 3,695,673</u>	<u>\$ 9,924,347</u>	<u>\$ 13,663,350</u>

See accompanying notes to financial statements.

LETHBRIDGE COUNTY

Statement of Cash Flows

For the year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating Activities:		
Excess of revenue over expenses	\$ 3,425,631	\$ 4,756,879
Items not involving cash:		
Amortization of tangible capital assets	6,454,835	7,079,394
Loss(gain) on sale of tangible capital assets	(139,369)	482,895
Non-cash charges to operations (net change):		
Taxes and grants in place of taxes	124,808	82,591
Trade and other receivables	(102,762)	489,079
Accounts payable and accrued liabilities	2,199,936	(145,592)
Deposit liabilities	308,155	5,372
Employee benefit obligations	(54,304)	12,786
Deferred revenue	(230,347)	2,692,129
Special taxes refundable	(693,782)	694,099
Inventories of supplies	398,806	162,851
Prepaid expenses	38,474	(61,202)
Net change in cash from operating activities	11,730,081	16,251,281
Capital Activities:		
Acquisition of tangible capital assets	(14,491,673)	(11,694,005)
Proceeds on sale of tangible capital assets	574,293	520,449
Net change in cash from capital activities	(13,917,380)	(11,173,556)
Investing Activities:		
Increase in temporary investments, with original maturities over 3 months	(3,544,822)	(3,527,100)
Net change in cash from investing activities	(3,544,822)	(3,527,100)
Financing Activities		
Proceeds of long-term debt	5,310,000	39,000
Long-term debt repaid	(436,021)	(406,185)
Deferred lease payments	(298,993)	(298,996)
Net change in cash from financing activities	4,574,986	(666,181)
Change in cash and cash equivalents	(1,157,135)	884,444
Cash and cash equivalents, beginning of year	7,261,464	6,377,020
Cash and cash equivalents, end of year (note 3)	\$ 6,104,329	\$ 7,261,464

See accompanying notes to financial statements.

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months at the date of acquisition.

(e) 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.

(f) 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.

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) 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.

(h) 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.

(i) 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.

(j) 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.

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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:

<u>Asset</u>	<u>Useful Life – Years</u>
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.

(i) 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.

(ii) 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.

(iii) Inventories for consumption

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

(iv) Works of art and cultural and historical tangible capital assets

Works of art and cultural and historical tangible capital assets for display 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.

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into the air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring. No contaminated sites have been identified.

NOTE 2. FUTURE ACCOUNTING PRONOUNCEMENTS

The following summarizes the upcoming changes to the Public Sector Accounting Standards by the Public Sector Accounting Standards Board (PSAB). In 2017, the Municipality will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently.

PS 1201 - Financial Statement Presentation

The implementation of this standard requires a new statement of re-measurement gains and losses separate from the statement of operations. This new statement will include the unrealized gains and losses arising from the remeasurement of financial instruments and items denominated in a foreign currency. This standard is effective for fiscal years beginning on or after April 1, 2019.

PS 3450 - Financial Instruments

This section establishes recognition, measurement, and disclosure requirements for derivative and non-derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments; all other financial instruments can be measured at either cost or fair value depending upon elections made by the government. Unrealized gains and losses will be presented on the new statement of remeasurement gains and losses arising from the adoption of PS 1201. There will also be a requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. As the Municipality does not invest in derivatives or equity instruments based on its investment policy, it is anticipated that the adoption of this standard will have a minimal impact on the Municipality. This standard is effective for fiscal years beginning on or after April 1, 2019.

PS 2601 - Foreign Currency Translation

This section establishes guidance on the recognition, measurement, presentation and disclosure of assets and liabilities denominated in foreign currencies. The Section requires monetary assets and liabilities, denominated in a foreign currency and non-monetary items valued at fair value denominated in a foreign currency to be adjusted to reflect the exchange rates in effect at the financial statement date. The resulting unrealized gains and losses are to be presented in the new statement of remeasurement gains and losses. This standard is effective for fiscal years beginning on or after April 1, 2019.

PS 3041 - Portfolio Investments

This section removes the distinction between temporary and portfolio investments and provides additional guidance on recognition, measurement, presentation and disclosure of portfolio investments. Upon adoption of this section and PS 3450, PS 3040 - Portfolio investments will no longer be applicable. This standard is effective for fiscal years beginning on or after April 1, 2019.

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2017

NOTE 3. CASH AND TEMPORARY INVESTMENTS

	2017	2016
Cash	\$ 5,579,536	\$ 5,255,594
Temporary short term investments	524,793	2,005,870
Cash & Cash Equivalents	6,104,329	7,261,464
Temporary Investments, with original maturities of over 3 months	24,993,922	21,449,100
Total Cash & Temporary Investments	\$ 31,098,251	\$ 28,710,564

Temporary investments are short-term deposits comprised of GICs with interest rates ranging from 1.40% to 2.20% (2016 – 1.30% to 1.72%). The investments will mature on or before December 11, 2018 (2016 – December 11, 2017).

NOTE 4. TAXES AND GRANTS IN PLACE OF TAXES

	2017	2016
Current taxes and grants in place of taxes	\$ 131,741	\$ 10,064
Arrears taxes	17,771	188,680
Credits transferred to payables	374,419	364,859
	523,931	563,603
Less: allowance for uncollectible taxes	(224,487)	(139,351)
Total	\$ 299,444	\$ 424,252

NOTE 5. 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 6. EMPLOYEE BENEFIT OBLIGATIONS

	2017	2016
Vacation	\$ 329,117	\$ 354,189
Post-employment benefits	201,989	231,221
Total	\$ 531,106	\$ 585,410

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, 2017

NOTE 6. 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 7. DEFERRED REVENUE

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

	December 31, 2016	Externally restricted inflows (net of reimbursement)	Revenue earned	December 31, 2017
Municipal Sustainability Initiative Grant - Capital (MSI)	\$ 4,112,923	\$ 2,905,005	\$(2,299,611)	\$ 4,718,317
Federal Gas Tax Fund Grant (FGTF)	-	545,094	(205,056)	340,038
Basic Municipal Transportation Grant (BMTG formally SIP) (2015 - Streets Improvement Program Grant)	135,316	1,300	-	136,616
Municipal Sustainability Initiative Grant - Operating (MSI)	105,845	104,092	(105,081)	104,856
Regional Collaboration Grant Program	26,791	247	-	27,038
Alberta Community Resilience Program (ACRP)	3,036,439	21,501	(1,448,541)	1,609,399
Alberta Community Partnership (ACP)	24,430	201,605	(19,780)	206,255
Community & Regional Economic Support (CARES)	-	90,633	(26,495)	64,138
Emergency Preparedness Grant	-	3,500	-	3,500
Summer Temporary Employment Program (STEP)	-	19,862	(19,862)	-
ASB Grant	-	259,359	(259,359)	-
Other	138,407	46,841	(45,601)	139,647
Total	\$ 7,580,151	\$ 4,199,039	\$(4,429,386)	\$ 7,349,804

NOTE 8. DEFERRED LEASE PAYMENTS

	2017	2016
Balance, beginning of year	\$ 4,484,900	\$ 4,783,896
Amortization	(298,993)	(298,996)
Balance, end of year	\$ 4,185,907	\$ 4,484,900

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2017

NOTE 8. DEFERRED LEASE PAYMENTS (continued)

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.

NOTE 9. LONG-TERM DEBT

	2017	2016
Debentures - tax supported	\$ 10,423,482	\$ 5,549,503
Current portion	\$ 566,464	\$ 436,021

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2018	566,464	432,470	998,934
2019	565,000	403,933	968,933
2020	625,088	373,920	999,008
2021	656,820	341,885	998,705
2022	682,107	308,680	990,787
Thereafter	7,328,003	2,614,239	9,942,242
Total	10,423,482	4,475,127	14,898,609

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at the rate of 1.597% to 6.500% per annum, before Provincial subsidy, and matures in periods 2024 to 2047. 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 \$285,807 (2016 - \$300,374).

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2017

NOTE 10. 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:

	2017	2016
Total debt limit	\$ 38,609,421	\$ 35,558,138
Total debt	10,423,482	5,549,503
Unused debt limit	\$ 28,185,939	\$ 30,008,635
Debt servicing limit	\$ 6,434,903	\$ 5,926,356
Debt servicing	998,934	\$ 720,607
Unused debt servicing limit	\$ 5,435,970	\$ 5,205,749

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.

NOTE 11. TANGIBLE CAPITAL ASSETS

Cost	Balance at December 31, 2016		Additions	Disposals	Balance at December 31, 2017	
Land	8,849,566	\$	111,227	\$	(30)	\$ 8,960,763
Land Improvements	12,264,843		-		-	12,264,843
Buildings	12,402,068		151,858		-	12,553,926
Road systems	292,378,481		10,082,356		(992)	302,459,845
Water systems	20,182,753		51,108		-	20,233,861
Wastewater systems	25,182,478		-		-	25,182,478
Storm systems	9,631,634		1,760,798		-	11,392,432
Machinery and equipment	15,056,105		1,764,990		(1,461,445)	15,359,650
Vehicles	4,492,345		569,336		(240,512)	4,821,169
Total	\$ 400,440,273	\$	14,491,673	\$	(1,702,979)	\$ 413,228,967

Accumulated Amortization	Balance at December 31, 2016		Additions	Disposals	Balance at December 31, 2017	
Land	\$ -	\$	-	\$	-	\$ -
Land Improvements	9,081,538		389,589		-	9,471,127
Buildings	9,195,297		177,048		-	9,372,345
Road systems	230,415,199		3,732,922		-	234,148,121
Water systems	4,864,245		330,657		-	5,194,902
Wastewater systems	8,112,081		521,102		-	8,633,183
Storm systems	1,419,902		105,818		-	1,525,720
Machinery and equipment	6,790,229		831,470		(1,073,281)	6,548,418
Vehicles	2,709,086		366,229		(194,774)	2,880,541
Total	\$ 272,587,577	\$	6,454,835	\$	(1,268,055)	\$ 277,774,357

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2017

NOTE 11. TANGIBLE CAPITAL ASSETS (continued)

Net Book Value	December 31, 2017	December 31, 2016
Land	\$ 8,960,763	\$ 8,849,566
Land Improvements	2,793,716	3,183,305
Buildings	3,181,581	3,206,771
Road systems	68,311,724	61,963,282
Water systems	15,038,959	15,318,508
Wastewater systems	16,549,295	17,070,397
Storm systems	9,866,712	8,211,732
Machinery and equipment	8,811,232	8,265,876
Vehicles	1,940,628	1,783,259
Total	\$ 135,454,610	\$ 127,852,696

(a) Assets under construction

Assets under construction having a value of \$5,569,229 (2016 - \$4,371,852) 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.

(c) Contributed tangible capital assets:

There were no contributed assets recognized during the year.

(d) Write-down of tangible capital assets:

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

NOTE 12. CONTINGENT LIABILITY

The 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.

The County has been named a defendant in a legal proceeding arising in the normal course of operations. While the ultimate outcome and liability of this proceeding cannot be reasonably estimated at this time, management is of the opinion that there is a strong defense against the claim. Accordingly, no provisions for losses have been reflected in the accounts of the County for this matter.

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2017

NOTE 13. SUBSEQUENT EVENT

Subsequent to the fiscal year end, under the terms of a Memorandum of Understanding (MOU) dated March 16, 2018 with the City of Lethbridge, the County will transfer the physical assets, risks and liabilities including transfer of the debenture borrowing related to the capital debt of the Lethbridge Airport as of June 1, 2018.

Subsequent to the transfer, the City will receive all revenues from the Airport operations and Airport development area (including lease revenues) and Lethbridge County will continue, on a fee for service basis, as the operator of the Airport until such time as the City decides on a new operating model. The County will remain the tax authority until 2028.

NOTE 14. ACCUMULATED SURPLUS

	Unrestricted Surplus	Restricted Surplus ⁽ⁱ⁾	Equity in TCA ⁽ⁱⁱ⁾	Accumulated 201	Surplus/Deficit 2016
Balance - beginning of year	\$ 2,472,161	\$ 23,293,762	\$ 117,818,293	\$ 143,584,216	\$ 138,827,337
Excess of revenue over expenses	3,425,631	-	-	3,425,631	4,756,879
Transferred to restricted surplus	(11,465,366)	11,465,366	-	-	-
Transferred from restricted surplus	7,513,266	(7,513,266)	-	-	-
Acquisition of tangible capital assets					
Internally funded	(10,670,613)	-	10,670,613	-	-
Externally funded	-	(3,821,060)	3,821,060	-	-
Net book value of capital assets disposed	434,924	-	(434,924)	-	-
Amortization of capital assets	6,454,835	-	(6,454,835)	-	-
Debt issued	5,310,000	-	(5,310,000)	-	-
Debt principal paid	(735,014)	-	735,014	-	-
Balance - end of year	\$ 2,739,824	\$ 23,424,802	\$ 120,845,221	\$ 147,009,847	\$ 143,584,216

(i) Restricted surplus is comprised of the following:

	2017	2016
Operating Reserves	6,596,145	3,734,274
Capital Reserves	16,828,656	19,559,488
Total	23,424,802	23,293,762

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2017

NOTE 14. ACCUMULATED SURPLUS (continued)

(ii) Equity in tangible capital assets:

	2017	2016
Tangible Capital Assets (Note 11)	\$ 413,228,967	\$ 400,440,273
Accumulated amortization (Note 11)	(277,774,357)	(272,587,577)
Long-term debt (Note 9)	(10,423,482)	(5,549,503)
Deferred lease (Note 8)	(4,185,907)	(4,484,900)
Total	\$ 120,845,221	\$ 117,818,293

NOTE 15. NET MUNICIPAL PROPERTY TAXES

	Budget	2017	2016
Taxation			
Real property taxes	\$ 16,424,820	\$ 16,402,304	\$ 15,840,307
Linear property taxes	2,637,850	2,637,852	2,827,446
Government grants in place of property taxes	1,310,730	1,310,729	1,291,763
	20,373,400	20,350,885	19,959,516
Requisitions			
School Boards	356,195	356,194	337,610
Alberta School Foundation Fund	4,688,045	4,688,046	4,484,534
Seniors Foundations	249,245	249,243	244,055
	5,293,485	5,293,483	5,066,199
Net municipal property taxes	\$ 15,079,915	\$ 15,057,402	\$ 14,893,317

NOTE 16. GOVERNMENT TRANSFERS

	Budget	2017	2016
Federal transfers			
Shared-cost agreements and grants - operating	\$ -	\$ 86,303	\$ 79,688
Shared-cost agreements and grants - capital	2,890,565	-	878,776
	2,890,565	86,303	958,464
Provincial transfers			
Shared-cost agreements and grants - operating	2,034,405	565,940	549,791
Shared-cost agreements and grants - capital	3,368,000	3,612,889	5,434,344
	5,402,405	4,178,829	5,984,135
Total government transfers	\$ 8,292,970	\$ 4,265,132	\$ 6,942,599

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2017

NOTE 17. EXPENSES BY OBJECT

	Budget	2017	2016
Expenses			
Salaries, wages and benefits	\$ 9,290,550	\$ 9,727,185	\$ 9,376,013
Contracted and general services	6,644,625	4,634,691	3,981,082
Materials, goods and utilities	4,372,360	4,241,361	3,955,394
Provision for allowances	-	92,746	129,316
Transfers to local boards and agencies	655,655	666,842	618,146
Transfers to individuals and organizations	126,890	122,398	120,945
Interest on long-term debt	329,865	285,807	300,374
Amortization	-	6,454,835	7,079,394
Total expenses	\$ 21,419,945	\$ 26,225,865	\$ 25,560,663

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 253,862 people and about 417 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 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 The County participates in a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan.

Total current services contributions by the County to the Local Authorities Pension Plan in 2017 were \$776,825 (2016 - \$766,413). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2017 were \$717,543 (2016 - \$727,264).

At December 31, 2016, the LAPP disclosed an actuarial deficit of \$637 million.

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2017

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 segmented 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 the 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 the 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 the 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, 2017

NOTE 19. SEGMENTED INFORMATION (continued)

2017	Protective Services	Public Works	Airport	Utility Services	Community Services	Parks & Recreation	Agriculture Development	Other & Unallocated	Total
Revenue:									
Taxation	\$ 1,734,500	8,092,665	\$ 39,080	\$ 830,271	\$ 73,546	\$ 67,683	\$ 929,587	\$ 3,290,070	\$ 15,057,402
Goods & Services	-	697,851	1,413,078	3,215,875	-	-	83,242	72,214	5,482,260
Government Transfers	18,412	3,762,185	26,495	101,128	-	-	263,559	93,353	4,265,132
Fines	181,125	-	-	-	-	-	-	-	181,125
Penalties and cost of taxes	-	-	-	8,826	-	-	-	163,278	172,104
Licenses & Permits	-	-	376	-	-	-	-	39,770	40,146
Rentals	-	-	360,952	22,091	-	-	2,467	178,076	563,586
Return on investments	-	-	-	-	-	-	-	310,996	310,996
Gain(loss) on sale of	-	-	-	-	-	-	-	-	-
Tangible Capital Assets	-	134,117	-	-	-	-	-	5,252	139,369
Other Revenue	508,661	2,424,345	43,986	369,513	-	-	-	92,871	3,439,376
TOTAL REVENUE	2,442,698	15,111,163	1,883,967	4,547,704	73,546	67,683	1,278,855	4,245,880	29,651,496
Expenses:									
Salaries & Wages	411,126	3,958,335	1,021,623	661,439	-	57,223	668,159	2,949,280	9,727,185
Operating Expenses	1,484,054	3,113,061	824,627	1,772,412	-	10,460	287,621	1,476,563	8,968,798
Transfer to local boards & agencies	-	-	-	502,346	73,546	-	-	90,950	666,842
Transfer to individuals & organizations	-	-	-	-	-	-	-	122,398	122,398
Interest on long term debt	-	13,324	18,867	253,616	-	-	-	-	285,807
Amortization	31,981	5,036,859	422,921	843,488	-	-	3,141	116,445	6,454,835
TOTAL EXPENSES	1,927,161	12,121,579	2,288,038	4,033,301	73,546	67,683	958,921	4,755,636	26,225,865
Excess (deficiency) of Revenue over Expenses	\$ 515,537	\$ 2,989,584	\$ (404,071)	\$ 514,403	\$ -	\$ -	\$ 319,934	\$ (509,756)	\$ 3,425,631

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2017

NOTE 19. SEGMENTED INFORMATION (continued)

2016	Protective							Total	
	Services	Public Works	Airport	Utility Services	Community Services	Parks & Recreation	Agriculture Development		Other & Unallocated
Revenue:									
Taxation	\$ 1,690,065	8,116,420	\$ 55,115	\$ 779,371	\$ 72,137	\$ 54,422	\$ 867,898	\$ 3,257,889	\$ 14,893,317
Goods & Services	-	392,747	1,471,471	2,958,166	-	-	61,761	52,978	4,937,123
Government Transfers	3,855	6,313,451	239,429	73,131	-	-	259,359	53,374	6,942,599
Fines	211,609	-	-	-	-	-	-	-	211,609
Penalties and cost of taxes	-	-	-	8,980	-	-	-	185,150	194,130
Licenses & Permits	-	-	1,385	-	-	-	-	42,223	43,608
Rentals	-	-	331,291	23,275	-	-	2,600	175,983	533,149
Return on investments	-	867	2	-	-	-	-	341,286	342,155
Gain(loss) on sale of									
Tangible Capital Assets	(544,568)	61,673	-	-	-	-	-	-	(482,895)
Other Revenue	322,521	1,885,726	85,501	334,892	-	-	8,565	65,542	2,702,747
TOTAL REVENUE	1,683,482	16,770,884	2,184,194	4,177,815	72,137	54,422	1,200,183	4,174,425	30,317,542
Expenses:									
Salaries & Wages	439,873	3,831,374	990,117	686,867	-	55,920	651,168	2,720,694	9,376,013
Operating Expenses	1,233,315	2,636,430	900,486	1,648,776	-	12,305	213,757	1,420,722	8,065,791
Transfer to local boards & agencies	-	-	-	473,521	72,137	-	-	72,488	618,146
Transfer to individuals & organizations	-	-	-	-	-	-	-	120,945	120,945
Interest on long term debt	-	6,051	19,098	275,225	-	-	-	-	300,374
Amortization	84,603	5,075,752	958,398	841,531	-	-	3,141	115,969	7,079,394
TOTAL EXPENSES	1,757,791	11,549,607	2,868,099	3,925,920	72,137	68,225	868,066	4,450,818	25,560,663
Excess (deficiency) of Revenue over Expenses	\$ (74,309)	\$ 5,221,277	\$ (683,905)	\$ 251,895	\$ -	\$ (13,803)	\$ 332,117	\$ (276,393)	\$ 4,756,879

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2017

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 & Allowances ⁽ⁱⁱ⁾	2017 Total	2016 Total
Councillors:				
Division 1	\$ 51,532	\$ 25,338	\$ 76,870	\$ 73,315
Division 2	\$ 29,381	\$ 13,951	\$ 43,332	\$ 43,607
Division 3	\$ 43,652	\$ 21,165	\$ 64,817	\$ 52,012
Division 4	\$ 36,910	\$ 19,050	\$ 55,960	\$ 51,433
Division 5	\$ 27,279	\$ 13,619	\$ 40,897	\$ 41,157
Division 6	\$ 29,146	\$ 18,440	\$ 47,588	\$ 49,286
Division 7	\$ 32,485	\$ 18,335	\$ 50,820	\$ 47,041
	\$ 250,385	\$ 129,898	\$ 380,283	\$ 357,851
Chief Administrative Officer	\$ 206,549	\$ 52,476	\$ 259,025	\$ 222,112
Interim Chief Administrative Officer	\$ 46,219	\$ 3,325	\$ 49,544	\$ -
Designated Officers (2 positions)	\$ 196,536	\$ 48,983	\$ 245,519	\$ 231,347

(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

LETHBRIDGE COUNTY

Notes to Financial Statements
Year ended December 31, 2017

NOTE 21. BUDGET AND STATEMENT OF OPERATIONS RECONCILIATION

The following table reconciles the Excess of revenue over expenses in the Statement of Operations to the Budget Balance as shown in the 2017-2019 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.

Excess of revenue over expenses	<u>Budget</u>	<u>2017</u>	<u>2016</u>
	\$	\$	\$
	8,965,664	3,425,631	4,756,879
<i>Adjustments to revenue:</i>			
Equipment rental revenue - internal	3,359,000	3,469,784	3,585,969
Transfers from reserves	5,584,835	11,326,716	6,345,422
Proceeds from debenture	6,666,000	5,310,000	39,000
Proceeds from equipment sales	439,000	574,293	520,449
Loss (gain) on sales of tangible capital assets	-	(139,369)	482,895
Deferred lease payment	(298,994)	(298,993)	(298,996)
Services recovered - internal	852,695	857,350	825,097
Provision for allowances	15,000	7,611	-
<i>Adjustments to expenses:</i>			
Equipment rental costs - internal	(3,359,000)	(3,469,784)	(3,585,969)
Transfers to reserves	(2,832,520)	(11,158,187)	(6,185,224)
Capital purchases as per budget	(18,125,080)	(14,491,673)	(11,694,005)
Debt principal payments	(398,905)	(436,021)	(406,185)
Services performed - internal	(852,695)	(857,350)	(825,097)
Provision for allowances	(15,000)	(7,611)	-
Surplus allocation to reserves	-	(597,367)	(640,126)
Amortization expense	-	6,454,835	7,079,394
Budget Balance - Surplus (Deficit)	\$ -	\$ (30,135)	\$ (497)

* Transferred to Unrestricted Surplus

The budget information was approved by Council on December 15, 2016.

NOTE 22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and management.

LETHBRIDGE COUNTY

Airport - Statement of Operations

For the year ended December 31, 2017, with comparative figures for 2016

	Budget	2017	2016
Revenue:			
Parking fees	\$ 95,000	\$ 100,100	\$ 113,767
Leases	530,000	556,631	578,197
Vending machines	2,000	3,319	2,195
Registrations	-	-	-
Air service fees	290,000	284,624	279,426
Government transfers	790,565	26,495	239,429
Passenger facility fees	560,000	445,585	475,214
International landing fees	23,000	22,818	22,672
Return on investments	-	-	2
Utility recoveries	-	7,603	46,913
Custom costs recovered	90,000	65,349	77,528
Enhanced marketing costs recovered	298,000	288,000	206,850
Taxes	-	39,080	55,115
Miscellaneous revenues	10,100	44,363	86,886
Total revenue	2,688,665	1,883,967	2,184,194
Expenses:			
Wages and benefits	1,001,610	1,021,623	990,117
Travel and sustenance	795	2,657	1,698
Telephones	12,600	8,464	11,145
Registration and membership fees	3,490	3,587	3,215
Legal and professional services	38,000	24,856	44,006
Equipment repairs and maintenance	17,000	4,563	15,505
Building repairs and maintenance	85,000	155,957	173,573
Insurance	31,400	29,402	25,690
Commissionaires	170,000	204,645	190,781
Miscellaneous services	130,290	136,326	102,744
Utilities	120,000	139,402	152,237
Lubes and asphalt oil	3,280	(272)	8,696
Fuel	30,000	29,429	9,946
Materials and supplies	60,020	37,480	64,876
Machine parts	35,000	35,985	55,970
Enhanced marketing costs	21,460	3,416	17,704
Miscellaneous supplies	10,000	8,730	14,176
Operating projects	18,000	-	8,524
Interest on long term debt	22,790	18,867	19,098
Total expenses	1,810,735	1,865,117	1,909,701
Excess of revenue over expenses before amortization	\$ 877,930	\$ 18,850	\$ 274,493
Amortization expense	-	(422,921)	(958,398)
Excess (deficiency) of revenue over expenses before amortization	\$ 877,930	\$ (404,071)	\$ (683,905)