

Financial Statements of

LETHBRIDGE COUNTY

And Independent Auditor's Report thereon

Year ended December 31, 2022

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

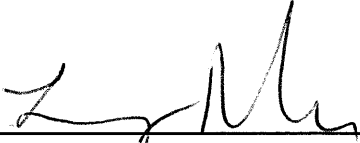
Lethbridge County's management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying financial statements and the notes thereto. Management believes that the financial statements present fairly the County's financial position as at December 31, 2022 and the results 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 auditor's to discuss the results of audit examinations and financial reporting matters. The external auditor's have full access to the Audit Committee with and without the presence of management. The County Council has approved the financial statements.

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



Chief Administrative Officer



Manager of Finance and Administration



KPMG LLP
3410 Fairway Plaza Road South
Lethbridge AB T1K 7T5
Canada
Tel 403-380-5700
Fax 403-380-5760

INDEPENDENT AUDITOR'S REPORT

To the Reeve and Members of Council of Lethbridge County

Opinion

We have audited the accompanying financial statements of Lethbridge County (the "County"), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the County as at December 31, 2022, and its results of operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the County in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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

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

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

Those charged with governance are responsible for overseeing the County's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the County to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants

Lethbridge, Canada

April 20, 2023

LETHBRIDGE COUNTY

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash	\$ 4,803,164	\$ 11,643,963
Investments (note 3)	27,725,507	21,901,080
Taxes and grants in place of taxes (note 4)	827,373	1,214,764
Trade and other receivables	4,374,971	6,994,193
Restricted cash (note 5)	6,993,010	3,226,717
	<u>44,724,025</u>	<u>44,980,717</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,864,841	1,726,118
Deposit liabilities	127,044	100,544
Deferred lease payments (note 7)	2,690,937	2,989,930
Deferred revenue (note 6)	6,142,823	2,299,365
Employee future benefits (note 17)	322,688	303,186
Long-term debt (note 8)	14,330,744	15,162,383
Other liabilities	850,188	927,352
	<u>26,329,265</u>	<u>23,508,878</u>
Net financial assets	18,394,760	21,471,839
Non-financial assets:		
Tangible capital assets (note 10)	119,949,810	122,322,859
Prepaid expenses and deposits	297,567	238,276
Inventories for consumption	1,145,195	1,320,654
	<u>121,392,572</u>	<u>123,881,789</u>
Contingent liabilities (note 13)		
Accumulated surplus (note 11)	\$ 139,787,332	\$ 145,353,628

See accompanying notes to financial statements.

LETHBRIDGE COUNTY

Statement of Operations

Year ended December 31, 2022, with comparative information for 2021

	Budget (note 20)	2022	2021
Revenue:			
Net municipal property taxes (note 12)	\$ 16,465,850	\$ 16,390,019	\$ 16,203,065
Sales and users charges	4,110,820	4,327,863	4,456,431
Government transfers (note 14)	504,000	1,076,648	1,548,276
Fines	85,000	127,970	105,824
Penalties and cost of taxes	231,000	444,274	487,996
Licenses and permits	50,000	63,672	84,900
Rentals	216,890	216,136	222,420
Return on investments	325,125	814,011	258,398
Gain on sale of tangible capital assets	-	543,144	3,598
Other	2,899,615	4,052,847	3,074,637
Total revenue	24,888,300	28,056,584	26,445,545
Expenses (note 15):			
Council and other legislative	576,070	2,587,852	500,972
General administration	3,977,365	6,707,782	4,504,799
Protective Services	2,236,320	2,594,412	2,358,203
Roads, Streets, walks and lighting	6,509,310	10,948,699	10,481,655
Fleet services	2,081,000	4,373,370	3,271,663
Water, wastewater and waste management	3,081,765	7,073,383	4,296,863
Parks and recreation	104,915	47,799	85,350
Family and community support	81,150	81,168	78,786
Agricultural development	897,030	861,958	878,948
Total expenses	19,544,925	35,276,423	26,457,239
Excess (deficiency) of revenue over expenses before the undernoted	5,343,375	(7,219,839)	(11,694)
Other:			
Deferred lease payments	-	298,994	298,994
Government transfers for capital (note 14)	3,798,950	1,354,549	2,829,295
	3,798,950	1,653,543	3,128,289
Excess (deficiency) of revenue over expenses	9,142,325	(5,566,296)	3,116,595
Accumulated surplus, beginning of year	145,353,628	145,353,628	142,237,033
Accumulated surplus, end of year	\$ 154,495,953	\$ 139,787,332	\$ 145,353,628

See accompanying notes to financial statements.

LETHBRIDGE COUNTY

Statement of Change in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	Budget (note 20)	2022	2021
Excess (deficiency) of revenue over expenses	\$ 9,142,325	\$ (5,566,296)	\$ 3,116,595
Acquisition of tangible capital assets	(8,107,500)	(5,107,225)	(5,179,499)
Amortization of tangible capital assets	-	6,628,099	6,253,243
Gain on sale of tangible capital assets	-	(543,144)	(3,598)
Proceeds on sale of tangible capital assets	-	1,395,320	1,091,067
	1,034,825	(3,193,246)	5,277,808
Acquisition inventories for consumption	-	(1,634,834)	(2,250,479)
Acquisition of prepaid expenses	-	(303,158)	(236,622)
Use of inventories for consumption	-	1,810,292	2,231,712
Use of prepaid expenses	-	243,867	264,076
	-	116,167	8,687
Change in net financial assets	1,034,825	(3,077,079)	5,286,495
Net financial assets, beginning of year	21,471,839	21,471,839	16,185,344
Net financial assets, end of year	\$ 22,506,664	\$ 18,394,760	\$ 21,471,839

See accompanying notes to financial statements.

LETHBRIDGE COUNTY

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (5,566,296)	\$ 3,116,595
Items not involving cash:		
Amortization of tangible capital assets	6,628,099	6,253,243
Gain on disposal of tangible capital assets	(543,144)	(3,598)
Deferred lease payments	(298,994)	(298,994)
	518,659	9,067,246
Change in non-cash operating assets and liabilities:		
Taxes and grants in place of taxes	387,391	78,816
Trade and other receivables	2,619,222	116,392
Restricted cash	(3,843,458)	38,701
Accounts payable and accrued liabilities	138,725	300,889
Employee benefit obligations	19,502	(1,579)
Deposit liabilities	26,500	19,989
Deferred revenue	3,843,458	(38,701)
Prepaid expenses and deposits	(59,291)	27,454
Inventories for consumption	175,459	(18,767)
	3,527,173	9,590,440
Capital activities:		
Acquisition of tangible capital assets	(5,107,225)	(5,179,499)
Proceeds on sale of tangible capital assets	1,395,320	1,091,067
	(3,711,905)	(4,088,432)
Investing activities:		
Increase in investments	(5,824,427)	(5,018,989)
Financing activities:		
Payments on long-term debt	(831,640)	(793,518)
Net change in cash	(6,840,799)	(310,499)
Cash position, beginning of year	11,643,963	11,954,462
Cash position, end of year	\$ 4,803,164	\$ 11,643,963

See accompanying notes to financial statements.

LETHBRIDGE COUNTY

Notes to Financial Statements

Year ended December 31, 2022

1. Significant accounting policies:

The financial statements of Lethbridge County (the "County") are prepared by management in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the 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.

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 acquired.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(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. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets, provisions for impairment of taxes and grants in place of taxes and trade and other receivables, provision for impairment in valuation of investments, employee future benefits, and the recognition of deferred lease payments and deferred revenues.

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) 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.

All other income is recognized as earned.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(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 of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(h) Employee future benefits:

(i) The County and its employees make contributions to the Local Authority Pension Plan. These contributions are expensed as incurred. The costs of multi-employer defined contribution pension plan benefits, such as the Local Authority Pension Plan, are the employer's contributions due to the plan in the period.

(ii) 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.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(i) Contaminated sites liability:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive 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.

(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 ordinary course of operations.

(i) Tangible capital assets:

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

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

Assets under construction are not amortized until the asset is available for productive use.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

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

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

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

(v) Interest capitalization:

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

(vi) Inventories for consumption:

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

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

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 2022, the County 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.

(a) 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 re-measurement of financial instruments and items denominated in foreign currency. This standard is effective for fiscal years beginning on or after April 1, 2022.

(b) 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 re-measurement 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 County 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 County. This standard is effective for fiscal years beginning on or after April 1, 2022.

(c) 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 re-measurement gains and losses. This standard is effective for fiscal years beginning on or after April 1, 2022.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Future accounting pronouncements (continued):

(d) 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 these types of 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, 2022.

The requirements in PS 1201, PS 3450, PS 2601 and PS 3041 are required to be implemented at the same time.

Management has indicated that the impact of the adoption of this standard is being evaluated and it is not known or reasonably estimable at this time.

(e) PS 3280 - Asset retirement obligations:

This section provides guidance on how to account for and report a liability for retirement of a tangible capital asset. This standard is effective for fiscal years beginning on or after April 1, 2022.

(f) PS 3400 - Revenue:

This section provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions. This standard is effective for fiscal years beginning on or after April 1, 2022.

(g) PSG-8 - Purchased Intangibles:

This new guideline allows for recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to PS 1000 Financial Statement Concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial Statement Presentation to remove the requirement to disclose that purchased intangibles are not recognized. This is effective for fiscal years beginning on or after April 1, 2023.

(h) PS 3160 - Public Private Partnerships:

This section establishes standards on how to account for public private partnership arrangements. This standard is effective for fiscal years beginning on or after April 1, 2023.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

3. Investments:

	2022	2021
Short-term deposits	\$ 2,069,356	\$ 565,960
Temporary investments, with original maturities of over 3 months	25,656,151	21,335,120
Total	\$ 27,725,507	\$ 21,901,080

Temporary investments are short-term deposits comprised of redeemable GICs with interest rates ranging from 1.30% to 5.10% (2021 – 0.60% to 2.25%). The investments will mature on or before December 31, 2023 (2021 – December 31, 2022).

4. Taxes and grant in place of taxes:

	2022	2021
Secured:		
Current taxes and grants in place of taxes	\$ 1,978,501	\$ 1,830,997
Arrears taxes	1,994,890	564,583
	3,973,391	2,395,580
Less: allowance for uncollectible taxes	(3,146,018)	(1,180,816)
	\$ 827,373	\$ 1,214,764

5. Restricted cash:

Restricted cash is comprised of funds set aside in the Municipal Land Reserve account and funding contributions received for restricted purposes not spent. Municipal reserve funds may be used only for the purposes specified in the Municipal Government Act, section 671(4). Accordingly, these amounts are not available for current operations.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

6. Deferred revenue:

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

	December 31, 2021	Externally restricted inflows (repayments)	Revenue recognized	December 31, 2022
Municipal Sustainability Initiative Grant - Capital (MSI)	\$ 1,632,137	\$ 3,528,173	\$ (1,206,040)	\$ 3,954,270
Federal Gas Tax Fund Grant (FGTF)	225,805	2,397,980	(669,301)	1,954,484
Municipal Sustainability Initiative Grant - Operating (MSI)	100,989	107,600	(106,531)	102,058
Other	140,020	-	(48,527)	91,493
Other - Provincial	197,214	274,905	(431,601)	40,518
Other - Federal	3,200	14,700	(17,900)	-
Total	\$ 2,299,365	\$ 6,323,358	\$ (2,479,900)	\$ 6,142,823

Funding allocations for the 2017 to 2021 years have been made available to the County from the Municipal Sustainability Initiative ("MSI") – Capital Component, and the Federal Gas Tax Fund ("FGTF") are also available to the County. These allocations are only receivable from the funding source upon approval of project submissions made by the County. As at December 31, 2022, the County did not have any approved projects submitted towards these allocations. As a result these allocations have not been included in these financial statements.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

7. Deferred lease payments:

	2022	2021
Balance, beginning of year	\$ 2,989,931	\$ 3,288,924
Amortization	(298,994)	(298,994)
	<u>\$ 2,690,937</u>	<u>\$ 2,989,930</u>

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

8. Long-term debt:

	2022	2021
Debenture tax supported	\$ 14,330,744	\$ 15,162,383
Current portion	\$ 831,640	\$ 793,518

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2023	\$ 871,754	\$ 541,396	\$ 1,413,150
2024	913,973	459,062	1,373,035
2025	548,359	415,277	963,636
2026	538,248	394,521	932,769
2027	552,873	379,901	932,774
Thereafter	10,905,537	4,678,978	15,584,515

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at the rate of 2.765% to 6.500% per annum, before Provincial subsidy, and matures in periods 2024 to 2048. 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 \$541,396 (2021 - 570,486).

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

9. Debt limits:

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 of the Lethbridge County be disclosed as follows:

	2022	2021
Total debt limit	\$ 46,597,014	\$ 40,116,810
Total debt	14,330,744	15,162,383
Unused debt limit	\$ 32,266,270	\$ 24,954,427
Debt servicing limit	\$ 7,766,169	\$ 6,686,135
Debt servicing	1,373,035	1,372,735
Amount of debt servicing limit unused	\$ 6,393,134	\$ 5,313,400

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

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

10. Tangible capital assets:

	Land	Land Improvements	Buildings	Road systems	Water systems	Wastewater systems	Storm systems	Machinery and equipment	Vehicles	Total 2022	Total 2021
Cost:											
Balance, beginning of year	\$4,615,160	\$153,986	\$5,199,282	\$324,007,769	\$20,378,380	\$24,402,736	\$2,765,572	\$16,086,976	\$3,747,758	\$401,357,619	\$398,834,418
Additions	-	-	11,970	1,898,272	-	-	283,220	2,411,997	501,766	5,107,225	5,179,499
Disposals	(1,220)	-	-	(661,107)	-	-	-	(1,221,825)	(45,055)	(1,929,207)	(2,656,298)
Balance, end of year	\$4,613,940	\$153,986	\$5,211,252	\$325,244,934	\$20,378,380	\$24,402,736	\$3,048,792	\$17,277,148	\$4,204,469	\$404,535,637	\$401,357,619
Accumulated amortization:											
Balance, beginning of year	\$-	\$77,802	\$3,270,566	\$250,576,430	\$5,538,200	\$10,069,149	\$394,380	\$7,717,148	\$1,391,085	\$279,034,760	\$274,350,347
Disposals	-	-	-	(156,045)	-	-	-	(913,175)	(7,811)	(1,077,031)	(1,568,830)
Amortization	-	8,089	118,919	4,127,362	292,771	499,563	23,905	1,156,163	401,326	6,628,098	6,253,243
Balance, end of year	\$-	\$85,891	\$3,389,485	\$254,547,747	\$5,830,971	\$10,568,712	\$418,285	\$7,960,136	\$1,784,600	\$284,585,827	\$279,034,760
Net book value, end of year 2022	\$4,613,940	\$68,095	\$1,821,767	\$70,697,187	\$14,547,409	\$13,834,024	\$2,630,507	\$9,317,012	\$2,419,869	\$119,949,810	\$122,322,859
Net book value, end of year 2021	\$4,615,160	\$76,184	\$1,928,716	\$73,431,339	\$15,892,696	\$14,333,587	\$2,371,192	\$8,369,828	\$2,356,673	\$-	\$122,322,859

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

10. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$968,250 (2021 - \$594,129) have not been amortized. Amortization of these assets will commence when the asset is put into service. The breakdown of assets under construction are as follows:

Water	\$	1,585
Storm Systems		349,267
Roads		597,786
Bridges		19,612
	\$	<u>968,250</u>

(b) Tangible capital assets disclosed at nominal values:

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

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

11. Accumulated surplus:

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

	Unrestricted	Restricted Surplus (i)	Equity in TCA (ii)	Total 2022	Total 2021
Balance, beginning of year	\$ 3,204,826	\$ 37,978,257	\$ 104,170,545	\$ 145,353,628	\$ 142,237,033
Excess (deficiency) of revenue over expenses	(5,566,296)	-	-	(5,566,296)	3,116,595
Transferred to restricted surplus	(2,588,783)	2,588,783	-	-	-
Acquisition of tangible capital assets	-	(5,107,225)	5,107,225	-	-
Net book value of tangible capital assets disposed	852,176	-	(852,176)	-	-
Amortization of capital assets	6,628,099	-	(6,628,099)	-	-
Deferred lease payments	(298,994)	-	298,994	-	-
Debt principal paid	(831,640)	-	831,640	-	-
Balance, end of year	\$ 1,399,388	\$ 35,459,815	\$ 102,928,129	\$ 139,787,332	\$ 145,353,628

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

11. Accumulated surplus (continued):

	2022	2021
(i) Reserves:		
Administration Building Reserve	\$ 750,952	\$ 665,397
ASB Reserve Future Projects	268,150	261,891
Donation Reserve	23,015	23,015
Community Grant Reserve	34,588	34,588
Computer Replacement Reserve	226,229	211,260
Council Discretionary Reserve	151,919	157,337
Drainage Reserve	496,606	410,014
Emergency Services Reserve	2,174,797	1,952,797
Utilities Future Project Reserve	5,295,027	4,415,498
Fleet Equipment Replacement	5,166,654	5,639,050
Commercial and Industrial Land Reserve	1,806,219	4,511,683
Gravel Pit Reclamation Reserve	56,515	55,196
Kedon Road Reserve	701,292	584,922
Safety Program Reserve	124,120	107,224
Municipal Debt Reduction Proceeds Reserve	2,616,426	4,956,133
Public works Reserve	3,844,814	3,610,068
Market Access Network Reserve	9,127,848	7,639,067
Recreation Reserve	115,775	165,775
Snow Removal Reserve	924,842	874,842
Other Designated Reserves	1,554,027	1,702,500
Total reserves	\$ 35,459,815	\$ 37,978,257

(ii) Equity in tangible capital assets:

	2022	2021
Tangible capital assets (note 10)	\$404,535,637	\$401,357,619
Accumulated amortization (note 10)	(284,585,827)	(279,034,760)
Long-term debt (note 8)	(14,330,744)	(15,162,383)
Deferred lease (note 7)	(2,690,937)	(2,989,930)
Total equity in tangible capital assets	\$102,928,129	\$104,170,546

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

12. Net municipal property taxes:

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

	Budget	2022	2021
General taxation:			
Real property taxes	\$ 18,551,177	\$ 18,475,346	\$ 17,031,468
Linear property taxes	2,939,501	2,939,501	3,506,733
Government grants in place of property taxes	1,138,141	1,138,141	1,412,881
	22,628,819	22,552,988	21,951,082
Less taxes levied for other authorities:			
School Authorities	400,024	400,024	377,721
Alberta School Foundation Fund	5,448,054	5,448,054	5,078,668
Green Acres Foundation	314,891	314,891	291,628
	6,162,969	6,162,969	5,748,017
Net municipal property taxes	\$ 16,465,850	\$ 16,390,019	\$ 16,203,065

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

13. Contingent liabilities:

Lethbridge County is a member of Genesis which provides liability insurance. The investment in this program is not reflected as an asset in the accompanying financial statements.

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

14. Government transfers:

	Budget	2022	2021
Operating	\$ 504,000	\$ 1,076,648	\$ 1,548,276
Capital	3,798,950	1,354,549	2,829,295
	\$ 4,302,950	\$ 2,431,197	\$ 4,377,571

Government transfers are comprised of:

	Budget	2022	2021
Federal transfers:			
Shared-cost agreement and grants-operating	\$ -	\$ 669,301	\$ -
Shared cost agreement and grants- capital	-	-	191,318
Total federal transfer	-	669,301	191,318
Provincial transfers:			
Shared-cost agreement and grants- operating	504,000	407,347	1,548,276
Shared cost agreement and grants- capital	3,798,950	1,354,549	2,637,977
Total provincial transfers	4,302,950	1,761,896	4,186,253
Total government transfers	\$ 4,302,950	\$ 2,431,197	\$ 4,377,571

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

15. Expenses by object:

	Budget	2022	2021
Salaries, wages and benefits	\$ 8,279,100	\$ 8,109,042	\$ 8,046,411
Contracted and general services	4,039,000	9,861,543	6,134,247
Materials, good and utilities	5,666,555	4,580,406	4,044,271
Provision for Allowances	-	2,265,227	160,176
Transfers to local boards and agencies	763,380	753,183	747,234
Transfers to individual and organizations	218,495	2,547,211	501,171
Interest on long-term debt	578,395	531,712	570,486
Amortization	-	6,628,099	6,253,243
Total expenses by object	\$ 19,544,925	\$ 35,276,423	\$ 26,457,239

16. Segmented information:

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

(a) Protective Services:

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

(b) Public Works:

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

(c) 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.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

16. Segmented information (continued):

(d) 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.

(e) Parks and Recreation:

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

(f) Agricultural Development:

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

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

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

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

16. Segmented information (continued):

2022	Emergency Services	Public Works	Utility Services	Community Services	Parks and Recreation	Agriculture Development	Other and unallocated	Total 2022
Revenue:								
Taxation	\$ -	\$ -	\$ 588,088	\$ -	\$ -	\$ -	\$ 15,801,931	\$ 16,390,019
Goods and services	-	643,296	3,589,878	-	-	43,871	50,818	4,327,863
Government transfers	3,200	2,060,434	26,643	-	-	214,907	126,013	2,431,197
Fines	127,970	-	-	-	-	-	-	127,970
Penalties and cost of taxes	-	-	5,535	-	-	-	438,739	444,274
Licenses and permits	-	-	-	-	-	-	63,672	63,672
Rentals	-	-	32,245	-	-	3,000	180,891	216,136
Return on investments	-	1,327	-	-	-	-	812,684	814,011
Gain on sale of tangible capital assets	-	91,989	-	-	-	-	451,155	543,144
Other revenue	1,060,594	2,410,793	28,667	-	150,645	-	701,142	4,351,841
Total revenue	1,191,764	5,207,839	4,271,056	-	150,645	261,778	18,627,045	29,710,127
Expenses:								
Salaries and wages	289,080	3,673,497	565,661	-	36,847	671,410	2,872,547	8,109,042
Contracted and general	2,278,184	1,451,636	4,793,925	-	5,955	40,088	1,291,755	9,861,543
Materials	19,442	4,134,218	170,685	-	3,165	129,295	123,601	4,580,406
Provisions for allowances	-	-	-	-	-	-	2,265,227	2,265,227
Transfer to local boards and agencies	-	-	591,900	81,168	-	-	80,115	753,183
Transfers to individuals and organizations	-	-	-	-	-	-	2,547,211	2,547,211
Interest on long-term debt	-	406,836	124,876	-	-	-	-	531,712
Amortization	7,706	5,655,882	826,336	-	1,832	21,165	115,178	6,628,099
Total expenses	2,594,412	15,322,069	7,073,383	81,168	47,799	861,958	9,295,634	35,276,423
Excess (deficiency) of revenue over expenses	\$ (1,402,648)	\$ (10,114,230)	\$ (2,802,327)	\$ (81,168)	\$ 102,846	\$ (600,180)	\$ 9,331,411	\$ (5,566,296)

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

16. Segmented information (continued):

2021	Emergency Services	Public Works	Utility Services	Community Services	Parks and Recreation	Agriculture Development	Other and unallocated	Total 2021
Revenue:								
Taxation	\$ -	\$ -	\$ 588,088	\$ -	\$ -	\$ -	\$ 15,614,977	\$ 16,203,065
Goods and services	-	697,730	3,630,049	-	-	51,625	77,027	4,456,431
Government transfers	-	2,904,489	3,150	-	5,991	305,907	1,158,034	4,377,571
Fines	105,824	-	-	-	-	-	-	105,824
Penalties and cost of taxes	-	-	6,075	-	-	-	481,921	487,996
Licenses and permits	-	-	-	-	-	-	84,900	84,900
Rentals	-	-	35,679	-	-	5,850	180,891	222,420
Return on investments	-	1,358	-	-	-	-	257,040	258,398
Gain (loss) on sale of tangible capital assets	-	(186,997)	-	-	-	-	190,595	3,598
Other revenue	488,000	2,380,443	71,370	-	-	4,031	429,787	3,373,631
Total revenue	593,824	5,797,023	4,334,411	-	5,991	367,413	18,475,172	29,573,834
Expenses:								
Salaries and wages	207,649	3,765,882	663,759	-	44,342	658,201	2,706,578	8,046,411
Contracted and General	2,131,441	733,850	1,895,776	-	16,175	29,188	1,327,817	6,134,247
Materials	9,483	3,577,647	153,424	-	23,001	176,754	103,962	4,044,271
Provision for allowances	-	-	-	-	-	-	160,176	160,176
Transfer to local boards and agencies	-	-	588,088	78,786	-	-	80,360	747,234
Transfers to individuals and organizations	-	-	-	-	-	-	501,171	501,171
Interest on long-term debt	-	416,731	153,755	-	-	-	-	570,486
Amortization	9,630	5,259,208	842,061	-	1,832	14,806	125,706	6,253,243
Total expenses	2,358,203	13,753,318	4,296,863	78,786	85,350	878,949	5,005,770	26,457,239
Excess (deficiency) of revenue over expenses	\$ (1,764,379)	\$ (7,956,295)	\$ 37,548	\$ (78,786)	\$ (79,359)	\$ (511,536)	\$ 13,469,402	\$ 3,116,595

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

17. Employee benefit obligations:

	2022	2021
Vacation	\$ 182,843	\$ 165,744
Post-employment benefits	139,845	137,442
	\$ 322,688	\$ 303,186

Vacation:

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

Post-employment benefits:

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

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

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 281,764 people and about 435 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 8.45% (2021 - 9.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.80% (2021 - 13.84%) on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 7.45% (2021 - 8.39%) of pensionable salary up to the year's maximum pensionable salary and 11.80% (2021 - 12.84%) on pensionable salary above this amount.

Total current services contributions by the County to the Local Authorities Pension Plan in 2022 were \$454,240 (2021 - \$510,709). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2022 were \$408,147 (2021 - \$463,931).

At December 31, 2021, the LAPP disclosed an surplus of \$11.9 billion (2021 - \$5.0 billion).

19. Comparative information:

Certain 2021 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

20. Budget and statement of operation reconciliation:

The following table reconciles the excess of revenue over expenses in the Statement of Operations to the Budget Balance as shown in the 2021-2023 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.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

20. Budget and statement of operation reconciliation (continued):

	Budget	2022	2021
Excess of revenue over expenses	\$ 9,142,325	\$ (5,566,296)	\$ 3,116,595
Adjustments to revenue:			
Equipment rental revenue, internal	3,394,600	4,460,374	3,879,777
Transfers from reserves	5,372,375	9,947,771	5,227,257
Gain on sales of tangible capital assets	-	(543,144)	(3,598)
Deferred lease payment	-	(298,994)	(298,994)
Services recovered, internal	942,640	945,377	918,748
Adjustments to expenses:			
Equipment rental costs, internal	(3,394,600)	(4,460,374)	(3,804,833)
Transfer to reserves	(5,560,575)	(7,090,175)	(9,200,990)
Capital purchases as per budget	(8,107,500)	(5,026,122)	(5,058,786)
Debt principal payments	(831,625)	(831,640)	(793,518)
Services performed, internal	(942,640)	(944,208)	(919,096)
Amortization expense	-	6,628,099	6,253,243
Provision for allowances	(15,000)	-	-
Budget balance, deficit	\$ -	\$ (2,779,332)	\$ (684,195)

The budget information was approved by Council on December 16, 2022.

LETHBRIDGE COUNTY

Notes to Financial Statements (continued)

Year ended December 31, 2022

21. Salary and benefits disclosure:

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

	2022		2021	
	Salary (i)	Benefits and Allowances (ii)	Salary (i)	Benefits and Allowances (ii)
Councillors:				
Division 1	\$ 41,685	\$ 10,790	\$ 52,475	\$ 66,173
Division 2	68,790	12,633	81,423	49,979
Division 3	40,308	8,989	49,297	42,919
Division 4	42,603	12,317	54,920	46,159
Division 5	41,073	9,881	50,954	36,526
Division 6	47,454	12,527	59,981	46,390
Division 7	42,756	10,514	53,270	45,241
	324,669	77,651	402,320	333,387
Chief Administrative Officer	234,030	49,643	283,673	254,591
Designated officers (2 positions)	203,351	41,160	244,511	249,071

(i) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

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

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

22. Approval of financial statements:

These financial statements were approved by Council and Management.