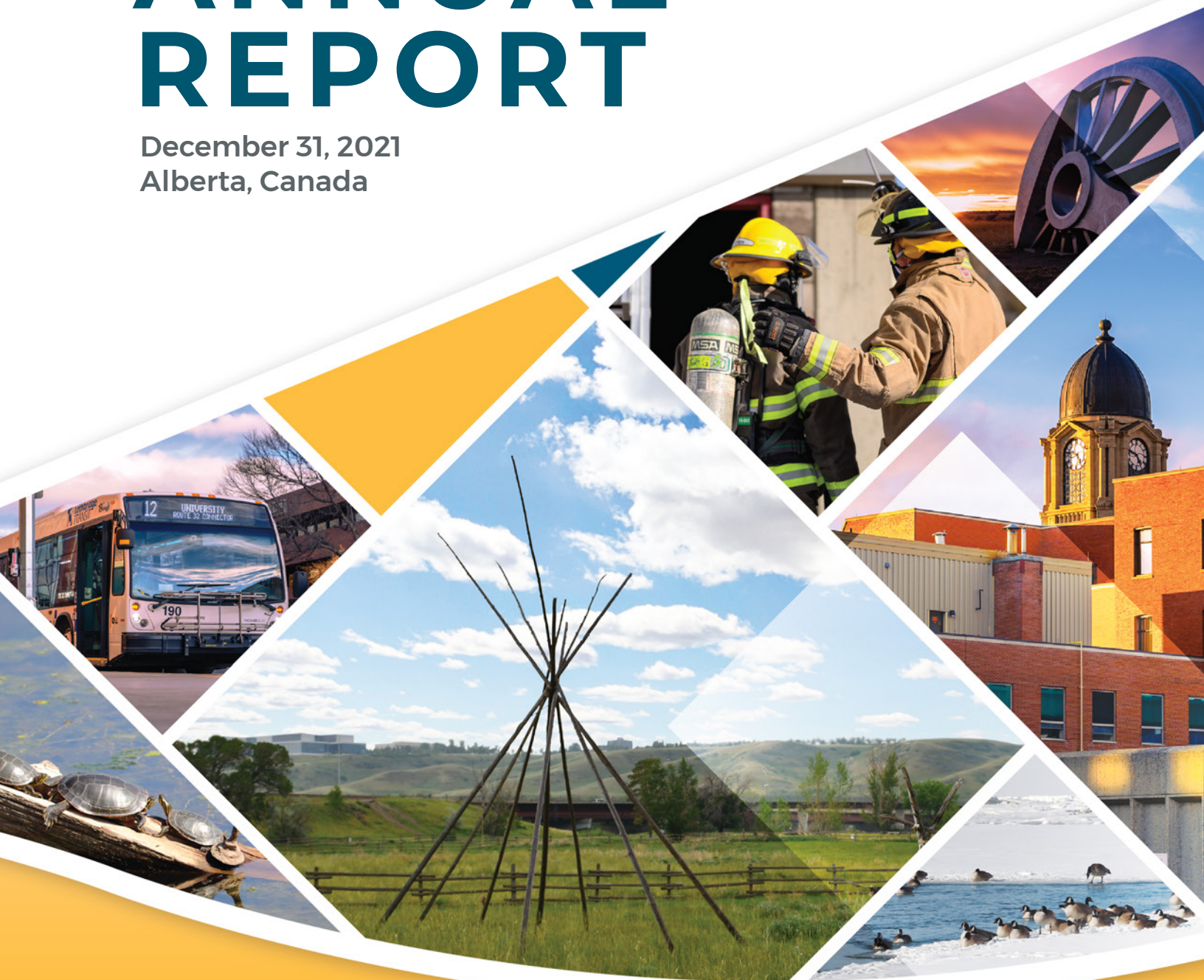


City of Lethbridge

2021 ANNUAL REPORT

December 31, 2021
Alberta, Canada





City of Lethbridge
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Lethbridge, Alberta, T1J 0P6
lethbridge.ca
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The Annual Report is produced by the
Treasury & Financial Services
department of the City of Lethbridge
in cooperation with all civic
departments and agencies.

The City of Lethbridge acknowledges that we are gathered on the lands of the Blackfoot people of the Canadian Plains and pays respect to the Blackfoot people past, present and future while recognizing and respecting their cultural heritage, beliefs and relationship to the land. The City of Lethbridge is also home to the Métis Nation of Alberta, Region III.



Lethbridge River Valley

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The City of Lethbridge 2021 Annual Report, including the financial statements, is the responsibility of management.

MAYOR'S MESSAGE



Mayor Blaine Hyggen

My City Council colleagues and I are pleased to bring you the 2021 Annual Report.

This report is an opportunity to reflect and appreciate all of the efforts City Administration and all of the hard-working departments in the organization, as well as the previous Council and the new Council, have put into getting us through the past year.

Among the biggest highlights was after investing \$2.6 million into the airport, the City is receiving an additional \$23.2 million in Provincial and Federal grant funding for a variety of critical infrastructure projects. The investment we've put into our airport also positions our city and region in a competitive place for business attraction and retention for years to come.

The ongoing Lethbridge & District Exhibition Agri-Food Hub will also be a massive economic catalyst that will lead to greater investment and job creation as agricultural industries further develop in the city and the region.

The previous Council approved the 2022-2031 Capital Improvement Program (CIP) – doing its best to achieve a balance between essential projects and investing in projects to generate employment and improvement in the city, as well as being cautious to not spend all the funding that was available. Some of these projects will start to take shape in 2022.

City Administration and Council have continued efforts towards Reconciliation, including:

- Signing of Memoranda of Respect, Understanding & Partnership (MOU) with Kainai/Blood Tribe
- Permanent flying of Blackfoot Confederacy flag at City Hall
- Our new land acknowledgement video, oki & welcome
- Recognition of the National Day

of Truth and Reconciliation on September 30

- Permanent declaration proclaiming October 4 as Sisters in Spirit Day in Lethbridge
- Approving the Missing and Murdered Indigenous Women and Girls Recommendations and Work Plan
- Voting to advance the Indigenous Place-making Strategy (a review and audit of the public spaces, markers and language used by the City) a year ahead of its originally-scheduled start

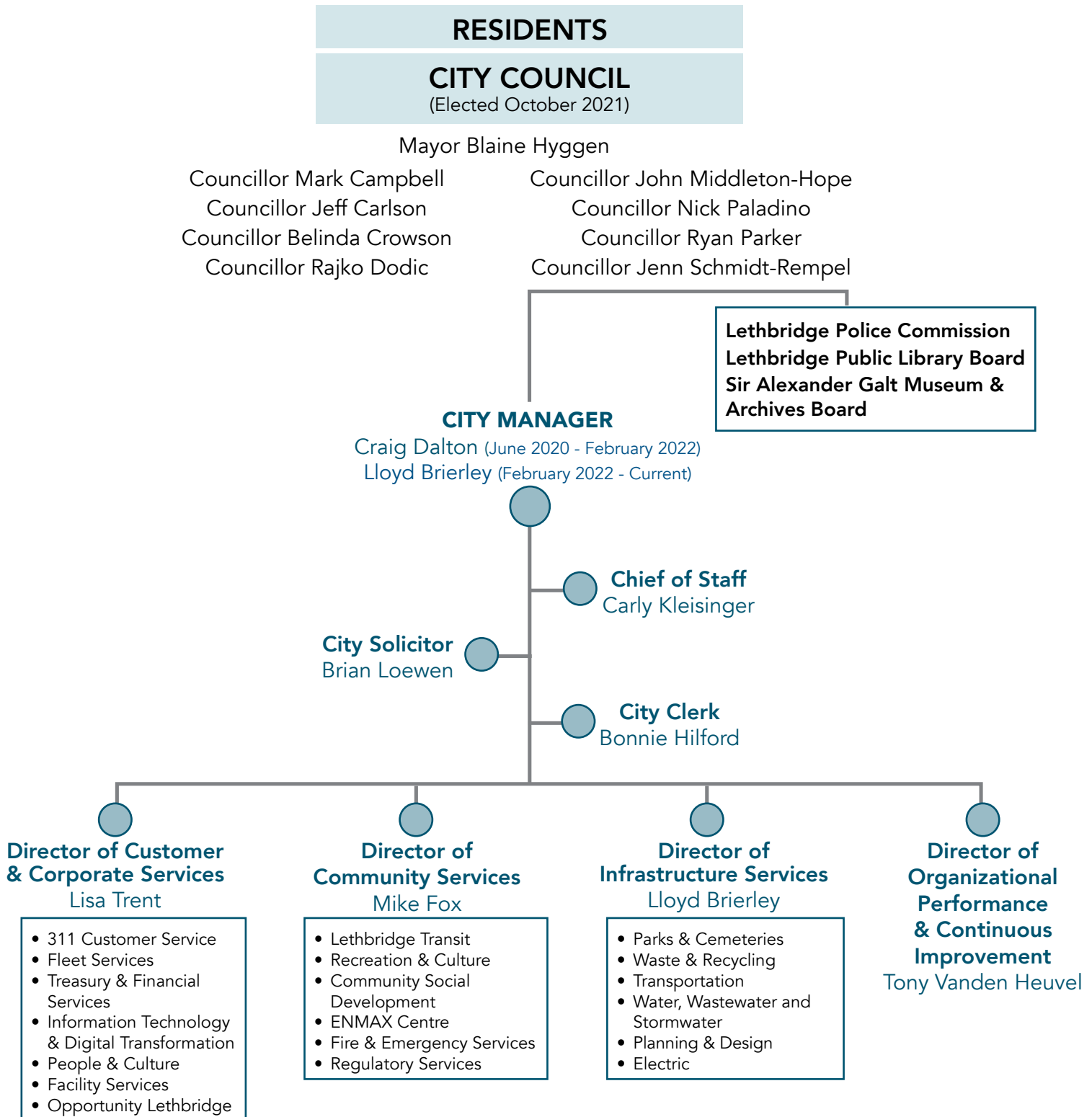
In 2021, on the 112th anniversary of the completion of Lethbridge's iconic High Level Bridge, the City of Lethbridge introduced a fresh, new brand. This change will help build community pride while attracting new visitors, investors, businesses, students and residents.

There is plenty to be excited about in Downtown Lethbridge, with the re-imagine Downtown grants, the first Targeted Redevelopment Incentive Program recipient, 3 Avenue reconstruction, the success of expanded patios and parklets, as well as the new Festival Square set to open in 2022.

There are plenty of other reasons to look forward to in 2022, including that Council recently unveiled its Gateway to Opportunity 2022 Action Plan – which outlines the initiatives we have identified as priorities for the next 12 months. Lethbridge residents can expect a new approach for City Council in 2022 – one that clearly articulates priorities, creates further transparency, reports performance and builds community trust.

Blaine Hyggen
Mayor

Legislative & Administrative Organization Chart



Note: the organizational chart is as of December 31, 2021.

CITY COUNCIL

2021-2025



Back Row (L-R):
Councillor Ryan Parker
Councillor John Middleton-Hope
Councillor Jeff Carlson
Councillor Nick Paladino

Front Row (L-R):
Councillor Mark Campbell
Councillor Belinda Crowson
Mayor Blaine Hyggen
Councillor Rajko Dodic
Councillor Jenn Schmidt-Rempel

About City Council: City Council consists of nine members: the Mayor and eight Councillors, who are elected at large. Lethbridge City Council was elected in October 2021 and will serve a four-year term.

ACTION PLAN 2021-2025

GATEWAY TO OPPORTUNITY

We are a City that works together with our community and partners to ensure that Lethbridge is a leader in environmental stewardship, innovation and active leadership. We are recognized as being a safe, healthy, vibrant, prosperous, economically viable place where all people can fully participate in community life.

Vision Statement from the City of Lethbridge's Municipal Development Plan 2021.

As Lethbridge City Council, to complete the work outlined in our Council Action Plan we will:

- Govern
- Coordinate
- Enable
- Advocate
- Promote

To view the complete 2021-2025 Lethbridge City Council Action Plan, visit our website www.lethbridge.ca

ACTION PLAN 2021-2025 GATEWAY TO OPPORTUNITY

In 2021, Council updated its Municipal Development Plan (MDP) – a process that engaged staff, stakeholders and the community to create the vision for a future Lethbridge. City Council's Action Plan, the Gateway to Opportunity was created using the MDP as the strategic guiding document. It also takes into consideration the concerns heard from the election campaign, balancing both immediate needs and longer-term aspirations.

COUNCIL STRATEGIC FOCUS AREAS

Economically prosperous

Actively encourage the development and diversification of the local economy

Healthy and diverse

Prioritize health-supporting developments and the wellbeing of all residents

Culturally vibrant

Support the creation of a thriving, dynamic environment that exudes a sense of place and of community identity and belonging

Well designed

Strive to enhance and sustain a quality built environment

Environmentally responsible

Strive to enhance and sustain the natural environment

Supports to the region

Contribute towards shared regional objectives

Strategic Leadership & Partnerships

FINANCIAL INFORMATION

AUDIT COMMITTEE REPORT

Lethbridge City Council is responsible for ensuring that City Administration fulfills its responsibilities for financial reporting, internal control and risk management. To assist City Council with these responsibilities, a City Council appointed Audit Committee has been established, primarily to:

- Monitor the Internal Controls over Financial Reporting (ICFR) including the policies, procedures and internal control mechanisms in place to ensure the accuracy, completeness and timely preparation of the City's financial reports and financial statements
- Monitor the independence and performance of the external Auditors
- Provide an avenue of communication among City Council, Administration and the Independent Auditors
- Identify and monitor the principal risks that could impact financial reporting of the City
- Oversee risk management including risk identification, analysis and managements procedures to minimize the City's exposure to loss

The City's Audit Committee oversees the activities of the external auditors to help ensure Administration's accountability to Council. The Audit Committee reviews the audit plan, year-end audit results, summary of audit differences, the Independent Auditors' report and the management letter. To fulfill the City's provincially legislated audit requirements, the Committee engaged the external auditor, KPMG LLP who carried out

the audit of the City of Lethbridge's financial statements, in accordance with generally accepted auditing standards. The external auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings, as to the integrity of the City's financial statements and related processes.

Other key activities completed by the Audit Committee during the year included:

- Considered internal controls and financial risks facing the City
- Reviewed the Audit Findings Report prepared by KPMG LLP. Reviewed annual financial statements, discussed these with Administration and Independent Auditors and recommended approval to City Council
- Discussed the appropriateness of accounting principles, critical accounting policies and management judgments and estimates
- Reviewed legal matters with the City Solicitor
- Reviewed Year End Unaudited Financial Information and Schedules
- Modified the Terms of Reference for the Committee
- Reviewed a number of Administrative policies including the Approval, Funding and Reporting of Operating Budget Variances Policy, the Fraud Identification and Reporting Policy, the Code of Ethical Conduct Policy, the Whistleblower Policy, and the Travel Policy

- Conducted a review of the insurance program and the corporate fuel hedging strategy
- Reviewed the Budget Appropriations Unexpended Processes and Procedures
- Looked at extending the contract for audit services for 2021 and 2022
- Considered the creation of an Integrity Commissioner position
- Participated in education sessions related to the roles and duties of audit committees and the City of Lethbridge's internal control program

The Audit Committee membership before the 2021 Election consists of the Mayor and four Council members, one of whom acts as an alternate. After the Election, it consists of four Council members.

2021 Audit Committee Members:
January 1, 2021 - October 25, 2021

Mayor C. Spearman
Councillor J. Coffman
Councillor B. Crowson
Councillor R. Miyashiro
Councillor J. Mauro (alternate)

November 1, 2021 - December 31, 2021

Councillor B. Crowson
Councillor R. Dodic
Councillor J. Middleton-Hope
Councillor N. Paladino

April 26, 2022

CITY TREASURER'S FINANCIAL STATEMENT DISCUSSION & ANALYSIS



Darrell Mathews - City Treasurer

The 2021 Annual Report of the City of Lethbridge (the "City") provides information to all members of the public about the City's 2021 financial performance. In addition, this report describes some of the City's major financial policies, provides an assessment of the City's general economic condition and highlights some of our accomplishments.

The Annual Report includes the City's consolidated financial statements, prepared by management in accordance with Canadian public sector accounting standards. Entities included in the Annual Report are the City, its Utilities, the Lethbridge Public Library, the Lethbridge Police Service, and the Galt Museum.

The City's auditor KPMG LLP has audited the 2021 consolidated financial statements and their Independent Auditors' Report is included in this Annual Report.

The following financial statement discussion and analysis (FSD&A) is the responsibility of management and should be read in conjunction with the audited consolidated financial statements and accompanying statistical information section.

The consolidated financial statements consist of:

- **Consolidated Statement of Financial Position:**

This statement is a snapshot as at December 31, 2021 of the City's municipal equity. Municipal equity is the excess of assets over debt and other liabilities.

- **Consolidated Statement of Operations:**

This statement consists of revenue reflecting the operating and capital funds that were acquired and how the expenses were allocated, including

the annual costs for owning and using capital assets (depreciation).

- **Consolidated Statement of Net Financial Assets (Debt):**

This statement reconciles the excess of revenue over expenses to the net financial assets (assets that are not for consumption in normal day to day operations). Positive net assets are an indicator that the City is able to meet its liabilities and obligations out of existing assets and has resources to use in the future. Negative net assets (net debt) is an indicator that future resources are required to pay for past transactions events.

- **Consolidated Statement of Cash Flows:**

This statement outlines the details of the change in cash and cash equivalents (short-term investments). The sources and uses of cash are presented in four different categories: operating, capital, investing and financing (new debt issued and debt repayments).

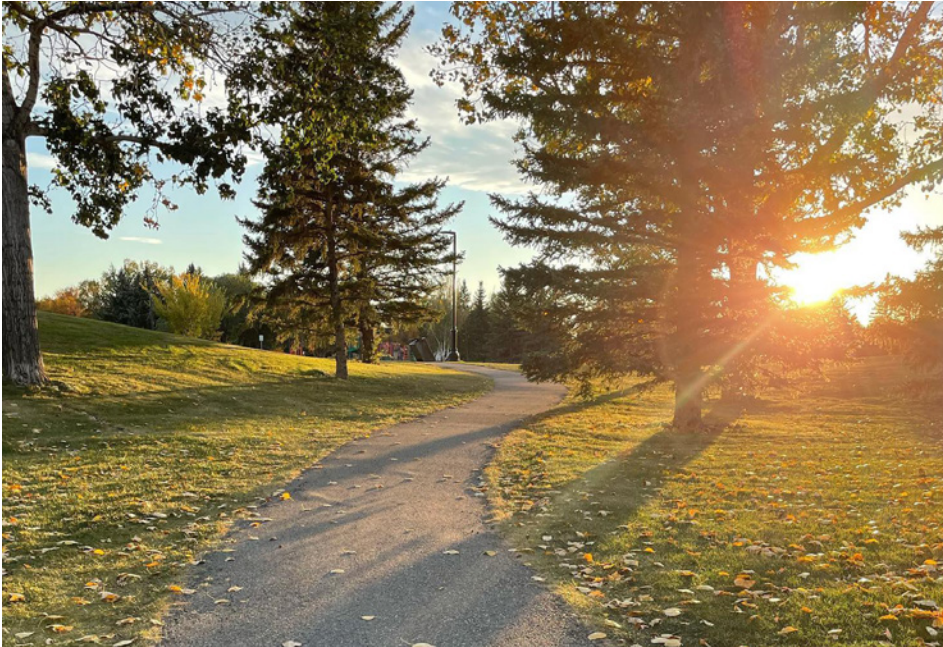
2021 FINANCIAL HIGHLIGHTS

2021 was the third year of the four-year 2019-2022 Operating Budget. The Departments within our organization continue to do an admirable job of providing service to our community and managing budget funds responsibly within our overall operating budget, particularly in 2021 an unprecedented year of operations during the COVID-19 pandemic.

During 2021, the City realized a consolidated annual unrestricted surplus of \$12.3 million, (2020 - \$4.8 million) as shown on Schedule 1.

The City of Lethbridge will continue to monitor our financial performance and strategies over the 2019-2022 operating budget period to address

FINANCIAL STATEMENT DISCUSSION & ANALYSIS



growth and increased demand for services. The City also has to balance that with other economic impacts throughout the province. An expanded discussion of these challenges are included in the Economic Conditions portion of this document.

SIGNIFICANT BUDGET VARIANCES

The following is an analysis of the 2021 General and Utility operations for the period ended December 31, 2021.

General Operating Results

Corporate Accounts ended the year with a \$4.5 million surplus. For 2021, specific budget variances resulting from factors not attributable to the department management (e.g. corporate revenue and utility costs on City facilities) are reported as a corporate responsibility.

By City Council resolution, this \$4.5

million Corporate Account surplus will be transferred to the Municipal Revenue Stabilization Reserve in the following year. Significant corporate account variances from budget are as follows:

Property tax ended the year with a positive variance of \$0.6 million due to higher than anticipated growth in commercial properties of \$1.1 million and partially offset by a \$0.5 million shortfall due to the Provincial Government's reducing its payment on property taxes paid on Crown property by 50%.

General revenue ended the year with a positive variance of \$0.2 million. This positive variance includes higher than budgeted transfers from the Water and Landfill Utilities to General Operations of \$0.3 million, offset by lower than budgeted penalties on taxes of \$0.1 million. Included in general revenues is a \$5.6 million surplus that was a result of City Council decisions made during the

2021-2022 operating budget review to reduce budget and maintain a zero percent tax increase throughout the remainder of the budget cycle and other corporate budget variances. This one-time surplus was allocated to the following: Airport Reserve \$1.0 million to offset expected revenues pressures as a result of COVID-19; \$3.6 million to the Acquire Off Street Parking Reserve which was used to repay the balance of the internal loan from the Municipal Revenue Stabilization Reserve for the Park 'N Ride (CIP 2018-2027 D-15); \$1.0 million to the Acquire Off Street Parking Reserve to offset expected revenue pressures as a result of COVID-19.

Permit, development and license revenue ended the year with a negative variance of \$0.9 million. The revenue shortfall is due to the pandemic and resulting economic conditions.

Employee Benefit accounts ended the year in a positive variance of \$3.2 million. This is attributed to savings in payroll source deductions (CPP, EI, various pension plans) resulting from personnel matters.

Corporate fuel costs ended the year with a positive variance of \$0.7 million, primarily due to lower than budgeted Transit fuel prices.

Utility costs for tax supported City facilities ended the year with a surplus of \$0.7 million, primarily due to lower than budgeted rates for electricity, natural gas and City utility costs.

A negative variance of \$0.8 million due to specific conditions with ENMAX Centre facility closures and sponsorship loss that was offset by \$0.8 funding from reserve for COVID-19 related pressures.

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

Department Results

Typically, to accommodate the four-year budget cycle, Departments are expected to operate within the 48 month budget. If there is a shortfall after the third year, Departments are expected to overcome the deficit by adjusting expenditures in the remaining year of the operating budget (2022); and if the experience after the third year results in net under expenditures, the Departments have the ability to roll the amounts over to assist with operations during 2022. General Fund Department results are therefore transferred to the Budget Appropriations Unexpended Reserve (shown on the Consolidated Schedule of Unrestricted Surplus - Schedule 1 as part of the transfer to reserves) and therefore are not part of the \$12.3 million Consolidated Annual Unrestricted Surplus.

Utility Operating Results

Utility operations include the Waste and Recycling Utility, the Wastewater Utility, the Water Utility and the Electric Utility.

Overall, the Waste and Recycling Utility (comprised of the Waste Collection and Waste Processing services) ended the year with a surplus of \$2.9 million. This was primarily due to the Landfill and Material Recovery Facility (MRF) revenues being greater than budgeted from higher than budgeted tonnage and there were some operational expense savings.

Wastewater Utility ended the year with a positive variance of \$1.6 million. Revenue finished the year with a \$1.6 million positive variance primarily due to industrial revenues. Additionally, lower than anticipated treatment costs and debt servicing payments resulted in a positive variance of \$0.7

million. These positive variances were offset by a negative variance of \$0.7 million as a result of early advances of operating funds applied to 2022-2031 Capital Improvement Projects.

Water Utility ended the year with a positive variance of \$3.2 million. This was primarily due to water revenue which ended the year with a positive variance of \$2.6 million as a result of higher residential, regional & irrigation and general revenues. In addition, a surplus of \$2 million resulted from lower than budgeted expenses at the water treatment plant and lower than anticipated debt servicing payments. This was offset by a negative variance of \$1.4 million as a result of early advances of operating funds applied to 2022-2031 Capital Improvement Projects.

The Electric Utility ended the year with a \$0.1 million positive variance from operations. Transmission Tariff ended the year with a small positive variance due to decreases in depreciation, and system operations, offset by an increase in cost of capital and linear property tax costs. Fibre Operations ended the year with a \$0.1 million positive variance due to cost of capital and system operations expenses being lower than budgeted. The Distribution tariff ended the year with a positive variance of \$1.1 million primarily due to an increase in collection of the Distribution component of the tariff to cover an increase in depreciation and system operations expenses for the year. These positive variances were offset by a negative variance of \$1.1 million in the Regulated Rate tariff due to fluctuations in price to purchase energy and managing the energy for our customers. The prices are set monthly to cover the costs for energy purchases and Electric uses hedges

to reduce risk on energy purchases as well. In 2021 the demand exceeded our forecasted use and required additional purchases at a price that has more than doubled over prior year.

FINANCIAL POSITION

The overall financial position of the City of Lethbridge ended 2021 with year-end net financial assets totaling \$13.2 million (2020 net financial debt of \$9.5 million). The net financial assets are an indicator of the ability of the City to meet its obligations and continue to provide services into the future.

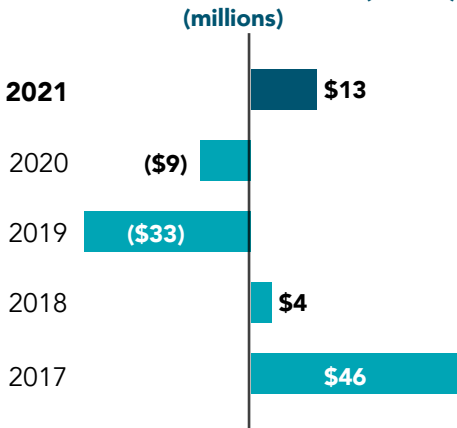
Financial Assets

The City's 2021 total financial assets of \$412 million increased by \$33 million from the prior year (2020 \$379 million). There was an increase in cash and investments of \$33.3 million and an increase in receivables of \$11.2 million. The change in cash, investments and receivables was due to the timing of receipt of funds from other levels of government as well as the funding associated with the construction of capital projects. There was also an \$8.2 million decrease in deposits for land transactions and land held for resale. The City experienced a decrease of \$3.6 million in loans and advances.

The City uses investments to provide a return on public funds while they are held by the City. These funds consist of reserves, capital funds, Provincial and Federal grants, and operating funds. The funds are invested between the time of their receipt and their use to maximize the opportunity of investment returns to the City of Lethbridge. The timing of these transactions, as well as the size of reserves and the amount of

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

NET FINANCIAL ASSETS (DEBT)



internal financing approved are the main factors influencing the size of the investment portfolio. The average size of the portfolio in 2021 was \$321 million (2020 \$300 million).

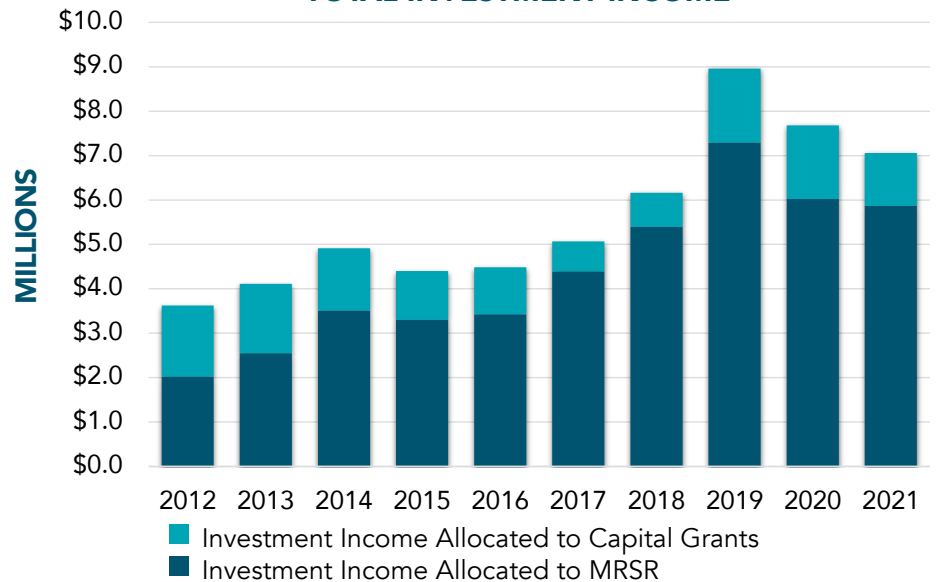
The investment activities of the City are governed by the Municipal Government Act (MGA) and an investment policy which has been adopted by City Council.

The 2021 gross interest income earned from the portfolio was \$7.1 million (2020 \$7.7 million). The City's 2021 average portfolio yield of 2.20% (2020 2.56%) was higher than the Government of Canada 3-year Benchmark yield of 0.65% (2020 0.5%).

Liabilities

The City's 2021 total financial liabilities of \$398.9 million increased by \$10 million compared to the prior year results (2020 \$388.9 million), primarily due to an increase in accounts payable and accrued liabilities of \$7.6 million and an increase in deferred revenue of \$15.5 million. These increases were offset by a decrease in debenture debt of \$12.3 million and a decrease of other liabilities of \$0.8 million.

TOTAL INVESTMENT INCOME



Accounts Payable and Accrued Liabilities

The accounts payable and accrued liabilities balance of \$52.5 million at the end of 2021 has increased by \$7.6 million over the prior year balance of \$44.9 million.

Trade accounts payable increased by \$5.4 million primarily due to payments related to the timing of construction and capital expenditures during 2021 as well payments for large events.

Accrued liabilities increased by \$2.2 million primarily due to an increase in payroll and benefits and landfill post closure costs.

Employee Benefit Obligations

Employee benefit obligations ended the year with a balance of \$15.2 million which was an increase of \$0.9 million from the previous year (2020 \$14.3 million). This is primarily due to increases in vacation and overtime liabilities.

Deferred Revenue

Deferred revenue is made up of contributions from other levels of government, prepaid taxes and other revenue deferrals. The \$15.5 million increase in deferred revenue is primarily due to the timing of government contributions received versus the recognition of revenue based on eligibility requirements.

Deposits and Other Liabilities

Deposits and other liabilities are collected by the City in various forms, including land sale deposits, architectural control deposits, funds in lieu of letters of credit, utility customer deposits, and conditional funding requirements. These deposits are held by the City until the service or conditional requirements are completed. During 2021, deposits and other liabilities decreased by \$1.6 million primarily due to a decrease in trust fund deposits.

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

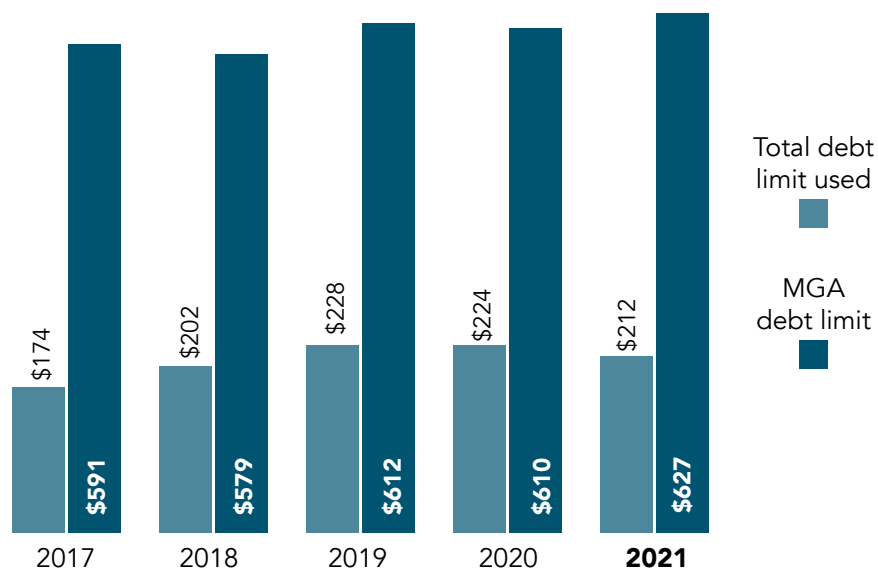
Debenture Debt

In 1989, City Council adopted a policy of Pay-As-You-Go financing for general municipal (non-utility) capital expenditures, which provides for a fixed amount to be applied to taxation supported debt payments and funding of capital projects. A complementary policy was that of utilizing City reserves to internally finance larger capital works. These policies have allowed the City to restrict the amount of taxation supported borrowings to one major capital improvement project (ATB Centre Phase 2 Leisure Complex).

Since the beginning of this program in 1989, the level of capital expenditure has been controlled; however, because maintenance is recognized as a high priority, the City's existing infrastructure and facilities have not been compromised.

The general fund continues to require external borrowing for "self-supported" activities such as Land Development and Developer Offsite Levy projects. Its activities are termed

DEBENTURE DEBT VS DEBT CAPACITY (millions)

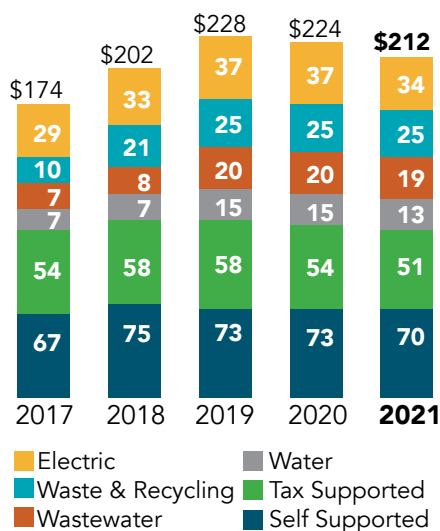


self-supported because the debt repayments are made directly from the revenue of these activities and are not paid from property taxes. Significant Offsite Levy borrowings have been required to fund projects that will support growth in the community for coming decades. The payments on these borrowings will be funded by Offsite Levies.

Waste & Recycling Centre Disposal Cell Development and Closures, Landfill Gas & Leachate Management System Development, and Métis Trail.

The City carries levels of debt and debt servicing well below the legislated limit.

DEBENTURE DEBT (millions)



Section 276(2) of the MGA establishes limits for municipal debt levels and annual debt servicing costs. The City's debt limit, as defined by this regulation, is calculated as 1.5 times the consolidated revenue net of capital grant revenue, contributed asset revenue and loans to non-profit organizations and controlled corporations.

In 2021, the City's debenture debt was \$212.1 million. This was a decrease of \$12.3 million, -5.5% from the 2020 balance. The debenture debt decrease was primarily due to the timing of major capital projects. The 2021 borrowings for capital projects included the Curbside Recycling,

Net Financial Assets (Debt)

As demonstrated on the Consolidated Statement of Net Financial Assets, the City of Lethbridge has net financial assets of \$13.2 million (2020 net financial debt of \$9.5 million). This increase in net financial assets of \$22.7 million relates to the timing of major capital projects. During 2021, the City was in the planning stages of several capital projects. This is the reason for the increase in cash and investments, increase in deferred revenue, and the decrease in debenture debt. These changes factor into the overall change from net financial debt to net assets.

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

Non-Financial Assets

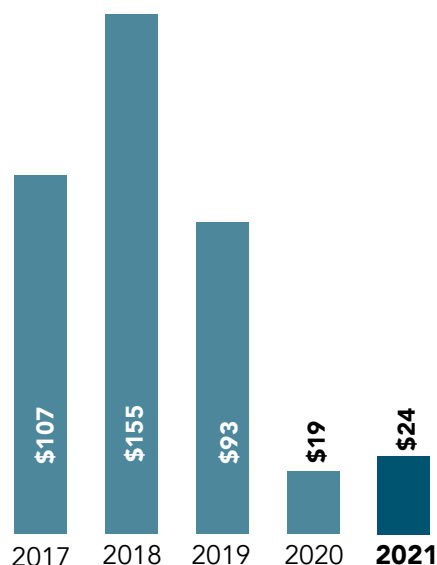
Non-financial assets include tangible capital assets, land held for resale, inventories held for consumption, and prepaid expenses.

Tangible Capital Assets

The single largest item within non-financial assets is tangible capital assets which ended 2021 with a balance of \$1.855 billion (2020 \$1.831 billion) which was an increase of \$24 million.

Tangible capital assets are assets managed and held for use in production or supply of goods and services and have economic lives that extend beyond a year and are not for sale in the ordinary course of operations. The most significant investments in tangible capital assets during 2021, include the Métis Trail Expansion (Temple Blvd to Coalbrook Gate) of \$5.1 million, Fibre Broadband Project of \$4.8 million, Airport Airfield Ground Lighting of \$4.8 million, Airport Terminal Construction of \$4.5 million, 3 Avenue South Reconstruction of \$3.7 million and Airfield Pavement Rehab of \$3 million.

**NET INCREASE IN
TANGIBLE CAPITAL ASSETS
(millions)**



Other Non-Financial Assets

Other non-financial assets include land held for resale, inventories held for consumption, and prepaid expenses. Overall other non-financial assets ended 2021 with a balance of \$58.4 million which was an increase of \$13.4 million from the prior year (2020 \$45 million). This was primarily due to an increase in the non-financial portion of land held for resale due to the timing of sales within subdivision activities and land acquired for future development.

Municipal Equity (Net Assets)

As reflected in Note 15 to the financial statements, municipal equity consists of restricted and unrestricted amounts, including the accumulated unrestricted surplus, reserves, equity invested in tangible capital assets and the capital fund. The 2021 municipal equity total is \$1.93 billion which is an increase of 3.2% from the previous year.

FINANCIAL OPERATIONS

The Consolidated Statement of Operations outlines revenue earned by the City and the expenses incurred to provide municipal services.

Revenue

The overall revenue had an increase of \$33.7 million or 7.6% with total revenue of \$474.4 million (2020 \$440.7 million).

There were increases in most revenue categories, the largest increases were government transfers of \$12.4 million, sales and user charges of \$8.9 million, and an increase in sale of land of \$5.3 million. Smaller revenue increases were, an increase in net taxes of \$2.2 million, an increase in return on investments of \$2.1 million, an

REVENUE (millions)	
2021 Actual	\$ 474.4
2020 Actual	440.7
Variance	\$ 33.7
% Variance	(7.6)%

increase in fines and penalties of \$1.8 million and contributed assets increase of \$1.2 million. These increases were offset by decrease in other revenue categories of \$0.2 million.

Government Transfers increased by \$12.4 million from 2020 due to timing of government transfers provided to fund operating or capital expenses. These revenues are externally restricted and recorded as a deferred revenue until used for the purpose intended. The increase in government transfers was primarily due to increases in funding transfers from Municipal Stimulus Program (MSP) of \$8.5 million, Municipal Sustainability Initiative (MSI) of \$4.2 million, Investing in Canada Infrastructure Program (ICIP) of \$3.9 million, Alberta Community Resilience Program of \$3.7 million, Federal Gas Tax Fund (FGTF) of \$2.4 million and Social Housing in Action (SHIA) of \$2 million, as well as increases in other government transfers of \$1.4 million. These increases were offset by decreases in the Municipal Operating Support Transfer (MOST) of \$11.2 million, and \$2.5 million in the Green TRIP (Green Transit Incentives Program).

Sales and user charges increased by \$8.9 million or 4.7% from 2020 and is primarily due to utility revenue increases; electric revenue of \$5.3 million, waste & recycling revenues of \$1.9 million, and water increased \$0.8 million, offset by wastewater revenue decrease of \$0.3 million. Other

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

increases in revenues are an offsite development increase of \$3.3 million as well as other revenues of \$0.7 million. These increases were offset by decreases related to operations impacted by the pandemic, decrease in Transit revenue of \$2 million, recreational facilities and programs decrease of \$0.5 million and Airport revenue decrease of \$0.3 million.

During 2021, the City received land sales of \$11.6 million which was an increase of \$5.3 million from the previous year (2020 \$6.3 million). The majority of the increase is related to the timing of residential subdivision development which had an increase of \$1.8 million from The Crossings subdivision, an increase of \$0.6 million from the RiverStone subdivision and an increase of \$2.9 million in Sherring. Fluctuations from year to year occur due to timing differences created through the development process with residential and industrial subdivisions.

Property tax is a primary revenue source available to the City to pay for municipal services. In 2021, net taxes available for municipal services of \$158 million was \$2.2 million or 1.43% higher than 2020, and accounted for 33.3% (2020 35.4%) of gross revenue. The net tax increase was primarily a result of commercial property growth as Council approved budget reductions resulting in a 0% increase in the municipal tax portion of property taxes 2021. The Schedule of Net Taxes - Schedule 2 of the consolidated financial statements provides further detail with respect to net taxes.

Return on investments was \$8.4 million which was a \$2.1 million increase from the previous year (2020 \$6.3 million). The overall increase was primarily a result of \$2.7 million

increased grant interest revenue due to the timing difference in recording interest revenues associated with grants and \$0.6 million decrease in overall investment income.

Fines and penalties revenue increased by \$1.8 million from 2020 due to a \$1.0 million increase in traffic safety act revenues. This is an area that was impacted by the provincial budget, with the province retaining 40% of fine revenue and the impact of the pandemic on court enforcement and cancelled tickets. As well, there was an increase of \$0.8 million in other penalties.

Contributed assets had an increase in 2021 of \$1.2 million. Contributed assets are those typically contributed from other developers. Contributed amounts will fluctuate from year to year, since they are largely dependent on some of the following:

- Market conditions - if housing markets are thriving, subdivision development will increase to meet demands and in turn, contributions to the City for roadways, parks, etc. will increase.
- Weather conditions - will cause construction completion dates to fluctuate.
- Parks and amenity features - dependent on the size of parks and amenities (e.g. playground equipment, pergolas and decorative fencing) that the developer installs and will correspondingly change the value of the assets and contributed asset revenue for the City of Lethbridge.

The City experienced an overall decrease of \$0.2 million in the remaining revenue categories.

Expenses

The Consolidated Statement of Operations summarizes the City's expenses by function. A further description of what each of these functions include is provided within note 27 – Segmented Disclosures.

In 2021, the consolidated expenses of \$414.8 million were \$17.9 million or 4.5% higher than the previous year.

EXPENSES (millions)	
2021 Actual	\$ 414.8
2020 Actual	396.9
Variance	\$ 17.9
% Variance	4.5%

Expenses by Function

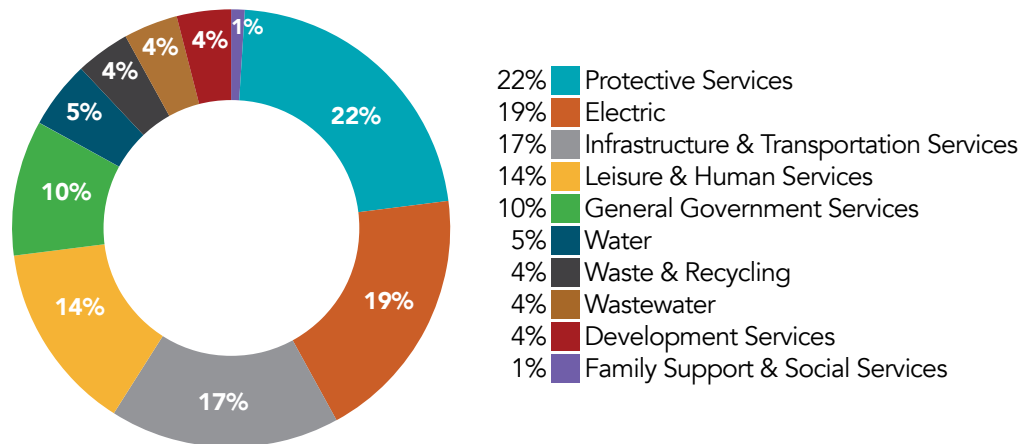
The major segments that make up the \$17.9 million change are an increase of \$12.1 million in General Government Services, a \$3.9 million increase in Protective Services, a \$3.4 million increase in Development Services and an increase of \$3.2 million in the Electric Utility. These increases are offset by a decrease of \$2.3 million in Infrastructure & Transportation Services, a \$2.2 million decrease in the Waste and Recycling Utility, and a \$0.2 million decrease in other expense categories.

General Government Services increased by \$12.1 million to \$41.3 million in 2021 from \$29.2 million in 2020. This was due to an increase of \$9.8 million in transfers to other agencies, an increase of \$3.2 million in contractual services related to facility maintenance, studies, and other costs offset by a \$0.9 million decrease in other expense areas.

Protective Services expenses increased by \$3.9 million to \$92.3

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

2021 Expenses by Function



million from \$88.4 million in 2020. This was due to additional personnel costs of \$1.7 million, an increase of \$0.8 million in material, supplies and contractual services, and an increase of \$1.4 million across other expense areas.

Development Services ended the year with \$15.5 million in expenses. This was an increase of \$3.4 million from 2020. This was primarily due to an increase of \$2.8 million related to public housing programs and an increase in subdivision development activates of \$0.6 million.

The Electric Utility expenses increased by \$3.2 million from \$77.2 million in 2020 to \$80.4 million in 2021. The increase is primarily due to an increase in Transmission fees (Rider C) and energy charges of \$5.5 million offset by a decrease of \$1.2 million in amortization of tangible Capital Assets, a decrease of \$0.4 million in personnel costs and a decrease of \$0.7 million in other expenses.

Infrastructure and Transportation expenses decreased by \$2.3 million to \$71.8 million from \$74.1 million in 2020. This decrease is a result of

a decrease of \$2.2 million for Transit primarily related to termination of school bus operations, and a decrease of \$1.4 million in contracted services and amortization of tangible capital assets related to Lethbridge Airport operations. These decreases are offset by an increase of \$1.1 million in supplies and amortization of tangible capital asset expenses related to Fleet operations and an increase of \$0.23 in other expenses.

The Waste and Recycling Utility had a \$2.2 million decrease in expenses from \$18.8 million in 2020 to \$16.6 million in 2021. This is primarily due to a decrease in contractual services related to capital projects that were completed in 2021.

The City experienced an overall decrease of \$0.2 million in the remaining expense segments.

Expenses by Object

The Schedule of Segmented Reporting – Schedule 4 and note 21 – Expenses by Object provide an alternate view of the City's expenses. The expenses by object provides another insight into the overall

increase of \$17.9 million from 2020.

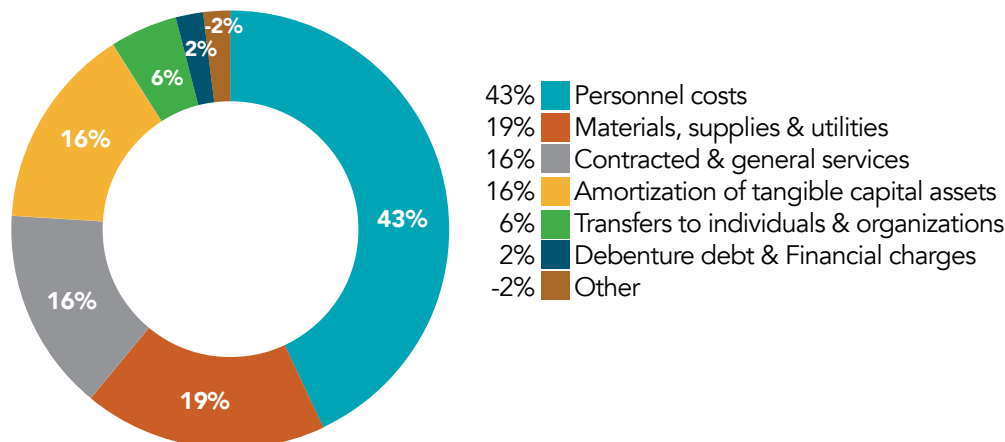
Contributing factors to this increase include an increase in transfer to individuals and organizations of \$16.5 million, and an increase in materials, supplies and utilities of \$6.2 million. These increases are offset by decreases in contracted and general services of \$2.6 million and a decrease of \$2.2 million in other expense categories.

Transfers to individuals and organizations increased by \$16.5 million in 2021 to a total of \$23.5 million from \$7.0 million in 2020. This is primarily due to the City of Lethbridge contribution of \$10.0 million for the Lethbridge & District Exhibition Agri-Food Hub (Trade Centre) project, \$5.6 million for Family and Community Support and Social Services payments and \$0.9 million in other transfers.

Materials, supplies and utilities expense of \$81.3 million have increased by \$6.2 million or 8.3% from the previous year. This is primarily due to an increase of \$5.8 million in utilities costs primarily related to electric energy, transmission charges

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

2021 Expenses by Object



and rider costs, an increase of \$0.7 million in fuel costs, and an increase of \$0.7 million in project related materials and supplies, offset by a \$1.0 million decrease in all other operational materials and supplies.

Contracted and general services decreased by \$2.6 million to \$65.1 million from \$67.7 in 2020. Contractual services costs related to utility fund capital projects decreased by \$1.4 million primarily related to Waste and Recycling Utility, and special services and studies decreased by \$1.2 million and operating contractual services decreased by \$0.3 million. These decreases are offset by an increase in other general services of \$0.3 million.

Other expense categories have decreased by \$2.2 million. This is due to a decreased recovery of \$2.2 million in expenses recovered from capital and other expenses, a decrease of \$0.3 million in debenture debt interest and a decrease of \$0.3 million in financial charge. These decreases are offset by an increase of \$0.4 million in amortization of tangible capital assets and a \$0.2 million increase in personnel costs.

Excess of Revenue Over Expenses

During 2021, the City realized an excess of revenue over expenses of \$59.7 million. As summarized on the Consolidated Schedule of Unrestricted Surplus – Schedule 1, the bulk of these funds were reduced by the change in the equity in tangible capital assets of \$35.9 million (represented by the net increase in tangible capital assets of \$23.6 million and the net decrease of debenture debt of \$12.3 million), by the \$2.6 million in transfers to the capital fund, an increase of \$4.1 million in transfers to reserves and by the \$4.8 million decrease related to changes in other equity balances. Once these changes and transfers were completed it leaves the consolidated annual unrestricted surplus.

CASH FLOWS

The City's cash and cash equivalents increased from the prior year by \$66 million to a balance of \$82.6 million. During the year, \$127.8 million was raised from operating activities and investment portfolio redemptions of \$32.7 million (net). This was offset by

the use of cash and cash equivalents for net debt repayments of \$12.3 million and \$82.2 million (net) was spent to acquire tangible capital assets, a reflection of the City's commitment to the maintenance and improvement of capital infrastructure and facilities.

FINANCIAL CONTROL AND ACCOUNTABILITY

The City maintains a number of processes and financial controls to ensure that accountability is maintained and that management is able to proactively identify and address financial challenges.

Financial Governance

Notwithstanding that the City's management is responsible for the preparation of the financial statement discussion and analysis and financial statements, City Council requires a review of policies, procedures and internal control mechanisms. This includes a review of the June and September operating forecast reports, annual unaudited financial report, financial policies, audit findings, significant or unusual financial transactions, and accounting

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

treatments or estimates. City Council is responsible for ensuring that City Administration fulfills its responsibilities for financial reporting, internal control and risk management. To assist City Council with these responsibilities, a City Council appointed Audit Committee has been established. City Council is ultimately responsible for approving the City's budget, appointing the auditor, and providing general financial authority and oversight.

Budgeting

The City of Lethbridge uses two separate budgets, the Capital Improvement Program (CIP) and the Operating Budget. On December 10, 2018 City Council approved the City of Lethbridge 2019-2022 Operating Budget. The Operating Budget is the financial plan that provides the foundation for the corporation to implement business plans and operationalize City Council's priorities from January 1, 2019 to December 31, 2022.

In the weeks and months preceding budget approval, City staff and City Council considered customer and stakeholder feedback through telephone and online surveys, in person at open houses, online with an engagement website, presentations to Finance Committee and sharing of information through social media. Direction was given by City Council to maintain service levels but to absorb inflation and growth. City Council also gave direction to conduct operational reviews over the next three years, which will focus on innovation, efficiencies, cost-containment and re-investment opportunities. The 2019-2022 Operating Budget addresses several strategic priorities, while building in financial accountability and

limiting the tax impact on residents.

This Operating Budget includes the required revenue to fund the City's delivery of desired programs and services to the community, and represents City Council's priorities as identified in the City's Strategic Plan, Business Plan, and other sources.

Note that the Operating Budget is also prepared on the modified cash flow basis. Based on this method the City uses tax revenue, reserve transfers and government transfers to balance its operating budget.

The Operating Budget does not include revenue from contributed assets.

On May 11, 2020, City Council directed that the 2020 operating budget be amended on a one-time basis by eliminating the scheduled 1.82% municipal tax increase (\$2.8 million decrease). In addition, City Council members met as Finance Committee from November 23-27, 2020 to review the 2021-2022 Operating Budget for the City of Lethbridge. Changes to the 2021-2022 Operating Budget received final approval from City Council on December 14, 2020.

The 2018-2027 CIP was approved by City Council for the years 2018-2021. Projects included in the CIP are projects with specific funding sources including debt, off-site levies, Pay-As-You-Go financing (explained previously) and capital grants from the Government of Alberta and the Government of Canada. The Operating Budget includes items that are ongoing in nature and have specific funding sources including property taxation, utility rates, user fees, and operating grants.

Accounting Process

The City of Lethbridge is organized into various business areas, each responsible for managing the delivery of program services in accordance with the resources allocated to those programs. All business areas reporting to the City Manager share a common accounting and reporting system, and financial and accounting services are administered within the Treasury & Financial Services department and delivered to each business area based on their needs.

The Lethbridge Public Library, Galt Museum, and Lethbridge Police Service utilize the common accounting system but report through their respective board or commission.

Internal Controls

The City utilizes financial policies, procedures and continuous controls monitoring software to ensure appropriate financial internal controls are in place. Policies and procedures are reviewed, as required, to comply with the Municipal Government Act (MGA) and the Canadian public sector accounting standards.

Auditing Process

As required by the Municipal Government Act, City Council appointed KPMG LLP as the external auditor. Following a comprehensive audit process and after working closely with management, the auditor must report to City Council with the annual consolidated financial statements. Based on the Committee's recommendation, City Council approved the 2021 Consolidated Financial Statements at its meeting on April 26, 2022.

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

RISK MANAGEMENT

The City of Lethbridge is committed to maintaining a comprehensive Enterprise Risk Management program. Risk management provides strategies and tools that promote a corporate-wide and systematic approach to manage and mitigate risks.

Normal Operating Risk

In the usual course of business, the City is exposed to various risks that are mitigated through operational and financial controls. These risks include the normal operational risks associated with the City's services and programs, as well as social, legal, regulatory, environmental and economic issues and changes to the economy that could impact City operations, human resource availability and cost, and investment risk related to volatile financial markets.

Revenue Volatility

Since revenues are sensitive to both local and regional economic conditions, revenue estimates must be conservative. To address the risk, the City uses an objective, analytical process utilizing trend, judgmental and a statistical analysis as appropriate. This determines a reasonable conservative estimate of revenue.

Infrastructure Replacement and Sustainable Asset Management

Infrastructure and City services are a key component of the quality of life that is enjoyed by the citizens of Lethbridge. In order to minimize borrowing and maintain City services and infrastructure the City has two key components; its Pay-As-You-Go

program (previously discussed) and the Asset Management program. In 2005, the Asset Management program introduced processes and utilized resources which ultimately leads to managing the lifecycle of corporate assets in the most cost effective manner.

ECONOMIC CONDITIONS

Lethbridge's economy has improved in comparison with 2020 figures; however, current indicators remain below average, which suggests that a full recovery has not materialized yet. The 2021 unemployment rate in the Lethbridge region is low at 6.0% versus the Alberta rate of 8.7% and was close to the national average of 7.5%.

In terms of new construction, Lethbridge experienced an increase in terms of the value of construction in the community at \$307 million, versus \$194 million in 2020. Industrial permit values totaled \$11.7 million in the most recent calendar year, an increase over 2020 from \$7.4 million. Commercial permit values also saw an increase to \$31 million in 2021, from \$25 million in 2020. Residential permits for single detached dwellings increased in 2021 with 264 permits issued versus 218 in 2020. While permit values were up, there are signs that inflation played a role in the elevated annual values as well as the rate of change.

Economic Development Lethbridge (EDL) and the Lethbridge Chamber of Commerce have partnered on the Brighter Together survey of local business since 2019. This initiative probes local organizations to provide feedback about their current sentiments and overall business

health in order to better understand local conditions and to communicate the results to key stakeholders. The highlights from the 2021 survey include: that 74% of the respondents indicate their business health is positive, quality of life was selected as the most important locational characteristic for a third consecutive year, utility costs were the biggest locational challenge for businesses at present and the rising cost of inputs was cited as the most pressing obstacle for businesses over the next 12 months.

Lethbridge broke the 100,000 threshold in 2019 and had a population of 101,482. The City of Lethbridge did not conduct a census in 2020 or 2021.

There are many concrete reasons Lethbridge is a great location. With its low cost of living, mild climate, short commute times and wide range of recreation and culture opportunities, Lethbridge has something for everyone to achieve a perfect balance of work and life. The combination of city amenities and small-town charm, the easy lifestyle it affords and the sense of community it fosters continues to demonstrate that Lethbridge is the place to live.

CONCLUSION

The 2021 Annual Report for the City of Lethbridge provides detailed information of the organization's financial position and how financial resources have been allocated to provide services to the community. Given that we experienced both operational and financial challenges, we are pleased with the financial results of 2021 and the City continues to achieve a strong financial position

FINANCIAL STATEMENT DISCUSSION & ANALYSIS



Downtown Lethbridge

as a direct result of City Council's ongoing commitment to financial stewardship.

As the COVID-19 pandemic continued to cause a significant impact on the City and its citizens, 2021 was just as difficult as 2020. The social and economic challenges required the City to make adjustments during 2021, which reminds us how strong, resilient and responsive the City of Lethbridge is to the needs of our community. The City appreciates the ongoing

partnerships and collaboration efforts that helped make Lethbridge a great place to live, learn, work and play. I would like to acknowledge the combined effort of City Council, Administration and our staff as we conclude the year 2021. Even though, there are still many unknowns as we look into the future, I am confident the City will position itself to make the most of its opportunities to move forward successfully in 2022.

Respectfully submitted,

Darrell Mathews, CPA, CMA, CIA
City Treasurer
April 26, 2022

RECOGNITION FOR ACHIEVEMENTS

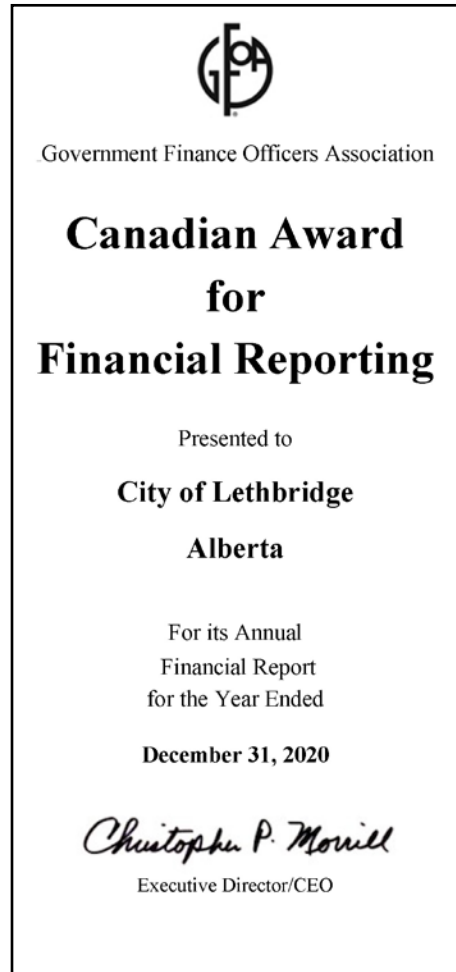
Recognition for Achievements

Canadian Award for Financial Reporting

The City of Lethbridge annual financial report for the year ended December 31, 2020, was awarded the Canadian Award for Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Canadian Award for Financial Reporting program requirements, and we will be submitting it to GFOA to determine its eligibility for another award.



Popular Annual Financial Report Award

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Lethbridge for its Popular Annual Financial Report for the fiscal year ended December 31, 2020. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City of Lethbridge has received a Popular Award for the last six consecutive years (2015-2020). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

AUDITED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

The City of Lethbridge's management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying consolidated financial statements and the notes thereto. Management believes that the consolidated financial statements present fairly the City's financial position as at December 31, 2021 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards. The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated 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 maintains 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 City Council carries out its responsibilities for review of the consolidated 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 City Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by the independent firm of KPMG LLP Chartered Professional Accountants. Their report to His Worship the Mayor with the members of Council of the City of Lethbridge, outlines the scope of their examination and provides their opinion on the consolidated financial statements.



Lloyd Brierley
City Manager
April 26, 2022



Darrell Mathews, CPA, CMA, CIA
City Treasurer
April 26, 2022

INDEPENDENT AUDITORS' REPORT

To His Worship the Mayor and Members of Council of the City of Lethbridge

Opinion

We have audited the consolidated financial statements of City of Lethbridge (the City), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets (net debt) for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated 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 consolidated financial position of the City as at December 31, 2021, and its consolidated results of operations, changes in net financial assets (net debt), and its consolidated 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 **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the City 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.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the *Annual Report*. The *Annual Report* is expected to be made available to us after the date of the auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

When we read the *Annual Report*, if we conclude that there is a material misstatement of this other information, we are required to report the matter to those charged with governance.

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 City'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 City or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITORS' REPORT

Auditors' 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 auditors' 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 City'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 City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the City 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 represents 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.



Chartered Professional Accountants

Lethbridge, Canada
April 26, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

(in thousands of dollars)

		2021	2020
FINANCIAL ASSETS			
Cash and cash equivalents	Note 3	\$ 82,549	\$ 16,572
Investments	Note 4	272,517	305,192
Receivables	Note 5	55,495	44,326
Loans and advances	Note 6	12	3,592
Deposits	Note 7	302	7,851
Land held for resale		1,311	1,928
		412,186	379,461
LIABILITIES			
Accounts payable and accrued liabilities	Note 8	52,492	44,908
Employee benefit obligations	Note 9	15,256	14,392
Deferred revenue	Note 10	106,678	91,211
Deposits and other liabilities		12,473	14,031
Debenture debt	Note 11	212,076	224,395
		398,975	388,937
NET FINANCIAL ASSETS (DEBT)		13,211	(9,476)
NON-FINANCIAL ASSETS			
Inventories held for consumption		13,563	13,432
Prepaid expenses		2,794	2,149
Land held for resale		42,069	29,459
Tangible capital assets	Schedule 3 & Note 13	1,855,339	1,831,730
		1,913,765	1,876,770
MUNICIPAL EQUITY	Note 15	\$ 1,926,976	\$ 1,867,294
Commitments (Note 22)			
Contingent liabilities (Note 26)			

The accompanying notes and schedules form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

		2021	2021 Budget (Note 29)	2020
REVENUE				
Sales and user charges		\$ 198,307	\$ 205,216	\$ 189,420
Net taxes	Schedule 2	158,048	157,277	155,822
Government transfers	Note 20	62,822	66,824	50,466
Sale of land		11,566	11,566	6,297
Contributed assets		8,891	-	7,725
Return on investments		8,432	7,606	6,325
Fines and penalties		6,940	7,709	5,097
Gas company franchise fee		6,152	5,930	5,994
Licenses and permits		4,074	4,813	3,073
Other		9,210	10,503	10,519
		474,442	477,444	440,738
EXPENSES				
	Note 21			
Protective Services		92,390	92,080	88,474
Electric		80,409	78,245	77,218
Infrastructure & Transportation Services		71,764	81,009	74,116
Leisure & Human Services		56,830	66,578	56,831
General Government Services		41,302	49,008	29,175
Water		19,012	21,404	18,841
Waste & Recycling		16,615	19,989	18,810
Wastewater		16,527	17,250	16,821
Development Services		15,509	16,836	12,131
Family Support & Social Services		4,402	4,922	4,464
		414,760	447,321	396,881
EXCESS OF REVENUE OVER EXPENSES	Schedule 1 & 4	59,682	30,123	43,857
MUNICIPAL EQUITY, BEGINNING OF YEAR		1,867,294	1,867,294	1,823,437
MUNICIPAL EQUITY, END OF YEAR	Note 15	\$ 1,926,976	\$ 1,897,417	\$ 1,867,294

The accompanying notes and schedules form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF NET FINANCIAL ASSETS (DEBT) FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

	2021	2021 Budget	2020
EXCESS OF REVENUE OVER EXPENSES	\$ 59,682	\$ 30,123	\$ 43,857
Change related to tangible capital assets			
Acquisition of tangible capital assets	(83,613)	(85,333)	(79,550)
Contributed assets	(8,891)	-	(7,725)
Proceeds on disposal of tangible capital assets	1,432	71	1,291
Loss on disposal of tangible capital assets	1,799	-	1,740
Amortization of tangible capital assets	65,664	66,705	65,290
	(23,609)	(18,557)	(18,954)
Change related to other non-financial assets			
Acquisition of inventories held for consumption	(16,287)	-	(25,158)
Use of inventories held for consumption	16,156	-	23,163
Acquisition of prepaid expenses	(5,823)	-	(4,961)
Use of prepaid assets	5,178	-	4,911
Use of land held for resale	(12,610)	-	907
	(13,386)	-	(1,138)
INCREASE IN NET FINANCIAL ASSETS	22,687	11,566	23,765
NET FINANCIAL DEBT, BEGINNING OF YEAR	(9,476)	(9,476)	(33,241)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ 13,211	\$ 2,090	\$ (9,476)

The accompanying notes and schedules form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

(in thousands of dollars)

	2021	2020
NET INFLOW (OUTFLOW) OF CASH		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 59,682	\$ 43,857
Items not involving cash		
Amortization of tangible capital assets	65,664	65,290
Loss on disposal of tangible capital assets	1,799	1,740
Tangible capital assets received as contributions	(8,891)	(7,725)
Changes to financial assets		
Decrease (increase) in receivables	(11,169)	7,812
Decrease (increase) in other financial assets	11,746	(2,928)
Changes to non-financial assets		
Decrease (increase) in inventory held for consumption	(131)	(1,995)
Decrease (increase) in prepaid expenses	(645)	(50)
Decrease (increase) in land held for resale	(12,610)	907
Changes to liabilities		
Increase (decrease) in accounts payable and accrued liabilities	7,584	(11,113)
Increase (decrease) in employee benefit obligation	864	1,144
Increase (decrease) in deferred revenue	15,467	(7,436)
Increase (decrease) in deposits and other liabilities	(1,558)	(410)
	127,802	89,093
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(83,613)	(79,550)
Proceeds on disposal of tangible capital assets	1,432	1,291
	(82,181)	(78,259)
INVESTING ACTIVITIES		
Decrease (increase) in investments	32,675	(17,391)
FINANCING ACTIVITIES		
Debenture borrowings	7,150	16,964
Debenture debt principal redeemed	(19,469)	(20,559)
	(12,319)	(3,595)
CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR	65,977	(10,152)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	16,572	26,724
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 82,549	\$ 16,572

The accompanying notes and schedules form an integral part of these Consolidated Financial Statements.

CONSOLIDATED SCHEDULE OF UNRESTRICTED SURPLUS AS AT DECEMBER 31, 2021 (in thousands of dollars) Schedule 1

	2021	2021 Budget	2020
EXCESS OF REVENUE OVER EXPENSES	\$ 59,682	\$ 30,123	\$ 43,857
Unrestricted balances			
Transfer from prior year surplus	3,445	-	1,173
Unfunded			
Transfer to (from) equity in inventories held for consumption	131	-	1,995
Transfer to (from) equity in prepaid expenses	645	-	50
Restricted balances			
Transfer (to) from reserves	(4,117)	(5,606)	(19,117)
Transfer (to) from capital fund	(2,612)	(15,606)	1,016
Equity in non-financial assets			
Change in inventories held for consumption	(131)	-	(1,995)
Change in prepaid expenses	(645)	-	(50)
Change in land held for resale	(8,176)	-	383
Change in tangible capital assets	(35,928)	(8,911)	(22,549)
CONSOLIDATED ANNUAL UNRESTRICTED SURPLUS	\$ 12,294	\$ -	\$ 4,763

SCHEDULE OF NET TAXES

FOR THE YEAR ENDED DECEMBER 31, 2021

(in thousands of dollars)

Schedule 2

	2021	2021 Budget	2020
TAXATION			
Real property taxes	\$ 197,768	\$ 195,736	\$ 195,092
Business taxes (BRZ)	215	198	-
Grants in lieu of taxes			
Provincial	1,200	1,231	632
Federal	73	279	67
	199,256	197,444	195,791
Less special requisition transfers			
Alberta School Foundation Fund	34,055	33,179	32,735
Holy Spirit RCSRD 4	4,848	4,694	5,229
Green Acres Foundation	2,086	2,075	1,985
Downtown Lethbridge Business Revitalization Zone	198	210	-
Designated Industrial Properties	21	9	20
	41,208	40,167	39,969
NET TAXES	\$ 158,048	\$ 157,277	\$ 155,822

SCHEDULE OF TANGIBLE CAPITAL ASSETS

AS AT DECEMBER 31, 2021

(in thousands of dollars)

Schedule 3

	Land	Land Improvements	Buildings	Infrastructure	Equipment & Furnishings	Vehicles	Assets Under Construction	2021	2020
COST									
BALANCE, BEGINNING OF YEAR	\$ 135,885	\$ 117,643	\$ 547,451	\$ 1,490,668	\$ 144,208	\$ 89,375	\$ 104,311	\$ 2,629,541	\$ 2,554,518
Acquisition of tangible capital assets	1,162	6,516	48,762	30,763	26,597	8,563	(38,750)	83,613	79,550
Contributed assets	271	605	-	7,882	133	-	-	8,891	7,725
Disposal of tangible capital assets	(3)	207	(93)	(6,382)	(5,387)	(8,968)	-	(20,626)	(12,252)
BALANCE, END OF YEAR	137,315	124,971	596,120	1,522,931	165,551	88,970	65,561	2,701,419	2,629,541
ACCUMULATED AMORTIZATION									
BALANCE, BEGINNING OF YEAR	-	(45,658)	(143,383)	(492,230)	(71,350)	(45,190)	-	(797,811)	(741,742)
Annual Amortization	-	(4,542)	(11,454)	(35,055)	(7,681)	(6,932)	-	(65,664)	(65,290)
Accumulated amortization on disposals	-	84	117	5,352	5,096	6,746	-	17,395	9,221
BALANCE, END OF YEAR	-	(50,116)	(154,720)	(521,933)	(73,935)	(45,376)	-	(846,080)	(797,811)
TOTAL NET BOOK VALUE	\$ 137,315	\$ 74,855	\$ 441,400	\$ 1,000,998	\$ 91,616	\$ 43,594	\$ 65,561	\$ 1,855,339	\$ 1,831,730

SCHEDULE OF SEGMENTED REPORTING FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars) Schedule 4

	General Municipal Revenue	Protective Services	Infrastructure & Transportation Services	Leisure & Human Services
REVENUE				
Sales and user charges	\$ -	\$ 11,228	\$ 8,307	\$ 3,992
Net taxes	158,048	-	-	-
Government transfers	-	4,515	22,680	6,526
Sale of land	-	-	-	-
Contributed assets	-	-	5,561	1,384
Return on investments	5,997	-	977	1,013
Fines and penalties	-	70	1,418	-
Gas company franchise fee	6,152	-	-	-
Licenses and permits	-	4,007	67	-
Municipal Consent and Access Fee	10,062	-	-	-
Other	40	2,225	409	1,354
	180,299	22,045	39,419	14,269
EXPENSES				
Salaries, wages and benefits	-	59,884	24,554	18,189
Materials, supplies and utilities	-	3,133	12,686	4,513
Contracted and general services	-	4,511	12,158	8,457
Amortization of tangible capital assets	-	2,438	27,699	10,780
Transfers to individuals and organizations	-	62	-	3,202
Debenture debt interest	-	-	1,409	1,527
Financial charges	-	472	251	124
Interdepartmental transfers (net)	-	21,888	(3,089)	10,426
Expenses recovered from capital	-	(174)	(4,758)	(476)
Other	-	176	854	88
	-	92,390	71,764	56,830
EXCESS OF REVENUE OVER EXPENSES	180,299	(70,345)	(32,345)	(42,561)
Change in unrestricted balances	4,821	350	48	(194)
Transfer from (to) reserves	(10,623)	947	(1,160)	896
Transfer from (to) internal segments	3,538	(579)	9,407	332
Transfer from (to) capital fund	-	405	673	(856)
Change in equity in non-financial assets	-	(2,551)	(10,006)	(9,642)
UNRESTRICTED SURPLUS (DEFICIT)	\$ 178,035	\$ (71,773)	\$ (33,383)	\$ (52,025)

SCHEDULE OF SEGMENTED REPORTING FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars) Schedule 4

General Government Services	Development Services	Family Support & Social Services	Utilities	2021	2020
\$ 295	\$ 5,257	\$ 1,072	\$ 168,156	\$ 198,307	\$ 189,420
-	-	-	-	158,048	155,822
17,970	8,152	2,361	618	62,822	50,466
-	11,566	-	-	11,566	6,297
-	(839)	-	2,785	8,891	7,725
255	164	26	-	8,432	6,325
5,452	-	-	-	6,940	5,097
-	-	-	-	6,152	5,994
-	-	-	-	4,074	3,073
-	-	-	(10,062)	-	-
4,149	975	33	25	9,210	10,519
28,121	25,275	3,492	161,522	474,442	440,738
50,595	2,915	1,284	22,543	179,964	179,765
3,946	198	38	56,754	81,268	75,034
21,025	2,483	195	16,308	65,137	67,727
2,101	44	143	22,459	65,664	65,290
10,455	7,562	2,253	-	23,534	6,986
-	581	-	2,507	6,024	6,389
275	-	11	2	1,135	1,410
(48,229)	(684)	962	18,726	-	-
(280)	(871)	(484)	(7,317)	(14,360)	(12,664)
1,414	3,281	-	581	6,394	6,944
41,302	15,509	4,402	132,563	414,760	396,881
(13,181)	9,766	(910)	28,959	59,682	43,857
363	(41)	6	(1,132)	4,221	3,218
(1,483)	11,961	(519)	(4,136)	(4,117)	(19,117)
8,953	(14,377)	(71)	(7,203)	-	-
(10,412)	1,554	81	5,943	(2,612)	1,016
2,385	(10,583)	108	(14,591)	(44,880)	(24,211)
\$ (13,375)	\$ (1,720)	\$ (1,305)	\$ 7,840	\$ 12,294	\$ 4,763

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

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

Interdepartmental and inter-entity accounts and transactions and balances are eliminated on consolidation.

The statement of taxes levied also includes requisitions collected on behalf of and transferred to educational and other external organizations that are not part of the municipal reporting entity.

Interests in joint ventures and other government enterprises are accounted for using the proportionate consolidation method.

b. Basis of Accounting

The City follows the accrual method of accounting for revenue and expenses. Revenue is recognized in the year in which it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of goods or services and/or the creation of a 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. Tax Revenue

Tax revenue results from non-exchange transactions that are paid to governments in accordance with the laws and regulations established to provide revenue to the government for public services. The revenue is recognized when the tax has been authorized and the taxable event has occurred.

d. 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 given rise to the transfer occur, providing the transfers are authorized, eligibility criteria have been met and reasonable estimates of the amounts can be determined.

e. Investments

Investments are comprised of investments in qualifying institutions as defined in the City's investment policy and consist primarily of money market instruments such as Guaranteed Investment Certificates (GICs), government bonds, financial institution bonds, notes, and term receipts.

All investments held are purchased with the intention to hold to maturity, or until market conditions render alternative investments more attractive.

Investments are recorded at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the term of investments. Where impairment in value is other than a temporary decline, a valuation allowance is recorded. Gains on principal protected notes are recognized as income when sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Loans and Advances

Loans and advances are recorded at cost less any allowances for doubtful accounts. Allowances for doubtful accounts are recognized when collection is in doubt. Loans and advances are reviewed on an annual basis by management.

g. 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) Inventories held for consumption

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

(ii) Land held for resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes cost for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads and street lighting are recorded as tangible capital assets under their respective function. Land held for resale is classified as a financial asset when the land is in a condition to be sold, is marketed for sale and is reasonably anticipated that the land will be sold within one year.

(iii) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value of the tangible capital assets, excluding land and landfill sites, are amortized on a straight line basis over the estimated useful lives as follows:

Asset	Years
Land improvements	15 - 40
Buildings	25 - 75
Infrastructure	
Roadways	20 - 75
Water system	45 - 75
Wastewater system	45 - 75
Storm system	45 - 75
Electricity system	20 - 35
Equipment and furnishings	5 - 40
Vehicles	5 - 25

Tangible capital assets under construction or development are reported as assets under construction with no amortization recorded until the asset is available for productive use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Non-financial Assets (continued)

(iv) **Equity in tangible capital assets**

Equity in tangible capital assets represents the City's net investment in its total capital assets, after deducting the portion financed by debentures.

(v) **Contributed assets**

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue. Contributed assets are comprised mainly of contributions from privately developed subdivisions including water systems, wastewater systems, storm systems, roads and parks.

(vi) **Tangible capital assets disclosed at nominal value**

Land under roads that is acquired other than by a purchase agreement is valued at a nominal amount.

(vii) **Works of art and cultural and historic assets**

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

h. Employee Future Benefits

The City is a member of defined benefit multi-employer pension plans covering substantially all of its employees. Pension contributions are accounted for using defined contribution accounting, wherein contributions for current and past service pension benefits are recorded as expenses in the year in which they become due.

i. 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Requisition Over-levies and Under-levies

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the 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.

k. Landfill Closure and Post-Closure Care

The Alberta Environmental Protection and Enhancement Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. This requirement is being provided for over the estimated remaining life of the landfill site based on usage.

l. Liability for Contaminated Sites

The City has implemented Public Sector Accounting Standards Board ("PSAB") section PS 3260 Liability for Contaminated Sites. Section 3260 establishes general reporting requirements for the disclosure of contaminated sites in government financial statements. Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. City of Lethbridge:
 - a. is directly responsible; or
 - b. accepts responsibility; and
- iv. a reasonable estimate of the amount can be made.

2. FUTURE ACCOUNTING PRONOUNCEMENTS

The following summarizes the upcoming changes to the Public Sector Accounting Standards by the Public Sector Accounting Standards Board (PSAB). The accounting pronouncements below are effective for fiscal years ranging from 2022-2023. The City will continue to assess the impact and prepare for the adoption of these standards.

PS 1201 - Financial Statement Presentation

The implementation of this standard requires a new statement of remeasurement 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

2. FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

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 City. Unrealized gains and losses will be presented on the new statement of remeasurement gains and losses arising from the adoption of PS 1201. As the City 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 to the City.

PS 2601 - Foreign Currency Translation

This section establishes guidance on the recognition, measurement, presentation and disclosure of assets and liabilities denominated in foreign currency.

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.

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.

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.

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.

PS 3160 - Public Private Partnerships

This section establishes standards on how to account for public private partnership arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

3. CASH & CASH EQUIVALENTS

	2021	2020
Cash	\$ 13,362	\$ 11,572
Cash equivalents	69,187	5,000
	\$ 82,549	\$ 16,572

Cash includes cash on hand and balances with financial institutions.

Cash equivalents are comprised of short term deposits and guaranteed investment certificates with original maturities less than three months. The cash equivalents shown above have an average effective annual yield of 0.80% (2020 0.92%).

4. INVESTMENTS

	2021		2020	
	Carrying Value	Market	Carrying Value	Market
Short term investments	\$ 61,252	\$ 61,193	\$ 96,440	\$ 96,534
Long term investments	211,265	205,278	208,752	214,888
	\$ 272,517	\$ 266,471	\$ 305,192	\$ 311,422

Investments mature at various dates between January 5, 2022 and September 23, 2035 and have an average effective annual yield of 1.64% (2020 2.41%).

Investments include \$62,213 (2020 \$51,104) in externally restricted amounts which must be used for specified capital projects.

5. RECEIVABLES

	2021	2020
Trade accounts receivable	\$ 40,277	\$ 43,423
Taxes receivable	2,607	3,550
Receivables from other governments	18,391	2,925
	61,275	49,898
Allowance for doubtful amounts	(5,780)	(5,572)
	\$ 55,495	\$ 44,326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

6. LOANS AND ADVANCES

	2021	2020
Lethbridge Exhibition	\$ -	\$ 3,816
Non-interest bearing, payable in monthly installments over a period of 15 years by way of equal consecutive monthly payments commencing on the first day of the month following the final draw down date		
Less: Imputed interest	-	(249)
Net Lethbridge Exhibition	-	3,567
SLP Industries Ltd.	12	25
Non-interest bearing, payable in an installment of \$30 on June 30, 2013 and quarterly installments of \$2.5 from June 30, 2016 to March 31, 2023		
	\$ 12	\$ 3,592

7. DEPOSITS

	2021	2020
Deposits on land ⁽¹⁾	\$ -	\$ 7,200
Transmission line deposit	177	350
Other	125	301
	\$ 302	\$ 7,851

⁽¹⁾ Deposits on land

On October 10, 2017, City Council approved the purchase of 160 acres of land for \$9.6 million. The payment terms of the purchase agreement are \$2.4 million per year beginning in 2018 with a final payment and transfer date of January 31, 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

8. ACCOUNTS PAYABLE & ACCRUED LIABILITIES

	2021	2020
Trade accounts payable	\$ 34,096	\$ 28,675
Accrued liabilities	11,526	9,775
Environmental liabilities ⁽¹⁾	5,524	5,284
Other government	1,346	1,174
	\$ 52,492	\$ 44,908

(1) Environmental liabilities - landfill closure and post-closure costs

Included in accounts payable and accrued liabilities is the estimated total landfill closure and post-closure care costs. The estimated total liability for these expenses is based on the sum of discounted future cash flows for closure and post-closure costs discounted at the City's average long term borrowing rate and assuming annual inflation of 2.81%.

The accrued environmental liability is based on the cumulative capacity used at year end compared to the estimated total capacity of the landfill site.

Closure will involve covering the site with topsoil and vegetation, drainage control, and installing ground water monitoring wells. Post-closure care activities for phases currently under operation is expected to occur for 50 years after closure and will involve surface and ground water monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and landfill cover maintenance. The reported liability is based on estimates and assumptions with respect to events using the best information available to management. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability. The changes would be recognized prospectively, as a change in estimate, when applicable.

The remaining capacity of the approved phases is estimated at 21.1 (2020 21.3) million cubic meters which will be reached in approximately 60-70 years. The remaining closure costs and post-closure costs to be recognized have been estimated at \$16,533 (2020 \$16,169). The following summarizes the total net present value of the estimated costs of closure and post-closure care:

	2021	2020
Estimated closure costs	\$ 15,988	\$ 15,822
Estimated post-closure costs	6,069	5,631
Total estimated costs	22,057	21,453
Amount accrued to December 31	(5,524)	(5,284)
Balance of estimated costs to accrue over the remaining life of the landfill	\$ 16,533	\$ 16,169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

9. EMPLOYEE BENEFIT OBLIGATIONS

	2021	2020
Vacation and overtime	\$ 13,653	\$ 12,804
Sick pay	1,484	1,474
Other	119	114
	\$ 15,256	\$ 14,392

Vacation and Overtime

The vacation and overtime liability is comprised of vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

Sick Pay

The sick pay liability is comprised of sick pay that police employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to them within the next budgetary year.

10. DEFERRED REVENUE

	2021	2020
Deferred revenue	\$ 3,468	\$ 2,641
Government contributions ⁽¹⁾	62,213	51,104
Prepaid taxes	40,997	37,466
	\$ 106,678	\$ 91,211

⁽¹⁾ Government contributions in deferred revenue consist of the following:

	2020 Balance	Grants Received & Net Interest	Government Transfer Revenue	2021 Balance
Municipal Sustainability Initiative Grant	\$ 15,034	\$ 13,272	\$ (18,139)	\$ 10,167
Basic Municipal Transportation Grant	4,387	6,333	(3,477)	7,243
Federal Gas Tax Fund	26,327	11,784	(8,730)	29,381
Other Grants	5,356	42,542	(32,476)	15,422
	\$ 51,104	\$ 73,931	\$ (62,822)	\$ 62,213

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

11. DEBENTURE DEBT

	2021	2020
General - self supported	\$ 70,234	\$ 72,814
Utilities	91,435	97,320
General - tax supported	50,407	54,261
	\$ 212,076	\$ 224,395

Principal and interest repayments are as follows:

	Principal	Interest	Total
2022	\$ 19,210	\$ 5,739	\$ 24,949
2023	19,379	5,182	24,561
2024	18,685	4,621	23,306
2025	19,041	4,105	23,146
2026	19,134	3,581	22,715
2027 to maturity	116,627	11,683	128,310
	\$ 212,076	\$ 34,911	\$ 246,987

Debenture debt is repayable to the Government of Alberta Department of Treasury Board and Finance. Existing debentures mature in annual amounts to the year 2038. Interest rates on these debentures range from 1.78% to 5.81% per annum. Debenture debt is issued on the credit and security of the City at large.

Interest expense on long-term debt amounted to \$6,024 (2020 \$6,389).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

12. DEBT LIMITS

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

	2021	2020
Total debt limit	\$ 626,994	\$ 609,788
Debtenture debt	(212,076)	(224,395)
Debt limit unused	414,918	385,393
Percentage of debt to debt limit	33.82 %	36.80 %
Service on debt limit	104,499	101,631
Service debt (principal and interest payment)	(24,949)	(25,560)
Service on debt limit unused	79,550	76,071
Percentage of service on debt limit used	23.87 %	25.15 %

The debt limit is calculated at 1.5 times the revenue of the City as defined in Alberta Regulations 255/2000 (consolidated revenue less capital grant revenue, less contributed asset revenue, less loans to non-profit organizations and controlled corporations) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

13. TANGIBLE CAPITAL ASSETS

	2021	2020
Net Book Value		
Land	\$ 137,315	\$ 135,885
Land improvements	74,855	71,985
Buildings	441,400	404,068
Infrastructure		
Roadways	486,894	487,878
Water system	194,821	193,572
Wastewater system	168,447	166,216
Waste Services system	4,169	4,328
Electrical system	146,667	146,444
Equipment and furnishings	91,616	72,858
Vehicles	43,594	44,185
Assets Under Construction	65,561	\$ 104,311
	1,855,339	1,831,730

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$8,891 (2020 \$7,725). This amount is comprised of land in the amount of \$271 (2020 \$352), land improvements in the amount of \$605 (2020 \$149), infrastructure in the amount of \$7,882 (2020 \$7,155), and equipment and furnishings in the amount of \$133 (2020 \$69).

The City capitalized \$127 (2020 \$90) in interest during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

14. ANNUAL UNRESTRICTED SURPLUS

As is common for municipal governments, the General Operations and the individual Utility Operations budgets are prepared on a balanced basis. Details of surpluses and deficits are disclosed as follows:

	2021 Surplus	2020 Surplus
General	\$ 4,454	\$ 4,821
Utilities		
Water	3,221	362
Wastewater	1,633	143
Waste & Recycling	2,889	813
Electric	97	(1,376)
Total Utilities	7,840	(58)
	\$ 12,294	\$ 4,763

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

15. MUNICIPAL EQUITY

Municipal equity consists of unrestricted and restricted balances and equity in non-financial assets as follows:

	2021	2020
Unrestricted balances		
Unrestricted surplus (Note 16)	\$ 28,463	\$ 19,614
Unfunded		
Inventories held for consumption	(13,563)	(13,432)
Prepaid expenses	(2,794)	(2,149)
Restricted balances		
Reserves (Note 17)	129,390	125,273
Capital fund	89,659	87,047
Equity in non-financial assets		
Inventories held for consumption	13,563	13,432
Prepaid expenses	2,794	2,149
Land held for resale	36,201	28,025
Tangible capital assets (Note 19)	1,643,263	1,607,335
	\$ 1,926,976	\$ 1,867,294

16. ACCUMULATED UNRESTRICTED SURPLUS

General Operations and Electric Utility accumulated surpluses and deficits of the prior year are transferred to the Municipal Revenue Stabilization Reserve and Electric Utility Reserve respectively, in the current year. The 2021 General Operations accumulated surplus of \$4,454 will be transferred to the Municipal Revenue Stabilization Reserve and the 2021 Electric accumulated deficit of \$97 will be transferred to the Electric Reserve in 2022.

	2020 Balance	Appropriations & Adjustments	2021 Surplus (Deficit)	2021 Balance
City general	\$ 4,821	\$ (4,821)	\$ 4,454	\$ 4,454
Water	4,952	-	3,221	8,173
Wastewater	5,304	-	1,633	6,937
Waste & Recycling	5,913	-	2,889	8,802
Electric	(1,376)	1,376	97	97
	\$ 19,614	\$ (3,445)	\$ 12,294	\$ 28,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

17. RESERVES

Reserves are established at the discretion of City Council to set aside funds for future operating and capital expenses.

	2021	2020
Municipal Revenue Stabilization (Note 18)	\$ 34,193	\$ 34,861
Budget Appropriations	15,954	20,921
Fleet Services	22,426	19,799
Major Capital Projects	16,943	12,165
Electric	11,930	10,066
Real Estate Holdings	6,223	6,181
Insurance	4,488	4,658
Community Lighting	3,605	4,226
Airport Reserve	3,944	3,867
Urban Parks	3,647	3,242
Cemeteries	2,028	1,627
Acquire Off Street Parking	1,791	1,502
Transit Bus	1,043	1,043
Central Business District Land Acquisition	687	686
Municipal Reserve Fund	371	314
Mayor Magrath Drive Beautification	117	115
	\$ 129,390	\$ 125,273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

18. MUNICIPAL REVENUE STABILIZATION RESERVE

The purpose of this reserve is to stabilize the effects of fluctuating interest revenue and General Operation surpluses and deficits on annual taxation requirements. All General Operation surpluses of prior years, return on investments, municipal consent and access fee/franchise fee and by-law enforcement revenue surpluses, internal financing recoveries, and other allocations from General Operations are added to the reserve. Budgeted allocations to General Operations are charged to the reserve and include municipal consent and access fee/franchise fee, by-law enforcement revenue shortfalls, and return on investments. Other charges to the reserve include one time expenses, internal financing advances, and other allocations to General Operations. The transactions affecting the reserve for the year ended December 31, 2021 are as follows:

	2021	2020
Balance, beginning of year	\$ 34,861	\$ 33,331
Add: Electric Municipal Consent and Access Fee (MCAF)	10,126	9,661
Gas company franchise fee revenue	6,152	5,994
Recovery of internal financing	5,892	3,286
Investment and interest income (net of trust allocations)	5,732	5,860
Prior Year General Operating Surplus	4,821	2,145
By-law enforcement	4,232	3,292
Unused BAU funding	2,388	-
Return on Investment (Electric)	2,369	1,988
Snow Removal	1,019	195
Commercial land lease revenue	927	918
Corporate IT lifecycle reduction	400	-
YMCA contractual agreement reimbursement	250	-
	79,169	66,670
Less:		
Budgeted Allocation to General Operations:		
Electric Municipal Consent and Access Fee (MCAF)	9,896	9,632
Allocation to General Operations	5,550	5,450
Gas company franchise fee	5,510	5,410
By-law enforcement	5,509	5,511
Return on Investment (Electric ROI)	2,574	2,598
Internal financing advances	11,767	-
One time allocations	2,863	1,701
Commercial land debenture payment	1,000	1,000
Allocation for Tax Installment Payment Plan discounts	307	507
	44,976	31,809
Balance, end of year	\$ 34,193	\$ 34,861

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

19. EQUITY IN TANGIBLE CAPITAL ASSETS

	2021	2020
Tangible capital assets (Schedule 3)	\$ 2,701,419	\$ 2,629,541
Accumulated amortization (Schedule 3)	(846,080)	(797,811)
Debenture debt (Note 11)	(212,076)	(224,395)
	\$ 1,643,263	\$ 1,607,335

20. GOVERNMENT TRANSFERS

	2021	2020
Operating		
Provincial	\$ 12,240	\$ 24,453
Federal	3,041	3,123
Capital		
Provincial	38,450	18,474
Federal	9,091	4,416
	\$ 62,822	\$ 50,466

21. EXPENSES BY OBJECT

	2021	2020
Salaries, wages and benefits	\$ 179,964	\$ 179,765
Materials, supplies and utilities	81,268	75,034
Contracted and general services	65,137	67,727
Amortization of tangible capital assets	65,664	65,290
Transfers to individuals and organizations	23,534	6,986
Debenture debt interest	6,024	6,389
Financial charges	1,135	1,410
Other ⁽¹⁾	(7,966)	(5,720)
	\$ 414,760	\$ 396,881

⁽¹⁾ The majority of other expenses relate to the recovery of costs charged to capital projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

22. COMMITMENTS

a. Contracts

As at December 31, 2021 the City has committed funds on various capital projects in progress and capital assets. The funds committed by contract and the estimated costs to complete those projects are as follows:

	Funds Committed	Estimated Cost to Complete
Environmental Utilities		
Curbside Organics Compost Facility	\$ 13,033	\$ 14,870
Waste Processing Facility	2,489	2,489
Landfill Gas and Leachate Management System	1,639	1,888
Wastewater Treatment Plant Headworks & Clarifier	1,178	1,503
Infrastructure		
Fibre Connectivity Pilot	2,096	2,096
3rd Ave South Reconstruction	1,658	1,658
Crossings Subdivision	1,290	8,785
Legacy Park Amenities	901	1,274
Equipment		
Electronic Fare Collection System	3,658	3,841
Vehicles		
Automated Side Loader Refuse Trucks	1,244	1,244
Street Sweepers	982	982
Fire Engine Pumper Trucks	916	916
	\$ 31,084	\$ 41,546

In addition to the above, the City has projects planned in its Capital Improvement Program for which no funds have been committed by contract as at December 31, 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

22. COMMITMENTS (CONTINUED)

b. Regional Water Agreement

As approved by City Council on June 14, 1999 the City has entered into an agreement to supply water to the Lethbridge Regional Water Services Commission. Under the terms of the agreement in effect, as amended, until January 31, 2030 the City has agreed, subject to specified events deemed to be beyond the control of the City, to supply a maximum of 18.5 million litres per day at a pressure of 55 pounds per square inch at the point of delivery to the water feedermain.

c. Fee for Service Contracts

The City has entered into various contracts whereby third party agencies provide services to the community on behalf of the City. These fee for service contracts vary in their length, terms and conditions.

23. PENSION AND RETIREMENT PLANS

Employees of the City qualify to belong to one or more of the following defined-benefit pension or retirement plans:

a. Local Authorities Pension Plan

Employees of the City, with the exception of police officers, participate in the Local Authorities Pension Plan (LAPP), a multi-employer plan covered by the Alberta Public Sector Pension Plans Act. The Plan serves about 275,863 people and 433 employers in Alberta. The plan is financed by employer and employee contributions and investment earnings of the LAPP funds.

The City is required to make current service contributions to the LAPP of 9.39% (2020 9.39%) of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) and 13.84% (2020 13.84%) for the excess. Employees are required to make current service contributions of 8.39% (2020 8.39%) to the YMPE and 12.84% (2020 12.84%) for any portion of pensionable salary over the YMPE.

Total current and past service contributions by the City to the LAPP were \$11,658 (2020 \$11,718). Total current and past service contributions by the employees of the City were \$10,410 (2020 \$10,511).

At December 31, 2020 the LAPP disclosed an actuarial surplus of \$4,961 million (2019 \$7,913 million); the 2021 LAPP actuarial balance was not available at the date of this report.

b. Special Forces Pension Plan

Police officers employed by the City participate in the Special Forces Pension Plan (SFPP), a multi-employer plan covered by the Alberta Public Sector Pension Plans Act. The plan serves about 7,538 people and 7 employers in Alberta. The plan is financed by employer and employee contributions and investment earnings of the SFPP funds.

The contribution rates for 2021 were 14.55% (2020 14.55%) of pensionable earnings for the City and 13.45% (2020 13.45%) of pensionable salaries for police officers.

Total current and past service contributions by the City to the SFPP were \$2,805 (2020 \$2,929). Total current and past service contributions by the police officers to the SFPP were \$2,460 (2020 \$2,562).

At December 31, 2020 the SFPP disclosed an actuarial surplus of \$10 million (2019 surplus of \$185 million); the 2021 SFPP actuarial balance was not available at the date of this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

23. PENSION AND RETIREMENT PLANS (CONTINUED)

c. APEX Supplementary Pension Plan

The APEX supplementary pension plan, an Alberta Urban Municipalities Association (AUMA) sponsored defined benefit pension plan covered under the provisions of the Alberta Employment Pension Plans Act, commenced on January 1, 2003 and provides supplementary pension benefits to a prescribed class of employees. The plan supplements the Local Authorities Pension Plan.

Contributions are made by the prescribed class of employees and the City. Employees and the City are required to make current service contributions to APEX of 2.61% (2020 2.61%) and 3.85% (2020 3.85%) respectively of pensionable earnings up to \$162 (2020 \$155).

Total current service contributions by the City to APEX in 2021 were \$736 (2020 \$709). Total current service contributions by the employees of the City were \$502 (2020 \$485).

d. MuniSERP Supplementary Employee Retirement Plan

In December 2002, City Council approved the participation of the City in the MuniSERP program, a plan available through the Alberta Urban Municipalities Association (AUMA). This plan is a supplemental employee retirement plan (SERP) that provides supplementary benefits to a prescribed class of employees whose retirement income would be affected by the Income Tax Act cap on pension contributions. The supplementary benefit takes the form of a lump sum cash payment upon retirement or death. MuniSERP supplements APEX and LAPP and is a voluntary, non-contributory, non-registered defined benefit employee retirement plan. The retirement benefit expense (recovery) recorded by the City in the year is \$(139) (2020 \$73).

The cost of post retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary and benefit escalation and retirement ages of employees. An actuarial valuation was completed on December 31, 2021. The significant actuarial assumptions in measuring the accrued benefit obligation are as follows: expected discount rate of 4.20%, expected salary escalations of 2.75% per year and inflation rate of 2.00%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

24. SALARY & BENEFITS

Disclosure of salaries & benefits for elected officials, the chief administrative officer and designated officers as required by provincial regulation is as follows:

	Number of Persons	Salary	Benefits & Allowances	2021	2020
Mayor					
Hyggen, B	1	\$ 25	\$ 2	\$ 27	\$ -
Spearman, C	1	\$ 106	9	115	156
	2	\$ 131	11	142	156
Councillors					
Campbell, M	1	56	9	65	69
Carlson, J	1	54	9	63	69
Coffman, J	1	43	8	51	72
Crowson, B	1	55	8	63	70
Dodic, R	1	10	1	11	-
Hyggen, B	1	43	7	50	69
Mauro, J	1	43	8	51	69
Middleton-Hope, J	1	10	1	11	-
Miyashiro, R	1	45	7	52	70
Paladino, N	1	10	1	11	-
Parker, R	1	54	9	63	69
Schmidt-Rempel, J	1	10	1	11	-
	12	433	69	502	557
City Manager	1	261	50	311	293
Designated Officers ⁽¹⁾	4	\$ 750	\$ 190	\$ 940	\$ 950

⁽¹⁾ Designated Officers include the City Assessor, City Clerk, City Solicitor, and the City Treasurer.

Councillors who perform the duties of Deputy Mayor on a rotational basis have their salaries adjusted accordingly. Salary includes regular base pay, per diem amounts and any other direct cash remuneration. Benefits and allowances include the employer's share of all employee benefits, contributions or payments made on behalf of employees, and the employer's share of the costs of any additional taxable benefits.

25. FINANCIAL INSTRUMENTS

Unless otherwise noted, the fair value of the financial instrument approximates their carrying value and it is management's opinion that the City is not exposed to significant interest, currency or credit risk arising from financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

26. CONTINGENT LIABILITIES

The City of Lethbridge owns properties that may contain environmental contamination and may require site reclamation. The amount of any such obligations are not practically estimable.

27. SEGMENTED DISCLOSURES

The Schedule of Segmented Reporting – Schedule 4 has been prepared in accordance with PS 2700 Segmented Disclosures. Segmented disclosures are intended to help users of the financial statements identify the resources allocated to support major governments activities and allow the user to make more informed judgments regarding the government reporting entity.

Segmented information has been identified based upon functional activities provided by the City. For each reported segment, revenue and expenses represent amounts directly attributable to the functional activity and amounts allocated on a reasonable basis. The functional areas that have been separately disclosed in the segmented information, along with services they provide are as follows:

a. General Municipal Revenue

General Municipal Revenue includes net taxes, fines and penalties, return on investments, government transfers and franchise fees.

b. Protective Services

Protective Services includes dispatch, police, fire, disaster services, ambulance, inspection services, business licenses, parking enforcement, regulatory services and animal control.

c. Infrastructure & Transportation Services

Infrastructure & Transportation Services includes engineering services, fleet, roadway and parking services, storm sewers, transit, and airport.

d. Leisure & Human Services

Leisure & Human Services includes recreational and cultural facilities and programs. Also includes library, museum, and parks maintenance.

e. General Government Services

General Government Services includes council, legislative and general administration.

f. Development Services

Development Services includes economic development, planning, public housing and land development.

g. Family Support & Social Services

Family Support & Social Services includes community and family support, cemeteries and other public health support.

h. Utilities

Utilities includes water, wastewater, electric and waste services, the latter of which encompasses recycling and landfill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

28. COMPARATIVE INFORMATION

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

29. BUDGET INFORMATION

The 2019 - 2022 Operating Budget was approved by City Council on December 10, 2018. The 2021-2022 Operating Budget Review was approved by City Council on December 14, 2020. The reconciliation between the approved budget and the budget presented in these consolidated financial statements are as follows:

	2021 Budget
Revenue	
Approved budgeted revenue	\$ 477,384
Expenses	
Approved budgeted expenses	382,662
Less: Budget adjustments	64,599
Excess of Revenue Over Expenses	\$ 30,123

Adjustments are primarily amortization of tangible capital assets that were not included in the approved budget.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 (in thousands of dollars)

30. CONTRACTUAL RIGHTS

Contractual rights are rights of the City to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met.

Estimated amounts that will be received or receivable for each of the next five years and thereafter are as follows:

	Operating leases	Other contracts	Total
2022 ⁽¹⁾	\$ 482	\$ 24,920	\$ 25,402
2023	407	27,263	27,670
2024	397	2,204	2,601
2025	222	12,994	13,216
2026	170	50	220
Thereafter	69	860	929
Total at December 31, 2021	\$ 1,747	\$ 68,291	\$ 70,038
Total at December 31, 2020	\$ 1,844	\$ 47,040	\$ 48,884

⁽¹⁾ The City has rights to \$16,991 in 2022 (2020 \$16,991) for the sale of land to a commercial developer. The City holds a contract to sell the developer a total of 66 acres of land with 38 acres remaining to be sold by December 31, 2022.

The City has entered into a number of property development agreements which require the developers to contribute various infrastructure assets to the City, including roads and underground networks. The timing and extent of these future contributions vary depending on development activity and fair value of the assets received at time of contribution, which cannot be determined with certainty at this time.

31. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by City Council.

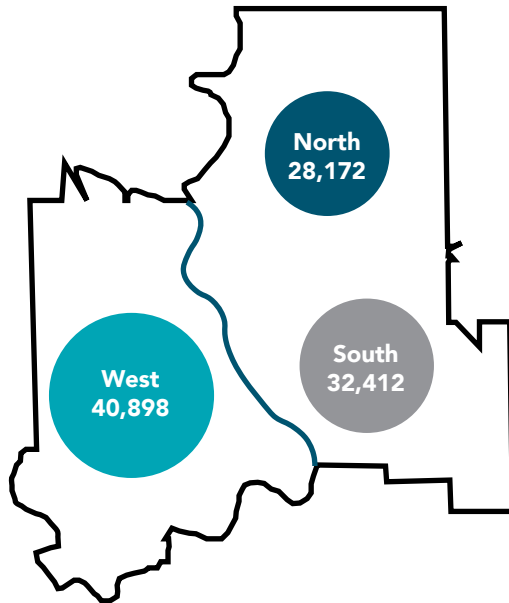
STATISTICAL INFORMATION

(UNAUDITED)

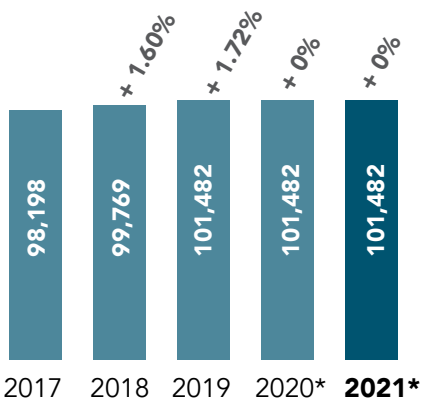


STATISTICAL INFORMATION

Population by Location in 2021*

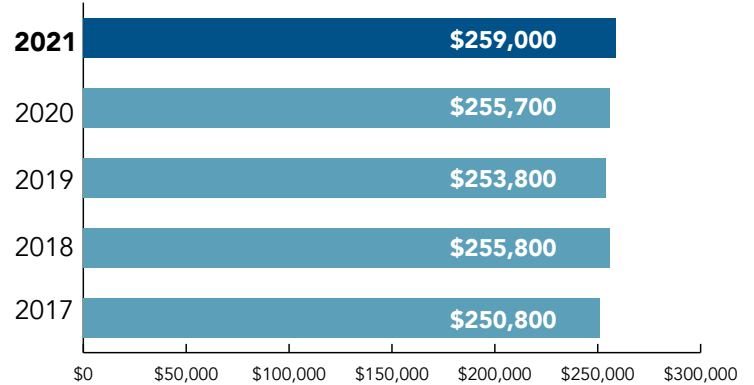


Total Population

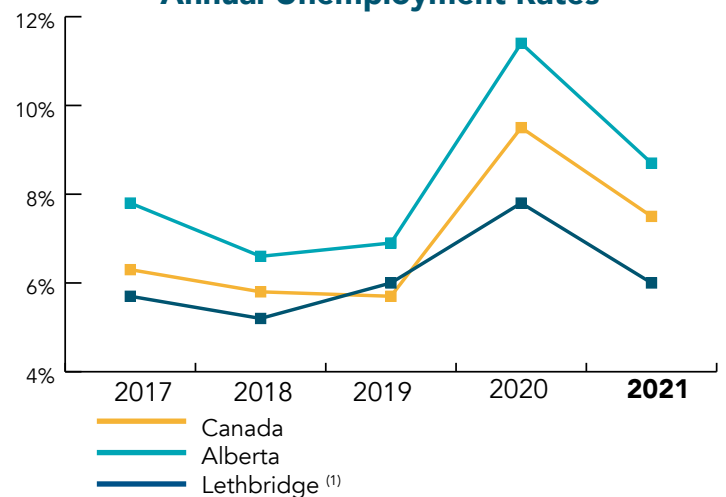


* The City of Lethbridge did not conduct a census in 2020 or 2021.

Median Property Assessment for Single Family Residential Properties



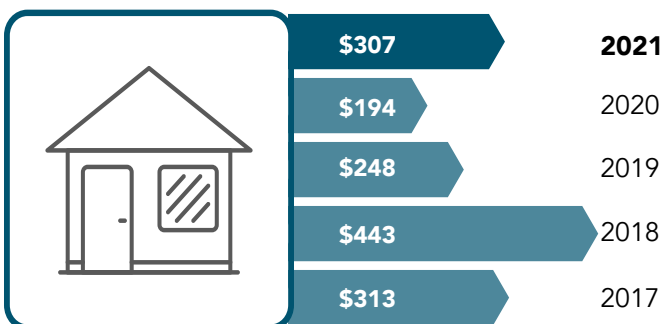
Annual Unemployment Rates



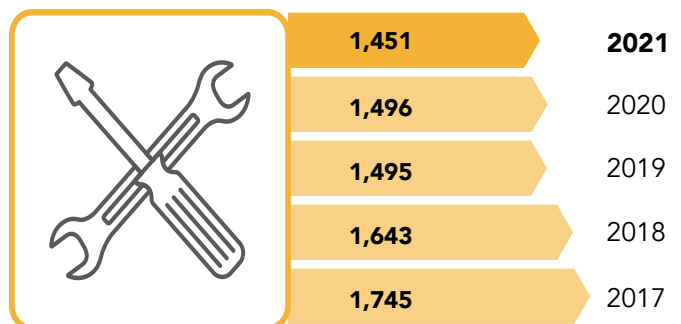
Source: Statistics Canada

(1) The unemployment rates include Lethbridge & Medicine Hat regions (for 2017-2019) and includes the Lethbridge region for 2020-2021.

Building Permit Values (in millions of dollars)



Number of Building Permits Issued



STATISTICAL INFORMATION

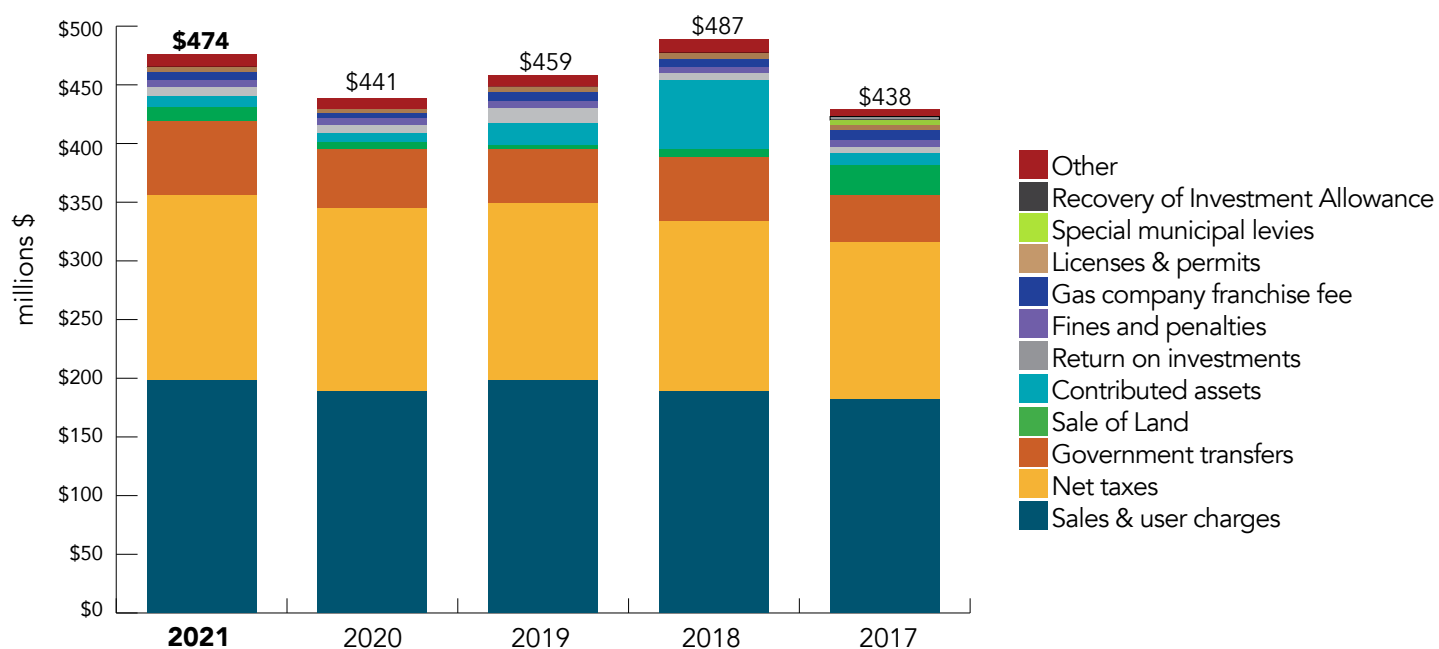
Five Year Summary of Consolidated Revenue

For the Years Ended December 31, 2017 to 2021

(in thousands of dollars)

	2021	2020	2019	2018	2017
REVENUE					
Sales and user charges	\$ 198,307	\$ 189,420	\$ 198,218	\$ 189,423	\$ 182,563
Net taxes	158,048	155,822	151,801	145,301	134,048
Government transfers	62,822	50,466	46,262	54,107	40,936
Sale of land	11,566	6,297	3,752	7,240	25,322
Contributed assets	8,891	7,725	18,640	59,046	11,194
Return on investments	8,432	6,325	12,693	5,866	5,076
Fines and penalties	6,940	5,097	8,021	6,733	7,882
Gas company franchise fee	6,152	5,994	5,937	5,244	6,063
Licenses and permits	4,074	3,073	3,678	4,743	5,339
Special municipal levies	-	-	-	-	3,877
Recovery of Investment Allowance	-	-	-	-	3,554
Other	9,210	10,519	9,927	9,754	11,851
TOTAL REVENUE	\$ 474,442	\$ 440,738	\$ 458,929	\$ 487,457	\$ 437,705

2017-2021 Gross Revenue



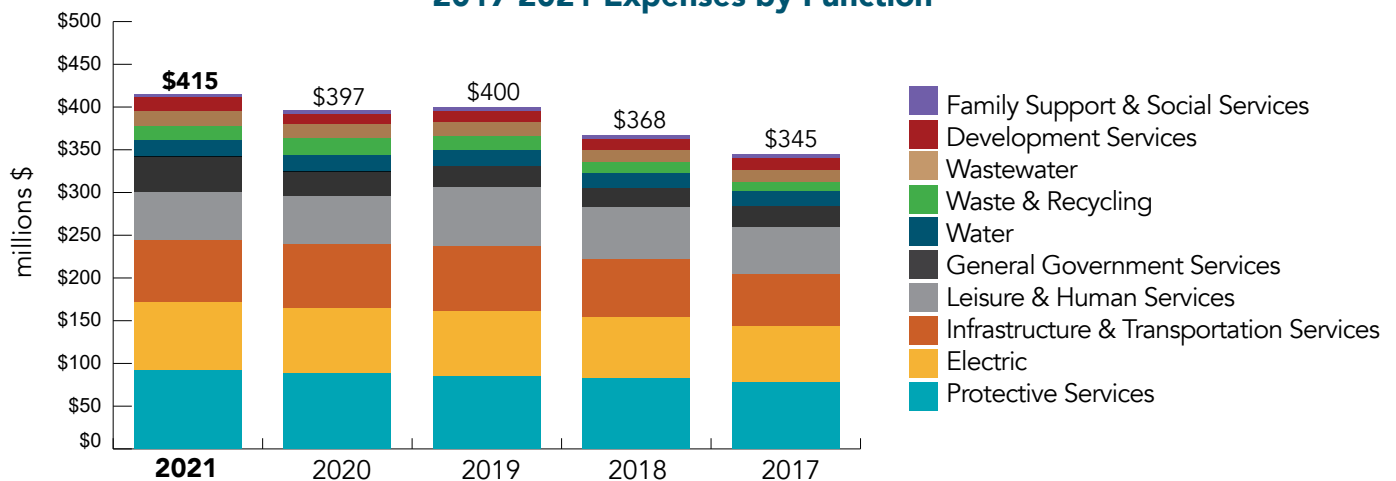
STATISTICAL INFORMATION

Five Year Summary of Consolidated Expenses For the Years Ended December 31, 2017 to 2021 (in thousands of dollars)

	2021	2020	2019	2018	2017
EXPENSES BY FUNCTION					
Protective Services	\$ 92,390	\$ 88,474	\$ 85,556	\$ 81,922	\$ 78,370
Electric	80,409	77,218	76,473	72,556	65,909
Infrastructure and Transportation Services	71,764	74,116	75,698	68,095	59,752
Leisure and Human Services	56,830	56,831	68,769	61,093	56,380
General Government Services	41,302	29,175	25,267	22,054	23,697
Water	19,012	18,841	18,353	16,772	16,738
Waste and Recycling	16,615	18,810	16,663	13,849	11,315
Wastewater	16,527	16,821	16,089	14,623	13,681
Development Services	15,509	12,131	12,885	12,245	14,372
Family Support and Social Services	4,402	4,464	4,841	5,209	4,624
TOTAL EXPENSES BY FUNCTION	\$ 414,760	\$ 396,881	\$ 400,594	\$ 368,418	\$ 344,838
EXPENSES BY OBJECT					
Salaries, wages and benefits	\$ 179,964	\$ 179,765	\$ 178,061	\$ 170,875	\$ 168,386
Materials, supplies and utilities	81,268	75,034	80,961	75,033	65,249
Amortization of tangible capital assets	65,664	65,290	63,904	55,939	49,105
Contracted and general services	65,137	67,727	69,319	62,851	55,995
Transfers to individuals and organizations	23,534	6,986	10,609	7,103	7,814
Debenture debt interest	6,024	6,389	6,041	5,086	3,568
Financial charges	1,135	1,410	1,386	2,293	1,279
Other ⁽¹⁾	(7,966)	(5,720)	(9,687)	(10,762)	(6,558)
TOTAL EXPENSES BY OBJECT	\$ 414,760	\$ 396,881	\$ 400,594	\$ 368,418	\$ 344,838

(1) The majority of other expenses relate to the recovery of costs charged to capital projects.

2017-2021 Expenses by Function



STATISTICAL INFORMATION

Five Year Summary of Debenture Debt For the Years Ended December 31, 2017 to 2021 (in thousands of dollars)

	2021	2020	2019	2018	2017
GENERAL					
Tax supported					
Recreation & Culture Facilities	\$ 50,407	\$ 54,261	\$ 58,006	\$ 58,164	\$ 54,207
Self supported					
Offsites	49,764	50,388	50,191	50,253	46,033
Industrial park servicing	10,507	11,697	11,353	12,806	9,109
Commercial land servicing	9,438	10,163	10,869	11,555	12,222
Airport	525	566	605	644	-
Local improvements	-	-	-	25	50
	120,641	127,075	131,024	133,447	121,621
UTILITIES					
Electric	33,809	36,872	36,563	33,295	28,588
Waste & Recycling	25,000	24,462	25,272	21,163	10,344
Wastewater	19,247	21,248	20,011	7,564	6,266
Water	13,379	14,738	15,120	6,411	7,175
	91,435	97,320	96,966	68,433	52,373
TOTAL GENERAL AND UTILITIES DEBT	\$ 212,076	\$ 224,395	\$ 227,990	\$ 201,880	\$ 173,994
POPULATION	101,482	101,482	101,482	99,769	98,198
DEBENTURE DEBT PER CAPITA					
General - mill rate supported	\$ 497	\$ 535	\$ 572	\$ 583	\$ 552
General - self supported	692	718	720	755	687
Utilities	901	959	955	686	533
	\$ 2,090	\$ 2,212	\$ 2,247	\$ 2,024	\$ 1,772
DEBT LIMIT (as per Municipal Government Act)					
Total debt limit	\$ 626,994	\$ 609,794	\$ 612,482	\$ 578,773	\$ 591,103
Total debt (above)	(212,076)	(224,395)	(227,990)	(201,880)	(173,994)
DEBT LIMIT UNUSED	\$ 414,918	\$ 385,399	\$ 384,492	\$ 376,893	\$ 417,109
Percentage of debt limit used	33.8%	36.8%	37.2%	34.9%	29.4%
Service on debt limit	\$ 104,499	\$ 101,636	\$ 102,080	\$ 96,462	\$ 98,517
Service on debt (principal and interest payment)	(24,949)	(25,560)	(26,586)	(23,384)	(20,686)
SERVICE ON DEBT LIMIT UNUSED	\$ 79,550	\$ 76,076	\$ 75,494	\$ 73,078	\$ 77,831
Percentage of service on debt limit used	23.9%	25.1%	26.0%	24.2%	21.0%
Percentage of expenditures	6.0%	6.4%	6.6%	6.3%	6.0%

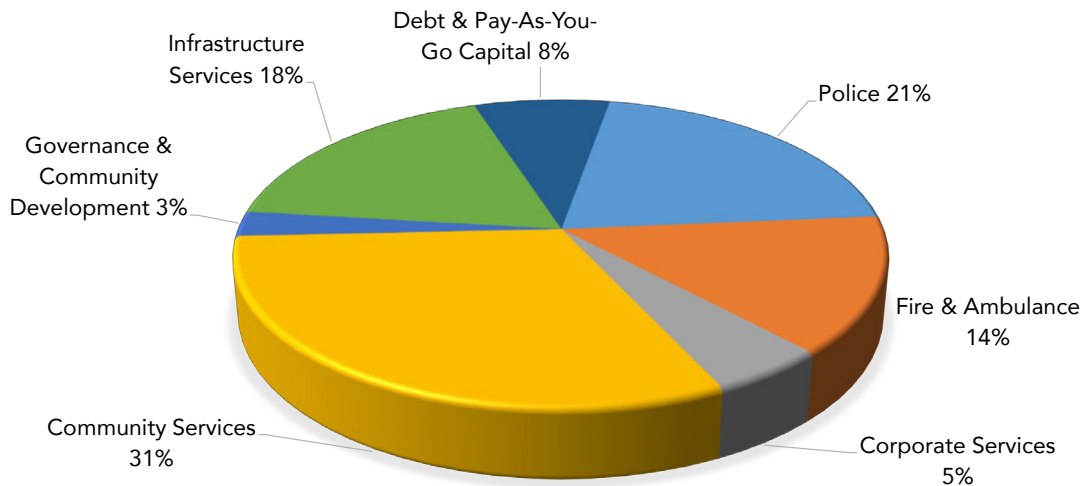
Five Year Summary of Property Tax Levy

For the Years Ended December 31, 2017 to 2021
(in thousands of dollars)

	2021	2020	2019	2018	2017
REAL PROPERTY					
Municipal	\$ 157,423	\$ 155,300	\$ 150,931	\$ 144,296	\$ 133,023
Education	38,949	37,116	37,601	35,645	33,340
Other	1,396	2,676	996	1,418	1,470
TOTAL REAL PROPERTY	197,768	195,092	189,528	181,359	167,833
Special Assessments	-	-	-	-	3,877
Business Taxes (BRZ)	215	-	172	167	215
TOTAL CURRENT YEAR LEVY	\$ 197,983	\$ 195,092	\$ 189,700	\$ 181,526	\$ 171,925
Current Taxes Collected	\$ 195,720	\$ 192,203	\$ 187,191	\$ 179,186	\$ 169,526
% of Current Taxes Collected	98.9%	98.5%	98.7%	98.7%	98.6%

The ten largest corporate taxpayers account for \$12,177 (6.2%) of the 2021 total property tax levy.

2021 Allocation of Municipal Property Tax Dollars



Five Year Summary of Taxable Assessment

For the Years Ended December 31, 2017 to 2021
(in thousands of dollars)

	2021	2020	2019	2018	2017
Residential	\$ 10,326,618	\$ 10,221,920	\$ 10,203,124	\$ 9,970,488	\$ 9,632,957
Apartments	537,193	523,578	474,762	452,532	449,165
Commercial and Industrial	2,860,856	2,924,047	2,774,900	2,742,410	2,647,657
TOTAL TAXABLE ASSESSMENT	\$ 13,724,667	\$ 13,669,545	\$ 13,452,786	\$ 13,165,430	\$ 12,729,779

STATISTICAL INFORMATION

Five Year Summary of Acquisition of Tangible Capital Assets

For the Years Ended December 31, 2017 to 2021
(in thousands of dollars)

	2021	2020	2019	2018	2017
CAPITAL SPENDING					
Land	\$ 1,162	\$ 1,094	\$ 533	\$ 5,012	\$ 12,868
Land improvements	6,516	4,874	6,924	17,271	4,830
Buildings	48,762	(18)	130,979	24,052	36,368
Infrastructure	30,763	34,072	64,994	58,383	32,633
Equipment and furnishings	26,597	6,753	25,964	16,296	5,726
Vehicles	8,563	9,395	10,070	9,437	8,211
Change in assets under construction	(38,750)	23,380	(99,773)	25,152	46,403
TOTAL CAPITAL SPENDING	\$ 83,613	\$ 79,550	\$ 139,691	\$ 155,603	\$ 147,039

Five Year Summary of Net Financial Assets (Debt)

For the Years Ended December 31, 2017 to 2021
(in thousands of dollars)

	2021	2020	2019	2018	2017
FINANCIAL ASSETS					
Excess of revenue over expenses	\$ 59,682	\$ 43,857	\$ 58,335	\$ 119,039	\$ 92,867
Change related to tangible capital assets	(23,609)	(18,954)	(93,076)	(155,440)	(107,223)
Change related to other non-financial assets	(13,386)	(1,138)	(2,080)	(6,305)	(1,317)
Increase (Decrease) in Net Financial Assets	22,687	23,765	(36,821)	(42,706)	(15,673)
Net Financial Assets, Beginning of Year	(9,476)	(33,241)	3,580	46,286	61,959
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ 13,211	\$ (9,476)	\$ (33,241)	\$ 3,580	\$ 46,286

Five Year Summary of Municipal Equity

For the Years Ended December 31, 2017 to 2021
(in thousands of dollars)

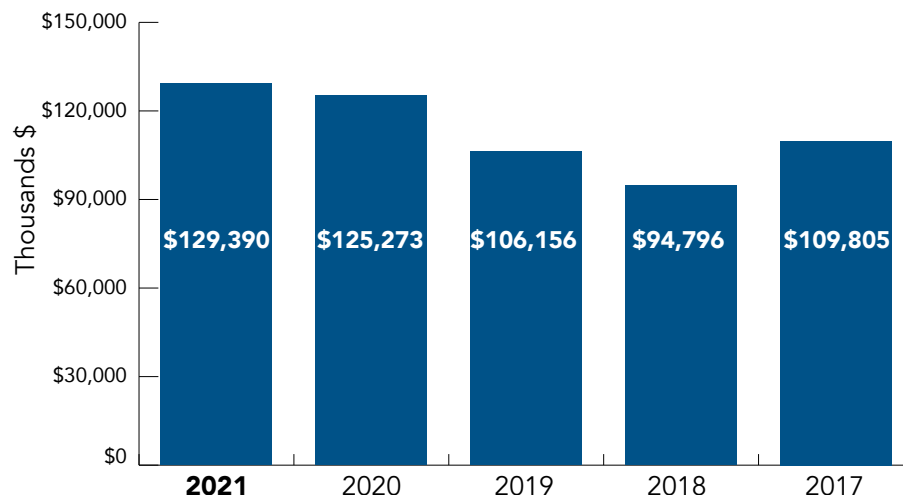
	2021	2020	2019	2018	2017
Revenue	\$ 474,442	\$ 440,738	\$ 458,929	\$ 487,457	\$ 437,705
Expenses	414,760	396,881	400,594	368,418	344,838
Excess of Revenue Over Expenses	59,682	43,857	58,335	119,039	92,867
Municipal Equity, Beginning of Year	1,867,294	1,823,437	1,765,102	1,646,063	1,553,196
MUNICIPAL EQUITY, END OF YEAR	\$ 1,926,976	\$ 1,867,294	\$ 1,823,437	\$ 1,765,102	\$ 1,646,063

Five Year Summary of Reserves

For the Years Ended December 31, 2017 to 2021
(in thousands of dollars)

	2021	2020	2019	2018	2017
RESERVES					
Municipal Revenue Stabilization	\$ 34,193	\$ 34,861	\$ 33,331	\$ 28,746	\$ 26,120
Budget Appropriations	15,954	20,921	15,680	12,450	16,639
Fleet Services	22,426	19,799	22,754	22,184	22,514
Major Capital Projects	16,943	12,165	7,129	3,673	20,149
Electric	11,930	10,066	4,323	4,595	771
Real Estate Holdings	6,223	6,181	5,641	5,469	5,392
Insurance	4,488	4,658	4,966	4,833	4,351
Airport	3,944	3,867	472	-	-
Urban Parks	3,647	3,242	2,567	2,102	1,363
Community Lighting	3,605	4,226	4,722	5,253	5,715
Cemeteries	2,028	1,627	1,397	1,347	1,385
Acquire Off Street Parking	1,791	1,502	1,027	2,018	3,415
Transit Bus	1,043	1,043	1,043	1,033	906
Central Business District Land Acquisition	687	686	685	684	683
Municipal Reserve Fund	371	314	306	298	292
Mayor Magrath Drive Beautification	117	115	113	111	110
TOTAL RESERVES	\$ 129,390	\$ 125,273	\$ 106,156	\$ 94,796	\$ 109,805

SUMMARY OF RESERVES (thousands \$)



STATISTICAL INFORMATION

Five Year Summary of Government Transfers

For the Years Ended December 31, 2017 to 2021 (in thousands of dollars)

	2021			2020	2019	2018	2017
	Provincial	Federal	Total				
UNCONDITIONAL TRANSFERS							
Grants in lieu of taxes	\$ 1,200	\$ 73	\$ 1,273	\$ 699	\$ 1,209	\$ 1,420	\$ 1,330
CONDITIONAL TRANSFERS							
Municipal Sustainability Initiative (MSI) ⁽¹⁾	22,268	-	22,268	18,040	15,599	22,487	13,552
Municipal Stimulus Program (MSP)	8,482	-	8,482	-	-	-	-
Federal Gas Tax Fund (FGTF)	-	8,307	8,307	5,922	4,314	3,245	2,269
Social Housing in Action (SHIA)	3,782	2,963	6,745	4,738	5,870	4,425	4,471
Alberta Community Resilience Program	4,317	-	4,317	643	60	51	75
Investing in Canada Infrastructure Program (ICIP)	3,912	-	3,912	-	-	-	-
Family and Community Support Services (FCSS)	2,361	-	2,361	2,446	2,462	3,017	1,859
Municipal Policing Assistance Grant (MPAG)	1,624	-	1,624	1,624	1,596	1,571	1,549
Affordable Housing	1,320	-	1,320	387	55	-	65
9-1-1 Program	690	-	690	685	684	649	625
Airport Capital Assistance Program (ACAP)	-	650	650	152	-	-	-
Lethbridge Public Library	537	-	537	537	537	537	537
Police Officers Grant	300	-	300	300	300	300	300
Victim/Witness Services Unit	269	-	269	300	225	150	150
Adult Literacy Program	244	-	244	247	265	268	264
Senate Elections Referendum Grant	214	-	214	-	-	-	-
Fetal Alcohol Spectrum Disorder (FASD)	138	-	138	135	125	93	90
Alberta Health & Wellness	107	-	107	-	-	-	-
Canada Heritage Program	-	81	81	53	4	15	15
Alberta Critical Worker Benefit	50	-	50	-	-	-	-
Canadian Cultural Spaces Fund	-	50	50	-	-	350	2,899
Municipal Asset Management Program (MAMP)	-	50	50	-	-	-	-
Municipalities for Climate Innovation Program (MCIP)	36	-	36	(57)	103	89	-
COVID-19 Pandemic Emergency Response	21	-	21	243	-	-	-
Summer Temporary Employment Program (STEP)	3	16	19	-	-	39	33
Heritage Preservation Partnership Program	15	-	15	-	-	-	-
Canada Day/Canada 150 Celebrations	-	15	15	9	8	36	14
Municipal Operating Support Transfer (MOST)	-	-	-	11,263	-	-	-
Green TRIP (Green Transit Initiatives Program)	-	-	-	2,497	9,038	7,726	1,695
Disaster Recovery	-	-	-	235	-	-	463
Municipal Climate Change Action Centre (MCCAC)	-	-	-	56	-	-	-
Community Regional Economic Support (CARES)	-	-	-	48	-	-	-
ALERT Program	-	-	-	7	28	28	21
Alberta Community Partnership (ACP)	-	-	-	(49)	-	68	290
Clean Water & Wastewater Fund (CWWF)	-	-	-	-	4,118	5,478	1,604
Public Transit Infrastructure Fund	-	-	-	-	540	1,285	202
Municipal Cannabis Transition Program (MCTP)	-	-	-	-	321	-	-
Rural Development Division	-	-	-	-	-	1,800	7,200
Western Economic Diversification Canada (WEDC)	-	-	-	-	-	236	190
Alberta Seniors Housing	-	-	-	-	-	100	-
Refugee Language and Support Program	-	-	-	-	-	24	34
OHS Innovation & Engagement Grant	-	-	-	-	-	20	-
Community Partnership Enhancement Fund (CPEF)	-	-	-	-	-	17	34
Alberta Historical Resources Foundation	-	-	-	-	-	-	272
Regional Collaboration Program	-	-	-	-	-	-	64
Employment & Social Development	-	-	-	-	-	-	50
Alberta Sport Development Centre	-	-	-	-	-	-	40
Other	-	-	-	5	10	3	10
	50,690	12,132	62,822	50,466	46,262	54,107	40,936
TOTAL GOVERNMENT TRANSFERS ⁽²⁾	\$ 51,890	\$ 12,205	\$ 64,095	\$ 51,165	\$ 47,471	\$ 55,527	\$ 42,266

(1) Program components of this grant include MSI Capital, MSI Operating and Basic Municipal Transportation Grant.

(2) Total government transfers including payments in lieu of taxes are recognized in the financial statements as revenue in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the municipality has met any eligibility criteria and reasonable estimates of the amounts can be made.



The Annual Report is produced by the
Treasury & Financial Services department of the City of Lethbridge
in cooperation with all civic departments and agencies.

