



City of Lethbridge
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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 2022 Annual Report, including the financial statements, is the responsibility of management.

MAYOR'S MESSAGE



Mayor Blaine Hyggen

On behalf of Lethbridge City Council, I am pleased to bring you the 2022 Annual Report.

Results of the 2022 Community Satisfaction survey showed that 90 per cent of respondents rank their quality of life in Lethbridge as good or very good. That survey and this report are both great avenues to show appreciation for all of the efforts City Council, City Administration and all of the dedicated departments put into this organization each and every day.

City Council was happy to unveil its Gateway to Opportunity 2022 Action Plan and pledged an approach that clearly articulates priorities, creates further transparency, reports performance and builds community trust.

In November, Council approved the 2023-2026 Operating Budget. Public safety is the number one concern residents come to Council with and this budget reflects the investment we're making to address those concerns, as well as what is needed to maintain our service levels.

City Council continues to support efforts to attract and retain medical professionals for the community, including a multi-phased marketing campaign designed to sell physicians on the many different benefits of building a life and business in Lethbridge.

A one-of-a-kind partnership between key stakeholders was announced in November to try and tackle the health and social challenges of the city and surrounding areas. The creation of the Intergovernmental Health Table is a proactive step in bringing together invested partners to look at key issues effecting members of the Blood Tribe and Lethbridge communities.

In May 2022, we were pleased to have a grand re-opening at Lethbridge Airport, which is a key piece of

infrastructure in the continued growth of our economy. Council also endorsed a new Airport Incentive Framework designed to find and discuss potential agreements with airlines regarding future options for passengers flying in and out of Lethbridge.

In June, we were pleased to open the new Festival Square Market Plaza in Downtown Lethbridge. The \$1.71 million project was entirely funded through the Province of Alberta's Provincial Municipal Stimulus Program.

In celebration of National Indigenous Peoples' Day in 2022, we encouraged the community to add a Blackfoot word into their vocabulary. Sikoohkotoki (Sik-oo-kotoki) is the Blackfoot word for the land Lethbridge is located on. By bringing attention to the word and working to incorporate it in every day conversation, it helps to recognize Blackfoot culture throughout the city and beyond.

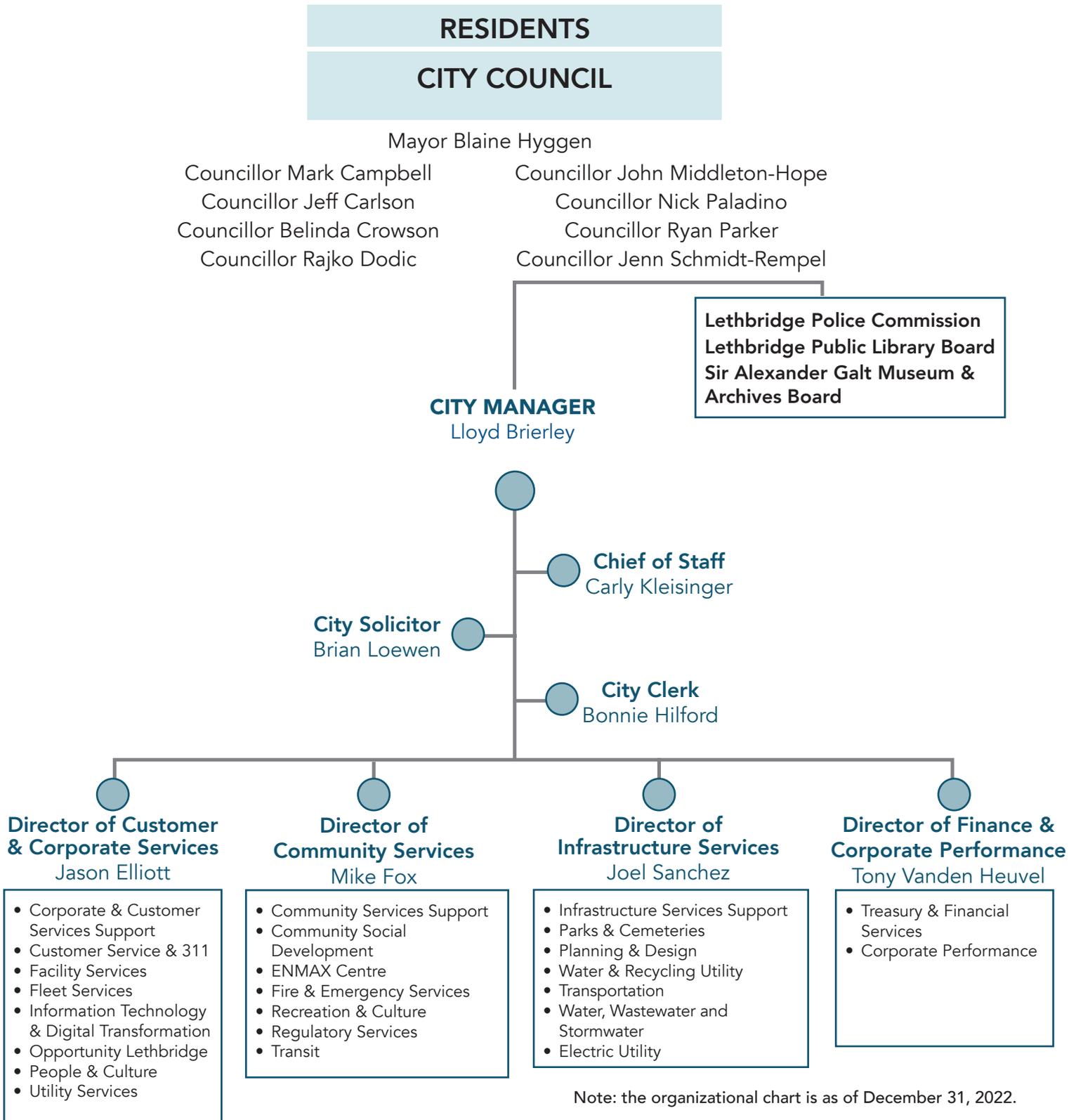
One of the biggest events to grace our city in recent years was the 2022 Tim Hortons Brier. What an absolutely incredible showcase this was for our city. The 2022 Brier generated more than \$10 million of total money spent in Lethbridge. I'd say that's a pretty great return for the \$1 million of cash and in-kind support contributed from the City.

As Lethbridge is and will continue to be the Gateway to Opportunity, this Annual Report is just a sample of all the exciting projects in our city. We eagerly look forward to all the great work ahead in 2023.

A handwritten signature in black ink, appearing to read 'Blaine Hyggen'.

Blaine Hyggen
Mayor

Legislative & Administrative Organization Chart



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 Audit Committee became a Standing Policy Committee of City Council as part of a review of the Procedure Bylaw, effective October 22, 2021.

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 Year End Unaudited Financial Information and Schedules

2022 Audit Committee Members:
January 1, 2022 - October 24, 2022

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

October 25, 2022 - December 31, 2022

Councillor J. Carlson
Councillor B. Crowson
Councillor R. Dodic
Councillor J. Middleton-Hope

April 18, 2023

CITY TREASURER'S FINANCIAL STATEMENT DISCUSSION & ANALYSIS



Darrell Mathews - City Treasurer

The 2022 Annual Report of the City of Lethbridge (the "City") provides information to all members of the public about the City's 2022 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 2022 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, 2022, 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) are 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).

2022 FINANCIAL HIGHLIGHTS

2022 was the final 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.

During 2022, the City realized a consolidated annual unrestricted surplus of \$12.2 million, (2021 - \$12.3 million) as shown on Schedule 1.

The City of Lethbridge will continue to monitor our financial performance and strategies over the 2023-2026 Operating Budget period to balance service level expectations with the

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

cost-of-service delivery. The City also has to balance that with other economic impacts throughout the province. An expanded discussion of these challenges is included in the Economic Conditions portion of this document.

SIGNIFICANT BUDGET VARIANCES

The following is an analysis of the 2022 General and Utility operations for the period ended December 31, 2022.

General Operating Results

Corporate Accounts ended the year with a \$5.7 million surplus. For 2022, 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 \$5.7 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 negative variance of \$0.8 million. This includes a \$0.5 million shortfall due to the Provincial Government reducing its payment on property taxes paid on Crown property by 50% and loss of federal and provincial grants in lieu of \$0.3 million.

General revenue ended the year with a positive variance of \$0.4 million. This positive variance includes higher than budgeted transfers from the Water and Landfill Utilities to General Operations of \$0.2 million and a higher than budgeted penalties on

taxes of \$0.2 million. Included in general revenues is a \$3.7 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 \$3.0 million to offset expected revenues pressures and \$0.7 million of the Corporate Budget Contingency will be carried over to 2023.

Permit, development and license revenue ended the year with a negative variance of \$1.4 million. The revenue shortfall is due to the pandemic and resulting economic conditions.

Employee Benefit accounts ended the year in a positive variance of \$6.5 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 \$0.4 million, primarily due to lower than budgeted Transit fuel prices.

Utility costs for tax supported City facilities ended the year with a surplus of \$0.5 million, primarily due to lower than budgeted rates for electricity, natural gas and City utility costs.

A negative variance of \$0.2 million is due to specific conditions with ENMAX Centre due to extension of contract terms due to prior year facility closures. This was offset by \$0.2 million funding from reserve for COVID-19 related pressures.

A positive variance of \$0.1 million due to specific conditions within the operating agreement for the ATB Centre.

Department Results

To accommodate the four-year budget cycle, Departments are expected to operate within the 48 month budget. At December 31, 2022 the \$1.0 million positive variance from the 2022 Department operations and the 2019-2021 rollover of \$5.9 million is recorded within the \$12.2 million Consolidated Annual Unrestricted Surplus and will be transferred to the Municipal Revenue Stabilization Reserve in 2023.

Utility Operating Results

Utility operations includes 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 \$1.7 million. This was primarily due to the Landfill and Waste Collection revenue positive variance of \$2.0 million resulting from higher than budgeted tonnages offset by a negative variance of \$0.3 million in operating expenses. There was also \$1.6 million positive variance due to lower than anticipated debt servicing payments, this surplus was applied as a down payment towards approved Capital Improvement Projects to reduce future debt financing requirements.

Wastewater Utility ended the year with a positive variance of \$0.1 million. Revenue finished the year with a \$2.1 million positive variance primarily due to industrial revenues. Additionally, lower than anticipated debt servicing payments resulted in a positive variance of \$0.7 million. These positive variances were offset by a negative variance of \$1.6 million due to higher than budgeted

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

expenses in Wastewater Treatment Plant operations and \$1.1 million negative variance as a result of early advances of operating funds applied to 2022-2031 Capital Improvement Project E-21 Waste Water Treatment Plant Electrical Upgrades.

Water Utility ended the year with a positive variance of \$0.2 million. This was primarily due to water revenue ending the year with a positive variance of \$1.5 million as a result of higher residential, regional and general revenues and a positive variance of \$0.3 million in maintenance accounts. In addition, a surplus of \$1.9 million resulted from lower than anticipated debt servicing payments which was applied as a down payment towards approved Capital Improvement Projects to reduce future debt financing requirements. Also, there was a negative variance of \$1.5 million as a result of early advances of operating funds applied to 2022-2031 Capital Improvement Projects and a negative variance of \$0.1 million in the transfer to general revenue.

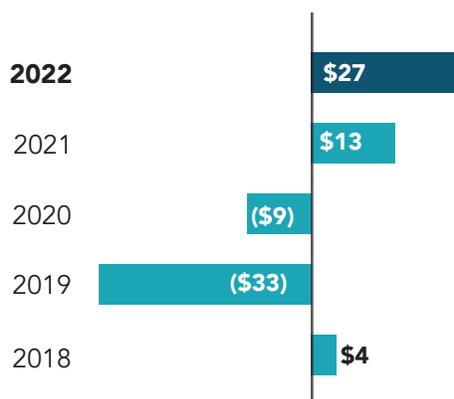
The Electric Utility ended the year with a \$2.4 million negative variance from operations. Distribution tariff ended the year with a negative variance of \$2.7 million which is primarily due to the Transmission Access (Provincial Access to the Grid) component of the tariff and the variance is a result of fluctuations in funds collected from users and the fees required to connect to the distribution system. Regulated Rate tariff ended the year with a negative variance of \$0.9 million 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 the Electric department uses hedges to reduce risk on energy purchases as

well. In 2022 the demand exceeded the forecasted usage and required additional purchases at a price that has more than doubled over prior year. Fibre operations ended the year with a small negative variance due to system operations expenses being higher than budgeted. These negative variances were offset by a positive variance of \$1.2 million in the Transmission tariff due to increase in revenue, decreases in depreciation, and system operations, offset by an increase in cost of capital and linear property tax costs.

FINANCIAL POSITION

The overall financial position of the City of Lethbridge ended 2022 with year-end net financial assets totaling \$27.1 million (2021 \$13.2 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.

NET FINANCIAL ASSETS (DEBT) (millions)



Financial Assets

The City's 2022 total financial assets of \$421 million increased by \$9 million from the prior year (2021 \$412 million). The City experienced an increase of \$17.7 million in loans

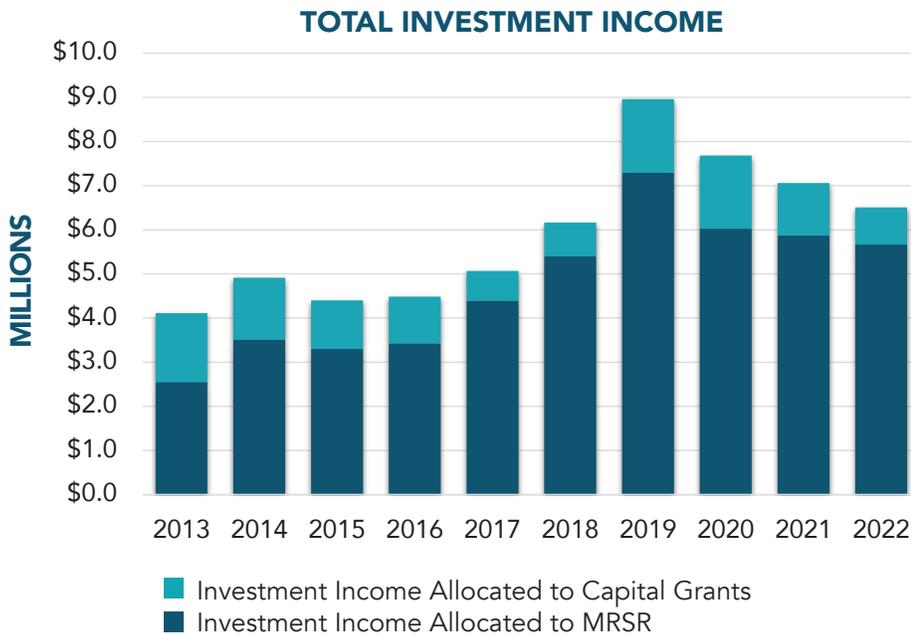
and advances due primarily to the Lethbridge & District Exhibition loan for the Agri-food Hub (Trade Centre). There was a decrease in cash and investments of \$2.6 million and a decrease in receivables of \$5.7 million. The change in cash, investments and receivables was due to the timing of receipt of funds from other levels of government as well as the funding associated with the construction of capital projects. There was also \$0.4 million decrease in deposits and land held for resale.

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 internal financing approved are the main factors influencing the size of the investment portfolio. The average size of the portfolio in 2022 was \$333.4 million (2021 \$321 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 2022 gross interest income earned from the portfolio was \$6.5 million (2021 \$7.1 million). The City's 2022 average portfolio yield of 1.95% (2021 2.20%) was lower than the Government of Canada 3-year Benchmark yield of 2.93% (2021 0.65%); due to timing of investment purchases and maturity it will take time for the City's investment portfolio to realize the benefits of rising interest rates.

FINANCIAL STATEMENT DISCUSSION & ANALYSIS



Liabilities

The City's 2022 total financial liabilities of \$394 million decreased by \$4.9 million compared to the prior year results (2021 \$398.9 million), primarily due to a decrease in deferred revenue of \$6.6 million, a decrease of other liabilities of \$1.5 million. These decreases were offset by an increase in accounts payable and accrued liabilities of \$2.2 million and an increase in debenture debt of \$1 million.

Accounts Payable and Accrued Liabilities

The accounts payable and accrued liabilities balance of \$54.7 million at the end of 2022 has increased by \$2.2 million over the prior year balance of \$52.5 million.

Trade accounts payable increased by \$0.1 million primarily due to payments related to the timing of construction and capital expenditures during 2022 as well as payments for large events.

Accrued liabilities increased by \$2.1 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 \$14.4 million which was a decrease of \$0.8 million from the previous year (2021 \$15.2 million). This is primarily due to decreases 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 \$6.6 million decrease 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 2022, deposits and other liabilities decreased by \$0.7 million primarily due to a decrease in conditional funding.

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 self-supported because the debt repayments are made directly from the revenue of these activities and are not paid from property taxes.

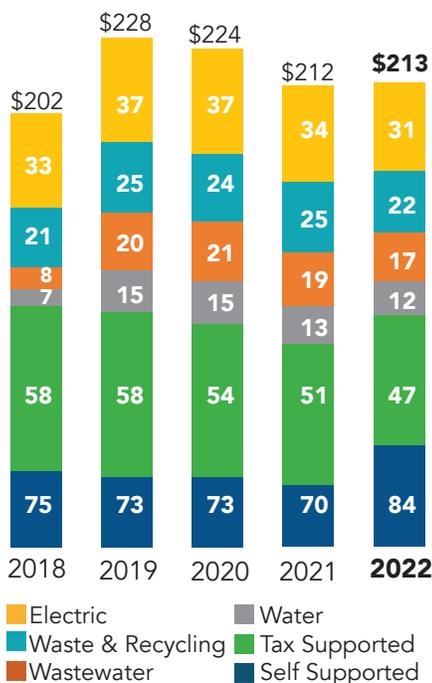
FINANCIAL STATEMENT DISCUSSION & ANALYSIS

Significant Offsite Levy borrowings have been required to fund projects that will support growth in the community for coming decades. New self-supported borrowing occurred in 2022 for the Lethbridge & District Exhibition-Agri-Food Hub.

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 2022, the City's debenture debt was \$213.1 million. This was an increase of \$1 million, 0.45% from the 2021 balance. The debenture debt increase was primarily due to the Lethbridge & District Exhibition-Agri-Food Hub. The 2022 borrowings for capital

DEBENTURE DEBT (millions)



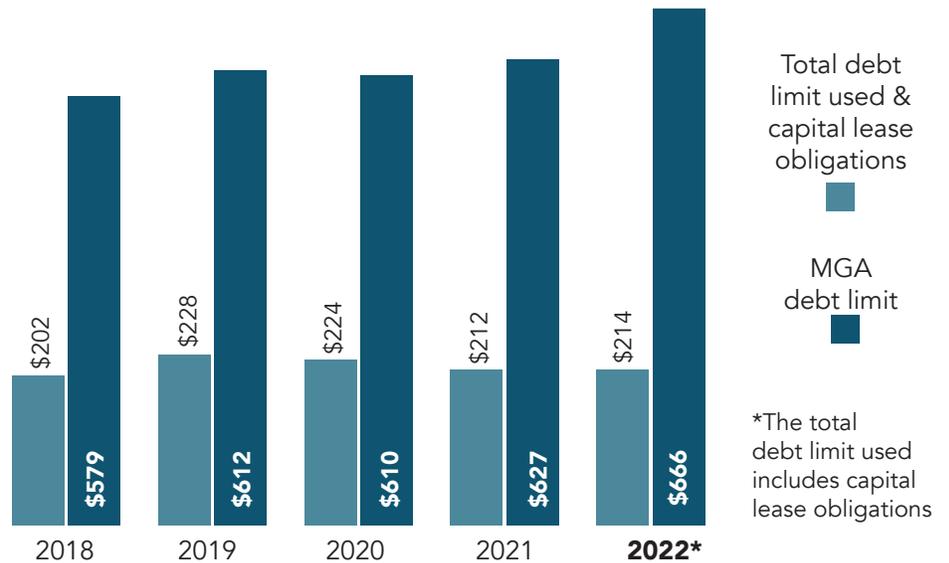
projects totaled \$20.4 million and included Métis Trail Offsite borrowing and Lethbridge & District Exhibition-Agri-Food Hub. New borrowings were offset by principal loan payments of \$19.4 million.

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

Net Financial Assets (Debt)

As demonstrated on the Consolidated Statement of Net Financial Assets, the City of Lethbridge has net financial assets of \$27.1 million (2021 \$13.2 million). This increase in net financial assets of \$13.9 million relates to the timing of major capital projects. During 2022, the City was in the planning or completion stages of several capital projects. This is the reason for the decreases in cash and investments, decrease in deferred revenue, and the decrease in receivables. The new loan to the Lethbridge & District Exhibition increased loans and advances and is the main factor of the overall increase in net assets.

DEBT VS DEBT CAPACITY (millions)



*The total debt limit used includes capital lease obligations

Non-Financial Assets

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

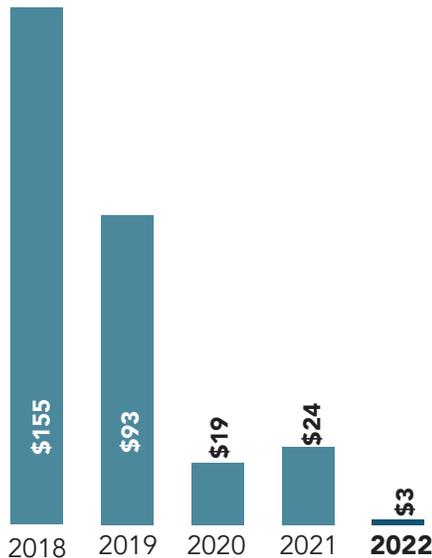
Tangible Capital Assets

The single largest item within non-financial assets is tangible capital assets which ended 2022 with a balance of \$1.858 billion (2021 \$1.855 billion) which was an increase of \$2.5 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 City of Lethbridge has placed a high priority on maintaining existing assets and has controlled capital project spending as funding for capital projects has been limited. In 2022, asset acquisitions across all categories were \$69.1 million. The most significant investments in tangible capital assets during 2022, included the Airfield Pavement Rehab

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

NET INCREASE IN TANGIBLE CAPITAL ASSETS (millions)



of \$6.1 million, Waste & Recycling Curbside Organics Building and Equipment of \$4.95 million, Fibre Broadband Project of \$1.6 million, Waste & Recycling Cell Development \$4 million, and Waste Processing Facility Upgrade of \$2.77 million. In addition there were \$6.1 million in contributed assets, these acquisitions were offset by disposals with a net book value of \$4.9 million and amortization expense of \$67.9 million.

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 2022 with a balance of \$58.9 million which was an increase of \$0.5 million from the prior year (2021 \$58.4 million). This was primarily due to an increase in prepaid expenses offset by a decrease 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 16 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 2022 municipal equity total is \$1.94 billion which is an increase of 0.88% 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 \$30.9 million or 6.5% with total revenue of \$505.3 million (2021 \$474.4 million).

REVENUE (millions)	
2022 Actual	\$ 505.3
2021 Actual	474.4
Variance	\$ 30.9
% Variance	(6.5)%

The majority of the increase was sales and user charges of \$35.1 million, an increase in other revenue of \$15.8 million and an increase in net taxes of \$2 million. These increases were offset by decreases in government transfers of \$10 million, decrease in sale of land of \$5.8 million, decrease in return on investments of \$3.3 million, decrease in contributed assets of \$2.7 million, and a decrease in other revenue categories of \$0.2 million.

Sales and user charges increased by \$35.1 million or 17.7% from 2021 and is primarily due to utility revenue increases; electric revenue of \$25.2

million, wastewater revenue increased \$0.9 million, offset by water revenue decrease of \$0.4 million and waste & recycling decrease of \$0.2 million. Other increases in revenue related to operations that were impacted by the pandemic in prior years; ENMAX Centre event revenue increased \$6.3 million, other recreation and cultural facility and program revenue increased \$1.1 million, Transit revenue increased \$0.6 million and airport revenue increased \$0.3 million. Other increases in revenues are an offsite development increase of \$0.7 million as well as other revenue of \$0.6 million.

Other revenues increased by \$15.8 million this is primarily due to transactions related to the lending agreement with Lethbridge & District Exhibition for the Agri-food Hub (Trade Centre) project.

Property tax is a primary revenue source available to the City to pay for municipal services. In 2022, net taxes available for municipal services of \$160 million was \$2 million or 1.24% higher than 2021, and accounted for 31.7% (2021 33.3%) of gross revenue. The net tax increase was primarily a result of growth as Council approved budget reductions resulting in a 0% increase in the municipal tax portion of property taxes for 2022. The Schedule of Net Taxes - Schedule 2 of the consolidated financial statements provides further detail with respect to net taxes.

Government Transfers decreased by \$10 million from 2021 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 decrease in government transfers was primarily due to decreases in funding transfers from Municipal Sustainability Initiative

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

(MSI) of \$9.1 million, Municipal Stimulus Program (MSP) of \$5.1 million, Alberta Community Resilience Program of \$4.3 million, as well as decreases in other government transfers of \$0.3 million. These decreases were offset by increases in the Canada Community Building Fund (CCBF) of \$5.1 million, and \$3.7 million in the Airport Capital Assistance Program (ACAP).

During 2022, the City received land sales revenue of \$5.8 million which was a decrease of \$5.8 million from the previous year (2021 \$11.6 million). The majority of the decrease is related to the timing of industrial subdivision development which had a decrease of \$5 million in Sherring, and a decrease related to residential development of \$1 million from The Crossings subdivision, offset by an increase of \$0.2 million from the RiverStone subdivision. Fluctuations from year to year occur due to timing differences created through the development process with residential and industrial subdivisions.

Return on investments was \$5.1 million which was a \$3.3 million decrease from the previous year (2021 \$8.4 million). The overall decrease was primarily a result of \$3.3 million decreased grant interest revenue due to the timing difference in recording interest revenues associated with grants and \$0.6 million decrease in overall investment income.

Contributed assets had a decrease in 2022 of \$2.7 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 2022, the consolidated expenses were \$73.6 million or 17.7% higher than the previous year.

EXPENSES (millions)	
2022 Actual	\$ 488.4
2021 Actual	414.8
Variance	\$ 73.6
% Variance	17.7%

Expenses by Function

While all segments saw an increase in expenses the major segments that make up the \$73.6 million change are an increase of \$27.3 million in the Electric Utility, an increase of \$21.6 million in General Government Services, a \$10.4 million increase

in Leisure & Human Services, \$4.1 million increase in Protective Services, a \$2.6 million increase in Wastewater Utility and an increase of \$2.3 million in Infrastructure & Transportation Services. All other segments had a \$5.3 million increase.

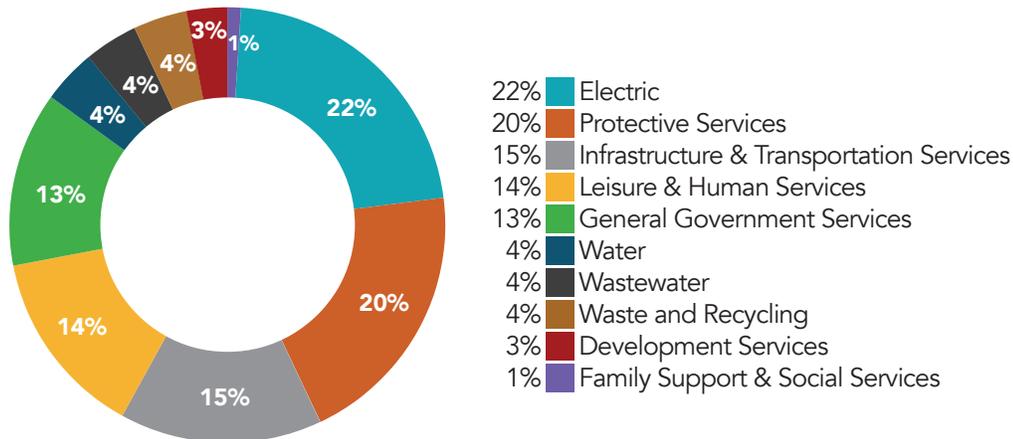
The Electric Utility expenses increased by \$27.3 million from \$80.4 million in 2021 to \$107.7 million in 2022. The increase is primarily due to an increase in Transmission fees (Rider C) and energy charges of \$26.9 million and an increase of \$0.4 million in other expenses.

General Government Services increased by \$21.6 million to \$62.9 million in 2022 from \$41.3 million in 2021. This was due to an increase of \$22.8 million in transfers to other agencies, and an increase in materials and supplies of \$0.9 million and contractual services of \$0.5 million due to maintenance activities and an increase of \$1.3 million in amortization expenses. These increases were offset by a decrease of \$3.4 million in personnel costs and a \$0.5 million decrease in other expense areas.

Leisure & Human Services increased by \$10.4 million (18.3%) to a total of \$67.2 million in 2022 (2021 \$56.8 million). This segment was impacted by facility closures and programming changes due to pandemic restrictions in prior operating year. This increase was due to an increase in ENMAX Centre expenses of \$5.5 million, Recreation facilities of \$1.0 million and Library of \$0.5 million. There was also an increase in Parks expenses of \$2.1 million, and an increase of \$1.8 million related to CIP project 2018-2027 D-40 Shooting Sports Facility Safety Enhancement. These increases were offset by a decrease of \$0.5 million in other expenses.

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

2022 Expenses by Function



Protective Services expenses increased by \$4.1 million to \$96.4 million from \$92.3 million in 2021. This was due to additional personnel costs of \$1.8 million, an increase of \$1.3 million in material, supplies and contractual services, and an increase of \$1 million across other expense areas.

The Wastewater Utility had a \$2.6 million increase in expenses from \$16.5 million in 2021 to \$19.1 million in 2022. This is primarily due to an increase in contractual services of \$1.2 million for biosolids removal, \$0.5 million increase in materials and supplies and \$0.9 million in other expense categories.

Infrastructure and Transportation expenses increased by \$2.3 million to \$74.1 million from \$71.8 million in 2021. This increase is a result of an increase of \$1.4 million for roads primarily related to the cost of materials and supplies, an increase of \$1 million in contracted and general services related to Lethbridge Airport projects and operations. These increases are offset by a decrease of \$0.1 million in other expenses.

The City experienced an overall decrease of \$5.3 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 expense by object provides another insight into the overall increase of \$73.6 million from 2021.

Contributing factors to this increase include an increase in materials, supplies and utilities of \$34.5 million, an increase in transfer to individuals and organizations of \$22 million, an increase in contracted and general services of \$9.4 million, an increase in salaries, wages and benefits of \$6.3 million and an increase in amortization of capital assets of \$2.2 million. These increases are offset by a decrease of \$0.8 million in other expense categories.

Materials, supplies and utilities expense of \$116 million have increased by \$34.5 million or 42.4% from the previous year. This is primarily due to an increase of \$27.5 million in utilities costs related to electric energy and transmission charges and rider costs, an increase of \$1.4 million in utilities costs related to City facilities, an increase of \$0.6 million in project related materials and supplies, a \$4.1 million increase

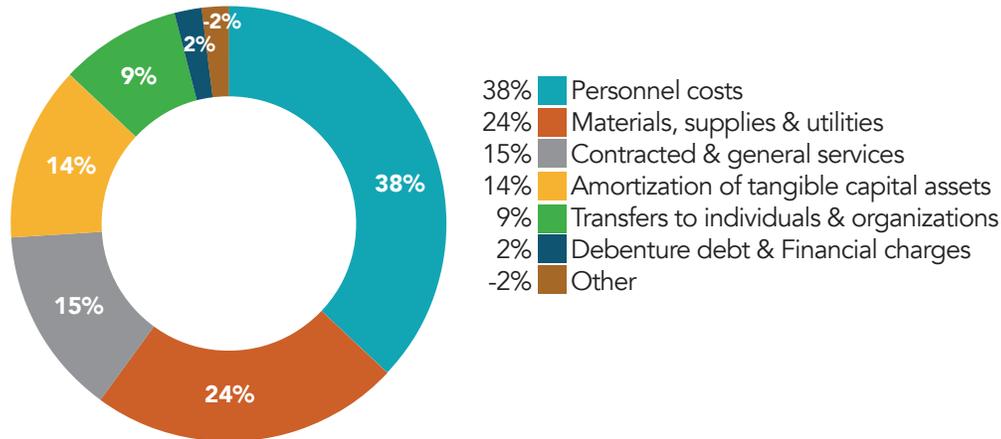
in all other operational materials and supplies and an increase of \$0.9 million in fuel costs.

Transfers to individuals and organizations increased by \$21.9 million in 2022 to a total of \$45.4 million from \$23.5 million in 2021. This is primarily due to payments of \$22.8 million for the Lethbridge & District Exhibition Agri-Food Hub (Trade Centre) project, offset by a net decrease of \$0.9 million in other transfers.

Contracted and general services increased by \$9.4 million to \$74.5 million from \$65.1 million in 2021. Contractual services costs related to utility fund capital projects which increased by \$2 million primarily related to Waste and Recycling Utility and Water Utility. Special services and studies increased by \$1.5 million and other contractual services increased by \$6.5 million primarily ENMAX Centre operations and 2018-2027 D-40 Shooting Sports Facility Safety Enhancement. There was also an increase of \$0.8 million in equipment maintenance costs, these increases are offset by decreases in other general services of \$1.4 million.

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

2022 Expenses by Object



Personnel costs increased by \$6.3 million in 2022. This is due to negotiated collective agreement costs and associated benefits, as well as an increase in Protective Services personnel costs and personnel costs related to recreation and leisure facilities resuming pre-pandemic facility operations and events.

In 2022 amortization of tangible capital assets expenses totaled \$67.9 million which was an increase of \$2.2 million from 2021. This was due to a \$0.6 million increase in depreciation of building assets and an increased Land improvements depreciation costs of \$0.6 million these changes are predominantly due to improvements and additions for Wastewater, Waste and Recycling and Parks facilities. Equipment and furnishings depreciation increased by \$0.6 million primarily due to additions at the Wastewater Treatment Plant, Water Utility additions, traffic signals and Protective Services. Depreciation for engineering structures related to roadways, underground pipes and electric line assets increased by \$0.4 million. These increases were offset by a small decrease in vehicle depreciation.

Other expense categories have decreased by \$0.7 million. This is due a decreased recovery of \$1.1 million in expenses recovered from capital and other expenses, offset by an increase of \$0.2 million in debenture debt interest and an increase of \$0.2 million in financial charges.

Excess of Revenue Over Expenses

During 2022, the City realized an excess of revenue over expenses of \$16.9 million. As summarized on the Consolidated Schedule of Unrestricted Surplus – Schedule 1, the bulk of these funds were reduced by the \$23.2 million in transfers to the capital fund and the change in the equity in tangible capital assets of \$0.9 million (represented by the net increase in tangible capital assets of \$2.5 million, the net increase of debenture debt of \$1 million and capital asset obligation increase of \$0.6 million), and by the \$13.6 million for transfers from reserves and by the \$6.4 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 decreased from the prior year by \$38.5 million to a balance of \$44.1 million. During the year, \$65.3 million was raised from operating activities and net debenture borrowings raised \$1 million. This was offset by the use of cash and cash equivalents for net investment portfolio increase of \$35.9 million (net), and \$68.9 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

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

discussion and analysis and financial statements, City Council requires a review of policies, procedures and internal control mechanisms. This includes a review of the September operating forecast reports, annual unaudited financial report, financial policies, audit findings, significant or unusual financial transactions, and accounting 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 2022-2031 CIP was approved by City Council for the years 2022-2026. 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 and 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

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

statements. Based on the Committee's recommendation, City Council approved the 2022 Consolidated Financial Statements at its meeting in April 18, 2023.

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

The Lethbridge economy continues to improve as the impact of COVID-19 begins to wane and circumstances begin to resemble to pre-pandemic period. In 2022, the annual unemployment rate in the Lethbridge region is low at 4.9% versus the national average of 5.3% and consistently lower than the Alberta rate of 5.8%. Lethbridge's population remains stable at just over 100,000. The rate of inflation rose by 6.8% in 2022 at the national level, the largest annual increase since 1982. Trends in Alberta were similar with inflation rising by 6.4% in 2022. Much like the national situation, the main contributors were energy (+20.9%) and food (+8.3%). The situation is forecast to moderate in 2023 with the majority of analysts projecting price growth between 3-4% at the national level. At the same time, the situation is dynamic and bears monitoring as there are multiple variables at play that could put upward pressure on prices over the course of the next twelve months.

In terms of new construction, Lethbridge experienced a decrease in terms of the value of construction in the community at \$215 million, versus \$307 million in 2021. Industrial permit values totaled \$7.7 million in the most

recent calendar year, a decrease over 2021 from \$11.7 million. Commercial permit values also saw an increase to \$33 million in 2022, from \$31 million in 2021. Residential permits for single detached dwellings decreased in 2022 with 187 permits issued versus 264 in 2021.

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 the survey included some encouraging perspectives from local business, with 69% of respondents expressing a favourable outlook for their business over the next 6-12 months and 6 in 10 reporting growth in their business performance over the past year (an increased proportion from the year prior). This bodes well for the local economic landscape as we navigate the year ahead.

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 - 2022.

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.

FINANCIAL STATEMENT DISCUSSION & ANALYSIS



Lethbridge River Valley

CONCLUSION

The 2022 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 2022 and the City continues to achieve a strong financial position as a direct result of City Council's ongoing commitment to financial stewardship.

Much like everyone else, the City has come through two years of pandemic and economic uncertainty. The

adjustments that were made during 2022 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 2022. The work we have accomplished this year and the progress we have made gives me confidence the City will position itself to make the most of its opportunities to move forward successfully in 2023.

Respectfully submitted,

Darrell Mathews, CPA, CMA, CIA
City Treasurer
April 18, 2023

RECOGNITION FOR ACHIEVEMENTS

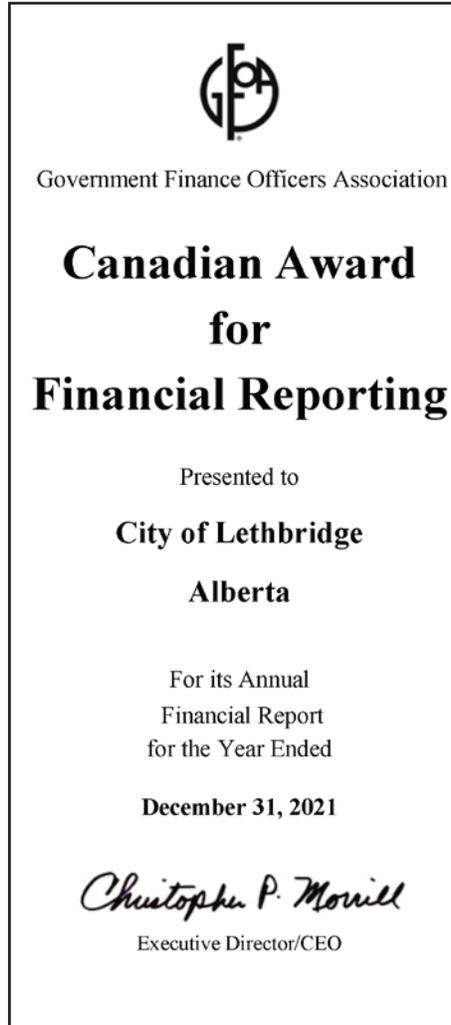
Recognition for Achievements

Canadian Award for Financial Reporting

The City of Lethbridge annual financial report for the year ended December 31, 2021, 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, 2022 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 18, 2023



Darrell Mathews, CPA, CMA, CIA
City Treasurer
April 18, 2023

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, 2022
- 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, 2022, 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.

The logo for KPMG LLP, featuring the letters 'KPMG' in a large, bold, sans-serif font, with 'LLP' in a smaller font to the right. A horizontal line is drawn underneath the text.

Chartered Professional Accountants

Lethbridge, Canada
April 18, 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

(in thousands of dollars)

		2022	2021
FINANCIAL ASSETS			
Cash and cash equivalents	Note 3	\$ 44,103	\$ 82,549
Investments	Note 4	308,378	272,517
Receivables	Note 5	49,820	55,495
Loans and advances	Note 6	17,696	12
Deposits	Note 7	127	302
Land held for resale		1,000	1,311
		421,124	412,186
LIABILITIES			
Accounts payable and accrued liabilities	Note 8	54,738	52,492
Employee benefit obligations	Note 9	14,491	15,256
Deferred revenue	Note 10	100,077	106,678
Deposits and other liabilities		11,076	12,473
Debenture debt	Note 11	213,058	212,076
Capital lease obligations	Note 13	626	-
		394,066	398,975
NET FINANCIAL ASSETS (DEBT)		27,058	13,211
NON-FINANCIAL ASSETS			
Inventories held for consumption		13,097	13,563
Prepaid expenses		3,789	2,794
Land held for resale		42,042	42,069
Tangible capital assets	Schedule 3 & Note 14	1,857,870	1,855,339
		1,916,798	1,913,765
MUNICIPAL EQUITY		\$ 1,943,856	\$ 1,926,976
Commitments (Note 23)			
Contingent liabilities (Note 27)			

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

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2022 (in thousands of dollars)

		2022	2022 Budget (Note 29)	2021
REVENUE				
Sales and user charges		\$ 233,446	\$ 209,095	\$ 198,307
Net taxes	Schedule 2	160,006	160,717	158,048
Government transfers	Note 21	52,863	55,167	62,822
Gas company franchise fee		7,719	6,050	6,152
Contributed assets		6,149	-	8,891
Sale of land		5,803	5,796	11,566
Fines and penalties		5,265	7,720	6,940
Return on investments		5,097	4,201	8,432
Licenses and permits		3,912	4,949	4,074
Other		25,030	28,560	9,210
		505,290	482,255	474,442
EXPENSES				
	Note 22			
Protective Services		96,481	94,013	92,390
Electric		107,659	80,331	80,409
Infrastructure & Transportation Services		74,047	79,225	71,764
Leisure & Human Services		67,232	67,559	56,830
General Government Services		62,860	73,782	41,302
Water		20,781	22,735	19,012
Waste & Recycling		18,544	20,820	16,615
Wastewater		19,097	17,928	16,527
Development Services		16,347	15,928	15,509
Family Support & Social Services		5,362	5,572	4,402
		488,410	477,893	414,760
EXCESS OF REVENUE OVER EXPENSES	Schedule 1 & 4	16,880	4,362	59,682
MUNICIPAL EQUITY, BEGINNING OF YEAR		1,926,976	1,926,976	1,867,294
MUNICIPAL EQUITY, END OF YEAR	Note 16	\$ 1,943,856	\$ 1,931,338	\$ 1,926,976

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, 2022 (in thousands of dollars)

	2022	2022 Budget	2021
EXCESS OF REVENUE OVER EXPENSES	\$ 16,880	\$ 4,362	\$ 59,682
Change related to tangible capital assets			
Acquisition of tangible capital assets	(69,145)	(66,128)	(83,613)
Contributed assets	(6,149)	-	(8,891)
Proceeds on disposal of tangible capital assets	245	250	1,432
Loss on disposal of tangible capital assets	4,622	-	1,799
Amortization of tangible capital assets	67,896	67,089	65,664
	(2,531)	1,211	(23,609)
Change related to other non-financial assets			
Acquisition of inventories held for consumption	(19,357)	-	(16,287)
Use of inventories held for consumption	19,823	-	16,156
Acquisition of prepaid expenses	(7,210)	-	(5,823)
Use of prepaid assets	6,215	-	5,178
Use of land held for resale	27	-	(12,610)
	(502)	-	(13,386)
INCREASE IN NET FINANCIAL ASSETS	13,847	5,573	22,687
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	13,211	13,211	(9,476)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ 27,058	\$ 18,784	\$ 13,211

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

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

(in thousands of dollars)

	2022	2021
NET INFLOW (OUTFLOW) OF CASH		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 16,880	\$ 59,682
Items not involving cash		
Amortization of tangible capital assets	67,896	65,664
Loss on disposal of tangible capital assets	4,622	1,799
Tangible capital assets received as contributions	(6,149)	(8,891)
Changes to financial assets		
Decrease (increase) in receivables	5,675	(11,169)
Decrease (increase) in other financial assets	(17,198)	11,746
Changes to non-financial assets		
Decrease (increase) in inventory held for consumption	466	(131)
Decrease (increase) in prepaid expenses	(995)	(645)
Decrease (increase) in land held for resale	27	(12,610)
Changes to liabilities		
Increase (decrease) in accounts payable and accrued liabilities	2,246	7,584
Increase (decrease) in employee benefit obligation	(765)	864
Increase (decrease) in deferred revenue	(6,601)	15,467
Increase (decrease) in deposits and other liabilities	(1,397)	(1,558)
Increase (decrease) in capital lease obligations	626	-
	65,333	127,802
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(69,145)	(83,613)
Proceeds on disposal of tangible capital assets	245	1,432
	(68,900)	(82,181)
INVESTING ACTIVITIES		
Decrease (increase) in investments	(35,861)	32,675
FINANCING ACTIVITIES		
Debenture borrowings	20,424	7,150
Debenture debt principal redeemed	(19,442)	(19,469)
	982	(12,319)
CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR	(38,446)	65,977
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	82,549	16,572
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 44,103	\$ 82,549

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

CONSOLIDATED SCHEDULE OF UNRESTRICTED SURPLUS AS AT DECEMBER 31, 2022 (in thousands of dollars) Schedule 1

	2022	2022 Budget	2021
EXCESS OF REVENUE OVER EXPENSES	\$ 16,880	\$ 4,362	\$ 59,682
Unrestricted balances			
Transfer from prior year surplus	6,196	-	3,445
Unfunded			
Transfer to (from) equity in inventories held for consumption	(466)	-	131
Transfer to (from) equity in prepaid expenses	995	-	645
Restricted balances			
Transfer (to) from reserves	12,968	(3,215)	(4,117)
Transfer (to) from capital fund	(23,171)	(19,482)	(2,612)
Equity in non-financial assets			
Change in inventories held for consumption	466	-	(131)
Change in prepaid expenses	(995)	-	(645)
Change in land held for resale	243	-	(8,176)
Change in tangible capital assets	(923)	18,335	(35,928)
CONSOLIDATED ANNUAL UNRESTRICTED SURPLUS	\$ 12,193	\$ -	\$ 12,294

SCHEDULE OF NET TAXES

FOR THE YEAR ENDED DECEMBER 31, 2022

(in thousands of dollars)

Schedule 2

	2022	2022 Budget	2021
TAXATION			
Real property taxes	\$ 201,159	\$ 200,200	\$ 197,768
Business taxes (BRZ)	189	200	215
Grants in lieu of taxes			
Provincial	1,163	1,254	1,200
Federal	76	284	73
	202,587	201,938	199,256
Less special requisition transfers			
Alberta School Foundation Fund	35,271	34,105	34,055
Holy Spirit RCSRD 4	4,913	4,713	4,848
Green Acres Foundation	2,177	2,179	2,086
Downtown Lethbridge Business Revitalization Zone	198	215	198
Designated Industrial Properties	22	9	21
	42,581	41,221	41,208
NET TAXES	\$ 160,006	\$ 160,717	\$ 158,048

SCHEDULE OF TANGIBLE CAPITAL ASSETS

AS AT DECEMBER 31, 2022

(in thousands of dollars)

Schedule 3

	Land	Land Improvements	Buildings	Infrastructure	Equipment & Furnishings	Vehicles	Assets Under Construction	2022	2021
COST									
BALANCE, BEGINNING OF YEAR	\$ 137,315	\$ 124,971	\$ 596,120	\$ 1,522,931	\$ 165,551	\$ 88,970	\$ 65,561	\$ 2,701,419	\$ 2,629,541
Acquisition of tangible capital assets	137	9,271	4,799	57,365	9,667	6,135	(18,229)	69,145	83,613
Contributed assets	296	297	-	5,443	113	-	-	6,149	8,891
Disposal of tangible capital assets	-	(208)	(943)	(12,462)	(3,928)	(1,177)	-	(18,718)	(20,626)
BALANCE, END OF YEAR	137,748	134,331	599,976	1,573,277	171,403	93,928	47,332	2,757,995	2,701,419
ACCUMULATED AMORTIZATION									
BALANCE, BEGINNING OF YEAR	-	(50,116)	(154,720)	(521,933)	(73,935)	(45,376)	-	(846,080)	(797,811)
Annual Amortization	-	(5,159)	(12,085)	(35,441)	(8,329)	(6,882)	-	(67,896)	(65,664)
Accumulated amortization on disposals	-	208	251	8,995	3,357	1,040	-	13,851	17,395
BALANCE, END OF YEAR	-	(55,067)	(166,554)	(548,379)	(78,907)	(51,218)	-	(900,125)	(846,080)
TOTAL NET BOOK VALUE	\$ 137,748	\$ 79,264	\$ 433,422	\$ 1,024,898	\$ 92,496	\$ 42,710	\$ 47,332	\$ 1,857,870	\$ 1,855,339

SCHEDULE OF SEGMENTED REPORTING FOR THE YEAR ENDED DECEMBER 31, 2022 (in thousands of dollars) Schedule 4

	General Municipal Revenue	Protective Services	Infrastructure & Transportation Services	Leisure & Human Services
REVENUE				
Sales and user charges	\$ -	\$ 11,448	\$ 9,371	\$ 11,421
Net taxes	160,006	-	-	-
Government transfers	-	3,747	16,328	3,953
Gas company franchise fee	7,719	-	-	-
Contributed assets	-	-	4,001	828
Sale of land	-	-	-	-
Fines and penalties	-	74	547	-
Return on investments	6,087	(19)	(706)	(375)
Licenses and permits	-	3,752	157	3
Municipal Consent and Access Fee	10,555	-	-	-
Other	76	2,393	(1,271)	628
	184,443	21,395	28,427	16,458
EXPENSES				
Salaries, wages and benefits	-	61,658	24,711	20,697
Materials, supplies and utilities	-	3,931	15,577	5,956
Contracted and general services	-	4,976	11,571	14,300
Amortization of tangible capital assets	-	1,876	27,792	11,148
Transfers to individuals and organizations	-	63	43	2,286
Debenture debt interest	-	-	1,451	1,413
Financial charges	-	468	361	238
Interdepartmental transfers (net)	-	23,549	(2,578)	11,281
Expenses recovered from capital	-	(73)	(5,890)	(339)
Other	-	33	1,009	252
	-	96,481	74,047	67,232
EXCESS OF REVENUE OVER EXPENSES	184,443	(75,086)	(45,620)	(50,774)
Change in unrestricted balances	4,454	(536)	(242)	(122)
Transfer from (to) reserves	(7,734)	3,051	2,548	3,672
Transfer from (to) internal segments	3,521	890	(3,556)	1,760
Transfer from (to) capital fund	-	(2,679)	(2,323)	(3,269)
Change in equity in non-financial assets	-	(4,422)	15,490	4,839
UNRESTRICTED SURPLUS (DEFICIT)	\$ 184,684	\$ (78,782)	\$ (33,703)	\$ (43,894)

SCHEDULE OF SEGMENTED REPORTING FOR THE YEAR ENDED DECEMBER 31, 2022

(in thousands of dollars)
Schedule 4

General Government Services	Development Services	Family Support & Social Services	Utilities	2022	2021
\$ 326	\$ 5,853	\$ 905	\$ 194,122	\$ 233,446	\$ 198,307
-	-	-	-	160,006	158,048
14,532	6,244	2,506	5,553	52,863	62,822
-	-	-	-	7,719	6,152
-	(873)	-	2,193	6,149	8,891
-	5,803	-	-	5,803	11,566
4,644	-	-	-	5,265	6,940
7	63	40	-	5,097	8,432
-	-	-	-	3,912	4,074
-	-	-	(10,555)	-	-
21,599	1,513	35	57	25,030	9,210
41,108	18,603	3,486	191,370	505,290	474,442
52,115	2,931	1,648	22,478	186,238	179,964
4,810	186	58	85,239	115,757	81,268
19,627	4,097	162	19,774	74,507	65,137
3,359	44	170	23,507	67,896	65,664
33,259	6,899	2,948	-	45,498	23,534
-	1,025	-	2,340	6,229	6,024
267	-	10	11	1,355	1,135
(51,088)	(479)	1,124	18,191	-	-
(245)	(881)	(758)	(6,368)	(14,554)	(14,360)
756	2,525	-	909	5,484	6,394
62,860	16,347	5,362	166,081	488,410	414,760
(21,752)	2,256	(1,876)	25,289	16,880	59,682
1,685	(7)	(23)	1,516	6,725	4,221
14,847	3,046	1	(6,463)	12,968	(4,117)
26,141	(23,480)	(55)	(5,221)	-	-
(26,455)	2,389	(57)	9,223	(23,171)	(2,612)
(5,935)	13,541	(6)	(24,716)	(1,209)	(44,880)
\$ (11,469)	\$ (2,255)	\$ (2,016)	\$ (372)	\$ 12,193	\$ 12,294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (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, 2022 (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, 2022 (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) **Leases**

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

(vii) **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.

(viii) **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, 2022 (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, 2022 (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, 2022 (in thousands of dollars)

3. CASH & CASH EQUIVALENTS

	2022	2021
Cash	\$ 19,489	\$ 13,362
Cash equivalents	24,614	69,187
	\$ 44,103	\$ 82,549

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 2.26% (2021 0.80%).

4. INVESTMENTS

	2022		2021	
	Carrying Value	Market	Carrying Value	Market
Short term investments	\$ 100,945	\$ 100,440	\$ 61,252	\$ 61,193
Long term investments	207,433	186,283	211,265	205,278
	\$ 308,378	\$ 286,723	\$ 272,517	\$ 266,471

Investments mature at various dates between January 4, 2023 and September 23, 2035 and have an average effective annual yield of 2.56% (2021 1.64%).

Investments include \$51,296 (2021 \$62,213) in externally restricted amounts which must be used for specified capital projects.

5. RECEIVABLES

	2022	2021
Trade accounts receivable	\$ 46,287	\$ 40,277
Taxes receivable	3,145	2,607
Receivables from other governments	6,734	18,391
	56,166	61,275
Allowance for doubtful amounts	(6,346)	(5,780)
	\$ 49,820	\$ 55,495

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (in thousands of dollars)

6. LOANS AND ADVANCES

	2022	2021
Lethbridge Exhibition	\$ 17,696	\$ -
5.11%, payable in semi-annual installments of principal and interest combined over a period of 30 years		
SLP Industries Ltd.	-	12
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, 2022		
	\$ 17,696	\$ 12

7. DEPOSITS

	2022	2021
Transmission line deposit	\$ -	\$ 177
Other	127	125
	\$ 127	\$ 302

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (in thousands of dollars)

8. ACCOUNTS PAYABLE & ACCRUED LIABILITIES

	2022	2021
Trade accounts payable	\$ 34,185	\$ 34,096
Accrued liabilities	12,830	11,526
Environmental liabilities ⁽¹⁾	5,800	5,524
Other government	1,923	1,346
	\$ 54,738	\$ 52,492

(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 2.96%.

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 20.9 (2021 21.1) 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 \$17,366 (2021 \$16,533). The following summarizes the total net present value of the estimated costs of closure and post-closure care:

	2022	2021
Estimated closure costs	\$ 16,472	\$ 15,988
Estimated post-closure costs	6,694	6,069
Total estimated costs	23,166	22,057
Amount accrued to December 31	(5,800)	(5,524)
Balance of estimated costs to accrue over the remaining life of the landfill	\$ 17,366	\$ 16,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (in thousands of dollars)

9. EMPLOYEE BENEFIT OBLIGATIONS

	2022	2021
Vacation and overtime	\$ 12,963	\$ 13,653
Sick pay	1,402	1,484
Other	126	119
	\$ 14,491	\$ 15,256

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

	2022	2021
Deferred revenue	\$ 6,238	\$ 3,468
Government contributions ⁽¹⁾	51,295	62,213
Prepaid taxes	42,544	40,997
	\$ 100,077	\$ 106,678

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

	2021 Balance	Grants Received & Net Interest	Government Transfer Revenue	2022 Balance
Municipal Sustainability Initiative Grant	\$ 10,167	\$ 18,902	\$ (7,317)	\$ 21,752
Basic Municipal Transportation Grant	7,243	6,437	(4,186)	9,494
Federal Gas Tax Fund	29,381	(121)	(12,170)	17,090
Other Grants	15,422	16,727	(29,190)	2,959
	\$ 62,213	\$ 41,945	\$ (52,863)	\$ 51,295

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (in thousands of dollars)

11. DEBENTURE DEBT

	2022	2021
General - self supported	\$ 83,918	\$ 70,234
Utilities	82,701	91,435
General - tax supported	46,439	50,407
	\$ 213,058	\$ 212,076

Principal and interest repayments are as follows:

	Principal	Interest	Total
2023	\$ 19,860	\$ 6,198	\$ 26,058
2024	19,190	5,613	24,803
2025	19,572	5,071	24,643
2026	19,691	4,521	24,212
2027	19,444	3,971	23,415
2028 to maturity	115,301	21,180	136,481
	\$ 213,058	\$ 46,554	\$ 259,612

Debenture debt is repayable to the Government of Alberta Department of Treasury Board and Finance. Existing debentures mature in annual amounts to the year 2052. 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 \$6,229 (2021 \$6,024).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (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:

	2022	2021
Total debt limit	\$ 665,665	\$ 626,994
Debtenture debt	(213,058)	(212,076)
Capital lease obligations	(626)	-
Debt limit unused	451,981	414,918
Percentage of debt to debt limit	32.10 %	33.82 %
Service on debt limit	110,944	104,499
Service on debt (principal and interest payment)	(26,058)	(24,949)
Service on capital lease (principal and interest payment)	(150)	-
Service on debt limit unused	84,736	79,550
Percentage of service on debt limit used	23.62 %	23.87 %

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 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.

13. CAPITAL LEASE OBLIGATIONS

The City has entered into lease agreements to acquire light-duty vehicles which has been financed by a capital lease. The liability recorded under the capital leases represents the minimum lease payments payable net of imputed interest at an average rate of 6.75% per annum. Obligation under capital leases consists of:

	2022	2021
Minimum lease payments payable	\$ 737	\$ -
Less: Portion representing interest to be recorded over the remaining term of the leases	(111)	-
Total leases	626	-

Future minimum annual lease payments payable under the capital leases are as follows:

2023	\$ 150
2024	150
2025	150
2026	150
2027	137
Total	\$ 737

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (in thousands of dollars)

14. TANGIBLE CAPITAL ASSETS

	2022	2021
Net Book Value		
Land	\$ 137,748	\$ 137,315
Land improvements	79,264	74,855
Buildings	433,422	441,400
Infrastructure		
Roadways	502,585	486,894
Water system	197,299	194,821
Wastewater system	169,428	168,447
Waste Services system	6,133	4,169
Electrical system	149,453	146,667
Equipment and furnishings	92,496	91,616
Vehicles	42,710	43,594
Assets Under Construction	47,332	\$ 65,561
	1,857,870	1,855,339

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 \$6,149 (2021 \$8,891). This amount is comprised of land in the amount of \$296 (2021 \$271), land improvements in the amount of \$297 (2021 \$605), infrastructure in the amount of \$5,443 (2021 \$7,882), and equipment and furnishings in the amount of \$113 (2021 \$133).

The City capitalized \$425 (2021 \$127) in interest during the year.

15. 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:

	2022 Surplus	2021 Surplus
General	\$ 12,565	\$ 4,454
Utilities		
Water	194	3,221
Wastewater	125	1,633
Waste & Recycling	1,699	2,889
Electric	(2,390)	97
Total Utilities	(372)	7,840
	\$ 12,193	\$ 12,294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (in thousands of dollars)

16. MUNICIPAL EQUITY

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

	2022	2021
Unrestricted balances		
Unrestricted surplus (Note 17)	\$ 34,460	\$ 28,463
Unfunded		
Inventories held for consumption	(13,097)	(13,563)
Prepaid expenses	(3,789)	(2,794)
Restricted balances		
Reserves (Note 18)	116,422	129,390
Capital fund	112,830	89,659
Equity in non-financial assets		
Inventories held for consumption	13,097	13,563
Prepaid expenses	3,789	2,794
Land held for resale	35,958	36,201
Tangible capital assets (Note 20)	1,644,186	1,643,263
	\$ 1,943,856	\$ 1,926,976

17. 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 2022 General Operations accumulated surplus of \$12,565 will be transferred to the Municipal Revenue Stabilization Reserve and the 2022 Electric accumulated deficit of \$(2,390) will be transferred from the Electric Reserve in 2023.

	2021 Balance	Appropriations & Adjustments	2022 Surplus (Deficit)	2022 Balance
City general	\$ 4,454	\$ (4,454)	\$ 12,565	\$ 12,565
Water	8,173	-	194	8,367
Wastewater	6,937	(1,645)	125	5,417
Waste & Recycling	8,802	-	1,699	10,501
Electric	97	(97)	(2,390)	(2,390)
	\$ 28,463	\$ (6,196)	\$ 12,193	\$ 34,460

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (in thousands of dollars)

18. RESERVES

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

	2022	2021
Municipal Revenue Stabilization (Note 19)	\$ 32,049	\$ 34,193
Budget Appropriations	5,340	15,954
Fleet Services	23,402	22,426
Major Capital Projects	11,204	16,943
Electric	16,791	11,930
Real Estate Holdings	6,244	6,223
Insurance	4,319	4,488
Community Lighting	3,005	3,605
Airport Reserve	5,229	3,944
Urban Parks	3,485	3,647
Cemeteries	2,097	2,028
Acquire Off Street Parking	1,031	1,791
Transit Bus	1,043	1,043
Central Business District Land Acquisition	687	687
Municipal Reserve Fund	378	371
Mayor Magrath Drive Beautification	118	117
	\$ 116,422	\$ 129,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (in thousands of dollars)

19. 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, 2022 are as follows:

	2022	2021
Balance, beginning of year	\$ 34,193	\$ 34,861
Add: Electric Municipal Consent and Access Fee (MCAF)	10,619	10,126
Gas company franchise fee revenue	7,719	6,152
Investment and interest income (net of trust allocations)	5,757	5,732
Prior Year General Operating Surplus	4,454	4,821
By-law enforcement	3,062	4,232
Recovery of internal financing	2,255	5,892
Return on Investment (Electric)	1,655	2,369
Commercial land lease revenue	815	927
Unused BAU funding	544	2,388
City Council Committee Surplus	499	-
YMCA contractual agreement reimbursement	36	250
Snow Removal	-	1,019
Corporate IT lifecycle reduction	-	400
	71,608	79,169
Less:		
Budgeted Allocation to General Operations:		
Electric Municipal Consent and Access Fee (MCAF)	10,185	9,896
Allocation to General Operations	5,550	5,550
Gas company franchise fee	5,510	5,510
By-law enforcement	5,507	5,509
Return on Investment (Electric ROI)	2,535	2,574
Internal financing advances	5,403	11,767
One time allocations	3,257	2,863
Commercial land debenture payment	1,000	1,000
Allocation for Tax Installment Payment Plan discounts	324	307
Snow Removal	288	-
	39,559	44,976
Balance, end of year	\$ 32,049	\$ 34,193

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (in thousands of dollars)

20. EQUITY IN TANGIBLE CAPITAL ASSETS

	2022	2021
Tangible capital assets (Schedule 3)	\$ 2,757,995	\$ 2,701,419
Accumulated amortization (Schedule 3)	(900,125)	(846,080)
Debenture debt (Note 11)	(213,058)	(212,076)
Capital lease obligations (Note 13)	(626)	-
	\$ 1,644,186	\$ 1,643,263

21. GOVERNMENT TRANSFERS

	2022	2021
Operating		
Provincial	\$ 14,024	\$ 12,240
Federal	1,300	3,041
Capital		
Provincial	18,583	38,450
Federal	18,956	9,091
	\$ 52,863	\$ 62,822

22. EXPENSES BY OBJECT

	2022	2021
Salaries, wages and benefits	\$ 186,238	\$ 179,964
Materials, supplies and utilities	115,757	81,268
Contracted and general services	74,507	65,137
Amortization of tangible capital assets	67,896	65,664
Transfers to individuals and organizations	45,498	23,534
Debenture debt interest	6,229	6,024
Financial charges	1,355	1,135
Other ⁽¹⁾	(9,070)	(7,966)
	\$ 488,410	\$ 414,760

⁽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, 2022 (in thousands of dollars)

23. COMMITMENTS

a. Contracts

As at December 31, 2022 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
<hr/>		
Environmental Utilities		
Curbside Organics Compost Facility	\$ 3,321	\$ 4,773
Water Treatment Plant Medium Voltage Upgrades	1,932	7,446
Equipment		
Electronic Fare Collection System	3,070	3,253
Vehicles		
New and Refurbished Ambulances	4,600	4,600
Fire Engine Pumper Truck	916	916
Digger Derricks	838	838
	<hr/>	<hr/>
	\$ 14,677	\$ 21,826
	<hr/>	

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, 2022.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (in thousands of dollars)

24. 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 281,764 people and 435 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 8.45% (2021 9.39%) of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) and 12.80% (2021 13.84%) for the excess. Employees are required to make current service contributions of 7.45% (2021 8.39%) to the YMPE and 11.80% (2021 12.84%) for any portion of pensionable salary over the YMPE.

Total current and past service contributions by the City to the LAPP were \$10,791 (2021 \$11,658). Total current and past service contributions by the employees of the City were \$11,116 (2021 \$10,410).

At December 31, 2021 the LAPP disclosed an actuarial surplus of \$11,922 million (2020 \$4,961 million); the 2022 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 7,670 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 2022 were 14.55% (2021 14.55%) of pensionable earnings for the City and 13.45% (2021 13.45%) of pensionable salaries for police officers.

Total current and past service contributions by the City to the SFPP were \$2,932 (2021 \$2,805). Total current and past service contributions by the police officers to the SFPP were \$2,931 (2021 \$2,460).

At December 31, 2021 the SFPP disclosed an actuarial surplus of \$424 million (2020 surplus of \$10 million); the 2022 SFPP actuarial balance was not available at the date of this report.

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% (2021 2.61%) and 3.85% (2021 3.85%) respectively of pensionable earnings up to \$171 (2021 \$162).

Total current service contributions by the City to APEX in 2022 were \$751 (2021 \$736). Total current service contributions by the employees of the City were \$608 (2021 \$502).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (in thousands of dollars)

24. PENSION AND RETIREMENT PLANS (CONTINUED)

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 \$(295) (2021 \$(139)).

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, 2022. The significant actuarial assumptions in measuring the accrued benefit obligation are as follows: expected discount rate of 4.75%, 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, 2022 (in thousands of dollars)

25. 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	2022	2021
Mayor					
Hyggen, B	1	\$ 134	\$ 10	\$ 144	\$ 27
Spearman, C	1	\$ -	-	-	115
	2	\$ 134	10	144	142
Councillors					
Campbell, M	1	53	9	62	65
Carlson, J	1	53	9	62	63
Coffman, J	1	-	-	-	51
Crowson, B	1	56	8	64	63
Dodic, R	1	54	7	61	11
Hyggen, B	1	-	-	-	50
Mauro, J	1	-	-	-	51
Middleton-Hope, J	1	53	9	62	11
Miyashiro, R	1	-	-	-	52
Paladino, N	1	53	7	60	11
Parker, R	1	55	10	65	63
Schmidt-Rempel, J	1	57	9	66	11
	12	434	68	502	502
City Manager	1	271	65	336	311
Designated Officers ⁽¹⁾	4	\$ 771	\$ 191	\$ 962	\$ 940

⁽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.

26. 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, 2022 (in thousands of dollars)

27. 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.

28. 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, 2022 (in thousands of dollars)

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:

	2022 Budget
Revenue	
Approved budgeted revenue	\$ 482,255
Expenses	
Approved budgeted expenses	477,893
Excess of Revenue Over Expenses	\$ 4,362

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, 2022 (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
2023 ⁽¹⁾	\$ 1,336	\$ 11,554	\$ 12,890
2024	545	4,420	4,965
2025	364	12,084	12,448
2026	280	108	388
2027	37	74	111
Thereafter	8	720	728
Total at December 31, 2022	\$ 2,570	\$ 28,960	\$ 31,530
Total at December 31, 2021	\$ 1,747	\$ 68,291	\$ 70,038

⁽¹⁾ The City has rights to \$13,170 in 2023 (2022 \$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 30 acres remaining to be sold by December 31, 2025.

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.



Sunrise from the University of Lethbridge (Brittany Wickenheiser)

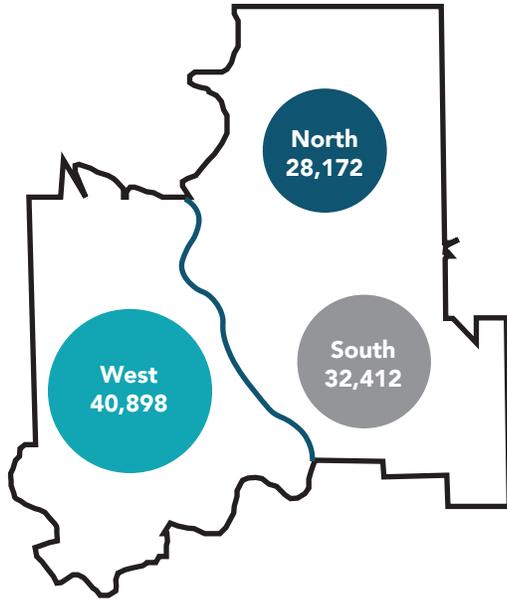
STATISTICAL INFORMATION

(UNAUDITED)

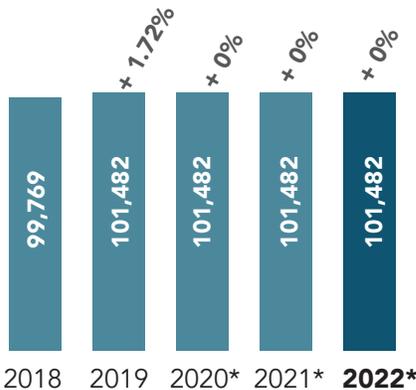


STATISTICAL INFORMATION

Population by Location in 2022*



Total Population

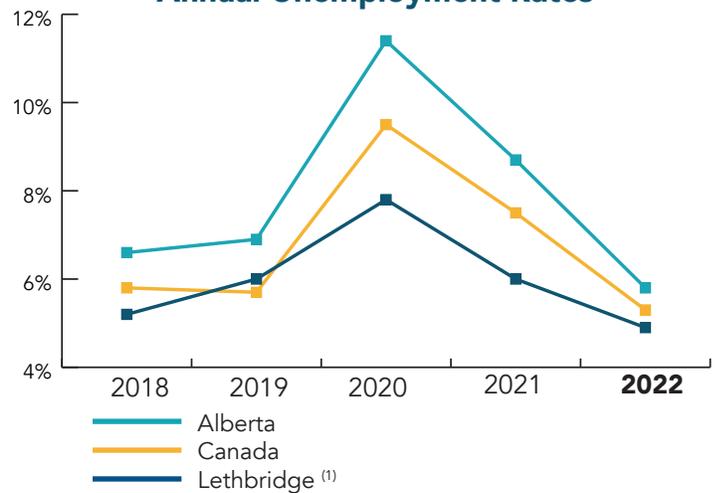


* The City of Lethbridge did not conduct a census from 2020 - 2022.

Median Property Assessment for Single Family Residential Properties



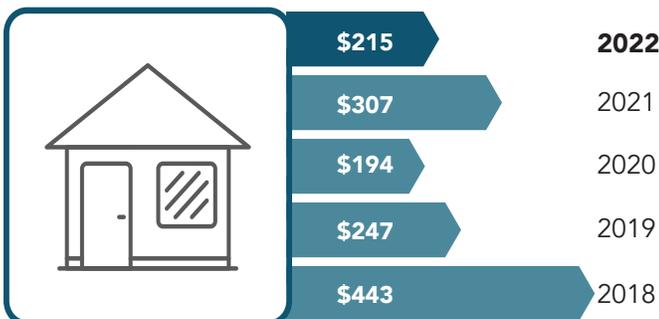
Annual Unemployment Rates



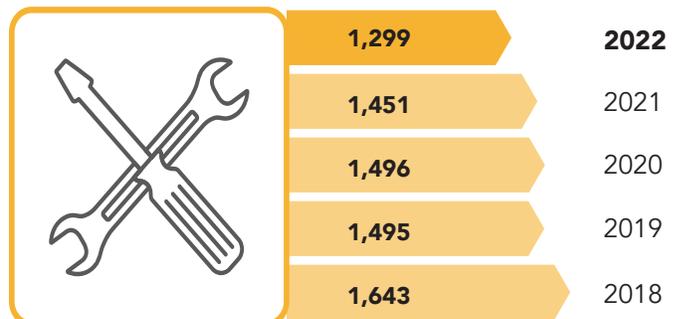
Source: Statistics Canada

(1) The unemployment rates include Lethbridge & Medicine Hat regions (for 2018-2019) and includes the Lethbridge region for 2020-2022.

Building Permit Values (in millions of dollars)



Number of Building Permits Issued

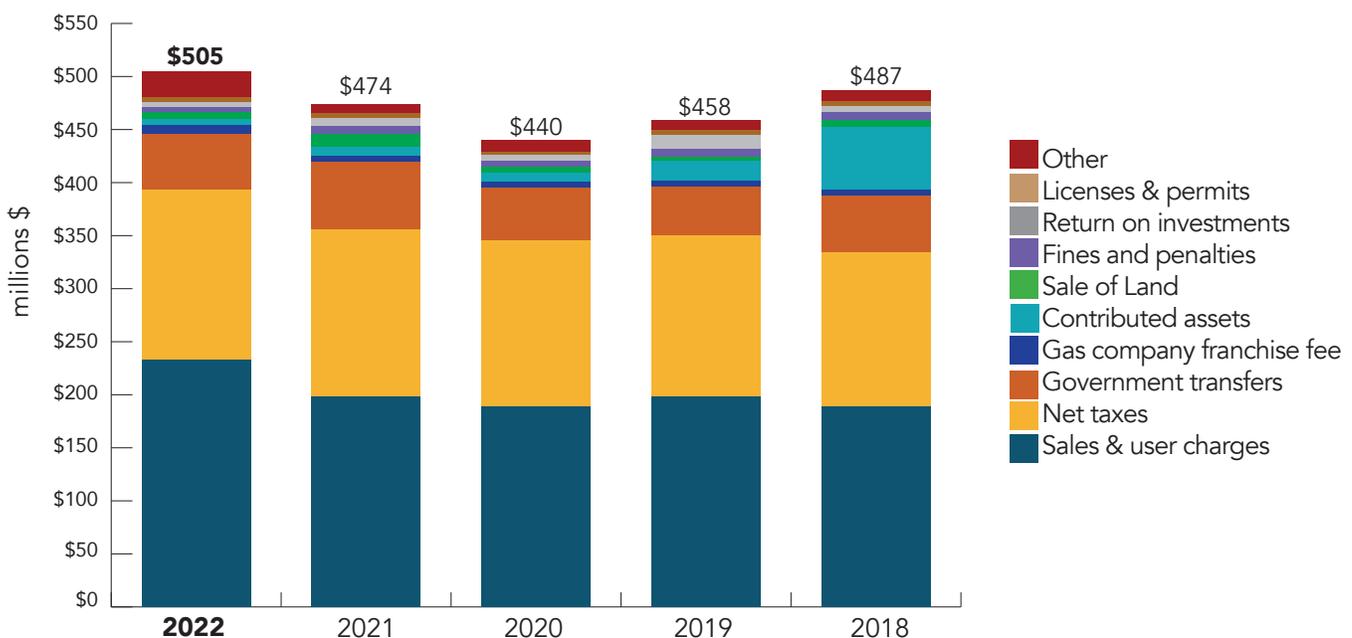


STATISTICAL INFORMATION

Five Year Summary of Consolidated Revenue For the Years Ended December 31, 2018 to 2022 (in thousands of dollars)

	2022	2021	2020	2019	2018
REVENUE					
Sales and user charges	\$ 233,446	\$ 198,307	\$ 189,420	\$ 198,218	\$ 189,423
Net taxes	160,006	158,048	155,822	151,801	145,301
Government transfers	52,863	62,822	50,466	46,262	54,107
Gas company franchise fee	7,719	6,152	5,994	5,937	5,244
Contributed assets	6,149	8,891	7,725	18,640	59,046
Sale of land	5,803	11,566	6,297	3,752	7,240
Fines and penalties	5,265	6,940	5,097	8,021	6,733
Return on investments	5,097	8,432	6,325	12,693	5,866
Licenses and permits	3,912	4,074	3,073	3,678	4,743
Other	25,030	9,210	10,519	9,927	9,754
TOTAL REVENUE	\$ 505,290	\$ 474,442	\$ 440,738	\$ 458,929	\$ 487,457

2018-2022 Gross Revenue

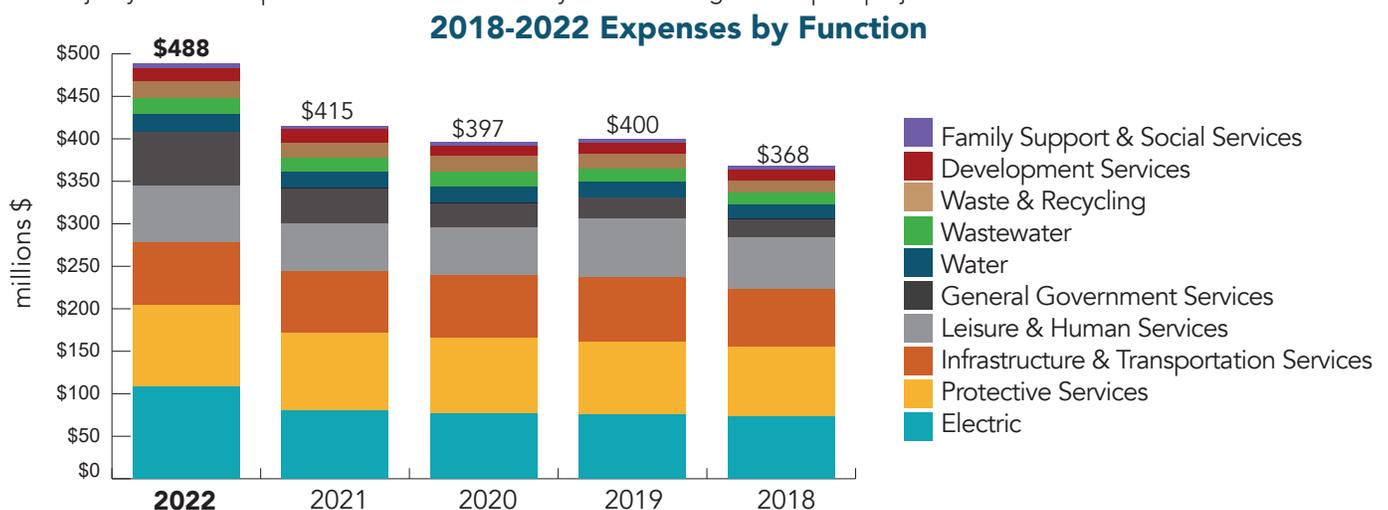


STATISTICAL INFORMATION

Five Year Summary of Consolidated Expenses For the Years Ended December 31, 2018 to 2022 (in thousands of dollars)

	2022	2021	2020	2019	2018
EXPENSES BY FUNCTION					
Electric	\$ 107,659	\$ 80,409	\$ 77,218	\$ 76,473	\$ 72,556
Protective Services	96,481	92,390	88,474	85,556	81,922
Infrastructure and Transportation Services	74,047	71,764	74,116	75,698	68,095
Leisure and Human Services	67,232	56,830	56,831	68,769	61,093
General Government Services	62,860	41,302	29,175	25,267	22,054
Water	20,781	19,012	18,841	18,353	16,772
Wastewater	19,097	16,527	16,821	16,089	14,623
Waste and Recycling	18,544	16,615	18,810	16,663	13,849
Development Services	16,347	15,509	12,131	12,885	12,245
Family Support and Social Services	5,362	4,402	4,464	4,841	5,209
TOTAL EXPENSES BY FUNCTION	\$ 488,410	\$ 414,760	\$ 396,881	\$ 400,594	\$ 368,418
EXPENSES BY OBJECT					
Salaries, wages and benefits	\$ 186,238	\$ 179,964	\$ 179,765	\$ 178,061	\$ 170,875
Materials, supplies and utilities	115,757	81,268	75,034	80,961	75,033
Contracted and general services	74,507	65,137	67,727	69,319	62,851
Amortization of tangible capital assets	67,896	65,664	65,290	63,904	55,939
Transfers to individuals and organizations	45,498	23,534	6,986	10,609	7,103
Debenture debt interest	6,229	6,024	6,389	6,041	5,086
Financial charges	1,355	1,135	1,410	1,386	2,293
Other ⁽¹⁾	(9,070)	(7,966)	(5,720)	(9,687)	(10,762)
TOTAL EXPENSES BY OBJECT	\$ 488,410	\$ 414,760	\$ 396,881	\$ 400,594	\$ 368,418

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



STATISTICAL INFORMATION

Five Year Summary of Debenture Debt and Debt Limit

For the Years Ended December 31, 2018 to 2022 (in thousands of dollars)

	2022	2021	2020	2019	2018
GENERAL					
Tax supported					
Recreation & Culture Facilities	\$ 46,438	\$ 50,406	\$ 54,261	\$ 58,006	\$ 58,164
Self supported					
Offsites	47,670	49,764	50,388	50,191	50,253
Lethbridge & District Exhibition	17,695	-	-	-	-
Industrial park servicing	9,369	10,507	11,697	11,353	12,806
Commercial land servicing	8,693	9,438	10,163	10,869	11,555
Airport	491	525	566	605	644
Local improvements	-	-	-	-	25
	130,356	120,640	127,075	131,024	133,447
UTILITIES					
Electric	30,879	33,810	36,872	36,563	33,295
Waste & Recycling	22,223	25,000	24,462	25,272	21,163
Wastewater	17,321	19,247	21,248	20,011	7,564
Water	12,279	13,379	14,738	15,120	6,411
	82,702	91,435	97,320	96,966	68,433
TOTAL GENERAL AND UTILITIES DEBT	\$ 213,058	\$ 212,076	\$ 224,395	\$ 227,990	\$ 201,880
POPULATION					
	101,482	101,482	101,482	101,482	99,769
DEBENTURE DEBT PER CAPITA					
General - mill rate supported	\$ 458	\$ 497	\$ 535	\$ 572	\$ 583
General - self supported	827	692	718	720	755
Utilities	815	901	959	955	686
	\$ 2,100	\$ 2,090	\$ 2,212	\$ 2,247	\$ 2,024
DEBT LIMIT (as per Municipal Government Act)					
Total debt limit	\$ 665,665	\$ 626,994	\$ 609,788	\$ 612,482	\$ 578,773
Total debt (above)	(213,058)	(212,076)	(224,395)	(227,990)	(201,880)
Capital lease obligations	(626)	-	-	-	-
DEBT LIMIT UNUSED	\$ 451,981	\$ 414,918	\$ 385,393	\$ 384,492	\$ 376,893
Percentage of debt limit used	32.1%	33.8%	36.8%	37.2%	34.9%
Service on debt limit	\$ 110,944	\$ 104,499	\$ 101,631	\$ 102,080	\$ 96,462
Service on debt (principal and interest payment)	(26,058)	(24,949)	(25,560)	(26,586)	(23,384)
Service on capital lease payments	(150)	-	-	-	-
SERVICE ON DEBT LIMIT UNUSED	\$ 84,736	\$ 79,550	\$ 76,071	\$ 75,494	\$ 73,078
Percentage of service on debt limit used	23.6%	23.9%	25.1%	26.0%	24.2%
Percentage of expenditures	5.3%	6.0%	6.4%	6.6%	6.3%

STATISTICAL INFORMATION

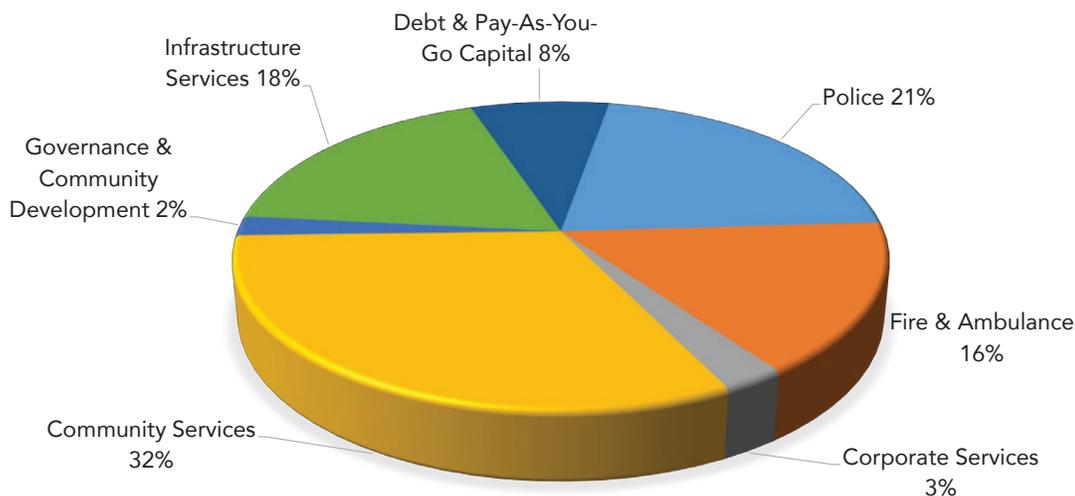
Five Year Summary of Property Tax Levy

For the Years Ended December 31, 2018 to 2022 (in thousands of dollars)

	2022	2021	2020	2019	2018
REAL PROPERTY					
Municipal	\$ 159,610	\$ 157,423	\$ 155,300	\$ 150,931	\$ 144,296
Education	40,277	38,949	37,116	37,601	35,645
Other	1,272	1,396	2,676	996	1,418
TOTAL REAL PROPERTY	201,159	197,768	195,092	189,528	181,359
Business Taxes (BRZ)	189	215	-	172	167
TOTAL CURRENT YEAR LEVY	\$ 201,348	\$ 197,983	\$ 195,092	\$ 189,700	\$ 181,526
Current Taxes Collected	\$ 198,771	\$ 195,720	\$ 192,201	\$ 187,192	\$ 179,186
% of Current Taxes Collected	98.7%	98.9%	98.5%	98.7%	98.7%

The ten largest corporate taxpayers account for \$11,823 (5.9%) of the 2022 total property tax levy.

2022 Allocation of Municipal Property Tax Dollars



Five Year Summary of Taxable Assessment

For the Years Ended December 31, 2018 to 2022 (in thousands of dollars)

	2022	2021	2020	2019	2018
Residential	\$ 11,115,168	\$ 10,326,618	\$ 10,221,920	\$ 10,203,124	\$ 9,970,488
Apartments	582,177	537,193	523,578	474,762	452,532
Commercial and Industrial	2,996,664	2,860,856	2,924,047	2,774,900	2,742,410
TOTAL TAXABLE ASSESSMENT	\$ 14,694,009	\$ 13,724,667	\$ 13,669,545	\$ 13,452,786	\$ 13,165,430

STATISTICAL INFORMATION

Five Year Summary of Acquisition of Tangible Capital Assets

For the Years Ended December 31, 2018 to 2022
(in thousands of dollars)

	2022	2021	2020	2019	2018
CAPITAL SPENDING					
Land	\$ 137	\$ 1,162	\$ 1,094	\$ 533	\$ 5,012
Land improvements	9,271	6,516	4,874	6,924	17,271
Buildings	4,799	48,762	(18)	130,979	24,052
Infrastructure	57,365	30,763	34,072	64,994	58,383
Equipment and furnishings	9,667	26,597	6,753	25,964	16,296
Vehicles	6,135	8,563	9,395	10,070	9,437
Change in assets under construction	(18,229)	(38,750)	23,380	(99,773)	25,152
TOTAL CAPITAL SPENDING	\$ 69,145	\$ 83,613	\$ 79,550	\$ 139,691	\$ 155,603

Five Year Summary of Net Financial Assets (Debt)

For the Years Ended December 31, 2018 to 2022
(in thousands of dollars)

	2022	2021	2020	2019	2018
FINANCIAL ASSETS					
Excess of revenue over expenses	\$ 16,880	\$ 59,682	\$ 43,857	\$ 58,335	\$ 119,039
Change related to tangible capital assets	(2,531)	(23,609)	(18,954)	(93,076)	(155,440)
Change related to other non-financial assets	(502)	(13,386)	(1,138)	(2,080)	(6,305)
Increase (Decrease) in Net Financial Assets	13,847	22,687	23,765	(36,821)	(42,706)
Net Financial Assets, Beginning of Year	13,211	(9,476)	(33,241)	3,580	46,286
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ 27,058	\$ 13,211	\$ (9,476)	\$ (33,241)	\$ 3,580

Five Year Summary of Municipal Equity

For the Years Ended December 31, 2018 to 2022
(in thousands of dollars)

	2022	2021	2020	2019	2018
Revenue	\$ 505,290	\$ 474,442	\$ 440,738	\$ 458,929	\$ 487,457
Expenses	488,410	414,760	396,881	400,594	368,418
Excess of Revenue Over Expenses	16,880	59,682	43,857	58,335	119,039
Municipal Equity, Beginning of Year	1,926,976	1,867,294	1,823,437	1,765,102	1,646,063
MUNICIPAL EQUITY, END OF YEAR	\$ 1,943,856	\$ 1,926,976	\$ 1,867,294	\$ 1,823,437	\$ 1,765,102

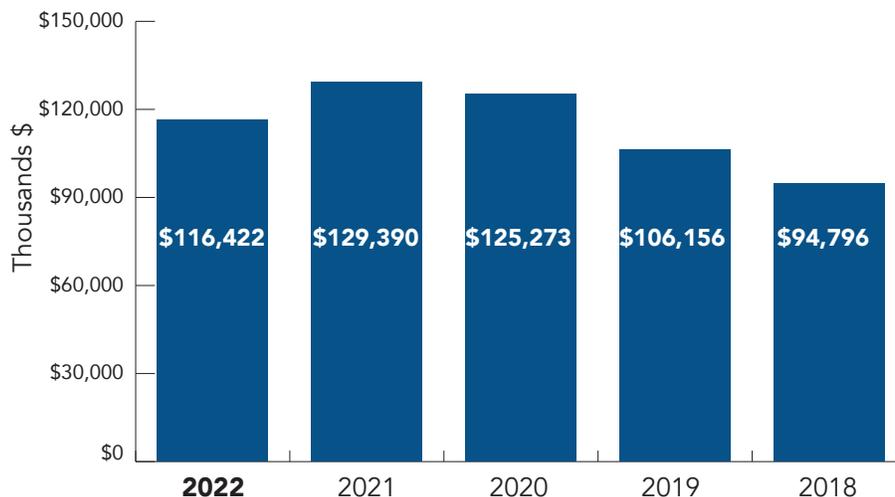
STATISTICAL INFORMATION

Five Year Summary of Reserves

For the Years Ended December 31, 2018 to 2022
(in thousands of dollars)

	2022	2021	2020	2019	2018
RESERVES					
Municipal Revenue Stabilization	\$ 32,049	\$ 34,193	\$ 34,861	\$ 33,331	\$ 28,746
Fleet Services	23,402	22,426	19,799	22,754	22,184
Electric	16,791	11,930	10,066	4,323	4,595
Major Capital Projects	11,204	16,943	12,165	7,129	3,673
Real Estate Holdings	6,244	6,223	6,181	5,641	5,469
Budget Appropriations	5,340	15,954	20,921	15,680	12,450
Airport	5,229	3,944	3,867	472	-
Insurance	4,319	4,488	4,658	4,966	4,833
Urban Parks	3,485	3,647	3,242	2,567	2,102
Community Lighting	3,005	3,605	4,226	4,722	5,253
Cemeteries	2,097	2,028	1,627	1,397	1,347
Transit Bus	1,043	1,043	1,043	1,043	1,033
Acquire Off Street Parking	1,031	1,791	1,502	1,027	2,018
Central Business District Land Acquisition	687	687	686	685	684
Municipal Reserve Fund	378	371	314	306	298
Mayor Magrath Drive Beautification	118	117	115	113	111
TOTAL RESERVES	\$ 116,422	\$ 129,390	\$ 125,273	\$ 106,156	\$ 94,796

SUMMARY OF RESERVES (thousands \$)



STATISTICAL INFORMATION

Five Year Summary of Government Transfers

For the Years Ended December 31, 2018 to 2022

(in thousands of dollars)

	2022			2021	2020	2019	2018
	Provincial	Federal	Total				
UNCONDITIONAL TRANSFERS							
Grants in lieu of taxes	\$ 1,163	\$ 76	\$ 1,239	\$ 1,273	\$ 699	\$ 1,209	\$ 1,420
CONDITIONAL TRANSFERS							
Canada Community Building Fund (CCBF)	-	13,370	13,370	8,307	5,922	4,314	3,245
Municipal Sustainability Initiative (MSI) ⁽¹⁾	13,161	-	13,161	22,268	18,040	15,599	22,487
Social Housing in Action (SHIA)	5,050	1,173	6,223	6,745	4,738	5,870	4,425
Airport Capital Assistance Program (ACAP)	-	4,358	4,358	650	152	-	-
Municipal Stimulus Program (MSP)	3,383	-	3,383	8,482	-	-	-
Investing in Canada Infrastructure Program (ICIP)	2,616	-	2,616	3,912	-	-	-
Family and Community Support Services (FCSS)	2,415	-	2,415	2,361	2,446	2,462	3,017
Municipal Policing Assistance Grant (MPAG)	1,624	-	1,624	1,624	1,624	1,596	1,571
Municipal Operating Support Transfer (MOST)	1,235	-	1,235	-	11,263	-	-
9-1-1 Program	1,231	-	1,231	690	685	684	649
Regional Air Transportation Initiative (RATI)	-	566	566	-	-	-	-
Lethbridge Public Library	537	-	537	537	537	537	537
Police Officers Grant	375	-	375	300	300	300	300
Victim/Witness Services Unit	300	-	300	269	300	225	150
Natural Resources Grant	-	299	299	-	-	-	-
Adult Literacy Program	245	-	245	244	247	265	268
Canada Heritage Program	-	170	170	81	53	4	15
Canadian Cultural Spaces Fund	-	147	147	50	-	-	350
Fetal Alcohol Spectrum Disorder (FASD)	138	-	138	138	135	125	93
Alberta Health & Wellness	103	-	103	107	-	-	-
Summer Temporary Employment Program (STEP)	91	11	102	19	-	-	39
Active Transportation Fund	-	50	50	-	-	-	-
Canada Day/Canada 150 Celebrations	-	50	50	15	9	8	36
Measuring Municipal Inclusion Grant (MMIG)	33	-	33	-	-	-	-
Canada Community Revitalization Fund (CCRF)	-	31	31	-	-	-	-
Green Municipal Fund	-	24	24	-	-	-	-
Alberta Climate Education Grant	21	-	21	-	-	-	-
Heritage Preservation Partnership Program	21	-	21	15	-	-	-
Second Health Grant	12	-	12	-	-	-	-
Fire Services Training Program Grant	9	-	9	-	-	-	-
Forest Resource Improvement Association Grant	7	-	7	-	-	-	-
Alberta Community Resilience Program	-	-	-	4,317	643	60	51
Affordable Housing	-	-	-	1,320	387	55	-
Senate Elections Referendum Grant	-	-	-	214	-	-	-
Alberta Critical Worker Benefit	-	-	-	50	-	-	-
Municipal Asset Management Program (FCM)	-	-	-	50	-	-	-
Municipalities for Climate Innovation Program (MCIP)	-	-	-	36	(57)	103	89
COVID-19 Pandemic Emergency Response	-	-	-	21	243	-	-
Green TRIP (Green Transit Initiatives Program)	-	-	-	-	2,497	9,038	7,726
Disaster Recovery	-	-	-	-	235	-	-
Municipal Climate Change Action Centre (MCCAC)	-	-	-	-	56	-	-
Community Regional Economic Support (CARES)	-	-	-	-	48	-	-
ALERT Program	-	-	-	-	7	28	28

Continued onto next page

Five Year Summary of Government Transfers

For the Years Ended December 31, 2018 to 2022

(in thousands of dollars)

	2022			2021	2020	2019	2018
	Provincial	Federal	Total				
CONDITIONAL TRANSFERS (continued)							
Alberta Community Partnership (ACP)	-	-	-	-	(49)	-	68
Clean Water & Wastewater Fund (CWFF)	-	-	-	-	-	4,118	5,478
Public Transit Infrastructure Fund	-	-	-	-	-	540	1,285
Municipal Cannabis Transition Program (MCTP)	-	-	-	-	-	321	-
Rural Development Division	-	-	-	-	-	-	1,800
Western Economic Diversification Canada (WEDC)	-	-	-	-	-	-	236
Alberta Seniors Housing	-	-	-	-	-	-	100
Refugee Language and Support Program	-	-	-	-	-	-	24
OHS Innovation & Engagement Grant	-	-	-	-	-	-	20
Community Partnership Enhancement Fund (CPEF)	-	-	-	-	-	-	17
Other	-	7	7	-	5	10	3
	32,607	20,256	52,863	62,822	50,466	46,262	54,107
TOTAL GOVERNMENT TRANSFERS ⁽²⁾	\$ 33,770	\$ 20,332	\$ 54,102	\$ 64,095	\$ 51,165	\$ 47,471	\$ 55,527

(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.



Long-tailed weasel in the Lethbridge Nature Reserve (John Krampfl)



Henderson Lake



CITY OF

Lethbridge

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



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