

**City of Leduc
Financial Statements**

December 31, 2011



ADMINISTRATION'S RESPONSIBILITY FOR FINANCIAL REPORTING

Administration is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, administration designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The elected Mayor and Aldermen of the City are composed entirely of individuals who are neither administration nor employees of the City of Leduc. The Finance Committee has the responsibility of meeting with administration and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Mayor and Aldermen are also responsible for recommending the appointment of the City of Leduc's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the City of Leduc to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Mayor and Aldermen and the Finance Committee and administration to discuss their audit findings.

April 10, 2012

A handwritten signature in blue ink, appearing to read "L. P. ...", is written over a horizontal line.

City Manager

Independent Auditor's Report

To the Mayor and Aldermen of the City of Leduc:

We have audited the accompanying consolidated financial statements of the City of Leduc which comprise the consolidated statement of financial position at December 31, 2011, the consolidated statements of operations, changes in net debt, cash flows, and schedules I through V for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Administration's Responsibility for Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by administration, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Leduc as at December 31, 2011, and the results of its operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

April 10, 2012
Leduc, Alberta



Chartered Accountants

City of Leduc
Consolidated Statement of Financial Position
As at December 31, 2011

	2011	2010 <i>Restated</i>
Financial assets		
Cash and equivalents (Note 2)	27,516,773	35,407,080
Investments (Note 3)	14,022,097	7,748,628
Property taxes receivable (Note 4)	1,919,810	1,768,108
Trade and other accounts receivable (Note 5)	11,376,001	10,671,025
	54,834,681	55,594,841
Liabilities		
Accounts payable and accrued liabilities	7,595,727	7,651,621
Deposits and deferred revenue (Note 7)	14,805,680	13,439,390
Long-term debt (Note 8)	51,339,979	53,636,605
	73,741,386	74,727,616
Net debt	(18,906,705)	(19,132,775)
Non-financial assets		
Tangible capital assets (Note 10)	540,318,257	519,985,894
Inventory for consumption	321,800	264,890
Prepaid expenses	105,698	116,006
Other non-financial assets	320,253	320,253
	541,066,008	520,687,043
Accumulated surplus (Note 11)	522,159,303	501,554,268
Contingencies (Note 17)		
Commitments (Note 18)		

Approved on behalf of Council:


 _____ Mayor


 _____ Alderman

The accompanying notes are an integral part of these financial statements

City of Leduc
Consolidated Statement of Operations
For the year ended December 31, 2011

	Budget 2011 (Note 19)	2011	2010 Restated
Revenue			
Net municipal property taxes (Schedule II)	27,359,792	27,374,468	25,387,751
Utility services	12,476,290	12,784,926	11,559,464
Sales, user charges and costs recovered	7,954,429	8,327,772	7,141,636
Government transfers (Schedule III)	6,305,050	6,535,367	6,027,439
Contributions and levies	1,644,279	3,805,671	2,170,244
Property revenue	1,942,649	1,953,799	1,805,056
Enforcement services	1,514,500	1,298,274	1,689,701
Interest and penalties	851,600	1,102,303	935,914
Gain on disposal of assets	-	21,452	-
	60,048,589	63,204,032	56,717,205
Expenses			
Utility and public services	12,228,578	17,504,170	12,403,249
Administration	11,954,518	11,323,244	11,289,015
Engineering	3,023,851	9,135,094	11,932,285
Facility services	7,060,041	8,833,955	8,558,507
Family and community support services	6,842,145	6,355,423	5,740,026
Protective services	5,333,379	5,744,358	4,955,383
Recreation and community development	4,565,781	4,905,591	4,420,689
Planning services	1,892,596	1,837,898	1,998,067
Library	1,024,412	940,183	924,452
	53,925,301	66,579,916	62,221,673
Excess (deficiency) of revenue before other	6,123,288	(3,375,884)	(5,504,468)
Other			
Contributed assets	-	16,839,230	20,484,361
Government transfers for capital (Schedule III)	12,708,785	6,198,458	6,384,551
Capital contributions	-	943,231	653,697
Transfer of The Willows Affordable Housing	-	-	(2,524,387)
	12,708,785	23,980,919	24,998,222
Excess of revenue over expenses	18,832,073	20,605,035	19,493,754
Accumulated surplus, beginning, as previously stated	501,554,268	453,970,494	434,476,740
Prior period adjustment (Note 20)	-	47,583,774	47,583,774
Accumulated surplus, beginning, as restated	501,554,268	501,554,268	482,060,514
Accumulated surplus, end of year	520,386,341	522,159,303	501,554,268

The accompanying notes are an integral part of these financial statements

City of Leduc
Consolidated Statement of Changes in Net Debt
For the year ended December 31, 2011

	<i>Budget 2011 (Note 19)</i>	2011	2010
Excess of revenue over expenses	18,832,073	20,605,035	19,493,754
Acquisition of tangible capital assets	(46,096,166)	(17,794,307)	(18,455,604)
Contributed tangible capital assets	-	(16,839,230)	(20,484,361)
Proceeds on disposal of tangible capital assets	-	41,041	957,100
Amortization of tangible capital assets	-	14,281,585	14,281,004
Loss (gain) on sale of tangible capital assets	-	(21,452)	15,962
Transfer of The Willows Affordable Housing	-	-	2,524,387
Acquisition of inventory for consumption	-	(56,910)	(40,125)
Use of prepaid expenses	-	10,308	517,515
Decrease (increase) in net debt	(27,264,093)	226,070	(1,190,368)
Net debt, beginning of year	(19,132,775)	(19,132,775)	(17,942,407)
Net debt, end of year	(46,396,868)	(18,906,705)	(19,132,775)

The accompanying notes are an integral part of these financial statements

City of Leduc
Consolidated Statement of Cash Flows
For the year ended December 31, 2011

	2011	2010
Cash provided by (used for) the following activities:		
Operating		
Excess of revenue over expenses	20,605,035	19,493,754
Non-cash items:		
Amortization of tangible capital assets	14,281,585	14,281,004
Loss (gain) on disposal of tangible capital assets	(21,452)	15,962
Transfer of Willows Affordable Housing	-	2,524,387
Tangible capital assets received as contributions	(16,839,230)	(20,484,361)
Net change in non-cash operating working capital balances:		
Increase in trade and other accounts receivable	(704,976)	(1,140,943)
Increase in property taxes receivable	(151,702)	(274,848)
Decrease in prepaid expenses	10,308	517,515
Increase in inventory for consumption	(56,910)	(40,125)
Decrease in accounts payable and accrued liabilities	(1,240,238)	(272,367)
Increase in deposits and deferred revenue	1,366,290	1,324,857
	17,248,710	15,944,835
Capital		
Proceeds on sale of tangible capital assets	41,041	957,100
Acquisition of tangible capital assets (<i>Note 10</i>)	(16,609,963)	(16,095,553)
	(16,568,922)	(15,138,453)
Investing		
Increase in investments	(6,273,469)	(226,621)
Financing		
Proceeds from debentures	-	12,000,000
Repayment of long-term debt	(2,296,626)	(2,097,375)
	(2,296,626)	9,902,625
Increase (decrease) in cash and equivalents	(7,890,307)	10,482,386
Cash and equivalents, beginning of year	35,407,080	24,924,694
Cash and equivalents, end of year	27,516,773	35,407,080

The accompanying notes are an integral part of these financial statements

City of Leduc
Schedule I - Schedule of Changes in Accumulated Surplus
For the year ended December 31, 2011

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2011	2010 Restated
Balance, beginning of year, as previously stated	6,721,627	28,483,352	418,765,515	453,970,494	434,476,740
Prior period adjustment (Note 20)	-	-	47,583,774	47,583,774	47,583,774
Balance, beginning of year, as restated	6,721,627	28,483,352	466,349,289	501,554,268	482,060,514
Excess of revenue over expenses	20,605,035	-	-	20,605,035	19,493,754
Unrestricted funds designated for future use	(13,395,396)	13,395,396	-	-	-
Restricted funds for operations	2,003,587	(2,003,587)	-	-	-
Restricted funds used for tangible capital assets	-	(9,210,420)	9,210,420	-	-
Current year funds used for tangible capital assets	(8,583,887)	-	8,583,887	-	-
Contributed tangible capital assets	(16,839,230)	-	16,839,230	-	-
Disposal of tangible capital assets	19,589	-	(19,589)	-	-
Annual amortization expense	14,281,585	-	(14,281,585)	-	-
Long-term debt repaid	(2,296,626)	-	2,296,626	-	-
Change in accumulated surplus	(4,205,343)	2,181,389	22,628,989	20,605,035	19,493,754
Balance, end of year	2,516,284	30,664,741	488,978,278	522,159,303	501,554,268

The accompanying notes are an integral part of these financial statements

City of Leduc
Schedule II - Schedule of Property Taxes Levied
For the year ended December 31, 2011

	<i>Budget 2011</i>	2011	<i>2010</i>
Taxation			
Property taxes	36,622,272	36,634,979	33,735,098
Local improvement taxes	107,522	109,491	109,491
	36,729,794	36,744,470	33,844,589
Requisitions			
Education	9,279,897	9,279,897	8,372,619
Seniors Foundation	90,105	90,105	84,219
	9,370,002	9,370,002	8,456,838
Net municipal property taxes	27,359,792	27,374,468	25,387,751

The accompanying notes are an integral part of these financial statements

City of Leduc
Schedule III - Schedule of Government Transfers
For the year ended December 31, 2011

	<i>Budget 2011</i>	2011	<i>2010</i>
Operating			
Provincial Transfers			
Shared-cost agreements and grants	2,796,282	2,847,639	2,742,561
Entitlements	1,125,768	1,164,704	1,106,702
	3,922,050	4,012,343	3,849,263
Local Transfers			
Shared-cost agreements and grants	2,383,000	2,523,024	2,178,176
Total Operating Government Transfers	6,305,050	6,535,367	6,027,439
Capital			
Federal Transfers			
Shared-cost agreements and grants	550,000	79,814	674,049
Provincial Transfers			
Shared-cost agreements and grants	11,908,785	6,118,644	5,710,502
Local Transfers			
Shared-cost agreements and grants	250,000	-	-
Total Capital Government Transfers	12,708,785	6,198,458	6,384,551
Total Government Transfers	19,013,835	12,733,825	12,411,990

The accompanying notes are an integral part of these financial statements

City of Leduc
Schedule IV - Consolidated Schedule of Expenses by Object
For the year ended December 31, 2011

	<i>Budget 2011 (Note 19)</i>	2011	2010
Consolidated expenses by object			
Salaries and wages	20,721,441	20,866,388	18,483,882
Amortization	-	14,281,585	14,281,004
Contract services	11,512,664	10,993,027	8,990,630
Cost of utilities sold	4,389,000	4,456,568	3,860,637
Employee benefits	3,998,928	3,703,918	3,611,198
Materials and supplies	3,267,140	2,788,902	2,936,677
Utilities	2,616,143	2,576,681	2,367,342
Interest on long-term debt	2,417,961	2,422,360	2,429,423
Grants to organizations	2,164,966	2,130,132	2,782,215
Repairs and maintenance	1,008,627	843,084	911,671
Training and development	861,544	645,727	638,749
General services	475,250	396,284	423,800
Bank charges and interest	160,600	192,630	216,045
Telephone and communications	203,170	182,470	174,785
Other	127,867	100,160	97,653
Loss on disposal of assets	-	-	15,962
	53,925,301	66,579,916	62,221,673

The accompanying notes are an integral part of these financial statements

City of Leduc
Schedule V - Schedule of Segmented Disclosure
For the year ended December 31, 2011.

	Utility and public services	Administration	Engineering	Facility services support services	Family and community services	Protective services	Recreation and community development	Planning services	Library	Total
Revenue										
Net municipal property taxes	65,998	27,264,976	43,494	-	-	-	-	-	-	27,374,468
Contributed assets	-	-	16,839,230	-	-	-	-	-	-	16,839,230
Utility services	7,767,350	3,328,384	1,689,192	-	-	-	-	-	-	12,784,926
Government transfers	16,527	3,940,459	4,473,481	50,134	1,075,295	2,358,486	632,946	43,000	143,497	12,733,825
Sales, user charges and costs recovered	968,787	355,300	108,011	2,898	1,331,641	685,332	2,519,027	1,341,169	1,015,607	8,327,772
Contributions and levies	-	-	-	-	-	-	378,900	3,426,771	-	3,805,671
Property revenue	-	-	-	398,877	-	-	1,548,326	6,596	-	1,953,799
Enforcement services	-	-	-	-	1,298,274	-	-	-	-	1,298,274
Interest and penalties	94,751	1,007,552	-	-	-	-	-	-	-	1,102,303
Capital contributions	-	128,231	-	-	-	-	155,000	660,000	-	943,231
Gain on disposal of assets	9,352	-	-	-	-	12,100	-	-	-	21,452
	8,922,765	36,024,902	23,153,408	451,909	3,705,210	3,055,918	5,234,199	5,477,536	1,159,104	87,184,951
Expenses										
Salaries and wages	2,847,783	5,060,281	551,204	1,724,832	2,151,669	4,040,414	2,828,454	1,143,306	518,445	20,866,388
Contracted services	2,286,743	1,714,220	2,070,581	222,374	3,582,315	277,214	390,493	412,026	37,061	10,993,027
Cost of utilities sold	4,327,731	-	128,837	-	-	-	-	-	-	4,456,568
Employee benefits	462,887	1,123,292	110,187	324,741	393,216	555,808	434,411	211,403	87,973	3,703,918
Materials and supplies	1,108,772	351,694	7,629	208,151	75,496	321,654	529,974	24,145	161,387	2,788,902
Utilities	1,138,317	-	-	1,438,364	-	-	-	-	-	2,576,681
Interest on long-term debt	9,874	(42,661)	73,798	2,338,591	-	-	42,758	-	-	2,422,360
Grants to organizations	-	1,950,132	-	-	80,000	-	100,000	-	-	2,130,132
Repairs and maintenance	344,247	59,247	-	388,173	3,088	27,351	20,978	36,400	17,987	843,084
Training and development	55,625	262,805	25,491	10,004	54,405	145,443	37,567	492	2,009	645,727
General services	-	328,844	-	-	-	-	64,939	492	-	396,284
Bank charges and interest	12,489	101,959	1,180	-	3,445	68,631	4,796	130	-	192,630
Telephone and communications	11,966	158,949	-	-	-	7,170	35	-	4,350	182,470
Other	-	-	-	-	-	-	-	-	100,160	100,160
	12,606,434	11,068,762	2,968,907	6,655,230	6,343,634	5,443,685	4,454,405	1,827,902	929,372	52,298,331
Net revenue, before amortization	(3,683,669)	24,956,140	20,184,501	(6,203,321)	(2,638,424)	(2,387,767)	779,794	3,649,634	229,732	34,886,620
Amortization expense	4,897,736	254,482	6,166,187	2,178,725	11,789	300,673	451,186	9,996	10,811	14,281,585
Net revenue	(8,581,405)	24,701,658	14,018,314	(8,382,046)	(2,650,213)	(2,688,440)	328,608	3,639,638	218,921	20,605,035

The accompanying notes are an integral part of these financial statements

1. Significant accounting policies

The consolidated financial statements of the City of Leduc (the "City") are the representations of administration prepared in accordance with accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City of Leduc are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue, expenses, and changes in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to Council for the administration of their financial affairs and resources, including the Leduc Public Library.

The schedule of property taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity. Interdepartmental and organizational transactions and balances are eliminated.

The statements exclude trust assets that are administered for the benefit of external parties.

Basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires administration to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could vary from those estimates.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets. Accrued sick time for employees is based on historical utilization applied to the total sick bank.

1. Significant accounting policies (continued)

Non-financial assets

i. Tangible capital assets

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

Land improvements	10-45 years
Buildings	5-50 years
Engineered structures:	
Water system	45-75 years
Wastewater system	45-75 years
Other engineered structures	10-75 years
Machinery and equipment	4-20 years
Vehicles	10-17 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also recorded as revenue.

iii. Leases

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

iv. Inventory for consumption

Inventories held for consumption are recorded at the lower of cost and replacement cost.

v. Cultural and historical tangible capital assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

1. Significant accounting policies *(continued)*

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 actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

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

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated changes in net debt for the year.

2. Cash and equivalents

	2011	2010
Cash	27,516,773	29,432,010
Temporary investments	-	5,975,070
	27,516,773	35,407,080

Temporary investments are short-term deposits with original maturities of three months or less.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2011

3. Investments

	<i>2011</i>	<i>2010</i>
Fixed income securities	13,963,081	7,588,546
Cash	35,521	114,396
Long-term receivable - Leduc Regional Chamber of Commerce	23,495	45,686
	14,022,097	7,748,628

The fixed income securities have a yield from 2.05% to 4.75% and mature in periods 2012 through 2016. The securities are recorded at the lower of cost and market value. The market value of the investments at December 31, 2011 was \$14,134,682 (2010 - \$7,725,428). The long-term receivable has a fixed repayment term and bears interest at a rate of 5.875%.

4. Property taxes receivable

	<i>2011</i>	<i>2010</i>
Current taxes	1,337,022	1,412,622
Non-current taxes	582,788	355,486
	1,919,810	1,768,108

5. Loans receivable

Included in trade and other accounts receivable is a loan receivable from The Leduc Foundation for the transfer of The Willows Affordable Housing property. Balance remaining at December 31, 2011 is \$928,627 (2010 - \$953,387), bearing interest at 5.00%, receivable in annual installments of \$72,429, due August 2032.

6. Employee benefit obligations

Employee benefit obligations are comprised of vacation, overtime and sick time that can be carried forward to future years. Employees have earned the vacation and overtime benefits and are entitled to these benefits within the next budgetary year. The sick time liability is accrued based on historical utilization of sick time. The balances included in accounts payable and accrued liabilities for 2011 total \$726,422 (2010 - \$516,813).

7. Deposits and deferred revenue

	<i>2011</i>	<i>2010</i>
Deferred government transfers	13,179,169	11,916,540
Deferred revenue	824,455	872,220
Deposits	802,056	648,662
Prepaid local improvement charges	-	1,968
	14,805,680	13,439,390

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2011

8. Long-term debt

	<i>2011</i>	<i>2010</i>
Tax-supported debentures	51,293,192	53,542,321
Self-supported debentures	46,787	94,284
	51,339,979	53,636,605

Principal and interest repayment requirements on long-term debt are as follows:

	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2012	2,322,795	2,349,769	4,672,564
2013	2,395,090	2,238,336	4,633,426
2014	2,509,610	2,123,816	4,633,426
2015	2,096,833	2,009,691	4,106,524
2016	2,198,366	1,908,158	4,106,524
To maturity	39,817,285	16,087,644	55,904,929
	51,339,979	26,717,414	78,057,393

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 4.23% to 9.50% per annum, before Provincial subsidy, and matures in periods 2012 through 2033. The average annual interest rate is 6.11% (2010 - 6.15%). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12%, depending on the date borrowed. Debenture debt is issued on the credit and security of the City of Leduc at large.

The City of Leduc's total cash payments for interest in 2011 were \$2,465,021 (2010 - \$2,320,154).

9. Debt limits

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

	<i>2011</i>	<i>2010</i>
Total debt limit	96,185,652	85,987,824
Total debt	51,339,979	53,636,605
Amount of debt limit unused	44,845,673	32,351,219
Service on debt limit	16,030,942	14,331,304
Service on debt	4,672,564	4,761,646
Amount of debt servicing limit unused	11,358,378	9,569,658

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in the Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2011

10. Tangible capital assets

Cost	<i>Opening Restated</i>	<i>Additions</i>	<i>Disposals</i>	Closing
Land	64,636,966	639,000	-	65,275,966
Land improvements	9,719,927	1,465,164	-	11,185,091
Buildings	82,331,272	13,379,527	-	95,710,799
Machinery and equipment	10,854,403	826,056	58,497	11,621,962
Vehicles	4,982,423	216,996	66,744	5,132,675
Engineered structures	523,913,661	23,558,197	-	547,471,858
	696,438,652	40,084,940	125,241	736,398,351
Construction-in-progress	12,336,846	(5,451,403)	-	6,885,443
	708,775,498	34,633,537	125,241	743,283,794
Accumulated amortization	<i>Opening Restated</i>	<i>Additions</i>	<i>Disposals</i>	Closing
Land improvements	2,551,489	455,960	-	3,007,449
Buildings	16,015,819	1,945,839	-	17,961,658
Machinery and equipment	4,898,595	852,015	56,897	5,693,713
Vehicles	2,398,489	346,574	48,755	2,696,308
Engineered structures	162,925,212	10,681,197	-	173,606,409
	188,789,604	14,281,585	105,652	202,965,537
Net book value	519,985,894	20,351,952	19,589	540,318,257

During the year, tangible capital assets were acquired at an aggregate cost of \$34,633,537 (2010 - \$38,939,965), of which \$16,839,230 (2010 - \$20,484,361) was acquired as contributed assets, \$1,184,344 (2010 - \$2,360,051) remains in accounts payable and the remaining \$16,609,963 (2010 - \$16,095,553) was acquired by cash.

11. Accumulated surplus

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2011	<i>2010 Restated</i>
Unrestricted surplus	2,516,284	6,721,627
Restricted surplus:		
Operating (Note 12)	8,629,996	8,481,042
Capital (Note 12)	22,034,745	20,002,310
Equity in tangible capital assets (Note 13)	488,978,278	466,349,289
	522,159,303	501,554,268

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2011

12. Restricted surplus

Surplus restricted for operating and capital activities changed as follows:

	<i>2010</i>	<i>Increases</i>	<i>Decreases</i>	<i>2011</i>
Restricted Operating Surplus				
General government	7,540,275	1,817,545	(1,882,665)	7,475,155
Operations	940,767	334,996	(120,922)	1,154,841
	<u>8,481,042</u>	<u>2,152,541</u>	<u>(2,003,587)</u>	<u>8,629,996</u>
Restricted Capital Surplus				
Downtown Progress Association	82,905	21,769	-	104,674
General government	2,414,534	972,020	(336,198)	3,050,356
Operations	8,573,967	6,476,072	(2,842,780)	12,207,259
Community services	8,599,838	3,532,233	(6,004,986)	6,127,085
Library	331,066	240,761	(26,456)	545,371
	<u>20,002,310</u>	<u>11,242,855</u>	<u>(9,210,420)</u>	<u>22,034,745</u>
	<u>28,483,352</u>	<u>13,395,396</u>	<u>(11,214,007)</u>	<u>30,664,741</u>

13. Equity in tangible capital assets

	<i>2011</i>	<i>2010 Restated</i>
Tangible capital assets (Note 10)	743,283,794	708,775,498
Accumulated amortization (Note 10)	(202,965,537)	(188,789,604)
Long-term debt (Note 8)	(51,339,979)	(53,636,605)
	<u>488,978,278</u>	<u>466,349,289</u>

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2011

14. Salary and benefits disclosure

Disclosure of salaries and benefits for municipal officials, the Chief Administrative Officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	<i>Salary</i>	<i>Benefits & allowances</i>	<i>2011</i>	<i>2010</i>
Mayor/Council				
G. Krischke	68,926	4,472	73,398	56,473
G. Finstad	32,724	4,490	37,214	5,373
T. Lazowski	32,724	4,180	36,904	36,910
D. MacKenzie	32,724	4,180	36,904	36,910
D. Mishio	32,724	2,353	35,077	34,678
D. Smith	32,724	1,344	34,068	33,446
R. Young	32,724	1,344	34,068	33,446
J. Archie	-	-	-	31,350
City Manager - base salary	239,176	52,822	291,998	263,741
- vacation payout	69,071	-	69,071	-

- (a) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, and any other direct cash remuneration.
- (b) Employer's share of all employee benefits and contributions or payment made on behalf of employees including pension, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, professional memberships and tuition.

15. Local Authorities Pension Plan

Employees of the City of Leduc participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The LAPP serves approximately 206,249 people and 421 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenses in the year in which they become due.

The City of Leduc is required to make current service contributions to the LAPP of 9.49% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.13% on pensionable earnings above this amount. Employees of the City of Leduc are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.13% on pensionable salary above this amount.

The current service contributions by the City of Leduc to the LAPP in 2011 were \$1,502,393 (2010 - \$1,319,876). Total current service contributions by the employees of the City of Leduc to the LAPP for 2011 were \$1,359,986 (2010 - \$1,188,032).

At December 31, 2010, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial deficiency of \$4,635,250,000.

16. Supplementary Retirement Plans

APEX

The APEX supplementary pension plan, an Alberta Urban Municipality Association (AUMA) sponsored defined benefit pension plan covered under the provisions of the Alberta Employment Pension Plans Act, commenced in 2005 and provides supplementary pension plan benefits to a prescribed class of employees. The plan supplements the Local Authorities Pension Plan.

The City of Leduc is required to make current service contributions to APEX of 3.0% of employment income. Employees of the City of Leduc are required to make current service contributions of 2.5% of employment income.

The current service contributions by the City of Leduc to APEX in 2011 were \$60,284 (2010 - \$59,237). Total current service contributions by the employees of the City of Leduc to APEX for 2011 were \$50,237 (2010 - \$49,365).

The cost of post retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and administration's best estimate of salary and benefit escalation and retirement ages of employees. The costs of post retirement benefits are fully funded.

MuniSERP

In 2004, the City of Leduc joined the MuniSERP (formerly APEX Plus) supplemental employee retirement plan, a plan sponsored by AUMA. MuniSERP is a voluntary, non-contributory plan that provides benefits to a prescribed class of employees (5 beneficiaries). Included in accounts payable and accrued liabilities is \$106,577 (2010 - \$262,629) held by the City on behalf of the beneficiaries. The City has committed an additional \$143,884 (2010 - \$129,465) for 2012 to fully fund the current plan obligations of which \$86,052 is included in accounts payable and accrued liabilities. The actuarial valuation of the plan for service accrued to December 31, 2011 is estimated to be \$808,042 (2010 - \$722,961).

17. Contingencies

The City of Leduc is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the City of Leduc could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The City has been named as defendant in a lawsuit on behalf of certain owners of the Bellavera Green Condominium Complex, seeking to recover nominal damages. The complaint with respect to this action generally alleges the City was negligent in issuing occupancy permits. These lawsuits remain at an early stage and, as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of these lawsuits or to estimate the loss, if any, which may result. The City's insurers have been advised of these claims and are cooperating with the City in the defence of these lawsuits subject to policy deductibles, limits, and terms and conditions.

In the normal conduct of operations, there are other pending claims by and against the City. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information provided by its legal counsel, final determination of these other litigations will not materially affect the City's financial position or results of operations.

18. Commitments

The City has entered into commitments to provide the community with policing services, and has a long-term building lease. The commitments over the next five years are as follows:

2012	3,333,652
2013	3,483,781
2014	3,567,190
2015	3,625,689
2016	3,658,855

19. Budget figures

Budget figures are included for information purposes and are not audited. The City does not budget for amortization. Included in actual expenses on the consolidated statement of operations is amortization of \$14,281,585 (2010 - \$14,281,004).

20. Prior period adjustment

During the year, the City identified a discrepancy between an independent engineering valuation and the City's actual valuation of tangible capital assets acquired before 2009. As a result, the comparative figures have been restated. The effect of the prior period adjustment is an increase in 2010 tangible capital assets in the amount of \$47,583,774. The cumulative effect of this change is a increase in 2010 opening accumulated surplus in the amount of \$47,583,774 and a increase in 2010 closing accumulated surplus in the amount of \$47,583,774.

21. Segments

The City of Leduc provides a range of services to its ratepayers. For each reported segment, the revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to Schedule V - Schedule of Segmented Disclosure.

22. Comparative figures

Certain comparative figures have been reclassified to conform to current year presentation.

23. Financial instruments

As part of its operations, the City of Leduc carries a number of financial instruments. Unless otherwise noted, it is the opinion of administration that the City of Leduc is not exposed to significant interest, currency or credit risks arising from these financial instruments. The estimated fair market value of cash and equivalents, investments, property taxes receivable, trade and other accounts receivable, and accounts payable and accrued liabilities is equal to the book value, unless otherwise stated, given the short-term nature of these items. The fair value of long-term debt is not determinable, as there is no market to trade these items.