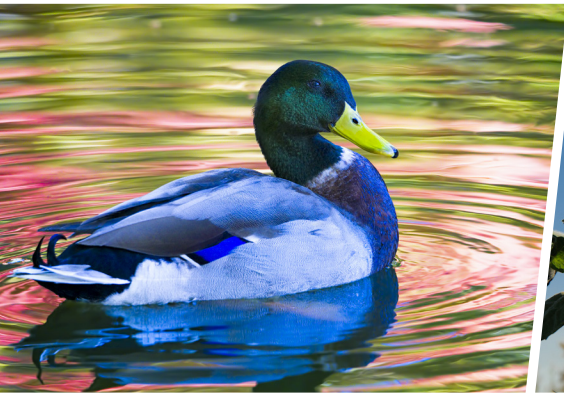


# CITY OF LEDUC

## CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015



**City of Leduc  
Consolidated Financial Statements**

**December 31, 2015**



## **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 Council of the City are composed entirely of individuals who are neither administration nor employees of the City of Leduc. The Financial Audit Review 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 Council are also responsible for recommending the appointment of the City of Leduc's external auditors.

MNP LLP is appointed by the Mayor and Council 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 Council and the Financial Audit Review Committee and administration to discuss their audit findings.

April 11, 2016

A handwritten signature in blue ink, appearing to be "D. D. D.", written over a horizontal line.

City Manager

## Independent Auditors' Report

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To the Mayor and Council 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, 2015, the consolidated statements of operations, changes in net financial assets (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.

### *Auditors' 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, 2015, and the results of its operations, changes in net financial assets (debt), and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

April 11, 2016  
Leduc, Alberta

*MNP* LLP  
Chartered Professional Accountants


**City of Leduc**  
**Consolidated Statement of Financial Position**  
*As at December 31, 2015*

	<b>2015</b>	<i>2014, Restated</i>
<b>Financial assets</b>		
Cash	<b>15,446,651</b>	19,198,735
Investments (Note 2)	<b>56,458,788</b>	55,836,798
Property taxes receivable (Note 3)	<b>1,043,434</b>	880,931
Trade and other accounts receivables (Note 4)	<b>7,996,405</b>	9,592,505
	<b>80,945,278</b>	85,508,969
<b>Liabilities</b>		
Accounts payable and accrued liabilities	<b>12,216,031</b>	12,501,470
Deposits and deferred revenue (Note 6)	<b>10,848,398</b>	11,478,886
Long-term debt (Note 7)	<b>54,977,217</b>	53,698,262
	<b>78,041,646</b>	77,678,618
<b>Net financial assets</b>	<b>2,903,632</b>	7,830,351
<b>Non-financial assets</b>		
Tangible capital assets (Note 9)	<b>682,052,106</b>	617,508,151
Inventory for consumption	<b>519,738</b>	494,362
Prepaid expenses	<b>109,351</b>	124,443
	<b>682,681,195</b>	618,126,956
<b>Accumulated surplus (Schedule 1)</b>	<b>685,584,828</b>	625,957,307

Contingencies (Note 16)

Commitments (Note 17)

Approved on behalf of Council:

  
 \_\_\_\_\_ Mayor

*The accompanying notes are an integral part of these financial statements.*

**City of Leduc**  
**Consolidated Statement of Operations**  
*For the year ended December 31, 2015*

	<i>Budget 2015 (Note 18)</i>	<b>2015</b>	2014
<b>Revenue</b>			
Net municipal property taxes ( <i>Schedule II</i> )	38,702,809	<b>38,744,638</b>	34,629,744
Utility services	18,924,900	<b>18,789,832</b>	17,524,261
Sales, user charges and costs recovered	9,454,813	<b>9,479,513</b>	10,129,642
Government transfers ( <i>Schedule III</i> )	7,693,005	<b>8,592,896</b>	7,657,400
Contributions and levies	9,395,015	<b>6,884,717</b>	8,080,097
Property revenue	2,020,114	<b>2,079,303</b>	2,219,665
Enforcement services	1,330,350	<b>1,459,150</b>	1,560,235
Interest and penalties	1,705,000	<b>1,277,370</b>	1,337,056
Gain on disposal of assets	-	<b>141,665</b>	-
	89,226,006	<b>87,449,084</b>	83,138,100
<b>Expenses</b>			
Utility and public services	19,261,345	<b>19,391,070</b>	17,090,891
Amortization	-	<b>18,396,647</b>	16,959,183
Administration	16,460,139	<b>14,623,407</b>	13,127,142
Family and community support services	7,952,010	<b>7,588,876</b>	6,928,455
Engineering	7,603,222	<b>7,463,034</b>	3,376,310
Protective services	8,015,761	<b>7,360,554</b>	6,886,876
Facility services	7,352,258	<b>7,031,453</b>	6,828,853
Recreation and community development	5,654,289	<b>5,306,043</b>	4,546,446
Planning services	3,341,229	<b>3,323,964</b>	2,381,178
Library	1,162,992	<b>1,138,259</b>	1,074,280
Loss on disposal of assets	-	-	445,726
	<b>76,803,245</b>	<b>91,623,307</b>	79,645,340
<b>Excess (deficiency) of revenue before other</b>	12,422,761	<b>(4,174,223)</b>	3,492,760
<b>Other</b>			
Contributed assets	-	<b>50,140,899</b>	41,755,699
Government transfers for capital ( <i>Schedule III</i> )	19,461,673	<b>10,912,190</b>	16,192,017
Capital contributions	-	<b>2,748,656</b>	346,823
	19,461,673	<b>63,801,745</b>	58,294,539
<b>Excess of revenue over expenses</b>	31,884,434	<b>59,627,522</b>	61,787,299
<b>Accumulated surplus, beginning of year, as previously stated</b>	621,343,893	<b>621,343,893</b>	559,556,594
Prior period adjustment ( <i>Note 22</i> )	-	<b>4,613,414</b>	4,613,414
<b>Accumulated surplus, beginning of year, as restated</b>	621,343,893	<b>625,957,307</b>	564,170,008
<b>Accumulated surplus, end of year</b>	653,228,327	<b>685,584,828</b>	625,957,307

*The accompanying notes are an integral part of these financial statements.*

**City of Leduc**  
**Consolidated Statement of Changes in Net Financial Assets (Debt)**  
*For the Year Ended December 31, 2015*

	<i>Budget 2015 (Note 18)</i>	<b>2015</b>	<i>2014</i>
<b>Excess of revenue over expenses</b>	31,884,434	<b>59,627,522</b>	61,787,299
Acquisition of tangible capital assets	(68,412,354)	<b>(33,758,818)</b>	(27,647,136)
Contributed tangible capital assets	-	<b>(50,140,899)</b>	(41,755,699)
Proceeds on disposal of tangible capital assets	-	<b>1,100,777</b>	21,434
Amortization of tangible capital assets	-	<b>18,396,647</b>	16,959,183
Loss (gain) on disposal of tangible capital assets	-	<b>(141,665)</b>	445,727
Acquisition of inventory for consumption	-	<b>(25,376)</b>	(21,506)
Use of prepaid expenses	-	<b>15,092</b>	10,822
<b>Change in net financial assets (debt)</b>	(36,527,920)	<b>(4,926,719)</b>	9,800,124
<b>Net assets (debt), beginning of year</b>	7,830,351	<b>7,830,351</b>	(1,969,773)
<b>Net financial assets (debt), end of year</b>	(28,697,569)	<b>2,903,632</b>	7,830,351

*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, 2015*

	<b>2015</b>	<b>2014</b>
<b>Cash provided by (used for) the following activities:</b>		
<b>Operating</b>		
Excess of revenue over expenses	<b>59,627,522</b>	61,787,299
Non-cash items:		
Amortization of tangible capital assets	<b>18,396,647</b>	16,959,183
Loss (gain) on disposal of tangible capital assets	<b>(141,665)</b>	445,726
Tangible capital assets received as contributions	<b>(50,140,899)</b>	(41,755,699)
Net change in non-cash operating working capital balances:		
Decrease (Increase) in trade and other accounts receivable	<b>1,596,100</b>	(4,118,175)
Decrease (increase) in property taxes receivable	<b>(162,503)</b>	142,756
Decrease in prepaid expenses	<b>15,092</b>	10,822
Increase in inventory for consumption	<b>(25,376)</b>	(21,506)
Increase in accounts payable and accrued liabilities	<b>717,639</b>	705,448
Decrease in deposits and deferred revenue	<b>(630,488)</b>	(4,321,784)
	<b>29,252,069</b>	29,834,070
<b>Capital</b>		
Proceeds on disposition of tangible capital assets	<b>1,100,777</b>	21,434
Acquisition of tangible capital assets <i>(Note 9)</i>	<b>(34,761,896)</b>	(23,988,284)
	<b>(33,661,119)</b>	(23,966,850)
<b>Investing</b>		
Increase in investments	<b>(621,990)</b>	(25,651,657)
<b>Financing</b>		
Proceeds from long-term debt	<b>3,900,000</b>	6,300,000
Repayment of long-term debt	<b>(2,621,045)</b>	(2,797,633)
	<b>1,278,955</b>	3,502,367
<b>Decrease in cash</b>	<b>(3,752,084)</b>	(16,282,070)
<b>Cash, beginning of year</b>	<b>19,198,735</b>	35,480,805
<b>Cash, end of year</b>	<b>15,446,651</b>	19,198,735

*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, 2015*

	<i>Unrestricted Surplus</i>	<i>Restricted Surplus (Note 11)</i>	<i>Equity in Tangible Capital Assets (Note 12)</i>	<b>2015</b>	<b>2014</b>
<b>Balance, beginning of year, as previously stated</b>	<b>5,775,068</b>	<b>56,372,349</b>	<b>559,196,476</b>	<b>621,343,893</b>	559,556,594
Prior period adjustment (Note 22)	-	-	<b>4,613,414</b>	<b>4,613,414</b>	4,613,414
<b>Balance, beginning of year, as restated</b>	<b>5,775,068</b>	<b>56,372,349</b>	<b>563,809,889</b>	<b>625,957,307</b>	564,170,008
Excess of revenue over expenses	<b>59,627,522</b>	-	-	<b>59,627,522</b>	61,787,299
Unrestricted funds designated for future use	<b>(26,974,273)</b>	<b>26,974,273</b>	-	-	-
Restricted funds for operations	<b>7,560,610</b>	<b>(7,560,610)</b>	-	-	-
Restricted funds used for tangible capital assets	-	<b>(22,813,847)</b>	<b>22,813,847</b>	-	-
Current year funds used for tangible capital assets	<b>(10,944,967)</b>	-	<b>10,944,967</b>	-	-
Contributed tangible capital assets	<b>(50,140,899)</b>	-	<b>50,140,899</b>	-	-
Disposal of tangible capital assets	<b>959,112</b>	-	<b>(959,112)</b>	-	-
Amortization	<b>18,396,647</b>	-	<b>(18,396,647)</b>	-	-
Proceeds on long-term debt	<b>3,900,000</b>	-	<b>(3,900,000)</b>	-	-
Long-term debt repaid	<b>(2,621,045)</b>	-	<b>2,621,045</b>	-	-
<b>Change in accumulated surplus</b>	<b>(237,293)</b>	<b>(3,400,184)</b>	<b>63,264,999</b>	<b>59,627,522</b>	61,787,299
<b>Balance, end of year</b>	<b>5,537,775</b>	<b>52,972,165</b>	<b>627,074,888</b>	<b>685,584,828</b>	625,957,307

*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, 2015*

	<i>Budget 2015</i>	<b>2015</b>	2014
<b>Taxation</b>			
Property taxes	53,011,739	<b>53,048,494</b>	47,528,722
Local improvement taxes	20,290	<b>25,364</b>	10,200
	53,032,029	<b>53,073,858</b>	47,538,922
<b>Requisitions</b>			
Education	14,235,155	<b>14,235,155</b>	12,816,646
Leduc Foundation	94,065	<b>94,065</b>	92,532
	14,329,220	<b>14,329,220</b>	12,909,178
<b>Net municipal property taxes</b>	38,702,809	<b>38,744,638</b>	34,629,744

*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, 2015*

	<i>Budget 2015</i>	<b>2015</b>	<i>2014</i>
<b>Operating</b>			
Federal transfers	-	<b>6,294</b>	-
Provincial transfers	4,149,805	<b>5,090,037</b>	4,224,549
Local transfers	3,543,200	<b>3,496,565</b>	3,432,851
<b>Total operating government transfers</b>	7,693,005	<b>8,592,896</b>	7,657,400
<b>Capital</b>			
Federal transfers	2,145,027	<b>1,572,500</b>	604,440
Provincial transfers	17,111,942	<b>9,280,645</b>	15,411,410
Local transfers	204,704	<b>59,045</b>	176,167
<b>Total capital government transfers</b>	19,461,673	<b>10,912,190</b>	16,192,017
<b>Total government transfers</b>	27,154,678	<b>19,505,086</b>	23,849,417

*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, 2015*

	<i>Budget 2015 (Note 18)</i>	<b>2015</b>	2014
<b>Consolidated expenses by object</b>			
Salaries and wages	29,902,080	<b>28,683,335</b>	25,599,046
Amortization	-	<b>18,396,647</b>	16,959,183
Contract services	19,667,008	<b>18,363,874</b>	12,559,165
Cost of utilities sold	6,306,000	<b>6,289,146</b>	5,690,754
Employee benefits	6,003,184	<b>5,614,121</b>	4,938,417
Materials and supplies	4,359,758	<b>3,986,487</b>	3,757,339
Utilities	2,844,874	<b>2,783,045</b>	2,701,381
Interest on long-term debt	2,328,615	<b>2,272,750</b>	2,122,249
Grants to organizations	2,033,290	<b>1,999,420</b>	1,758,620
Repairs and maintenance	1,111,369	<b>1,068,542</b>	1,058,204
Training and development	1,048,161	<b>1,022,620</b>	927,455
General services	648,689	<b>588,392</b>	577,301
Telephone and communications	216,710	<b>226,750</b>	164,065
Bank charges and interest	210,600	<b>205,271</b>	269,254
Other	122,907	<b>122,907</b>	117,181
Loss on disposal of assets	-	-	445,726
	76,803,245	<b>91,623,307</b>	79,645,340

*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, 2015*

	<i>Utility and public services</i>	<i>Administration</i>	<i>Engineering</i>	<i>Facility services</i>	<i>Protective services</i>	<i>Family and community support services</i>	<i>Recreation and community development</i>	<i>Planning services</i>	<i>Library</i>	<i>Total</i>
<b>Revenue</b>										
Contributed assets	30,383,881	9,273,000	10,484,018	-	-	-	-	-	-	50,140,899
Net municipal property taxes	-	38,719,274	25,364	-	-	-	-	-	-	38,744,638
Government transfers	408,091	10,766,277	2,780,041	-	3,346,972	1,310,904	677,115	43,000	172,686	19,505,086
Utility services	11,412,376	5,268,022	2,109,434	-	-	-	-	-	-	18,789,832
Sales, user charges and costs recovered	1,417,374	505,674	197,341	904	930,481	490,912	2,636,236	2,280,237	1,020,354	9,479,513
Contributions and levies	-	-	-	-	-	-	320,100	6,564,617	-	6,884,717
Capital contributions	-	-	2,064,723	77,500	-	-	242,888	363,545	-	2,748,656
Property revenue	2,700	-	-	366,319	-	-	1,709,398	-	885	2,079,303
Enforcement services	-	-	-	-	-	1,459,150	-	-	-	1,459,150
Interest and penalties	173,732	1,103,638	-	-	-	-	-	-	-	1,277,370
Gain on disposal of assets	300	-	-	(3,375)	144,740	-	-	-	-	141,665
	<b>43,798,454</b>	<b>65,635,885</b>	<b>17,660,921</b>	<b>441,348</b>	<b>4,422,193</b>	<b>3,260,966</b>	<b>5,585,737</b>	<b>9,251,399</b>	<b>1,193,925</b>	<b>151,250,829</b>
<b>Expenses</b>										
Salaries and wages	4,851,105	7,215,418	922,062	2,237,644	5,405,974	2,051,317	3,474,202	1,886,403	639,210	28,683,335
Contract services	3,608,260	2,114,778	6,107,660	131,450	194,745	4,860,553	283,431	984,995	78,001	18,363,874
Cost of utilities sold	6,209,680	-	79,465	-	-	-	-	-	-	6,289,146
Employee benefits	930,427	1,481,842	204,004	504,281	941,375	466,140	590,234	379,169	116,648	5,614,121
Materials and supplies	1,762,398	566,748	102,265	281,496	418,826	91,901	568,835	30,875	163,144	3,986,487
Utilities	1,382,410	-	-	1,400,635	-	-	-	-	-	2,783,045
Interest on long-term debt	-	105,628	9,148	2,131,068	-	-	26,906	-	-	2,272,750
Grants to organizations	-	1,817,507	-	-	-	80,000	101,913	-	-	1,999,420
Repairs and maintenance	536,185	113,867	-	319,507	42,472	1,390	55,121	-	-	1,068,542
Training and development	86,489	464,387	38,429	25,371	241,760	37,277	76,244	40,702	11,960	1,022,620
General services	-	472,062	-	-	-	-	112,077	1,820	2,433	588,392
Telephone and communications	18,567	159,260	-	-	44,967	-	-	-	3,956	226,750
Bank charges and interest	5,549	111,909	-	-	70,436	298	17,079	-	-	205,271
Other	-	-	-	-	-	-	-	-	122,907	122,907
	<b>19,391,070</b>	<b>14,623,406</b>	<b>7,463,033</b>	<b>7,031,452</b>	<b>7,360,555</b>	<b>7,588,876</b>	<b>5,306,042</b>	<b>3,323,964</b>	<b>1,138,259</b>	<b>73,226,660</b>
<b>Net revenue, before amortization</b>	<b>24,407,384</b>	<b>51,012,479</b>	<b>10,197,888</b>	<b>(6,590,104)</b>	<b>(2,938,362)</b>	<b>(4,327,910)</b>	<b>279,695</b>	<b>5,927,435</b>	<b>55,666</b>	<b>78,024,169</b>
Amortization	6,380,083	526,113	7,664,349	2,656,569	218,295	6,571	873,691	9,328	61,649	18,396,647
<b>Excess of revenue over expenses</b>	<b>18,027,301</b>	<b>50,486,366</b>	<b>2,533,539</b>	<b>(9,246,673)</b>	<b>(3,156,657)</b>	<b>(4,334,481)</b>	<b>(593,996)</b>	<b>5,918,107</b>	<b>(5,983)</b>	<b>59,627,522</b>

*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 CPA Canada. 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 and Family and Community Support Services.

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 consolidated financial 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.

***Measurement uncertainty (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 consolidated financial statements, and the reported amounts of revenue and expenses during the year. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could vary from those estimates.

Trade and other accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Accrued sick time for employees is based on historical utilization applied to the total sick bank with a maximum limit of 840 to 1008 hours per employee.

**1. Significant Accounting Policies (continued)**

***Revenue recognition***

**i. 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.

The City recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the City recognizes revenue as the liability is settled.

**ii. Tax revenue**

The City recognizes taxes as assets and revenue when they meet the definition of an asset, are authorized by Council, and the taxable event has occurred. Tax revenue is initially measured at administration's best estimate of the amount resulting from the original taxable event in accordance with legislation. The related tax receivable is initially recognized at its realizable value at the date of acquisition. At each financial statement date, the City evaluates the tax receivable for collectibility and records a valuation allowance to reflect the tax receivable at its net recoverable amount, if necessary.

**iii. Utility services revenue**

The City recognizes the provision of utility services as assets and revenue when they meet the definition of an asset and in the period the utility services are provided to the consumer.

**iv. Other revenue**

The City accounts for all other revenue in the period the transactions or events giving rise to the revenue occurred.

***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 excess of revenue over expenses, provides the consolidated change in net financial assets (debt) for the year.

**1. Significant Accounting Policies (continued)**

***Non-financial assets (continued)***

**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	25-75 years
Wastewater system	25-75 years
Other engineered structures	10-75 years
Machinery and equipment	4-20 years
Vehicles	5-17 years

One-half of the annual amortization is charged in the year of acquisition. No amortization is taken 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**

Inventory held for consumption is recorded at the lower of cost and replacement cost.

**v. Cultural and historical tangible capital assets**

Works of art for display are recorded as tangible capital assets but are disclosed.



**1. Significant Accounting Policies (continued)**

***Non-financial assets (continued)***

**vi. Prepaid expenses**

Prepaid expenses include pre-payments on goods and services which will be utilized in the following fiscal year.

***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.

***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.

***Segments***

The City conducts its business through a number of reportable segments. These operating segments are established by senior administration to facilitate the achievement of the City's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

***Pensions***

The City participates in a multi-employer defined benefit pension plan. The plan is accounted for as a defined contribution plan.

**1. Significant Accounting Policies (continued)**

***Liability for contaminated sites***

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the City is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31st.

At each reporting date, the City reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The City continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

***Recent accounting pronouncements***

**i. Financial instruments**

In June 2011, the Public Sector Accounting Standards Board ("PSAB") issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities, and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections.

PS 3450 is effective for fiscal years beginning on or after April 1, 2019. Earlier adoption is permitted. The City does not expect the adoption of the new section to have a material impact on its consolidated financial statements.

**ii. Financial statement presentation**

In June 2011, as a result of the issuance of PS 3450 *Financial Instruments*, the PSAB issues a new section PS 1201 *Financial Statement Presentation*, which revises Section PS 1200 *Financial Statement Presentation*.

This section is effective in the same period PS 3450 is adopted. PS 1201 and PS 3450 are to be adopted together and are effective for fiscal years beginning on or after April 1, 2019. Early adoption is permitted. The City does not expect the adoption of the new section to have a material impact on its consolidated financial statements.

**1. Significant Accounting Policies (continued)**

***Recent accounting pronouncements (continued)***

**iii. Portfolio investments**

In March 2012, as a result of the issuance of PS 3450 *Financial Instruments*, the PSAB issued new PS 3041 *Portfolio Investments*, which revises and replaces PS 3030 *Temporary Investments* and PS 3040 *Portfolio Investments*.

This section is effective in the same period PS 1201 *Financial Statement Presentation* and PS 3450 are adopted. PS 1201 and PS 3450 are to be adopted together and are effective for fiscal years beginning on or after April 1, 2019. Early adoption is permitted. The City does not expect the adoption of the new section to have a material impact on its consolidated financial statements.

**City of Leduc**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2015*

**2. Investments**

	<b>2015</b>	<b>2014</b>
Fixed income securities	<b>55,790,137</b>	55,577,550
Cash	<b>668,651</b>	259,248
	<b>56,458,788</b>	55,836,798

The fixed income securities have a yield from 0.00% to 4.70% (2014 - 0.00% to 4.50%) and mature in periods 2016 through 2019. The market value of the investments at December 31, 2015 was \$56,828,887 (2014 - \$55,799,030).

**3. Property Taxes Receivable**

	<b>2015</b>	<b>2014</b>
Current taxes	<b>886,920</b>	651,394
Non-current taxes	<b>156,514</b>	229,537
	<b>1,043,434</b>	880,931

**4. Trade and Other Accounts 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. The balance remaining at December 31, 2015 is \$816,572 (2014 - \$846,668), bearing interest at 5.00%, receivable in annual installments of \$72,429, due August 2032.

Included in trade and other accounts receivable is \$1,366,572 due beyond one year including \$500,000 owed from Leduc County, \$816,572 due from The Leduc Foundation and \$50,000 due from the Leduc Lion's Club.

**5. 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 2015 total \$1,113,599 (2014 - \$962,592).

**City of Leduc**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2015*

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**6. Deposits and Deferred Revenue**

	<b>2015</b>	<b>2014</b>
Deferred government transfers	<b>6,352,736</b>	7,930,935
Deposits	<b>3,893,019</b>	2,821,367
Deferred revenue	<b>602,643</b>	726,584
	<b>10,848,398</b>	11,478,886

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**Deferred government transfers**

The City's deferred government transfers include amounts received from various government funding programs which are restricted to eligible capital projects, as approved under the funding agreements.

**Deposits**

Deposits include security deposits, utility deposits and other.

**Deferred revenue**

The City's deferred revenue includes amounts received in advance for bus passes, business licenses, sponsorship, rent, Leduc Recreation Centre memberships and other.

**City of Leduc**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2015*

**7. Long-term Debt**

	<b>2015</b>	2014
Tax-supported debentures	<b>51,964,029</b>	50,388,265
Self-supported debentures	<b>16,659</b>	24,220
Leduc & District Regional Chamber of Commerce building mortgage	<b>176,529</b>	215,777
Mortgage	<b>2,820,000</b>	3,070,000
	<b>54,977,217</b>	53,698,262

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	3,493,454	2,231,813	5,725,267
2017	5,937,116	2,099,401	8,036,517
2018	3,269,935	1,880,162	5,150,097
2019	3,291,235	1,761,628	5,052,863
2020	3,141,677	1,644,504	4,786,181
To maturity	35,843,800	10,607,651	46,451,451
	54,977,217	20,225,159	75,202,376

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 1.124% to 7.500% per annum, and matures in periods 2017 through 2034. The average annual interest rate is 4.89% (2014 - 5.09%). Debenture debt is issued on the credit and security of the City of Leduc at large.

The mortgage is repayable in yearly principal payments of \$250,000 plus interest at 3.50% for 2015 and 2016 and the remaining balance plus interest is due October 30, 2017.

The Leduc & District Regional Chamber of Commerce building mortgage is repayable to the City of Leduc as an offset to the Chamber's annual rent. The annual rent offset is \$46,200 over a period of 6 years from 2013 to 2018 with a lump sum payout at the end of 2018 of \$51,034. The annual interest rate is 3.22%. The total interest in 2015 was \$6,952 (2014 - \$8,177).

The City of Leduc's total cash payments for interest on long-term debt in 2015 was \$2,301,708 (2014 - \$2,123,816).

**City of Leduc**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2015*

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**8. 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:

	<b>2015</b>	2014
Total debt limit	<b>135,296,609</b>	125,227,385
Total debt	<b>54,800,688</b>	53,482,485
<hr/>		
Amount of debt limit unused	<b>80,495,921</b>	71,744,900
<hr/>		
Service on debt limit	<b>22,549,435</b>	20,871,231
Service on debt	<b>5,679,067</b>	4,633,426
<hr/>		
Amount of debt servicing limit unused	<b>16,870,368</b>	16,237,805

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, 2015*

**9. Tangible Capital Assets**

<b>Cost</b>	<i>Opening, as restated</i>	<i>Additions</i>	<i>Disposals</i>	<i>Closing</i>
Land	95,306,623	9,273,000	-	<b>104,579,622</b>
Land improvements	18,467,352	4,449,628	-	<b>22,916,979</b>
Buildings	101,648,920	21,885,155	-	<b>123,534,075</b>
Machinery and equipment	19,579,562	3,063,186	155,027	<b>22,487,722</b>
Vehicles	8,541,728	2,542,740	1,112,079	<b>9,972,389</b>
Engineered structures	608,261,941	50,906,269	-	<b>659,168,210</b>
	851,806,128	92,119,978	1,267,106	<b>942,658,997</b>
Construction-in-progress	15,162,238	(8,220,261)	-	<b>6,941,975</b>
	866,968,366	83,899,717	1,267,106	<b>949,600,972</b>
<b>Accumulated amortization</b>	<i>Opening, as restated</i>	<i>Additions</i>	<i>Disposals</i>	<i>Closing</i>
Land improvements	5,041,853	940,822	-	<b>5,982,675</b>
Buildings	23,882,903	2,480,844	-	<b>26,363,744</b>
Machinery and equipment	8,921,348	1,524,271	144,453	<b>10,301,167</b>
Vehicles	3,201,469	658,942	163,541	<b>3,696,870</b>
Engineered structures	208,412,642	12,791,769	-	<b>221,204,410</b>
	249,460,215	18,396,647	307,994	<b>267,548,866</b>
Net book value	617,508,151	65,503,070	959,112	<b>682,052,106</b>

During the year, tangible capital assets were acquired at an aggregate cost of \$83,899,717 (2014 - \$69,402,835), of which \$50,140,899 (2014 - \$41,755,699) was acquired as contributed assets. \$4,798,368 (2014 - \$5,801,446) remains in accounts payable and the remaining \$34,761,896 (2014 - \$23,988,284) was acquired by cash.



**City of Leduc**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2015*

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**9. Tangible Capital Assets (continued)**

Based on the Leduc Transit Joint Venture Agreement (*Note 10*) the City's proportionate interest in the transit buses is 65%. Included in vehicles cost is an amount of \$1,848,552 which is 65% of the total cost of the Leduc Transit buses and included in vehicles accumulated amortization is \$277,283 which is 65% of the amortization of the buses. Leduc County's share of the cost of the Transit buses was \$995,374.

Leduc Transit Joint Venture Tangible Capital Assets - City of Leduc 65% Proportionate Share:

<b>Cost</b>	<i>Opening</i>	<i>Additions</i>	<i>Disposals</i>	<b>Closing</b>
Transit joint venture buses	1,848,552	-	-	<b>1,848,552</b>
<b>Accumulated amortization</b>	<i>Opening</i>	<i>Additions</i>	<i>Disposals</i>	<b>Closing</b>
Transit joint venture buses	92,428	184,855	-	<b>277,283</b>
Net Book Value	1,756,124	(184,855)	-	<b>1,571,269</b>

**10. Leduc Transit Joint Venture Agreement**

In 2014 the City of Leduc entered into the "Leduc Transit Joint Venture Agreement" with Leduc County in order to secure grant funding to develop and operate an inter-municipal transit service (the "Project") between the County, the City of Leduc and the City of Edmonton operated under the name "Leduc Transit". The "Venture Property" under this agreement includes: (i) the buses for the Project; (ii) the website for the Project; and (iii) the brand "Leduc Transit".

The "proportionate interest" in the Venture Property is set forth in the agreement as follows:

<u>Party</u>	<u>Proportionate Interest</u>
City of Leduc	65%
Leduc County	35%

Each party's "proportionate share" in revenue earned by the Project, and each party's share of costs, expenses and liabilities are in the same proportion as each party's "proportionate interest". The administration of the joint venture is managed by the City of Leduc.

The grant funding was received by the City and was used to secure the Venture Property and the City holds the Venture Property as bare trustee for the joint venture.

Based on each party's proportionate interest in the Project, the City of Leduc has recorded 65% of the total cost of the transit buses as a tangible capital asset and 65% of the annual amortization of the buses in the City's consolidated financial statements.

**City of Leduc**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2015*

**10. Leduc Transit Joint Venture Agreement (continued)**

A financial summary of 100% of the financial position and operations of the Joint Venture are as follows:

	<b>2015</b>	<b>2014</b>
<b>Statement of Financial Position</b>		
Tangible capital assets		
Buses - cost	<b>2,843,926</b>	2,843,926
Buses - accumulated amortization	<b>(426,589)</b>	(142,196)
Accumulated surplus	<b>2,417,337</b>	2,701,730
<b>Statement of Operations</b>		
Operating revenue		
Sales and user charges	<b>216,443</b>	71,298
Transfer from City of Leduc	<b>535,915</b>	411,609
Transfer from Leduc County	<b>288,570</b>	221,636
	<b>1,040,928</b>	704,543
Operating expenses	<b>(1,040,928)</b>	(704,543)
Amortization expense	<b>(284,393)</b>	(142,196)
	<b>(1,325,321)</b>	(846,739)
Capital revenue - government transfers (for buses only)		
Province of Alberta (Green Trip grant)	-	1,858,567
City of Leduc share of buses	-	660,110
Leduc County share of buses	-	325,249
	-	2,843,926
Excess (deficiency) of revenue over expenses	<b>(284,393)</b>	2,701,730
Accumulated surplus, opening	<b>2,701,730</b>	-
Accumulated surplus, closing	<b>2,417,337</b>	2,701,730
<b>Statement of Net Debt</b>		
Excess (deficiency) of revenue over expenses	<b>(284,393)</b>	2,701,730
Acquisition of tangible capital assets	-	(2,843,926)
Amortization	<b>284,393</b>	142,196
Increase in net debt	-	-
Net debt, opening	-	-
Net debt, closing	-	-

**City of Leduc**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2015*

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**11. Restricted Surplus**

Surplus restricted for operating and capital activities changed as follows:

	<i>2014</i>	<i>Increases</i>	<i>Decreases</i>	<i>2015</i>
Restricted Operating Surplus				
General government	13,812,315	4,105,754	(6,656,893)	<b>11,261,176</b>
Operations	4,462,338	700,919	(903,717)	<b>4,259,540</b>
	<b>18,274,653</b>	<b>4,806,673</b>	<b>(7,560,610)</b>	<b>15,520,716</b>
Restricted Capital Surplus				
Operations	10,319,526	8,125,716	(6,074,302)	<b>12,370,940</b>
Community services	9,965,679	2,242,981	(7,303,918)	<b>4,904,742</b>
General government	5,039,936	1,101,241	(424,032)	<b>5,717,145</b>
Library	523,142	88,636	(62,339)	<b>549,439</b>
Offsite levy reserves	12,173,876	10,587,442	(8,949,256)	<b>13,812,062</b>
Downtown Business Association	75,537	21,584	-	<b>97,121</b>
	<b>38,097,696</b>	<b>22,167,600</b>	<b>(22,813,847)</b>	<b>37,451,449</b>
	<b>56,372,349</b>	<b>26,974,273</b>	<b>(30,374,457)</b>	<b>52,972,165</b>

**City of Leduc**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2015*

**12. Equity in Tangible Capital Assets**

	<b>2015</b>	<i>2014, Restated</i>
Tangible capital assets (Note 9)	<b>949,600,972</b>	866,968,366
Accumulated amortization (Note 9)	<b>(267,548,867)</b>	(249,460,215)
Long-term debt (Note 7)	<b>(54,977,217)</b>	(53,698,262)
	<b>627,074,888</b>	563,809,889

**13. 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:

	<b>Salary</b>	<b>Benefits &amp; allowances</b>	<b>2015</b>	<b>2014</b>
<b>Mayor/Council</b>				
G. Krischke	<b>75,912</b>	<b>13,428</b>	<b>89,340</b>	81,320
G. Finstad	<b>35,872</b>	<b>9,605</b>	<b>45,477</b>	41,159
T. Lazowski	<b>35,872</b>	<b>6,940</b>	<b>42,812</b>	41,159
D. Mackenzie	<b>35,872</b>	<b>9,605</b>	<b>45,477</b>	41,159
D. Smith	<b>35,872</b>	<b>5,659</b>	<b>41,531</b>	41,159
R. Young	<b>35,872</b>	<b>2,994</b>	<b>38,866</b>	37,950
B. Beckett	<b>35,872</b>	<b>5,209</b>	<b>41,081</b>	37,467
City Manager	<b>277,797</b>	<b>8,898</b>	<b>286,695</b>	276,306

- (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, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, and long term disability plans.

#### **14. Local Authorities Pension Plan**

Employees of the City of Leduc participate in the Local Authorities Pension Plan ("LAPP"), which is one of the plans covered by the *Alberta Public Sector Pension Plans Act*. The LAPP serves approximately 237,612 people and 423 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 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the City of Leduc are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

The current service contributions by the City of Leduc to the LAPP in 2015 were \$2,730,273 (2014 - \$2,342,156). Total current service contributions by the employees of the City of Leduc to the LAPP for 2015 were \$2,518,444 (2014 - \$2,160,386).

At December 31, 2014, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial deficiency of \$2,454,636,000 (2013 - \$4,861,516,000).

#### **15. 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 2015 were \$53,407 (2014 - \$54,182). Total current service contributions by the employees of the City of Leduc to APEX for 2015 were \$44,505 (2014 - \$45,151).

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.

**15. Supplementary Retirement Plans (continued)**

**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 \$147,273\* (2014 - \$385,775\*) held by the City on behalf of the beneficiaries. The actuarial valuation of the plan for service accrued to December 31, 2015 is estimated to be \$354,232 (2014 - \$295,304).

\* This number includes both earmarked and non-earmarked amounts.

**16. 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 course of business there may be 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 administration, based on the advice and information provided by its legal counsel, final determination of these litigations will not materially affect the City's financial position or results of operations.

**17. Commitments**

The City has entered into commitments to provide the community with policing services and to provide future pension payments. The commitments over the next five years are as follows:

2016	4,514,536
2017	4,674,326
2018	4,837,375
2019	5,006,131
2020	5,180,793

**18. Budget Figures**

The disclosed budget information has been approved by Council. The City does not budget for amortization. Included in the actual expenses on the consolidated statements of operations is amortization of \$18,396,647 (2014 - \$16,959,183).

**19. 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 consolidated financial statements as disclosed in Note 1.

Refer to Schedule V - Schedule of Segmented Disclosure.

**20. Comparative Figures**

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

**21. Change in Accounting Policy**

**i. Liability for contaminated sites**

Effective January 1, 2015, the City of Leduc adopted the recommendations relating to PS 3260 *Liability for Contaminated Sites*, as set out in the Canadian Public Sector Accounting Standards. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

Previously, no accounting policy existed to account for liability for contaminated sites. Under the new recommendation, the City is required to recognize a liability for contaminated sites when economic benefits will be given up, as described in Note 1, significant accounting policies.

There was no effect on the City's consolidated financial statements as a result of adopting the above-noted change in accounting policy.

**22. Prior Period Adjustments**

During the year, it was determined that tangible capital assets which had been contributed to the City in 2013 had not been recorded. As a result, the comparative figures have been restated. The effect of this prior period adjustment is an increase in tangible capital assets and opening and ending accumulated surplus in the amount of \$4,613,414.