

City of Leduc
Consolidated Financial Statements

December 31, 2012



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 8, 2013

A handwritten signature in blue ink, appearing to be "M. P. ...", 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, 2012, 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, 2012, 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 8, 2013
Leduc, Alberta


Chartered Accountants

City of Leduc
Consolidated Statement of Financial Position

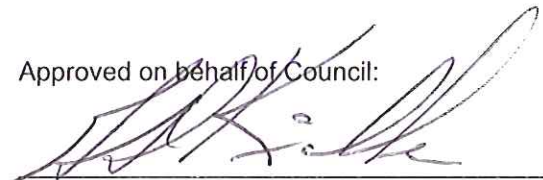
As at December 31, 2012

	2012	2011
Financial assets		
Cash	19,854,163	27,516,773
Investments (Note 2)	29,538,154	14,022,097
Property for resale inventory	320,253	-
Property taxes receivable (Note 3)	1,750,348	1,919,810
Trade and other accounts receivable (Note 4)	5,678,259	11,376,001
	57,141,177	54,834,681
Liabilities		
Accounts payable and accrued liabilities	8,026,833	7,595,727
Deposits and deferred revenue (Note 6)	13,339,234	14,805,680
Long-term debt (Note 7)	52,587,185	51,339,979
	73,953,252	73,741,386
Net debt	(16,812,075)	(18,906,705)
Non-financial assets		
Tangible capital assets (Note 9)	548,930,846	540,318,257
Inventory for consumption	378,408	321,800
Prepaid expenses	146,064	105,698
Other non-financial assets	-	320,253
	549,455,318	541,066,008
Accumulated surplus (Schedule I)	532,643,243	522,159,303

Contingencies (Note 15)

Commitments (Note 16)

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, 2012

	<i>Budget 2012 (Note 17)</i>	2012	2011
Revenue			
Net municipal property taxes <i>(Schedule II)</i>	28,933,537	29,040,673	27,374,468
Utility services	13,598,052	13,868,978	12,784,926
Sales, user charges and costs recovered	8,612,809	9,139,653	8,327,772
Government transfers <i>(Schedule III)</i>	6,723,693	6,952,519	6,535,367
Contributions and levies	1,591,446	4,003,237	3,805,671
Property revenue	2,035,678	2,204,805	1,953,799
Enforcement services	1,336,000	1,378,988	1,298,274
Interest and penalties	955,229	1,344,846	1,102,303
Gain on disposal of assets	-	312,761	21,452
	63,786,444	68,246,460	63,204,032
Expenses			
Utility and public services	13,045,312	18,876,373	17,504,170
Administration	13,175,199	11,500,109	11,323,244
Engineering	3,178,045	9,686,668	9,135,094
Facility services	7,110,322	9,131,913	8,833,955
Protective services	6,426,336	6,179,373	5,744,358
Family and community support services	6,994,771	6,145,992	6,355,423
Recreation and community development	4,850,113	5,282,882	4,905,591
Planning services	2,136,941	2,105,416	1,837,898
Library	1,037,760	1,004,530	940,183
	57,954,799	69,913,256	66,579,916
Excess (deficiency) of revenue before other	5,831,645	(1,666,796)	(3,375,884)
Other			
Government transfers for capital <i>(Schedule III)</i>	13,229,864	7,150,839	6,198,458
Contributed assets	-	3,644,000	16,839,230
Capital contributions	-	1,355,897	943,231
	13,229,864	12,150,736	23,980,919
Excess of revenue over expenses	19,061,509	10,483,940	20,605,035
Accumulated surplus, beginning	522,159,303	522,159,303	501,554,268
Accumulated surplus, end of year	541,220,812	532,643,243	522,159,303

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, 2012

	<i>Budget 2012 (Note 17)</i>	2012	<i>2011</i>
Excess of revenue over expenses	19,061,509	10,483,940	20,605,035
Acquisition of tangible capital assets	(40,852,128)	(20,781,159)	(17,794,307)
Contributed tangible capital assets	-	(3,644,000)	(16,839,230)
Proceeds on disposal of tangible capital assets	-	826,812	41,041
Amortization of tangible capital assets	-	15,298,519	14,281,585
Gain on sale of tangible capital assets	-	(312,761)	(21,452)
Acquisition of inventory for consumption	-	(56,608)	(56,910)
Use of prepaid expenses	-	(40,366)	10,308
Reclassification of property held for resale inventory	-	320,253	-
Decrease (increase) in net debt	(21,790,619)	2,094,630	226,070
Net debt, beginning of year	(18,906,705)	(18,906,705)	(19,132,775)
Net debt, end of year	(40,697,324)	(16,812,075)	(18,906,705)

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, 2012

	2012	2011
Cash provided by (used for) the following activities:		
Operating		
Excess of revenue over expenses	10,483,940	20,605,035
Non-cash items:		
Amortization of tangible capital assets	15,298,519	14,281,585
Gain on disposal of tangible capital assets	(312,761)	(21,452)
Tangible capital assets received as contributions	(3,644,000)	(16,839,230)
Net change in non-cash operating working capital balances:		
Decrease (increase) in trade and other accounts receivable	5,697,742	(704,976)
Decrease (increase) in property taxes receivable	169,462	(151,702)
Decrease (increase) in prepaid expenses	(40,366)	10,308
Increase in inventory for consumption	(56,608)	(56,910)
Increase (decrease) in accounts payable and accrued liabilities	528,720	(1,240,238)
Increase (decrease) in deposits and deferred revenue	(1,466,446)	1,366,290
	26,658,202	17,248,710
Capital		
Proceeds on sale of tangible capital assets	826,812	41,041
Acquisition of tangible capital assets (<i>Note 9</i>)	(17,308,773)	(16,609,963)
	(16,481,961)	(16,568,922)
Investing		
Increase in investments	(15,516,057)	(6,273,469)
Financing		
Repayment of long-term debt	(2,322,794)	(2,296,626)
Decrease in cash and equivalents	(7,662,610)	(7,890,307)
Cash and equivalents, beginning of year	27,516,773	35,407,080
Cash and equivalents, end of year	19,854,163	27,516,773

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, 2012

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2012	2011
Balance, beginning of year	2,516,284	30,664,741	488,978,278	522,159,303	501,554,268
Excess of revenue over expenses	10,483,940	-	-	10,483,940	20,605,035
Unrestricted funds designated for future use	(15,917,858)	15,917,858	-	-	-
Restricted funds for operations	837,762	(837,762)	-	-	-
Restricted funds used for tangible capital assets	-	(15,610,217)	15,610,217	-	-
Current year funds used for tangible capital assets	(5,170,942)	-	5,170,942	-	-
Contributed tangible capital assets	(3,644,000)	-	3,644,000	-	-
Disposal of tangible capital assets	514,051	-	(514,051)	-	-
Annual amortization expense	15,298,519	-	(15,298,519)	-	-
Mortgage assumed	3,570,000	-	(3,570,000)	-	-
Long-term debt repaid	(2,322,794)	-	2,322,794	-	-
Change in accumulated surplus	3,648,678	(530,121)	7,365,383	10,483,940	20,605,035
Balance, end of year	6,164,962	30,134,620	496,343,661	532,643,243	522,159,303

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, 2012

	<i>Budget</i> 2012	2012	2011
Taxation			
Property taxes	39,396,851	39,503,987	36,634,979
Local improvement taxes	19,588	19,588	109,491
	39,416,439	39,523,575	36,744,470
Requisitions			
Education	10,393,484	10,393,484	9,279,897
Seniors Foundation	89,418	89,418	90,105
	10,482,902	10,482,902	9,370,002
Net municipal property taxes	28,933,537	29,040,673	27,374,468

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, 2012

	<i>Budget</i> 2012	2012	2011
Operating			
Provincial Transfers	4,060,693	4,061,763	4,012,343
Local Transfers	2,663,000	2,890,756	2,523,024
Total Operating Government Transfers	6,723,693	6,952,519	6,535,367
Capital			
Federal Transfers	927,367	-	79,814
Provincial Transfers	12,052,497	7,150,839	6,118,644
Local Transfers	250,000	-	-
Total Capital Government Transfers	13,229,864	7,150,839	6,198,458
Total Government Transfers	19,953,557	14,103,358	12,733,825

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, 2012

	<i>Budget</i> 2012 <i>(Note 17)</i>	2012	2011
Consolidated expenses by object			
Salaries and wages	24,011,336	22,404,433	20,866,388
Amortization	-	15,298,519	14,281,585
Contract services	11,115,781	9,975,198	10,993,027
Cost of utilities sold	4,525,000	4,710,495	4,456,568
Employee benefits	4,618,921	4,176,743	3,703,918
Materials and supplies	3,748,124	3,243,485	2,788,902
Utilities	2,610,380	2,731,800	2,576,681
Interest on long-term debt	2,312,918	2,308,520	2,422,360
Grants to organizations	2,195,085	2,208,994	2,130,132
Repairs and maintenance	932,935	898,126	843,084
Training and development	861,649	738,023	645,727
Bank charges and interest	194,400	485,134	192,630
General services	495,200	456,387	396,284
Telephone and communications	197,910	173,601	182,470
Other	135,160	103,798	100,160
	57,954,799	69,913,256	66,579,916

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, 2012

	Utility and public services	Administration	Engineering	Facility services	Protective services	Family and community support services	Recreation and community development	Planning services	Library	Total
Revenue										
Net municipal property taxes	-	29,021,086	19,587	-	-	-	-	-	-	29,040,673
Utility services	8,374,347	3,691,403	1,803,228	-	-	-	-	-	-	13,868,978
Government transfers	15,000	2,781,708	7,054,925	-	2,404,259	1,072,222	589,910	37,750	147,584	14,103,358
Sales, user charges and costs recovered	1,063,401	345,075	151,720	2,305	779,959	1,467,041	2,556,706	1,785,374	988,072	9,139,653
Contributions and levies	-	-	-	-	-	-	508,000	3,495,237	-	4,003,237
Contributed assets	-	-	3,644,000	-	-	-	-	-	-	3,644,000
Property revenue	-	-	-	543,018	-	-	1,656,662	5,125	-	2,204,805
Enforcement services	-	-	-	-	-	1,378,988	-	-	-	1,378,988
Capital contributions	-	-	64,628	-	-	-	446,894	844,375	-	1,355,897
Interest and penalties	104,023	1,240,823	-	-	-	-	-	-	-	1,344,846
Gain on disposal of assets	31,215	132,687	-	-	148,859	-	-	-	-	312,761
	9,587,985	37,212,782	12,738,088	545,323	3,333,077	3,918,251	5,758,172	6,167,861	1,135,656	80,397,196
Expenses										
Salaries and wages	3,394,854	5,177,723	621,576	1,770,280	4,417,210	2,250,367	2,922,423	1,298,992	561,008	22,404,433
Contracted services	2,363,421	1,300,565	1,834,030	231,073	205,092	3,233,325	289,764	472,730	45,198	9,975,198
Cost of utilities sold	4,571,252	-	139,243	-	-	-	-	-	-	4,710,495
Employee benefits	584,338	1,181,424	125,552	358,210	673,703	433,242	453,582	258,638	98,054	4,176,743
Materials and supplies	1,304,427	430,413	148,952	253,010	327,201	80,974	514,485	22,847	161,136	3,243,485
Utilities	1,181,000	-	-	1,550,800	-	-	-	-	-	2,731,800
Interest on long-term debt	192	-	52,418	2,217,778	-	-	38,132	-	-	2,308,520
Grants to organizations	-	1,993,994	-	-	-	80,000	135,000	-	-	2,208,994
Repairs and maintenance	402,816	65,281	128	367,582	32,327	3,889	26,103	-	-	898,126
Training and development	64,960	293,099	27,822	20,518	159,632	48,888	69,174	41,025	12,905	738,023
Bank charges and interest	10,296	239,795	414	-	66,664	1,504	166,461	-	-	485,134
General services	-	348,418	-	-	-	-	104,821	1,191	1,957	456,387
Telephone and communications	14,847	145,108	-	-	8,860	-	-	-	4,786	173,601
Other	-	-	-	-	-	-	-	-	103,798	103,798
	13,882,403	11,175,820	2,950,175	6,769,251	5,890,689	6,132,189	4,729,945	2,095,423	988,842	54,614,737
Net revenue, before amortization	(4,294,417)	26,036,962	9,787,913	(6,223,928)	(2,557,612)	(2,213,938)	1,028,227	4,072,438	146,814	25,782,459
Amortization expense	4,993,970	324,289	6,736,493	2,362,662	288,684	13,803	552,937	9,993	15,688	15,298,519
Net revenue	(9,268,387)	25,712,673	3,051,420	(8,586,590)	(2,846,296)	(2,227,741)	475,290	4,062,445	131,126	10,483,940

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 tangible capital assets. Accrued sick time for employees is based on historical utilization applied to the total sick bank with a maximum limit of 720 to 1,008 hours per employee.

1. Significant accounting policies *(continued)*

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.

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.

Property for resale inventory

Property held for resale is recorded at the lower of cost or net realizable value.

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.

Recent accounting pronouncements

i. Tax revenue (PS 3510)

In February 2010, the Public Sector Accounting Board (PSAB) issued PS 3510 Tax Revenue to provide guidance on how to account for and report tax revenue in government financial statements. This section establishes recognition, measurement, presentation and disclosure requirements for tax revenue. PS 3510 is effective for fiscal years beginning on or after April 1, 2012. The City does not expect the adoption of the new section to have a material impact on its consolidated financial statements.

ii. Liability for contaminated sites (PS3260)

In June 2010, the Public Sector Accounting Board (PSAB) issued PS 3260 Liability for Contaminated Sites to establish recognition, measurement and disclosure standards for liabilities associated with the remediation of contaminated sites. The new section defines activities included in a liability for remediation, establishes when to recognize and how to measure a liability for remediation, and provides the related financial statement presentation and disclosure requirements. PS 3260 is effective for fiscal years beginning on or after April 1, 2014. 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)*

iii. Government transfers

In March 2011, the Public Sector Accounting Board replaced and revised existing section PS 3410 Government Transfers with a newly amended section PS 3410. Newly issued PS 3410 establishes standards on how to account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective. This section permits a recipient government to recognize government transfers as revenue when the transfer is authorized by the transferring government, unless the transfer creates a liability for the recipient. A liability is created as a result of the recipient government not yet meeting eligibility criteria or the existence of stipulations in the transfer agreement. When a government transfer results in recognition of a liability, revenue is recognized by a recipient government as the liability is settled. A transferring government recognizes an expense when the transfer is authorized and the recipient has met all eligibility criteria.

Newly revised and issued PS 3410 may be applied prospectively or retroactively and is effective for fiscal years beginning on or after April 1, 2012; however, earlier adoption is encouraged. PS 3410 will be applied prospectively and the City does not expect the adoption of the newly issued section to have a material impact on its consolidated financial statements.

2. Investments

	<i>2012</i>	<i>2011</i>
Fixed income securities	28,796,856	13,963,081
Cash	741,298	35,521
Long-term receivable - Leduc Regional Chamber of Commerce	-	23,495
	29,538,154	14,022,097

The fixed income securities have a yield from 1.14% to 4.75% (2011 - 2.05% to 4.75%) and mature in periods 2013 through 2017. The market value of the investments at December 31, 2012 was \$29,327,295 (2011 - \$14,134,682).

3. Property taxes receivable

	<i>2012</i>	<i>2011</i>
Current taxes	1,320,199	1,337,022
Non-current taxes	430,149	582,788
	1,750,348	1,919,810

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. Balance remaining at December 31, 2012 is \$902,629 (2011 - \$928,627), bearing interest at 5.00%, receivable in annual installments of \$72,429, due August 2032.

Included in trade and other accounts receivable is \$1,609,629 due beyond one year including \$500,000 owed from Leduc County, \$902,629 due from The Leduc Foundation, \$200,000 due from the Leduc Lion's Club and \$7,000 due related to sponsorship.

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 2012 total \$822,591 (2011 - \$726,422).

6. Deposits and deferred revenue

	2012	2011
Deferred government transfers	11,323,741	13,179,169
Deposits	1,227,460	802,056
Deferred revenue	788,033	824,455
	13,339,234	14,805,680

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, 2012

7. Long-term debt

	<i>2012</i>	<i>2011</i>
Tax-supported debentures	48,979,222	51,293,192
Self-supported debentures	37,963	46,787
Mortgage	3,570,000	-
	52,587,185	51,339,979

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

	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2013	2,645,090	2,238,336	4,883,426
2014	2,759,610	2,123,816	4,883,426
2015	2,346,833	2,121,557	4,468,390
2016	2,448,366	2,006,858	4,455,224
2017	4,874,919	1,891,556	6,766,475
To maturity	37,512,367	14,286,038	51,798,405
	52,587,185	24,668,161	77,255,346

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 4.23% to 7.50% per annum, and matures in periods 2014 through 2033. The average annual interest rate is 5.28% (2011 - 6.11%). 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 2012 were \$2,349,769 (2011 - \$2,465,021).

The mortgage is repayable in yearly principal only payments of \$250,000 for the first two years, \$250,000 plus interest at 3.5% for the next two years and the remaining balance plus interest due October 30, 2017.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2012

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:

	2012	2011
Total debt limit	104,403,537	96,185,652
Total debt	49,017,185	51,339,979
<hr/>		
Amount of debt limit unused	55,386,352	44,845,673
<hr/>		
Service on debt limit	17,400,590	16,030,942
Service on debt	4,633,426	4,672,564
<hr/>		
Amount of debt servicing limit unused	12,767,164	11,358,378

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, 2012

9. Tangible capital assets

Cost	<i>Opening</i>	<i>Additions</i>	<i>Disposals</i>	<i>Closing</i>
Land	65,275,966	8,829,941	305,000	73,800,907
Land improvements	11,185,091	3,314,137	-	14,499,228
Buildings	95,710,799	2,847,728	-	98,558,527
Machinery and equipment	11,621,962	2,654,778	178,626	14,098,114
Vehicles	5,132,675	1,866,182	881,046	6,117,811
Engineered structures	547,471,858	6,909,427	-	554,381,285
	736,398,351	26,422,193	1,364,672	761,455,872
Construction-in-progress	6,885,443	(1,997,034)	-	4,888,409
	743,283,794	24,425,159	1,364,672	766,344,281
Accumulated amortization	<i>Opening</i>	<i>Additions</i>	<i>Disposals</i>	<i>Closing</i>
Land improvements	3,007,449	567,366	-	3,574,815
Buildings	17,961,658	2,140,498	-	20,102,156
Machinery and equipment	5,693,713	971,799	164,466	6,501,046
Vehicles	2,696,308	387,000	686,155	2,397,153
Engineered structures	173,606,409	11,231,856	-	184,838,265
	202,965,537	15,298,519	850,621	217,413,435
Net book value	540,318,257	9,126,640	514,051	548,930,846

During the year, tangible capital assets were acquired at an aggregate cost of \$24,425,159 (2011 - \$34,633,537), of which \$3,644,000 (2011 - \$16,839,230) was acquired as contributed assets, \$3,570,000 (2011 - nil) was acquired as an assumed mortgage, \$1,086,730 (2011 - \$1,184,344) was in accounts payable at yearend and the remaining \$17,308,773 (2011 - \$16,609,963) was acquired by cash.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2012

10. Restricted surplus

Surplus restricted for operating and capital activities changed as follows:

	<i>2011</i>	<i>Increases</i>	<i>Decreases</i>	<i>2012</i>
Restricted Operating Surplus				
General government	7,475,155	3,582,949	(748,210)	10,309,894
Operations	1,154,841	516,221	(89,552)	1,581,510
	<u>8,629,996</u>	<u>4,099,170</u>	<u>(837,762)</u>	<u>11,891,404</u>
Restricted Capital Surplus				
Operations	12,207,259	6,572,150	(7,894,581)	10,884,828
Community services	6,127,085	3,281,602	(4,603,511)	4,805,176
General government	3,050,356	1,777,299	(3,020,912)	1,806,743
Library	545,371	162,756	(31,013)	677,114
Downtown Progress Association	104,674	24,881	(60,200)	69,355
	<u>22,034,745</u>	<u>11,818,688</u>	<u>(15,610,217)</u>	<u>18,243,216</u>
	<u>30,664,741</u>	<u>15,917,858</u>	<u>(16,447,979)</u>	<u>30,134,620</u>

11. Equity in tangible capital assets

	<i>2012</i>	<i>2011</i>
Tangible capital assets (Note 9)	766,344,281	743,283,794
Accumulated amortization (Note 9)	(217,413,435)	(202,965,537)
Long-term debt (Note 7)	(52,587,185)	(51,339,979)
	<u>496,343,661</u>	<u>488,978,278</u>

12. 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>2012</i>	<i>2011</i>
Mayor/Council				
G. Krischke	70,980	7,001	77,981	75,616
G. Finstad	33,543	5,942	39,485	37,214
T. Lazowski	33,543	5,942	39,485	38,413
D. MacKenzie	33,543	5,942	39,485	38,413
D. Mishio	33,543	3,982	37,525	36,586
D. Smith	33,543	2,902	36,445	35,577
R. Young	33,543	2,902	36,445	35,577
City Manager				
- base salary	240,084	30,726	270,810	288,042
- payout of accumulated banks	71,295	-	71,295	76,346

- (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.

13. 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 214,328 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 9.91% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.74% on pensionable earnings above this amount. Employees of the City of Leduc are required to make current service contributions of 8.91% of pensionable salary up to the year's maximum pensionable salary and 12.74% on pensionable salary above this amount.

The current service contributions by the City of Leduc to the LAPP in 2012 were \$1,873,196 (2011 - \$1,502,393). Total current service contributions by the employees of the City of Leduc to the LAPP for 2012 were \$1,705,906 (2011 - \$1,359,986).

At December 31, 2011, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial deficiency of \$4,639,390,000 (2010 - \$4,635,250,000).

14. 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 2012 were \$60,781 (2011 - \$60,284). Total current service contributions by the employees of the City of Leduc to APEX for 2012 were \$50,652 (2011 - \$50,237).

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 (3 beneficiaries). Included in accounts payable and accrued liabilities is \$243,346 (2011 - \$106,577) held by the City on behalf of the beneficiaries. The actuarial valuation of the plan for service accrued to December 31, 2012 is estimated to be \$133,423 (2011 - \$808,042).

15. 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.

16. Commitments

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

2013	3,427,299
2014	3,543,844
2015	3,591,952
2016	3,623,384
2017	3,749,651

17. 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 \$15,298,519 (2011 - \$14,281,585).

18. 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.

19. 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, 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.

20. Comparative figures

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