

**City of Leduc
Consolidated Financial Statements**

December 31, 2014



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 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 Council 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 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 Finance Committee and administration to discuss their audit findings.

April 13, 2015

A handwritten signature in black ink, appearing to read "R. C. Daulton", written over a horizontal line.

City Manager

Independent Auditors' Report

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, 2014, 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, 2014, 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 13, 2015
Leduc, Alberta

MNP LLP
Chartered Accountants


MNP

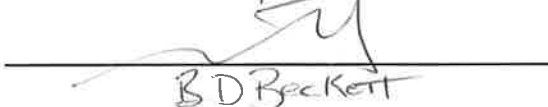
City of Leduc
Consolidated Statement of Financial Position
As at December 31, 2014

	2014	2013
Financial assets		
Cash	19,198,735	35,480,805
Investments (Note 2)	55,836,798	30,185,140
Property taxes receivable (Note 3)	880,931	1,023,687
Trade and other accounts receivable (Note 4)	9,592,505	5,474,330
	85,508,969	72,163,962
Liabilities		
Accounts payable and accrued liabilities	12,501,470	8,137,170
Deposits and deferred revenue (Note 6)	11,478,886	15,800,670
Long-term debt (Note 7)	53,698,262	50,195,895
	77,678,618	74,133,735
Net financial assets (debt)	7,830,351	(1,969,773)
Non-financial assets		
Tangible capital assets (Note 9)	612,894,738	560,918,245
Inventory for consumption	494,362	472,856
Prepaid expenses	124,443	135,266
	613,513,543	561,526,367
Accumulated surplus (Schedule I)	621,343,894	559,556,594

Contingencies (Note 16)
 Commitments (Note 17)

Approved on behalf of Council:


 _____ Mayor


 _____ Councillor
 B D Beckett

City of Leduc
Consolidated Statement of Operations
For the year ended December 31, 2014

	<i>Budget 2014 (Note 18)</i>	2014	2013
Revenue			
Net municipal property taxes (<i>Schedule II</i>)	34,530,565	34,629,744	31,573,651
Utility services	16,437,356	17,524,261	15,823,094
Sales, user charges and costs recovered	8,652,480	10,129,642	9,606,930
Contributions and levies	3,844,300	8,080,097	8,515,414
Government transfers (<i>Schedule III</i>)	7,248,189	7,657,400	7,216,780
Property revenue	1,983,519	2,219,665	2,007,493
Enforcement services	1,045,300	1,560,235	1,299,184
Interest and penalties	1,289,000	1,337,056	1,454,349
Gain on disposal of assets	-	-	351,200
	75,030,709	83,138,100	77,848,095
Expenses			
Utility and public services	16,185,741	22,766,230	20,235,289
Administration	14,905,538	13,563,889	12,448,934
Engineering	3,586,088	10,752,458	9,928,122
Facility services	7,221,471	9,227,301	9,070,057
Family and community support services	7,460,400	6,940,656	6,920,532
Protective services	7,111,140	7,155,653	6,562,865
Recreation and community development	4,890,660	5,289,253	5,371,148
Planning services	2,287,856	2,390,556	2,186,631
Library	1,118,779	1,113,618	1,036,561
Loss on disposal of assets	-	445,726	-
	64,767,673	79,645,340	73,760,139
Excess of revenue before other	10,263,036	3,492,760	4,087,956
Other			
Contributed assets	-	41,755,699	13,338,000
Government transfers for capital (<i>Schedule III</i>)	22,558,198	16,192,017	7,190,739
Capital contributions	-	346,823	2,296,656
	22,558,198	58,294,539	22,825,395
Excess of revenue over expenses	32,821,234	61,787,299	26,913,351
Accumulated surplus, beginning of year	559,556,594	559,556,594	532,643,243
Accumulated surplus, end of year	592,377,828	621,343,893	559,556,594

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, 2014

	<i>Budget 2014 (Note 18)</i>	2014	2013
Excess of revenue over expenses	32,821,234	61,787,299	26,913,351
Acquisition of tangible capital assets	(51,816,292)	(27,647,136)	(15,282,588)
Contributed tangible capital assets	-	(41,755,699)	(13,338,000)
Proceeds on disposal of tangible capital assets	-	21,434	944,623
Amortization of tangible capital assets	-	16,959,183	16,039,766
Loss (gain) on sale of tangible capital assets	-	445,727	(351,200)
Acquisition of inventory for consumption	-	(21,506)	(94,448)
Use of prepaid expenses	-	10,822	10,798
Increase (decrease) in net financial assets (debt)	(18,995,058)	9,800,124	14,842,302
Net debt, beginning of year	(1,969,773)	(1,969,773)	(16,812,075)
Net financial assets (debt), end of year	(20,964,831)	7,830,351	(1,969,773)

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, 2014

	2014	2013
Cash provided by (used for) the following activities:		
Operating		
Excess of revenue over expenses	61,787,299	26,913,351
Non-cash items:		
Amortization of tangible capital assets	16,959,183	16,039,766
Loss (gain) on disposal of tangible capital assets	445,726	(351,200)
Tangible capital assets received as contributions	(41,755,699)	(13,338,000)
Net change in non-cash operating working capital balances:		
Decrease in trade and other accounts receivable	(4,118,175)	203,929
Decrease in property taxes receivable	142,756	726,661
Decrease (increase) in prepaid expenses	10,822	10,798
Increase in inventory for consumption	(21,506)	(94,448)
Decrease in inventory held for resale	-	320,253
Increase (decrease) in accounts payable and accrued liabilities	705,448	(945,528)
Increase (decrease) in deposits and deferred revenue	(4,321,784)	2,461,436
	29,834,070	31,947,018
Capital		
Proceeds on disposition of tangible capital assets	21,434	944,623
Acquisition of tangible capital assets (<i>Note 9</i>)	(23,988,284)	(14,226,723)
	(23,966,850)	(13,282,100)
Investing		
Increase in investments	(25,651,657)	(646,986)
Financing		
Proceeds from long-term debt	6,300,000	300,000
Repayment of long-term debt	(2,797,633)	(2,691,290)
	3,502,367	(2,391,290)
Increase (decrease) in cash	(16,282,070)	15,626,642
Cash, beginning of year	35,480,805	19,854,163
Cash, end of year	19,198,735	35,480,805

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, 2014

	<i>Unrestricted Surplus</i>	<i>Restricted Surplus (Note 11)</i>	<i>Equity in Tangible Capital Assets (Note 12)</i>	<i>2014</i>	<i>2013</i>
Balance, beginning of year	5,938,681	42,895,563	510,722,350	559,556,594	532,643,243
Excess of revenue over expenses	61,787,299	-	-	61,787,299	26,913,351
Unrestricted funds designated for future use	(46,429,847)	46,429,847	-	-	-
Restricted funds for operations	4,381,471	(4,381,471)	-	-	-
Restricted funds used for tangible capital assets	-	(28,571,590)	28,571,590	-	-
Current year funds used for tangible capital assets	(70,921)	-	70,921	-	-
Contribution of tangible capital assets to other government (Note 9 & Note 10)	995,374	-	(995,374)	-	-
Contributed tangible capital assets	(41,755,699)	-	41,755,699	-	-
Disposal of tangible capital assets	467,160	-	(467,160)	-	-
Annual amortization expense	16,959,183	-	(16,959,183)	-	-
Proceeds on long-term debt	6,300,000	-	(6,300,000)	-	-
Long-term debt repaid	(2,797,633)	-	2,797,633	-	-
Change in accumulated surplus	(163,613)	13,476,786	48,474,126	61,787,299	26,913,351
Balance, end of year	5,775,068	56,372,349	559,196,476	621,343,893	559,556,594

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, 2014

	<i>Budget</i> 2014	2014	2013
Taxation			
Property taxes	47,429,543	47,528,722	43,652,603
Local improvement taxes	10,200	10,200	19,588
	47,439,743	47,538,922	43,672,191
Requisitions			
Education	12,816,646	12,816,646	12,008,099
Leduc Foundation	92,532	92,532	90,441
	12,909,178	12,909,178	12,098,540
Net municipal property taxes	34,530,565	34,629,744	31,573,651

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, 2014

	<i>Budget 2014</i>	2014	<i>2013</i>
Operating			
Provincial transfers	4,112,379	4,224,549	4,113,810
Local transfers	3,135,810	3,432,851	3,102,970
Total operating government transfers	7,248,189	7,657,400	7,216,780
Capital			
Federal transfers	643,776	604,440	245,919
Provincial transfers	21,208,302	15,411,410	6,944,820
Local transfers	706,120	176,167	-
Total capital government transfers	22,558,198	16,192,017	7,190,739
Total government transfers	29,806,387	23,849,417	14,407,519

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, 2014

	<i>Budget 2014 (Note 18)</i>	2014	2013
Consolidated expenses by object			
Salaries and wages	27,168,223	25,599,046	23,787,903
Amortization	-	16,959,183	16,039,766
Contract services	13,115,340	12,559,164	10,976,065
Cost of utilities sold	5,448,000	5,690,754	5,303,819
Employee benefits	5,450,272	4,938,417	4,286,065
Materials and supplies	3,843,256	3,757,339	3,813,016
Utilities	2,482,448	2,701,381	2,629,659
Interest on long-term debt	2,335,745	2,122,249	2,204,319
Grants to organizations	1,775,617	1,758,620	1,719,535
Repairs and maintenance	1,073,301	1,058,204	1,006,844
Training and development	947,583	927,455	998,395
General services	615,523	577,301	512,740
Loss on disposal of assets	-	445,726	-
Bank charges and interest	216,700	269,254	205,029
Telephone and communications	178,529	164,065	167,408
Other	117,136	117,181	109,576
	64,767,673	79,645,339	73,760,139

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, 2014

	<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>
Revenue										
Contributed assets	-	7,463,000	34,292,699	-	-	-	-	-	-	41,755,699
Net municipal property taxes	-	34,619,544	10,200	-	-	-	-	-	-	34,629,744
Government transfers	2,423,667	11,716,238	4,797,612	228,980	2,728,687	1,122,568	677,284	-	154,380	23,849,416
Utility services	10,537,442	4,985,189	2,001,630	-	-	-	-	-	-	17,524,261
Sales, user charges and costs recovered	1,405,487	493,502	170,873	1,345	1,016,964	471,328	2,566,810	3,020,339	982,994	10,129,642
Contributions and levies	-	-	-	-	-	-	526,100	7,553,997	-	8,080,097
Property revenue	-	-	-	462,331	-	-	1,757,334	-	-	2,219,665
Enforcement services	-	-	-	-	-	1,560,235	-	-	-	1,560,235
Interest and penalties	164,865	1,172,191	-	-	-	-	-	-	-	1,337,056
Capital contributions	-	-	221,655	110,000	-	-	-	15,169	-	346,824
	14,531,461	60,449,664	41,494,669	802,656	3,745,651	3,154,131	5,527,528	10,589,505	1,137,374	141,432,639
Expenses										
Salaries and wages	4,315,811	6,183,920	731,050	2,051,493	5,085,923	1,949,850	2,981,624	1,671,195	628,180	25,599,046
Contracted services	2,891,527	2,225,226	2,253,594	125,754	180,927	4,281,498	263,336	292,092	45,210	12,559,164
Cost of utilities sold	5,625,395	-	65,359	-	-	-	-	-	-	5,690,754
Employee benefits	818,211	1,399,469	158,107	438,234	814,315	392,790	476,110	332,109	109,072	4,938,417
Materials and supplies	1,652,963	489,103	109,564	266,015	411,468	181,268	454,596	36,725	155,637	3,757,339
Utilities	1,253,507	-	-	1,447,874	-	-	-	-	-	2,701,381
Interest on long-term debt	-	22,373	17,423	2,052,148	-	-	30,305	-	-	2,122,249
Grants to organizations	-	1,588,620	-	-	-	80,000	90,000	-	-	1,758,620
Repairs and maintenance	433,921	95,728	-	428,157	57,049	5,765	37,584	-	-	1,058,204
Training and development	66,215	415,777	41,213	19,178	229,886	37,094	63,739	40,940	13,413	927,455
General services	-	434,727	-	-	-	-	132,056	8,118	2,400	577,301
Loss (gain) on disposal of assets	(554)	(81)	-	446,361	-	-	-	-	-	445,726
Bank charges and interest	16,978	135,270	-	-	99,720	190	17,096	-	-	269,254
Telephone and communications	16,362	136,883	-	-	7,587	-	-	-	3,233	164,065
Other	-	45	-	-	-	-	-	-	117,136	117,181
	17,090,336	13,127,060	3,376,310	7,275,214	6,886,875	6,928,455	4,546,446	2,381,179	1,074,281	62,686,156
Net revenue, before amortization	(2,558,875)	47,322,604	38,118,359	(6,472,558)	(3,141,224)	(3,774,324)	981,082	8,208,326	63,093	78,746,483
Amortization expense	5,675,339	436,747	7,376,148	2,398,448	268,777	12,201	742,806	9,378	39,339	16,959,183
Excess of revenue over expenses	(8,234,214)	46,885,857	30,742,211	(8,871,006)	(3,410,001)	(3,786,525)	238,276	8,198,948	23,754	61,787,300

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 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.

Use of estimates

The preparation of consolidated 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 period. 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 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)*

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 do not result in 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 the excess of revenue over expenses, provides the consolidated changes in net financial assets (debt) for the year.

1. Significant accounting policies *(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	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. 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

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.

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.

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.

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)

Recent accounting pronouncements

i. Liability for contaminated sites

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.

ii. Financial instruments

In June 2011, the Public Sector Accounting 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, 2016. 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.

iii. Financial statement presentation

In June 2011, as a result of the issuance of PS 3450 *Financial Instruments*, the Public Sector Accounting Board ("PSAB") issued new Section PS 1201 *Financial Statement Presentation*, which revises and replaces 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, 2016. 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.

iv. Portfolio investments

In March 2012, as a result of the issuance of PS 3450 *Financial Instruments*, the Public Sector Accounting Board ("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, 2016. 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, 2014

2. Investments

	2014	2013
Fixed income securities	55,577,550	30,069,459
Cash	259,248	115,681
	55,836,798	30,185,140

The fixed income securities have a yield from 0% to 4.50% (2013 - 0% to 4.50%) and mature in periods 2015 through 2019. The market value of the investments at December 31, 2014 was \$55,799,030 (2013 - \$29,838,428).

3. Property taxes receivable

	2014	2013
Current taxes	651,394	801,122
Non-current taxes	229,537	222,565
	880,931	1,023,687

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, 2014 is \$846,668 (2013 - \$875,331), bearing interest at 5.00%, receivable in annual installments of \$72,429, due August 2032.

Included in trade and other accounts receivable is \$1,446,668 due beyond one year including \$500,000 owed from Leduc County, \$846,668 due from The Leduc Foundation, and \$100,000 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 2014 total \$962,592 (2013 - \$921,148).

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2014

6. Deposits and deferred revenue

	2014	2013
Deferred government transfers	7,930,935	12,809,375
Deposits	2,821,367	2,263,309
Deferred revenue	726,584	727,986
	<hr/> 11,478,886	<hr/> 15,800,670

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, 2014

7. Long-term debt

	<i>2014</i>	<i>2013</i>
Tax-supported debentures	50,388,265	46,590,783
Self-supported debentures	24,220	31,312
Leduc and District Regional Chamber of Commerce building mortgage	215,777	253,800
Mortgage	3,070,000	3,320,000
	53,698,262	50,195,895

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

	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2015	2,621,045	2,308,660	4,929,705
2016	2,730,841	2,190,114	4,920,955
2017	5,165,907	2,066,298	7,232,205
2018	2,490,033	1,855,751	4,345,784
2019	2,502,542	1,746,008	4,248,550
To maturity	38,187,894	12,236,302	50,424,196
	53,698,262	22,403,133	76,101,395

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.9572% to 7.50% per annum, and matures in periods 2017 through 2034. The average annual interest rate is 5.09% (2013 - 5.28%). 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 2014 were \$2,123,816 (2013 - \$2,238,336).

The mortgage is repayable with a principal only payment of \$250,000 in 2014, \$250,000 plus interest at 3.5% for the next two years and the remaining balance plus interest is due October 30, 2017.

The Leduc and District Regional Chamber of Commerce building mortgage is repayable to the City of Leduc as an offset to the Chamber of Commerce 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 2014 was \$8,177 (2013 - \$nil).

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2014

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:

	2014	2013
Total debt limit	125,227,385	120,217,127
Total debt	53,482,485	49,942,095
<hr/>		
Amount of debt limit unused	71,744,900	70,275,032
<hr/>		
Service on debt limit	20,871,231	20,036,188
Service on debt	4,633,426	4,883,426
<hr/>		
Amount of debt servicing limit unused	16,237,805	15,152,762
<hr/>		

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, 2014

9. Tangible capital assets

Cost	<i>Opening</i>	<i>Additions</i>	<i>Disposals</i>	<i>Closing</i>
Land	88,048,391	7,463,000	204,768	95,306,623
Land improvements	16,312,765	2,154,587	-	18,467,352
Buildings	98,767,105	3,309,343	427,528	101,648,920
Machinery and equipment	17,890,520	1,761,908	72,866	19,579,562
Vehicles	6,759,414	2,043,702	261,388	8,541,728
Engineered structures	563,899,379	39,749,148	-	603,648,527
	791,677,574	56,481,688	966,550	847,192,712
Construction-in-progress	2,238,121	12,921,147	-	15,159,268
	793,915,695	69,402,835	966,550	862,351,980

Accumulated amortization	<i>Opening</i>	<i>Additions</i>	<i>Disposals</i>	<i>Closing</i>
Land improvements	4,262,568	779,285	-	5,041,853
Buildings	21,847,050	2,214,080	180,785	23,880,345
Machinery and equipment	7,662,525	1,331,346	72,523	8,921,348
Vehicles	2,878,496	569,056	246,083	3,201,469
Engineered structures	196,346,811	12,065,416	-	208,412,227
	232,997,450	16,959,183	499,391	249,457,242
Net book value	560,918,245	52,443,652	467,159	612,894,738

During the year, tangible capital assets were acquired at an aggregate cost of \$69,402,835 (2013 - \$28,620,588), of which \$41,755,699 (2013 - \$13,338,000) was acquired as contributed assets, \$5,801,446 (2013 - \$2,142,595) remains in accounts payable and accrued liabilities at year-end and the remaining \$23,988,284 (2013 - \$14,226,723) was acquired by cash.

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 \$92,428 which is 65% of the amortization of the buses. Leduc County's share of the cost of the Transit buses was \$995,374 which was transferred to them as a tangible capital asset.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2014

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 parties "proportionate share" in revenues earned by the Project, and each party's share of costs, expenses and liabilities are in the same proportion as each parties "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 parties' 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.

11. Restricted surplus

Surplus restricted for operating and capital activities changed as follows:

	<i>2013</i>	<i>Increases</i>	<i>Decreases</i>	<i>2014</i>
Restricted Operating Surplus				
General government	12,165,839	5,572,252	(3,925,776)	13,812,315
Operations	3,309,833	1,608,200	(455,695)	4,462,338
	<hr/> 15,475,672	7,180,452	(4,381,471)	<hr/> 18,274,653
Restricted Capital Surplus				
Operations	16,951,175	27,284,629	(21,742,402)	22,493,402
Community services	4,974,514	1,956,199	(1,890,777)	5,039,936
General government	4,663,081	9,896,028	(4,593,430)	9,965,679
Library	738,853	89,270	(304,981)	523,142
Downtown Progress Association	92,268	23,269	(40,000)	75,537
	<hr/> 27,419,891	39,249,395	(28,571,590)	<hr/> 38,097,696
	<hr/> 42,895,563	46,429,847	(32,953,061)	<hr/> 56,372,349

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2014

12. Equity in tangible capital assets

	2014	2013
Tangible capital assets (Note 9)	862,351,980	793,915,695
Accumulated amortization (Note 9)	(249,457,242)	(232,997,450)
Long-term debt (Note 7)	(53,698,262)	(50,195,895)
	559,196,476	510,722,350

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:

	Salary	Benefits & allowances	2014	2013
Mayor/Council				
G. Krischke	74,056	7,264	81,320	80,264
G. Finstad	34,999	6,160	41,159	40,642
T. Lazowski	34,999	6,160	41,159	40,642
D. MacKenzie	34,999	6,160	41,159	40,642
D. Smith	34,999	6,160	41,159	37,485
R. Young	34,999	2,951	37,950	37,485
B. Beckett	34,999	2,468	37,467	-
D. Mishio	-	-	-	32,704
City Manager				
- 2014 base salary	241,750	8,056	249,806	
- 2014 performance incentive	26,500	-	26,500	
- 2013 base salary	235,999	7,858	243,857	
- 2013 performance incentive	28,000	-	28,000	

- (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.

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 230,534 people and 418 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 2014 were \$2,342,156 (2013 - \$2,017,941). Total current service contributions by the employees of the City of Leduc to the LAPP for 2014 were \$2,160,386 (2013 - \$1,846,821).

At December 31, 2013, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial deficiency of \$4,851,516,000 (2012 - \$4,977,303,000).

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 2014 were \$54,182 (2013 - \$53,745). Total current service contributions by the employees of the City of Leduc to APEX for 2014 were \$45,151 (2013 - \$44,788).

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 \$385,775* (2013 - \$243,346*) held by the City on behalf of the beneficiaries. The actuarial valuation of the plan for service accrued to December 31, 2014 is estimated to be \$295,304 (2013 - \$161,185).

**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. The lawsuit remains at an early stage and, as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of this lawsuit 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 this lawsuit 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 administration, 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.

17. 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:

2015	4,291,492
2016	4,514,536
2017	4,674,326
2018	4,837,375
2019	5,006,131

18. Budget figures

The disclosed budget information has been approved by Council. The City does not budget for amortization. Included in actual expenses on the consolidated statement of operations is amortization of \$16,959,183 (2013 - \$16,039,766).

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. Financial instruments

As part of its operations, the City carries a number of financial instruments. Unless otherwise noted, it is the opinion of administration that the City 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 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.

21. Comparative figures

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