

CITY OF LEDUC

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017



**City of Leduc
Consolidated Financial Statements**

December 31, 2017



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 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 9, 2018

A handwritten signature in black ink, appearing to read "Paul D. D...", 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, 2017, 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, 2017, 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 9, 2018
Leduc, Alberta

MNP LLP
Chartered Professional Accountants

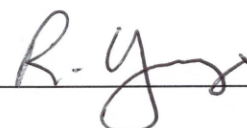
City of Leduc
Consolidated Statement of Financial Position
As at December 31, 2017

	2017	2016
Financial assets		
Cash	9,047,133	10,417,310
Investments (Note 2)	52,816,394	52,932,581
Property taxes receivable (Note 3)	1,591,640	1,459,496
Trade and other accounts receivable (Note 4)	6,061,358	7,418,955
	69,516,525	72,228,342
Liabilities		
Accounts payable and accrued liabilities	13,049,079	13,308,879
Deposits and deferred revenue (Note 6)	11,479,311	10,822,298
Long-term debt (Note 7)	48,643,130	52,273,583
	73,171,520	76,404,760
Net financial assets (debt)	(3,654,995)	(4,176,418)
Non-financial assets		
Tangible capital assets (Note 9)	797,272,707	749,035,771
Inventory for consumption	558,223	582,832
Prepaid expenses	223,786	170,140
	798,054,716	749,788,743
Accumulated surplus (Schedule I)	794,399,721	745,612,326

Contingencies (Note 16)

Commitments (Note 17)

Approved on behalf of Council:


 _____ Mayor


 _____ Councillor

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

City of Leduc
Consolidated Statement of Operations
For the year ended December 31, 2017

	<i>Budget 2017 (Note 18)</i>	2017	2016
Revenue			
Net municipal property taxes (<i>Schedule II</i>)	43,384,268	43,218,446	41,535,230
Utility services	21,826,600	21,346,879	20,207,552
Sales, user charges and costs recovered	8,127,217	9,112,227	8,869,108
Government transfers (<i>Schedule III</i>)	7,865,231	8,572,860	8,113,735
Contributions and levies	1,041,000	3,890,086	1,363,165
Property revenue	2,047,358	2,119,814	2,104,392
Interest and penalties	1,698,500	1,605,100	1,982,460
Enforcement services	1,820,000	1,335,790	2,267,456
Gain on disposal of assets	-	-	7,158
	87,810,174	91,201,200	86,450,256
Expenses			
Amortization (<i>Note 18</i>)	-	22,318,384	20,352,013
Utility and public services	22,442,506	21,026,402	22,218,078
Administration	16,952,577	16,225,101	15,460,076
Protective services	16,344,187	15,804,968	16,692,624
Engineering	7,613,984	7,517,495	4,756,883
Facility services	7,060,713	7,093,177	7,272,224
Recreation and community development	6,279,525	5,768,084	6,054,502
Planning services	3,604,138	3,314,558	4,365,585
Family and community support services	1,686,398	1,355,172	1,281,441
Library	1,198,704	1,224,407	1,175,736
Loss on disposal of assets (<i>Note 9</i>)	-	309,828	-
	83,182,733	101,957,576	99,629,163
Excess (deficiency) of revenue before other	4,627,442	(10,756,374)	(13,178,907)
Other			
Contributed assets	-	51,613,026	61,307,404
Government transfers for capital (<i>Schedule III</i>)	17,323,917	7,462,842	9,731,450
Capital contributions	-	467,903	2,167,552
	17,323,917	59,543,771	73,206,406
Excess of revenue over expenses	21,951,359	48,787,396	60,027,498
Accumulated surplus, beginning of year	745,612,326	745,612,326	685,584,828
Accumulated surplus, end of year	767,563,685	794,399,721	745,612,326

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, 2017

	<i>Budget 2017 (Note 18)</i>	2017	2016
Excess of revenue over expenses	21,951,359	48,787,395	60,027,498
Acquisition of tangible capital assets	(57,903,313)	(19,360,378)	(26,031,413)
Contributed tangible capital assets	-	(51,613,026)	(61,307,404)
Proceeds on disposal of tangible capital assets	-	108,256	10,297
Amortization of tangible capital assets	-	22,318,384	20,352,013
Loss (gain) on disposal of tangible capital assets	-	309,828	(7,158)
Use (acquisition) of inventory for consumption	-	24,609	(63,094)
Acquisition of prepaid expenses	-	(53,646)	(60,789)
Change in net financial assets (debt)	(35,951,954)	521,422	(7,080,050)
Net financial assets (debt), beginning of year	(4,176,418)	(4,176,418)	2,903,632
Net financial assets (debt), end of year	(40,128,372)	(3,654,995)	(4,176,418)

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, 2017

	2017	2016
Cash provided by (used for) the following activities:		
Operating		
Excess of revenue over expenses	48,787,395	60,027,498
Non-cash items:		
Amortization of tangible capital assets	22,318,384	20,352,013
Loss (gain) on disposal of tangible capital assets	309,828	(7,158)
Tangible capital assets received as contributions	(51,613,026)	(61,307,404)
Net change in non-cash operating working capital balances:		
Decrease in trade and other accounts receivable	1,357,596	577,450
Increase in property taxes receivable	(132,144)	(416,062)
Increase in prepaid expenses	(53,646)	(60,789)
Decrease (increase) in inventory for consumption	24,609	(63,094)
(Decrease) increase in accounts payable and accrued liabilities	(1,481,146)	1,568,000
Increase (decrease) in deposits and deferred revenue	657,013	(26,100)
	20,174,863	20,644,354
Capital		
Proceeds on disposition of tangible capital assets	108,256	10,297
Acquisition of tangible capital assets <i>(Note 9)</i>	(18,139,031)	(26,506,564)
	(18,030,775)	(26,496,267)
Investing		
Decrease in investments	116,187	3,526,207
Financing		
Repayment of long-term debt	(3,630,453)	(2,703,634)
Decrease in cash	(1,370,177)	(5,029,341)
Cash, beginning of year	10,417,310	15,446,651
Cash, end of year	9,047,133	10,417,310

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, 2017

	Unrestricted Surplus	Restricted Surplus (Note 11)	Equity in Tangible Capital Assets (Note 12)	2017	2016
Balance, beginning of year	5,366,488	43,483,648	696,762,190	745,612,326	685,584,828
Excess of revenue over expenses	48,787,395	-	-	48,787,395	60,027,498
Unrestricted funds designated for future use	(25,709,954)	25,709,954	-	-	-
Restricted funds for operations	10,415,118	(10,415,118)	-	-	-
Restricted funds used for tangible capital assets	-	(16,333,921)	16,333,921	-	-
Current year funds used for tangible capital assets	(3,026,457)	-	3,026,457	-	-
Contributed tangible capital assets	(51,613,026)	-	51,613,026	-	-
Net book value of tangible capital assets disposed	418,084	-	(418,084)	-	-
Amortization	22,318,384	-	(22,318,384)	-	-
Proceeds on long-term debt	2,480,128	-	(2,480,128)	-	-
Long-term debt repaid	(6,110,581)	-	6,110,581	-	-
Change in accumulated surplus	(2,040,909)	(1,039,085)	51,867,389	48,787,395	60,027,498
Balance, end of year	3,325,577	42,444,563	748,629,579	794,399,721	745,612,326

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, 2017

	<i>Budget 2017</i>	2017	2016
Taxation			
Property taxes	61,232,281	61,056,756	57,396,745
Local improvement taxes	8,806	18,509	18,509
	61,241,087	61,075,265	57,415,254
Requisitions			
Education	17,752,690	17,752,690	15,780,732
Leduc Foundation	104,129	104,129	99,292
	17,856,819	17,856,819	15,880,024
Net municipal property taxes	43,384,268	43,218,446	41,535,230

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, 2017

	<i>Budget 2017</i>	2017	2016
Operating			
Federal transfers	20,146	6,314	21,913
Provincial transfers	4,621,530	4,735,137	4,686,182
Local transfers	3,223,555	3,831,409	3,405,640
Total operating government transfers	7,865,231	8,572,860	8,113,735
Capital			
Federal transfers	2,598,187	1,500,819	1,955,794
Provincial transfers	13,685,730	5,962,023	7,741,727
Local transfers	1,040,000	-	33,929
Total capital government transfers	17,323,917	7,462,842	9,731,450
Total government transfers	25,189,148	16,035,702	17,845,185

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, 2017

	<i>Budget 2017 (Note 18)</i>	2017	2016
Consolidated expenses by object			
Salaries and wages	31,838,730	32,184,139	31,280,921
Amortization (<i>Note 18</i>)	-	22,318,384	20,352,013
Contract services	20,710,321	18,896,431	20,176,352
Cost of utilities sold	7,749,000	6,816,188	6,581,910
Employee benefits	6,924,197	6,545,928	6,406,632
Materials and supplies	5,009,081	4,309,261	4,174,364
Utilities	3,021,977	3,108,301	2,914,305
Interest on long-term debt	2,423,735	2,103,461	2,192,922
Grants to organizations	1,984,541	1,926,704	2,117,243
Repairs and maintenance	1,189,044	1,192,487	1,102,544
Training and development	1,083,449	1,040,551	1,043,322
General services	706,663	689,889	617,787
Loss on disposal of assets (<i>Note 9</i>)	-	309,828	-
Bank charges and interest	234,026	245,331	349,679
Telephone and communications	176,829	139,552	191,663
Other	131,141	131,141	127,507
	83,182,733	101,957,576	99,629,163

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, 2017

	Utility and public services	Administration	Engineering	Facility services	Protective services	Family and community support services	Recreation and community development	Planning services	Library	Total
Revenue										
Contributed assets	26,669,465	11,000,000	13,943,561	-	-	-	-	-	-	51,613,026
Net municipal property taxes	8,309	43,199,937	10,200	-	-	-	-	-	-	43,218,446
Utility services	12,853,520	6,171,848	2,321,511	-	-	-	-	-	-	21,346,879
Government transfers	249,253	9,225,883	1,170,145	219,822	3,496,351	833,977	608,692	-	231,579	16,035,702
Sales, user charges and costs recovered	1,168,651	694,682	273,216	1,368	1,140,561	52,049	2,556,342	2,183,351	1,042,006	9,112,227
Contributions and levies	-	-	-	-	-	-	266,400	3,623,686	-	3,890,086
Property revenue	3,600	-	-	352,146	-	-	1,762,085	-	1,983	2,119,814
Interest and penalties	189,843	1,415,257	-	-	-	-	-	-	-	1,605,100
Enforcement services	-	-	-	-	1,335,790	-	-	-	-	1,335,790
Capital contributions	288	21,297	152,210	-	-	-	10,000	284,108	-	467,903
	41,142,929	71,728,904	17,870,843	573,336	5,972,702	886,026	5,203,519	6,091,145	1,275,568	150,744,973
Expenses										
Salaries and wages	5,355,042	8,011,615	1,089,174	2,260,334	8,279,571	861,675	3,536,983	2,095,779	693,966	32,184,139
Contract services	3,606,708	2,701,208	5,883,194	110,854	5,159,720	60,198	589,970	698,878	85,701	18,896,431
Cost of utilities sold	6,723,204	-	92,984	-	-	-	-	-	-	6,816,188
Employee benefits	1,065,224	1,857,861	238,639	495,196	1,505,991	179,319	644,672	430,770	128,256	6,545,928
Materials and supplies	1,934,029	505,210	133,335	331,457	481,460	139,152	575,004	44,204	165,410	4,309,261
Utilities	1,500,279	-	-	1,608,022	-	-	-	-	-	3,108,301
Interest on long-term debt	49,993	83,939	34,397	1,915,045	427	-	19,660	-	-	2,103,461
Grants to organizations	-	1,710,328	-	-	-	100,000	116,376	-	-	1,926,704
Repairs and maintenance	645,906	106,923	-	349,399	28,077	-	62,182	-	-	1,192,487
Training and development	81,379	494,318	45,772	22,869	261,897	14,828	63,517	42,110	13,861	1,040,551
General services	5,846	520,150	-	-	-	-	158,772	2,817	2,304	689,889
Loss on disposal of assets	(19,026)	288,242	-	-	24,875	-	15,737	-	-	309,828
Bank charges and interest	37,319	131,853	-	-	75,210	-	949	-	-	245,332
Telephone and communications	21,472	101,696	-	-	12,615	-	-	-	3,768	139,551
Other	-	-	-	-	-	-	-	-	131,141	131,141
	21,007,375	16,513,343	7,517,495	7,093,177	15,829,843	1,355,172	5,783,822	3,314,558	1,224,407	79,639,192
Net revenue, before amortization	20,135,554	55,215,561	10,353,348	(6,519,840)	(9,857,141)	(469,146)	(580,303)	2,776,587	51,161	71,105,780
Amortization	7,941,303	682,953	9,073,343	3,184,942	251,948	-	1,112,592	7,078	64,225	22,318,384
Excess of revenue over expenses	12,194,251	54,532,608	1,280,005	(9,704,782)	(10,109,089)	(469,146)	(1,692,895)	2,769,509	(13,064)	48,787,396

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 700 to 1008 hours per employee.

1. Significant Accounting Policies

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

Non-financial assets

i. Tangible capital assets

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

Land improvements	10-45 years
Buildings	5-50 years
Engineered Structures:	
Water system	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 not recorded as tangible capital assets but are disclosed.

1. Significant Accounting Policies

Non-financial assets

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

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 31.

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.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2017

2. Investments

	2017	2016
Fixed income securities	52,816,394	52,931,895
Cash	-	686
	52,816,394	52,932,581

The fixed income securities have a yield from 2.00% to 4.50% (2016 - 1.11% to 4.50%) and mature in periods 2019 through 2031. The market value of the investments at December 31, 2017 was \$51,494,644 (2016 - \$51,928,149).

3. Property Taxes Receivable

	2017	2016
Current taxes	1,335,343	1,242,988
Non-current taxes	256,297	216,508
	1,591,640	1,459,496

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, 2017 is \$751,791 (2016 - \$784,972), bearing interest at 5.00%, receivable in annual installments of \$72,429, due August 2032.

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 2017 total \$1,447,468 (2016 - \$1,288,585).

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2017

6. Deposits and Deferred Revenue

	2017	2016
Deferred government transfers	8,004,094	7,484,748
Deposits	2,364,499	2,610,589
Deferred revenue	1,110,719	726,961
	11,479,311	10,822,298

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, 2017

7. Long-term Debt

	2017	2016
Tax-supported debentures	43,086,270	45,631,763
Self-supported debentures	-	8,596
Offsite levy supported debentures	4,427,570	3,137,387
Capital leases	1,035,091	789,821
Leduc & District Regional Chamber of Commerce building mortgage	94,199	136,016
Mortgage	-	2,570,000
	48,643,130	52,273,583

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

	Principal	Interest	Total
2018	3,485,141	1,956,737	5,441,878
2019	3,512,184	1,832,186	5,344,370
2020	3,368,586	1,708,829	5,077,415
2021	2,666,753	1,592,593	4,259,346
2022	2,571,652	1,479,879	4,051,531
To maturity	33,038,814	8,042,743	41,081,557
	48,643,130	16,612,967	65,256,097

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 1.124% to 4.951% per annum, and matures in periods 2019 through 2038. The average annual interest rate is 4.72% (2016 - 4.89%). Debenture debt is issued on the credit and security of the City of Leduc at large.

The final principal payment on the mortgage was made on October 30, 2017 in the amount of \$2,570,000 plus the final interest installment of \$89,950.

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 2017 was \$4,382 (2016 - \$5,688).

The City of Leduc's total cash payments for interest on long-term debt in 2017 was \$2,144,277 (2016 - \$2,233,023).

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2017

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:

	2017	2016
Total debt limit	137,038,913	132,956,713
Total debt	48,548,931	52,137,565
<hr/>		
Amount of debt limit unused	88,489,982	80,819,148
<hr/>		
Service on debt limit	22,839,819	22,159,452
Service on debt	5,344,644	8,055,939
<hr/>		
Amount of debt servicing limit unused	17,495,175	14,103,513

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, 2017

9. Tangible Capital Assets

Cost	<i>Opening</i>	<i>Additions</i>	<i>Disposals</i>	<i>Closing</i>
Land	110,901,766	11,000,000	285,000	121,616,766
Land improvements	25,847,460	2,597,255	35,166	28,409,549
Buildings	128,623,096	2,860,976	-	131,484,071
Machinery and equipment	24,684,363	2,589,150	21,116	27,252,397
Vehicles	10,985,502	521,020	442,343	11,064,180
Engineered structures	731,489,065	46,407,580	-	777,896,645
	1,032,531,252	65,975,981	783,625	1,097,723,609
Construction-in-progress	4,162,354	4,997,422	-	9,159,776
	1,036,693,606	70,973,403	783,625	1,106,883,385
Accumulated amortization				
Land improvements	7,106,467	1,250,826	19,428	8,337,865
Buildings	29,174,862	2,992,884	-	32,167,743
Machinery and equipment	11,958,902	1,882,632	14,094	13,827,439
Vehicles	4,316,737	994,972	332,019	4,979,691
Engineered structures	235,100,867	15,197,071	-	250,297,939
	287,657,835	22,318,384	365,541	309,610,676
Net book value	749,035,771	48,655,020	418,084	797,272,707

During the year, tangible capital assets were acquired at an aggregate cost of \$70,973,403 (2016 - \$87,338,817), of which \$51,613,026 (2016 - \$61,307,404) was acquired as contributed assets. \$5,544,563 (2016 - \$4,323,216) remains in accounts payable and the remaining \$18,139,031 (2016 - \$26,506,564) was acquired by cash.

\$285,000 of the 2017 loss on disposal of assets was associated with a contribution of municipal titled land to the Board of Trustees of the Black Gold School Division as part of routine practice.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2017

9. Tangible Capital Assets

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 (2016 - \$1,848,552) which is 65% of the total cost of the Leduc Transit buses and included in vehicles accumulated amortization is \$646,993 (2016 - \$462,138) 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:

Cost	<i>Opening</i>	<i>Additions</i>	<i>Disposals</i>	Closing
Transit joint venture buses	1,848,552	-	-	1,848,552
Accumulated amortization				
Transit joint venture buses	462,138	184,855	-	646,993
Net book value	1,386,414	(184,855)	-	1,201,559

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, operating 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, 2017

10. Leduc Transit Joint Venture Agreement

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

	2017	2016
Statement of Financial Position		
Tangible capital assets		
Buses - cost	2,843,926	2,843,926
Buses - accumulated amortization	(995,375)	(710,982)
Accumulated surplus	1,848,551	2,132,944
Statement of Operations		
Operating revenue		
Sales and user charges	288,802	211,851
Transfer from City of Leduc	634,011	628,320
Transfer from Leduc County	341,391	302,414
	1,264,204	1,142,585
Operating expenses	(1,264,204)	(1,142,585)
Amortization expense	(284,393)	(284,393)
	(1,548,597)	(1,426,978)
Deficiency of revenue over expenses	(284,393)	(284,393)
Accumulated surplus, opening	2,132,944	2,417,337
Accumulated surplus, closing	1,848,551	2,132,944
Statement of Net Debt		
Deficiency of revenue over expenses	(284,393)	(284,393)
Amortization	284,393	284,393
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, 2017

11. Restricted Surplus

Surplus restricted for operating and capital activities changed as follows:

	<i>2016</i>	<i>Increases</i>	<i>Decreases</i>	2017
Restricted Operating Surplus				
General government	10,966,852	6,851,861	(9,884,417)	7,934,296
Operations	3,472,198	152,000	(530,701)	3,093,497
	14,439,050	7,003,861	(10,415,118)	11,027,793
Restricted Capital Surplus				
Operations	11,167,132	5,780,233	(3,079,975)	13,867,390
Community services	5,591,202	2,694,590	(2,733,042)	5,552,750
General government	4,352,765	1,105,129	(632,909)	4,824,985
Library	613,510	193,143	(138,104)	668,549
Downtown Business Association	101,608	3,137	-	104,745
	21,826,217	9,776,232	(6,584,030)	25,018,419
Restricted Offsite Levy Reserves				
Transportation Offsite Levy	5,502,939	2,969,638	(3,997,930)	4,474,647
Water Offsite Levy	2,417,741	2,631,425	(3,125,462)	1,923,704
Sanitary Offsite Levy	(702,299)	3,328,798	(2,626,499)	-
	7,218,381	8,929,861	(9,749,891)	6,398,351
	43,483,648	25,709,954	(26,749,039)	42,444,563

At this time we are up fronting the sanitary offsite levy reserve in the amount of \$3,055,172. This has been supported by the contingency reserve, which is included in the general government restricted operating surplus above.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2017

12. Equity in Tangible Capital Assets

	2017	2016
Tangible capital assets (Note 9)	1,106,883,385	1,036,693,606
Accumulated amortization (Note 9)	(309,610,676)	(287,657,835)
Long-term debt (Note 7)	(48,643,130)	(52,273,583)
	748,629,579	696,762,190

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	2017	2016
Mayor/Council				
R. Young - Current Mayor/Past Councillor	42,087	4,515	46,602	39,623
G. Finstad - Incumbent Councillor	36,590	8,974	45,564	45,369
T. Lazowski - Incumbent Councillor	36,590	7,702	44,292	44,096
B. Beckett - Incumbent Councillor	36,590	4,085	40,675	40,649
W. Hamilton - Newly Elected Councillor	4,926	1,710	6,636	-
L. Hansen - Newly Elected Councillor	4,926	936	5,862	-
L. Tillack - Newly Elected Councillor	4,926	2,012	6,938	-
G. Krischke - Past Mayor	67,305	10,156	77,461	88,646
D. Mackenzie - Past Councillor	31,805	7,269	39,074	45,369
D. Smith - Past Councillor	31,805	3,775	35,580	40,896
City Manager	266,981	9,756	276,737	269,634

- (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.
- (c) 2017 was an election year for Alberta municipalities.

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 253,862 people and 417 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 2017 were \$3,087,430 (2016 - \$3,012,567). Total current service contributions by the employees of the City of Leduc to the LAPP for 2017 were \$2,848,217 (2016 - \$2,779,271).

At December 31, 2016, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial deficiency of \$637,357,000 (2015 - \$923,416,000).

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 3.78% of employment income. Employees of the City of Leduc are required to make current service contributions of 2.84% of employment income.

The current service contributions by the City of Leduc to APEX in 2017 were \$63,944 (2016 - \$50,395). Total current service contributions by the employees of the City of Leduc to APEX for 2017 were \$48,041 (2016 - \$41,995).

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

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 \$130,540* (2016 - \$139,758*) held by the City on behalf of the beneficiaries. The actuarial valuation of the plan for service accrued to December 31, 2017 is estimated to be \$469,335 (2016 - \$401,868).

* 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.

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:

2018	5,102,949
2019	5,172,308
2020	5,277,934
2021	5,367,916
2022	5,443,661

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 statement of operations is amortization of \$22,318,384 (2016 - \$20,352,013).

Included in the disclosed budget on the consolidated statement of operations is \$6,889,668 (2016 - \$7,351,952) in non-capital expenses that were approved by Council as part of the capital budget. These expenses have been reclassified from the budget for the acquisition of tangible capital assets on the consolidated statement of changes in net financial assets (debt), resulting in a corresponding reduction in the budget presented.

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.