

CITY OF LEDUC

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018





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 8, 2019

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

City Manager

Independent Auditor's Report

To the Mayor and Council of the City of Leduc:

Opinion

We have audited the consolidated financial statements of the City of Leduc (the "City"), which comprise the consolidated statement of financial position at December 31, 2018, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the City of Leduc as at December 31, 2018, the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Administration is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Administration and Those Charged with Governance for the 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 administration determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, administration is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless administration either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by administration.
- Conclude on the appropriateness of administration's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

April 8, 2019
Leduc, Alberta

MNP LLP
Chartered Professional Accountants

City of Leduc
Consolidated Statement of Financial Position
As at December 31, 2018

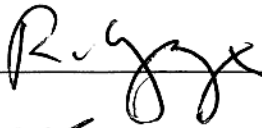
	2018	2017
Financial assets		
Cash	8,740,154	9,047,133
Investments (Note 2)	64,157,357	52,816,394
Property taxes receivable (Note 3)	1,819,684	1,591,640
Trade and other accounts receivable	6,560,850	6,069,167
	81,278,045	69,524,334
Liabilities		
Accounts payable and accrued liabilities	13,981,771	13,056,888
Deposits and deferred revenue (Note 5)	9,129,051	11,479,311
Long-term debt (Note 6)	61,685,928	48,643,130
	84,796,750	73,179,329
Net debt	(3,518,705)	(3,654,995)
Non-financial assets		
Tangible capital assets (Note 8)	815,424,999	797,272,707
Inventory for consumption	485,534	558,223
Prepaid expenses	208,697	223,786
	816,119,230	798,054,716
Accumulated surplus (Schedule I)	812,600,525	794,399,721

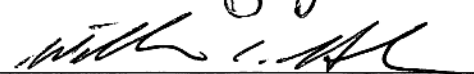
Contingencies (Note 15)

Commitments (Note 16)

Subsequent event (Note 19)

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, 2018

	<i>Budget 2018 (Note 17)</i>	2018	2017
Revenue			
Net municipal property taxes (<i>Schedule II</i>)	45,808,289	45,848,453	43,218,446
Utility services	23,383,849	23,004,374	21,346,879
Sales, user charges and costs recovered	8,782,000	8,845,233	9,112,227
Government transfers (<i>Schedule III</i>)	8,772,736	8,825,592	8,572,860
Contributions and levies	3,849,438	3,339,068	3,890,086
Property revenue	2,100,157	2,112,152	2,119,814
Interest and penalties	1,672,560	1,385,196	1,605,100
Enforcement services	1,170,800	843,691	1,335,790
	95,539,829	94,203,757	91,201,202
Expenses			
Utility and public services	23,651,684	23,723,795	21,026,402
Amortization (<i>Note 17</i>)	-	23,350,614	22,318,384
Administration	18,254,269	16,310,306	16,225,101
Protective services	16,716,629	16,231,628	15,804,968
Facility services	8,153,780	7,914,652	7,093,177
Recreation and community development	7,231,962	6,651,435	5,768,084
Engineering	5,450,240	5,354,866	7,517,495
Planning services	3,858,570	3,486,303	3,314,558
Family and community support services	1,673,121	1,469,271	1,355,172
Library	1,331,391	1,341,493	1,224,407
Loss on disposal of tangible capital assets	-	50,295	309,828
	86,321,647	105,884,658	101,957,576
Excess (deficiency) of revenue before other	9,218,183	(11,680,899)	(10,756,374)
Other			
Contributed assets	-	17,859,058	51,613,026
Government transfers for capital (<i>Schedule III</i>)	19,743,905	11,460,843	7,462,842
Capital contributions	-	561,801	467,903
	19,743,905	29,881,702	59,543,771
Excess of revenue over expenses	28,962,088	18,200,804	48,787,395
Accumulated surplus, beginning of year	794,399,721	794,399,721	745,612,326
Accumulated surplus, end of year	823,361,809	812,600,525	794,399,721

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, 2018

	<i>Budget 2018 (Note 17)</i>	2018	<i>2017</i>
Excess of revenue over expenses	28,962,088	18,200,804	48,787,395
Acquisition of tangible capital assets	(43,779,242)	(23,719,198)	(19,360,378)
Contributed tangible capital assets	-	(17,859,058)	(51,613,026)
Proceeds on disposal of tangible capital assets	-	25,056	108,256
Amortization of tangible capital assets	-	23,350,614	22,318,384
Loss on disposal of tangible capital assets	-	50,295	309,828
Use of inventory for consumption	-	72,689	24,609
Use (acquisition) of prepaid expenses	-	15,087	(53,646)
Change in net debt	(14,817,154)	136,289	521,422
Net debt, beginning of year	(3,654,995)	(3,654,995)	(4,176,418)
Net debt, end of year	(18,472,149)	(3,518,705)	(3,654,995)

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, 2018

	2018	2017
Cash provided by (used for) the following activities:		
Operating		
Excess of revenue over expenses	18,200,804	48,787,395
Non-cash items:		
Amortization of tangible capital assets	23,350,614	22,318,384
Loss on disposal of tangible capital assets	50,295	309,828
Tangible capital assets received as contributions	(17,859,058)	(51,613,026)
Net change in non-cash operating working capital balances:		
(Increase) decrease in trade and other accounts receivable	(491,684)	1,349,787
Increase in property taxes receivable	(228,044)	(132,144)
Decrease (increase) in prepaid expenses	15,089	(53,646)
Decrease in inventory for consumption	72,689	24,609
Increase (decrease) in accounts payable and accrued liabilities	1,267,237	(1,473,337)
(Decrease) increase in deposits and deferred revenue	(2,350,260)	657,013
	22,027,682	20,174,863
Capital		
Proceeds on disposition of tangible capital assets	25,056	108,256
Acquisition of tangible capital assets (Note 8)	(24,061,553)	(18,139,031)
	(24,036,497)	(18,030,775)
Investing		
(Increase) decrease in investments	(11,340,963)	116,187
Financing		
Proceeds from long-term debt	16,600,000	2,480,128
Repayment of long-term debt	(3,557,202)	(6,110,581)
	13,042,798	(3,630,453)
Decrease in cash	(306,979)	(1,370,177)
Cash, beginning of year	9,047,133	10,417,310
Cash, end of year	8,740,154	9,047,133

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, 2018

	<i>Unrestricted Surplus</i>	<i>Restricted Surplus (Note 10)</i>	<i>Equity in Tangible Capital Assets (Note 11)</i>	2018	2017
Balance, beginning of year	3,325,577	42,444,563	748,629,579	794,399,721	745,612,326
Excess of revenue over expenses	18,200,804	-	-	18,200,804	48,787,395
Unrestricted funds designated for future use	(19,650,851)	19,650,851	-	-	-
Restricted funds for operations	2,738,597	(2,738,597)	-	-	-
Restricted funds used for tangible capital assets	-	(16,791,411)	16,791,411	-	-
Current year funds used for tangible capital assets	(6,927,789)	-	6,927,790	-	-
Contributed tangible capital assets	(17,859,058)	-	17,859,058	-	-
Net book value of tangible capital assets disposed	75,356	-	(75,356)	-	-
Amortization	23,350,614	-	(23,350,614)	-	-
Proceeds on long-term debt	16,600,000	-	(16,600,000)	-	-
Long-term debt repaid	(3,557,202)	-	3,557,202	-	-
Change in accumulated surplus	12,970,471	120,843	5,109,491	18,200,804	48,787,395
Balance, end of year	16,296,046	42,565,406	753,739,070	812,600,525	794,399,721

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, 2018

	<i>Budget 2018</i>	2018	<i>2017</i>
Taxation			
Property taxes	62,470,057	62,510,518	61,056,756
Local improvement taxes	8,606	8,309	18,509
	62,478,663	62,518,827	61,075,265
Requisitions			
Education	16,554,811	16,554,811	17,752,690
Leduc Foundation	115,563	115,563	104,129
	16,670,374	16,670,374	17,856,819
Net municipal property taxes	45,808,289	45,848,453	43,218,446

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, 2018

	<i>Budget 2018</i>	2018	<i>2017</i>
Operating			
Federal transfers	36,850	6,528	6,314
Provincial transfers	4,936,216	4,784,010	4,735,137
Local transfers	3,799,670	4,035,054	3,831,409
Total operating government transfers	8,772,736	8,825,592	8,572,860
Capital			
Federal transfers	4,969,423	1,815,416	1,500,819
Provincial transfers	13,630,245	9,476,475	5,962,023
Local transfers	1,144,237	168,952	-
Total capital government transfers	19,743,905	11,460,843	7,462,842
Total government transfers	28,516,641	20,286,435	16,035,702

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, 2018

	<i>Budget 2018 (Note 17)</i>	2018	<i>2017</i>
Consolidated expenses by object			
Salaries and wages	34,892,304	33,935,970	32,184,139
Amortization	-	23,350,614	22,318,384
Contract services	19,476,907	18,258,497	18,896,431
Cost of utilities sold	8,010,000	7,666,108	6,816,188
Employee benefits	7,533,045	6,762,466	6,545,928
Materials and supplies	4,959,036	4,640,116	4,309,261
Utilities	3,411,489	3,272,089	3,108,301
Grants to organizations	2,041,431	2,162,837	1,926,704
Interest on long-term debt	2,262,506	2,145,590	2,103,461
Repairs and maintenance	1,265,506	1,285,591	1,192,487
Training and development	1,110,686	1,011,754	1,040,551
General services	812,481	684,403	689,889
Bank charges and interest	247,512	354,602	245,331
Telephone and communications	164,883	155,370	139,552
Other	133,859	148,356	131,141
Loss on disposal of tangible capital assets	-	50,295	309,828
	86,321,647	105,884,658	101,957,576

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, 2018

	<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										
Net municipal property taxes	8,309	45,840,144	-	-	-	-	-	-	-	45,848,453
Utility services	13,944,808	6,605,450	2,454,116	-	-	-	-	-	-	23,004,374
Government transfers	552,599	12,646,142	2,057,871	-	3,464,276	804,678	440,174	43,000	277,696	20,286,435
Contributed assets	9,244,496	2,783,342	5,831,220	-	-	-	-	-	-	17,859,058
Sales, user charges and costs recovered	1,130,036	420,193	326,362	325	1,214,310	52,013	2,706,617	1,918,802	1,076,576	8,845,233
Contributions and levies	-	-	-	-	-	-	312,800	3,026,268	-	3,339,068
Property revenue	3,600	-	-	317,540	-	-	1,788,562	-	2,450	2,112,152
Interest and penalties	198,709	1,186,486	-	-	-	-	-	-	-	1,385,196
Enforcement services	-	-	-	-	843,691	-	-	-	-	843,691
Capital contributions	576	-	439,851	-	10,000	-	111,375	-	-	561,802
	25,083,133	69,481,757	11,109,420	317,865	5,532,277	856,691	5,359,528	4,988,070	1,356,722	124,085,459
Expenses										
Salaries and wages	5,718,293	8,241,574	1,094,662	2,355,334	8,552,082	901,960	4,178,717	2,129,300	764,046	33,935,970
Contract services	4,582,255	2,387,589	3,715,030	682,758	5,327,479	78,488	650,336	736,417	98,146	18,258,497
Cost of utilities sold	7,570,188	-	95,920	-	-	-	-	-	-	7,666,108
Employee benefits	1,098,258	1,878,186	247,644	509,103	1,548,343	174,748	720,860	447,773	137,551	6,762,466
Materials and supplies	2,171,784	484,053	126,305	338,617	393,725	174,575	661,269	104,531	185,257	4,640,116
Utilities	1,600,638	-	-	1,671,450	-	-	-	-	-	3,272,089
Grants to organizations	-	1,941,091	-	-	-	100,000	121,746	-	-	2,162,837
Interest on long-term debt	162,355	10,769	24,026	1,928,535	4,103	-	15,802	-	-	2,145,590
Repairs and maintenance	686,417	83,478	-	410,876	43,686	148	60,986	-	-	1,285,591
Training and development	77,774	470,954	51,279	17,978	209,475	16,952	87,277	63,325	16,740	1,011,754
General services	7,503	522,788	-	-	-	-	147,002	4,956	2,154	684,403
Bank charges and interest	27,303	162,156	-	-	135,302	22,399	7,441	-	-	354,602
Telephone and communications	21,026	113,171	-	-	17,433	-	-	-	3,740	155,370
Other	-	14,497	-	-	-	-	-	-	133,859	148,356
Loss on disposal of assets	15,760	15,342	-	-	19,192	-	-	-	-	50,295
	23,739,554	16,325,648	5,354,866	7,914,652	16,250,820	1,469,270	6,651,436	3,486,302	1,341,493	82,534,044
Net revenue, before amortization	1,343,579	53,156,109	5,754,554	(7,596,786)	(10,718,543)	(612,579)	(1,291,908)	1,501,768	15,229	41,551,416
Amortization	8,227,441	677,257	9,698,145	3,223,261	280,428	-	1,175,958	5,247	62,878	23,350,614
Excess (deficiency) of revenue over expenses	(6,883,862)	52,478,852	(3,943,591)	(10,820,047)	(10,998,971)	(612,579)	(2,467,866)	1,496,521	(47,649)	18,200,804

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.

1. Significant Accounting Policies

Non-financial assets

v. 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.

Change in accounting policies

Effective January 1, 2018, the City adopted the recommendations relating to the following Sections, as set out in the CPA Canada Public Sector Accounting Handbook: PS 3210 *Assets*, PS 3320 *Contingent Assets*, PS 3380 *Contractual Rights*, PS 2200 *Related Party Disclosures*, PS 3420 *Inter-Entity Transactions*. Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statements of adopting the new Sections.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

2. Investments

	2018	2017
Fixed income securities	64,157,357	52,816,394

The fixed income securities have a yield from 1.68% to 4.50% (2017 - 2.00% to 4.50%) and mature in periods 2019 through 2031. The market value of the investments at December 31, 2018 was \$61,717,008 (2017 - \$51,494,644).

3. Property Taxes Receivable

	2018	2017
Current taxes	1,401,073	1,335,343
Non-current taxes	418,611	256,297
	<hr/> 1,819,684	<hr/> 1,591,640

4. 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 2018 total \$1,490,751 (2017 - \$1,447,468).

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

5. Deposits and Deferred Revenue

	2018	2017
Deferred government transfers	5,785,724	8,004,094
Deposits	2,431,992	2,364,499
Deferred revenue	911,336	1,110,718
	9,129,051	11,479,311

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, 2018

6. Long-term Debt

	2018	2017
Tax-supported debentures	53,290,436	43,086,270
Offsite levy supported debentures	7,496,657	4,427,570
Capital leases	898,835	1,035,091
Leduc & District Regional Chamber of Commerce building mortgage	-	94,199
	61,685,928	48,643,130

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

	Principal	Interest	Total
2019	4,117,537	2,358,022	6,475,559
2020	3,993,571	2,215,072	6,208,643
2021	3,311,974	2,078,609	5,390,583
2022	3,237,755	1,945,012	5,182,767
2023	3,369,455	1,813,045	5,182,500
To maturity	43,655,636	10,206,864	53,862,500
	61,685,928	20,616,624	82,302,552

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 3.52% (2017 - 4.72%). Debenture debt is issued on the credit and security of the City of Leduc at large.

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 2018 was \$3,035 (2017 - \$4,382).

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

7. 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:

	2018	2017
Total debt limit	142,148,337	137,038,913
Total debt	61,685,928	48,548,931
<hr/>		
Amount of debt limit unused	80,462,409	88,489,982
<hr/>		
Service on debt limit	23,691,390	22,839,819
Service on debt	6,475,559	5,344,644
<hr/>		
Amount of debt servicing limit unused	17,215,831	17,495,175

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, 2018

8. Tangible Capital Assets

Cost	<i>Opening</i>	<i>Additions</i>	<i>Disposals</i>	<i>Closing</i>
Land	121,616,766	2,783,342	-	124,400,108
Land improvements	28,409,549	3,524,222	-	31,933,771
Buildings	131,484,071	1,057,416	-	132,541,486
Machinery and equipment	27,252,397	2,185,506	1,055,521	28,382,382
Vehicles	11,064,180	302,141	7,382	11,358,940
Engineered structures	777,896,645	36,529,814	-	814,426,459
	1,097,723,609	46,382,441	1,062,903	1,143,043,146
Construction-in-progress	9,159,776	-	4,804,183	4,355,593
	1,106,883,385	46,382,441	5,867,086	1,147,398,739
Accumulated amortization				
Land improvements	8,337,865	1,387,102	-	9,724,967
Buildings	32,167,743	3,025,703	-	35,193,443
Machinery and equipment	13,827,439	1,984,885	980,169	14,832,154
Vehicles	4,979,691	875,181	7,381	5,847,492
Engineered structures	250,297,939	16,077,744	-	266,375,684
	309,610,676	23,350,614	987,550	331,973,740
Net book value	797,272,707	23,031,828	4,879,536	815,424,999

During the year, tangible capital assets were acquired at an aggregate cost of \$41,578,257 (2017 - \$70,973,403), of which \$17,859,058 (2017 - \$51,613,026) was acquired as contributed assets. \$5,202,209 (2017 - \$5,544,563) remains in accounts payable and the remaining \$24,061,553 (2017 - \$18,139,031) was acquired by cash. Total additions to tangible capital assets consist of acquisitions of \$41,578,257 and the addition of \$4,804,183 from 2017 construction in progress.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

8. Tangible Capital Assets

Based on the Leduc Transit Joint Venture Agreement (*Note 9*) 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 \$831,848 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	646,993	184,855	-	831,848
Net Book Value	1,201,559	184,855	-	1,016,704

9. Leduc Transit Joint Venture Agreement

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

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

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

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

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

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

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

9. Leduc Transit Joint Venture Agreement

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

	2018	2017
Statement of Financial Position		
Tangible capital assets		
Buses - cost	2,843,926	2,843,926
Buses - accumulated amortization	(1,279,767)	(995,375)
Accumulated surplus	1,564,159	1,848,551
Statement of Operations		
Operating revenue		
Sales and user charges	320,770	288,802
Transfer from City of Leduc	884,538	634,011
Transfer from Leduc County	476,290	341,391
	1,681,598	1,264,204
Operating expenses	(1,681,598)	(1,264,204)
Amortization expense	(284,393)	(284,393)
	(1,965,991)	(1,548,597)
Deficiency of revenue over expenses	(284,393)	(284,393)
Accumulated surplus, opening	1,848,551	2,132,944
Accumulated surplus, closing	1,564,159	1,848,551
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, 2018

10. Restricted Surplus

Surplus restricted for operating and capital activities changed as follows:

	<i>2017</i>	<i>Increases</i>	<i>Decreases</i>	<i>2018</i>
Restricted Operating Surplus				
General government	7,934,296	3,662,589	(1,879,581)	9,717,304
Operations	3,093,497	355,905	(859,016)	2,590,386
	11,027,793	4,018,494	(2,738,597)	12,307,690
Restricted Capital Surplus				
Operations	13,867,390	5,489,775	(5,254,007)	14,103,158
Community services	5,552,750	2,283,860	(2,452,431)	5,384,179
General government	4,824,985	793,211	(1,095,464)	4,522,732
Library	668,549	39,498	(9,500)	698,547
Downtown Business Association	104,745	2,314	-	107,059
	25,018,419	8,608,658	(8,811,402)	24,815,675
Restricted Offsite Levy Reserves				
Transportation Offsite Levy	4,474,647	2,193,778	(2,143,042)	4,525,383
Water Offsite Levy	1,923,704	381,376	(1,388,422)	916,658
Sanitary Offsite Levy	-	4,448,544	(4,448,544)	-
	6,398,351	7,023,698	(7,980,008)	5,442,041
	42,444,563	19,650,851	(19,530,007)	42,565,406

At this time the City is up fronting the sanitary offsite levy reserve in the amount of \$2,984,490 (2017 - \$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, 2018

11. Equity in Tangible Capital Assets

	2018	2017
Tangible capital assets <i>(Note 8)</i>	1,147,398,739	1,106,883,385
Accumulated amortization <i>(Note 8)</i>	(331,973,740)	(309,610,676)
Long-term debt <i>(Note 6)</i>	(61,685,928)	(48,643,130)
	753,739,070	748,629,579

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:

	Salary	Benefits & allowances	2018	2017
Mayor/Council				
R. Young - Mayor	78,424	8,935	87,359	46,602
L. Tillack - Councillor	37,073	9,712	46,785	6,938
W. Hamilton - Councillor	37,073	9,413	46,486	6,636
G. Finstad - Councillor	37,073	9,039	46,112	45,564
T. Lazowski - Councillor	37,073	7,766	44,839	44,292
L. Hansen - Councillor	37,073	4,652	41,725	5,862
B. Beckett - Councillor	37,073	4,089	41,162	40,675
G. Krischke - Past Mayor	-	-	-	77,461
D. Mackenzie - Past Councillor	-	-	-	39,074
D. Smith - Past Councillor	-	-	-	35,580
City Manager	278,211	10,001	288,212	288,937

- (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.

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 259,714 people and 420 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 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the City of Leduc are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

The current service contributions by the City of Leduc to the LAPP in 2018 were \$2,991,463 (2017 - \$3,087,430). Total current service contributions by the employees of the City of Leduc to the LAPP for 2018 were \$2,740,664 (2017 - \$2,848,217).

At December 31, 2017, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial surplus of \$4,835,515,000 (2016 - deficiency of \$637,357,000).

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 3.78% 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 2018 were \$66,000 (2017 - \$63,944). Total current service contributions by the employees of the City of Leduc to APEX for 2018 were \$49,587 (2017 - \$48,041).

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.

14. 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 \$165,679* (2017 - \$130,540*) held by the City on behalf of the beneficiaries. The actuarial valuation of the plan for service accrued to December 31, 2018 is estimated to be \$497,613 (2017 - \$469,335).

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

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.

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.

16. 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:

2019	5,877,593
2020	5,897,650
2021	6,067,706
2022	6,172,968
2023	6,296,427

17. 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 \$23,350,614 (2017 - \$22,318,384).

Included in the disclosed budget on the consolidated statement of operations is \$5,082,955 (2017 - \$6,889,668) 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 debt, resulting in a corresponding reduction in the budget presented.

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 consolidated financial statements as disclosed in Note 1.

Refer to Schedule V - Schedule of Segmented Disclosure.

19. Subsequent Event

On January 1, 2019, the City of Leduc assumed management and operations of the Maclab Centre for the Performing Arts.

20. Comparative Figures

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