

**City of Leduc  
Consolidated Financial Statements**

**December 31, 2013**



## ADMINISTRATION'S RESPONSIBILITY FOR FINANCIAL REPORTING

Administration is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, administration designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The elected Mayor and Council of the City are composed entirely of individuals who are neither administration nor employees of the City of Leduc. The Finance Committee has the responsibility of meeting with administration and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Mayor and Council are also responsible for recommending the appointment of the City of Leduc's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the Mayor and Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Mayor and Council and the Finance Committee and administration to discuss their audit findings.

April 14, 2014

A handwritten signature in cursive script, appearing to read "Paul Bonnell", written over a horizontal line.

City Manager

## Independent Auditor's 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, 2013, the consolidated statements of operations, changes in net debt, cash flows, and schedules I through V for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Administration's Responsibility for Consolidated Financial Statements*

Administration is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by administration, as well as evaluating the overall presentation of the consolidated financial statements.

We believe the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Leduc as at December 31, 2013, and the results of its operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

April 14, 2014  
Leduc, Alberta

  
Chartered Accountants

**City of Leduc**  
**Consolidated Statement of Financial Position**

*As at December 31, 2013*

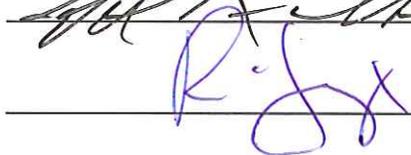
	<u>2013</u>	<u>2012</u>
<b>Financial assets</b>		
Cash	35,480,805	19,854,163
Investments (Note 2)	30,185,140	29,538,154
Property for resale inventory	-	320,253
Property taxes receivable (Note 3)	1,023,687	1,750,348
Trade and other accounts receivable (Note 4)	5,474,330	5,678,259
	<b>72,163,962</b>	<b>57,141,177</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	8,390,970	8,026,833
Deposits and deferred revenue (Note 6)	15,800,670	13,339,234
Long-term debt (Note 7)	49,942,095	52,587,185
	<b>74,133,735</b>	<b>73,953,252</b>
<b>Net debt</b>	<b>(1,969,773)</b>	<b>(16,812,075)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 9)	560,918,245	548,930,846
Inventory for consumption	472,856	378,408
Prepaid expenses	135,266	146,064
	<b>561,526,367</b>	<b>549,455,318</b>
<b>Accumulated surplus (Schedule I)</b>	<b>559,556,594</b>	<b>532,643,243</b>

Contingencies (Note 15)

Commitments (Note 16)

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, 2013*

	<i>Budget 2013 (Note 17)</i>	<b>2013</b>	<i>2012</i>
<b>Revenue</b>			
Net municipal property taxes ( <i>Schedule II</i> )	31,480,558	<b>31,573,651</b>	29,040,673
Utility services	14,599,945	<b>15,823,094</b>	13,868,978
Sales, user charges and costs recovered	8,902,739	<b>9,606,930</b>	9,139,653
Contributions and levies	2,704,199	<b>8,515,414</b>	4,003,237
Government transfers ( <i>Schedule III</i> )	7,213,917	<b>7,216,780</b>	6,952,519
Property revenue	1,956,998	<b>2,007,493</b>	2,204,805
Interest and penalties	1,303,600	<b>1,454,349</b>	1,344,846
Enforcement services	1,141,000	<b>1,299,184</b>	1,378,988
Gain on disposal of assets	-	<b>351,200</b>	312,761
	69,302,956	<b>77,848,095</b>	68,246,460
<b>Expenses</b>			
Utility and public services	14,007,100	<b>20,235,289</b>	18,876,373
Administration	13,969,943	<b>12,448,934</b>	11,500,109
Engineering	3,031,155	<b>9,928,122</b>	9,686,668
Facility services	6,976,860	<b>9,070,057</b>	9,131,913
Family and community support services	7,570,830	<b>6,920,532</b>	6,145,992
Protective services	6,489,038	<b>6,562,865</b>	6,179,373
Recreation and community development	5,154,319	<b>5,371,148</b>	5,282,882
Planning services	2,035,153	<b>2,186,631</b>	2,105,416
Library	1,026,396	<b>1,036,561</b>	1,004,530
	60,260,794	<b>73,760,139</b>	69,913,256
<b>Excess (deficiency) of revenue before other</b>	9,042,162	<b>4,087,956</b>	(1,666,796)
<b>Other</b>			
Contributed assets	-	<b>13,338,000</b>	3,644,000
Government transfers for capital ( <i>Schedule III</i> )	16,015,869	<b>7,190,739</b>	7,150,839
Capital contributions	-	<b>2,296,656</b>	1,355,897
	16,015,869	<b>22,825,395</b>	12,150,736
<b>Excess of revenue over expenses</b>	25,058,031	<b>26,913,351</b>	10,483,940
<b>Accumulated surplus, beginning of year</b>	532,643,243	<b>532,643,243</b>	522,159,303
<b>Accumulated surplus, end of year</b>	557,701,274	<b>559,556,594</b>	532,643,243

*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, 2013*

	<i>Budget 2013 (Note 17)</i>	<b>2013</b>	2012
<b>Excess of revenue over expenses</b>	25,058,031	<b>26,913,351</b>	10,483,940
Acquisition of tangible capital assets	(37,422,534)	<b>(15,282,588)</b>	(20,781,159)
Contributed tangible capital assets	-	<b>(13,338,000)</b>	(3,644,000)
Proceeds on disposal of tangible capital assets	-	<b>944,623</b>	826,812
Amortization of tangible capital assets	-	<b>16,039,766</b>	15,298,519
Gain on sale of tangible capital assets	-	<b>(351,200)</b>	(312,761)
Acquisition of inventory for consumption	-	<b>(94,448)</b>	(56,608)
Use (acquisition) of prepaid expenses	-	<b>10,798</b>	(40,366)
Reclassification of property held for resale inventory	-	-	320,253
<b>Decrease (increase) in net debt</b>	(12,364,503)	<b>14,842,302</b>	2,094,630
<b>Net debt, beginning of year</b>	(16,812,075)	<b>(16,812,075)</b>	(18,906,705)
<b>Net debt, end of year</b>	(29,176,578)	<b>(1,969,773)</b>	(16,812,075)

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**City of Leduc**  
**Consolidated Statement of Cash Flows**  
*For the year ended December 31, 2013*

	<b>2013</b>	<b>2012</b>
<b>Cash provided by (used for) the following activities:</b>		
<b>Operating</b>		
Excess of revenue over expenses	26,913,351	10,483,940
Non-cash items:		
Amortization of tangible capital assets	16,039,766	15,298,519
Gain on disposal of tangible capital assets	(351,200)	(312,761)
Tangible capital assets received as contributions	(13,338,000)	(3,644,000)
Net change in non-cash operating working capital balances:		
Decrease in trade and other accounts receivable	203,929	5,697,742
Decrease in property taxes receivable	726,661	169,462
Decrease (increase) in prepaid expenses	10,798	(40,366)
Increase in inventory for consumption	(94,448)	(56,608)
Decrease in inventory held for resale	320,253	-
Increase (decrease) in accounts payable and accrued liabilities	(691,728)	528,720
Increase (decrease) in deposits and deferred revenue	2,461,436	(1,466,446)
	<b>32,200,818</b>	<b>26,658,202</b>
<b>Capital</b>		
Proceeds on disposition of tangible capital assets	944,623	826,812
Acquisition of tangible capital assets ( <i>Note 9</i> )	(14,226,723)	(17,308,773)
	<b>(13,282,100)</b>	<b>(16,481,961)</b>
<b>Investing</b>		
Increase in investments	(646,986)	(15,516,057)
<b>Financing</b>		
Repayment of long-term debt	(2,645,090)	(2,322,794)
<b>Increase (decrease) in cash</b>	<b>15,626,642</b>	<b>(7,662,610)</b>
<b>Cash, beginning of year</b>	<b>19,854,163</b>	<b>27,516,773</b>
<b>Cash, end of year</b>	<b>35,480,805</b>	<b>19,854,163</b>

*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, 2013*

	<i>Unrestricted Surplus</i>	<i>Restricted Surplus (Note 10)</i>	<i>Equity in Tangible Capital Assets (Note 11)</i>	<i>2013</i>	<i>2012</i>
<b>Balance, beginning of year</b>	<b>6,164,962</b>	<b>30,134,620</b>	<b>496,343,661</b>	<b>532,643,243</b>	522,159,303
Excess of revenue over expenses	26,913,351	-	-	26,913,351	10,483,940
Unrestricted funds designated for future use	(22,072,050)	22,072,050	-	-	-
Restricted funds for operations	1,055,776	(1,055,776)	-	-	-
Restricted funds used for tangible capital assets	-	(8,255,331)	8,255,331	-	-
Current year funds used for tangible capital assets	(7,027,257)	-	7,027,257	-	-
Contributed tangible capital assets	(13,338,000)	-	13,338,000	-	-
Disposal of tangible capital assets	593,423	-	(593,423)	-	-
Annual amortization expense	16,039,766	-	(16,039,766)	-	-
Long-term debt repaid	(2,645,090)	-	2,645,090	-	-
<b>Change in accumulated surplus</b>	<b>(480,081)</b>	<b>12,760,943</b>	<b>14,632,489</b>	<b>26,913,351</b>	10,483,940
<b>Balance, end of year</b>	<b>5,684,881</b>	<b>42,895,563</b>	<b>510,976,150</b>	<b>559,556,594</b>	532,643,243

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**City of Leduc**  
**Schedule II - Schedule of Property Taxes Levied**  
*For the year ended December 31, 2013*

	<i>Budget</i> 2013	<b>2013</b>	2012
<b>Taxation</b>			
Property taxes	43,559,510	<b>43,652,603</b>	39,503,987
Local improvement taxes	19,588	<b>19,588</b>	19,588
	43,579,098	<b>43,672,191</b>	39,523,575
<b>Requisitions</b>			
Education	12,008,099	<b>12,008,099</b>	10,393,484
Seniors Foundation	90,441	<b>90,441</b>	89,418
	12,098,540	<b>12,098,540</b>	10,482,902
<b>Net municipal property taxes</b>	31,480,558	<b>31,573,651</b>	29,040,673

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**City of Leduc**  
**Schedule III - Schedule of Government Transfers**  
*For the year ended December 31, 2013*

	<i>Budget 2013</i>	<b>2013</b>	<i>2012</i>
<b>Operating</b>			
Provincial transfers	4,162,132	<b>4,113,810</b>	4,061,763
Local transfers	3,051,785	<b>3,102,970</b>	2,890,756
<b>Total Operating Government Transfers</b>	7,213,917	<b>7,216,780</b>	6,952,519
<b>Capital</b>			
Federal transfers	5,051,615	<b>245,919</b>	-
Provincial transfers	10,258,134	<b>6,944,820</b>	7,150,839
Local transfers	706,120	-	-
<b>Total Capital Government Transfers</b>	16,015,869	<b>7,190,739</b>	7,150,839
<b>Total Government Transfers</b>	23,229,786	<b>14,407,519</b>	14,103,358

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**City of Leduc**  
**Schedule IV - Consolidated Schedule of Expenses by Object**  
*For the year ended December 31, 2013*

	<i>Budget 2013 (Note 17)</i>	<b>2013</b>	2012
<b>Consolidated expenses by object</b>			
Salaries and wages	25,765,216	<b>23,787,903</b>	22,404,433
Amortization	-	<b>16,039,766</b>	15,298,519
Contract services	11,600,654	<b>10,976,065</b>	9,975,198
Cost of utilities sold	5,056,000	<b>5,303,819</b>	4,710,495
Employee benefits	4,927,718	<b>4,286,065</b>	4,176,743
Materials and supplies	3,459,599	<b>3,813,016</b>	3,243,485
Utilities	2,694,956	<b>2,629,659</b>	2,731,800
Interest on long-term debt	2,200,172	<b>2,204,319</b>	2,308,520
Grants to organizations	1,720,591	<b>1,719,535</b>	2,208,994
Repairs and maintenance	952,028	<b>1,006,844</b>	898,126
Training and development	883,906	<b>998,395</b>	738,023
General services	500,117	<b>512,740</b>	456,387
Bank charges and interest	202,700	<b>205,029</b>	485,134
Telephone and communications	187,564	<b>167,408</b>	173,601
Other	109,573	<b>109,576</b>	103,798
	<b>60,260,794</b>	<b>73,760,139</b>	69,913,256

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**City of Leduc**  
**Schedule V - Schedule of Segmented Disclosure**

*For the year ended December 31, 2013*

	<i>Utility and public services</i>	<i>Administration</i>	<i>Engineering</i>	<i>Facility services</i>	<i>Protective services</i>	<i>Family and community support services</i>	<i>Recreation and community development</i>	<i>Planning services</i>	<i>Library</i>	<i>Total</i>
<b>Revenue</b>										
Net municipal property taxes	-	31,554,063	19,588	-	-	-	-	-	-	31,573,651
Utility services	9,575,693	4,324,995	1,922,406	-	-	-	-	-	-	15,823,094
Government transfers	-	2,795,915	7,060,085	244,672	2,416,103	1,142,378	606,850	1,169	140,347	14,407,519
Contributed assets	-	-	13,338,000	-	-	-	-	-	-	13,338,000
Sales, user charges and costs recovered	1,093,841	371,317	156,904	2,445	910,665	983,920	2,592,374	2,577,257	918,207	9,606,930
Contributions and levies	-	-	-	-	-	-	435,400	8,080,014	-	8,515,414
Capital contributions	-	-	149,915	-	-	-	5,000	2,141,741	-	2,296,656
Property revenue	-	-	-	395,570	-	-	1,611,923	-	-	2,007,493
Interest and penalties	161,382	1,292,967	-	-	-	-	-	-	-	1,454,349
Enforcement services	-	-	-	-	-	1,299,184	-	-	-	1,299,184
Gain (loss) on disposal of assets	-	(1,905)	-	353,105	-	-	-	-	-	351,200
	<b>10,830,916</b>	<b>40,337,352</b>	<b>22,646,898</b>	<b>995,792</b>	<b>3,326,768</b>	<b>3,425,482</b>	<b>5,251,547</b>	<b>12,800,181</b>	<b>1,058,554</b>	<b>100,673,490</b>
<b>Expenses</b>										
Salaries and wages	3,845,320	5,456,576	710,320	1,866,231	4,715,687	2,113,275	2,949,240	1,546,383	584,871	23,787,903
Contracted services	2,348,070	1,825,061	1,759,194	154,826	139,828	4,185,283	277,477	242,618	43,709	10,976,066
Cost of utilities sold	5,188,741	-	115,078	-	-	-	-	-	-	5,303,819
Employee benefits	692,088	1,042,730	148,295	376,795	733,380	403,396	482,438	305,657	101,286	4,286,065
Materials and supplies	1,301,377	947,062	102,674	235,002	372,848	88,857	567,859	37,631	159,705	3,813,015
Utilities	1,180,258	-	-	1,449,401	-	-	-	-	-	2,629,659
Interest on long-term debt	-	-	35,329	2,135,426	-	-	33,564	-	-	2,204,319
Grants to organizations	-	1,502,035	-	-	-	80,000	137,500	-	-	1,719,535
Repairs and maintenance	407,355	69,522	-	431,461	37,591	5,485	55,430	-	-	1,006,844
Training and development	63,221	545,730	35,818	19,983	172,569	29,518	74,641	44,411	12,504	998,395
General services	-	386,655	-	-	-	-	123,023	845	2,217	512,740
Bank charges and interest	2,508	128,171	-	-	73,167	1,068	115	-	-	205,029
Telephone and communications	18,133	136,396	-	-	9,293	-	-	-	3,586	167,408
Other	-	3	-	-	-	-	-	-	109,573	109,576
	<b>15,047,071</b>	<b>12,039,941</b>	<b>2,906,708</b>	<b>6,669,125</b>	<b>6,254,363</b>	<b>6,906,882</b>	<b>4,701,287</b>	<b>2,177,545</b>	<b>1,017,451</b>	<b>57,720,373</b>
<b>Net revenue, before amortization</b>	<b>(4,216,155)</b>	<b>28,297,411</b>	<b>19,740,190</b>	<b>(5,673,333)</b>	<b>(2,927,595)</b>	<b>(3,481,400)</b>	<b>550,260</b>	<b>10,622,636</b>	<b>41,103</b>	<b>42,953,117</b>
Amortization expense	5,188,218	408,993	7,021,414	2,400,932	308,502	13,650	669,861	9,086	19,110	16,039,766
<b>Excess of revenue over expenses</b>	<b>(9,404,373)</b>	<b>27,888,418</b>	<b>12,718,776</b>	<b>(8,074,265)</b>	<b>(3,236,097)</b>	<b>(3,495,050)</b>	<b>(119,601)</b>	<b>10,613,550</b>	<b>21,993</b>	<b>26,913,351</b>

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

**1. Significant accounting policies**

The consolidated financial statements of the City of Leduc (the "City") are the representations of administration prepared in accordance with accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City of Leduc are as follows:

***Reporting entity***

The consolidated financial statements reflect the assets, liabilities, revenue, expenses, and changes in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to Council for the administration of their financial affairs and resources, including the Leduc Public Library and Family and Community Support Services.

The schedule of property taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity. Interdepartmental and organizational transactions and balances are eliminated.

The statements exclude trust assets that are administered for the benefit of external parties.

***Basis of accounting***

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

***Use of estimates***

The preparation of financial statements in conformity with Canadian public sector accounting standards requires administration to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could vary from those estimates.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Accrued sick time for employees is based on historical utilization applied to the total sick bank with a maximum limit of 720 to 1,008 hours per employee.

**1. Significant accounting policies** *(continued)*

**Revenue recognition**

**i. Government transfers**

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or do not result in a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

**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.

**iii. Utility services revenue**

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

**iv. Other revenue**

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

**Non-financial assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated changes in net debt for the year.

**1. Significant accounting policies** *(continued)*

**i. Tangible capital assets**

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

Land improvements	10-45 years
Buildings	5-50 years
Engineered structures:	
Water system	45-75 years
Wastewater system	45-75 years
Other engineered structures	10-75 years
Machinery and equipment	4-20 years
Vehicles	10-17 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**ii. Contributions of tangible capital assets**

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also recorded as revenue.

**iii. Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

**iv. Inventory for consumption**

Inventories held for consumption are recorded at the lower of cost and replacement cost.

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

Works of art for display are not recorded as tangible capital assets but are disclosed.

**vi. Prepaid expenses**

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

**Investments**

Investments are recorded at amortized cost. Investment premiums and discounts are amortized over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

**1. Significant accounting policies** *(continued)*

***Requisition over-levies and under-levies***

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

***Property for resale inventory***

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

***Segments***

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

***Pensions***

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

**1. Significant accounting policies (continued)**

**Recent accounting pronouncements**

**i. Liability for contaminated sites**

In June 2010, the Public Sector Accounting Board (PSAB) issued PS 3260 *Liability for Contaminated Sites* to establish recognition, measurement and disclosure standards for liabilities associated with the remediation of contaminated sites. The new section defines activities included in a liability for remediation, establishes when to recognize and how to measure a liability for remediation, and provides the related financial statement presentation and disclosure requirements. PS 3260 is effective for fiscal years beginning on or after April 1, 2014. The City does not expect the adoption of the new section to have a material impact on its consolidated financial statements.

**ii. Financial instruments**

In June 2011, the Public Sector Accounting Board (PSAB) issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2015. Earlier adoption is permitted. The PSAB plans to review application of this Section by governments by December 31, 2013. The City does not expect the adoption of the new section to have a material impact on its consolidated financial statements.

**iii. Financial statement presentation**

In June 2011, as a result of the issuance of PS 3450 *Financial Instruments*, the Public Sector Accounting Board (PSAB) issued new Section PS 1201 *Financial Statement Presentation*, which revises and replaces Section PS 1200 *Financial Statement Presentation*. The main features of the new standard are:

- Remeasurement gains and losses are reported in a new statement: the statement of remeasurement gains and losses;
- Other comprehensive income arising when a government includes the results of government business enterprises and government business partnerships in its financial statements, is reported in the statement of remeasurement gains and losses;
- Accumulated surplus or deficit is presented as the total of the accumulated operating surplus or deficit and the accumulated remeasurement gains and losses.

This section is effective for governments in the same period PS 2601 and PS 3450 are adopted. PS 2601 and PS 3450 are to be adopted together and are effective for fiscal years beginning on or after April 1, 2015. The application of PS 2601 and PS 3450 by governments will be reviewed by the Public Sector Accounting Board (PSAB) by December 31, 2013. Early adoption is permitted. The City does not expect the adoption of the new section to have a material impact on its consolidated financial statements.

**City of Leduc**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2013*

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**2. Investments**

	<b>2013</b>	2012
Fixed income securities	<b>30,069,459</b>	28,796,856
Cash	<b>115,681</b>	741,298
	<b>30,185,140</b>	29,538,154

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The fixed income securities have a yield from 1.24% to 4.50% (2012 - 1.14% to 4.75%) and mature in periods 2014 through 2018. The market value of the investments at December 31, 2013 was \$29,838,428 (2012 - \$29,327,295).

**3. Property taxes receivable**

	<b>2013</b>	2012
Current taxes	<b>801,122</b>	1,320,199
Non-current taxes	<b>222,565</b>	430,149
	<b>1,023,687</b>	1,750,348

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**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, 2013 is \$875,331 (2012 - \$902,629), bearing interest at 5.00%, receivable in annual installments of \$72,429, due August 2032.

Included in trade and other accounts receivable is \$1,525,331 due beyond one year including \$500,000 owed from Leduc County, \$875,331 due from The Leduc Foundation, and \$150,000 due from the Leduc Lion's Club.

**5. Employee benefit obligations**

Employee benefit obligations are comprised of vacation, overtime and sick time that can be carried forward to future years. Employees have earned the vacation and overtime benefits and are entitled to these benefits within the next budgetary year. The sick time liability is accrued based on historical utilization of sick time. The balances included in accounts payable and accrued liabilities for 2013 total \$921,148 (2012 - \$822,591).

**City of Leduc**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2013*

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**6. Deposits and deferred revenue**

	<i>2013</i>	<i>2012</i>
Deferred government transfers	<b>12,809,375</b>	11,323,741
Deposits	<b>2,263,309</b>	1,227,460
Deferred revenue	<b>727,986</b>	788,033
	<hr/> <b>15,800,670</b>	<hr/> 13,339,234

**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, 2013*

**7. Long-term debt**

	<b>2013</b>	<b>2012</b>
Tax-supported debentures	<b>46,590,783</b>	48,979,222
Self-supported debentures	<b>31,312</b>	37,963
Mortgage	<b>3,320,000</b>	3,570,000
	<b>49,942,095</b>	52,587,185

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	2,759,610	2,123,816	4,883,426
2015	2,346,833	2,121,557	4,468,390
2016	2,448,366	2,006,858	4,455,224
2017	4,874,919	1,891,556	6,766,475
2018	2,139,241	1,689,779	3,829,020
To maturity	35,373,126	12,596,258	47,969,384
	49,942,095	22,429,824	72,371,919

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 4.23% to 7.50% per annum, and matures in periods 2014 through 2033. The average annual interest rate is 5.28% (2012 - 5.28%). Debenture debt is issued on the credit and security of the City of Leduc at large.

The City of Leduc's total cash payments for interest in 2013 were \$2,238,336 (2012 - \$2,349,769).

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

**City of Leduc**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2013*

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**8. Debt limits**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the City of Leduc be disclosed as follows:

	<b>2013</b>	2012
Total debt limit	<b>120,217,127</b>	104,403,537
Total debt	<b>46,622,095</b>	49,017,185
<hr/>		
Amount of debt limit unused	<b>73,595,032</b>	55,386,352
<hr/>		
Service on debt limit	<b>20,036,188</b>	17,400,590
Service on debt	<b>4,633,426</b>	4,633,426
<hr/>		
Amount of debt servicing limit unused	<b>15,402,762</b>	12,767,164
<hr/>		

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in the Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

**City of Leduc**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2013*

**9. Tangible capital assets**

<b>Cost</b>	<i>Opening</i>	<i>Additions</i>	<i>Disposals</i>	<i>Closing</i>
Land	73,800,907	14,247,484	-	<b>88,048,391</b>
Land improvements	14,499,228	1,813,537	-	<b>16,312,765</b>
Buildings	98,558,527	1,248,403	1,039,825	<b>98,767,105</b>
Machinery and equipment	14,098,114	3,801,755	9,349	<b>17,890,520</b>
Vehicles	6,117,811	641,603	-	<b>6,759,414</b>
Engineered structures	554,381,285	9,518,094	-	<b>563,899,379</b>
	761,455,872	31,270,876	1,049,174	<b>791,677,574</b>
Construction-in-progress	4,888,409	(2,650,288)	-	<b>2,238,121</b>
	766,344,281	28,620,588	1,049,174	<b>793,915,695</b>
<b>Accumulated amortization</b>	<i>Opening</i>	<i>Additions</i>	<i>Disposals</i>	<i>Closing</i>
Land improvements	3,574,815	687,753	-	<b>4,262,568</b>
Buildings	20,102,156	2,194,801	449,907	<b>21,847,050</b>
Machinery and equipment	6,501,046	1,167,323	5,844	<b>7,662,525</b>
Vehicles	2,397,153	481,343	-	<b>2,878,496</b>
Engineered structures	184,838,265	11,508,546	-	<b>196,346,811</b>
	217,413,435	16,039,766	455,751	<b>232,997,450</b>
Net book value	548,930,846	12,580,822	593,423	<b>560,918,245</b>

During the year, tangible capital assets were acquired at an aggregate cost of \$28,620,588 (2012 - \$24,425,159), of which \$13,338,000 (2012 - \$3,644,000) was acquired as contributed assets, Nil (2012 - \$3,570,000) was acquired as an assumed mortgage, \$2,142,595 (2012 - \$1,086,730) was in accounts payable at year-end and the remaining \$14,226,723 (2012 - \$17,308,773) was acquired by cash.

**City of Leduc**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2013*

**10. Restricted surplus**

Surplus restricted for operating and capital activities changed as follows:

	<i>2012</i>	<i>Increases</i>	<i>Decreases</i>	<i>2013</i>
Restricted Operating Surplus				
General government	10,309,894	2,810,738	(954,793)	<b>12,165,839</b>
Operations	1,581,510	1,829,306	(100,983)	<b>3,309,833</b>
	<hr/> 11,891,404	4,640,044	(1,055,776)	<hr/> <b>15,475,672</b>
Restricted Capital Surplus				
Operations	10,884,828	10,978,078	(4,911,731)	<b>16,951,175</b>
Community services	1,806,743	3,634,273	(466,502)	<b>4,974,514</b>
General government	4,805,176	2,727,197	(2,869,292)	<b>4,663,081</b>
Library	677,114	69,545	(7,806)	<b>738,853</b>
Downtown Progress Association	69,355	22,913	-	<b>92,268</b>
	<hr/> 18,243,216	17,432,006	(8,255,331)	<hr/> <b>27,419,891</b>
	<hr/> 30,134,620	22,072,050	(9,311,107)	<hr/> <b>42,895,563</b>

**11. Equity in tangible capital assets**

	<i>2013</i>	<i>2012</i>
Tangible capital assets ( <i>Note 9</i> )	<b>793,915,695</b>	766,344,281
Accumulated amortization ( <i>Note 9</i> )	<b>(232,997,450)</b>	(217,413,435)
Long-term debt ( <i>Note 7</i> )	<b>(49,942,095)</b>	(52,587,185)
	<hr/> <b>510,976,150</b>	<hr/> 496,343,661

**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:

	<b>Salary</b>	<b>Benefits &amp; allowances</b>	<b>2013</b>	<b>2012</b>
<b>Mayor/Council</b>				
G. Krischke	73,109	7,155	80,264	77,981
G. Finstad	34,544	6,098	40,642	39,485
T. Lazowski	34,544	6,098	40,642	39,485
D. MacKenzie	34,544	6,098	40,642	39,485
D. Smith	34,544	2,941	37,485	36,445
R. Young	34,544	2,931	37,475	36,445
D. Mishio	29,362	3,342	32,704	37,525
B. Beckett	5,314	196	5,510	-
<b>City Manager</b>				
- 2013 base salary	235,999	7,858	243,857	
- 2013 performance incentive	28,000	-	28,000	
- 2012 base salary	240,084	30,726		270,810
- 2012 payout of accumulated banks	71,295	-		71,295

- (a) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, and any other direct cash remuneration.
- (b) Employer's share of all employee benefits and contributions or payment made on behalf of employees including pension, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, professional memberships and tuition.

**13. Local Authorities Pension Plan**

Employees of the City of Leduc participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves approximately 223,643 people and 428 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 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.47% on pensionable earnings above this amount. Employees of the City of Leduc are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

The current service contributions by the City of Leduc to the LAPP in 2013 were \$2,017,941 (2012 - \$1,873,196). Total current service contributions by the employees of the City of Leduc to the LAPP for 2013 were \$1,846,821 (2012 - \$1,705,906).

At December 31, 2012, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial deficiency of \$4,977,303,000 (2011 - \$4,639,390,000).

#### **14. Supplementary Retirement Plans**

##### **APEX**

The APEX supplementary pension plan, an Alberta Urban Municipality Association (AUMA) sponsored defined benefit pension plan covered under the provisions of the Alberta Employment Pension Plans Act, commenced in 2005 and provides supplementary pension plan benefits to a prescribed class of employees. The plan supplements the Local Authorities Pension Plan.

The City of Leduc is required to make current service contributions to APEX of 3.0% of employment income. Employees of the City of Leduc are required to make current service contributions of 2.5% of employment income.

The current service contributions by the City of Leduc to APEX in 2013 were \$53,745 (2012 - \$60,781). Total current service contributions by the employees of the City of Leduc to APEX for 2013 were \$44,788 (2012 - \$50,652).

The cost of post retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and administration's best estimate of salary and benefit escalation and retirement ages of employees. The costs of post retirement benefits are fully funded.

##### **MuniSERP**

In 2004, the City of Leduc joined the MuniSERP (formerly APEX Plus) supplemental employee retirement plan, a plan sponsored by AUMA. MuniSERP is a voluntary, non-contributory plan that provides benefits to a prescribed class of employees (3 beneficiaries). Included in accounts payable and accrued liabilities is \$243,346 (2012 - \$243,346) held by the City on behalf of the beneficiaries. The actuarial valuation of the plan for service accrued to December 31, 2013 is estimated to be \$161,185 (2012 - \$133,423).

#### **15. Contingencies**

The City of Leduc is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the City of Leduc could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The City has been named as defendant in a lawsuit on behalf of certain owners of the Bellavera Green Condominium Complex, seeking to recover nominal damages. The complaint with respect to this action generally alleges the City was negligent in issuing occupancy permits. These lawsuits remain at an early stage and, as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of these lawsuits or to estimate the loss, if any, which may result. The City's insurers have been advised of these claims and are cooperating with the City in the defence of these lawsuits subject to policy deductibles, limits, and terms and conditions.

In the normal conduct of operations, there are other pending claims by and against the City. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information provided by its legal counsel, final determination of these other litigations will not materially affect the City's financial position or results of operations.

**16. Commitments**

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

2014	3,816,419
2015	4,044,574
2016	4,238,120
2017	4,385,902
2018	4,538,856

**17. Budget figures**

The disclosed budget information has been approved by Council. The City does not budget for amortization. Included in actual expenses on the consolidated statement of operations is amortization of \$16,039,766 (2012 - \$15,298,519).

**18. Segments**

The City of Leduc provides a range of services to its ratepayers. For each reported segment, the revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to Schedule V - Schedule of Segmented Disclosure.