

CITY OF LEDUC

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019



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 6, 2020

A blue ink signature, appearing to read "MOR", is written over a horizontal line. The signature is positioned over a circular official seal of the City of Leduc.

Acting 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, 2019, 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, 2019, 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.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 6, 2020
Leduc, Alberta

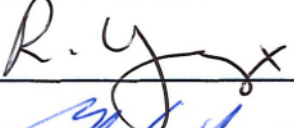

MNP LLP
Chartered Professional Accountants

City of Leduc
Consolidated Statement of Financial Position
As at December 31, 2019

	2019	2018
Financial assets		
Cash	11,687,355	8,740,154
Investments (Note 2)	58,316,576	64,157,357
Property taxes receivable (Note 3)	1,692,090	1,819,684
Trade and other accounts receivable	7,904,427	6,560,850
	79,600,448	81,278,045
Liabilities		
Accounts payable and accrued liabilities	15,324,844	13,981,771
Deposits and deferred revenue (Note 5)	6,374,454	9,129,051
Long-term debt (Note 6)	61,768,230	61,685,928
	83,467,528	84,796,750
Net debt	(3,867,080)	(3,518,705)
Non-financial assets		
Tangible capital assets (Note 8)	840,901,325	815,424,999
Inventory for consumption	564,298	485,534
Prepaid expenses	463,120	208,697
	841,928,743	816,119,230
Accumulated surplus (Schedule I)	838,061,663	812,600,525

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, 2019

	<i>Budget 2019 (Note 17)</i>	2019	2018
Revenue			
Net municipal property taxes (<i>Schedule II</i>)	48,207,486	48,047,003	45,848,453
Utility services	24,082,930	24,010,725	23,004,374
Government transfers (<i>Schedule III</i>)	9,095,048	9,412,582	8,825,592
Sales, user charges and costs recovered	9,318,840	9,251,723	8,845,233
Property revenue	2,141,727	2,109,598	2,112,152
Interest and penalties	1,519,607	2,006,365	1,385,196
Contributions and levies	2,068,567	1,900,470	3,339,068
Enforcement services	1,337,069	1,124,255	843,691
	97,771,274	97,862,721	94,203,757
Expenses			
Utility and public services	25,248,900	24,590,029	23,723,795
Amortization (<i>Note 17</i>)	-	24,205,765	23,350,614
Administration	19,466,806	18,512,903	16,310,306
Protective services	17,749,330	18,021,797	16,231,628
Recreation and community development	8,990,372	8,480,685	7,182,665
Facility services	7,562,342	7,259,069	7,383,422
Engineering	6,351,981	6,165,598	5,354,866
Planning services	3,978,420	3,486,018	3,486,303
Library	1,406,397	1,398,025	1,341,493
Family and community support services	1,573,597	1,397,147	1,469,271
Loss on disposal of tangible capital assets	-	127,266	50,295
	92,328,146	113,644,302	105,884,658
Excess (deficiency) of revenue before other	5,443,129	(15,781,581)	(11,680,899)
Other			
Contributed assets	-	29,151,483	17,859,058
Government transfers for capital (<i>Schedule III</i>)	19,672,157	10,961,516	11,460,843
Capital contributions	-	1,129,719	561,801
	19,672,157	41,242,718	29,881,702
Excess of revenue over expenses	25,115,286	25,461,138	18,200,804
Accumulated surplus, beginning of year	812,600,525	812,600,525	794,399,721
Accumulated surplus, end of year	837,715,811	838,061,663	812,600,525

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, 2019

	<i>Budget 2019 (Note 17)</i>	2019	<i>2018</i>
Excess of revenue over expenses	25,115,287	25,461,138	18,200,804
Acquisition of tangible capital assets	(72,928,814)	(20,845,638)	(23,719,198)
Contributed tangible capital assets	-	(29,151,483)	(17,859,058)
Proceeds on disposal of tangible capital assets	-	187,763	25,056
Amortization of tangible capital assets	-	24,205,765	23,350,614
Loss on disposal of tangible capital assets	-	127,266	50,295
(Acquisition) use of inventory for consumption	-	(78,764)	72,689
(Acquisition) use of prepaid expenses	-	(254,423)	15,087
Change in net debt	(47,813,527)	(348,375)	136,289
Net debt, beginning of year	(3,518,705)	(3,518,705)	(3,654,995)
Net debt, end of year	(51,332,232)	(3,867,080)	(3,518,705)

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

City of Leduc
Consolidated Statement of Cash Flows
For the year ended December 31, 2019

	2019	2018
Cash provided by (used for) the following activities:		
Operating		
Excess of revenue over expenses	25,461,138	18,200,804
Non-cash items:		
Amortization of tangible capital assets	24,205,765	23,350,614
Loss on disposal of tangible capital assets	127,266	50,295
Tangible capital assets received as contributions	(29,151,483)	(17,859,058)
Net change in non-cash operating working capital balances:		
(Increase) in trade and other accounts receivable	(1,343,577)	(491,684)
Decrease (increase) in property taxes receivable	127,594	(228,044)
(Increase) decrease in prepaid expenses	(254,423)	15,089
(Increase) decrease in inventory for consumption	(78,764)	72,689
Increase in accounts payable and accrued liabilities	3,392,258	1,267,237
(Decrease) in deposits and deferred revenue	(2,754,597)	(2,350,260)
	19,731,177	22,027,682
Capital		
Proceeds on disposition of tangible capital assets	187,763	25,056
Acquisition of tangible capital assets (Note 8)	(22,894,824)	(24,061,553)
	(22,707,061)	(24,036,497)
Investing		
Decrease (increase) in investments	5,840,781	(11,340,963)
Financing		
Proceeds from long-term debt	4,228,715	16,600,000
Repayment of long-term debt	(4,146,412)	(3,557,202)
	82,303	13,042,798
Increase (decrease) in cash	2,947,201	(306,979)
Cash, beginning of year	8,740,154	9,047,133
Cash, end of year	11,687,355	8,740,154

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, 2019

	<i>Unrestricted Surplus</i>	<i>Restricted Surplus (Note 10)</i>	<i>Equity in Tangible Capital Assets (Note 11)</i>	2019	2018
Balance, beginning of year	16,296,046	42,565,406	753,739,070	812,600,525	794,399,721
Excess of revenue over expenses	25,461,138	-	-	25,461,138	18,200,804
Unrestricted funds designated for future use	(20,675,410)	20,675,410	-	-	-
Restricted funds for operations	7,846,814	(7,846,814)	-	-	-
Restricted funds used for tangible capital assets	-	(11,927,339)	11,927,339	-	-
Current year funds used for tangible capital assets	(8,918,299)	-	8,918,299	-	-
Contributed tangible capital assets	(29,151,483)	-	29,151,483	-	-
Net book value of tangible capital assets disposed	315,029	-	(315,029)	-	-
Amortization	24,205,765	-	(24,205,765)	-	-
Proceeds on long-term debt	4,228,715	-	(4,228,715)	-	-
Long-term debt repaid	(4,146,412)	-	4,146,412	-	-
Change in accumulated surplus	(834,143)	901,257	25,394,024	25,461,138	18,200,804
Balance, end of year	15,461,901	43,466,664	779,133,094	838,061,663	812,600,525

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, 2019

	<i>Budget 2019</i>	2019	2018
Taxation			
Property taxes	64,866,285	64,705,802	62,510,518
Local improvement taxes	-	-	8,309
	64,866,285	64,705,802	62,518,827
Requisitions			
Education	16,495,844	16,495,844	16,554,811
Leduc Foundation	162,955	162,955	115,563
	16,658,799	16,658,799	16,670,374
Net municipal property taxes	48,207,486	48,047,003	45,848,453

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, 2019

	<i>Budget 2019</i>	2019	<i>2018</i>
Operating			
Federal transfers	46,100	14,700	6,528
Provincial transfers	4,922,748	4,911,200	4,784,010
Local transfers	4,126,200	4,486,682	4,035,054
Total operating government transfers	9,095,048	9,412,582	8,825,592
Capital			
Federal transfers	5,609,509	2,908,136	1,815,416
Provincial transfers	12,800,984	8,053,380	9,476,475
Local transfers	1,261,664	-	168,952
Total capital government transfers	19,672,157	10,961,516	11,460,843
Total government transfers	28,767,205	20,374,098	20,286,435

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, 2019

	<i>Budget 2019 (Note 17)</i>	2019	<i>2018</i>
Consolidated expenses by object			
Salaries and wages	37,653,861	37,129,437	33,935,970
Amortization (Note 17)	-	24,205,765	23,350,614
Contract services	21,431,191	21,049,416	18,258,497
Cost of utilities sold	8,003,000	7,779,313	7,666,108
Employee benefits	7,689,585	7,042,308	6,762,466
Materials and supplies	5,315,352	4,599,189	4,640,116
Utilities	3,474,633	3,358,569	3,272,089
Interest on long-term debt	2,539,508	2,346,052	2,145,590
Grants to organizations	2,179,128	2,163,870	2,162,837
Repairs and maintenance	1,496,827	1,403,949	1,285,591
Training and development	1,198,173	1,109,331	1,011,754
General services	777,189	640,400	684,403
Bank charges and interest	255,762	398,123	354,602
Telephone and communications	174,409	151,788	155,370
Other	139,526	139,526	148,356
Loss on disposal of tangible capital assets	-	127,266	50,295
	92,328,146	113,644,302	105,884,658

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, 2019

	<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	-	48,047,003	-	-	-	-	-	-	-	48,047,003
Contributed assets	22,653,129	2,777,000	3,721,354	-	-	-	-	-	-	29,151,483
Utility services	14,470,876	6,999,989	2,539,860	-	-	-	-	-	-	24,010,725
Government transfers	97,101	11,650,559	2,704,921	604,595	3,524,032	830,464	674,141	21,500	266,785	20,374,098
Sales, user charges and costs recovered	1,233,813	530,289	278,108	288	1,253,883	45,222	2,956,000	1,809,155	1,144,965	9,251,723
Property revenue	3,600	-	-	326,816	-	-	1,776,712	-	2,471	2,109,598
Interest and penalties	215,684	1,790,681	-	-	-	-	-	-	-	2,006,365
Contributions and levies	-	-	-	-	-	-	290,358	1,610,112	-	1,900,470
Capital contributions	(289)	-	888,186	-	-	-	241,822	-	-	1,129,719
Enforcement services	-	-	-	-	1,124,255	-	-	-	-	1,124,255
	38,673,914	71,795,521	10,132,429	931,699	5,902,170	875,686	5,939,033	3,440,767	1,414,221	139,105,439
Expenses										
Salaries and wages	6,067,565	9,427,341	1,171,870	2,128,410	9,301,286	849,132	5,160,212	2,229,258	794,362	37,129,437
Contract services	4,731,150	3,040,886	4,414,701	368,168	6,254,005	97,186	1,325,158	706,053	112,109	21,049,416
Cost of utilities sold	7,679,788	-	99,525	-	-	-	-	-	-	7,779,313
Employee benefits	1,179,022	1,992,439	270,290	416,479	1,541,239	179,876	892,504	426,600	143,860	7,042,308
Materials and supplies	2,024,207	495,167	145,517	263,740	564,391	145,895	703,800	70,590	185,882	4,599,189
Utilities	1,755,556	-	-	1,603,012	-	-	-	-	-	3,358,569
Interest on long-term debt	204,994	8,097	15,231	2,102,791	3,162	-	11,777	-	-	2,346,052
Grants to organizations	-	1,978,153	-	-	-	100,000	85,717	-	-	2,163,870
Repairs and maintenance	800,769	125,804	-	350,146	48,854	-	76,352	2,025	-	1,403,949
Training and development	81,050	496,889	48,464	26,322	260,072	24,014	106,912	49,807	15,801	1,109,331
General services	8,014	525,988	-	-	-	-	101,711	1,685	3,002	640,400
Bank charges and interest	38,665	313,205	-	-	29,219	1,044	15,990	-	-	398,123
Telephone and communications	19,249	108,934	-	-	19,569	-	552	-	3,483	151,788
Other	-	-	-	-	-	-	-	-	139,526	139,526
(Gain) loss on disposal of assets	30,616	111,230	-	-	(14,579)	-	-	-	-	127,266
	24,620,645	18,624,133	6,165,598	7,259,069	18,007,218	1,397,147	8,480,685	3,486,018	1,398,025	89,438,537
Net revenue, before amortization	14,053,269	53,171,388	3,966,831	(6,327,369)	(12,105,048)	(521,461)	(2,541,652)	(45,251)	16,196	49,666,902
Amortization	8,639,332	626,470	10,138,989	3,255,292	282,828	-	1,207,600	4,047	51,207	24,205,765
Excess (deficiency) of revenue over expenses	5,413,937	52,544,918	(6,172,158)	(9,582,661)	(12,387,876)	(521,461)	(3,749,252)	(49,298)	(35,011)	25,461,138

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 Maclab Centre for the Performing Arts, 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 other 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 collectability 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 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, 2019, the City adopted the recommendations relating to the following Section, as set out in the CPA Canada Public Sector Accounting Handbook: PS 3430 *Restructuring Transactions*. Pursuant to the recommendation, the change was applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statements of adopting the new Section.

Future Accounting Standards

Effective On or After April 1, 2021:

PS 3450 Financial Instruments, a new standard establishing guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives.

PS 3280 Asset Retirement Obligations, a new standard establishing guidance on the recognition, measurement, presentation and disclosure of a liability for retirement of a tangible capital asset. As this standard includes solid waste landfill sites active and post-closing obligations upon adoption of this new standard, existing Solid Waste Landfill Closure and Post-Closure Liability section PS 3270 will be withdrawn.

The extent of the impact on adoption of these future standards is not known at this time.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

2. Investments

	2019	<i>2018</i>
Fixed income securities	58,316,576	64,157,357

The fixed income securities have a yield from 2.20% to 4.50% (2018 - 1.68% to 4.50%) and mature in periods 2020 through 2032. The market value of the investments at December 31, 2019 was \$58,475,767 (2018 - \$61,717,008).

3. Property Taxes Receivable

	2019	<i>2018</i>
Current taxes	1,348,955	1,401,073
Non-current taxes	343,135	418,611
	<hr/> 1,692,090	<hr/> 1,819,684

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 2019 total \$1,698,639 (2018 - \$1,490,751).

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

5. Deposits and Deferred Revenue

	2019	2018
Deferred government transfers - MSI capital	2,306,412	4,461,559
Deferred government transfers - other	596,341	1,324,165
Deposits	2,641,320	2,431,992
Deferred revenue	830,381	911,336
	6,374,454	9,129,051

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. The deferred federal gas tax balance was nil in 2019 (2018 - nil).

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, Maclab Centre tickets and other.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

6. Long-term Debt

	2019	2018
Tax-supported debentures	51,558,782	53,290,436
Offsite levy supported debentures	9,450,200	7,496,657
Capital leases	759,248	898,835
	61,768,230	61,685,928

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

	Principal	Interest	Total
2020	4,303,632	2,318,843	6,622,475
2021	3,629,408	2,174,998	5,804,406
2022	3,562,747	2,033,844	5,596,591
2023	3,702,186	1,894,138	5,596,324
2024	3,847,411	1,748,648	5,596,059
To maturity	42,722,847	9,040,251	51,763,098
	61,768,230	19,210,722	80,978,953

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 1.124% to 4.657% per annum, and matures in periods 2020 through 2039. The average annual interest rate is 2.73% (2018 - 3.52%). Debenture debt is issued on the credit and security of the City of Leduc at large.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

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:

	2019	2018
Total debt limit	148,488,661	142,148,337
Total debt	61,768,230	61,685,928
<hr/>		
Amount of debt limit unused	86,720,431	80,462,409
<hr/>		
Service on debt limit	24,748,110	23,691,390
Service on debt	6,622,475	6,475,559
<hr/>		
Amount of debt servicing limit unused	18,125,635	17,215,831

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, 2019

8. Tangible Capital Assets

Cost	<i>Opening</i>	<i>Additions</i>	<i>Disposals</i>	<i>Closing</i>
Land	124,400,108	2,777,000	101,000	127,076,108
Land improvements	31,933,771	2,264,528	-	34,198,299
Buildings	132,541,486	2,945,899	-	135,487,385
Machinery and equipment	28,382,382	1,993,403	971,409	29,404,376
Vehicles	11,358,940	1,319,719	-	12,678,659
Engineered structures	814,426,459	33,858,347	-	848,284,806
	1,143,043,146	45,158,896	1,072,409	1,187,129,633
Construction-in-progress	4,355,593	4,838,224	-	9,193,817
	1,147,398,739	49,997,120	1,072,409	1,196,323,450
Accumulated amortization				
Land improvements	9,724,967	1,474,245	-	11,199,212
Buildings	35,193,443	3,091,696	-	38,285,139
Machinery and equipment	14,832,154	1,965,015	757,380	16,039,789
Vehicles	5,847,492	923,152	-	6,770,644
Engineered structures	266,375,684	16,751,657	-	283,127,341
	331,973,740	24,205,765	757,380	355,422,125
Net book value	815,424,999	25,791,355	315,029	840,901,325

During the year, tangible capital assets were acquired at an aggregate cost of \$49,997,120 (2018 - \$41,578,257), of which \$29,151,483 (2018 - \$17,859,058) was acquired as contributed assets. \$3,153,024 (2018 - \$5,202,209) remains in accounts payable and the remaining \$22,894,824 (2018 - \$24,061,553) was acquired by cash. Total additions to tangible capital assets consist of acquisitions of \$45,158,896 (2018 - \$41,578,257) and the addition of \$4,838,224 (2018 - \$4,804,183) to construction in progress.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

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 \$1,016,704 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	831,848	184,856	-	1,016,704
Net book value	1,016,704	184,856	-	831,848

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, 2019

9. Leduc Transit Joint Venture Agreement

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

	2019	2018
Statement of Financial Position		
Tangible capital assets		
Buses - cost	2,843,926	2,843,926
Buses - accumulated amortization	(1,564,159)	(1,279,767)
Accumulated surplus	1,279,767	1,564,159
Statement of Operations		
Operating revenue		
Sales and user charges	326,994	320,770
Transfer from City of Leduc	993,861	884,538
Transfer from Leduc County	535,155	476,290
	1,856,010	1,681,598
Operating expenses	(1,856,010)	(1,681,598)
Amortization expense	(284,393)	(284,393)
	(2,140,403)	(1,965,991)
Deficiency of revenue over expenses	(284,393)	(284,393)
Accumulated surplus, opening	1,564,159	1,848,551
Accumulated surplus, closing	1,279,767	1,564,159
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, 2019

10. Restricted Surplus

Surplus restricted for operating and capital activities changed as follows:

	<i>2018</i>	<i>Increases</i>	<i>Decreases</i>	2019
Restricted Operating Surplus				
General government	9,717,304	6,076,303	(7,436,038)	8,357,569
Operations	2,590,386	466,009	(410,776)	2,645,619
	12,307,690	6,542,312	(7,846,814)	11,003,188
Restricted Capital Surplus				
Operations	14,103,158	6,419,883	(4,535,452)	15,987,587
Community services	5,384,179	2,549,120	(1,958,717)	5,974,582
General government	4,522,732	905,584	(716,450)	4,711,867
Library	698,547	68,516	(19,147)	747,916
Downtown business association	107,059	5,040	(50,000)	62,099
	24,815,675	9,948,143	(7,279,766)	27,484,051
Restricted Offsite Levy Reserves				
Transportation offsite levy	4,525,383	1,244,792	(3,025,670)	2,744,505
Water offsite levy	916,658	1,700,309	(382,047)	2,234,920
Sanitary offsite levy	-	1,239,855	(1,239,855)	-
	5,442,041	4,184,956	(4,647,572)	4,979,425
	42,565,406	20,675,410	(19,774,152)	43,466,664

At this time the City is up fronting the sanitary offsite levy reserve in the amount of \$2,058,999 (2018 - \$2,984,490). This has been supported by the contingency reserve, which is included in the general government restricted operating surplus above.

11. Equity in Tangible Capital Assets

	2019	<i>2018</i>
Tangible capital assets <i>(Note 8)</i>	1,196,323,450	1,147,398,739
Accumulated amortization <i>(Note 8)</i>	(355,422,125)	(331,973,740)
Long-term debt <i>(Note 6)</i>	(61,768,230)	(61,685,928)
	779,133,094	753,739,070

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	2019	2018
Mayor/Council				
R. Young - Mayor	92,947	9,128	102,075	87,359
L. Tillack - Councillor	42,242	10,341	52,583	46,785
W. Hamilton - Councillor	42,242	10,341	52,583	46,486
G. Finstad - Councillor	42,242	10,341	52,583	46,112
T. Lazowski - Councillor	42,242	8,121	50,363	44,839
L. Hansen - Councillor	42,242	7,216	49,458	41,725
B. Beckett - Councillor	42,242	5,094	47,336	41,162
City Manager	278,211	10,288	288,499	288,212

(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.

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 265,813 people and 421 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenses in the year in which they become due.

The City of Leduc is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the City of Leduc are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

The current service contributions by the City of Leduc to the LAPP in 2019 were \$2,984,578 (2018 - \$2,991,463). Total current service contributions by the employees of the City of Leduc to the LAPP for 2019 were \$2,710,272 (2018 - \$2,740,664).

At December 31, 2018, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial surplus of \$3,469,347,000 (2017 - surplus of \$4,835,515,000).

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 2019 were \$66,513 (2018 - \$66,000). Total current service contributions by the employees of the City of Leduc to APEX for 2019 were \$49,973 (2018 - \$49,587).

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 (4 beneficiaries in 2019, this was reduced from 5 in 2018). Included in accounts payable and accrued liabilities is \$161,919* (2018 - \$165,679*) held by the City on behalf of the beneficiaries. The actuarial valuation of the plan for service accrued to December 31, 2019 is estimated to be \$447,954 (2018 - \$497,613).

* 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:

2020	6,094,613
2021	6,111,335
2022	6,095,558
2023	6,217,469
2024	6,341,819

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 \$24,205,765 (2018 - \$23,350,614).

Included in the disclosed budget on the consolidated statement of operations is \$5,761,564 (2018 - \$5,082,955) 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

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on municipal government operations through the restrictions put in place by the Canadian and provincial governments as well as municipal governments regarding travel, isolation/quarantine orders, closure of City facilities, cancellation/postponement of programs and tax and utility deferral programs. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the City of Leduc as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of City facility closures, program and service disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

20. Comparative Figures

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