

CITY OF LEDUC

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020





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 12, 2021

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

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, 2020, 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, 2020, 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 12, 2021
Leduc, Alberta

MNP LLP
Chartered Professional Accountants

City of Leduc
Consolidated Statement of Financial Position
As at December 31, 2020

	2020	2019
Financial assets		
Cash	9,333,059	11,687,355
Investments (Note 2)	55,369,258	58,316,576
Property taxes receivable (Note 3)	4,075,760	1,692,090
Trade and other accounts receivable	10,979,931	7,904,427
	79,758,008	79,600,448
Liabilities		
Accounts payable and accrued liabilities	17,937,091	15,324,844
Deposits and deferred revenue (Note 5)	10,270,218	6,374,454
Long-term debt (Note 6)	66,779,526	61,768,230
	94,986,835	83,467,528
Net debt	(15,228,827)	(3,867,080)
Non-financial assets		
Tangible capital assets (Note 8)	864,130,646	840,901,325
Inventory for consumption	697,410	564,298
Prepaid expenses	310,785	463,120
	865,138,841	841,928,743
Accumulated surplus (Schedule I)	849,910,014	838,061,663

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, 2020

	<i>Budget 2020 (Note 17)</i>	2020	<i>2019</i>
Revenue			
Net municipal property taxes <i>(Schedule II)</i>	49,065,762	49,123,662	48,047,003
Utility services	25,101,572	25,186,054	24,010,725
Government transfers <i>(Schedule III)</i>	9,374,422	11,888,465	9,412,582
Sales, user charges and costs recovered	8,835,481	7,226,148	9,251,723
Interest and penalties	1,022,771	2,475,215	2,006,365
Property revenue	1,992,639	1,078,951	2,109,598
Contributions and levies	3,229,498	703,001	1,900,470
Enforcement services	1,307,741	625,653	1,124,255
	99,929,886	98,307,149	97,862,721
Expenses			
Utility and public services	26,093,334	24,890,574	24,590,029
Amortization <i>(Note 17)</i>	-	24,632,282	24,205,765
Protective services	18,593,910	18,520,233	18,021,797
Administration	17,931,585	16,909,824	18,512,903
Recreation and community development	9,714,243	7,799,948	8,480,685
Engineering	7,520,475	7,091,652	6,165,598
Facility services	6,487,475	6,039,923	7,259,069
Planning services	3,640,733	3,138,522	3,486,018
Family and community support services	1,998,969	1,777,495	1,397,147
Library	1,407,643	1,335,644	1,398,025
Loss on disposal of tangible capital assets	-	1,273,247	127,266
	93,388,367	113,409,344	113,644,302
Excess (deficiency) of revenue before other	6,541,519	(15,102,195)	(15,781,581)
Other			
Government transfers for capital <i>(Schedule III)</i>	20,492,521	15,136,232	10,961,516
Contributed assets	-	11,311,424	29,151,483
Capital contributions	-	502,891	1,129,719
	20,492,521	26,950,547	41,242,718
Excess of revenue over expenses	27,034,040	11,848,353	25,461,138
Accumulated surplus, beginning of year	838,061,663	838,061,663	812,600,525
Accumulated surplus, end of year	865,095,703	849,910,014	838,061,663

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, 2020

	<i>Budget 2020 (Note 17)</i>	2020	<i>2019</i>
Excess of revenue over expenses	27,034,040	11,848,353	25,461,138
Acquisition of tangible capital assets	(71,712,441)	(37,841,634)	(20,845,638)
Contributed tangible capital assets	-	(11,311,424)	(29,151,483)
Proceeds on disposal of tangible capital assets	-	18,204	187,763
Amortization of tangible capital assets	-	24,632,282	24,205,765
Loss on disposal of tangible capital assets	-	1,273,247	127,266
Acquisition of inventory for consumption	-	(133,112)	(78,764)
Use (Acquisition) of prepaid expenses	-	152,335	(254,423)
Change in net debt	(44,678,401)	(11,361,747)	(348,375)
Net debt, beginning of year	(3,867,080)	(3,867,080)	(3,518,705)
Net debt, end of year	(48,545,481)	(15,228,827)	(3,867,080)

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, 2020

	2020	2019
Cash provided by (used for) the following activities:		
Operating		
Excess of revenue over expenses	11,848,353	25,461,138
Non-cash items:		
Amortization of tangible capital assets	24,632,282	24,205,765
Loss on disposal of tangible capital assets	1,273,247	127,266
Tangible capital assets received as contributions	(11,311,424)	(29,151,483)
Net change in non-cash operating working capital balances:		
Increase in trade and other accounts receivable	(3,075,504)	(1,343,577)
(Increase) Decrease in property taxes receivable	(2,383,670)	127,594
Decrease (Increase) in prepaid expenses	152,335	(254,423)
Increase in inventory for consumption	(133,112)	(78,764)
(Decrease) Increase in accounts payable and accrued liabilities	(2,689,530)	3,392,258
Increase (Decrease) in deposits and deferred revenue	3,895,764	(2,754,597)
	22,208,741	19,731,177
Capital		
Proceeds on disposition of tangible capital assets	18,204	187,763
Acquisition of tangible capital assets <i>(Note 8)</i>	(32,539,856)	(22,894,824)
	(32,521,652)	(22,707,061)
Investing		
Decrease in investments	2,947,318	5,840,781
Financing		
Proceeds from long-term debt	9,357,884	4,228,715
Repayment of long-term debt	(4,346,587)	(4,146,412)
	5,011,297	82,303
(Decrease) increase in cash	(2,354,295)	2,947,201
Cash, beginning of year	11,687,355	8,740,154
Cash, end of year	9,333,059	11,687,355

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, 2020

	<i>Unrestricted Surplus</i>	<i>Restricted Surplus (Note 10)</i>	<i>Equity in Tangible Capital Assets (Note 11)</i>	2020	2019
Balance, beginning of year	15,461,901	43,466,664	779,133,094	838,061,663	812,600,525
Excess of revenue over expenses	11,848,353	-	-	11,848,353	25,461,138
Unrestricted funds designated for future use	(18,919,188)	18,919,188	-	-	-
Restricted funds for operations	6,149,650	(6,149,650)	-	-	-
Restricted funds used for tangible capital assets	-	(19,381,580)	19,381,580	-	-
Current year funds used for tangible capital assets	(18,460,054)	-	18,460,054	-	-
Contributed tangible capital assets	(11,311,424)	-	11,311,424	-	-
Net book value of tangible capital assets disposed	1,291,451	-	(1,291,451)	-	-
Amortization	24,632,282	-	(24,632,282)	-	-
Proceeds on long-term debt	9,357,884	-	(9,357,884)	-	-
Long-term debt repaid	(4,346,587)	-	4,346,587	-	-
Change in accumulated surplus	242,367	(6,612,042)	18,218,028	11,848,353	25,461,138
Balance, end of year	15,704,268	36,854,623	797,351,123	849,910,014	838,061,663

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, 2020

	<i>Budget 2020</i>	2020	2019
Taxation			
Property taxes	66,125,029	66,182,929	64,705,802
Requisitions			
Education	16,896,302	16,896,302	16,495,844
Leduc Foundation	162,965	162,965	162,955
	17,059,267	17,059,267	16,658,799
Net municipal property taxes	49,065,762	49,123,662	48,047,003

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, 2020

	<i>Budget 2020</i>	2020	<i>2019</i>
Operating			
Federal transfers	7,000	-	14,700
Provincial transfers	4,999,187	7,545,948	4,911,200
Local transfers	4,368,235	4,342,517	4,486,682
Total operating government transfers	9,374,422	11,888,465	9,412,582
Capital			
Federal transfers	4,141,709	3,506,072	2,908,136
Provincial transfers	16,056,182	11,595,160	8,053,380
Local transfers	294,630	35,000	-
Total capital government transfers	20,492,521	15,136,232	10,961,516
Total government transfers	29,866,943	27,024,697	20,374,098

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, 2020

Salaries and wages	38,053,316	36,143,954	37,129,437
Amortization (Note 17)	-	24,632,282	24,205,765
Contract services	21,414,400	20,680,817	21,049,416
Cost of utilities sold	8,412,493	8,174,721	7,779,313
Employee benefits	7,834,252	7,178,752	7,042,308
Materials and supplies	5,174,112	4,199,058	4,599,189
Utilities	3,443,595	3,146,015	3,358,569
Interest on long-term debt	2,788,992	2,356,267	2,346,052
Grants to organizations	2,207,373	2,106,349	2,163,870
Repairs and maintenance	1,539,057	1,565,763	1,403,949
Loss on disposal of tangible capital assets	-	1,273,247	127,266
General services	760,822	669,567	640,400
Training and development	1,129,755	657,650	1,109,331
Bank charges and interest	307,495	327,377	398,123
Telephone and communications	178,993	155,967	151,788
Other	143,712	141,558	139,526
	93,388,367	113,409,344	113,644,302

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, 2020

	<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	-	49,123,662	-	-	-	-	-	-	-	49,123,662
Government transfers	543,758	17,629,928	3,423,298	-	3,568,949	1,066,953	521,362	-	270,449	27,024,697
Utility services	15,058,878	7,421,026	2,706,150	-	-	-	-	-	-	25,186,054
Contributed assets	3,393,365	5,869,000	2,049,059	-	-	-	-	-	-	11,311,424
Sales, user charges and costs recovered	914,536	444,765	307,784	137	1,157,653	35,048	1,436,140	1,801,774	1,128,311	7,226,148
Interest and penalties	78,449	2,396,766	-	-	-	-	-	-	-	2,475,215
Property revenue	1,192	-	-	216,081	-	-	861,063	-	616	1,078,951
Contributions and levies	-	-	-	-	-	-	220,606	482,395	-	703,001
Enforcement services	-	-	-	-	625,653	-	-	-	-	625,653
Capital contributions	40,618	-	329,908	57,788	-	-	74,577	-	-	502,891
	20,030,796	82,885,147	8,816,199	274,006	5,352,255	1,102,001	3,113,748	2,284,169	1,399,376	125,257,696
Expenses										
Salaries and wages	6,116,953	8,804,336	1,234,543	1,448,614	9,615,657	952,025	5,189,947	2,016,401	765,477	36,143,954
Contract services	4,328,551	2,572,156	5,326,080	355,006	6,405,372	382,729	615,655	597,944	97,324	20,680,817
Cost of utilities sold	8,071,908	-	102,813	-	-	-	-	-	-	8,174,721
Employee benefits	1,272,697	1,893,795	272,981	316,720	1,653,612	199,294	994,770	429,163	145,721	7,178,752
Materials and supplies	1,992,449	383,391	95,772	201,002	453,682	110,391	719,397	68,474	174,500	4,199,058
Utilities	1,748,041	-	-	1,397,973	-	-	-	-	-	3,146,015
Interest on long-term debt	252,681	7,433	31,700	2,054,708	2,167	-	7,578	-	-	2,356,267
Grants to organizations	-	1,995,473	-	-	-	100,000	10,876	-	-	2,106,349
Repairs and maintenance	1,008,462	127,252	-	258,875	41,581	17,558	112,036	-	-	1,565,763
(Gain) loss on disposal of assets	10,848	1,280,604	-	-	(18,204)	-	-	-	-	1,273,247
General services	13,174	547,057	-	-	-	-	105,256	916	3,164	669,567
Training and development	37,389	308,144	27,763	7,024	198,429	14,876	34,564	25,624	3,837	657,650
Bank charges and interest	22,240	159,541	-	-	136,485	28	9,083	-	-	327,377
Telephone and communications	26,029	111,246	-	-	13,248	594	786	-	4,063	155,967
Other	-	-	-	-	-	-	-	-	141,558	141,558
	24,901,422	18,190,428	7,091,652	6,039,923	18,502,029	1,777,495	7,799,948	3,138,522	1,335,644	88,777,062
Net revenue, before amortization	(4,870,626)	64,694,719	1,724,547	(5,765,916)	(13,149,774)	(675,494)	(4,686,200)	(854,353)	63,732	36,480,634
Amortization	9,043,023	504,214	10,196,167	3,318,184	304,852	-	1,225,749	2,847	37,246	24,632,282
Excess (deficiency) of revenue over expenses	(13,913,649)	64,190,505	(8,471,620)	(9,084,100)	(13,454,626)	(675,494)	(5,911,949)	(857,200)	26,486	11,848,353

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 net debt and accumulated surplus 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	4-30 years
Vehicles	5-17 years

One-half of the annual amortization is charged in the year of acquisition. No amortization is taken in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of tangible capital assets

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

iii. Leases

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

iv. Inventory for consumption

Inventory held for consumption is recorded at the lower of cost and replacement cost.

v. Prepaid expenses

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

1. Significant Accounting Policies

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.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

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.

2. Investments

	2020	2019
Fixed income securities	55,369,258	58,316,576

The fixed income securities have a yield from 1.47% to 4.50% (2019 - 2.20% to 4.50%) and mature in periods 2021 through 2032. The market value of the investments at December 31, 2020 was \$56,060,609 (2019 - \$58,475,767).

3. Property Taxes Receivable

	2020	2019
Current taxes	3,411,700	1,348,955
Non-current taxes	664,060	343,135
	4,075,760	1,692,090

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 2020 total \$1,592,031 (2019 - \$1,698,639).

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

5. Deposits and Deferred Revenue

	2020	2019
Deferred government transfers - MSI capital	54,693	2,306,412
Deferred government transfers - federal gas tax	2,183,161	-
Deferred government transfers - municipal stimulus program	3,926,484	-
Deferred government transfers - municipal operating support transfer	844,447	-
Deferred government transfers - other	98,690	596,341
Deposits	2,414,109	2,641,320
Deferred revenue	748,634	830,381
	10,270,218	6,374,454

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, Maclab Centre tickets and other.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

6. Long-term Debt

	2020	2019
Tax-supported debentures	57,763,443	51,558,782
Offsite levy supported debentures	8,300,103	9,450,200
Capital leases	715,980	759,248
	66,779,526	61,768,230

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

	Principal	Interest	Total
2021	3,900,462	2,378,551	6,279,013
2022	3,840,143	2,231,054	6,071,197
2023	3,986,080	2,084,850	6,070,930
2024	4,137,963	1,932,703	6,070,666
2025	4,285,851	1,774,359	6,060,210
To maturity	46,629,027	9,650,058	56,279,085
	66,779,526	20,051,575	86,831,101

Debenture debt is repayable to the Province of Alberta and bears interest at rates ranging from 2.163% to 4.657% (2019 - 1.124% to 4.657%) per annum, and matures in periods 2021 through 2050. The average annual interest rate is 2.99% (2019 - 2.73%). 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, 2020

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:

	2020	2019
Total debt limit	148,215,060	148,488,661
Total debt	66,779,525	61,768,230
<hr/>		
Amount of debt limit unused	81,435,535	86,720,431
<hr/>		
Service on debt limit	24,702,510	24,748,110
Service on debt	6,279,012	6,622,475
<hr/>		
Amount of debt servicing limit unused	18,423,498	18,125,635

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, 2020

8. Tangible Capital Assets

Cost	<i>Opening</i>	<i>Additions</i>	<i>Disposals</i>	<i>Closing</i>
Land	127,076,108	7,967,373	1,230,000	133,813,481
Land improvements	34,198,299	2,869,686	-	37,067,985
Buildings	135,487,385	1,369,813	-	136,857,198
Machinery and equipment	29,404,376	2,800,988	828,649	31,376,715
Vehicles	12,678,659	1,227,204	373,622	13,532,241
Engineered structures	848,284,806	24,384,593	-	872,669,399
	1,187,129,633	40,619,657	2,432,271	1,225,317,019
Construction-in-progress	9,193,817	8,533,397	-	17,727,213
	1,196,323,450	49,153,054	2,432,271	1,243,044,232
Accumulated amortization				
Land improvements	11,199,212	1,541,048	-	12,740,260
Buildings	38,285,139	3,170,390	-	41,455,529
Machinery and equipment	16,039,789	1,957,821	767,198	17,230,412
Vehicles	6,770,644	973,609	373,622	7,370,631
Engineered structures	283,127,341	16,989,413	-	300,116,754
	355,422,125	24,632,282	1,140,820	378,913,586
Net book value	840,901,325	24,520,772	1,291,451	864,130,646

During the year, tangible capital assets were acquired at an aggregate cost of \$49,153,054 (2019 - \$49,997,120), of which \$11,311,424 (2019 - \$29,151,483) was acquired as contributed assets. \$8,454,798 (2019 - \$3,153,024) remains in accounts payable and the remaining \$32,539,856 (2019 - \$22,894,824) was acquired by cash. Total additions to tangible capital assets consist of acquisitions of \$40,619,657 (2019 - \$45,158,896) and the addition of \$8,533,397 (2019 - \$4,838,224) to construction in progress.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

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 \$1,201,559 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	1,016,704	184,855	-	1,201,559
Net book value	831,848	184,855	-	646,993

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, 2020

9. Leduc Transit Joint Venture Agreement

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

	2020	2019
Statement of Financial Position		
Tangible capital assets		
Buses - cost	2,843,926	2,843,926
Buses - accumulated amortization	(1,848,552)	(1,564,159)
Accumulated surplus	995,374	1,279,767
Statement of Operations		
Operating revenue		
Sales and user charges	138,894	326,994
Government grant MOST	55,627	-
Transfer from City of Leduc	927,343	993,861
Transfer from Leduc County	532,845	535,155
	1,654,709	1,856,010
Operating expenses	(1,654,709)	(1,856,010)
Amortization expense	(284,393)	(284,393)
	(1,939,102)	(2,140,403)
Deficiency of revenue over expenses	(284,393)	(284,393)
Accumulated surplus, opening	1,279,767	1,564,159
Accumulated surplus, closing	995,374	1,279,767
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, 2020

10. Restricted Surplus

Surplus restricted for operating and capital activities changed as follows:

	<i>2019</i>	<i>Increases</i>	<i>Decreases</i>	<i>2020</i>
Restricted Operating Surplus				
General government	8,357,569	5,285,547	(5,774,172)	7,868,944
Operations	2,645,619	363,155	(375,478)	2,633,296
	11,003,188	5,648,702	(6,149,650)	10,502,240
Restricted Capital Surplus				
Operations	15,987,587	6,388,234	(7,367,602)	15,008,219
Community services	5,974,582	3,515,100	(5,020,752)	4,468,930
General government	4,711,867	1,040,441	(1,789,548)	3,962,761
Library	747,916	118,935	-	866,851
Downtown business association	62,099	4,583	-	66,682
	27,484,051	11,067,293	(14,177,902)	24,373,443
Restricted Offsite Levy Reserves				
Transportation offsite levy	2,744,505	1,566,897	(4,311,402)	-
Water offsite levy	2,234,920	113,432	(369,411)	1,978,940
Sanitary offsite levy	-	522,865	(522,865)	-
	4,979,425	2,203,194	(5,203,678)	1,978,940
	43,466,664	18,919,189	(25,531,230)	36,854,623

At this time the City is up fronting the sanitary offsite levy reserve in the amount of \$2,448,026 (2019 - \$2,058,999). The City is up fronting the transportation offsite levy reserve in the amount of \$1,236,063 (2019 - nil). The reserves have been supported by the contingency reserve, which is included in the general government restricted operating surplus above.

11. Equity in Tangible Capital Assets

	<i>2020</i>	<i>2019</i>
Tangible capital assets (Note 8)	1,243,044,232	1,196,323,450
Accumulated amortization (Note 8)	(378,913,586)	(355,422,125)
Long-term debt (Note 6)	(66,779,526)	(61,768,230)
	797,351,121	779,133,094

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	2020	2019
Mayor/Council				
R. Young - Mayor	96,552	9,613	106,165	102,075
L. Tillack - Councillor	43,867	10,901	54,768	52,583
W. Hamilton - Councillor	43,867	10,901	54,768	52,583
G. Finstad - Councillor	43,867	10,290	54,157	52,583
T. Lazowski - Councillor	43,867	8,593	52,460	50,363
L. Hansen - Councillor	43,867	7,596	51,463	49,458
B. Beckett - Councillor	43,867	5,237	49,104	47,336
City Manager - D. Prohar	71,409	19,750	91,159	-
City Manager - P. Benedetto	373,168	9,397	382,565	288,499

(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 274,151 people and 420 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The City of Leduc is required to make current service contributions to the LAPP of 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 2020 were \$3,288,098 (2019 - \$2,984,578). Total current service contributions by the employees of the City of Leduc to the LAPP for 2020 were \$2,989,062 (2019 - \$2,710,272).

At December 31, 2019, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial surplus of \$7,913,261,000 (2018 - surplus of \$3,469,347,000).

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 3.85% of employment income. Employees of the City of Leduc are required to make current service contributions of 2.61% of employment income.

The current service contributions by the City of Leduc to APEX in 2020 were \$69,193 (2019 - \$66,513). Total current service contributions by the employees of the City of Leduc to APEX for 2020 were \$46,909 (2019 - \$49,973).

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 (6 beneficiaries in 2020, this was increased from 4 in 2019). Included in accounts payable and accrued liabilities is \$152,805* (2019 - \$161,919*) held by the City on behalf of the beneficiaries. The actuarial valuation of the plan for service accrued to December 31, 2020 is estimated to be \$429,684 (2019 - \$447,954).

* 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.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

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:

2021	6,111,335
2022	6,095,558
2023	6,217,469
2024	6,341,819
2025	6,464,950

Capital commitments are not reflected in the consolidated financial statements. These capital commitments were included in the City's capital budget and will be funded from government transfers for capital, reserves and debt in future years.

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 \$24,632,282 (2019 - \$24,205,765).

Included in the disclosed budget on the consolidated statement of operations is \$5,921,598 (2019 - \$5,761,564) 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. Significant Event

During 2020, 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 full 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, and continue to be in place by Canada and other countries to fight the virus.

20. Guarantees

As part of the land transfer and lease agreement between the City of Leduc and the Leduc Golf and Country Club, the City has guaranteed credit facilities held by the Leduc Golf and Country Club for not more than \$550,000. The guarantee has no set termination date.

21. Comparative Figures

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