

# CITY OF LEDUC

## CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022





## 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 17, 2023



City Manager

To the Mayor and Council of the City of Leduc:

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of the City of Leduc (the "City"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations, change\ in net debt, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2022, and the results of its consolidated operations, change in its net debt and its consolidated 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 other 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 Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks 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 management.
- Conclude on the appropriateness of management'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.

### Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:  
In accordance with Alberta regulation 255/2000, we confirm that the City is in compliance with the Debt Limit Regulation. A detailed account of the City's debt limit can be found in Note 7.
- Supplementary Accounting Principles and Standards Regulation:  
In accordance with Alberta regulation 313/2000, we confirm that the City is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 12.

Leduc, Alberta

April 17, 2023

*MNP LLP*

Chartered Professional Accountants

**City of Leduc**  
**Consolidated Statement of Financial Position**  
*As at December 31, 2022*

	2022	2021
<b>Financial assets</b>		
Cash	23,716,694	4,664,273
Investments (Note 2)	44,651,302	47,987,330
Property taxes receivable (Note 3)	2,358,443	3,065,712
Trade and other accounts receivable	7,415,187	7,662,113
	<b>78,141,626</b>	<b>63,379,428</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 4)	12,137,534	16,108,257
Deposit and deferred revenue (Note 5)	11,520,947	5,926,751
Long-term debt (Note 6)	79,559,262	70,468,720
	<b>103,217,743</b>	<b>92,503,728</b>
<b>Net debt</b>	<b>(25,076,117)</b>	<b>(29,124,300)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 8) (Schedule II)	908,481,766	905,758,739
Inventory for consumption	853,676	637,322
Prepaid expenses	395,212	419,141
	<b>909,730,654</b>	<b>906,815,202</b>
<b>Accumulated surplus (Schedule I)</b>	<b>884,654,539</b>	<b>877,690,904</b>

Contingencies (Note 15)

Commitments (Note 16)

Approved on behalf of Council:

  
 \_\_\_\_\_ Mayor  
  
 \_\_\_\_\_ Councillor

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

**City of Leduc**  
**Consolidated Statement of Operations**  
*For the year ended December 31, 2022*

	<b>2022 Budget (Note 17)</b>	<b>2022</b>	<b>2021</b>
<b>Revenue</b>			
Net municipal property taxes <i>(Schedule III)</i>	51,450,913	<b>51,135,955</b>	47,741,240
Utility services	27,386,003	<b>28,135,402</b>	26,684,383
Government transfers <i>(Schedule IV)</i>	9,645,199	<b>9,673,946</b>	10,548,102
Sales, user charges and costs recovered	8,905,574	<b>9,392,227</b>	8,269,019
Contributions and levies	1,933,295	<b>2,554,254</b>	2,562,138
Property revenue	2,568,618	<b>2,396,658</b>	1,246,033
Interest and penalties	1,691,626	<b>2,377,714</b>	2,159,446
Enforcement services	570,325	<b>464,068</b>	473,897
Gain on sale of tangible capital assets	-	-	58,525
	104,151,553	<b>106,130,224</b>	99,742,783
<b>Expenses</b>			
Utility and public services	27,547,049	<b>28,221,843</b>	26,739,642
Amortization <i>(Note 17)</i>	-	<b>26,713,336</b>	25,512,419
Administration	21,710,831	<b>21,288,094</b>	18,209,932
Protective services	18,203,040	<b>19,214,922</b>	18,064,115
Recreation and community development	10,176,650	<b>9,163,332</b>	8,197,042
Facility services	6,951,034	<b>6,892,073</b>	5,468,599
Engineering	5,483,497	<b>5,369,038</b>	7,796,985
Planning services	3,305,304	<b>3,074,727</b>	2,759,888
Family and community support services	1,843,428	<b>1,805,143</b>	1,566,145
Library	1,398,684	<b>1,419,626</b>	1,398,126
Loss on disposal of tangible capital assets	-	<b>317,539</b>	-
	96,619,517	<b>123,479,673</b>	115,712,893
<b>Excess (deficiency) of revenue before other</b>	7,532,036	<b>(17,349,449)</b>	(15,970,110)
<b>Other</b>			
Contributed assets	-	<b>15,171,047</b>	34,900,284
Government transfers for capital <i>(Schedule IV)</i>	14,540,068	<b>8,679,037</b>	8,656,518
Capital contributions	-	<b>463,001</b>	194,198
	14,540,068	<b>24,313,085</b>	43,751,000
<b>Excess of revenue over expenses</b>	22,072,104	<b>6,963,635</b>	27,780,890
<b>Accumulated surplus, beginning of year</b>	877,690,904	<b>877,690,904</b>	849,910,014
<b>Accumulated surplus, end of year</b>	899,763,008	<b>884,654,539</b>	877,690,904

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

**City of Leduc**  
**Consolidated Statement of Change in Net Debt**  
*For the year ended December 31, 2022*

	<b>2022 Budget (Note 17)</b>	<b>2022</b>	<b>2021</b>
<b>Excess of revenue over expenses</b>	22,072,104	<b>6,963,635</b>	27,780,890
Acquisition of tangible capital assets	(31,177,270)	<b>(14,582,854)</b>	(32,311,021)
Contributed tangible capital assets	-	<b>(15,171,047)</b>	(34,900,284)
Proceeds on disposal of tangible capital assets	-	-	129,316
Amortization of tangible capital assets	-	<b>26,713,336</b>	25,512,419
Loss (gain) on disposal of tangible capital assets	-	<b>317,539</b>	(58,525)
Use (acquisition) of inventory for consumption	-	<b>(216,354)</b>	60,088
Use (acquisition) of prepaid expenses	-	<b>23,929</b>	(108,356)
<b>Increase (decrease) in net debt</b>	(9,105,166)	<b>4,048,183</b>	(13,895,473)
<b>Net debt, beginning of year</b>	(29,124,300)	<b>(29,124,300)</b>	(15,228,827)
<b>Net debt, end of year</b>	(38,229,466)	<b>(25,076,117)</b>	(29,124,300)

*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, 2022*

	2022	2021
<b>Cash provided by (used for) the following activities:</b>		
<b>Operating</b>		
Excess of revenue over expenses	6,963,635	27,780,890
Non-cash items:		
Amortization of tangible capital assets	26,713,336	25,512,419
Loss (gain) on disposal of tangible capital assets	317,539	(58,525)
Tangible capital assets received as contribution	(15,171,047)	(34,900,284)
Net change in non-cash operating working capital balances:		
Decrease in trade and other accounts receivables	246,926	3,305,025
Decrease in property taxes receivable	707,268	1,010,048
Decrease (increase) in prepaid expenses	23,929	(108,356)
Use (acquisition) of inventory for consumption	(216,354)	60,088
Increase (decrease) in accounts payable and accrued liabilities	(2,021,219)	2,913,498
Increase (decrease) in deposit and deferred revenue	5,594,195	(4,343,467)
	<b>23,158,208</b>	<b>21,171,336</b>
<b>Capital</b>		
Proceeds on disposal of tangible capital assets	-	129,316
Acquisition of tangible capital assets ( <i>Schedule II</i> )	(16,532,357)	(37,040,558)
	<b>(16,532,357)</b>	<b>(36,911,242)</b>
<b>Investing</b>		
Decrease in investments	3,336,028	7,381,928
<b>Financing</b>		
Proceeds from long-term debt	13,183,750	7,713,750
Repayment of long-term debt	(4,093,208)	(4,024,556)
	<b>9,090,542</b>	<b>3,689,194</b>
<b>Increase (decrease) in cash and equivalents</b>	<b>19,052,421</b>	<b>(4,668,784)</b>
<b>Cash, beginning of year</b>	<b>4,664,273</b>	<b>9,333,059</b>
<b>Cash, end of year</b>	<b>23,716,694</b>	<b>4,664,273</b>

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

**City of Leduc**  
**Schedule I - Schedule of Changes in Accumulated Surplus**

*For the year ended December 31, 2022*

	<i>Unrestricted Surplus</i>	<i>Restricted Surplus (Note 10)</i>	<i>Equity in Tangible Capital Assets (Note 11)</i>	<i>2022</i>	<i>2021</i>
<b>Balance, beginning of year</b>	<b>4,613,224</b>	<b>37,787,658</b>	<b>835,290,022</b>	<b>877,690,904</b>	849,910,014
Excess of revenue over expenses	6,963,635	-	-	6,963,635	27,780,890
Unrestricted funds designated for future use	(18,941,616)	18,941,616	-	-	-
Restricted funds for operations	4,049,394	(4,049,394)	-	-	-
Restricted funds used for tangible capital assets	-	(14,108,599)	14,108,599	-	-
Current year funds used for tangible capital assets	(474,256)	-	474,256	-	-
Contributed tangible capital assets	(15,171,047)	-	15,171,047	-	-
Disposal of tangible capital assets	317,539	-	(317,539)	-	-
Amortization	26,713,336	-	(26,713,336)	-	-
Long-term debt used for tangible capital assets	66,403	-	(66,403)	-	-
Long-term debt repaid	(4,093,208)	-	4,093,208	-	-
<b>Change in accumulated surplus</b>	<b>(569,820)</b>	<b>783,623</b>	<b>6,749,832</b>	<b>6,963,635</b>	27,780,890
<b>Balance, end of year</b>	<b>4,043,404</b>	<b>38,571,281</b>	<b>842,039,854</b>	<b>884,654,539</b>	877,690,904

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**City of Leduc**  
**Schedule II - Schedule of Tangible Capital Assets**  
*For the year ended December 31, 2022*

	<i>Construction in progress</i>	<i>Land</i>	<i>Land Improvements</i>	<i>Buildings</i>	<i>Engineered Structures</i>	<i>Machinery &amp; Equipment</i>	<i>Vehicles</i>	<i>2022</i>	<i>2021</i>
<b>Cost:</b>									
Balance, beginning of year	766,667	138,239,497	37,377,447	164,339,643	922,321,156	32,460,041	13,357,674	1,308,862,125	1,243,044,232
Acquisition of tangible capital assets	-	2,584,200	667,212	109,256	22,259,341	1,560,351	1,402,776	28,583,136	66,444,635
Construction in progress	1,170,766	-	-	-	-	-	-	1,170,766	766,667
Transfer from construction in progress	(683,756)	-	129,631	-	180,267	6,103	367,755	-	-
Disposal of tangible capital assets	-	(89,690)	(187,831)	(100,311)	-	(5,423,136)	(253,166)	(6,054,134)	(1,393,409)
Balance, end of year	1,253,677	140,734,007	37,986,459	164,348,588	944,760,764	28,603,359	14,875,039	1,332,561,893	1,308,862,125
<b>Accumulated amortization:</b>									
Balance, beginning of year	-	-	14,343,787	44,926,952	317,559,680	18,555,785	7,717,182	403,103,386	378,913,586
Annual amortization	-	-	1,626,168	3,747,340	18,282,644	2,020,421	1,036,763	26,713,336	25,512,419
Accumulated amortization on disposals	-	-	(187,831)	(100,311)	-	(5,423,136)	(25,317)	(5,736,595)	(1,322,619)
Balance, end of year	-	-	15,782,124	48,573,981	335,842,324	15,153,070	8,728,628	424,080,127	403,103,386
<b>Net book value</b>	<b>1,253,677</b>	<b>140,734,007</b>	<b>22,204,335</b>	<b>115,774,607</b>	<b>608,918,440</b>	<b>13,450,289</b>	<b>6,146,411</b>	<b>908,481,766</b>	<b>905,758,739</b>
2021 net book value	766,667	138,239,497	23,033,660	119,412,691	604,761,476	13,904,256	5,640,492	905,758,739	

During the year, tangible capital assets were acquired at an aggregate cost of \$29,753,902 (2021 - \$67,211,302), of which \$15,171,047 (2021 - \$34,900,284) was acquired as contributed assets on a non-cash basis, \$1,775,755 (2021 - \$3,725,259) remains in accounts payable at year-end and the remaining \$16,532,357 (2021 - \$37,040,558) was acquired with cash. Total additions to tangible capital assets consists of acquisitions of \$28,583,136 (2021 - \$66,444,635) and the addition of \$1,170,766 (2021 - \$766,667) to construction in progress.

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

**City of Leduc**  
**Schedule III - Schedule of Property Taxes Levied**  
*For the year ended December 31, 2022*

	<b>2022 Budget</b>	<b>2022</b>	<b>2021</b>
<b>Taxation</b>			
Property taxes	70,189,107	<b>69,867,783</b>	66,510,604
<b>Requisitions</b>			
Education	18,573,838	<b>18,573,383</b>	18,607,243
Leduc Foundation	164,356	<b>158,445</b>	162,121
	18,738,194	<b>18,731,828</b>	18,769,364
<b>Net municipal property taxes</b>	51,450,913	<b>51,135,955</b>	47,741,240

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

**City of Leduc**  
**Schedule IV - Schedule of Government Transfers**  
*For the year ended December 31, 2022*

	<b>2022 Budget</b>	<b>2022</b>	<b>2021</b>
<b>Operating</b>			
Federal	368,666	<b>169,580</b>	69,954
Provincial	5,174,110	<b>5,292,745</b>	5,954,610
Local	4,102,423	<b>4,211,621</b>	4,523,538
<b>Total operating government transfers</b>	9,645,199	<b>9,673,946</b>	10,548,102
<b>Capital</b>			
Federal	4,268,735	<b>3,858,039</b>	2,877,546
Provincial	10,217,993	<b>4,737,461</b>	5,813,972
Local	53,340	<b>83,537</b>	(35,000)
<b>Total capital government transfers</b>	14,540,068	<b>8,679,037</b>	8,656,518
<b>Total government transfers</b>	24,185,267	<b>18,352,983</b>	19,204,620

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

**City of Leduc**  
**Schedule V - Consolidated Schedule of Expenses by Object**  
*For the year ended December 31, 2022*

	<b>2022</b>	<b>2022</b>	<b>2021</b>
	<b><i>Budget</i></b>		
Salaries and wages	39,497,456	<b>38,404,522</b>	36,306,761
Amortization ( <i>Note 17</i> )	-	<b>26,713,336</b>	25,512,419
Contract services	21,846,161	<b>22,981,698</b>	20,321,668
Cost of utilities sold	8,977,770	<b>9,286,499</b>	9,256,153
Employee benefits	7,942,962	<b>7,607,207</b>	7,555,914
Materials and supplies	5,236,438	<b>5,228,663</b>	4,881,102
Utilities	3,699,167	<b>3,681,388</b>	3,257,823
Interest on long-term debt	2,630,401	<b>2,576,665</b>	2,473,878
Grants to organization	2,434,712	<b>2,325,847</b>	2,344,515
Repairs and maintenance	1,812,114	<b>1,938,554</b>	1,545,234
Training and development	1,058,372	<b>930,334</b>	709,695
General services	829,944	<b>795,559</b>	731,025
Bank charges and interest	279,076	<b>331,260</b>	436,433
Loss on disposal of tangible capital asset	-	<b>317,539</b>	-
Telephone and communications	222,479	<b>207,999</b>	232,950
Other	152,465	<b>152,603</b>	147,323
	<b>96,619,517</b>	<b>123,479,673</b>	115,712,893

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

**City of Leduc**  
**Schedule VI - Schedule of Segmented Disclosure**  
*For the year ended December 31, 2022*

	<i>Utility and public services</i>	<i>Administration</i>	<i>Engineering</i>	<i>Facility services</i>	<i>Protective Services</i>	<i>Family &amp; community support services</i>	<i>Recreation &amp; community development</i>	<i>Planning services</i>	<i>Library</i>	<i>Total</i>
<b>Revenue</b>										
Net municipal property taxes	-	51,135,955	-	-	-	-	-	-	-	51,135,955
Utility service	16,919,925	8,192,885	3,022,592	-	-	-	-	-	-	28,135,402
Government transfers	372,567	3,928,035	8,605,050	-	3,415,841	1,294,426	472,667	-	264,397	18,352,983
Contributed assets	4,660,544	1,816,000	8,694,503	-	-	-	-	-	-	15,171,047
Sales, user charges and costs recovered	1,186,035	474,168	287,465	85,301	1,554,249	21,135	2,236,908	2,406,584	1,140,382	9,392,227
Contributions and levies	-	-	-	-	-	-	271,839	2,282,415	-	2,554,254
Property revenue	3,600	-	-	690,174	-	-	1,700,394	-	2,490	2,396,658
Interest and penalties	270,767	2,106,770	177	-	-	-	-	-	-	2,377,714
Enforcement services	-	-	-	-	464,068	-	-	-	-	464,068
Capital contributions	251,722	-	211,279	-	-	-	-	-	-	463,001
	23,665,160	67,653,813	20,821,066	775,475	5,434,158	1,315,561	4,681,808	4,688,999	1,407,269	130,443,309
<b>Expenses</b>										
Salaries and wages	6,401,858	9,846,212	1,342,962	1,275,774	9,871,667	1,012,039	5,871,733	1,967,989	814,288	38,404,522
Contract services	5,219,713	5,206,221	3,045,980	1,137,820	6,825,322	170,834	737,170	534,033	104,605	22,981,698
Cost of utilities sold	9,183,875	-	102,624	-	-	-	-	-	-	9,286,499
Employee benefits	1,271,979	2,106,436	278,916	282,567	1,713,026	212,378	1,156,198	435,843	149,864	7,607,207
Materials and supplies	2,645,497	444,796	166,026	215,849	464,513	221,554	811,076	72,663	186,689	5,228,663
Utilities	1,842,524	-	-	1,816,963	-	-	21,901	-	-	3,681,388
Interest on long-term debt	311,513	3,160	385,662	1,876,330	-	-	-	-	-	2,576,665
Grants to organization	-	2,157,673	-	-	-	100,000	68,174	-	-	2,325,847
Repairs and maintenance	1,214,441	126,757	-	270,286	20,657	40,379	266,034	-	-	1,938,554
Training and development	80,120	377,450	46,868	16,484	187,653	46,964	105,308	63,432	6,055	930,334
General services	23,437	646,614	-	-	-	18	121,090	767	3,633	795,559
Bank charges and interest	(4,670)	219,582	-	-	112,540	29	3,779	-	-	331,260
Telephone and communications	31,556	153,193	-	-	19,544	948	869	-	1,889	207,999
Other	-	-	-	-	-	-	-	-	152,603	152,603
	28,221,843	21,288,094	5,369,038	6,892,073	19,214,922	1,805,143	9,163,332	3,074,727	1,419,626	96,448,798
<b>Net revenue, before amortization</b>	<b>(4,556,683)</b>	<b>46,365,719</b>	<b>15,452,028</b>	<b>(6,116,598)</b>	<b>(13,780,764)</b>	<b>(489,582)</b>	<b>(4,481,524)</b>	<b>1,614,272</b>	<b>(12,357)</b>	<b>33,994,511</b>
Amortization	9,898,558	397,117	10,935,596	3,902,503	315,427	-	1,234,411	2,847	26,877	26,713,336
Loss on disposal of assets	227,849	-	-	89,690	-	-	-	-	-	317,539
<b>Excess (deficiency) of revenue over expense</b>	<b>(14,683,090)</b>	<b>45,968,602</b>	<b>4,516,432</b>	<b>(10,108,791)</b>	<b>(14,096,191)</b>	<b>(489,582)</b>	<b>(5,715,935)</b>	<b>1,611,425</b>	<b>(39,234)</b>	<b>6,963,636</b>

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

## **1. Significant accounting policies**

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

### ***Reporting entity***

The consolidated financial statements reflect the assets, liabilities, revenue, expenses, and change 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 City 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 consolidated 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 period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Trade and other accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful life 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** *(continued)*

***Revenue recognition***

**i. Government transfers**

Government transfers are the transfer of assets from senior 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 collectibility and records a valuation allowance to reflect the tax receivable at its net recoverable amount, if necessary.

**iii. Utility services**

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 a 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 changes in net debt for the year.

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

**Non-financial assets** *(continued)*

**i. Tangible capital assets**

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

Land improvements	10-45 years
Buildings	5-50 years
Engineered structures:	
Water systems	25-75 years
Wastewater system	25-75 years
Other engineering 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 also are recorded as revenue.

**iii. Leases**

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

**iv. Inventory for consumption**

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

**v. Prepaid expenses**

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

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

***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.

***Property tax requisition over-levy and under-levy***

Over-levies and under-levies arise from the difference between the actual 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.

***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 contaminated 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.

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

***Future Changes in Accounting Standards***

During the 2023 fiscal year, the City will adopt the following new accounting standards of the Public Sector Accounting Board:

***PS 3280 Asset Retirement Obligations***

This accounting standard provides guidance on how to account for and report liabilities for retirement of tangible capital assets. The impact of the adoption of this accounting standard on the financial statements is currently being analyzed.

***PS 3450 Financial Instruments***

This accounting standard provides guidance on the requirements for recognition, measurement, derecognition, presentation and disclosure of financial assets and financial liabilities, including derivatives. The impact of the adoption of this accounting standard on the financial statements is currently being analyzed.

**2. Investments**

	<b>2022</b>	2021
Fixed income securities	<b>44,651,302</b>	47,987,330

The fixed income securities have yields from 1.47% to 5.66% (2021 - 1.47% to 3.75%) and mature in periods 2025 through 2032. The market value of the investments at December 31, 2022 was \$37,882,889 (2021 - \$46,788,314).

**3. Property taxes receivable**

	<b>2022</b>	2021
Current taxes	<b>2,022,648</b>	2,130,818
Non-current taxes	<b>335,795</b>	934,894
	<b>2,358,443</b>	3,065,712

**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 2022 total \$1,768,574 (2021 - \$1,745,739).

**City of Leduc**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2022*

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**5. Deposits and deferred revenue**

	<b>2022</b>	<b>2021</b>
Deferred government transfers - MSI capital	<b>7,581,716</b>	1,760,333
Deferred government transfers - Clean Energy Improvement Program	<b>267,665</b>	-
Deferred government transfers - other	<b>123,574</b>	227,631
Deferred government transfers - municipal stimulus program	<b>20,744</b>	358,964
Deposits	<b>2,827,621</b>	2,718,776
Deferred revenue	<b>699,627</b>	861,047
	<b>11,520,947</b>	5,926,751

**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, 2022*

**6. Long-term debt**

	<b>2022</b>	<b>2021</b>
Tax- supported debentures	<b>53,791,318</b>	57,262,061
Offsite levy supported debentures	<b>24,580,928</b>	12,644,164
Clean Energy Improvement Plan	<b>683,750</b>	-
Capital leases	<b>503,266</b>	562,495
	<b>79,559,262</b>	70,468,720

Payments of interest and principal requirements on long-term debt are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	4,503,612	2,905,146	7,408,758
2024	4,675,496	2,732,997	7,408,493
2025	4,844,240	2,553,798	7,398,038
2026	4,808,721	2,368,937	7,177,658
2027	5,010,459	2,180,613	7,191,072
To maturity	55,716,734	14,815,700	70,532,434
	79,559,262	27,557,191	107,116,453

Debenture debt is repayable to the Province of Alberta and bears interest at rates ranging from 2.163% to 5.050% (2021 - 2.163% to 4.657%) per annum, and mature in periods 2023 through 2051. The average annual interest rate is 3.09% (2021 - 2.84%). Debenture debt is issued on the credit and security of the City at large.

Included in long term debt is \$66,441,912 (2021 - \$70,468,720) utilized for the purchase of tangible capital assets.

**City of Leduc**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2022*

**7. Debt limits**

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the City of Leduc be disclosed as follows:

	<b>2022</b>	2021
Total debt limit	<b>159,889,838</b>	149,905,472
Total debt	<b>78,875,512</b>	70,468,720
Amount of debt limit unused	<b>81,014,326</b>	79,436,752
Service on debt limit	<b>26,648,306</b>	24,984,245
Service on debt	<b>7,408,758</b>	6,523,165
Amount of debt servicing limit unused	<b>19,239,548</b>	18,461,080

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) 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 which could be a 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

**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 \$1,571,269 which is 65% of the amortization of the buses.

Leduc Transit Joint Venture Tangible Capital Assets - City of Leduc 65% Proportionate Share:

<b>Cost</b>	<i>Opening</i>	<i>Additions</i>	<i>Disposal</i>	<b>Closing</b>
Transit joint venture buses	1,848,522	-	-	1,848,522
<b>Accumulated amortization</b>				
Transit joint venture buses	1,386,414	184,855	-	1,571,269
Net Book Value	462,108	184,855	-	277,253

## 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, 2022*

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**9. Leduc transit joint venture agreement**

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

	2022	2021
<b>Statement of Financial Position</b>		
Tangible capital assets		
Buses - costs	2,843,926	2,843,926
Buses - accumulated amortization	(2,417,337)	(2,132,945)
Accumulated surplus	426,589	710,981
<b>Statement of Operation</b>		
Operating revenue		
Sales and users charges	257,168	139,529
Government grant MOST	103,863	21,367
Transfer from City of Leduc	1,138,963	1,085,429
Transfer from Leduc County	616,768	596,217
	2,116,762	1,842,542
Operating Expense	(2,116,762)	(1,842,542)
Amortization expense	(284,393)	(284,393)
	(2,401,155)	(2,126,935)
Deficiency of revenue over expenses	(284,393)	(284,393)
Accumulated surplus, opening	710,981	995,374
Accumulated surplus, closing	426,589	710,981
<b>Statement of Net Debt</b>		
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, 2022*

**10. Restricted surplus**

Surplus restricted for operating and capital activities changes as follows:

	2021	Increases	Decreases	2022
Restricted Operating Surplus				
General government	2,375,836	-	-	<b>2,375,836</b>
Operations	9,617,072	1,529,197	(4,049,394)	<b>7,096,875</b>
	11,992,908	1,529,197	(4,049,394)	<b>9,472,711</b>
Restricted Capital Surplus				
Operations	15,905,603	8,418,772	(7,561,703)	<b>16,762,672</b>
Community services	3,353,746	3,163,216	(1,053,447)	<b>5,463,515</b>
General government	3,137,763	740,914	(980,213)	<b>2,898,464</b>
Library	913,638	52,708	(20,427)	<b>945,919</b>
Downtown business association	70,089	3,424	-	<b>73,513</b>
	23,380,839	12,379,034	(9,615,790)	<b>26,144,083</b>
Restricted Offsite Levy Reserves				
Transportation offsite levy	414,056	1,713,727	(1,222,237)	<b>905,546</b>
Water offsite levy	1,999,855	245,957	(196,871)	<b>2,048,941</b>
Sanitary offsite levy	-	3,073,701	(3,073,701)	<b>-</b>
	2,413,911	5,033,385	(4,492,809)	<b>2,954,487</b>
	37,787,658	18,941,616	(18,157,993)	<b>38,571,281</b>

At this time the City is up fronting the sanitary offsite levy reserve in the amount of \$2,750,967 (2021 - \$2,627,439). 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**

	2022	2021
Tangible capital assets ( <i>Schedule II</i> )	<b>1,332,561,893</b>	1,308,862,125
Accumulated amortization ( <i>Schedule II</i> )	<b>(424,080,127)</b>	(403,103,386)
Long-term debt ( <i>Note 6</i> )	<b>(66,441,912)</b>	(70,468,720)
	<b>842,039,854</b>	835,290,022

## 12. Salary and benefits disclosure

Disclosure of salaries and benefits for elected municipal officials, the city manager and designated officers as required by Alberta Regulation 313/2000 is as follows:

	<b>Salary</b>	<b>Benefits &amp; allowances</b>	<b>2022</b>	<b>2021</b>
R. Young - Mayor	93,876	10,587	104,463	102,949
W. Hamilton - Councillor	42,661	11,348	54,009	53,187
L. Tillack - Councillor	42,661	11,348	54,009	53,187
R. Pollard - Councillor	42,661	11,261	53,922	8,508
G. Finstad - Councillor	42,661	8,862	51,523	50,834
L. Hansen - Councillor	42,661	7,762	50,423	49,760
B. Beckett - Councillor	42,661	5,140	47,801	47,407
T. Lazowski - Councillor	-	-	-	42,767
City Manager - D. Prohar	249,752	54,009	303,761	281,398

Salary/remuneration includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

Benefits and allowances includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, 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 281,764 people and 435 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 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.80% on pensionable earnings above this amount. Employees of the City of Leduc are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 11.80% on pensionable salary above this amount.

The current service contributions by the City of Leduc to the LAPP in 2022 were \$2,789,058 (2021 - \$3,096,169). Total current service contributions by the employees of the City of Leduc to the Local Authorities Pension Plan in 2022 were \$2,535,119 (2021 - \$2,796,315).

At December 31, 2021, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial surplus of \$11,922,000,000 (2020 - \$4,961,337,000).

#### **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 the 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 2022 were \$77,077 (2021 - \$74,619). Total current service contributions by the employee of the City of Leduc to APEX for 2022 were \$52,253 (2021 - \$50,586).

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 (formally 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 (7 beneficiaries in 2022 and 2021). Included in accounts payable and accrued liabilities is \$129,675 (2021 - \$161,919) held by the City on behalf of the beneficiaries. The actuarial valuation of the plan for service accrued to December 31, 2022 is estimated to be \$248,074 (2021 - \$252,374).

\* This number includes both embarked and non-embarked 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 obtain new enterprise resource planning systems. The commitments over the next five years are as follows:

2023	\$7,148,612
2024	\$7,255,983
2025	\$7,509,291
2026	\$7,678,767
2027	\$7,507,497

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 information

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 \$26,713,336 (2021 - 25,512,419).

Included in the disclosed budget on the consolidated statement of operations is \$6,003,146 (2021 - \$5,661,608) in non-capital expenses that were approved by Council as part of the capital budget. These expense have been reclassified from the budget for the acquisition of tangible capital assets on the consolidated statement of change 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 VI - Schedule of Segmented Disclosure.

**19. Significant event**

In March 2020, the World Health Organization declared the outbreak of COVID-19 (coronavirus) a pandemic. This 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, closures 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 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 virus, and the duration of the outbreak, including the duration of City facility closures, program and service disruptions, and isolation/quarantine measures that are currently, or may be put, 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.