

CITY OF LEDUC

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021



Administration's Responsibility for Financial Reporting

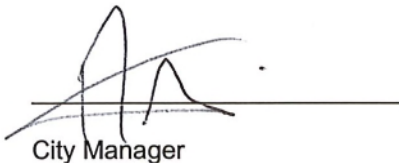
Administration is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates, in accordance with Canadian public sector accounting standards. This responsibility includes selecting 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 11, 2022

A handwritten signature in black ink, consisting of a large, stylized 'A' followed by a horizontal line and a small flourish.

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 City of Leduc (the "City"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations, changes 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, 2021, and the results of its consolidated operations, changes 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 Administration 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 liquidate the City or 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 11, 2022

MNP LLP

Chartered Professional Accountants

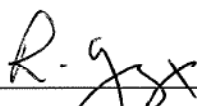
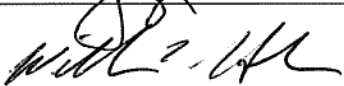
City of Leduc
Consolidated Statement of Financial Position
As at December 31, 2021

	2021	2020
Financial assets		
Cash	4,664,273	9,333,059
Investments (Note 2)	47,987,330	55,369,258
Property taxes receivable (Note 3)	3,065,712	4,075,760
Trade and other accounts receivable	7,662,113	10,967,138
	63,379,428	79,745,215
Liabilities		
Accounts payable and accrued liabilities (Note 4)	16,108,257	17,924,298
Deposit and deferred revenue (Note 5)	5,926,751	10,270,218
Long-term debt (Note 6)	70,468,720	66,779,526
	92,503,728	94,974,042
Net debt	(29,124,300)	(15,228,827)
Non-financial assets		
Tangible capital assets (Note 8) (Schedule II)	905,758,739	864,130,646
Inventory for consumption	637,322	697,410
Prepaid expenses	419,141	310,785
	906,815,202	865,138,841
Accumulated surplus (Schedule I)	877,690,904	849,910,014

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, 2021

	2021 Budget (Note 17)	2021	2020
Revenue			
Net municipal property taxes <i>(Schedule III)</i>	48,192,298	47,741,240	49,123,662
Utility services	25,745,533	26,684,383	25,186,054
Government transfers <i>(Schedule IV)</i>	9,546,541	10,548,102	11,888,465
Sales, user charges and costs recovered	8,377,664	8,269,019	7,226,148
Contributions and levies	1,273,661	2,562,138	703,001
Interest and penalties	1,397,301	2,159,446	2,475,215
Property revenue	2,056,324	1,246,033	1,078,951
Enforcement services	769,079	473,897	625,653
Gain on sale of tangible capital assets	-	58,525	-
	97,358,401	99,742,783	98,307,149
Expenses			
Utility and public services	26,249,020	26,739,642	24,890,574
Amortization <i>(Note 17)</i>	-	25,512,419	24,632,282
Administration	19,239,451	18,209,932	16,909,824
Protective services	18,066,001	18,064,115	18,520,233
Recreation and community development	10,018,572	8,197,042	7,799,948
Engineering	7,924,711	7,796,985	7,091,652
Facility services	5,955,523	5,468,599	6,039,923
Planning services	3,060,526	2,759,888	3,138,522
Family and community support services	1,753,524	1,566,145	1,777,495
Library	1,408,192	1,398,126	1,335,644
Loss on disposal of tangible capital assets	-	-	1,273,247
	93,675,520	115,712,893	113,409,344
Excess (deficiency) of revenue before other	3,682,881	(15,970,110)	(15,102,195)
Other			
Contributed assets	-	34,900,284	11,311,424
Government transfers for capital <i>(Schedule IV)</i>	10,767,915	8,656,518	15,136,232
Capital contributions	-	194,198	502,891
	10,767,915	43,751,000	26,950,547
Excess of revenue over expenses	14,450,796	27,780,890	11,848,353
Accumulated surplus, beginning of year	849,910,014	849,910,014	838,061,663
Accumulated surplus, end of year	864,360,810	877,690,904	849,910,014

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, 2021

	2021 Budget (Note 17)	2021	2020
Excess of revenue over expenses	14,450,796	27,780,890	11,848,353
Acquisition of tangible capital assets	(48,046,529)	(32,311,021)	(37,841,634)
Contributed tangible capital assets	-	(34,900,284)	(11,311,424)
Proceeds on disposal of tangible capital assets	-	129,316	18,204
Amortization of tangible capital assets	-	25,512,419	24,632,282
Loss (gain) on disposal of tangible capital assets	-	(58,525)	1,273,247
Use (acquisition) of inventory for consumption	-	60,088	(133,112)
Use (acquisition) of prepaid expenses	-	(108,356)	152,335
Increase in net debt	(33,595,733)	(13,895,473)	(11,361,747)
Net debt, beginning of year	(15,228,827)	(15,228,827)	(3,867,080)
Net debt, end of year	(48,824,560)	(29,124,300)	(15,228,827)

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, 2021

	2021	2020
Cash provided by (used for) the following activities:		
Operating		
Excess of revenue over expenses	27,780,890	11,848,353
Non-cash items:		
Amortization of tangible capital assets	25,512,419	24,632,282
Loss (gain) on disposal of tangible capital assets	(58,525)	1,273,247
Tangible capital assets received as contribution	(34,900,284)	(11,311,424)
Net change in non-cash operating working capital balances:		
Decrease (increase) in trade and other accounts receivables	3,305,025	(3,075,504)
Decrease (increase) in property taxes receivable	1,010,048	(2,383,670)
Decrease (increase) in prepaid expenses	(108,356)	152,335
Use (acquisition) of inventory for consumption	60,088	(133,112)
Increase (decrease) in accounts payable and accrued liabilities	2,913,498	(2,689,530)
Increase (decrease) in deposit and deferred revenue	(4,343,467)	3,895,764
	21,171,336	22,208,741
Capital		
Proceeds on disposal of tangible capital assets	129,316	18,204
Acquisition of tangible capital assets (<i>Schedule II</i>)	(37,040,558)	(32,539,856)
	(36,911,242)	(32,521,652)
Investing		
Decrease in investments	7,381,928	2,947,318
Financing		
Proceeds from long-term debt	7,713,750	9,357,884
Repayment of long-term debt	(4,024,556)	(4,346,587)
	3,689,194	5,011,297
Decrease in cash and equivalents	(4,668,784)	(2,354,296)
Cash, beginning of year	9,333,059	11,687,355
Cash, end of year	4,664,273	9,333,059

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, 2021

	<i>Unrestricted Surplus</i>	<i>Restricted Surplus (Note 10)</i>	<i>Equity in Tangible Capital Assets (Note 11)</i>	<i>2021</i>	<i>2020</i>
Balance, beginning of year	15,704,268	36,854,623	797,351,123	849,910,014	838,061,663
Excess of revenue over expenses	27,780,890	-	-	27,780,890	11,848,353
Unrestricted funds designated for future use	(25,154,283)	25,154,283	-	-	-
Restricted funds for operations	5,493,108	(5,493,108)	-	-	-
Restricted funds used for tangible capital assets	-	(18,728,140)	18,728,140	-	-
Current year funds used for tangible capital assets	(13,582,878)	-	13,582,878	-	-
Contributed tangible capital assets	(34,900,284)	-	34,900,284	-	-
Disposal of tangible capital assets	70,790	-	(70,790)	-	-
Amortization	25,512,419	-	(25,512,419)	-	-
Proceeds of long-term debt	7,713,750	-	(7,713,750)	-	-
Long-term debt repaid	(4,024,556)	-	4,024,556	-	-
Change in accumulated surplus	(11,091,044)	933,035	37,938,899	27,780,890	11,848,353
Balance, end of year	4,613,224	37,787,658	835,290,022	877,690,904	849,910,014

The accompanying notes are an integral part of these financial statements

City of Leduc
Schedule II - Schedule of Tangible Capital Assets
For the year ended December 31, 2021

	<i>Construction in progress</i>	<i>Land</i>	<i>Land Improvements</i>	<i>Buildings</i>	<i>Engineered Structures</i>	<i>Machinery & Equipment</i>	<i>Vehicles</i>	<i>2021</i>	<i>2020</i>
Cost:									
Balance, beginning of year	17,727,213	133,813,481	37,067,985	136,857,198	872,669,399	31,376,715	13,532,241	1,243,044,232	1,196,323,450
Acquisition of tangible capital assets	-	4,426,016	309,462	11,405,283	48,413,923	1,408,434	481,517	66,444,635	40,619,656
Construction in progress	766,667	-	-	-	-	-	-	766,667	8,533,397
Transfer from construction in progress	(17,727,213)	-	-	16,077,162	1,237,834	412,217	-	-	-
Disposal of tangible capital assets	-	-	-	-	-	(737,325)	(656,084)	(1,393,409)	(2,432,271)
Balance, end 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
Accumulated amortization:									
Balance, beginning of year	-	-	12,740,260	41,455,529	300,116,754	17,230,412	7,370,631	378,913,586	355,422,125
Annual amortization	-	-	1,603,527	3,471,423	17,442,926	2,013,029	981,514	25,512,419	24,632,282
Accumulated amortization on disposals	-	-	-	-	-	(687,656)	(634,963)	(1,322,619)	(1,140,821)
Balance, end of year	-	-	14,343,787	44,926,952	317,559,680	18,555,785	7,717,182	403,103,386	378,913,586
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	864,130,646
2020 net book value	17,727,213	133,813,481	24,327,725	95,401,669	572,552,645	14,146,303	6,161,610	864,130,646	

During the year, tangible capital assets were acquired at an aggregate cost of \$67,211,302 (2020 - \$49,153,058), of which \$34,900,284 (2020 - \$11,311,424) was acquired as contributed assets, \$3,725,259 (2020 - \$8,454,798) remains in accounts payable at year-end and the remaining \$37,040,558 (2020 - \$32,539,856) was acquired with cash. Total additions to tangible capital assets consists of acquisitions of \$66,444,635 (2020 - \$40,619,657) and the addition of \$766,667 (2020 - \$8,533,397) 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, 2021

	2021 Budget	2021	2020
Taxation			
Property taxes	66,961,662	66,510,604	66,182,929
Requisitions			
Education	18,607,243	18,607,243	16,896,302
Leduc Foundation	162,121	162,121	162,965
	18,769,364	18,769,364	17,059,267
Net municipal property taxes	48,192,298	47,741,240	49,123,662

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, 2021

	2021 Budget	2021	2020
Operating			
Federal	52,200	69,954	-
Provincial	5,131,098	5,954,610	7,545,948
Local	4,363,243	4,523,538	4,342,517
Total operating government transfers	9,546,541	10,548,102	11,888,465
Capital			
Federal	4,071,342	2,877,546	3,506,072
Provincial	6,643,233	5,813,972	11,595,160
Local	53,340	(35,000)	35,000
Total capital government transfers	10,767,915	8,656,518	15,136,232
Total government transfers	20,314,456	19,204,620	27,024,697

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, 2021

	2021	2021	2020
	Budget		
Salaries and wages	38,098,260	36,306,761	36,143,954
Amortization (<i>Note 17</i>)	-	25,512,419	24,632,282
Contract services	21,236,848	20,321,668	20,680,817
Cost of utilities sold	8,448,700	9,256,153	8,174,721
Employee benefits	7,737,700	7,555,914	7,178,752
Materials and supplies	5,267,112	4,881,102	4,199,058
Utilities	3,652,484	3,257,823	3,146,015
Interest on long-term debt	2,676,899	2,473,878	2,356,267
Grants to organization	2,458,925	2,344,515	2,106,349
Repairs and maintenance	1,621,825	1,545,234	1,565,763
General services	767,180	731,025	669,567
Training and development	1,035,043	709,695	657,650
Bank charges and interest	299,844	436,433	327,377
Telephone and communications	226,677	232,950	155,967
Other	148,023	147,323	141,558
Loss on disposal of tangible capital asset	-	-	1,273,247
	93,675,520	115,712,893	113,409,344

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, 2021

	<i>Utility and public services</i>	<i>Administration</i>	<i>Engineering</i>	<i>Facility services</i>	<i>Protective Services</i>	<i>Family & community support services</i>	<i>Recreation & community development</i>	<i>Planning services</i>	<i>Library</i>	<i>Total</i>
Revenue										
Net municipal property taxes	-	47,741,240	-	-	-	-	-	-	-	47,741,240
Contributed assets	14,634,071	1,006,000	19,260,213	-	-	-	-	-	-	34,900,284
Utility service	16,234,014	7,569,813	2,880,556	-	-	-	-	-	-	26,684,383
Government transfers	(52,165)	5,275,914	8,492,688	-	3,448,623	1,081,424	686,240	-	271,896	19,204,620
Sales, user charges and costs recovered	1,096,981	573,918	312,351	47,446	1,509,091	27,133	1,377,408	2,196,306	1,128,385	8,269,019
Contributions and levies	-	-	-	-	-	-	286,303	2,275,835	-	2,562,138
Interest and penalties	209,441	1,950,005	-	-	-	-	-	-	-	2,159,446
Property revenue	2,519	-	-	169,577	-	-	1,073,597	-	340	1,246,033
Enforcement services	-	-	-	-	473,897	-	-	-	-	473,897
Capital contributions	-	-	88,259	105,939	-	-	-	-	-	194,198
Gain on disposal of assets	58,075	(16,904)	-	373	14,953	-	-	2,028	-	58,525
	32,182,936	64,099,986	31,034,067	323,335	5,446,564	1,108,557	3,423,548	4,474,169	1,400,621	143,493,783
Expenses										
Salaries and wages	6,040,495	9,279,709	1,294,319	1,160,788	9,632,881	1,013,287	5,208,861	1,900,492	775,929	36,306,761
Contract services	4,365,272	2,739,689	5,707,427	350,647	5,892,411	66,179	771,616	316,953	111,474	20,321,668
Cost of utilities sold	9,111,204	-	144,949	-	-	-	-	-	-	9,256,153
Employee benefits	1,272,605	2,128,337	296,057	268,262	1,718,472	214,600	1,084,240	423,000	150,341	7,555,914
Materials and supplies	2,520,765	372,662	157,863	150,674	539,034	99,292	762,181	83,040	195,591	4,881,102
Utilities	1,919,591	-	-	1,319,897	-	-	18,335	-	-	3,257,823
Interest on long-term debt	286,509	6,468	172,153	2,004,436	1,114	-	3,198	-	-	2,473,878
Grants to organization	-	2,210,464	-	-	-	100,000	34,051	-	-	2,344,515
Repairs and maintenance	1,048,734	83,376	-	207,344	28,837	26,337	150,606	-	-	1,545,234
General services	22,128	587,558	-	-	-	17	113,411	4,513	3,398	731,025
Training and development	52,352	334,779	24,217	6,551	191,211	8,768	50,194	31,890	9,733	709,695
Bank charges and interest	78,412	307,189	-	-	16,373	34,839	(380)	-	-	436,433
Telephone and communications	21,575	159,701	-	-	43,782	2,826	729	-	4,337	232,950
Other	-	-	-	-	-	-	-	-	147,323	147,323
	26,739,642	18,209,932	7,796,985	5,468,599	18,064,115	1,566,145	8,197,042	2,759,888	1,398,126	90,200,474
Net revenue, before amortization	5,443,294	45,890,054	23,237,082	(5,145,264)	(12,617,551)	(457,588)	(4,773,494)	1,714,281	2,495	53,293,309
Amortization	9,536,291	448,934	10,380,404	3,632,427	317,530	-	1,163,230	2,847	30,756	25,512,419
Excess (deficiency) of revenue over expense	(4,092,997)	45,441,120	12,856,678	(8,777,691)	(12,935,081)	(457,588)	(5,936,724)	1,711,434	(28,261)	27,780,890

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 base 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

	2021	2020
Fixed income securities	47,987,330	55,369,258

The fixed income securities have yield from 1.47% to 3.75% (2020 - 1.47% to 4.50%) and mature in periods 2025 through 2032. The market value of the investments at December 31, 2021 was \$46,788,314 (2020 - \$56,060,609).

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2021

3. Property taxes receivable

	2021	2020
Current taxes	2,130,818	3,411,700
Non-current taxes	934,894	664,060
	3,065,712	4,075,760

4. Employee benefits 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 2021 total \$1,745,739 (2020 - \$1,592,031).

5. Deposits and deferred revenue

	2021	2020
Deferred government transfers - MSI capital	1,760,333	54,693
Deferred government transfers - CCBF	-	2,183,161
Deferred government transfers - municipal stimulus program	358,964	3,926,484
Deferred government transfers - municipal operating support transfer	-	844,447
Deferred government transfers - other	227,631	98,690
Deposits	2,718,776	2,414,109
Deferred revenue	861,047	748,634
	5,926,751	10,270,218

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, 2021

6. Long-term debt

	2021	2020
Tax- supported debentures	57,262,061	57,763,443
Offsite levy supported debentures	12,644,164	8,300,103
Capital leases	562,495	715,980
	70,468,720	66,779,526

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

	Principal	Interest	Total
2022	4,093,208	2,429,957	6,523,165
2023	4,245,787	2,277,111	6,522,898
2024	4,404,487	2,118,146	6,522,633
2025	4,559,371	1,952,806	6,512,177
2026	4,495,610	1,782,512	6,278,122
To maturity	48,670,257	9,780,102	58,450,359
	70,468,720	20,340,634	90,809,354

Debenture debt is repayable to the Province of Alberta and bears interest at rates ranging from 2.163% to 4.657%. (2020 - 2.163% to 4.657%) per annum, and mature in periods 2023 through 2051. The average annual interest rate is 2.84% (2020 - 2.99%). Debenture debt is issued on the credit and security of the City at large.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2021

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:

	2021	2020
Total debt limit	149,905,472	148,215,060
Total debt	70,468,720	66,779,526
Amount of debt limit unused	79,436,752	81,435,534
Service on debt limit	24,984,245	24,702,510
Service on debt	6,523,165	6,279,012
Amount of debt servicing limit unused	18,461,080	18,423,498

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in 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 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 \$1,386,414 which is 65% of the amortization of the buses. Leduc County's share of the costs is \$710,981.

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

Cost	<i>Opening</i>	<i>Additions</i>	<i>Disposal</i>	Closing
Transit joint venture buses	1,848,522	-	-	1,848,522
Accumulated amortization				
Transit joint venture buses	1,201,559	184,855	-	1,386,414
Net Book Value	646,963	184,855	-	462,108

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, 2021

9. Leduc transit joint venture agreement

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

	2021	2020
Statement of Financial Position		
Tangible capital assets		
Buses - costs	2,843,926	2,843,926
Buses - accumulated amortization	(2,132,945)	(1,848,552)
Accumulated surplus	710,981	995,374
Statement of Operation		
Operating revenue		
Sales and users charges	139,529	138,894
Government grant MOST	21,367	55,627
Transfer from City of Leduc	1,085,429	927,343
Transfer from Leduc County	596,217	532,845
	1,842,542	1,654,709
Operating Expense	(1,842,542)	(1,654,709)
Amortization expense	(284,393)	(284,393)
	(2,126,935)	(1,939,102)
Deficiency of revenue over expenses	(284,393)	(284,393)
Accumulated surplus, opening	995,374	1,279,767
Accumulated surplus, closing	710,981	995,374
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, 2021

10. Restricted surplus

Surplus restricted for operating and capital activities changes as follows:

	2020	Increases	Decreases	2021
Restricted Operating Surplus				
General government	7,868,944	-	(5,493,108)	2,375,836
Operations	2,633,296	6,983,776	-	9,617,072
	10,502,240	6,983,776	(5,493,108)	11,992,908
Restricted Capital Surplus				
Operations	15,008,219	6,970,950	(6,073,566)	15,905,603
Community services	4,468,930	621,215	(1,736,399)	3,353,746
General government	3,962,761	733,540	(1,558,538)	3,137,763
Library	866,851	70,730	(23,943)	913,638
Downtown business association	66,682	3,407	-	70,089
	24,373,443	8,399,842	(9,392,446)	23,380,839
Restricted Offsite Levy Reserves				
Transportation offsite levy	-	6,552,848	(6,138,792)	414,056
Water offsite levy	1,978,940	343,464	(322,549)	1,999,855
Sanitary offsite levy	-	2,874,353	(2,874,353)	-
	1,978,940	9,770,665	(9,335,694)	2,413,911
	36,854,623	25,154,283	(14,828,802)	37,787,658

At this time the City is up fronting the sanitary offsite levy reserve in the amount of \$2,627,439 (2020 - \$2,448,026). The City is up fronting the transportation offsite levy reserve in the amount of \$nil (2020 - \$1,236,063). 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

	2021	2020
Tangible capital assets (<i>Schedule II</i>)	1,308,862,125	1,243,044,232
Accumulated amortization (<i>Schedule II</i>)	(403,103,386)	(378,913,586)
Long-term debt (<i>Note 6</i>)	(70,468,720)	(66,779,526)
	835,290,022	797,351,120

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:

	Salary	Benefits & allowances	2021	2020
R. Young - Mayor	92,947	10,002	102,949	106,165
L. Tillack - Councillor	42,242	10,945	53,187	54,768
W. Hamilton - Councillor	42,242	10,945	53,187	54,768
G. Finstad - Councillor	42,242	8,592	50,834	54,157
T. Lazowski - Councillor	35,906	6,861	42,767	52,460
L. Hansen - Councillor	42,242	7,518	49,760	51,463
B. Beckett - Councillor	42,242	5,165	47,407	49,104
R. Pollard - Councillor	6,499	2,009	8,508	-
City Manager - D. Prohar	235,017	46,381	281,398	91,159
Former City Manager - P. Benedetto	-	-	-	382,565

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 275,863 people and 433 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 2021 were \$3,096,169 (2020 - \$3,288,098). Total current service contributions by the employees of the City of Leduc to the Local Authorities Pension Plan in 2021 were \$2,796,315 (2020 - \$2,989,062).

At December 31, 2020, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial surplus of \$4,961,337,000 (2019 - \$7,913,261,000).

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 2021 were \$74,619 (2020 - \$69,193). Total current service contributions by the employee of the City of Leduc to APEX for 2021 were \$50,586 (2020 - \$46,909).

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 2021, this was decreased from 8 in 2020). Included in accounts payable and accrued liabilities is \$161,919 (2020 - \$152,805) held by the City on behalf of the beneficiaries. The actuarial valuation of the plan for service accrued to December 31, 2021 is estimated to be \$252,374 (2020 - \$429,684).

* 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:

2022	\$7,412,333
2023	\$6,324,424
2024	\$6,325,954
2025	\$6,482,026
2026	\$6,636,463

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 \$25,512,419 (2020 - \$24,632,282).

Included in the disclosed budget on the consolidated statement of operations is \$5,661,608 (2020 - \$5,921,598) 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 guarantee 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.