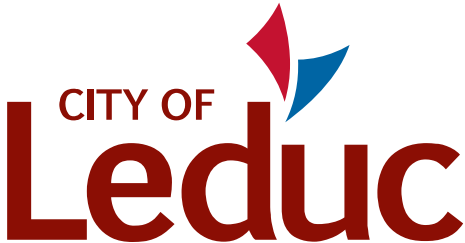


CITY OF LEDUC

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023





Administration's Responsibility for Financial Reporting

To the Mayor and Council of the City of Leduc:

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 and ensuring that all information in the annual report is consistent with the statements. 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 consolidated financial statements.

The elected Mayor and Council of the City of Leduc are composed entirely of individuals who are neither administration nor employees of the City. 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 of the City of Leduc 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 29, 2024



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, 2023, and the consolidated statements of operations, remeasurement losses, 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, 2023, and the results of its consolidated operations, its consolidated remeasurement losses, change in its consolidated 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

Administration 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 administration determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, administration is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless administration either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional 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 administration.
- Conclude on the appropriateness of administration's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 8.
- 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 13.

Leduc, Alberta

April 29, 2024


MNP LLP

Chartered Professional Accountants

City of Leduc
Consolidated Statement of Financial Position
As at December 31, 2023

	2023	2022
Financial assets		
Cash	10,965,649	23,716,694
Investments (Note 3)	40,976,830	44,651,302
Property taxes receivable (Note 4)	1,769,794	2,358,443
Trade and other accounts receivable	14,484,766	7,415,187
	68,197,039	78,141,626
Liabilities		
Accounts payable and accrued liabilities (Note 5)	21,222,695	12,137,534
Deposits and deferred revenue (Note 6)	4,077,500	11,520,947
Long-term debt (Note 7)	75,680,650	79,559,262
Asset retirement obligation (Note 9)	1,208,828	-
	102,189,673	103,217,743
Net debt	(33,992,634)	(25,076,117)
Non-financial assets		
Tangible capital assets (Note 10) (Schedule 2)	967,305,343	908,481,768
Inventory for consumption	986,729	853,676
Prepaid expenses	656,250	395,212
	968,948,322	909,730,656
Accumulated surplus (Schedule 1)	934,955,688	884,654,539
Accumulated surplus is comprised of:		
Accumulated operating surplus	939,184,205	884,654,539
Accumulated remeasurement losses	(4,228,517)	-
	934,955,688	884,654,539
Contingencies (Note 16)		
Commitments (Note 17)		

Approved on behalf of Council



Mayor

Mayor Bob Young
25 April, 2024



Councillor

Councillor Elen Finstad
29 April, 2024

The accompanying notes are an integral part of these financial statements

City of Leduc
Consolidated Statement of Operations
For the year ended December 31, 2023

	2023 Budget (Note 19)	2023	2022
Revenue			
Net municipal property taxes (Schedule 3)	56,516,649	56,348,049	51,135,955
Utility services	29,299,596	29,853,105	28,135,401
Government transfers (Schedule 4)	10,547,041	10,744,667	9,673,945
Sales, user charges and costs recovered	10,154,507	9,656,900	9,392,227
Contributions and levies	3,158,590	3,071,385	2,554,254
Interest and penalties	1,721,500	2,668,476	2,377,715
Property revenue	2,633,674	2,641,002	2,396,658
Enforcement services	554,700	583,412	464,068
	114,586,257	115,566,996	106,130,223
Expenses			
Utility and public services	31,035,701	40,644,459	38,120,401
Administration	23,044,259	22,300,677	21,685,210
Protective services	20,343,975	20,059,992	19,530,349
Engineering	6,818,838	18,361,474	16,304,634
Recreation and community development	10,586,801	10,348,572	10,397,743
Facility services	6,433,694	10,213,184	10,794,576
Planning services	3,744,071	3,470,392	3,077,574
Family and community support services	1,782,942	1,656,025	1,805,143
Library	1,487,226	1,472,921	1,446,503
	105,277,507	128,527,696	123,162,133
Excess (deficiency) of revenue before capital revenue	9,308,750	(12,960,700)	(17,031,910)
Capital revenue			
Government transfers for capital (Schedule 4)	58,119,183	49,258,687	8,679,035
Contributed assets	-	18,073,352	15,171,047
Capital contributions	-	232,768	463,001
Loss on sale of tangible capital assets	-	(74,441)	(317,539)
	58,119,183	67,490,366	23,995,544
Excess of revenue over expenses	67,427,933	54,529,666	6,963,634
Accumulated operating surplus, beginning of year	884,654,539	884,654,539	877,690,905
Accumulated operating surplus, end of year	952,082,472	939,184,205	884,654,539

The accompanying notes are an integral part of these financial statements

City of Leduc
Consolidated Statement of Remeasurement Losses
For the year ended December 31, 2023

	2023	2022
Accumulated remeasurement losses, beginning of year	-	-
Unrealized losses attributable to:		
Investments	(4,228,517)	-
Accumulated remeasurement losses, end of year	(4,228,517)	-

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, 2023

	2023 <i>Budget</i> <i>(Note 19)</i>	2023	2022
Excess of revenue over expenses	67,427,933	54,529,666	6,963,634
Acquisition of tangible capital assets	(86,143,677)	(67,355,719)	(14,582,854)
Contributed tangible capital assets	-	(18,073,352)	(15,171,047)
Amortization of tangible capital assets	-	27,652,336	26,713,336
Loss on disposal of tangible capital assets	-	74,441	317,539
Proceeds on disposal of tangible capital assets	-	57,000	-
Asset retirement obligation	-	(1,178,280)	-
Acquisition of inventory for consumption	-	(133,054)	(216,354)
Use (acquisition) of prepaid expenses	-	(261,038)	23,929
Change in remeasurement losses for the year	-	(4,228,517)	-
Decrease (increase) in net debt	(18,715,744)	(8,916,517)	4,048,183
Net debt, beginning of year	(25,076,117)	(25,076,117)	(29,124,300)
Net debt, end of year	(43,791,861)	(33,992,634)	(25,076,117)

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, 2023

	2023	2022
Operating activities		
Excess of revenue over expenses	54,529,666	6,963,634
Non-cash items		
Amortization of tangible capital assets	27,652,336	26,713,336
Accretion (Note 9)	30,548	-
Loss on disposal of capital assets	74,441	317,539
Tangible capital assets received as contributions	(18,073,352)	(15,171,047)
	64,213,639	18,823,462
Net change in non-cash operating working capital balances		
Decrease (increase) in trade and other accounts receivable	(7,069,579)	246,926
Decrease in property taxes receivable	588,650	707,268
Decrease (increase) in prepaid expenses	(261,038)	23,931
Acquisition of inventory for consumption	(133,054)	(216,354)
Increase (decrease) in accounts payable and accrued liabilities	8,545,469	(2,021,219)
Increase (decrease) in deposit and deferred revenue	(7,443,447)	5,594,195
	58,440,640	23,158,209
Financing activities		
Proceeds from long-term debt	625,000	13,183,750
Repayment of long-term debt	(4,503,612)	(4,093,208)
	(3,878,612)	9,090,542
Capital activities		
Proceeds on disposal of tangible capital assets	57,000	-
Acquisition of tangible capital assets (Schedule 2)	(66,816,038)	(16,532,357)
	(66,759,038)	(16,532,357)
Investing activities		
Decrease (increase) in investments	(554,035)	3,336,027
Increase (decrease) in cash and equivalents	(12,751,045)	19,052,421
Cash, beginning of year	23,716,694	4,664,273
Cash, end of year	10,965,649	23,716,694

The accompanying notes are an integral part of these financial statements

City of Leduc
Schedule 1 - Schedule of Changes in Accumulated Surplus
For the year ended December 31, 2023

	Unrestricted Surplus	Restricted Surplus (Note 11)	Equity in Tangible Capital Assets (Note 12)	Accumulated Remeasurement Losses	2023	2022
Balance, beginning of year	4,043,404	38,571,281	842,039,854	-	884,654,539	877,690,904
Excess of revenue over expenses	54,529,666	-	-	-	54,529,666	6,963,635
Remeasurement losses	-	-	-	(4,228,517)	-	-
Unrestricted funds designated for future use	(25,002,088)	25,002,088	-	-	-	-
Restricted funds for operations	8,042,498	(8,042,498)	-	-	-	-
Restricted funds used for tangible capital assets	-	(18,575,630)	18,575,630	-	-	-
Current year funds used for tangible capital assets	(48,780,095)	-	48,780,095	-	-	-
Contributed tangible capital assets	(18,073,352)	-	18,073,352	-	-	-
Disposal of tangible capital assets	131,441	-	(131,441)	-	-	-
Amortization of tangible capital assets	27,652,336	-	(27,652,336)	-	-	-
Long-term debt used for tangible capital assets	13,058,600	-	(13,058,600)	-	-	-
Long-term debt repaid	(4,503,612)	-	4,503,612	-	-	-
Asset retirement obligation - liability	1,208,828	-	(1,208,828)	-	-	-
Asset retirement obligation - asset	(1,178,030)	-	1,178,030	-	-	-
Change in accumulated surplus	7,086,192	(1,616,040)	49,059,514	(4,228,517)	50,301,149	6,963,635
Balance, end of year	11,129,596	36,955,241	891,099,368	(4,228,517)	934,955,688	884,654,539

City of Leduc
Schedule 2 - Schedule of Tangible Capital Assets
For the year ended December 31, 2023

	Construction in progress	Land Improvements	Land	Buildings	Engineered Structures	Machinery & Equipment	Subtotal
Cost							
Balance, beginning of year	1,253,677	37,986,459	140,734,007	164,348,588	944,760,764	28,603,359	1,317,686,854
Acquisition of tangible capital assets	-	684,098	858,236	805,290	31,673,320	2,163,787	36,184,731
Construction in progress	47,615,329	-	-	-	-	-	47,615,329
Disposal of tangible capital assets	-	(88,385)	-	-	-	(1,941,811)	(2,030,196)
Transfer from construction in progress	(494,662)	116,324	-	76,391	-	899	(301,048)
Asset retirement obligation	-	130,000	-	1,006,912	41,368	-	1,178,280
Balance, end of year	48,374,344	38,828,496	141,592,243	166,237,181	976,475,452	28,826,234	1,400,333,950
Accumulated amortization							
Balance, beginning of year	-	15,782,124	-	48,573,981	335,842,324	15,153,070	415,351,499
Amortization of tangible capital assets	-	1,635,839	-	3,802,210	18,987,605	2,009,699	26,435,353
Accumulated amortization on disposals	-	(85,210)	-	-	-	(1,849,912)	(1,935,122)
Balance, end of year	-	17,332,753	-	52,376,191	354,829,929	15,312,857	439,851,730
Net book value of tangible capital assets	48,374,344	21,495,743	141,592,243	113,860,990	621,645,523	13,513,377	960,482,220
2022 net book value of tangible capital assets	1,253,677	22,204,335	140,734,007	115,774,607	608,918,440	13,450,289	902,337,377

During the year, tangible capital assets were acquired at an aggregate cost of \$86,607,356 (2022 - \$29,753,902), of which \$18,073,352 (2022 - \$15,171,047) was acquired as contributed assets on a non-cash basis, \$2,315,442 (2022 - \$1,775,755) remains in accounts payable at year-end, \$1,178,280 (2022 - \$nil) in asset retirement obligations recognized during the year on a non-cash basis. The remaining \$66,816,038 (2022 - \$16,532,357) was acquired with cash. Total additions to tangible capital assets consists of acquisitions of \$37,813,748 (2022 - \$28,583,136) and the addition of \$47,615,329 (2022 - \$1,170,766) to construction in progress.

City of Leduc
Schedule 2 - Schedule of Tangible Capital Assets
For the year ended December 31, 2023

	<i>Subtotal</i>	<i>Vehicles</i>	<i>2023</i>	<i>2022</i>
Cost				
Balance, beginning of year	1,317,686,854	14,875,040	1,332,561,894	1,308,862,126
Acquisition of tangible capital assets	36,184,731	1,629,017	37,813,748	28,588,136
Construction in progress	47,615,329	-	47,615,329	1,170,766
Disposal of tangible capital assets	(2,030,196)	(1,000,291)	(3,030,487)	(6,054,134)
Transfer from construction in progress	(301,048)	301,048	-	-
Asset retirement obligation	1,178,280	-	1,178,280	-
Balance, end of year	1,400,333,950	15,804,814	1,416,138,764	1,332,561,894
Accumulated amortization				
Balance, beginning of year	415,351,499	8,728,628	424,080,127	403,103,386
Amortization of tangible capital assets	26,435,353	1,216,983	27,652,336	26,713,336
Accumulated amortization on disposals	(1,935,122)	(963,920)	(2,899,042)	(5,736,595)
Balance, end of year	439,851,730	8,981,691	448,833,421	424,080,127
Net book value of tangible capital assets	960,482,220	6,823,123	967,305,343	908,481,767
2022 net book value of tangible capital assets	902,337,377	6,146,411	908,483,788	

City of Leduc
Schedule 3 - Schedule of Property Taxes Levied
For the year ended December 31, 2023

	<i>2023 Budget (Note 19)</i>	<i>2023</i>	<i>2022</i>
Taxation			
Property taxes	75,228,416	75,059,816	69,867,783
Requisitions			
Education	18,543,651	18,543,651	18,573,383
Leduc Foundation	168,116	168,116	158,445
	18,711,767	18,711,767	18,731,828
Net municipal property taxes	56,516,649	56,348,049	51,135,955

City of Leduc
Schedule 4 - Schedule of Government Transfers
For the year ended December 31, 2023

	2023 Budget (Note 19)	2023	2022
Operating			
Federal	655,313	342,145	169,580
Provincial	5,592,927	6,378,877	5,292,745
Local	4,298,801	4,023,645	4,211,621
Total operating government transfers	10,547,041	10,744,667	9,673,946
Capital			
Federal	4,102,738	3,337,745	3,858,039
Provincial	53,733,103	45,909,956	4,737,461
Local	283,342	10,987	83,537
Total capital government transfers	58,119,183	49,258,688	8,679,037
Total government transfers	68,666,224	60,003,355	18,352,983

City of Leduc
Schedule 5 - Schedule of Consolidated Expenses by Object

For the year ended December 31, 2023

	2023 Budget (Note 19)	2023	2022
Consolidated expenses by object			
Salaries and wages	42,539,693	41,210,892	38,404,522
Amortization of tangible capital assets (Note 19)	-	27,652,336	26,713,336
Contract services	24,148,284	22,630,241	22,981,698
Cost of utilities sold	9,510,000	9,904,153	9,286,499
Employee benefits	8,561,084	8,348,667	7,607,207
Materials and supplies	6,126,116	5,580,198	5,228,662
Utilities	3,987,022	3,768,971	3,681,389
Interest on long-term debt	2,936,746	2,870,855	2,576,665
Grants to organizations	2,793,009	2,174,856	2,325,847
Repairs and maintenance	2,009,430	1,943,695	1,938,555
Training and development	1,189,884	978,713	930,333
General services	891,600	885,630	795,559
Telephone and communications	252,420	259,918	207,999
Bank charges and interest	332,219	288,021	331,260
Accretion	-	30,548	-
Other	-	-	152,603
	105,277,507	128,527,694	123,162,134

City of Leduc
Schedule 6 - Schedule of Segmented Disclosure
For the year ended December 31, 2023

	Utility and public services	Administration	Engineering	Facility services	Protective services	Family and community support services	Recreation and community development
Revenue							
Net municipal property taxes	-	56,348,049	-	-	-	-	-
Government transfers - capital	1,452,934	5,178,765	41,896,450	497,040	283,498	-	(50,000)
Utility services	18,193,127	8,501,039	3,158,938	-	-	-	-
Contributed assets	12,769,144	231,000	5,073,208	-	-	-	-
Government transfers - operating	250,724	3,832,242	170,103	-	4,323,949	1,231,678	631,855
Sales, user charges and costs recovered	1,133,298	603,639	458,343	-	1,363,878	21,202	2,818,398
Contributions and levies	-	-	-	-	-	-	261,265
Interest and penalties	256,865	2,406,981	4,630	-	-	-	-
Property revenue	4,013	-	-	827,813	-	-	1,806,866
Enforcement services	-	-	-	-	583,412	-	-
Capital contributions	-	-	-	232,768	-	-	-
	34,060,105	77,101,715	50,761,672	1,557,621	6,554,737	1,252,880	5,468,384
Expenses							
Salaries and wages	6,674,538	10,219,211	1,452,741	1,422,379	11,019,488	980,653	6,532,915
Contract services	5,555,725	4,599,441	3,741,261	475,904	6,268,390	97,967	829,624
Cost of utilities sold	9,722,756	-	181,397	-	-	-	-
Employee benefits	1,257,009	2,745,731	296,924	282,434	1,743,352	223,000	1,200,122
Materials and supplies	2,525,262	549,881	122,932	345,557	467,890	233,102	1,064,040
Utilities	2,009,416	-	-	1,737,399	-	-	22,156
Interest on long-term debt	298,390	2,305	817,821	1,742,867	-	-	-
Grants to organizations	-	1,974,731	-	-	-	85,000	115,126
Repairs and maintenance	1,362,255	29,746	-	338,000	19,118	-	194,577
Training and development	84,759	455,218	49,232	12,119	179,359	35,538	108,026
General services	26,243	701,397	-	-	-	-	151,764
Bank charges and interest	(6,215)	259,205	-	-	26,025	229	8,775
Telephone and communications	48,140	188,620	-	-	21,258	536	-
Loss on disposal of tangible capital assets	74,441	-	-	-	-	-	-
Accretion	-	30,548	-	-	-	-	-
	29,632,719	21,756,034	6,662,308	6,356,659	19,744,880	1,656,025	10,227,125
Net revenue, before amortization	4,427,386	55,345,681	44,099,364	(4,799,038)	(13,190,143)	(403,145)	(4,758,741)
Amortization of tangible capital assets	11,086,181	544,643	11,699,166	3,856,525	315,112	-	121,445
Excess (deficiency) of revenue over expense	(6,658,795)	54,801,038	32,400,198	(8,655,563)	(13,505,255)	(403,145)	(4,880,186)

City of Leduc
Schedule 6 - Schedule of Segmented Disclosure
For the year ended December 31, 2023

	Planning services	Library	2023
Revenue			
Net municipal property taxes	-	-	56,348,049
Government transfers - capital	-	-	49,258,687
Utility services	-	-	29,853,104
Contributed assets	-	-	18,073,352
Government transfers - operating	-	304,116	10,744,667
Sales, user charges and costs recovered	2,131,788	1,126,353	9,656,899
Contributions and levies	2,810,120	-	3,071,385
Interest and penalties	-	-	2,668,476
Property revenue	-	2,310	2,641,002
Enforcement services	-	-	583,412
Capital contributions	-	-	232,768
	4,941,908	1,432,779	183,131,801
Expenses			
Salaries and wages	2,093,125	815,844	41,210,894
Contract services	791,084	270,843	22,630,239
Cost of utilities sold	-	-	9,904,153
Employee benefits	433,538	166,557	8,348,667
Materials and supplies	89,425	182,110	5,580,199
Utilities	-	-	3,768,971
Interest on long-term debt	9,472	-	2,870,855
Grants to organizations	-	-	2,174,857
Repairs and maintenance	-	-	1,943,696
Training and development	48,184	6,278	978,713
General services	2,717	3,508	885,629
Bank charges and interest	-	-	288,019
Telephone and communications	-	1,364	259,918
Loss on disposal of tangible capital assets	-	-	74,441
Accretion	-	-	30,548
	3,467,545	1,446,504	100,949,799
Net revenue, before amortization	1,474,363	(13,725)	82,182,002
Amortization of tangible capital assets	2,847	26,417	27,652,336
Excess (deficiency) of revenue over expense	1,471,516	(40,142)	54,529,666

1. Significant accounting policies

These consolidated financial statements of the City of Leduc (the "City") are the representations of administration, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue, expenses, remeasurement losses, 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

These 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 amounts 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 reporting period.

Accounts receivable and property taxes receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Accrued sick time for employees is based on historical utilization applied to the total sick bank with a maximum limit of 700 to 1008 hours per employee.

Liability for contaminated site

Expenditures that relate to on-going environmental and remediation programs are charged against excess of revenue over expenses as incurred. A liability for a contaminated site reflects administration's best estimate of the amount required to remediate the contaminated site. The best estimate of the liability is based upon assumptions and estimates related to the amount and timing of costs for future site remediation.

Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the consolidated financial statements of changes in such estimates and assumptions in future years could be significant. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in revenue over expenses in the years in which they become known.

1. **Significant accounting policies** *(Continued from previous page)*

Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the City to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at December 31, 2023. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the City reviews the carrying amount of the liability. The City recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

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.

Revenue recognition

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.

Tax revenue

The City recognizes taxes as assets and revenue when they meet the definition of an asset; are authorized by a legislature, council, or legislative convention; 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 tax legislation. The related tax receivable is initially recognized at its realizable value at the date of acquisition. At each financial statement date, the City evaluates the tax receivable for collectability and records a valuation allowance to reflect the tax receivable at its net recoverable amount, if necessary.

Fines and penalties

Traffic fine revenue is recorded as cash is received, which is not materially different than recording revenue on an accrual basis.

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.

Other revenue

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

1. **Significant accounting policies** *(Continued from previous page)*

Non-financial assets

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations.

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.

Contributed tangible assets are recorded at their fair value at the date of contribution and also are recorded as revenue.

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at the present value of the minimum lease payments. Assets under capital leases are amortized on the straight-line basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Amortization

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.

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land improvements	10-45
Buildings	5-50
Water systems	25-75
Wastewater systems	25-75
Other engineering structures	10-75
Machinery and equipment	4-30
Vehicles	5-17

Inventory for consumption

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

Prepaid expenses

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

Investments

Investments with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at amortized cost.

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.

1. **Significant accounting policies** *(Continued from previous page)*

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.

Financial instruments

The City recognizes its financial instruments when the City becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the City may irrevocably elect to subsequently measure any financial instrument at fair value. The City has not made such an election during the year.

The City subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating excess of revenue over expenses. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Administration considers whether the investee has experienced continued losses for a period of years, recent collection experience for the loan, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurement of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

Statement of remeasurement losses

By presenting remeasurement losses separately, changes in the carrying value of financial instruments arising from fair value measurement, unrealized foreign exchange gains (losses) and other comprehensive income arising from investments in government business entities are distinguished from revenues and expenses reported in the consolidated statement of operations. The consolidated statement of operations reports the extent to which revenues raised in the period were sufficient to meet the expenses incurred. Remeasurement losses do not affect this assessment as they are recognized in the consolidated statement of remeasurement losses. Taken together, the two statements account for changes in a City's net assets (liabilities) in the period.

Upon settlement, the cumulative gain (loss) is reclassified from the statement of remeasurement losses and recognized in the statement of operations. Interest and dividends attributable to all financial instruments are reported in the statement of operations.

Future accounting pronouncements

PS 3400 Revenue, is a new standard, effective for years beginning on or after April 1, 2023, that sets out general guidance for how public sector entities recognize, measure, present and disclose in-scope exchange and non-exchange revenue transactions.

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

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2023

2. Change in accounting policies

Effective January 1, 2023, the City adopted the recommendations relating to the following new accounting standards, as set out in the Canadian public sector accounting standards:

Asset retirement obligations

Effective January 1, 2023, the City adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement and disclosure of a liability for asset retirement obligations under PS 3280 *Asset Retirement Obligations*. The new standard establishes when to recognize and how to measure a liability for an asset retirement obligation, and provides the related financial statement presentation and disclosure requirements.

Pursuant to the recommendations, the change was applied prospectively and prior periods have not been restated. As such, the City recognized asset retirement obligations for those arising on, after or prior to January 1, 2023, but for which an obligation was not previously recognized.

Refer to Note 9 for the impact on the consolidated financial statements from the prospective application of this new standard.

Financial instruments

Effective January 1, 2023, the City adopted the Public Sector Accounting Board's (PSAB) new recommendations for the recognition, measurement, presentation and disclosure of financial assets, financial liabilities and derivatives under Section PS 3450 *Financial Instruments*. The new Section is applied prospectively, and prior periods have not been restated. Refer to Note 3 for the impact on the consolidated financial statements from adopting this new accounting standard.

3. Investments

	2023	2022
Investments - Amortized cost	-	44,651,302
Investments - Fair value	40,976,830	-

The investments have yields from 1.47% to 9.30% (2022 - 1.47% to 5.66%) and mature in periods 2025 through 2032. In 2023 the amortized cost of investments is \$45,062,922. The market value of the investments at December 31, 2022 was \$37,882,889.

4. Property taxes receivable

	2023	2022
Current taxes	1,416,249	2,022,648
Non-current taxes	353,545	335,795
	1,769,794	2,358,443

5. Employee benefit obligations

Employee benefit obligations are comprised of vacation, overtime and sick time that can be carried forward to future years. Employees have earned the vacation and overtime benefits and are entitled to these benefits within the next budgetary year. The sick time liability is accrued based on historical utilization of sick time. The balances included in accounts payable and accrued liabilities for 2023 total \$1,909,141 (2022 - \$1,768,574).

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2023

6. Deposits and deferred revenue

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	2022	<i>Funding received</i>	<i>Recognized as revenue</i>	2023
Deferred government transfers - MSI capital	7,581,716	4,295,296	11,877,012	-
Deferred government transfers - Clean Energy Improvement Program	267,665	-	150,520	117,145
Deferred government transfers - other	123,574	438,169	379,867	181,876
Deferred government transfers - municipal stimulus program	20,744	-	20,744	-
Deferred government transfers - CCBF	-	3,168,488	3,168,488	-
Deposits	2,827,621	4,436,264	4,231,473	3,032,412
Deferred revenue	699,627	3,059,461	3,013,021	746,067
	11,520,947	15,397,678	22,841,125	4,077,500

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, 2023

7. Long-term debt

	2023	2022
Tax-supported debentures	51,687,922	53,791,318
Offsite levy supported debentures	22,865,529	24,580,928
Clean Energy Improvement Plan	683,750	683,750
Capital leases	443,449	503,266
	75,680,650	79,559,262

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

	Principal	Interest	Total
2024	4,724,640	2,764,682	7,489,322
2025	4,895,957	2,582,910	7,478,867
2026	4,863,146	2,395,340	7,258,486
2027	5,067,735	2,204,167	7,271,902
2028	5,266,646	2,004,998	7,271,644
	24,818,124	11,952,097	36,770,221
To maturity	50,862,526	12,883,239	63,745,765

Debenture debt is repayable to the Province of Alberta and bears interest at rates ranging from 2.163% to 5.170% (2022 - 2.163% to 5.050%) per annum, and mature in periods 2023 through 2051. The average annual interest rate is 3.20% (2022 - 3.09%). Debenture debt is issued on the credit and security of the City at large.

Included in long-term debt is \$74,997,147 (2022 - \$66,441,912) utilized for the purchase of tangible capital assets.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2023

8. Debt limits

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

	2023	2022
Total debt limit	173,699,644	159,889,838
Total debt	74,996,900	78,875,512
<hr/>		
Amount of debt limit unused	98,702,744	81,014,326
<hr/>		
Service on debt limit	28,949,941	26,648,306
Service on debt	7,489,322	7,408,758
<hr/>		
Amount of debt servicing limit unused	21,460,619	19,239,548

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 City. Rather, the consolidated financial statements must be interpreted as a whole.

9. Asset retirement obligations

The City recognized a liability for the asset retirement obligation and a corresponding amount has been capitalized as an asset retirement cost and added to the carrying value of \$1,178,280 (2022 - \$nil). The asset retirement cost is amortized on a straight-line basis over the useful life of the related tangible capital asset.

The City estimated the amount of the liability using a discounted cash flow method. The significant assumptions used to determine the best estimate of the liability included an estimate of the estimated useful life of the asset, inflation rate of 3.0% and the City's credit-adjusted risk-free rate of 4.527%.

	2023	2022
Liabilities incurred	1,178,280	-
Accretion	30,548	-
<hr/>		
Balance, end of year	1,208,828	-

10. 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.

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2023

10. Leduc transit joint venture agreement *(Continued from previous page)*

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.

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

	2023	2022
Statement of Financial Position		
Buses - costs	2,666,079	2,843,926
Buses - accumulated amortization	(2,532,775)	(2,417,337)
	133,304	426,589
Statement of Operations		
Sales and user charges	333,905	257,168
Government grant MOST	-	103,863
Government grant LITP	1,980	-
Transfer from City of Leduc	1,173,672	1,138,963
Transfer from Leduc County	651,023	616,768
	2,160,580	2,116,762
Operating expense	(2,165,579)	(2,116,762)
Amortization of tangible capital assets	(266,608)	(284,393)
	(2,432,187)	(2,401,155)
Deficiency of revenue of expenses	(271,608)	(284,392)
Accumulated surplus, beginning of year	426,589	710,981
Accumulated surplus, end of year	154,981	426,589
Statement of Net Debt		
Deficiency of revenue over expenses	(271,608)	(284,393)
Amortization of tangible capital assets	266,608	284,393
Proceeds on disposal of tangible capital assets	5,000	-
Net debt, end of year	-	-

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2023

11. Restricted surplus

Surplus restricted for operating and capital activities changed as follows:

	2022	Increases	Decreases	2023
Restricted operating surplus				
General government	2,375,836	-	(2,375,836)	-
Operations	7,096,875	6,633,757	(5,666,661)	8,063,971
	9,472,711	6,633,757	(8,042,497)	8,063,971
Restricted capital surplus				
Operations	16,762,672	27,611,460	(22,391,446)	21,982,686
Community services	5,463,515	297,314	(5,546,915)	213,914
General government	2,898,464	100,910	(1,256,731)	1,742,643
Library	945,919	73,141	(28,724)	990,336
Downtown business association	73,513	4,519	-	78,032
	26,144,083	28,087,344	(29,223,816)	25,007,611
Restricted offsite levy reserves				
Transportation offsite levy	905,546	2,007,033	(1,202,937)	1,709,642
Water offsite levy	2,048,941	338,264	(237,379)	2,149,826
Sanitary offsite levy	-	3,247,046	(3,247,046)	-
Fire offsite levy	-	24,191	-	24,191
	2,954,487	5,616,534	(4,687,362)	3,883,659
	38,571,281	40,337,635	(41,953,675)	36,955,241

The City has restricted certain amounts of the accumulated surplus in order to fund future operations. This restricted surplus is not fully funded in cash as this would tie up too much of the operational cash needed to run the day to day operations of the City. At this time the City is up fronting the sanitary offsite levy reserve in the amount of \$2,728,087 (2022 - \$2,750,967). The reserves have been supported by the contingency reserve, which is included in the general government restricted operating surplus above.

12. Equity in tangible capital assets

	2023	2022
Tangible capital assets (<i>Schedule 2</i>)	1,416,138,764	1,332,561,893
Accumulated amortization (<i>Schedule 2</i>)	(448,833,421)	(424,080,127)
Long-term debt (<i>Note 7</i>)	(74,997,147)	(66,441,912)
Asset retirement obligations (<i>Note 9</i>)	(1,208,828)	-
	891,099,368	842,039,854

City of Leduc
Notes to the Consolidated Financial Statements
For the year ended December 31, 2023

13. 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:

	<i>Salary</i>	<i>Benefits & allowances</i>	2023	<i>2022</i>
R. Young - Mayor	98,556	10,049	108,605	104,463
L. Tillack - Councillor	45,300	11,417	56,717	54,009
W. Hamilton - Councillor	45,300	10,870	56,170	-
R. Pollard - Councillor	45,300	10,870	56,170	53,922
G. Finstad - Councillor	45,300	8,196	53,496	51,523
L. Hansen - Councillor	45,300	7,118	52,418	50,423
B. Beckett - Councillor	45,300	4,416	49,716	47,801
D. Prohar - City Manager	276,856	9,403	286,259	303,761

Salary 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.

14. 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 291,259 people and 437 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 12.23% 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 11.23% on pensionable salary above this amount.

The current service contributions by the City of Leduc to the LAPP in 2023 were \$2,949,637 (2022 - \$2,789,058). Total current service contributions by the employees of the City of Leduc to the Local Authorities Pension Plan in 2023 were \$2,628,244 (2022 - \$2,535,119).

At December 31, 2022, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial surplus of \$12,671,000,000 (2021 - \$11,922,000,000).

15. 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 2.96% of the employment income. Employees of the City of Leduc are required to make current service contributions of 2.42% of employment income.

The current service contributions by the City of Leduc to APEX in 2023 were \$66,607 (2022 - \$77,077). Total current service contributions by the employee of the City of Leduc to APEX for 2023 were \$54,456 (2022 - \$52,253).

15. Supplementary retirement plans *(Continued from previous page)*

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 2023 and 2022). Included in accounts payable and accrued liabilities is \$128,266 (2022 - \$129,675) held by the City on behalf of the beneficiaries. The actuarial valuation of the plan for service accrued to December 31, 2023 is estimated to be \$259,379 (2022 - \$248,074).

16. 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.

17. 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:

2024	\$7,656,413
2025	\$7,777,721
2026	\$7,993,197
2027	\$7,762,075
2028	\$7,977,000

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.

18. Financial Instruments

The City as part of its operations carries a number of financial instruments. It is the administration's opinion that the City is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Liquidity Risk

Liquidity risk is the risk that the City will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The City enters into transactions to purchase goods and services on credit; borrow funds from financial institutions or other creditors; lease office equipment from various creditors, for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the City's future net cash flows for the possibility of negative net cash flow.

Contractual maturities of long-term debt and capital leases are disclosed in Note 7.

The City manages the liquidity risk resulting from its accounts payable, long-term debt, and capital leases by investing in liquid assets.

18. Financial Instruments *(Continued from previous page)*

Credit Risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

Risk management

The City manages its credit risk by performing regular assessments of its ratepayers and provides allowances for potentially uncollectible accounts receivable. The City does not have a significant exposure to any individual customer.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The City is exposed to interest rate risk with respect to long term debt and investments quoted in active markets.

Interest rate risk sensitivity analysis

A 1% change in interest rates relating to investments could change interest income by approximately \$409,768.

A 1% change in interest rates relating to long-term debt could change interest expense by approximately \$756,807.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The City's investments in publicly-traded fixed income instruments exposes the City to price risk as these investments are subject to price changes in an open market due to a variety of reasons including changes in market rates of interest, general economic indicators and restrictions on credit markets.

19. 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 \$27,652,336 (2022 - 26,713,336).

Included in the disclosed budget on the consolidated statement of operations is \$4,782,691 (2022 - \$6,003,146) 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.

20. Guarantees

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

21. 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 6 - Schedule of Segmented Disclosure.

22. Comparative figures

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