

**LEDUC COUNTY
CONSOLIDATED
FINANCIAL STATEMENTS
Year Ended December 31, 2013**



HAWKINGS EPP DUMONT LLP

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of Leduc County

We have audited the accompanying financial statements of Leduc County, which comprise the statement of financial position as at December 31, 2013, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Leduc County as at December 31, 2013, and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Hawkings Epp Dumont LLP

Edmonton, Alberta
June 24, 2014

Hawkings Epp Dumont LLP
Chartered Accountants

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June 24, 2014

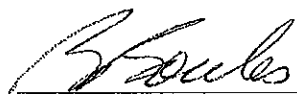
MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS


The accompanying consolidated financial statements and other information contained in this financial report of Leduc County (the "County") are the responsibility of the County's management and have been approved by Council.

These consolidated financial statements have been prepared by management using the accounting principles disclosed in the notes to these statements. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated statements are presented fairly, in all material aspects.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of the consolidated financial statements.

The consolidated financial statements have been audited by Hawkings Epp Dumont LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of Council, residents and ratepayers of the County.



Brian Bowles, CLGM, BPE
County Manager

Allan J. Krasowski
Deputy County Manager

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LEDUC COUNTY
Consolidated Statement of Financial Position
As at December 31, 2013

	<u>2013</u>	<u>2012</u> (Restated - Note 19)
FINANCIAL ASSETS		
Cash	\$ 42,419,879	\$ 38,304,691
Taxes and grants-in-lieu receivable (Note 3)	1,324,945	989,071
Accounts receivable (Note 4)	4,358,021	7,999,466
Local improvement taxes receivable (Note 19)	10,966,285	11,582,145
Debt charges recoverable (Note 6)	3,020,260	3,148,126
Other assets	103,377	116,613
	<u>62,192,767</u>	<u>62,140,112</u>
LIABILITIES		
Accounts payable and accrued liabilities	8,859,624	5,037,362
Deposits	1,958,125	5,189,098
Deferred revenue (Note 7)	3,360,761	6,371,701
Long-term debt (Note 8)	22,660,776	18,096,439
	<u>36,839,286</u>	<u>34,694,600</u>
NET FINANCIAL ASSETS	<u>25,353,481</u>	<u>27,445,512</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	227,486,294	229,639,914
Consumable inventory	179,502	120,921
Prepaid expenses	269,538	313,743
	<u>227,935,334</u>	<u>230,074,578</u>
ACCUMULATED SURPLUS (Note 16)	\$ 253,288,815	\$ 257,520,090

See accompanying notes to financial statements

LEDUC COUNTY
Consolidated Statement of Operations
Year ended December 31, 2013

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	<u>2013</u>		<u>2013</u>		<u>2012</u>
	(Budget - Unaudited)		(Actual)		(Restated - Note 19)
REVENUES					
Taxation and grants-in-lieu					
Property, net municipal (Schedule 2)	39,697,080	\$	39,700,259	\$	37,072,973
Local improvements	1,115,597		499,737		523,341
Sales to other governments	262,704		144,811		113,516
Sales/user fees					
General administration	41,700		43,832		46,561
Fire	63,500		146,090		89,289
Public works	272,410		316,790		272,811
Transit	35,000		62,138		50,475
Water	1,627,316		1,675,169		1,533,662
Sewer	1,365,829		1,390,089		1,302,330
Waste	35,397		34,032		32,978
Family and community support services	36,366		16,372		56,821
Planning and development	138,750		145,161		192,560
Agriculture	19,000		22,535		20,388
Recreation and parks	608,285		658,276		510,364
Penalties and costs on taxes	237,620		325,398		242,953
Licenses and permits	1,047,500		1,457,384		1,422,577
Fines	402,500		581,590		323,113
Franchise fees	-		5,275		3,077
Returns on investments	390,740		567,716		511,646
Rentals	121,978		144,899		130,650
Insurance proceeds	-		8,465		21,007
Government transfers for operating (Schedule 4)	3,874,985		3,291,622		3,220,566
Developers' agreements and levies	-		5,904,630		3,409,647
Other revenue	188,387		647,987		142,205
Carried forward	<u>\$ 51,582,644</u>	<u>\$</u>	<u>57,790,257</u>	<u>\$</u>	<u>51,245,510</u>

See accompanying notes to financial statements

LEDUC COUNTY
Consolidated Statement of Operations
Year ended December 31, 2013

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	2013 (Budget - Unaudited)	2013 (Actual)	2012 (Restated - Note 19)
Brought forward	\$ 51,582,644	\$ 57,790,257	\$ 51,245,510
EXPENSES			
Legislative	692,378	671,602	641,735
General administration	9,075,969	7,041,137	5,345,796
Enforcement	1,040,833	1,009,195	854,352
Fire	4,450,039	4,401,391	3,764,642
Disaster services	39,800	26,738	29,580
By-law enforcement	118,873	113,976	101,449
Public works	12,448,408	11,939,601	10,848,532
Transit	222,266	214,867	197,071
Drainage	74,170	19,761	44,673
Water	1,599,025	1,653,859	1,484,835
Sewer	1,686,703	1,898,410	1,740,500
Waste management	1,019,836	1,052,350	956,085
Other environmental use	2,000	2,000	2,000
Family and community support services	1,770,890	1,577,804	1,646,096
Planning and development	4,475,681	3,632,640	3,703,358
Agriculture	1,522,763	1,378,038	1,321,127
Recreation board	6,145	3,740	5,850
Recreation and parks	10,453,446	9,766,158	4,412,249
Library board	333,412	323,256	305,147
Other	2,272,742	2,257,499	2,280,221
Amortization (Schedule 1)	-	23,088,077	21,985,899
	<u>53,305,379</u>	<u>72,072,099</u>	<u>61,671,197</u>
DEFICIENCY OF REVENUES OVER EXPENSES BEFORE OTHER	(1,722,735)	(14,281,842)	(10,425,687)
OTHER			
Net gain (loss) on disposal of tangible capital assets	-	(53,931)	352,221
Contributed assets	334,000	748,976	8,163,280
Government transfer for capital (Schedule 4)	11,676,120	9,355,522	3,101,957
	<u>12,010,120</u>	<u>10,050,567</u>	<u>11,617,458</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	10,287,385	(4,231,275)	1,191,771
ACCUMULATED SURPLUS, BEGINNING OF YEAR AS PREVIOUSLY STATED	245,409,245	245,409,245	244,112,465
Net Financial Assets Acquired/Change in Accounting			
Policy	-	-	3,777
Local Improvements (Note 19)	11,582,145	11,582,145	12,212,077
Tangible Capital Assets (Note 19)	528,700	528,700	-
ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS RESTATED	<u>257,520,090</u>	<u>257,520,090</u>	<u>256,328,319</u>
ACCUMULATED SURPLUS, END OF YEAR (Note 16)	\$ 267,807,475	\$ 253,288,815	\$ 257,520,090

See accompanying notes to financial statements

LEDUC COUNTY
Consolidated Statement of Changes in Net Financial Assets
Year ended December 31, 2013

	<u>2013</u> (Budget - Unaudited)	<u>2013</u> (Actual)	<u>2012</u> (Restated - Note 19)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 10,287,385	\$ (4,231,275)	\$ 1,191,771
Acquisition of tangible capital assets	(59,476,223)	(20,540,510)	(9,650,249)
Contributed tangible capital assets	(334,000)	(748,976)	(8,163,280)
Proceeds on disposal of tangible capital assets	211,750	301,098	538,961
Amortization of tangible capital assets	-	23,088,077	21,985,899
(Gain)/loss on sale of tangible capital assets	-	53,931	(352,221)
	<u>(59,598,473)</u>	<u>2,153,620</u>	<u>4,359,110</u>
Change in inventories for consumption	-	(58,581)	48,773
Inventory acquired through acquisition	-	-	9,150
Change in prepaid expenses	-	44,205	(59,384)
Prepaid expenses acquired through acquisition	-	-	815
	<u>-</u>	<u>(14,376)</u>	<u>(646)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	<u>(49,311,088)</u>	<u>(2,092,031)</u>	<u>5,550,235</u>
NET FINANCIAL ASSETS, BEGINNING OF YEAR AS PREVIOUSLY STATED	27,445,512	27,445,512	9,689,388
RESTATEMENT - LOCAL IMPROVEMENT (Note 19)	-	-	12,212,077
NET FINANCIAL ASSETS ACQUIRED	<u>-</u>	<u>-</u>	<u>(6,188)</u>
NET FINANCIAL ASSETS, AS RESTATED	<u>27,445,512</u>	<u>27,445,512</u>	<u>21,895,277</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ (21,865,576)</u>	<u>\$ 25,353,481</u>	<u>\$ 27,445,512</u>

See accompanying notes to financial statements

LEDUC COUNTY
Consolidated Statement of Cash Flow
Year ended December 31, 2013

	<u>2013</u>	<u>2012</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficiency) of revenues over expenses	\$ (4,231,275)	\$ 1,191,771
Changes in non-cash charges included in excess (deficiency) of revenues over expenses:		
Amortization of tangible capital assets	23,088,077	21,985,899
Net loss (gain) on disposal of tangible capital assets	53,931	(352,221)
Contributed tangible capital assets	<u>(748,976)</u>	<u>(8,163,280)</u>
	18,161,757	14,662,169
Changes in non-cash charges to operations:		
Taxes and grants in lieu receivable	(335,874)	(39,247)
Accounts receivable	3,641,445	(4,150,961)
Local improvement taxes receivable	615,860	629,932
Debt charges recoverable	127,866	122,426
Other assets	13,236	39,438
Prepaid expenses	44,205	(58,569)
Consumable inventory	(58,581)	57,923
Accounts payable and accrued liabilities	3,822,262	295,809
Deposits	(3,230,973)	2,704,269
Deferred revenue	<u>(3,010,940)</u>	<u>3,594,362</u>
Cash provided by operating transactions	<u>19,790,263</u>	<u>17,857,551</u>
CAPITAL		
Acquisition of tangible capital assets	(20,540,510)	(9,650,249)
Proceeds on disposal of tangible capital assets	<u>301,098</u>	<u>538,961</u>
Cash provided by capital transactions	<u>(20,239,412)</u>	<u>(9,111,288)</u>
FINANCING		
Acquisition of long-term debt	5,500,000	-
Repayment of long-term debt	(807,797)	(817,254)
Repayment of long-term operating debt recoverable	<u>(127,866)</u>	<u>(122,426)</u>
Cash provided by (applied to) financing transactions	<u>4,564,337</u>	<u>(939,680)</u>
OTHER		
Net financial assets at May 31, 2012 - Nisku Recreation Centre	<u>-</u>	<u>(6,188)</u>
CHANGE IN CASH DURING THE YEAR	4,115,188	7,800,395
CASH BALANCE, BEGINNING OF YEAR	<u>38,304,691</u>	<u>30,504,296</u>
CASH BALANCE, END OF YEAR	<u>\$ 42,419,879</u>	<u>\$ 38,304,691</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Amount of debenture debt interest paid during the year	<u>\$ 649,701</u>	<u>\$ 688,484</u>

See accompanying notes to financial statements

LEDUC COUNTY

Notes to the Financial Statements

Year ended December 31, 2013

1. DESCRIPTION OF BUSINESS

Leduc County (the "County") is a local government authority providing municipal services. The County is empowered through bylaws and policies approved by County Council and pursuant to the provisions of the *Municipal Government Act*.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian public sector accounting standards. Significant aspects of these accounting policies are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the County.

The schedule of taxes levied (Schedule 2) also includes operating requisitions for education and seniors foundation organizations that are not controlled by the County.

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Revenues are recognized in the period in which the transactions or events occur and are measurable. Expenses are recognized in the period the goods and services are acquired and/or there is a legal obligation to pay.

c) Government Transfers

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred provided the transfers are authorized and eligibility criteria have been met by the County and reasonable estimates of the amounts can be made.

d) Pension

The County participates in a multi-employer defined benefit pension plan. Contributions for current service pension benefits are recorded as expenses in the year in which they become due.

e) Inventory

Inventory of gravel is valued at the lower of cost or net realizable value, with cost determined by the first in, first out method.

f) Reserves

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures for internal reporting purposes. These balances are included in accumulated surplus.

LEDUC COUNTY

Notes to the Financial Statements

Year ended December 31, 2013

2. ACCOUNTING POLICIES (continued)

g) *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.

h) *Debt Charges Recoverable*

Debt charges recoverable consist of amounts that are recoverable from other local governments with respect to outstanding debentures incurred on their behalf for projects unrelated to the County. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt.

i) *Non-Financial Assets*

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

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. Government contributions for the acquisition of assets are reported as revenue and do not reduce the related physical asset costs. 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 – 40
Buildings	10 – 50
Engineered Structures	
Roadway System	5 – 60
Water System	45 – 75
Wastewater System	45 – 75
Storm Water System	45 – 75
Other Engineered Structures	10 – 60
Machinery and Equipment	5 – 40
Vehicles	2 – 40

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

LEDUC COUNTY
Notes to the Financial Statements
Year ended December 31, 2013

2. ACCOUNTING POLICIES (continued)

ii. *Contributed Tangible Capital Assets*

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

iii. *Cultural and Historical Tangible Capital Assets*

Cultural and historic tangible capital assets are not recorded as assets in these financial statements, but are disclosed. The County does not currently have any to disclose.

j) *Use of Estimates*

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management 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 financial statements, and the reported amounts of revenues and expenditures during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality.

The County has used estimates to determine useful lives of tangible capital assets, historic costs of certain tangible capital assets, fair values of contributed tangible capital assets and provisions made for allowances for doubtful accounts.

Actual results could differ from those estimates.

k) *Tax Revenue*

Property tax revenue is based on market value assessments determined in accordance with the Municipal government Act. Tax/mill rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal.

Construction and borrowing costs associated with local improvement projects are recovered through annual special property tax assessments during the period of the related borrowing. These levies are collectible from property owners for work performed by the County and are recognized as revenue in the year they are levied.

3. TAXES AND GRANTS-IN-LIEU RECEIVABLE

	2013	2012
Current	\$ 936,967	\$ 921,352
Arrears	448,978	145,519
	1,385,945	1,066,871
Less allowance for doubtful accounts	(61,000)	(77,800)
	\$ 1,324,945	\$ 989,071

LEDUC COUNTY
Notes to the Financial Statements
Year ended December 31, 2013

4. ACCOUNTS RECEIVABLE

	<u>2013</u>	<u>2012</u>
Federal government	\$ 571,432	\$ 832,414
Provincial government	2,695,418	6,110,037
Local government	96,441	335,890
Trade accounts	1,069,430	792,610
	<hr/>	<hr/>
	4,432,721	8,070,951
Less allowance for doubtful accounts	(74,700)	(71,485)
	<hr/>	<hr/>
	\$ 4,358,021	\$ 7,999,466

5. LOCAL IMPROVEMENT TAXES RECEIVABLE

	<u>2013</u>	<u>2012</u>
Bylaw 19-06 (amended by Bylaw 28-06)	10,844,932	11,453,343
Bylaw 30-02 (amended by Bylaw 28-04)	121,353	128,802
	<hr/>	<hr/>
	10,966,285	11,582,145

The County passed Bylaw 19-06 (amended by Bylaw 28-06) authorizing Council to provide for a local improvement to install a wastewater line in the Nisku Industrial Park. The total cost of the local improvement was \$14,599,797 and is repayable in 40 bi-annual installments of \$551,174 including interest at a fixed rate of 4.37% per annum maturing December 2026.

The County passed Bylaw 30-02 (amended by Bylaw 28-04) authorizing Council to provide for a local improvement to install a wastewater line in the Hamlet of Looma. The total cost of the local improvement was \$172,500 and is repayable in 40 bi-annual installments of \$6,624.71 including interest at a fixed rate of 4.5690% per annum maturing December 2025.

LEDUC COUNTY
Notes to the Financial Statements
Year ended December 31, 2013

6. DEBT CHARGES RECOVERABLE (LEDUC FOUNDATION)

	<u>2013</u>	<u>2012</u>
Current debt charges recoverable	\$ 133,547	\$ 127,866
Long-term debt charges recoverable	2,886,713	3,020,260
	<u>\$ 3,020,260</u>	<u>\$ 3,148,126</u>

The County assumed a debenture on behalf of the Leduc Foundation. The County is not in a partnership with the Leduc Foundation on the capital project, but agreed to obtain the funding they required and is reimbursed 100% for both the principal and interest payments.

The debenture was borrowed in the amount of \$3,500,000 at an interest rate of 4.395% in 2009 and is repayable in bi-annual payments expiring December, 2029. Debenture principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 133,547	\$ 131,289	\$ 264,836
2015	139,481	125,355	264,836
2016	145,678	119,158	264,836
2017	152,151	112,685	264,836
2018	158,912	105,924	264,836
Thereafter	2,290,491	622,706	2,913,197
	<u>\$ 3,020,260</u>	<u>\$ 1,217,117</u>	<u>\$ 4,237,377</u>

These payments are not disclosed as revenues and expenses by Leduc County as this loan is 100% recoverable from Leduc Foundation.

LEDUC COUNTY
Notes to the Financial Statements
Year ended December 31, 2013

7. DEFERRED REVENUE

Deferred revenue is comprised of the following amounts, which have been received from third parties for a specified purpose. Additions are comprised of both contributions and interest earned during the year. These amounts are recognized as revenue in the period in which the related costs are incurred.

	2012	Additions	Revenue Recognized	2013
FCSS	\$ 161,081	\$ 174,579	\$ (112,930)	\$ 222,730
FSEPP Grant	-	20,875	-	20,875
MSI Capital	5,483,797	5,156,086	(8,058,152)	2,581,732
MSI Operating	144,281	454,552	(594,526)	4,307
Federal Gas Tax Fund	447,348	865,314	(1,230,803)	81,859
AT Bridge Grants	-	282,496	(269,761)	12,734
BMTG	94,352	43,493	-	137,845
Other	40,842	266,463	(8,627)	298,678
	<u>\$ 6,371,701</u>	<u>\$ 7,263,859</u>	<u>\$ (10,274,799)</u>	<u>\$ 3,360,761</u>

FCSS - Family Community Support Services
FSEPP – Fire Services Emergency Preparedness Program
MSI – Municipal Sustainability Initiative
AT – Alberta Transportation
BMTG – Basic Municipal Transportation Grant

LEDUC COUNTY
Notes to the Financial Statements
Year ended December 31, 2013

8. LONG-TERM DEBT

	<u>2013</u>	<u>2012</u>
General tax levy supported	\$ 8,322,322	\$ 2,980,716
Special levy supported - Local Improvement (Note 5)	10,966,285	11,582,145
Utility rate supported	351,909	385,452
Other - Leduc Foundation borrowing/loan (Note 6)	3,020,260	3,148,126
	<u>22,660,776</u>	<u>18,096,439</u>

Debenture debt has been issued on the credit and security of the County at large. Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 4.365 percent to 6.000 percent, before provincial subsidy, and matures in periods 2013 through 2038.

Debenture principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	1,110,831	959,267	2,070,098
2015	1,159,862	910,236	2,070,098
2016	1,211,070	859,028	2,070,098
2017	1,264,553	805,546	2,070,099
2018	1,320,409	749,689	2,070,098
Thereafter	16,594,051	4,619,079	21,213,130
	<u>\$ 22,660,776</u>	<u>\$ 8,902,845</u>	<u>\$ 31,563,621</u>

Long Term Debt Summary:

	<u>2013</u>	<u>2012</u>
Long term debt for capital purposes	\$ 17,160,776	\$ 18,096,439
Long term debt for operating purposes (Note 16)	5,500,000	-
	<u>22,660,776</u>	<u>18,096,439</u>

LEDUC COUNTY
Notes to the Financial Statements
Year ended December 31, 2013

9. RESERVES - OPERATING

	2012	Additions	Applied	2013
General administration	\$ 1,354,558	\$ 139,832	\$ 59,997	\$ 1,434,393
Enforcement services department	56,550	-	15,000	41,550
Fire department	185,070	1,831	-	186,901
Disaster services department	5,400	-	-	5,400
Ambulance services	22,321	-	-	22,321
Public works department	5,053,759	408,593	2,560,209	2,902,143
Drainage department	278,547	-	16,991	261,556
Water department	253,271	197,059	-	450,330
Sewer department	-	-	-	-
Sewer department - NEPL	12,531	8,951	-	21,482
Sewer department - Nisku	97,622	-	-	97,622
Waste management department	60,000	-	-	60,000
Other environmental use	3,450	-	-	3,450
FCSS department	105,937	-	-	105,937
Planning and development	2,496,080	93,936	7,968	2,582,048
Agricultural services department	80,911	-	2,743	78,168
Recreation department	331,459	-	122,822	208,637
Parks department	37,481	5,835	6,112	37,204
Library board	29,016	-	-	29,016
Special transit	177,010	-	5,463	171,547
Public transit	240,000	-	-	240,000
New Sarepta franchise fees	25,351	-	-	25,351
Broadband/Communication	1,000,000	-	505,774	494,226
ROW Compensation	-	1,000,000	-	1,000,000
Inter-Municipal Stabilization	1,000,000	-	-	1,000,000
Mill rate stabilization	2,253,942	-	146,070	2,107,872
	\$ 15,160,266	\$ 1,856,037	\$ 3,449,149	\$ 13,567,154

10. RESERVES - CAPITAL

	2012	Additions	Applied	2013
General administration	\$ 140,581	\$ -	\$ 77,500	\$ 63,081
Enforcement services department	264	22,500	-	22,764
Fire department	111,500	-	100,000	11,500
Public works department	2,958,293	4,414,061	933,772	6,438,582
Water department	3,869,316	1,730,898	163,639	5,436,575
Sewer department	220,741	102,179	-	322,920
Agriculture services department	20,809	15,000	-	35,809
Recreation and parks department	2,462,753	89,458	266,420	2,285,791
Library board	43,918	-	43,918	-
Capital stabilization fund	2,022,059	-	-	2,022,059
	\$ 11,850,233	\$ 6,374,096	\$ 1,585,249	\$ 16,639,080

LEDUC COUNTY

Notes to the Financial Statements

Year ended December 31, 2013

11. DEBT LIMITS

Section 276(2) of the *Municipal Government Act* requires the debt and service on debt limits, as defined by Regulation 255/2000, be disclosed as follows:

	<u>2013</u>	<u>2012</u> (Restated - Note 19)
Total debt limit	\$ 86,685,386	\$ 76,868,265
Total debt outstanding	(22,660,776)	(18,096,439)
Amount of total debt limit available	\$ 64,024,610	\$ 58,771,826
Total percentage of debt limit available	73.86%	76.46%
Service on debt limit	\$ 14,447,564	\$ 12,811,378
Actual service on debt amount	(2,070,098)	(1,723,895)
Amount of service on debt limit available	\$ 12,377,466	\$ 11,087,483
Total percentage of debt servicing available	85.67%	86.54%

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 a conservative guideline used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

12. FINANCIAL INSTRUMENTS

Leduc County's financial instruments consist of cash, receivables, accounts payable, accrued liabilities and long-term debt. It is management's opinion that the County is not exposed to significant interest, currency or credit risk arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

LEDUC COUNTY

Notes to the Financial Statements

Year ended December 31, 2013

13. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for Elected Municipal Officials and the County Manager as required by Provincial Regulations are as follows:

Electoral Division	Name	Fees	Subsistence	Benefits ¹	2013 Total
1	Jocelyn Mackay Jan - Oct	\$ 33,937	\$ 16,973	\$ 6,175	\$ 57,085
	Deputy Mayor: May 1 - Oct 31	1,018	509	-	1,527
1	Rick Smith Oct - Dec	7,225	3,614	802	11,641
	Deputy Mayor: Oct 31 - Dec 31	345	172	-	517
2	Clayton Stumph Jan - Dec	40,724	20,368	7,352	68,444
	Deputy Mayor: Jan 1 - Apr 30	679	339	-	1,018
3	John Schonewille Jan - Dec	40,724	20,368	7,309	68,401
4	John Whaley Jan - Dec	40,724	20,368	7,822	68,914
	Mayor: Jan 1 - Dec 31	8,144	4,073	-	12,218
5	Betty Glassman Jan - Oct	33,937	16,973	2,026	52,936
5	Tanni Doblanko Oct - Dec	7,225	3,614	751	11,590
6	Ruth Harrison Jan - Oct	33,937	16,973	4,204	55,114
6	Glenn Belozor Oct - Dec	7,225	3,614	803	11,642
7	Audrey Kelto Jan - Dec	40,724	20,368	7,416	68,508
		\$ 296,567	\$ 148,328	\$ 44,660	\$ 489,555

Title	# of persons	Salary	Benefits ¹	2013 Total
County Manager	1	176,948	30,676	207,624
		\$ 176,948	\$ 30,676	\$ 207,624

¹ Employer's share of all employee benefits and contributions made on behalf of employees including retirement pension, Canada Pension Plan, Employment Insurance, dental coverage, group life insurance, accidental death and dismemberment insurance, long and short-term disability plans and extended health care, vision care & employee assistance program coverage.

14. PENSION PLAN

Employees of Leduc County participate in the Local Authorities Pension Plan (LAPP), which is covered by the *Public Sector Pension Plans Act*. It is financed by employer and employee contributions and investment earnings of the LAPP Fund. The Plan disclosed an actuarial deficit of \$4.98 billion at December 31, 2012.

Leduc County is required to make current service contributions to the Plan of 10.43 percent of pensionable payroll below the year's maximum pensionable earnings (YMPE) and 14.47 percent of pensionable payroll above the YMPE.

Total current service contributions by Leduc County to the Local Authorities Pension Plan in 2013 were \$1,298,525 (2012 - \$1,184,069). Total current service contributions by the employees of Leduc County to the Local Authorities Pension Plan in 2013 were \$1,187,700 (2012 - \$1,077,303).

LEDUC COUNTY

Notes to the Financial Statements

Year ended December 31, 2013

15. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2013</u>	<u>2012</u> (Restated - Note 19)
Tangible capital assets (Schedule 1)	\$ 1,001,329,091	\$ 980,788,943
Accumulated amortization (Schedule 1)	(773,842,797)	(751,677,729)
Long-term debt for capital purposes (Note 8)	(17,160,776)	(18,096,439)
Tangible capital assets - restatements (Note 19)	-	528,700
Debt charges recoverable (Note 6)	3,020,260	3,148,126
Local improvements (Note 5)	10,966,285	11,582,145
	<u>\$ 224,312,063</u>	<u>\$ 226,273,746</u>

16. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	<u>2013</u>	<u>2012</u> (Restated - Note 19)
Unrestricted surplus	\$ 4,270,517	\$ 4,235,845
Unrestricted deficit - New Sarepta Agriplex (Note 8)	(5,500,000)	-
Operating reserves (Note 9)	13,567,154	15,160,266
Capital reserves (Note 10)	16,639,081	11,850,233
Equity in tangible capital assets (Note 15)	224,312,063	226,273,746
	<u>\$ 253,288,815</u>	<u>\$ 257,520,090</u>

LEDUC COUNTY

Notes to the Financial Statements

Year ended December 31, 2013

17. BUDGET FIGURES

The 2013 budget figures which appear in these statements have not been audited. Leduc County budgets on a cash, not an accrual basis. The below table reconciles the consolidated annual surplus to the County's operating surplus based on the methods used in preparing its annual budget.

	2013 (Unaudited)	2013 (Actual)	2012 (Restated - Note 19)
Consolidated annual surplus (deficit)	\$ 10,287,385	\$ (4,231,275)	\$ 1,191,771
<i>Deduct:</i>			
Contributed Assets	(334,000)	(748,976)	(8,163,280)
Gain on disposal of tangible capital assets	-	-	(352,221)
Transfer to own municipal function - operating	(8,671,376)	(11,641,022)	(9,264,873)
General contingency	(440,000)	-	-
Principal repayment of long-term debt	(807,797)	(807,797)	(817,254)
Transfer to capital reserves	(185,836)	(6,458,040)	(4,936,197)
Purchase of fixed assets	(59,476,223)	(20,540,510)	(9,650,249)
<i>Add Back:</i>			
Amortization	-	23,088,077	21,985,899
Local Improvement Receivable	-	615,860	629,932
Loss on disposal of tangible capital assets	-	53,931	-
Draws from operating reserves	4,786,372	3,449,149	899,872
Internal transfers from capital fund	136,536	83,944	1,048,042
Transfer to own municipal function - capital	9,245,189	11,370,233	6,896,908
Long-term debt additions	45,248,000	5,500,000	-
Proceeds on tangible capital assets	211,750	301,098	538,959
	\$ -	\$ 34,673	\$ 7,309

LEDUC COUNTY

Notes to the Financial Statements

Year ended December 31, 2013

18. CONTINGENCIES

a) Legal Claims

As at December 31, 2013 the County was involved in various legal disputes. While it is not possible to estimate the outcome of these disputes, it is believed that there will be no adverse effect on the financial position of the County.

b) On August 26, 2008 Leduc County and The City of Leduc entered into a Capital Contribution Agreement as per the inter-municipal Cost Sharing Agreement for Recreation, Library and Cultural Services.

The County provided \$3,500,000 in funding towards the construction of enhanced facility components at the Leduc Recreation Center. Additionally, the County provided \$1,000,000 in sponsorship funding towards the project and received sponsorship/naming benefits. The following payment for cost sharing and sponsorship funding outstanding are as follows:

<u>Date</u>	<u>Payment Amount</u>
<u>15-Dec-2016</u>	<u>\$ 500,000</u>

19. CHANGE IN ACCOUNTING POLICY AND RESTATEMENT

a) Local Improvements

Public sector accounting standard PS3510 *Tax Revenue* was effective for fiscal years beginning on or after April 1, 2012. The County adopted this standard during 2013 and as a result has changed the method in which local improvement taxes are recognized as revenue. Previously the County recognized revenue as payments were received from taxpayers over the length of the borrowing related to the local improvement costs. The County now recognizes revenue in the year the local improvement tax is levied. This change has been applied retroactively and prior periods have been restated.

The effect on the comparative 2012 figures has been to increase local improvement taxes receivable, net financial assets and closing accumulated surplus by \$11,582,145 increase opening accumulated surplus by \$12,212,077 and decrease revenue and the excess of revenue over expenses by \$629,932.

b) Tangible Capital Assets

During the year, the County identified the following item requiring restatement in the December 31, 2012 comparative figures:

- i. The County recorded additions to work in progress relating to land under road allowance that was expensed as an operational expenditure in 2012. The total adjustment in 2012 tangible capital assets was an addition of \$528,700 to the work in progress class and increase in excess of revenues over expenses.

LEDUC COUNTY
Schedule of Tangible Capital Assets
 Year ended December 31, 2013

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2013	2012
COST:									
BALANCE, BEGINNING OF YEAR	\$ 65,118,998	\$ 4,507,716	\$ 14,842,293	\$ 865,482,296	\$ 16,704,273	\$ 10,226,180	\$ 3,907,187	\$ 980,788,943	\$ 965,132,332
Restatement (Note 19)	-	-	-	-	-	-	528,700	528,700	\$ -
BALANCE, BEGINNING OF YEAR - AS RESTATED	65,118,998	4,507,716	14,842,293	865,482,296	16,704,273	10,226,180	4,435,887	981,317,643	\$ 965,132,332
Acquisition of tangible capital assets	688,816	196,242	249,920	17,660,432	789,595	713,238	991,243	21,289,486	17,813,529
Disposal of tangible capital assets	(160,208)	-	-	-	(576,164)	(534,008)	(7,658)	(1,278,038)	(1,628,218)
Transfers in/(out)	-	-	-	2,700,792	-	195,015	(2,895,807)	-	-
BALANCE, END OF YEAR	65,647,606	4,703,958	15,092,213	885,843,520	16,917,704	10,600,425	2,523,665	1,001,329,091	981,317,643
ACCUMULATED AMORTIZATION:									
BALANCE, BEGINNING OF YEAR	-	1,302,193	4,418,580	734,434,681	7,814,027	3,708,248	-	751,677,729	731,133,308
Annual amortization	-	187,667	384,859	20,780,829	1,135,559	599,163	-	23,088,077	21,983,899
Accumulated amortization on disposals	-	-	-	-	(490,130)	(432,879)	-	(923,009)	(1,441,478)
Transfers in/(out)	-	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	-	1,489,860	4,803,439	755,215,510	8,459,456	3,874,532	-	773,842,797	751,677,729
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 65,647,606	\$ 3,214,098	\$ 10,288,774	\$ 130,628,010	\$ 8,458,248	\$ 6,725,893	\$ 2,523,665	\$ 227,486,294	\$ 229,639,914
2012 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS (RESTATED)	\$ 65,118,998	\$ 3,205,523	\$ 10,423,713	\$ 131,047,615	\$ 8,890,246	\$ 6,517,932	\$ 4,435,887	\$ 229,639,914	

LEDUC COUNTY
Schedule of Taxes Levied
Year ended December 31, 2013

Schedule 2

	<u>2013</u> (Budget - Unaudited)	<u>2013</u> (Actual)	<u>2012</u> (Restated - Note 19)
SUMMARY OF PROPERTY TAXES			
Land and improvements	\$ 46,753,000	\$ 46,756,391	\$ 42,259,196
Electric, power and pipeline	11,086,000	11,085,783	11,194,952
Mobile home licence fees	-	-	-
Federal and provincial grants in lieu	17,959	17,964	17,973
Local improvements	1,115,597	499,737	627,466
	58,972,556	58,359,875	54,099,587
REQUISITIONS			
Alberta School Foundation Fund	16,802,107	16,802,107	15,170,773
Separate School	1,217,963	1,217,963	1,089,949
Leduc Senior Foundation	139,809	139,809	138,426
	18,159,879	18,159,879	16,399,148
SPECIAL LEVIES AND LOCAL IMPROVEMENTS			
Local improvements	1,115,597	499,737	627,466
NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES			
	\$ 39,697,080	\$ 39,700,259	\$ 37,072,973

LEDUC COUNTY
Schedule of Expenses by Object
Year ended December 31, 2013

Schedule 3

	<u>2013</u>	<u>2013</u>	<u>2012</u>
	(Budget - Unaudited)	(Actual)	(Restated - Note 19)
Salaries, wages and benefits	\$ 18,080,014	\$ 18,017,169	\$ 17,283,752
Contracted and general service	10,305,932	7,840,035	4,695,611
Purchases from other governments	3,140,318	3,245,242	2,989,881
Materials, goods, supplies and utilities	5,844,486	5,760,789	6,687,264
Provision for allowances	-	23,242	44,429
Transfers to other governments	9,631,316	8,310,893	3,191,943
Transfers to individuals and organizations	3,344,162	2,835,996	1,790,800
Bank charges and short-term interest	35,150	43,456	32,913
Interest on capital long-term debt	651,259	649,701	688,484
Amortization of tangible capital assets	-	23,088,077	21,985,899
Other expenditures	2,272,742	2,257,499	2,280,221
	\$ 53,305,379	\$ 72,072,099	\$ 61,671,197

See accompanying notes to financial statements

LEDUC COUNTY
Schedule of Government Transfers
Year ended December 31, 2013

Schedule 4

	<u>2013</u>	<u>2013</u>	<u>2012</u>
	(Budget - Unaudited)	(Actual)	(Actual)
TRANSFERS FOR OPERATING			
Provincial Government Unconditional	\$ 10,000	\$ 36,676	\$ 7,352
Provincial Government Conditional	3,495,698	2,959,319	2,851,063
Federal Government Conditional	113,000	12,673	75,443
Other Local Governments	256,287	282,954	286,708
	<u>3,874,985</u>	<u>3,291,622</u>	<u>3,220,566</u>
TRANSFER FOR CAPITAL			
Provincial Government	9,632,003	8,183,381	2,146,919
Federal Government	2,044,117	1,172,141	955,038
Other Local Governments	-	-	-
	<u>11,676,120</u>	<u>9,355,522</u>	<u>3,101,957</u>
TOTAL GOVERNMENT TRANSFERS	\$ 15,551,105	\$ 12,647,144	\$ 6,322,523

See accompanying notes to financial statements

LEDUC COUNTY
Schedule of Reserve Activity
Year ended December 31, 2013

Schedule 5

	<u>2013</u> (Budget - Unaudited)	<u>2013</u> (Actual)	<u>2012</u> (Actual)
ADDITIONS TO RESERVES			
Addition from operations (Note 9)	\$ 295,120	\$ 1,856,038	\$ 4,413,189
Addition from capital (Note 10)	49,300	6,374,096	3,888,154
	344,420	8,230,134	8,301,343
DRAWN FROM RESERVES			
Transfer to operations (Note 9)	(4,786,372)	(3,449,149)	(899,868)
Transfer to capital (Note 10)	(868,933)	(1,585,249)	(2,045,225)
	(5,655,305)	(5,034,398)	(2,945,093)
CHANGE IN RESERVE BALANCE	(5,310,885)	3,195,736	5,356,250
RESERVE BALANCE AT BEGINNING OF YEAR	27,010,499	27,010,499	21,654,249
RESERVE BALANCE AT END OF YEAR	\$ 21,699,614	\$ 30,206,235	\$ 27,010,499

See accompanying notes to financial statements

Schedule 6

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See accompanying notes to financial statements