



Financial Statements

Year end December 31, 2018

April 23, 2019

Management's responsibility for the financial statements

The accompanying 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 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 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 financial statements.

The financial statements have been audited by Metrix Group LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of council, residents and ratepayers of the county.



Duane Coleman, CLGM
County Manager



Renee Klimosko, CPA, CGA
General Manager, Financial and Corporate Services



INDEPENDENT AUDITORS' REPORT

To Mayor and Council of Leduc County

Opinion

We have audited the accompanying financial statements of Leduc County, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Leduc County as at December 31, 2018, and the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the County in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such 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.

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report to the Mayor and Council of Leduc County (*continued*)

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 financial statements.

As part of 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 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 County's internal control.
- Evaluate the appropriateness of accounting policies and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the County's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the County to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
April 23, 2019

Table of Contents

Statement of Financial Position.....	1
Statement of Operations.....	2-3
Statement of Changes in Net Financial Assets.....	4
Statement of Cash Flow.....	5
Notes to the Financial Statements.....	6-20
<i>Schedule 1 - Schedule of Tangible Capital Assets.....</i>	<i>21</i>
<i>Schedule 2 - Schedule of Taxes Levied.....</i>	<i>22</i>
<i>Schedule 3 - Schedule of Expenses by Object.....</i>	<i>23</i>
<i>Schedule 4 - Schedule of Government Transfers.....</i>	<i>24</i>
<i>Schedule 5 - Schedule of Segmented Disclosure.....</i>	<i>25</i>



Leduc County
Statement of Financial Position
As at December 31, 2018

	2018	2017
		(Restated) (note 23)
FINANCIAL ASSETS		
Cash	\$ 41,492,575	\$ 70,222,301
Taxes and grants-in-lieu receivable (note 2)	1,557,829	1,604,499
Accounts receivable (note 3)	4,408,459	3,679,041
Local improvement taxes receivable (note 4)	7,453,775	8,218,323
Investments (note 5)	24,877,998	-
Debt charges recoverable (note 6)	2,290,491	2,449,403
Other assets	125,353	153,624
	82,206,480	86,327,191
LIABILITIES		
Accounts payable and accrued liabilities	9,666,233	7,623,512
Deposits	725,363	819,798
Contaminated sites (note 7)	717,100	710,000
Deferred revenue (note 8)	23,838,145	31,661,592
Long-term debt (note 9)	47,455,870	46,462,902
	82,402,711	87,277,804
NET FINANCIAL ASSETS (DEBT)	(196,231)	(950,613)
NON-FINANCIAL ASSETS		
Tangible capital assets (schedule 1)	342,344,213	319,269,341
Consumable inventory	61,316	90,110
Prepaid expenses	348,921	333,924
	342,754,450	319,693,375
ACCUMULATED SURPLUS (note 17)	\$ 342,558,219	\$ 318,742,762
Contingencies (note 19)		
Commitments (note 21)		

See accompanying notes to financial statements

Leduc County
Statement of Operations
Year ended December 31, 2018

	2018	2018	2017
	(Budget - note 18)	(Actual)	(Actual) (Restated) (note 23)
REVENUES			
Taxation and grants-in-lieu (schedule 2)	\$ 48,117,751	\$ 48,108,394	\$ 46,943,357
Sales to other governments	694,428	721,954	731,774
Sales/user fees	5,024,559	5,869,247	5,212,650
Penalties and costs on taxes	362,900	398,295	388,147
Licenses and permits	1,347,700	2,084,099	1,784,610
Fines	502,700	288,634	385,506
Return on investments	322,418	866,328	577,773
Rentals	144,943	192,516	166,089
Insurance proceeds	-	723,429	20,524
Government transfers for operating (schedule 4)	3,050,522	2,822,670	3,747,137
Developers' agreements and levies	544,950	10,108,479	12,663,940
Other revenue	1,017,521	1,411,986	952,546
TOTAL REVENUES	\$ 61,130,392	\$ 73,596,031	\$ 73,574,053
EXPENSES			
General Government Services			
Legislative	743,368	734,064	721,337
General administration	8,723,368	8,421,188	8,337,894
Protective Services			
Enforcement	1,567,885	1,451,560	1,322,120
Fire	6,587,235	6,882,262	6,277,962
Disaster	112,538	125,840	53,116
Bylaw enforcement	145,785	139,955	135,459
Transportation Services			
Public works	26,646,806	29,278,589	26,647,101
Transit	1,562,848	1,061,720	567,723
Drainage	208,010	3,605	177,039
Environment Treatment Services			
Water	2,735,793	2,951,940	2,421,652
Sewer	2,228,212	2,402,327	2,174,953
Waste management	2,120,958	1,881,897	1,372,349
Other environmental use	-	7,100	1,450
Carried forward	\$ 53,382,806	\$ 55,342,047	\$ 50,210,155

See accompanying notes to financial statements

Leduc County
Statement of Operations

Year ended December 31, 2018

	2018 (Budget - note 18)	2018 (Actual)	2017 (Actual) (Restated) (note 23)
EXPENSES CONTINUED			
Brought forward	\$ 53,382,806	\$ 55,342,047	\$ 50,210,155
Family Community Support Services			
Family and community support services	2,200,631	2,086,058	2,153,209
Environment Development Services			
Planning and development	5,152,554	3,995,032	3,991,379
Agriculture	1,915,121	1,697,746	1,745,005
Recreation, Parks & Cultural Services			
Recreation board	6,350	3,485	3,709
Recreation	5,027,693	4,614,038	3,366,973
Parks	1,091,546	1,028,681	991,787
Library board	383,090	336,686	357,303
Other			
Other	3,214,135	3,220,817	2,936,710
	<u>72,373,926</u>	<u>72,324,590</u>	<u>65,756,230</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER REVENUE (EXPENSES)	(11,243,534)	1,271,441	7,817,823
OTHER REVENUE (EXPENSES)			
Gain on disposal of tangible capital assets	-	1,710,705	296,572
Loss on disposal of tangible capital assets due to annexation (note 20)	-	-	(847,792)
Contributed assets	-	11,196,596	10,136,794
Government transfer for capital (schedule 4)	8,230,058	9,636,715	12,147,890
	<u>8,230,058</u>	<u>22,544,016</u>	<u>21,733,464</u>
ANNUAL SURPLUS	(3,013,476)	23,815,457	29,551,287
ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS PREVIOUSLY STATED	-	346,476,001	315,888,043
Restatements (note 23)	-	(1,036,671)	(26,696,568)
ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS PREVIOUSLY STATED	<u>318,742,762</u>	<u>318,742,762</u>	<u>289,191,475</u>
ACCUMULATED SURPLUS, END OF YEAR (note 17)	\$ 315,729,286	\$ 342,558,219	\$ 318,742,762

See accompanying notes to financial statements

Leduc County

Statement of Changes in Net Financial Assets (Debt)

Year ended December 31, 2018

	2018 (Budget - note 18)	2018 (Actual)	2017 (Actual) (Restated) (note 23)
ANNUAL SURPLUS	\$ (3,013,476)	\$ 23,815,457	\$ 29,551,287
Acquisition of tangible capital assets	(32,156,019)	(28,997,866)	(29,837,878)
Contributed tangible capital assets	-	(11,196,596)	(10,136,794)
Proceeds on disposal of tangible capital assets	2,959,000	2,509,684	715,859
Amortization of tangible capital assets	14,227,920	16,320,611	15,482,084
Gain on disposal of tangible capital assets	-	(1,710,705)	(296,572)
Loss on disposal of tangible capital assets due to annexation	-	-	847,792
	(14,969,099)	(23,074,872)	(23,225,509)
Change in inventories for consumption	-	28,794	(16,726)
Change in prepaid expenses	-	(14,997)	(97,718)
	-	13,797	(114,444)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS (DEBT)	(17,982,575)	754,382	6,211,334
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	(950,613)	(950,613)	(7,161,947)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ (18,933,188)	\$ (196,231)	\$ (950,613)

See accompanying notes to financial statements

Leduc County Statement of Cash Flow

Year ended December 31, 2018

	2018	2017 (Restated) (note 23)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus	\$ 23,815,457	\$ 29,551,287
Changes in non-cash charges included in the annual surplus:		
Amortization of tangible capital assets	16,320,611	15,482,084
Gain on disposal of tangible capital assets	(1,710,705)	(296,572)
Loss on disposal of tangible capital assets due to annexation	-	847,792
Contributed tangible capital assets	(11,196,596)	(10,136,794)
	27,228,767	35,447,797
Changes in non-cash charges to operations:		
Taxes and grants-in-lieu receivable	46,670	(24,667)
Accounts receivable	(729,418)	(1,233,780)
Local improvement taxes receivable	764,548	732,183
Debt charges recoverable	158,912	152,151
Other assets	28,271	(58,674)
Prepaid expenses	(14,997)	(97,718)
Consumable inventory	28,794	(16,726)
Accounts payable and accrued liabilities	2,042,721	(2,524,666)
Deposits	(94,435)	55,409
Contaminated sites	7,100	-
Deferred revenue	(7,823,447)	(1,812,492)
Cash provided by operating transactions	21,643,486	30,618,817
CAPITAL		
Acquisition of tangible capital assets	(28,997,866)	(29,837,878)
Proceeds on disposal of tangible capital assets	2,509,684	715,859
Cash applied to capital transactions	(26,488,182)	(29,122,019)
FINANCING		
Acquisition of long-term debt	3,500,000	-
Repayment of long-term debt	(2,348,120)	(2,265,206)
Repayment of long-term operating debt recoverable	(158,912)	(152,151)
Cash applied to financing transactions	992,968	(2,417,357)
INVESTING		
Purchase of investments	(24,877,998)	-
Cash applied to investing transactions	(24,877,998)	-
CHANGE IN CASH DURING THE YEAR	(28,729,726)	(920,559)
CASH BALANCE, BEGINNING OF YEAR	70,222,301	71,142,860
CASH BALANCE, END OF YEAR	\$ 41,492,575	\$ 70,222,301

See accompanying notes to financial statements

Leduc County

Notes to the Financial Statements

Year ended December 31, 2018

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*.

1. SIGNIFICANT 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 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, seniors foundation and designated industrial properties 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) Cash

Cash includes general, public reserves trust and cash-on-hand amounts that are readily converted into known amounts of cash and are subject to an insignificant change in value.

d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. Gains on principal protected notes are recognized as income when sold.

e) 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.

f) 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.

g) 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.

h) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) 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.

j) 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.

k) 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 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:

	<u>YEARS</u>
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.

1. SIGNIFICANT 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.

l) 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, liability for contaminated sites, fair values of contributed tangible capital assets and provisions made for allowances for doubtful accounts.

Actual results could differ from those estimates.

m) Contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

n) 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.

Leduc County
Notes to the Financial Statements

Year ended December 31, 2018

2. TAXES AND GRANTS-IN-LIEU RECEIVABLE

	2018	2017
Current	\$ 1,090,558	\$ 991,908
Arrears	842,771	705,591
	1,933,329	1,697,499
Less allowance for doubtful accounts	(375,500)	(93,000)
	\$ 1,557,829	\$ 1,604,499

3. ACCOUNTS RECEIVABLE

	2018	2017
Federal government	\$ 477,569	\$ 530,072
Provincial government	1,114,242	827,021
Local government	725,404	1,328,474
Trade accounts	2,174,079	1,095,154
	4,491,294	3,780,721
Less allowance for doubtful accounts	(82,835)	(101,680)
	\$ 4,408,459	\$ 3,679,041

4. LOCAL IMPROVEMENT TAXES RECEIVABLE

	2018	2017
Bylaw 19-06 (amended by Bylaw 28-06)	\$ 7,375,157	\$ 8,130,369
Bylaw 30-02 (amended by Bylaw 28-04)	78,618	87,954
	\$ 7,453,775	\$ 8,218,323

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 Business 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 cent 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 \$6,625 including interest at a fixed rate of 4.569 per cent per annum maturing December 2025.

Leduc County
Notes to the Financial Statements

Year ended December 31, 2018

5. INVESTMENTS

	2018		2017	
	Carrying Value	Market Value	Carrying Value	Market Value
Fixed income securities	\$ 19,877,998	\$ 19,699,554	\$ -	\$ -
Principal protected notes	5,000,000	4,743,975	-	-
	\$ 24,877,998	\$ 24,443,529	\$ -	\$ -

The fixed income securities have effective interest rates ranging from 2.81 per cent to 3.59 per cent with maturity dates from 2019-2028.

The market value of the bonds and principal protected notes are based on quoted market values. The market value of the bonds and principal protected notes fluctuate with changes in market interest rates and indices. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. Market values are based on market conditions at a certain point in time and as such, may not be reflective of future fair values.

Leduc County
Notes to the Financial Statements

Year ended December 31, 2018

6. DEBT CHARGES RECOVERABLE (LEDUC FOUNDATION)

	<u>2018</u>	<u>2017</u>
Current debt charges recoverable	\$ 165,973	\$ 158,912
Long-term debt charges recoverable	2,124,518	2,290,491
	\$ 2,290,491	\$ 2,449,403

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 per cent 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 per cent in 2009 and is repayable in bi-annual payments expiring December 2029. Debenture principal and interest payments are due as follows:

	Principal	Interest	Total
2019	\$ 165,973	\$ 98,863	\$ 264,836
2020	173,348	91,488	264,836
2021	181,050	83,786	264,836
2022	189,094	75,742	264,836
2023	197,496	67,340	264,836
Thereafter	1,383,530	205,486	1,589,016
	\$ 2,290,491	\$ 622,705	\$ 2,913,196

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

7. OTHER LIABILITIES - CONTAMINATED SITES

The county has ascertained liabilities for contaminated sites as follows:

	<u>2018</u>	<u>2017</u>
Site clean up, remediation and monitoring	\$ 717,100	\$ 710,000

The county has accepted responsibility for remediation work on three individual sites within the county's boundaries for soil contamination. The estimated remediation activities include general site clean-up, additional site investigation, risk assessment and monitoring. This estimated liability is based on current contractor and engineering costs with no estimated recoveries.

Leduc County
Notes to the Financial Statements

Year ended December 31, 2018

8. 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.

	2017	Additions	Revenue Recognized	2018
ACP	\$ -	\$ 153,758	\$ (51,956)	\$ 101,802
BMTG	548	11	-	559
CARES	-	60,875	-	60,875
CCTF	-	252,194	-	252,194
CIP	984	20	-	1,004
FCSS	60,701	86,175	(59,735)	87,141
FGTF	322,335	1,494,249	(1,667,336)	149,248
MSI Capital	2,221,077	9,345,732	(8,301,919)	3,264,890
MSI Operating RCP	11,790	229,211	(241,001)	-
STIP	58,646	-	(58,646)	-
Offsite Levy - Roads	132,665	2,147	(48,315)	86,497
Offsite Levy - Water	14,740,922	10,068,407	(19,069,336)	5,739,993
Offsite Levy - Wastewater	12,986,293	613,006	(269,587)	13,329,712
Other	6,024	125	-	6,149
	1,119,607	103,331	(464,859)	758,079
	\$ 31,661,592	\$ 22,409,241	\$ (30,232,690)	\$ 23,838,145

ACP	Alberta Community Partnership
BMTG	Basic Municipal Transportation Grant
CARES	Community and Regional Economic Support Program
CCTF	Coal Community Transition Fund
CIP	Community Infrastructure Program
FCSS	Family and Community Support Services
FGTF	Federal Gas Tax Fund
MSI	Municipal Sustainability Initiative
RCP	Regional Collaboration Program
STIP	Strategic Transportation Infrastructure Program

Leduc County
Notes to the Financial Statements

Year ended December 31, 2018

9. LONG-TERM DEBT

	2018	2017
General tax levy supported	\$ 15,893,081	\$ 12,970,826
Special levy supported - local improvement (note 4)	7,453,775	8,218,322
Utility rate supported	151,480	196,367
Offsite levy supported	21,667,043	22,627,984
Other - Leduc Foundation borrowing/loan (note 6)	2,290,491	2,449,403
	\$ 47,455,870	\$ 44,462,902

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 2.831 per cent to 6 per cent, before provincial subsidy, and matures in periods 2021 through 2039.

The county's cash payments for interest in 2018 was \$1,574,312 (2017 - \$1,663,987).

Debenture principal and interest payments are due as follows:

	Principal	Interest	Total
2019	\$ 2,726,762	\$ 1,594,032	\$ 4,320,794
2020	2,827,679	1,493,115	4,320,794
2021	2,932,493	1,388,301	4,320,794
2022	2,984,692	1,279,433	4,264,124
2023	3,094,377	1,169,747	4,264,124
Thereafter	32,889,867	6,775,446	39,665,312
	\$ 47,455,870	\$ 13,700,074	\$ 61,155,944

LONG-TERM DEBT SUMMARY

	2018	2017
Long-term debt for capital purposes	\$ 36,046,626	\$ 34,569,303
Long-term debt for operating purposes	9,118,753	9,444,196
Recoverable long-term debt (note 6)	2,290,491	2,449,403
	\$ 47,455,870	\$ 46,462,902

Leduc County
Notes to the Financial Statements

Year ended December 31, 2018

10. RESERVES - OPERATING

	2017	Additions	Applied	2018
External agreements	\$ 3,206,736	\$ 94,409	\$ 417,300	\$ 2,883,844
Facilities & equipment	793,721	-	146,677	647,045
Stabilization & contingency	5,470,868	-	539,822	4,931,046
Special purpose	3,696,675	1,592,709	809,527	4,479,857
Regulatory	1,154,741	339,994	147,150	1,347,585
Utilities	1,505,991	450,345	401,217	1,555,119
	\$ 15,828,732	\$ 2,477,457	\$ 2,461,693	\$ 15,844,495

11. RESERVES - CAPITAL

	2017 (Restated) (note 23)	Additions	Applied	2018
Asset lifecycle management	\$ 5,109,482	1,219,511	\$ 621,784	\$ 5,707,208
Stabilization and contingency	6,690,285	4,278,039	1,808,431	9,159,893
Special purpose	225,327	266,591	27,860	464,057
Statutory	2,750,371	172,359	892,527	2,030,203
Utilities	137,878	2,863	-	140,741
	\$ 14,913,342	\$ 5,939,362	\$ 3,350,603	\$ 17,502,102

Leduc County
Notes to the Financial Statements

Year ended December 31, 2018

12. 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:

	2018	2017
Total debt limit	\$ 110,246,325	\$ 11,916,086
Total debt outstanding	(47,455,870)	(46,462,902)
Amount of total debt limit available	\$ 62,790,455	\$ 65,453,184
Total percentage of debt limit available	56.95%	58.48%
Service on debt limit	\$ 18,374,388	\$ 18,652,681
Actual service on debt amount	(4,320,794)	(4,081,344)
Amount of service on debt limit available	\$ 14,053,594	\$ 14,571,337
Total percentage of debt servicing available	76.48%	78.12%

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 alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

13. FINANCIAL INSTRUMENTS

Leduc County's financial instruments consist of cash, investments, receivables, accounts payable, accrued liabilities, deposits and long-term debt. It is management's opinion that the county is not exposed to significant interest rate, liquidity, currency, credit, market or other price 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, 2018

14. 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	2018 Total	2017 Total
1	Rick Smith Deputy Mayor Oct 24 2017 - Jun 30 2018	\$ 45,443 1,122	\$ 22,718 561	\$ 10,369 -	\$ 78,530 1,683	\$ 76,794 625
2	Clayton Stumph	-	-	-	-	62,392
2	Kelly-Lynn Lewis Deputy Mayor Jul 1- Dec 31 2018	45,443 1,150	22,718 575	10,312 -	78,473 1,725	14,295 -
3	John Schonewille	-	-	-	-	62,390
3	Kelly Vandenberghe	45,443	22,718	6,997	75,158	13,745
4	John Whaley Mayor Jan 1 - Oct 23 2017	- -	- -	- -	- -	63,069 10,789
4	Larry Wanchuk	45,443	22,718	10,176	78,337	14,294
5	Tanni Doblanko Mayor Oct 24 2017 - Dec 31 2018	45,443 9,089	22,718 4,544	11,052 -	79,213 13,632	76,910 2,501
6	Glenn Belozar Deputy Mayor Jan 1- Feb 28 2017	45,443 -	22,718 -	10,329 -	78,490 -	76,840 554
7	Audrey Kelto Deputy Mayor Mar 1 - Oct 23 2017	- -	- -	- -	- -	62,612 2,144
7	Ray Scobie	45,443	22,718	10,284	78,445	14,316
		\$ 329,461	\$ 164,706	69,520	\$ 563,687	\$ 554,270

Title	# of Persons	Salary	Benefits ¹	2018 Total	2017 Total
County manager	1	\$ 233,740	\$ 33,515	\$ 267,255	\$ 247,185

¹Employer'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 and employee assistance program coverage.

15. 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 surplus of \$4.835 billion at December 31, 2017.

Leduc County is required to make current service contributions to the Plan at 10.39 per cent of pensionable payroll below the year's maximum pensionable earnings (YMPE) and 14.84 per cent of pensionable payroll above YMPE.

Total current service contributions by Leduc County to the Local Authorities Pension Plan in 2018 were \$1,729,016 (2017 - \$1,794,860). Total current service contributions by the employees of Leduc County to the Local Authorities Pension Plan in 2018 were \$1,569,988 (2017 - \$1,763,002).

16. EQUITY IN TANGIBLE CAPITAL ASSETS

	2018	2017
Tangible capital assets (schedule 1)	\$ 1,179,965,731	\$ 1,141,373,076
Accumulated amortization (schedule 1)	(837,621,518)	(822,103,734)
Long-term debt for capital purposes (note 9)	(36,046,626)	(34,569,303)
Local improvements (note 4)	7,453,775	8,218,323
	\$ 313,751,362	\$ 292,918,362

17. ACCUMULATED SURPLUS

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

	2018	2017 (Restated) (note 23)
Unrestricted deficit	\$ (4,539,739)	\$ (4,917,674)
Operating reserves (note 10)	15,844,495	15,828,732
Capital reserves (note 11)	17,502,102	14,913,342
Equity in tangible capital assets (note 16)	313,751,362	292,918,362
	\$ 342,558,219	\$ 318,742,762

Leduc County
Notes to the Financial Statements

Year ended December 31, 2018

18. BUDGET FIGURES

The 2018 budget figures which appear in these statements were approved by council on May 8, 2018. Leduc County budgets on a cash, not an accrual basis. The below table reconciles the annual surplus to the county's operating surplus based on the methods used in preparing its annual budget.

	2018 (Budget)	2018 (Actual)	2017 (Restated) (note 23)
Consolidated annual surplus (deficit)	\$ (3,013,476)	\$ 23,815,456	\$ 29,551,287
Deduct:			
Contributed assets	-	(11,196,596)	(10,136,794)
Gain on disposal of tangible capital assets	-	(1,710,703)	-
Transfer to own municipal function - operating	(7,846,538)	(10,425,755)	(14,602,694)
Principal repayment of long-term debt	(1,583,574)	(1,583,572)	(1,533,023)
Transfer to capital reserves	(3,938,176)	(34,750,906)	(23,216,453)
Purchase of fixed assets	(32,156,019)	(28,997,866)	(29,837,879)
Add back:			
Amortization	14,227,920	16,320,611	15,482,084
Loss on disposal of tangible capital assets	-	-	551,220
Draws from operating reserves	4,228,105	2,461,693	3,392,918
Internal transfers from capital fund	2,762,571	1,071,108	2,468,791
Transfer to own municipal function - capital	20,860,186	39,039,337	26,184,170
Long-term debt additions	3,500,001	3,500,000	-
Proceeds on tangible capital assets	2,959,000	2,509,684	715,859
	\$ -	\$ 52,491	\$ (980,514)

19. CONTINGENCIES

a) Legal Claims

As at December 31, 2018, 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.

20. ANNEXATION – TOWN OF BEAUMONT

In 2017, the Town of Beaumont annexed 1,330 hectares (3,289 acres) of land from Leduc County. Leduc County transferred tangible capital assets with a net book value of \$847,792 to the Town of Beaumont. The County will maintain ownership of the water lines until such time that an interconnect between the east end of the water line and the Town of Beaumont is in place. Additionally, the County realized a reduction of \$14,116,250 in property assessment and 8 utility accounts averaging 2,448 m³ consumption per year. Leduc County did not receive any compensation from the Town of Beaumont.

21. COMMITMENTS

Under a service agreement with Edmonton International Airport dated December 31, 2015, the county has agreed to pay Edmonton International Airport a grant for mutual aid. The term of the agreement is three years: January 1, 2015 and expires on December 31, 2018.

On January 1, 2019 the City of Edmonton will annex 8,250 hectares (20,387 acres) of land from Leduc County. Leduc County will transfer tangible capital assets with a net book value of \$4,655,375 to the City of Edmonton. Additionally, the county will realize a reduction of \$189,009,920 in property assessment and 9 utility accounts averaging 11,774 m³ consumption per year. Leduc County will receive one-time compensation of \$3,200,000 and ten annual payments of \$530,000 ending on June 30, 2028.

22. COMPARATIVE FIGURES

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

Leduc County
Notes to the Financial Statements

Year ended December 31, 2018

23. RESTATEMENTS

Prior to 2018, the county recorded developer levy contributions as revenue in the year the levies were collected with unspent amounts being reported as reserves. During 2018, the county changed the manner in which it accounts for these contributions as it believes this results in a more appropriate presentation of the transactions. The county now recognizes the revenue in the period in which the contributions are used for the purpose specified in the levy bylaw. Any amounts received prior to costs being incurred for the specified purposes are now reported as deferred revenue.

	2017 As Previously Stated	Restatements	2017 As Restated
FINANCIAL ASSETS	\$ 86,327,191	\$ -	\$ 86,327,191
Accounts payable and accrued liabilities	7,623,512	-	7,623,512
Deposits	819,798	-	819,798
Other liabilities - contaminated sites (note 7)	710,000	-	710,000
Deferred revenue (note 8)	3,928,353	27,733,239	31,661,592
Long-term debt (note 9)	46,462,902	-	46,462,902
FINANCIAL LIABILITIES	59,544,565	27,733,239	87,277,804
NET FINANCIAL ASSETS (DEBT)	26,782,626	(27,733,239)	318,742,762
NON - FINANCIAL ASSETS	319,693,375	-	319,693,375
ACCUMULATED SURPLUS	346,476,001	(27,733,239)	318,742,762
REVENUES			
Taxation and grants-in-lieu	46,943,357	-	46,943,357
Sales to other governments	731,774	-	731,774
Sales/user fees	5,212,650	-	5,212,650
Penalties and costs on taxes	388,147	-	388,147
Licenses and permits	1,784,610	-	1,784,610
Fines	385,506	-	385,506
Return on investments	917,284	(339,511)	577,773
Rentals	166,089	-	166,089
Insurance proceeds	20,524	-	20,524
Government transfers for operating	3,747,137	-	3,747,137
Developers' agreements and levies	13,361,101	(697,160)	12,663,940
Other revenue	952,546	-	952,546
	74,610,724	(1,036,671)	73,574,053
EXPENSES OTHER	65,756,230	-	65,756,230
REVENUE ANNUAL	21,733,464	-	21,733,464
SURPLUS	30,587,958	(1,036,671)	29,551,287

Leduc County
Schedule of Tangible Capital Assets

Year ended December 31, 2018

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2018	2017
COST:									
BALANCE, BEGINNING OF YEAR	\$ 92,752,796	\$ 6,569,546	\$ 20,416,894	\$ 973,675,732	\$ 15,025,726	\$ 14,712,910	\$ 18,219,472	\$ 1,141,373,076	\$ 1,107,744,084
Acquisition of tangible capital assets	11,472,189	97,104	3,080,879	20,560,346	1,532,769	1,502,367	1,948,808	40,194,462	39,974,672
Disposal of tangible capital assets	(96,307)	-	-	-	(1,097,334)	(382,049)	(26,117)	(1,601,807)	(6,345,680)
Transfers in/(out)	985,426	-	408,635	14,767,053	188,346	52,381	(16,401,841)	-	-
BALANCE, END OF YEAR	105,114,104	6,666,650	23,906,408	1,009,003,131	15,649,507	15,885,609	3,740,322	1,179,965,731	1,141,373,076
ACCUMULATED AMORTIZATION:									
BALANCE, BEGINNING OF YEAR	-	2,346,882	6,549,178	799,243,619	8,275,550	5,688,505	-	822,103,734	811,700,252
Annual amortization	-	269,365	547,840	13,636,293	987,272	879,841	-	16,320,611	15,482,084
Accumulated amortization on disposals	-	-	-	-	(465,836)	(336,991)	-	(802,827)	(5,078,602)
Transfers in/(out)	-	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	-	2,616,247	7,097,018	812,879,912	8,796,986	6,231,355	-	837,621,518	822,103,734
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 105,114,104	\$ 4,050,403	\$ 16,809,390	\$ 196,123,219	\$ 6,852,521	\$ 9,654,254	\$ 3,740,322	\$ 342,344,213	\$ 319,269,342
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 92,752,796	\$ 4,222,663	\$ 13,867,717	\$ 174,432,113	\$ 6,750,176	\$ 9,024,405	\$ 18,219,472	\$ 319,269,342	

See accompanying notes to financial statements

Leduc County
Schedule of Taxes Levied

Year ended December 31, 2018

Schedule 2

	2018	2018	2017
	(Budget - note 18)	(Actual)	(Actual)
SUMMARY OF PROPERTY TAXES			
Land and improvements	\$ 61,216,275	\$ 61,171,449	\$ 58,631,373
Electric, power and pipeline	11,621,419	11,626,570	11,881,250
Federal and provincial grants in lieu	103,127	103,701	103,218
Local improvements	351,049	351,049	383,413
	73,291,870	73,252,769	70,999,254
REQUISITIONS			
Alberta School Foundation Fund	23,174,374	23,174,374	22,366,260
Designated Industrial Property	55,962	55,923	-
Separate School	1,728,266	1,728,266	1,675,763
Leduc Senior Foundation	157,650	157,650	139,806
(Over)/Under levy (note 1)	57,867	28,162	(125,932)
	25,174,119	25,144,375	24,055,897
NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES	\$ 48,117,751	\$ 48,108,394	\$ 46,943,357

See accompanying notes to financial statements

Leduc County
Schedule of Expenses by Object

Year ended December 31, 2018

Schedule 3

	2018	2018	2017
	(Budget - note 18)	(Actual)	(Actual)
Salaries, wages and benefits	\$ 22,175,257	\$ 21,838,102	\$ 21,587,896
Contracted and general services	12,820,813	10,578,470	8,233,901
Purchases from other governments	4,375,580	4,634,540	3,688,012
Materials, goods, supplies and utilities	6,703,192	7,221,292	6,491,877
Provision for allowances	-	316,204	187,889
Transfers to other governments	4,327,182	3,686,029	2,689,757
Transfers to individuals and organizations	3,027,099	2,997,562	2,948,866
Bank charges and short-term interest	34,359	47,105	32,909
Interest on long-term debt	1,468,389	1,469,048	1,547,995
Amortization of tangible capital assets	14,227,920	16,320,611	15,482,084
Other expenditures	3,214,135	3,215,718	2,865,043
	\$ 72,373,926	\$ 72,324,590	\$ 65,756,230

See accompanying notes to financial statements

Leduc County
Schedule of Government Transfers

Year ended December 31, 2018

Schedule 4

		2018		2018		2017
		(Budget - note 18)		(Actual)		(Actual)
TRANSFERS FOR OPERATING						
Provincial government unconditional	\$	63,000	\$	105,745	\$	35,472
Provincial government conditional		2,772,938		2,549,454		3,496,997
Other local governments		214,584		167,471		214,668
		3,050,522		2,822,670		3,747,137
TRANSFER FOR CAPITAL						
Provincial government		7,944,621		9,096,548		9,032,077
Federal government		-		-		-
Other local governments		285,437		540,167		3,115,813
		8,230,058		9,636,715		12,147,890
TOTAL GOVERNMENT TRANSFERS	\$	11,280,580	\$	12,459,385	\$	15,895,027

See accompanying notes to financial statements

Leduc County
Schedule of Segmented Disclosure
Year ended December 31, 2018

Schedule 5

	General Government Services	Protective Services	Transportation Services	Family Community Support Services	Environment Development Services	Recreation, Parks & Cultural Services	Environment Treatment Services	Other	2018 Total	2017 Total
REVENUE										
Net municipal taxes	\$ 48,108,394	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,108,394	\$ 46,943,357
Sales to other governments	124,797	287,721	168,253	-	124,983	-	16,200	-	721,954	731,774
User fees and sales of goods	45,848	301,312	385,855	35,073	148,416	689,810	4,262,932	-	5,869,247	5,212,650
Licenses and permits	427,867	156,749	-	-	1,499,483	-	-	-	2,084,099	1,784,610
Fines	-	287,234	-	-	-	1,400	-	-	288,634	385,506
Investment income	778,628	-	-	-	-	53,618	34,082	-	866,328	577,773
Rental revenue	66,227	64,719	-	-	1,129	23,307	37,135	-	192,516	166,089
Government transfers	204,116	19,947	514,874	1,600,347	224,515	13,670	245,201	-	2,822,670	3,747,137
Developers' agreements and levies	-	-	9,863,097	-	-	95,433	149,949	-	10,108,479	12,663,940
Contributed assets	-	-	5,642,584	-	-	-	5,554,012	-	11,196,596	10,136,794
Government transfers capital	-	981,878	7,191,679	-	-	-	1,463,158	-	9,636,715	12,147,890
Other revenue	562,949	122,873	1,519,558	-	25,062	29,267	108,577	165,426	2,533,714	1,361,217
	50,318,826	2,222,433	25,285,900	1,635,420	2,023,588	906,505	11,871,246	165,426	94,429,344	95,858,737
EXPENSES										
Salaries, wages and benefits	5,655,936	2,874,953	4,956,475	1,701,512	4,426,849	1,231,485	990,892	-	21,838,102	21,587,896
Contracted and general services	2,112,152	710,669	5,061,057	241,433	375,257	509,924	1,567,978	-	10,578,470	8,233,901
Purchases from other governments	6,978	579,443	764,791	-	477,219	-	2,806,109	-	4,634,540	3,688,012
Materials, goods, supplies and utilities	423,346	786,162	5,150,510	40,251	292,217	253,688	275,118	-	7,221,292	6,491,877
Provision for allowances	335,049	-	-	-	-	-	(18,845)	-	316,204	187,889
Transfers to other governments	-	-	142,486	98,492	-	3,445,051	-	-	3,686,029	2,689,757
Transfers to individuals and organization	161,070	2,767,393	15,950	4,370	9,379	39,400	-	-	2,997,562	2,948,866
Bank charges and short-term interest	9,524	-	46	-	18,164	13,311	871	5,099	47,015	32,909
Interest on long-term debt	144,540	4,368	584,644	-	-	225,379	510,117	-	1,469,048	1,547,995
Amortization expense	306,657	876,629	13,667,955	-	93,693	264,652	1,111,025	-	16,320,611	15,482,084
Other expenditures	-	-	-	-	-	-	-	3,215,718	3,215,718	2,865,043
	9,155,252	8,599,617	30,343,914	2,086,058	5,692,778	5,982,890	7,243,265	3,220,817	72,324,590	65,756,230
NET REVENUE/(DEFICIT), BEFORE GAINS/(LOSSES)	41,163,574	(6,377,184)	(5,058,014)	(450,638)	(3,669,190)	(5,076,385)	4,627,981	(3,055,391)	22,104,753	30,102,507
Gain/(loss) on sale of fixed assets	-	4,144	1,771,751	-	(1,475)	(26,117)	(37,598)	-	1,710,705	(551,220)
NET REVENUE/(DEFICIT)	\$ 41,163,574	\$ (6,373,040)	\$ (3,286,263)	\$ (450,638)	\$ (3,670,665)	\$ (5,102,502)	\$ 4,590,383	\$ (3,055,391)	\$ 23,815,457	\$ 29,551,287

See accompanying notes to financial statements