

LEDUC COUNTY
Financial Statements
Year ended December 31, 2023

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

Nisku, Alberta
April 9, 2024

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of Leduc County

Opinion

We have audited the financial statements of Leduc County (the "County"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations, remeasurement gains and losses, 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, these financial statements present fairly, in all material respects, the financial position of the County as at December 31, 2023, and the results of its operations, remeasurement gains and losses, 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.

(continues)

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 9, 2024

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LEDUC COUNTY
Statement of Financial Position
As at December 31, 2023

	2023	2022 (Restated) (Note 23)
FINANCIAL ASSETS		
Cash	\$ 41,825,324	\$ 33,120,058
Taxes and grants-in-lieu receivable (Note 2)	1,712,372	1,628,303
Accounts receivable (Note 3)	5,634,959	12,676,062
Local improvement taxes receivable (Note 4)	3,093,229	4,042,364
Annexation proceeds receivable (Note 5)	2,650,000	3,180,000
Investments (Note 6)	41,297,718	40,542,739
Debt charges recoverable (Note 7)	1,383,530	1,581,026
Other assets	150,571	81,193
	97,747,703	96,851,745
LIABILITIES		
Accounts payable and accrued liabilities	10,101,518	8,861,557
Deposits	3,012,841	2,456,267
Contaminated sites (Note 8)	357,641	758,771
Deferred revenue (Note 9)	25,359,686	23,325,299
Asset retirement obligation (Note 10)	3,566,292	-
Long-term debt (Note 11)	40,808,639	37,541,446
	83,206,617	72,943,340
NET FINANCIAL ASSETS (DEBT)	14,541,086	23,908,405
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	358,889,368	348,194,066
Consumable inventories	193,994	421,031
Prepaid expenses	487,632	571,181
	359,570,994	349,186,278
ACCUMULATED SURPLUS (Note 13)	\$ 374,112,080	\$ 373,094,683
ACCUMULATED SURPLUS IS COMPRISED OF:		
Accumulated surplus from operations	374,493,163	373,973,231
Accumulated rereasurement losses	(381,083)	(878,548)
	374,112,080	373,094,683

Contingencies (Note 20)

APPROVED ON BEHALF OF COUNCIL:

LEDUC COUNTY
Statement of Operations and Accumulated Surplus
Year ended December 31, 2023

	2023 (Budget) (Note 21)	2023 (Actual)	2022 (Actual)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 51,235,492	\$ 51,114,556	\$ 46,790,559
Sales and user fees	7,014,496	7,915,760	7,422,909
Government transfers for operating (Schedule 4)	4,438,645	4,646,569	3,089,549
Investment income	531,950	2,832,492	1,238,572
Developers' agreements levies	1,855,799	2,665,655	1,605,799
Other	853,345	2,020,931	1,461,075
Licenses and permits	1,695,728	1,597,218	1,987,251
Sales to other governments	479,477	552,783	440,138
Penalties and costs on taxes	485,000	519,138	543,067
Rentals	183,314	265,012	188,686
Fines	279,010	183,615	145,742
Insurance proceeds	-	54,773	117,933
	69,052,256	74,368,502	65,031,280
EXPENSES			
Transportation services			
Public works	30,515,491	30,485,679	30,492,572
Transit	1,158,008	1,296,160	1,522,693
Drainage	8,765	2,284	3,063
General government services			
General administration	10,469,166	10,239,428	8,677,208
Legislative services	865,538	792,072	762,824
Protective services			
Fire	9,069,033	9,460,043	7,904,355
Enforcement	2,661,571	2,523,900	1,932,669
Disaster	158,466	292,160	129,454
Bylaw enforcement	27,980	42,730	31,600
Environmental treatment services			
Water supply and distribution	3,525,122	4,467,189	3,878,882
Wastewater treatment and disposal	3,128,506	3,502,374	3,063,072
Solid waste management	1,669,335	4,534,507	1,402,833
Recreation, parks and cultural services			
Recreation	3,437,403	3,091,902	2,979,961
Parks	1,028,398	986,379	988,016
Library board	256,700	224,695	223,565
Recreation board	3,750	1,881	2,570
Environmental development services			
Planning and development	5,647,658	5,070,216	4,378,004
Agricultural services	1,619,863	1,521,336	1,400,666
Family and community support services	1,956,410	2,028,574	1,695,996
Other - tax share agreement	3,312,100	3,312,100	3,299,266
	80,519,263	83,875,609	74,769,269
ANNUAL SURPLUS (DEFICIT)			
BEFORE OTHER REVENUE (EXPENSES)	(11,467,007)	(9,507,107)	(9,737,989)

LEDUC COUNTY
Statement of Operations and Accumulated Surplus
Year ended December 31, 2023

	2023 (Budget) (Note 21)	2023 (Actual)	2022 (Actual)
ANNUAL SURPLUS (DEFICIT)			
BEFORE OTHER REVENUE (EXPENSES)	(11,467,007)	(9,507,107)	(9,737,989)
OTHER REVENUE (EXPENSES)			
Contributed tangible capital assets	-	7,311,278	952,334
Government transfers for capital (Schedule 4)	4,487,562	2,752,626	18,825,213
Gain (loss) on disposal of tangible capital assets	-	(36,865)	(292,723)
	4,487,562	10,027,039	19,484,824
ANNUAL SURPLUS (Deficit)	(6,979,445)	519,932	9,746,835
ACCUMULATED SURPLUS, BEGINNING OF YEAR	373,973,231	373,973,231	364,226,396
ACCUMULATED SURPLUS, END OF YEAR	\$ 366,993,786	\$ 374,493,163	\$ 373,973,231

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LEDUC COUNTY
Statement of Remeasurement Gains and Losses
Year ended December 31, 2023

	2023	2022
	(Actual)	(Actual)
Accumulated Remeasurement Gains (Losses), Beginning of Year	\$ (878,548)	\$ (144,497)
Unrealized gains (losses) attributable to:		
Derivative investments (Note 6)	497,465	(734,051)
Accumulated Remeasurement Gains (Losses), End of Year	\$ (381,083)	\$ (878,548)

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LEDUC County
Statement of Changes in Net Financial Assets (Debt)
Year ended December 31, 2023

	2023 (Budget) (Note 21)	2023 (Actual)	2022 (Actual) (Restated) (Note 23)
ANNUAL SURPLUS	\$ (6,979,445)	\$ 519,932	\$ 9,746,835
Acquisition of tangible capital assets	-	(21,353,006)	(24,039,893)
Contributed tangible capital assets	-	(7,311,278)	(952,334)
Proceeds on disposal of tangible capital assets	-	346,442	172,401
Amortization of tangible capital assets	16,706,745	17,585,675	17,257,450
Loss (gain) on disposal of tangible capital assets	-	36,865	292,723
Increase (decrease) in accumulated remeasurement gains and losses	-	497,465	(734,051)
	16,706,745	(10,197,837)	(8,003,704)
Use (acquisition) of supplies inventory	-	227,037	(281,541)
Use (acquisition) of prepaid expenses	-	83,549	(19,344)
	-	310,586	(300,885)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	9,727,300	(9,367,319)	1,442,246
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	23,908,405	23,908,405	22,466,159
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ 33,635,705	\$ 14,541,086	\$ 23,908,405

LEDUC County
Statement of Cash Flows
Year ended December 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Annual surplus	\$ 519,932	\$ 9,746,835
Non-cash items included in annual surplus		
Amortization of tangible capital assets	17,585,675	17,257,450
Tangible capital assets received as contributions	(7,311,278)	(952,334)
(Gain) Loss on disposal of tangible capital assets	36,865	292,723
	14,397,486	26,344,674
Change in non-cash working capital balances:		
Taxes and grants-in-lieu receivable	(84,069)	(233,140)
Accounts receivable	7,041,103	3,018,053
Local improvement taxes receivable	949,135	908,957
Annexation proceeds receivable	530,000	530,000
Debt charges recoverable	197,496	189,095
Other assets	(69,378)	(4,826)
Accounts payable and accrued liabilities	1,239,961	(2,049,681)
Deposits	556,574	804,581
Deferred revenue	2,034,387	(247,486)
Contaminated sites	(401,130)	11,875
Asset retirement obligations	3,566,292	-
Consumable inventory	227,037	(281,541)
Prepaid expenses	83,549	(19,344)
	26,702,151	28,971,217
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(21,353,006)	(24,039,893)
Proceeds on disposal of tangible capital assets	346,442	172,401
	(21,006,564)	(23,867,492)
FINANCING ACTIVITIES		
Long-term debt issued	6,435,000	-
Long-term debt principal repayments	(2,970,311)	(2,867,664)
Repayment of long-term operating debt recoverable	(197,496)	(189,095)
	3,267,193	(3,056,759)
INVESTMENT ACTIVITIES		
Change in investments	(257,514)	(10,009,118)
INCREASE (DECREASE) IN CASH DURING THE YEAR	8,705,266	(7,962,152)
CASH BALANCE, BEGINNING OF YEAR	33,120,058	41,082,210
CASH BALANCE, END OF YEAR	\$ 41,825,324	\$ 33,120,058

LEDUC COUNTY
Notes to Financial Statements
Year ended December 31, 2023

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

These financial statements have been prepared in accordance with Canadian public sector accounting standards. Significant aspects of the 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) Valuation of financial assets and liabilities

The County's financial assets and liabilities are measured as follows:

<u>Financial statement component</u>	<u>Measurement</u>
Cash	Cost and amortized cost
Accounts receivables	Lower of cost or net recoverable value
Investments	Fair value and amortized cost
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Asset retirement obligations	Cost or present value
Long-term debt	Amortized cost
Derivatives	Fair value

For financial assets and liabilities measured at amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial assets and liabilities that are measured at cost or amortized cost and expensed when measured at fair value.

(d) 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.

(continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) 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.

The County holds derivatives in the form of principal protected notes which as per the newly adopted PS 3450 Financial Instruments are recorded at fair value in the statement of financial position. Unrealized gains and losses from changes in the fair value of derivatives are recognized in the statement of remeasurement gains and losses. Upon settlement, the realized gains and losses are reclassified as revenue or expense in the statement of operations.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from other local foundations 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.

(continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) 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:

Land improvements	10 - 40 years
Buildings	10 - 50 years
Engineered structures	
Roadway system	5 - 60 years
Water system	45 - 75 years
Wastewater system	45 - 75 years
Storm water system	45 - 75 years
Other engineered structures	10 - 60 years
Machinery and equipment	5 - 40 years
Vehicles	2 - 40 years

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.

ii) Contributions of tangible capital assets

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

iii) 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.

(m) 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, asset retirement obligations, fair values of contributed tangible capital assets and provisions made for allowances for doubtful accounts.

(continued)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) 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.

(o) 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 notices 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.

(p) Asset retirement obligations

During 2023, the County adopted PS 3280 Asset Retirement Obligations which provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

Asset retirement obligations are legal obligations associated with the retirement of tangible capital assets. Asset retirement activities include all activities relating to an asset retirement obligation including, but not limited to, decommissioning or dismantling, remediation of contamination, post-retirement activities such as monitoring, and constructing other tangible capital assets to perform post-retirement activities.

A liability for asset retirement obligation is recognized when there is a legal obligation to incur retirement costs, the past transaction or event giving rise to the liability as occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made.

When a liability for asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying value of the related asset and are amortized over the estimated useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

LEDUC COUNTY
Notes to Financial Statements
Year ended December 31, 2023

2. TAXES AND GRANTS-IN-LIEU RECEIVABLE

	2023	2022
Current	\$ 1,263,708	\$ 1,113,623
Arrears	1,118,852	960,494
	2,382,560	2,074,117
Less allowance for doubtful accounts	(670,188)	(445,814)
	\$ 1,712,372	\$ 1,628,303

3. ACCOUNTS RECEIVABLE

	2023	2022
Trade accounts	\$ 3,186,680	\$ 2,128,678
Government grants	1,672,841	9,498,498
Goods and services tax	654,126	983,699
Local government	262,814	183,484
	5,776,461	12,794,359
Less allowance for doubtful accounts	(141,502)	(118,297)
	\$ 5,634,959	\$ 12,676,062

4. LOCAL IMPROVEMENT TAXES RECEIVABLE

	2023	2022
Nisku Business Park wastewater line	\$ 3,068,177	\$ 4,005,610
Hamlet of Looma wastewater line	25,052	36,754
	\$ 3,093,229	\$ 4,042,364

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 Financial Statements
Year ended December 31, 2023

5. ANNEXATION PROCEEDS RECEIVABLE

	2023	2022
City of Edmonton annexation proceeds receivable	\$ 2,650,000	\$ 3,180,000

On January 1, 2019, the City of Edmonton annexed 8,250 hectares (20,387 acres) of land from Leduc County. Leduc County transferred tangible capital assets with a net book value of \$4,655,375 to the City of Edmonton. As per the Province of Alberta provincial order the total compensation amounted to \$8,500,000 of which \$3,200,000 was due upon execution of the agreement and the remaining \$5,300,000 is set to be paid in equal installments of \$530,000 per year until 2028.

6. INVESTMENTS

	2023		2022	
	Carrying Value	Market Value	Carrying Value	Market Value
Fixed income securities - amortized cost	\$ 26,177,301	\$ 24,225,307	\$ 26,045,668	\$ 23,007,491
Derivatives - Principal protected notes (b)	15,120,417	15,120,417	14,497,071	14,497,071
	\$ 41,297,718	\$ 39,345,724	\$ 40,542,739	\$ 37,504,562

The fixed income securities have effective interest rates ranging from 1.49 per cent to 5.01 per cent with maturity dates from 2024-2035.

Derivative investments are carried at fair market value in which the measurements are derived from:

- a) Level 1 - Quoted prices in active markets for identical assets.
- b) Level 2 - Inputs other than quoted prices included within level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Unrealized gains (losses) on derivative investments carried at fair value of \$497,465 (2022 - loss \$734,051) have been recognized in the statement of remeasurement gains and losses.

LEDUC COUNTY
Notes to Financial Statements
Year ended December 31, 2023

7. DEBT CHARGES RECOVERABLE

	2023	2022
Current debt charges recoverable	\$ 206,272	\$ 197,496
Long-term debt charges recoverable	1,177,258	1,383,530
	\$ 1,383,530	\$ 1,581,026

The County assumed a debenture on behalf of the Leduc Regional Housing Foundation. The County is not in a partnership with the Leduc Regional Housing 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:

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 206,272	\$ 58,564	\$ 264,836
2025	215,437	49,399	264,836
2026	225,009	39,827	264,836
2027	235,007	29,829	264,836
2028	245,449	19,387	264,836
Thereafter	256,356	8,480	264,836
	\$ 1,383,530	\$ 205,486	\$ 1,589,016

8. CONTAMINATED SITES

The County has ascertained liabilities for contaminated sites as follows:

	2023	2022
Site clean up, remediation and monitoring	\$ 357,641	\$ 758,771

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. A transfer station that was previously identified as a contaminated site liability of \$411,829 was re-classified as an asset retirement obligation in 2023.

LEDUC COUNTY
Notes to Financial Statements
Year ended December 31, 2023

9. 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.

	2022	Additions	Revenue Recognized	2023
AMWWP	\$ -	\$ 300,920	\$ -	\$ 300,920
BMTG	617	17	-	634
CARES	82,980	2,246	-	85,226
CCBF	424,393	863,094	(277,297)	1,010,190
FCSS	29,103	6,340	(13,438)	22,005
MSI Capital	1,596,192	3,076,264	(3,656,641)	1,015,815
MSI Operating	8,043	500,618	(290,175)	218,486
Offsite Levy - Roads	5,060,550	2,233,883	(1,455,850)	5,838,583
Offsite Levy - Water	15,149,343	1,065,099	(275,725)	15,938,717
Offsite Levy - Wastewater	187,809	33,850	-	221,659
Other	786,269	48,392	(127,210)	707,451
	\$ 23,325,299	\$ 8,130,723	\$ (6,096,336)	\$ 25,359,686

AMWWP	Alberta Municipal Water/Wastewater Partnership
BMTG	Basic Municipal Transportation Grant
CARES	Community and Regional Economic Support Program
CCBF	Canada Community-Building Fund
FCSS	Family and Community Support Services
MSI	Municipal Sustainability Initiative

10. ASSET RETIREMENT OBLIGATION

The County has asset retirement obligations pursuant to the *Environmental Enhancement and Protection Act* (Alberta) to fund the clean up and monitoring of all active and existing transfer station sites. Clean up and monitoring activities include the the final covering and landscaping, surface and ground water monitoring, leachate control, site inspection, and maintenance.

The County has asset retirement obligations to remove various hazardous materials including, asbestos, lead, mercury, and mold from buildings under its control. Regulations require the Municipality to handle and dispose of these materials in a prescribed manner when it is disturbed, such as when when the building undergoes renovations or is demolished. Although the timing of the removal is conditional on the building undergoing renovations or being demolished, regulations create an existing obligation for the Municipality to remove the materials when the asset retirement activities occur.

	2023	2022
Balance, beginning of year	\$ -	\$ -
Net Change for the year:		
Initial adoption	3,566,292	-
Balance, end of year	\$ 3,566,292	\$ -

The obligations of \$3,566,292 (2022 - \$NIL) are measured at the current cost due to the uncertainty about when the retirement and reclamation activities are expected to occur.

LEDUC COUNTY
Notes to Financial Statements
Year ended December 31, 2023

11. LONG-TERM DEBT

	2023	2022
General tax levy supported	\$ 18,868,681	\$ 14,381,391
Special levy supported - local improvement (Note 4)	3,093,229	4,042,364
Special levy supported - future local improvement	1,035,000	-
Offsite levy supported	16,428,199	17,536,665
Other - Leduc Regional Housing Foundation borrowing/loan (Note 7)	1,383,530	1,581,026
	\$ 40,808,639	\$ 37,541,446

Debenture debt has been issued on the credit and security of the County-at-large. Debenture debt is repayable to the Government of Alberta and bears interest at rates ranging from 1.882 per cent to 5.230 per cent and matures in periods 2025 through 2043.

The County's cash payments for interest in 2023 was \$1,198,710 (2022 - \$1,309,758).

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 3,559,594	\$ 1,412,162	\$ 4,971,756
2025	3,693,675	1,278,081	4,971,756
2026	3,819,658	1,138,848	4,958,506
2027	2,559,630	1,009,737	3,569,367
2028	2,647,610	966,141	3,613,751
Thereafter	24,528,472	4,335,672	28,864,144
	\$ 40,808,639	\$ 10,140,641	\$ 50,949,280

LONG-TERM DEBT SUMMARY

	2023	2022
Long-term debt for capital purposes	32,112,346	28,261,206
Long-term debt for operating purposes	7,312,763	7,699,214
Recoverable long-term debt (Note 7)	1,383,530	1,581,026
	\$ 40,808,639	\$ 37,541,446

LEDUC COUNTY
Notes to Financial Statements
Year ended December 31, 2023

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2023	2022
Tangible capital assets (Schedule 1)	\$ 1,240,061,692	\$ 1,214,069,882
Accumulated amortization (Schedule 1)	(881,172,324)	(865,875,816)
Long-term debt for capital purposes (Note 11)	(32,112,346)	(28,261,206)
Local improvements (Note 4)	3,093,229	4,042,364
	\$ 329,870,251	\$ 323,975,224

13. ACCUMULATED SURPLUS

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

	2023	2022 (Restated) (Note 23)
Unrestricted surplus (deficit)	\$ (3,379,374)	\$ 557,996
Operating reserves (Note 14)	23,566,363	26,935,892
Capital reserves (Note 15)	23,557,375	22,359,622
Equity in tangible capital assets (Note 12)	329,870,251	323,975,224
Change in accumulated remeasurements gains (losses) (Note 6)	497,465	(734,051)
	\$ 374,112,080	\$ 373,094,683

14. OPERATING RESERVES

	2022	Additions	Applied	2023
Special purpose	\$ 8,427,342	\$ 3,471,321	\$ (886,667)	\$ 11,011,996
Stabilization and contingency	12,149,836	1,291,429	(7,446,188)	5,995,077
Legacy fund	4,320,000	646,914	(500,000)	4,466,914
Utilities	2,038,714	95,715	(42,053)	2,092,376
	\$ 26,935,892	\$ 5,505,379	\$ (8,874,908)	\$ 23,566,363

15. CAPITAL RESERVES

	2022	Additions	Applied	2023
Asset lifecycle management	\$ 14,708,760	\$ 2,831,508	\$ (2,979,511)	\$ 14,560,757
Utilities	3,948,748	2,052,579	(936,567)	5,064,760
Statutory	3,020,137	1,126,625	(442,194)	3,704,568
Special purpose	681,977	225,833	(680,520)	227,290
	\$ 22,359,622	\$ 6,236,545	\$ (5,038,792)	\$ 23,557,375

LEDUC COUNTY
Notes to Financial Statements
Year ended December 31, 2023

16. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials and the County Manager as required by Alberta Regulation 313/2000 is as follows:

	Fees	Benefits*	2023 Total	2022 Total
Mayor				
T. Doblanko (Division 5)	\$ 98,931	\$ 12,453	\$ 111,384	\$ 108,424
Councillors				
R. Smith (Division 1)	82,443	11,491	93,934	92,137
K. Lewis (Division 2)	83,466	9,826	93,292	96,476
D. Virdi (Division 3)	76,633	11,302	87,935	-
K. Vandenberghe (Division 3)	-	-	-	65,218
L. Wanchuk (Division 4)	82,787	8,572	91,359	86,304
G. Belozer (Division 6)	82,443	6,072	88,515	91,275
R. Scobie (Division 7)	82,443	12,326	94,769	89,803
	\$ 589,146	\$ 72,042	\$ 661,188	\$ 629,637
County Manager	\$ 254,310	\$ 35,781	\$ 290,091	\$ 276,096

*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 and employee assistance program coverage.

17. 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 \$12.67 billion at December 31, 2022 (2021 - \$11.92 billion).

Leduc County is required to make current service contributions to the Plan at 8.45 per cent of pensionable payroll below the year's maximum pensionable earnings (YMPE) and 12.23 per cent of pensionable payroll above YMPE.

Total current service contributions by Leduc County to the Local Authorities Pension Plan in 2023 were \$1,421,357 (2022 - \$1,356,243). Total current service contributions by the employees of Leduc County to the Local Authorities Pension Plan in 2023 were \$1,272,220 (2022 - \$1,229,525).

18. FINANCIAL INSTRUMENTS

Leduc County's financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the County is not exposed to significant currency, liquidity, market or other price risk arising from these financial instruments.

Credit risk

The County is exposed to credit risk with respect to receivables. Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of customers minimizes the County's credit risk.

Interest rate risk

Interest rate risk is the risk that the County's annual surplus will be affected by the fluctuation and degree of volatility in interest rates. Interest rate risk on the County's long term debt is managed through fixed rate debentures with the Province of Alberta (Note 11).

Unless otherwise noted, the carrying value of the financial instruments approximates their fair value.

19. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits, as defined by Alberta Regulation 255/00, for the County be disclosed as follows:

	2023	2022
Total debt limit	\$ 111,552,753	\$ 97,546,920
Total debt	(40,808,639)	(37,541,446)
Amount of debt limit unused	\$ 70,744,114	\$ 60,005,474
Service on debt limit	\$ 18,592,126	\$ 16,257,820
Service on debt	(4,971,756)	(4,366,517)
Amount of debt servicing limit unused	\$ 13,620,370	\$ 11,891,303

The debt limit is calculated at 1.5 times revenue of the County (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs. These thresholds are guidelines 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 County. Rather, the financial statements must be interpreted as a whole.

20. CONTINGENCIES

As at December 31, 2023, the County was involved in various legal disputes. While it is not possible to estimate the outcome of these disputes at year-end, it is believed that there will be no adverse effect on the financial position of the County.

LEDUC COUNTY
Notes to Financial Statements
Year ended December 31, 2023

21. BUDGET FIGURES

The 2023 budget figures which appear in these statements were approved by Council on April 25, 2023. 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.

	Budget 2023
Annual surplus (deficit)	\$ (6,979,445)
Deduct:	
Transfer to own municipal function - operating	(722,986)
Principal repayment of long-term debt	(2,021,176)
Transfer to capital reserves	(14,409,068)
Purchase of tangible capital assets	(30,536,280)
Add back:	
Amortization	16,706,745
Transfer from operating reserves	20,454,620
Transfer from capital reserves	531,236
Transfer to own municipal function - capital	6,702,354
Long-term debt proceeds	9,800,000
Proceeds on sale of tangible capital assets	474,000
	\$ -

22. SEGMENTED INFORMATION

The County provides a range of services to its residents. For each reported segment, revenues 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 financial statements as disclosed in Note 1. For additional information see the Schedule of Segmented Information (Schedule 5).

23. RESTATEMENT

Effective January 1, 2023, the County adopted PS 3450 Financial Instruments retroactively and comparative figures have been restated.

The effect of these changes on the comparative figures have resulted in decreases in investments, accumulated remeasurement losses, and accumulated surplus in the amount of \$878,548.

24. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.

LEDUC COUNTY
Schedule of Tangible Capital Assets
Year ended December 31, 2023

Schedule 1

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Engineered Structures</u>	<u>Machinery & Equipment</u>	<u>Vehicles</u>	<u>Construction in Progress</u>	<u>2023</u>	<u>2022</u>
COST:									
Balance, Beginning of Year	\$ 104,732,878	\$ 7,358,028	\$ 27,778,245	\$ 1,037,495,561	\$ 16,072,356	\$ 17,475,086	\$ 3,157,727	\$ 1,214,069,881	\$ 1,194,736,877
Acquisition of tangible capital assets	3,426,610	810,104	5,645,459	4,751,710	1,258,570	482,195	12,289,636	28,664,284	24,992,227
Disposal of tangible capital assets	(41,297)	-	-	(1,579,358)	(804,842)	(173,193)	(73,783)	(2,672,473)	(5,659,222)
Transfers in/(out)	3,931,422	201,072	-	8,843,743	-	-	(12,976,237)	-	-
Balance, End of Year	112,049,613	8,369,204	33,423,704	1,049,511,656	16,526,084	17,784,088	2,397,343	1,240,061,692	1,214,069,882
ACCUMULATED AMORTIZATION:									
Balance, Beginning of Year	-	3,782,372	9,382,951	833,723,214	10,595,174	8,392,105	-	865,875,816	853,812,464
Annual amortization	-	340,895	690,742	14,853,292	755,880	944,866	-	17,585,675	17,257,450
Accumulated amortization of disposals	-	-	-	(1,550,132)	(600,842)	(138,193)	-	(2,289,167)	(5,194,098)
Balance, End of Year	-	4,123,267	10,073,693	847,026,374	10,750,212	9,198,778	-	881,172,324	865,875,816
NET BOOK VALUE, END OF YEAR	\$ 112,049,613	\$ 4,245,937	\$ 23,350,011	\$ 202,485,282	\$ 5,775,872	\$ 8,585,310	\$ 2,397,343	\$ 358,889,368	\$ 348,194,066

LEDUC COUNTY
Schedule of Taxes Levied
Year ended December 31, 2023

Schedule 2

	2023 (Budget) (Note 21)	2023 (Actual)	2022 (Actual)
TAXATION			
Land and improvements	\$ 65,980,680	\$ 65,836,593	\$ 62,928,322
Electrical, power and pipeline	11,863,232	11,854,865	11,503,773
Local improvements	166,462	166,462	206,640
Federal and provincial grants in lieu	123,889	120,274	123,891
	78,134,263	77,978,194	74,762,626
REQUISITIONS			
Alberta School Foundation Fund	24,353,208	24,353,208	25,127,637
Separate School	2,183,869	2,183,868	2,110,829
Leduc Regional Housing Foundation	232,664	232,664	229,035
Designated Industrial Property requisition	125,257	125,258	123,289
(Over)/Under levy	3,773	(31,360)	381,277
	26,898,771	26,863,638	27,972,067
NET MUNICIPAL TAXES	\$ 51,235,492	\$ 51,114,556	\$ 46,790,559

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LEDUC COUNTY
Schedule of Expenses By Object
Year ended December 31, 2023

Schedule 3

	2023 (Budget) (Note 21)	2023 (Actual)	2022 (Actual)
Salaries, wages and benefits	\$ 24,369,677	\$ 23,624,419	\$ 21,446,844
Amortization on tangible capital assets	16,706,745	17,585,675	17,257,450
Contracted and general services	14,264,408	16,788,895	11,583,337
Materials, goods, supplies and utilities	7,571,733	7,561,715	7,550,361
Purchases from other governments	6,356,477	6,964,698	6,312,524
Transfers to individuals and organizations	3,392,204	3,609,335	3,241,211
Other expenditures	3,312,100	3,312,100	3,299,266
Transfers to other governments	3,370,377	2,970,173	2,924,392
Interest on long-term debt	1,131,371	1,140,453	1,228,735
Provision for allowances	-	253,622	(120,261)
Bank charges and short-term interest	44,171	64,524	45,410
	\$ 80,519,263	\$ 83,875,609	\$ 74,769,269

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LEDUC COUNTY
Schedule of Government Transfers
Year ended December 31, 2023

Schedule 4

	2023 (Budget) (Note 21)	2023 (Actual)	2022 (Actual)
TRANSFERS FOR OPERATING			
Provincial government conditional	\$ 3,461,538	\$ 3,943,891	\$ 2,413,497
Provincial government unconditional	43,000	44,211	44,380
Federal government conditional	886,707	611,040	589,692
Other local governments	47,400	47,427	41,980
	4,438,645	4,646,569	3,089,549
TRANSFERS FOR CAPITAL			
Provincial government	4,487,562	2,752,626	4,476,992
Federal government	-	-	14,348,221
	4,487,562	2,752,626	18,825,213
TOTAL GOVERNMENT TRANSFERS	\$ 8,926,207	\$ 7,399,195	\$ 21,914,762

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LEDUC COUNTY
Schedule of Segmented Information
Year ended December 31, 2023

Schedule 5

	General Government Services	Protective Services	Transportation Services	Family and Community Support Services	Environmental Development Services	Recreation, Parks and Cultural Services	Environmental Treatment Services	Other	2023 Total	2022 Total
REVENUE										
Net municipal taxes	\$ 51,114,556	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,114,556	\$ 46,790,559
User fees and sales of goods	44,336	263,585	487,992	1,042	86,987	361,961	6,669,857	-	7,915,760	7,422,909
Contributed assets	-	-	2,645,216	-	-	372,610	4,293,452	-	7,311,278	952,334
Government transfers for operating	354,794	597,806	1,181,312	1,461,363	788,828	19,695	242,771	-	4,646,569	3,089,549
Investment income	2,498,305	-	-	-	-	172,213	161,974	-	2,832,492	1,238,572
Government transfers for capital	-	848,952	1,596,292	-	-	-	307,382	-	2,752,626	18,825,213
Developers' agreements and levies	-	-	1,455,850	-	-	934,080	275,725	-	2,665,655	1,605,799
Other revenues	597,570	64,988	186,178	-	11,251	54,730	1,680,125	-	2,594,842	2,122,075
Licenses and permits	-	160,087	-	-	1,437,131	-	-	-	1,597,218	1,987,251
Sales to other governments	21,071	341,871	178,136	-	4,705	-	7,000	-	552,783	440,138
Rental revenue	132,332	71,309	-	-	2,367	22,738	36,266	-	265,012	188,686
Fines	-	181,390	-	-	-	2,225	-	-	183,615	145,742
	54,762,964	2,529,988	7,730,976	1,462,405	2,331,269	1,567,642	13,674,552	-	84,432,406	84,808,827
EXPENSES										
Salaries, wages and benefits	6,838,910	3,752,949	4,922,792	1,566,364	4,386,634	905,506	1,251,264	-	23,624,419	21,446,844
Amortization of tangible capital assets	250,174	1,166,767	14,439,135	-	53,681	269,625	1,406,293	-	17,585,675	17,257,450
Contracted and general services	3,106,232	893,174	6,440,847	154,947	886,917	333,883	4,972,895	-	16,788,895	11,583,337
Materials, goods, supplies and utilities	459,728	1,451,333	4,589,588	26,636	404,020	149,907	480,503	-	7,561,715	7,550,361
Purchases from other governments	-	1,749,108	928,001	-	159,957	-	4,127,632	-	6,964,698	6,312,524
Transfers to individuals & organizations	-	3,181,423	-	207,750	170,091	50,071	-	-	3,609,335	3,241,211
Other - tax share agreement	-	-	-	-	-	-	-	3,312,100	3,312,100	3,299,266
Transfers to other governments	-	-	-	72,877	500,000	2,397,296	-	-	2,970,173	2,924,392
Interest on long-term debt	113,545	124,079	462,885	-	-	185,296	254,648	-	1,140,453	1,228,735
Provision for allowances	244,577	-	-	-	-	-	9,045	-	253,622	(120,261)
Bank charges and short-term interest	18,334	-	874	-	30,252	13,273	1,791	-	64,524	45,410
	11,031,500	12,318,833	31,784,122	2,028,574	6,591,552	4,304,857	12,504,071	3,312,100	83,875,609	74,769,269
OTHER										
Gain (loss) on sale of fixed assets	-	-	(34,842)	-	24,150	(2,262)	(23,911)	-	(36,865)	(292,723)
NET REVENUE (DEFICIT)	\$ 43,731,464	\$ (9,788,845)	\$ (24,018,304)	\$ (566,169)	\$ (4,284,433)	\$ (2,734,953)	\$ 1,194,392	\$ (3,312,100)	\$ 519,932	\$ 9,746,835