

BrandNew



2012 Annual Report

Financial Statement Discussion and Analysis for the year ended December 31, 2012



STRATHCONA
COUNTY





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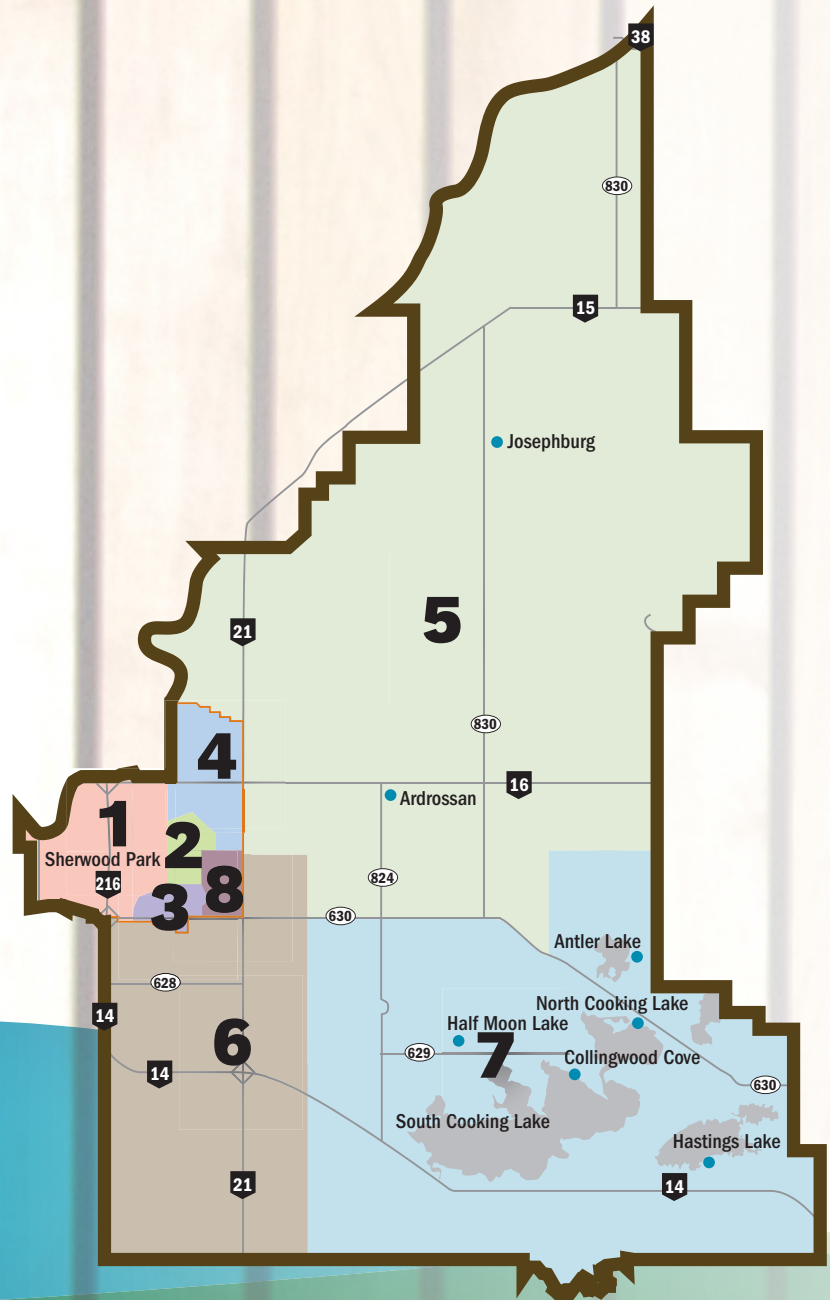
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Strathcona County comprises eight municipal wards

County Council (from left): Bonnie Riddell, Ward 7; Linton Delaine, Ward 6; Peter Wlodarczak, Ward 4; Jason Gariepy, Ward 8; Linda Osinchuk, Mayor; Roxanne Carr, Ward 2; Vic Bidzinski, Ward 1; Brian Botterill, Ward 3; Clinton Alexander, Ward 5





Message from your Mayor and Council

What is Strathcona County?

Strathcona County is a thriving, energetic, unique community located in the heart of Alberta.

Through the launch of our new brand in 2012, which was shaped with citizen input, we acknowledge our “can do” spirit, in a community that is uplifted by “movers, shakers and doers.”

Strathcona County is a municipality that supports its citizens in reaching their highest aspirations by providing quality, efficiently run County programs and services. These make for a liveable, attractive home; a place where together we empower success and contribute to community wellness.

As Strathconians, our quality of place is reflected in the words: **LIVING. REFINED.** This speaks to our community’s common theme of diverse energies, both economically and culturally.

In all this, Strathcona County is a community that recognizes the importance of balance — urban and rural, economic development and environmental conservation, prosperity and community values.

In 2012, many initiatives came to fruition, and many more began.

Within County operations, there were many innovative and energetic efforts. They range from opening wonderful new facilities, to transportation strategies that address a growing community and region, to supporting our community’s more vulnerable.

County Council was pleased to welcome a new Chief Commissioner to our community. Robert Coon joined our municipality on November 26, 2012. We look forward to his strong municipal experience and administrative leadership to move Council’s priorities forward in 2013.

Those priorities include a new vision and strategic plan for our County, with an outlook to economic development, customer

service, good governance, a new cultural pillar, service delivery and growth plans over the next 10, 20, 30 years. Addressing recommendations within the Pursuit of Excellence organizational review will align with and support Council’s direction and priorities.

A review of our business plan and budget process formed important groundwork to improve and streamline the current process. Going forward, Strathcona County will be looking at results- or zero-based budgeting, and a new Finance Advisory Committee, which includes public members, will lend a fresh perspective to business planning and budget setting.

Another body, the Economic Development and Tourism Advisory Committee was established to help guide Strathcona County’s activities in business attraction, retention and growth.

I am proud of our success in championing Alberta’s Industrial Heartland with our four associate member municipalities to reflect value add for energy resources, now called A+ or Alberta Plus.

On behalf of Council, I sincerely extend our thanks to County staff. In the face of considerable change, they continue to deliver first-rate programs and services that contribute to the great quality of life we enjoy here.

Strathcona County is moving forward in exciting ways. A strong foundation has been built that will power our new tomorrow. 2013 will be a monumental year for our community. We will celebrate our history, our people and our military — and you are all invited.

Linda Osinchuk, Mayor
Strathcona County



Rob Coon

Message from the Chief Commissioner



"Brand New" indeed. 2012 marked the launch of our new corporate brand and also my own arrival to Strathcona County in November. Stepping into a new role as the year came to a close provided an interesting opportunity to look back on what the organization accomplished and also to begin the process of planning for tomorrow.

As one of only a few Specialized Municipalities in Alberta, and the province's third largest community, Strathcona County finds itself critically positioned for addressing its own service challenges, and also for defining our important role within the Capital Region, and indeed the province.

In 2012, Alberta's economy continued to lead other provinces (growth in real GDP) and while perhaps not the economic growth we have come to expect, solid growth none the less. Economic expansion requires people, and indeed, Strathcona County's population growth has been strong to say the least. Census numbers released in 2012 confirmed what most people have known — over the last five years our community has grown — a lot; Strathcona County's population growth at 12.1 per cent has been more than double the national average and stronger than both Edmonton and Calgary. And while people moving here can be seen as a vote of confidence in our community, it also presents numerous challenges for us as an organization in meeting service expectations today and designing those of tomorrow.

For example, helping people move around in our community and the region has been an important undertaking. To this end, Council approved the Integrated Transportation Master Plan to guide the development of infrastructure over the next 30 years. The plan considers and incorporates County, regional and

provincial infrastructure to ensure alignment and connectivity, thereby integrating the design and timing of infrastructure, and therefore reducing costs. Likewise, 2012 saw the approval of Strathcona's first 10-year Transit Master Plan. This document represents a critical cornerstone in the planning and delivery of transit beyond a commuter focus to that of a service addressing many local needs.

However, connecting our community goes beyond travel. Continuing on the success of the 1999 Heartland rural liaison model, the South Contact Office was opened with the intent of better connecting our south rural residents with County services and operations. Initial feedback has been very positive. Likewise has been the feedback regarding the newly expanded Ardrossan Recreation Complex. Accessing \$21 million in provincial grant dollars enabled the construction of a new ice arena, children's indoor playground, wellness centre fitness track and much more, broadening the reach of recreation services within the County.

Amid what was a long winter, I would like to take this opportunity to thank Council and Administration for their warm welcome. In the coming months, and indeed years, Council and Administration will continue to work diligently to define, plan and implement strategic goals and objectives set to meet our community's needs. It is my sincere pleasure to be part of this effort and I look forward to the success it will bring.

Rob Coon
Chief Commissioner
Strathcona County

County Profile

Set in the centre of Alberta's energy and agricultural heartland, Strathcona County is a thriving, successful and vibrant community of more than 92,000 residents. Strathcona County is made up of the urban area of Sherwood Park and a large adjacent rural area of farms, acreages and smaller hamlets. It is home to 75 per cent of refining in Western Canada. With a focus on social, environmental and economic sustainability, Strathcona County is committed to balancing the unique needs of its diverse community.

County-wide area (Figures are approximate)

1,265 square kilometres

Industrial	7,490 hectares
Commercial	1,910 hectares
Residential	15,850 hectares
Agricultural	84,930 hectares
Park/recreation/natural	3,430 hectares
Other: water bodies, roads, road rights-of-way	12,980 hectares

Population (2011 federal census)

Total	Sherwood Park	Rural*
92,490	64,733	27,757

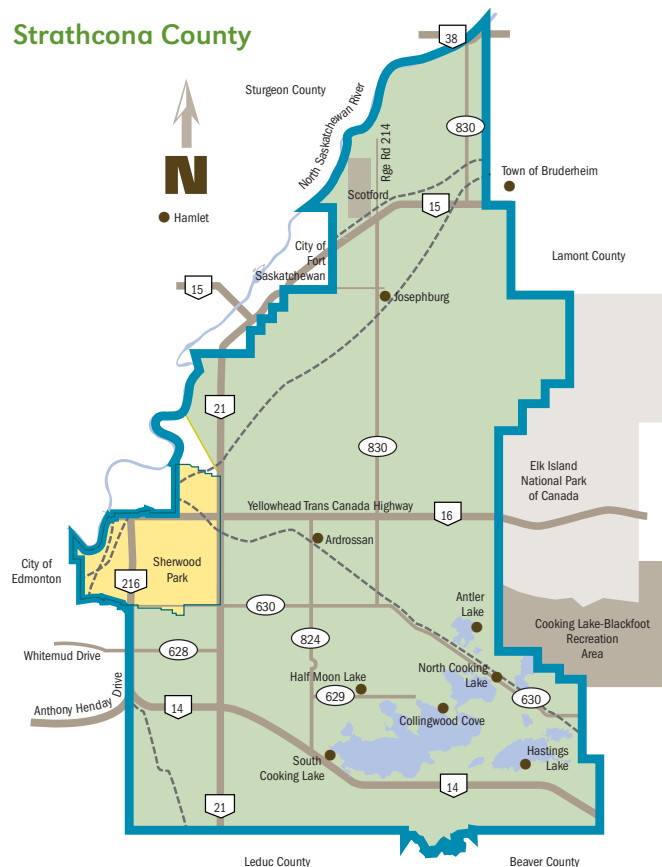
*acreages, farms, rural hamlets

Increase in population, 2009-2012	5.0%
Increase in population, 2002-2012	25.4%
Average annual growth rate, 2012-2013 projected	1.4%
Number of dwelling units	34,729

(Source: Assessment and Tax roll. Includes farms 1,964 and acreages 7,755)

LIVING. REFINED.

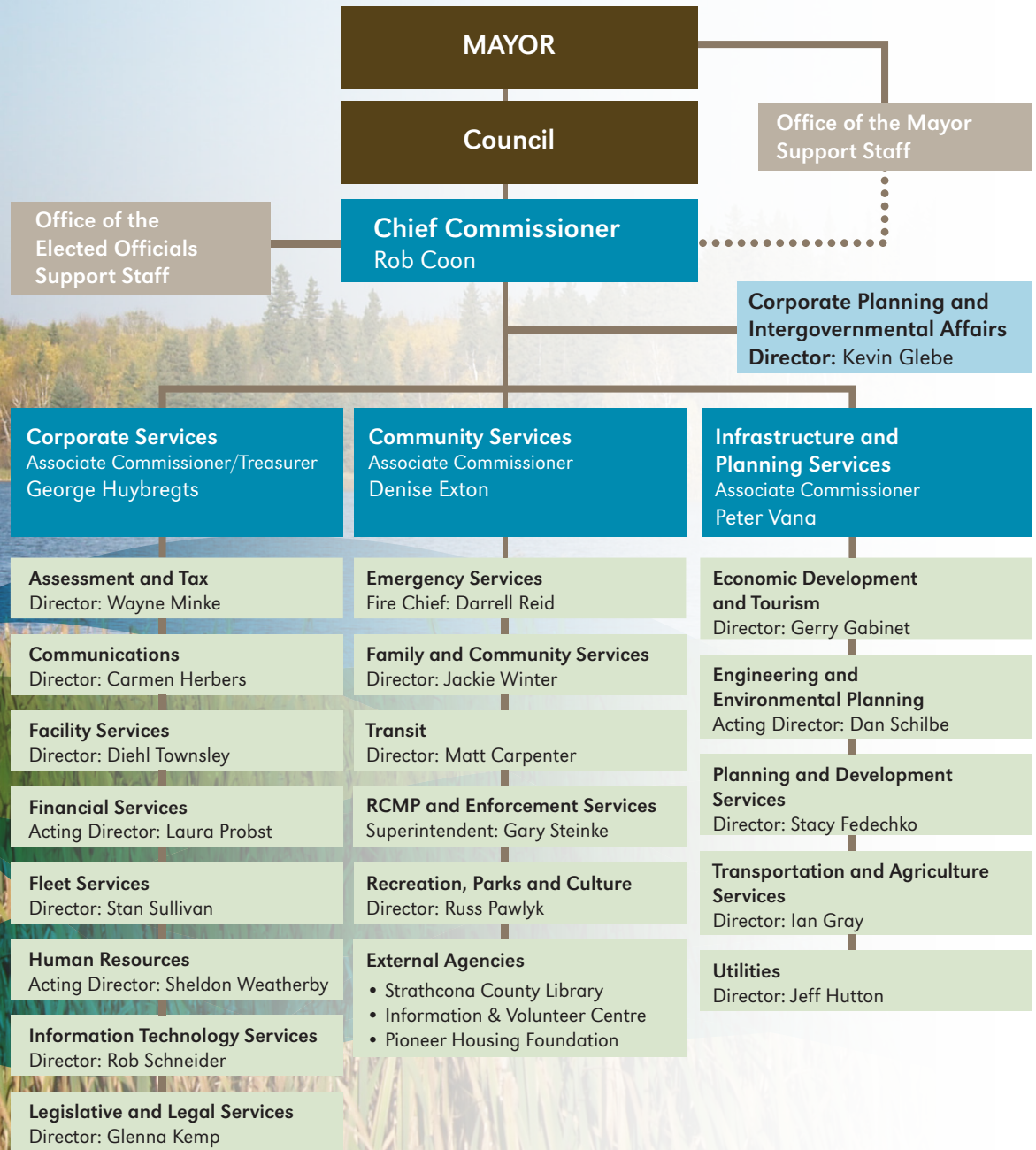
Strathcona County

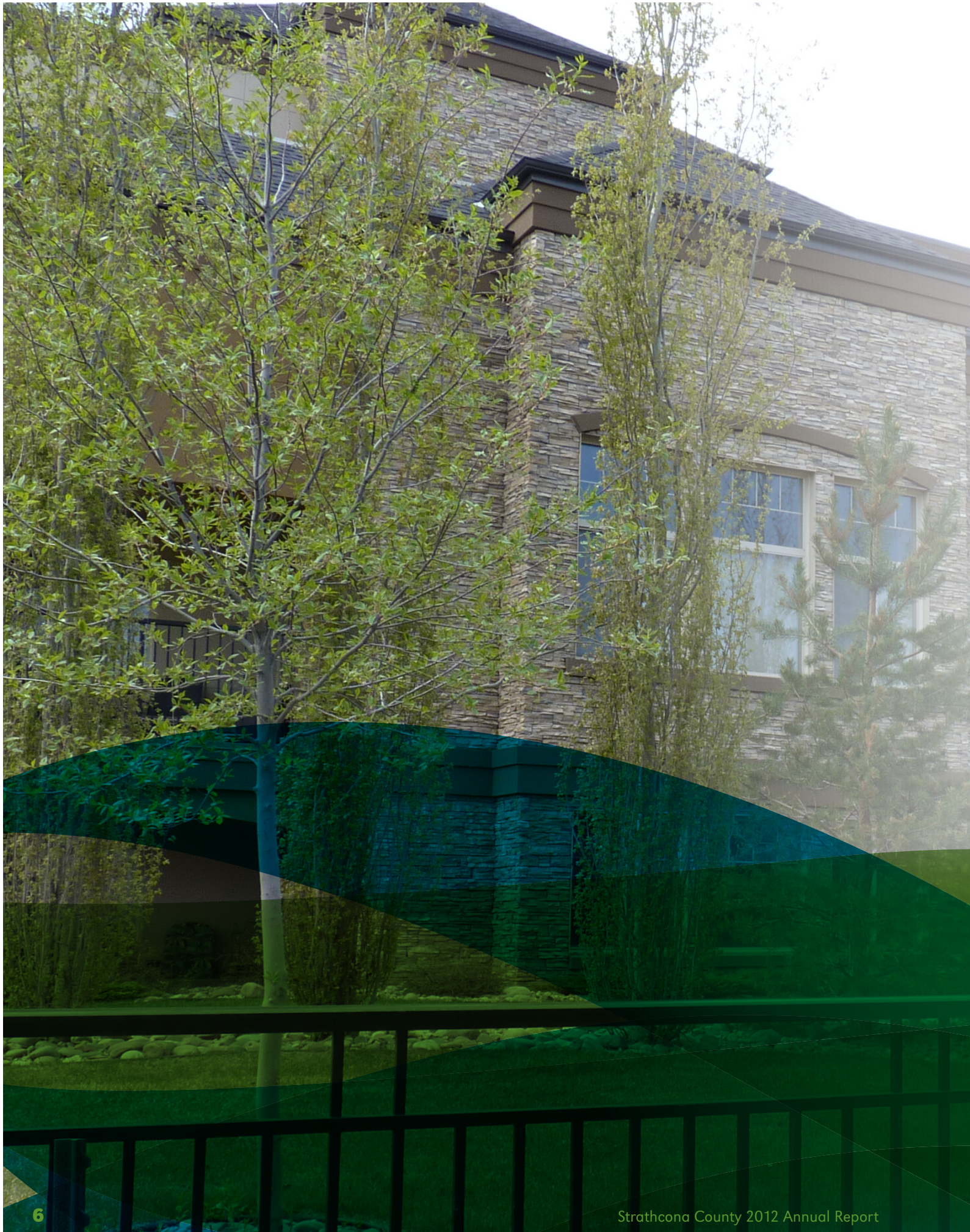


Sherwood Park



Organizational Structure







Year in Review

2012

The Year in Review shares a digest of 2012 accomplishments, including many new or enhanced programs and services. Our new brand strategy and new directions in transportation are also featured.

It was a year where Strathcona County continued to deliver quality services, amid a time of transition, to support a safe, enjoyable and engaged community.

- Brand New
- New Directions in Transportation
- New for You
- Facts and Stats



Some things never change, like our value system born of agricultural roots, an honest day's efforts, and compassionate hands. In our busy lives, we can lose track of what's happening where we live ... we get a bit foggy about why we like it so much ... just that we do.

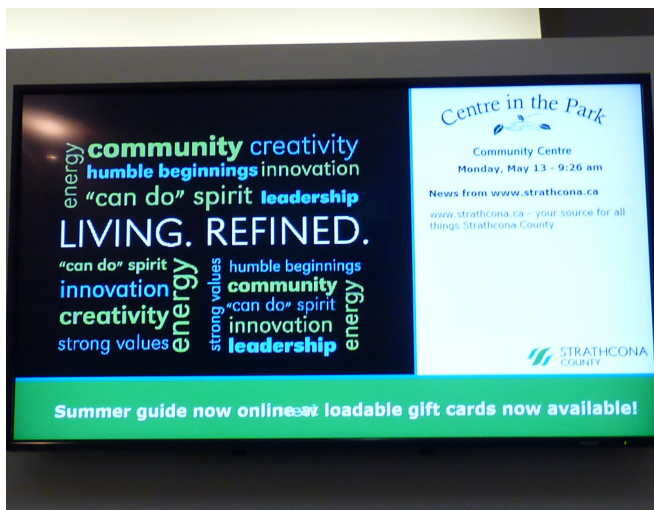
Strathcona County 2012.

We are parks, community spirit, smaller community feel, excellent recreational infrastructure, and a strong energy industry. More deeply, we are the home of the "can do" spirit. Strathcona County is the home of the energetic spirit, super-powered by people who shape success in all its forms. Be it leadership, creativity or innovation, there are things we are at the forefront of, in a world that's constantly changing. For all of us, every day is a chance to re-invent, re-imagine, re-engineer, re-think the future.

— a Brand New Day.

LIVING. REFINED.





Brand *New*

A distinctive brand strengthens community identity and pride. It is also an aid to economic development. Communities that get it right are better able to attract talent and investment.

With those goals in mind, Strathcona County set out to develop a new brand for our community. As part of the process, we invited citizens, business owners and industry to share what makes the community special. We also surveyed people from surrounding communities to ask what they think of Strathcona County, and what attracts them to live or invest in a community.

Based on this research, we launched the new brand on July 1, 2012 as part of Canada Day celebrations, sharing with our citizens and those outside of the community what makes Strathcona County unique:

- “Can-do” Spirit – a community supported and uplifted by well-educated social and economic movers and shakers, independent risk-takers, and leadership and innovation.
- Quality of place, as reflected in the words **LIVING. REFINED.**, which speak to the energy of our people, who contribute to Strathcona County being a preferred community (recreation, cultural and services infrastructure excellence), as well as the community’s status as an energy engine.

- Deeply-rooted value system – built on determination, honesty, integrity, freedom, personal responsibility, kindness, self-esteem and compassion.

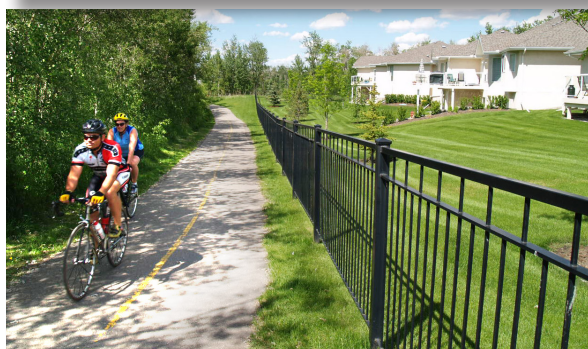
Since the brand launch, we have been working to translate the unique aspects of our community into easily understood messages that create interest and attract others to our community. When we talk about Strathcona County, we highlight our status as:

- Canada’s energy engine
- A community that enables and empowers your success
- A community of choice

We have also made progress toward refreshing County materials, equipment and infrastructure, including trucks, buses, and buildings, with the new logo. New roadway signage will begin to appear in the summer of 2013.

A brand is strongest when it is enthusiastically embraced by its citizens and business community; based on initial interest and support, Strathcona County’s brand is off to a great start.

New Directions in Transportation



Integrated Transportation Master Plan developed

Over the past few years the County has been talking to residents about what ‘future’ transportation might look like in our community. This input has been incorporated into an Integrated Transportation Master Plan (ITMP) that charts the next 30+ years.

The ITMP, approved in late 2012, guides policy development and decision making for the County’s transportation network. It is expected to:

- Improve use of multi-modal and active transportation modes including: public transit, carpooling and ride-sharing, cycling and walking
- Use advanced transportation systems and applications to improve traffic operation and congestion management, and provide better transit services
- Influence travel behaviour over the coming decades and support a shift to a more sustainable and resilient transportation system

The ITMP will also align or integrate with the County’s Strategic Plan and existing master plans, and with Edmonton and Capital Region planning.

The full ITMP is available at www.strathcona.ca, Capital Planning and Construction documents.

While this high-level planning was being completed, work to maintain our road system continued. Two significant projects completed in 2012 were eight kilometres of rural road upgrades to Range Road 220 in Alberta’s Industrial Heartland, and upgrades to the Clover Bar Road and Baseline Road intersection to decrease traffic congestion and enhance safety.

Equally important, transit initiatives are aligning with the direction of the Integrated Transportation Master Plan ...

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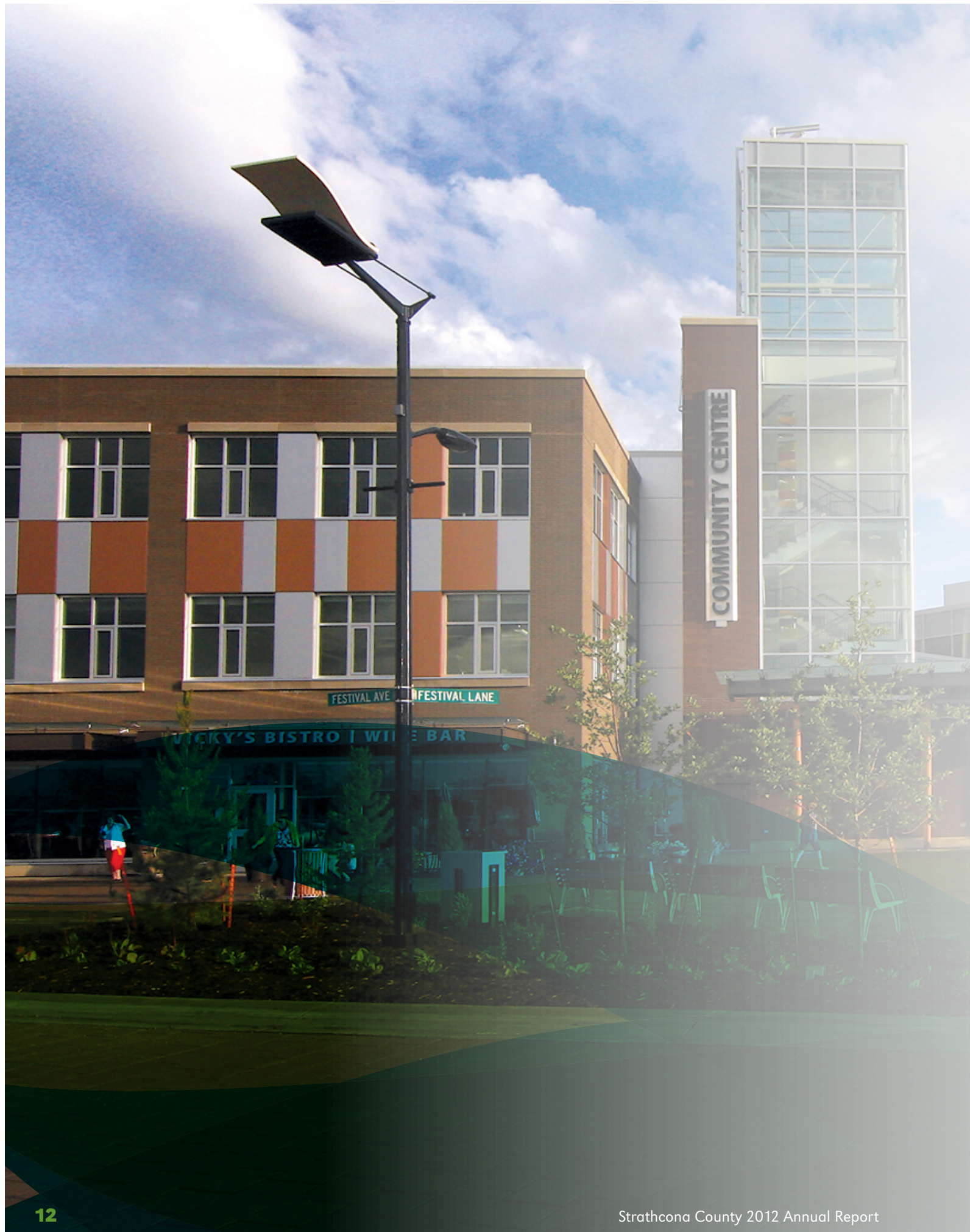
Transit Master Plan – what does it mean?

Travel demand is expected to grow significantly within the County, as well as to and from other municipalities in the region. More people will rely on transit services for travel due to an aging population, increasing automobile and gasoline costs, and increasing road congestion. There was clearly a need for long-term transit planning. Developed through conversations and engagement with residents and key stakeholders, a 10-year Transit Master Plan was created to address the transit needs of residents in Sherwood Park and rural areas of the County.

The Transit Master Plan maps the vision for bus transportation for everyone in the community to access. These forward-thinking initiatives result in reduced traffic congestion, longer road lifecycles and a reduction in greenhouse gas emissions – benefits we can all enjoy.

Curious about the Transit Master Plan and what it means for you? Learn more at www.strathcona.ca/transit or call 780-464-7433.







New for You

plans and facilities

“Renewed” Ardrossan Recreation Complex opens

Residents now enjoy a wonderful, newly revitalized Ardrossan Recreation Complex, with its official “re-opening” on June 16, 2012. This provincially-funded \$21-million renovation includes a children’s indoor playground, Fun Factory and youth lounge, state-of-the-art wellness centre, and banquet hall and meeting rooms. Upgrades to the west arena and a new east arena, with seating capacity for 300, create a full-sized twin arena. A fitness



track overlooks the ice. This complex further adds to Strathcona County’s accessible, user-friendly facilities that promote active, healthy lifestyles.



New bike skills park

Phase 1 of the Strathcona County Bike Skills Park, located at the corner of Broadview Road and Bethel Drive was completed in 2012. Natural materials such as dirt ramps, rock boulders and logs create a variety of obstacles and features including ladder bridges, a wall ride and different sized dirt jumps to appeal to all ages and skill levels. Phase 2 of the Bike Skills Park will start up in spring of 2013. Special thanks to the Strathcona County Bicycle Association for their contributions and partnership in bringing this BMX bike park to reality.



New Aquatic Strategy

Approved in the spring of 2012, the Aquatic Strategy guides the long-term planning, design and development of indoor and outdoor aquatic amenities in the coming years.

Recommendations in the Aquatic Strategy include:

- Revitalization of aquatic spaces at Kinsmen Leisure Centre and Millennium Place
- Creation of a large, community-wide spray park at Broadmoor Lake Park
- Construction of new aquatic facility at Emerald Hills regional recreation site

The complete Aquatic Strategy is available at www.strathcona.ca/aquaticstrategy.



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Water supply system additions and upgrades

Relating to Strathcona County's water supply system, the 17 Street Reservoir Expansion and Pumphouse Upgrade, and the 34 Street Booster Station Upgrade, both totalling approximately \$42 million, were completed in 2012. Also the 17 Street Reservoir waterline connections to 34 Street and Lakeland Drive waterlines were also finished. The 17 Street Reservoir now stores 75 million litres onsite – that's enough water to fill 30 Olympic-sized swimming pools.

It's also capable of pumping 2,160 litres to Sherwood Park every second – that could fill an Olympic-sized swimming pool every 20 minutes.



New Recreation Master Plan for Josephburg

In November 2012, the Josephburg Community Recreation Master Plan was approved to guide recreation, parks and open spaces revitalization and investment within the hamlet for the next 10-plus years. It was developed with significant input from residents, volunteers and other stakeholders. The plan includes short- and long-term actions such as rehabilitation of existing trails, development of new trails, community entry signage and streetscape plantings, and investment in the Moyer Recreation Centre.



New Emergency Services Master Plan

The Strathcona County Emergency Services Master Plan, completed in 2012, provides a comprehensive review of service delivery and recommendations for designing the most effective and efficient future service delivery model for the department. Emergency Services consistently provides excellent service to the citizens of Strathcona County and is frequently called upon throughout Alberta to provide assistance and expertise related to emergency services and disaster response. Within the goal of continuous improvement, the Master Plan focuses on strategies and enhancements, and performance measurement and evaluation to ultimately best serve the public.



Historic sites identified

A 2012 survey of historic sites in Strathcona County identified 116 buildings and cultural landscapes as historically significant, of which 54 are recommended for further research and study. Sites captured include various farm sites, private residences, barns, churches and school buildings. A "places of interest" list will be created from the sites identified. A newly formed Heritage Advisory Committee will examine, research and evaluate historic sites that may deserve protection and/or be considered for municipal designation. The survey ties to the Heritage Resources Management Plan, and was funded in part through the Alberta Municipal Heritage Partnership Program.



programs and partnerships

Common bonds with Fort Saskatchewan

On June 27, 2012, the City of Fort Saskatchewan and Strathcona County signed a new intermunicipal cooperation agreement. Called Common Bonds, the agreement recognizes that as adjacent neighbours the two municipalities can realize advantages from working together on interconnected matters such as transportation, utilities, housing, and planning and development. The agreement's protocols and collaborative processes lay the foundation for efficiencies, improved communication and mutually beneficial outcomes. The agreement was funded through an Alberta Municipal Affairs - Regional Collaboration Program grant.



New South Contact Office opens

To better serve rural Strathcona County residents, a new South Contact Office opened in South Cooking Lake as another satellite of County Hall. It is funded as a one-year pilot and modelled on the success of the Heartland Hall Contact Office in north rural Strathcona County, which opened in 1999. As part of the pilot,



rural community input will help shape the services offered at the South Contact Office to best meet needs. So far, the new office is active. The success of the office will be evaluated when the pilot ends in December 2013. The South Contact Office is opened Wednesday to Friday, 1 p.m. to 4 p.m.



Elder Abuse 24-hour Line

In 2012, the Strathcona County Elder Abuse 24-hour Line — 780-464-7233 — was developed for seniors experiencing abuse and those concerned for their well-being. In an older adults survey, five per cent of respondents indicated they had been a victim of elder abuse by a family member, and six per cent of respondents indicated someone close to them had been too involved in their decision-making. Elder abuse can take various forms such as physical, psychological or emotional, sexual and financial. A Strathcona County Elder Abuse Response Network has also been formed to provide support and information about the issue, represented by Alberta Health Services Home Care, Covenant Health, Sherwood Park Primary Care Network, A Safe Place, Strathcona County RCMP, and Strathcona County Family and Community Services. More than 25 presentations were offered to over 360 community members to educate and raise awareness about elder abuse.

New location for Seniors Outreach

In 2012, 56 seniors and their families participated in Seniors Outreach at a new location — the Child and Youth Community Centre (CYCC). This program offers a monthly Seniors Circle, providing a safe environment where participants have the opportunity to build relationships with others in the program and discuss topics relevant to them. As an added bonus of the new location, seniors can access WeCan food baskets distributed to the centre. Participants shared their thoughts on being part of the program: “Not so isolated, I get out now,” “More interest in meeting others,” “Taken a weight off my shoulders,” “Someone really cares about me.”



UnlimitED

UnlimitED is a program that started in the fall of 2012 to provide social and educational opportunities for isolated older adults living in Strathcona County. Each monthly, two-hour drop-in session provides seniors with opportunities to socialize and meet new people as well as learn about topics related to aging.



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New RCMP domestic violence unit

In response to community concern of increased domestic violence in our society, the Strathcona County RCMP detachment has created a new domestic violence unit. In 2012, two officers received specific training in domestic violence investigations and are solely dedicated to reducing this crime that impacts families from all walks of life. They will work more closely with other community agencies and stakeholders in a collaborative effort to reduce this under-reported crime.



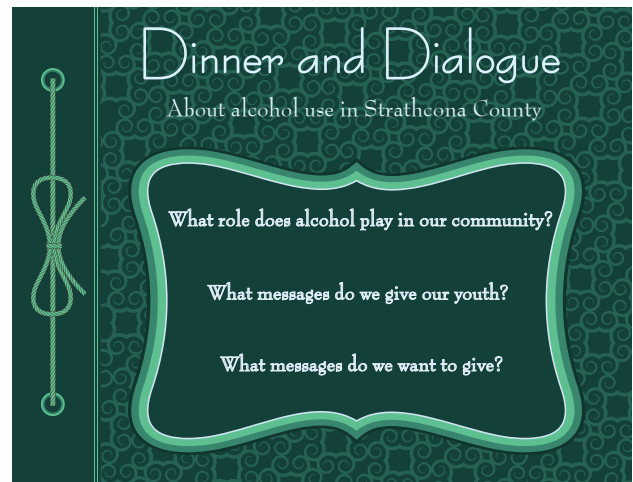
Drug Unit heightens

Also in 2012, the RCMP Drug Unit and General Investigation Section successfully targeted and dismantled organized crime groups that tried to secure a foothold in our community. The RCMP drug members are highly trained and relentless in their desire to apprehend drug traffickers and bring them to justice. Last year, drug trafficking charges increased by an astonishing 56 per cent.



Dinner and Dialogues

The Community Partners in Action Committee (CPAC) identified a community need for discussion around the consumption of alcohol—the most abused substance in Alberta. They hosted five Dinner and Dialogues, and two Desert and Dialogues in 2012 for the first time. Residents were invited to a free dinner and opportunity to participate in the discussion and promotion of using alcohol in moderation. The 150 participants (over one-quarter were youth) felt these conversations, in this enjoyable format, were important. Some of the ideas participants expressed: “Speak up when someone has gone too far,” “Try to be a better role model and limit exposure of alcohol behaviours to my children,” “Continue the conversation with friends and family,” and “Use alcohol moderately at meals and social events.”



New youth mentoring pilot

A new Youth Mentoring Program was piloted in 2012 to assist struggling youth between the ages of 15 and 19 to gain skills and work experience through adult mentorship. Youth were matched with Strathcona County staff in areas where the youth were interested in pursuing possible careers. In addition, they were provided career skills training such as interview techniques, resume writing and career planning. At the end of the program, positive changes in the youth were evident.





Tax clinics

In 2012, tax clinics were offered for the first time to assist residents on a low income in filing their taxes. Participants also learned about subsidies, benefits and supports they are entitled to through this no-cost service. The tax clinics are a collaborative effort of Strathcona County's Family and Community Services, Strathcona County Library, Canadian Revenue Agency trained volunteers and the E4C organization.

New Green Routine app



Strathcona County launched its first custom-built app. With the Green Routine app for iPhones, residents can conveniently set their waste collection day and special event reminders, search the A-Z list, check the Green Routine guide or waste collection calendar, and find a recycling centre or reusable item donation centre. Download it at www.strathcona.ca/greenroutineapp or the App store.

events

Exciting news! 2014 Canada 55+ Games ... coming to Strathcona County



In September 2012, Strathcona County was awarded the honour of hosting Canada 55+ Games, to be held August 27-30, 2014. Together with community groups, the County submitted a bid focused on five major areas: create memorable athletic experiences; enhance

youth involvement; showcase first-class facilities; promote regional support; and highlight eager, willing and able volunteers. The games were last hosted in Alberta in 1998. With such incredible community spirit so far, these games are shaping up to be the best ever!

New to Canada - 2012 World Wrestling Championships

Also in September 2012, Strathcona County became the only Canadian municipality to ever host the world championships in women's wrestling. The nationally broadcast championships took place at Millennium Place over three days, hosting competitors from more than 30 countries. The event was a tremendous success, leaving Strathcona County with a sense of pride and accomplishment.



Introducing ...



A new summer-long series — Art in the Plaza — ran Sundays for the first time in 2012, featuring local art and artists. Original works

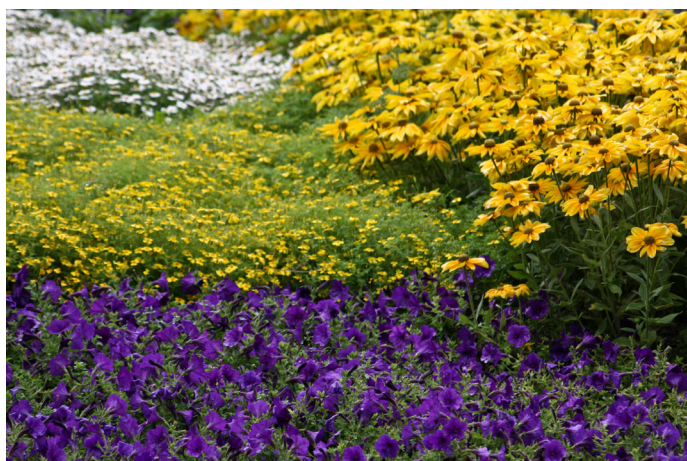
were available for purchase in the Community Centre outdoor plaza in Centre in the Park. Special tours of the public art in the area, demonstrations and free workshops were also offered. Many dropped by to enjoy the many creative talents.



2012 awards news

2012 winner of Communities in Bloom — Class of Champions

Strathcona County was awarded the top national award in the Class of Champions during the Communities in Bloom National Awards last fall. Working together, Council, volunteers and staff achieved the highest score possible — a five-bloom rating — along with special acknowledgement of Beaver Hills Moraine for its unique vision and initiative. This award entitles Strathcona County to compete in a special category in 2013, only open to four communities across Canada.



Sustainable Plan-it recognized

The County's Sustainable Plan-it program won a 2012 Award of Planning Merit in the Education or Special Study from the Alberta Professional Planners Institute. Sustainable Plan-it teaches students about sustainable neighbourhood planning. Considering vital elements of a community such as water,



well-being and waste, students think about how neighbourhoods can be sustained over time.

Everybody gets to play acknowledged

Strathcona County's Everybody gets to play earned the Alberta Recreation and Parks Association's Community Innovation Award for continuing leadership in providing recreation access for children, youth and families who are living on a low income — to participate in recreation and sport activities of their choice. The program was also acknowledged for "Playing it Forward" with The Case for Accessible Recreation in Alberta resource kit for municipalities, which was developed based on Strathcona County's experiences.

Everybody gets to play™
Recreation without barriers

Traveller wins for Creative Innovations



The Strathcona County Traveller brochure won the 2012 Marketing Alberta Award in the Creative Innovations category (large community) at the Economic Developers Alberta Awards of Excellence. The brochure was created in a partnership between the County's Economic Development and Tourism and Travel Alberta.

Fire Chief Unit Citation Medal

Strathcona County Emergency Services created a new medal program to publically acknowledge outstanding performance of



duties in response to exceptional emergency events. In September 2012, the inaugural Fire Chief Unit Citation Medal was presented to 35 members of the department and four other Strathcona County staff for their involvement in the Slave Lake disaster in 2011.





2012 Facts and Stats



"can do" spirit

LIVING. REFINED.

strong values
community

leadership
innovation
creativity

humble beginnings

energy

Economic development (2012)

No business license; no business tax

Businesses and organizations in Strathcona County 8,151
(Stats Can 2012 – Business Patterns Data)

Businesses registered in voluntary directory 1,732

Manufacturing 123

Home-based 619

Retail and commercial 290

Other 700

New businesses registered 128

Served by both CN and CP railroads

Four airports within 30 minutes

Market area (StatsCan, 2012 Census) 1,230,100 people

Market share of new single- and multi-family
residential development in the metro region5.2%
(Canada Mortgage and Housing Corporation, January 2013)

Value of major projects announced, under
construction and recently completed \$16.3 billion



Planning and development services (2012)

Subdivision and rezoning applications 48

Development permits 1,646

Permits for new residential units 662

Value of commercial, industrial, institutional,
and residential construction \$346 million

Customers served by Planning and Development Services
(in-person, by telephone, email) 65,299



Transportation (2012)

Rural roads, County maintained 1,310 km

Urban roads, County maintained 394 km

Highways, province maintained 232 km

Transit buses 81

Transit rides 2.3 million

Accessible transportation rides 14,980

Warren Thomas (Josephburg) Aerodrome flights, annually. . . . 4,500





Protective services (2012)

Police officers (RCMP)	91
Peace officers	23
RCMP Victim Services Unit volunteer advocates.	39
Fire fighters	151 full-time, 44 part-time
Fire stations	5
Sherwood Park (2), Heartland Hall (Josephburg), South Cooking Lake, Ardrossan	
Emergency calls responded to	5,816
Residents engaged in community safety education (workshops, presentations, events)	12,337



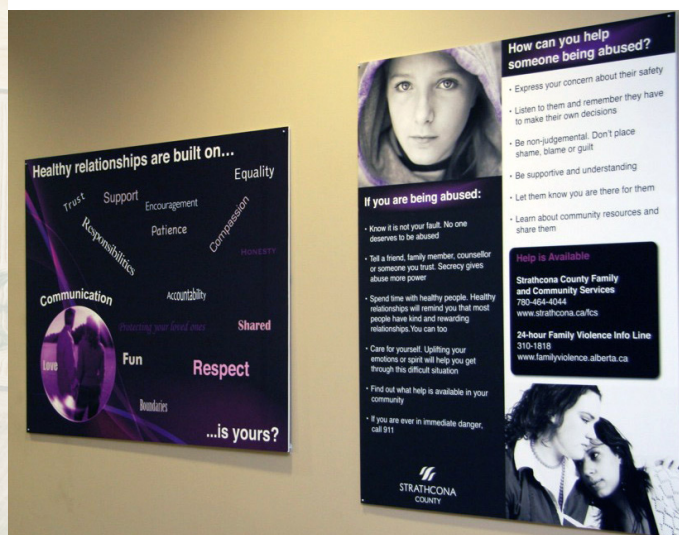
Agricultural services (2012)

Roadside mowing	3,140 km
Weed notices issued (92% compliance)	770

Community services (2012)

Counseling services participants	1,400
Home support services – hours/year	55,759
Family day home services – children/month	183
Senior families directly served through volunteers	76
Community volunteer hours of service	3,842
Parent link programs	1,050
Community educations participants (workshops, conferences)	1,450

Family and Community Services partners with five agencies — Youth Justice, Community Mediation, Big Brothers Big Sisters, Boys and Girls Club of Strathcona County, and Community Adult Learning and Adult Literacy councils.



Library (2012)

Library, Bookmobile, online visits	1,445,858
Library resources used	1,615,995
Questions asked	159,473

Visit www.sclibrary.ab.ca



Indoor recreation services (2012)

Major facilities	12
Community halls	13
Seniors' centres	4
Number of admissions annually:	
Broadmoor Public Golf Course	33,000
Glen Allan Recreation Complex	83,923
Kinsmen Leisure Centre	72,008
Strathcona Wilderness Centre	35,000
Millennium Place	930,162
Festival Place	102,757
Gallery@501	3,616
Hours of ice time	28,544



Outdoor recreation services (2012)

Sports fields and ball diamonds	220
Heritage Parkway Trails	98 km
Natural areas	1,432 hectares
Parkland (developed parks, school and other institutional sites, playing fields, and utility corridors that may include trails)	1,850 hectares
Playgrounds	144
Golf courses (municipal)	1
Tennis courts	19
Outdoor rinks	21



Utility operations (2012)

Water distributed	21.75 million litres/day
Water mains maintained	539 km
Fire hydrants	2,253
Water storage capacity	116.9 million litres
Wastewater treated	17.04 million litres/day
Wastewater mains maintained	382 km
Stormwater mains maintained	322 km
Recycling stations	3
Residential waste to landfill	11,866 tonnes
Waste diversion from landfill through Green Routine efforts	61%
Organics sent for composting	11,035 tonnes
Materials collected for recycling	6,826 tonnes
Enviroservice hazardous waste, including electronics	166 tonnes
Scrap metal collected for recycling	279 tonnes









Fiscal Stewardship

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George Huybregts, CMA

Financial Statement Discussion and Analysis



Strathcona County's Annual Report provides an opportunity to share our financial performance results with community stakeholders - residents, businesses and industry. This Financial Statement Discussion and Analysis (FSD&A) is a supplement to the Consolidated Financial Statements that are contained in this report. The FSD&A is provided to enhance the reader's understanding of the County's financial position and enable more informed assessments regarding changes in financial position. The FSD&A offers the reader additional information to assess the accountability of the County with respect to the management of financial resources used to provide municipal infrastructure, programs and services.

The FSD&A should be read in conjunction with the consolidated financial statements and accompanying notes. The consolidated financial statements are prepared in accordance with Canadian

public sector accounting standards (PSAB) and consist of the Statements of Financial Position, Operations and Accumulated Surplus, Change in Net Debt, and Cash Flows. Strathcona County management is responsible for the preparation and presentation of these statements.

KPMG LLP has audited the consolidated financial statements and provided an unqualified opinion. County Council approved the 2012 audited Consolidated Financial Statements on April 23, 2013. The audit report is an integral part of these financial statements.

Following is a high level overview of the 2012 financial results of the County. Please refer to the Financial Statement Section for the audited financial statements.

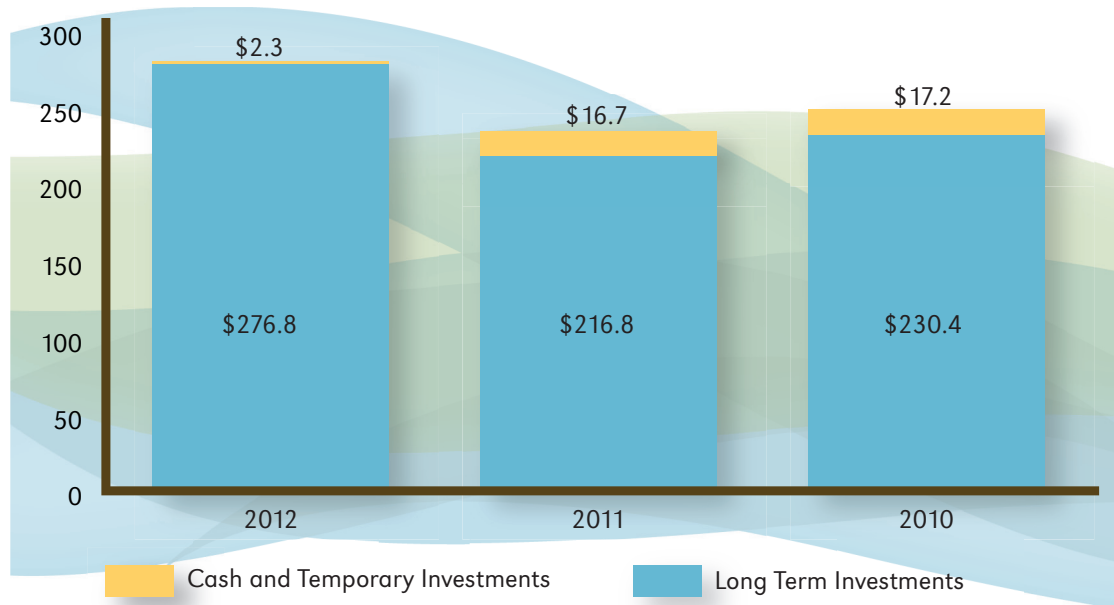
Consolidated Statement of Financial Position Highlights

The consolidated statement of financial position highlights four key figures that together describe the financial position of Strathcona County: (i) the financial assets, (ii) the net financial assets or debt calculated as the difference between the financial assets and liabilities, (iii) the non-financial assets, such as tangible capital assets, held for the provision of services, and (iv) the resulting accumulated surplus. The County's continued investment in municipal infrastructure (tangible capital assets) allows the County to meet its strategic goal of delivering quality programs and services to the community.

Financial Assets

Financial assets are held for specific use and are restricted by the condition of the receipt or agreement, or as designated by Council. These assets will be used to fund capital projects and operating programs, as well to discharge financial liabilities (including long term debt). During 2012, financial assets increased by \$37.5 million. Of the \$306.3 million total financial assets at the end of 2012 (2011: \$268.8 million), \$279.1 million consisted of cash and cash investments (2011: \$233.5 million). Of this amount approximately \$256 million (2011: \$234.9 million) was held in support of deposit liabilities, deferred revenues (grants and development levies) and reserves.

Cash and Cash Investments Trend (in \$ millions)



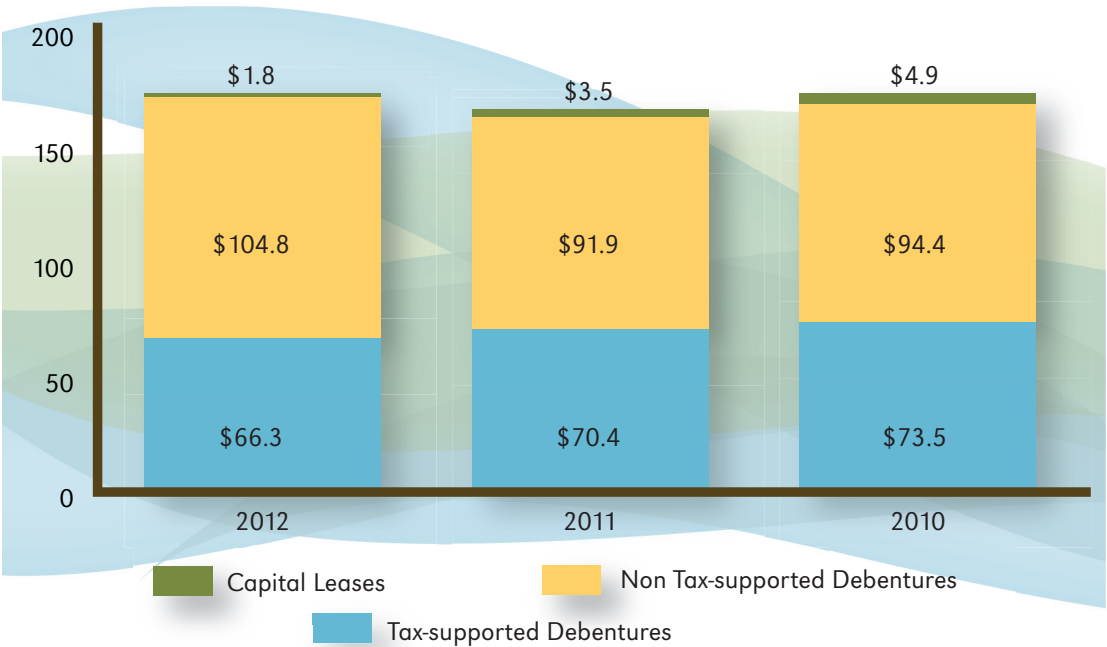
Financial Liabilities

The County's total financial liabilities at the end of 2012 are \$343.3 million (2011: \$331.7 million), an increase of \$11.7 million over the prior year. Use of deferred revenue of \$95.4 million (2011: \$102.2 million) and deposit liabilities of \$22.5 million (2011: \$20.5 million) remains restricted until the conditions associated with the revenue have been satisfied.

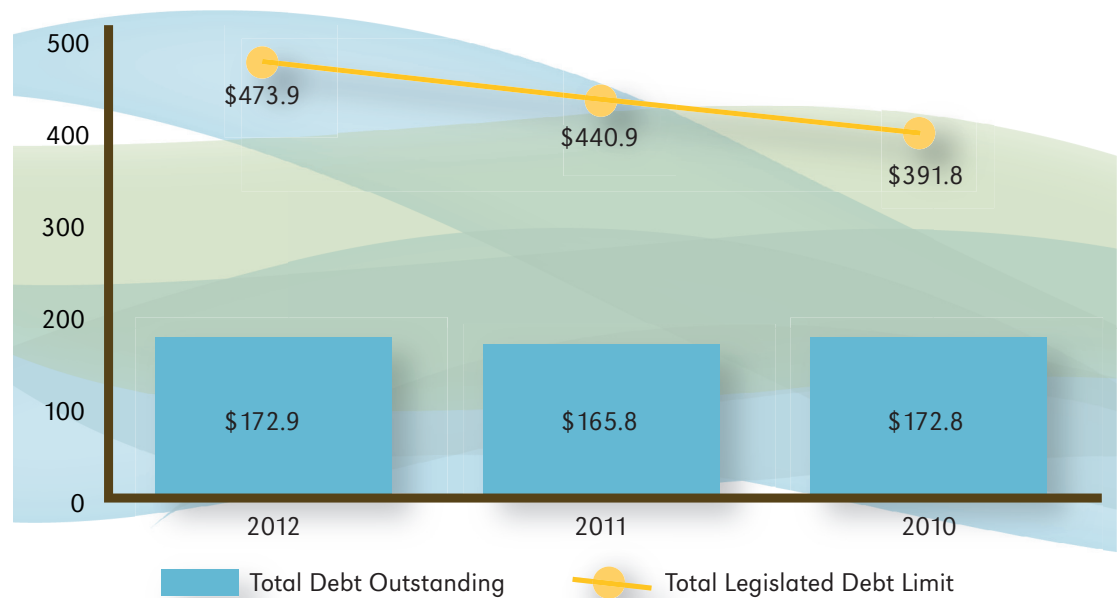
Long term debt is incurred to allow the County to address the protection of existing facility, roadway and underground infrastructure, and the addition of new capital infrastructure resulting from growth and/or changes in service levels (i.e. community demands). In 2012, the County's total new borrowings of \$19.7 million (2011: \$5 million) exceeded total debt repayments of \$12.5 million (2011: \$12 million).

The Provincial Government limits the external debt allowed by a municipality to 1.5 times revenue. While capital leases are used to some extent to finance County capital, the majority of the total debt outstanding of \$172.9 million (2011: \$165.8 million) is debenture debt. All debenture borrowing is obtained from the Alberta Capital Finance Authority which allows the County to leverage the Province's strong debt rating. Interest rates are established at the time of borrowing and remain constant throughout the term of the debenture, eliminating the risk associated with rate fluctuations. The County's debt management activities are also governed by the County's Debt Management Policy FIN-001-025, guiding the County to incur debt only if it is clearly demonstrated that it supports necessary community infrastructure, future debt servicing requirements are manageable, and the incurrence of debt is an equitable way to spread the cost to include future benefiting users. At December 31, 2012, the County was well within the provincial guidelines and its own policy. Total debenture debt per capita approximated \$1,852 (2011: \$1,754). Included in this amount is total municipal property tax supported debenture debt of \$463 (2011: \$500) per capita.

Total Debt Outstanding (in \$ millions)



Total Debt Outstanding versus Debt Limit (in \$ millions)

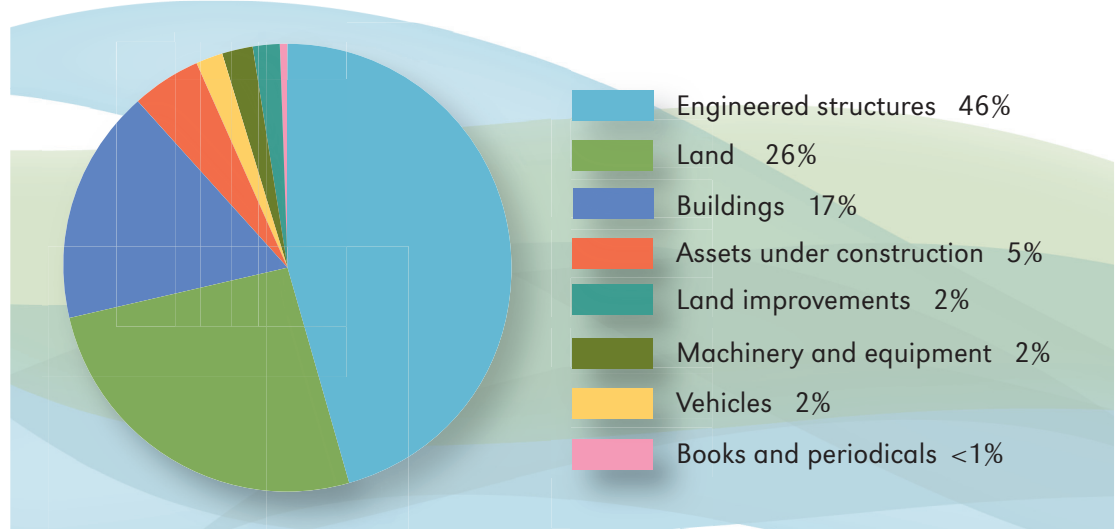


At the end of 2012, the consolidated net debt balance is \$37.1 million (2011: \$62.9 million), a decrease of \$25.9 million from the prior year. The decrease in net debt is primarily a result of the annual surplus and the net change in tangible capital assets for the year which resulted from capital expenditures and contributions for the year, less annual amortization and losses on tangible capital asset disposals.

Non-financial Assets

Non-financial assets are \$1.53 billion at the end of 2012 (2011: \$1.52 billion). The increase of \$10.1 million, over the prior year results from contributed assets and assets that were either purchased or constructed in the provision of service delivery, net of disposals and amortization expense. The increase of \$10.1 million over the prior year results from contributed assets and assets that were either purchased or constructed in the provision of service delivery, net of disposals and amortization expense.

Tangible Capital Assets Summary



During 2012, the County constructed or purchased assets at a total cost of \$94.8 million (2011: \$103.5 million). Other assets, including developer constructed roads and parks, were contributed at a value of \$15.2 million (2011: \$12.3 million). The County began amortizing \$85.1 million (2011: \$152.8 million) of tangible capital assets that were put into service during the year. At the end of 2012, assets with a value of \$71.0 million (2011: \$61.3 million) remain under construction. Of the total amount spent on capital projects in 2012, 42% or \$39.8 million (2011: \$40.2 million) was funded by government transfers (i.e. grants), 35% or \$32.8 million (2011: \$38 million) was supported by operations (i.e. property taxes) and reserve funding, 10% or \$9.8 million (2011: \$10.8 million) by the issuance of new debt, and 13% or \$12.4 million (2011: 14.5 million) supported by development levies and contributions, and other sources.

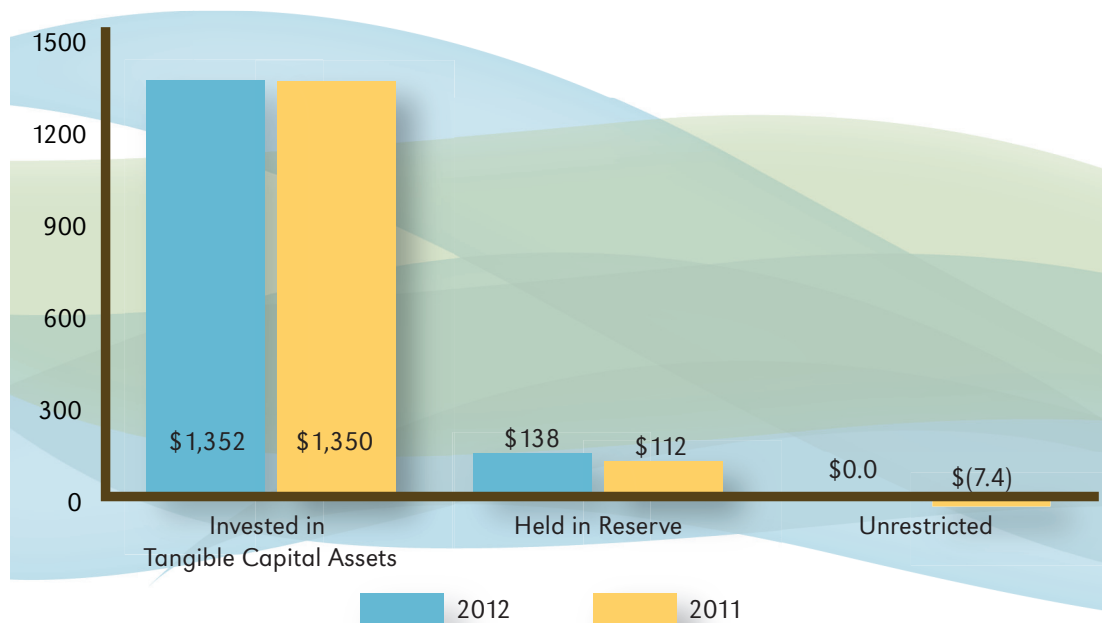
The County's 2012 investment in tangible capital assets to maintain or improve community services included, among others:

- Baseline Road improvements and residential paving
- Construction of Fire Station #6
- Recreation facility revitalization (i.e. Ardrossan Recreation Complex)
- Heartland road network
- Strathcona County water supply system
- Other facility and infrastructure improvements

Accumulated Surplus

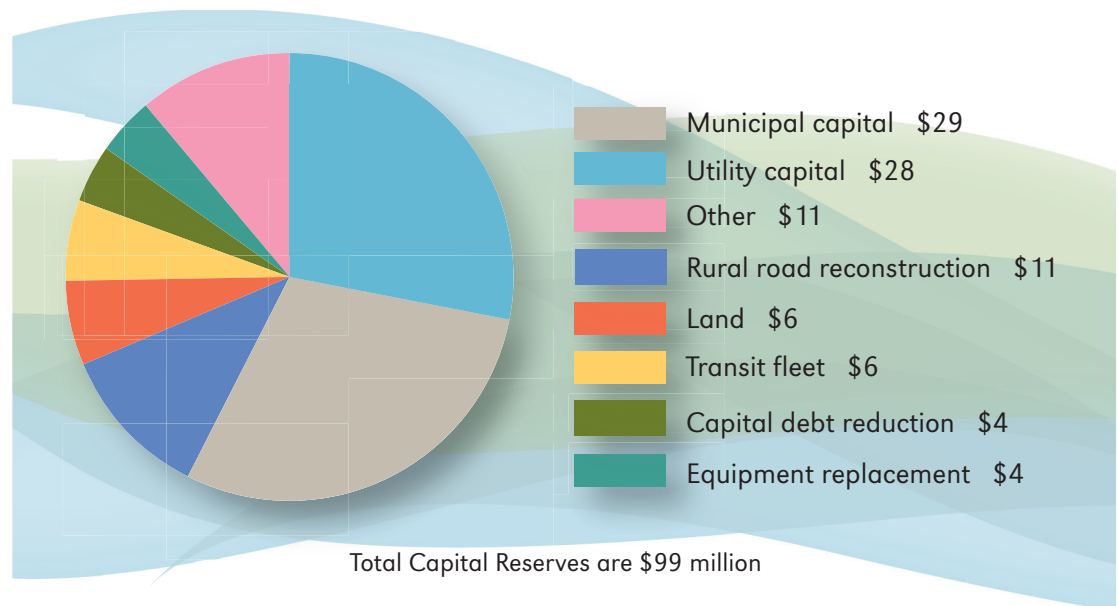
The County's accumulated surplus at December 31, 2012 is \$1.49 billion (2011: \$1.45 billion), an increase of \$35.9 million.

Accumulated Surplus Breakdown (in \$ millions)

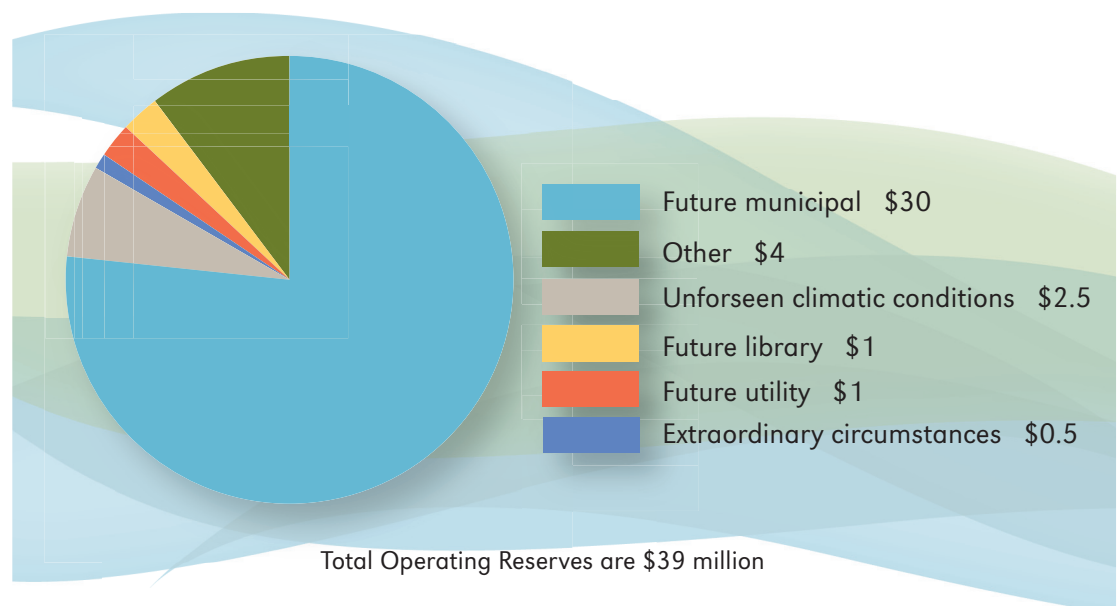


Although reserves are not separately reported in the consolidated financial statements, they are a key area in the financial management and operations of the County. Council establishes reserves by setting aside financial assets to help offset future capital and operating needs, obligations, pressures and costs. These reserves are drawn upon to finance designated capital and operating expenditures, as approved by Council. This process contributes to the economic sustainability of the County by minimizing tax rate fluctuations in the case of unanticipated expenses or revenue shortfalls.

Capital Reserves Breakdown (in \$ millions)



Operating Reserves Breakdown (in \$ millions)



Total reserves at December 31, 2012 amounted to \$138 million. Of this amount, approximately \$63 million (46%) is committed to specific projects as approved by Council. The remainder, approximately \$75 million (54%), is uncommitted; the specific expenditure from reserve has not been approved by Council but the reserve funds remain designated for the purpose Council has approved.

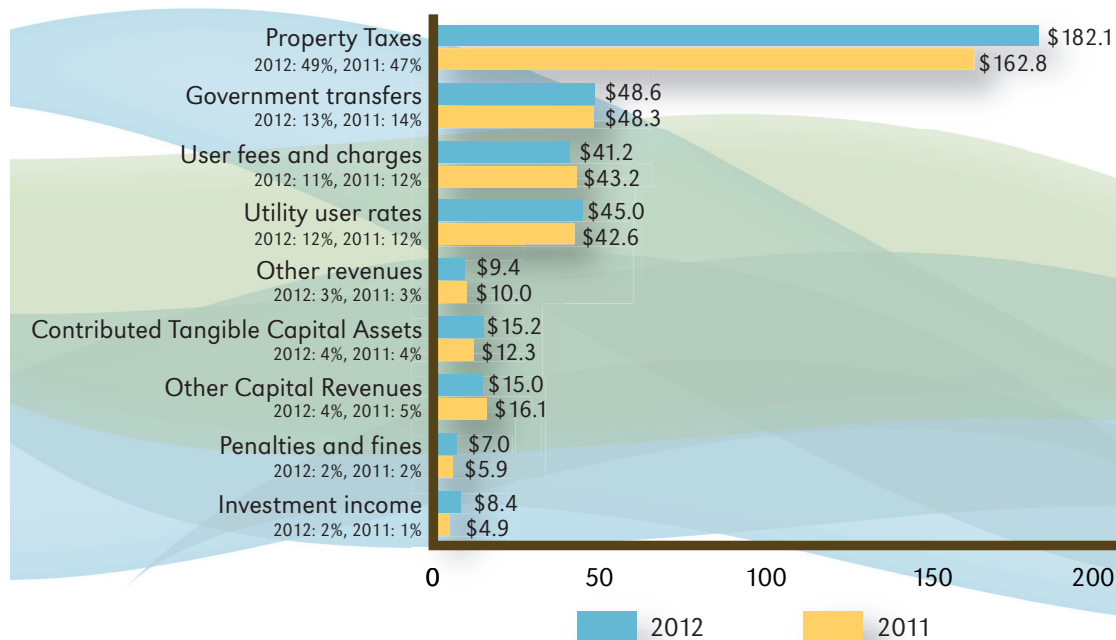
Consolidated Statement of Operations and Accumulated Surplus Highlights

The consolidated statement of operations and accumulated surplus reports the change in accumulated surplus during the year. The statement details the revenues earned less the cost of services provided to County residents.

Revenues

Consolidated revenues for 2012 are \$371.9 million (2011: \$346.3 million), an increase of \$25.6 million or 7.4% from the prior year.

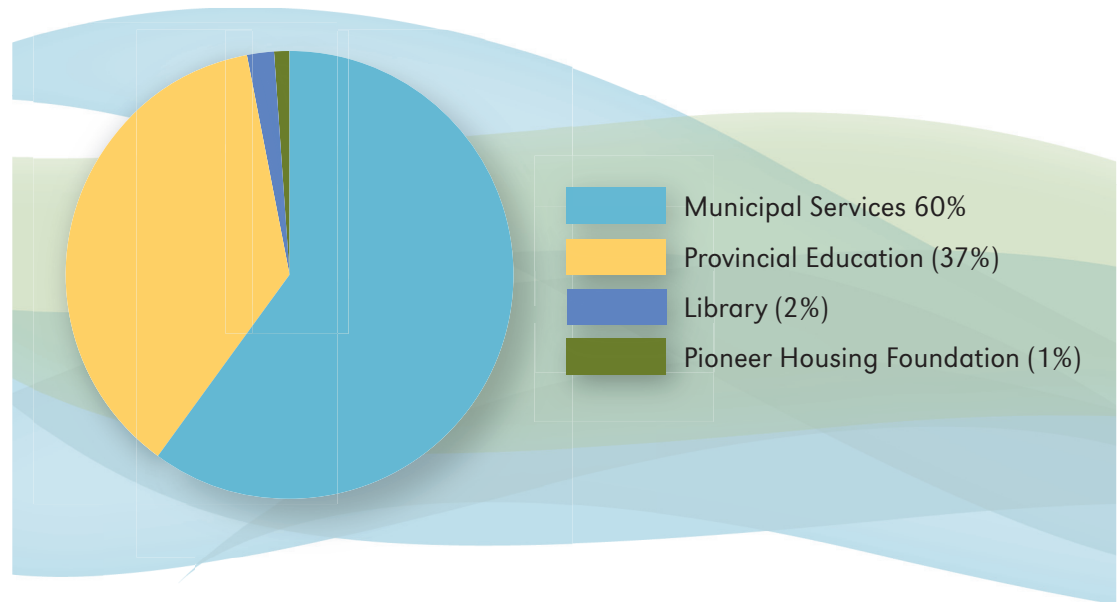
Consolidated Revenues by Type (in \$millions and as a percentage of total consolidated expenses)



2012 Property tax revenues have increased by \$19.3 million to \$182.1 million (2011: \$162.8 million) and represent the primary revenue source for municipal, library and Pioneer Housing Foundation operations.

In addition to supporting municipal, library and affordable seniors housing services, property taxes are levied to meet provincial education requisitions submitted to the County for payment. In 2012, the County levied total property taxes (excluding local improvement levies and other taxes) of \$234.2 million (2011: \$210.7 million), of which \$52.1 million (2010: \$47.9 million) was collected for remittance to the provincial education authorities.

Property Taxes by Requisitioning Authority (as a percentage of total property taxes levied)

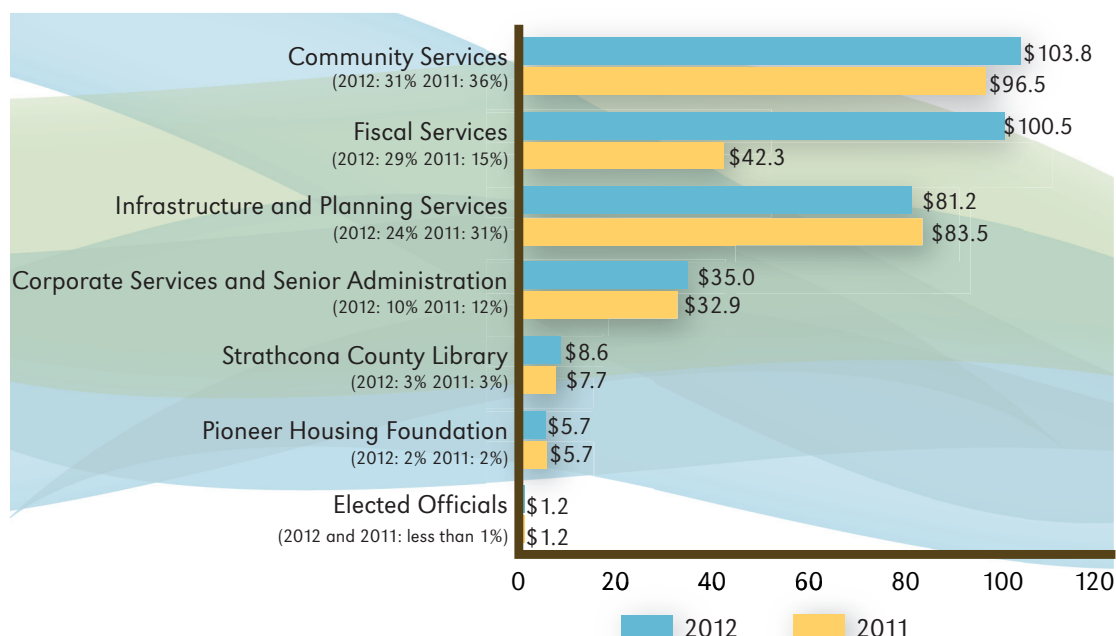


Government receipts are usually non-discretionary and have imposed eligibility criteria and stipulations, which results in these government transfers being set up as liabilities (i.e. deferred revenue). These funds are recognized as revenue as the related eligible expenses are incurred. In 2012, government transfers recognized as revenue were \$48.6 million (2011: \$48.3 million), an increase of \$0.3 million.

Expenses

Consolidated expenses for 2012 were \$336.0 million (2011: \$269.8 million), an increase of \$66.2 million or 24.5 per cent from the prior year.

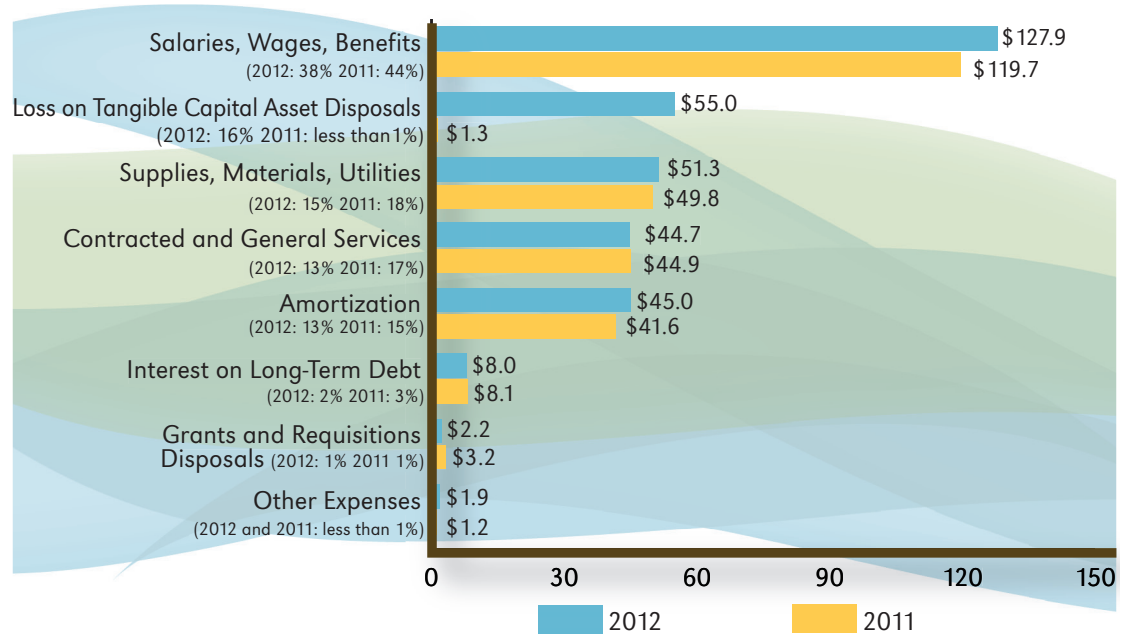
Consolidated Expenses by Service (in \$ millions and as a percentage of total consolidated expenses)



As the County continues to grow, the demand for services also grows.

- The growth in Community Services has resulted in increased expenses of \$2.4 million or 7.1% for Recreation, Parks and Culture, \$2.2 million or 9.2% for Emergency Services, and \$1.5 million or 9.0% for RCMP and Enforcement Services over the prior year.
- Fiscal Services included financial activities that are not specifically associated with the operations of any one division or department. These activities include, among others, property taxation revenues, grants and requisitions and municipal debt repayment. Fiscal Services expenses have increased \$58.2 million (137%) over the 2011 mainly due to unbudgeted losses on tangible capital asset disposals. Please refer to the following section, Consolidated Expenses by Type, for further discussion of losses on tangible capital asset disposals.

Consolidated Expenses by Type (in \$ millions and as a percentage of total consolidated expenses)

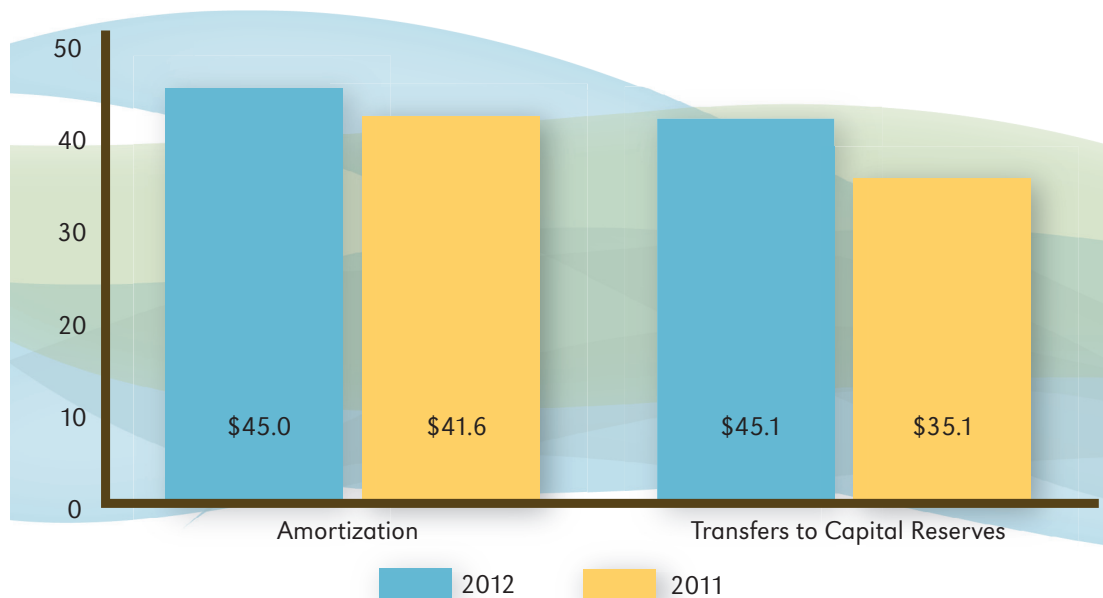


Growth in the County's labour force is required to provide quality services to the increasing number of community stakeholders. In 2012, salaries, wages and benefits were \$127.9 million (2011: \$119.7 million), an increase of \$8.2 million. A total of 1,095 full-time equivalent (FTE) regular employee positions, plus employees who work irregular, non-standard hours (equivalent to 170 FTE's), and temporary, seasonal and casual staff, provide service delivery on a daily basis to residents, business and industry in Strathcona County.

Loss on tangible capital asset disposals in 2012 was \$55 million (2011: \$1.3 million), an increase of 53.7 million. The loss in 2012 was primarily due to the disposition of land under roads as part of the North East Anthony Henday Drive Project in the amount of \$53.4 million. The land was transferred to the province, which resulted in a loss on tangible capital asset disposal equal to the historical cost value of the land disposed.

Amortization of tangible capital assets in 2012 was \$45 million (2011: \$41.6 million), an increase of \$3.3 million from the prior year. Most tangible capital assets, with the exception of land, have limited useful lives. This fact is recognized by amortizing the cost of tangible capital assets in a rational and systematic manner over their estimated useful lives, ranging from four to 90 years. Amortization expense is an important part of the cost associated with providing government services, regardless of how the acquisition of tangible capital assets is funded. Due to the significance of the County's tangible capital assets, it is important that the County set aside funds to replace its municipal infrastructure when those assets have reached the end of their useful lives.

Amortization versus Transfers to Capital Reserves (in \$ millions)



Annual Surplus

Strathcona County ended 2012 with a surplus of \$35.9 million (2011: \$76.5 million). Of the 2012 surplus: \$17.8 million (2011: \$6.8 million) was designated to capital reserves; \$8.1 million (2011: \$3.3 million) was designated to operating reserves; \$2.3 million (2011: \$80.4 million) was invested in tangible capital assets; and the remainder of \$7.7 million (2011: (\$14) million) was allocated to unrestricted surplus.

The annual operating budget is prepared on the modified cash flow basis, which differs from PSAB reporting, as capital revenues and expenses are excluded, and debt repayment expenditures and transfers to and from reserve are included. The operating budget is prepared on a breakeven basis; therefore, any resulting surplus or deficit on a modified cash flow basis would comprise the full variance compared to the operating budget. The 2012 surplus on a modified cash flow basis, which is equivalent to the variance to the operating budget, was \$13.4 million (2011: \$8.2 million). The 2012 surplus on a modified cash flow basis was transferred to reserve to support various allocations and initiatives as approved by Council, which included, among others:

- Emerald Hills Aquatic/Wellness Facility, Spray Park and Artificial Turf capital projects
- Funding of a portion of 2013 municipal operating budget
- Contributions to the capital projects reserve

Financial Control and Accountability

Financial Governance

The County's governance structure requires a review of quarterly financial results to review key indicators of financial position and to assess the performance of the management of the County's financial resources.

County Council's key oversight responsibilities in the area of financial resource management include: approval of the annual operating and capital budget and subsequent amendments, quarterly review of financial results compared to budget, appointment of the auditor, and approval of financial policies.

Budgeting and Financial Reporting

The strategic plan provides the overall direction and framework for the business plan and the annual operating and capital budgets that are prepared and approved by Council. The strategic plan identifies long-term direction and objectives while the business plan identifies actions over a one- to three-year period that contributes to the achievement of those objectives. The business plan focuses on Council's priorities and with the assistance of community consultation is used to establish annual budgets. The annual budget allocates the resources necessary to deliver services to the community and undertake the actions identified in the business plan.

As previously discussed, the annual operating budget is prepared on the modified cash flow basis which means that capital revenues and expenses are excluded, and debt repayment expenditures and transfers to and from reserve are included. The capital activity that is excluded from the annual operating budget consists of contributed capital asset revenue, government transfers, other capital revenues, and gains or losses on tangible capital asset disposals. Amortization expense is backed out of the operating budget due to the fact that it is a non cash item, however, it is separately budgeted to assess the cost of providing services. The County uses property tax revenues, reserve transfers and government transfers for operating programs to fund budgeted programs and services.

The annual capital budget is prepared based on the long-term projects identified in the County's five year plan. A Capital Committee, established by management, carefully reviews current year budget items on a project basis. The annual capital budget is funded through a variety of sources such as government transfers, property tax revenues, other capital revenues (including developer contributions and levies) and reserve transfers. Due to the multi-year nature of many of the projects, capital budgets are not directly comparable with current year results.

Accounting Process

The County maintains a system of controls designed to provide assurances for the safeguarding of all County assets and the reliability of financial records. While management recognizes the limits that are inherent in all systems of control, it believes that the County has an effective and responsive system of accounting controls. These controls are subject to routine review and revision.

Each department within the County is responsible and accountable for managing the delivery of services and programs in accordance with their operating and capital budgets. All departments share a common accounting and reporting system to report their financial results. Oversight and review of departmental financial results is provided by the Financial Services department in partnership with the operating departments.

Auditing Process

External auditors are appointed annually by Council, as legislated by the Municipal Government Act, and are responsible to report directly to Council with the results of the audit.

Summary

The County's sound financial practices, combined with timely budget preparation in conjunction with its annual business plan, affords community stakeholders the assurance that the County's financial assets are conserved, its fixed liabilities are minimized, and the need for longer term financial stability, strength and flexibility is recognized and accommodated. Managing financial resources is a key priority of the County's strategic plan and a key contributor to the achievement of the community vision.

These financial statements are the result of the cooperation and assistance received from departments, the Library and Pioneer Housing Foundation. Management appreciates the efforts of all staff involved in the completion of these financial statements.

Respectfully submitted,



George J. Huybregts, CMA

Associate Commissioner, Corporate Services / County Treasurer

April 23, 2013

MANAGEMENT REPORT

The accompanying consolidated financial statements and other information in the Financial Report are the responsibility of the management of Strathcona County.

These consolidated financial statements have been prepared by management. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts within reasonable limits of materiality in order to ensure that the financial statements are presented fairly in all material respects.

The County maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the County's assets are properly accounted for and adequately safeguarded.

The elected Council of Strathcona County is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council generally meets twice a year with management and the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council approves the engagement or reappointment of the external auditors. In addition to the above, quarterly financial reports are presented to Council.

The consolidated financial statements have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of Council, residents and ratepayers of the County. KPMG LLP has full and free access to Council.



George J. Huybregts, CMA
Associate Commissioner, Corporate Services/County Treasurer
April 23, 2013

LIVING. REFINED.





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INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council of Strathcona County

We have audited the accompanying consolidated financial statements of Strathcona County, which comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material aspects, the consolidated financial position of Strathcona County as at December 31, 2012, and its consolidated results of operations, its consolidated change in its net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants
April 23, 2013
Edmonton, Canada

STRATHCONA COUNTY Consolidated Statement of Financial Position (thousands of dollars)

As at December 31, 2012

	2012	2011 (Restated - Note 24)
FINANCIAL ASSETS		
Cash and Temporary Investments (Note 2)	\$ 2,300	\$ 16,687
Accounts Receivable		
Property Taxes	3,394	3,019
Government Transfers	856	6,393
Trade and Other	17,618	19,192
Development Levies and Charges	2,711	4,061
Land Held for Resale (Note 4)	2,625	2,625
Investments (Note 5)	276,772	216,782
	306,276	268,759
FINANCIAL LIABILITIES		
Cheques Issued in Excess of Cash (Note 2)	3,843	—
Accounts Payable and Accrued Liabilities	48,538	43,071
Deposit Liabilities (Note 6)	22,495	20,524
Deferred Revenue (Note 7)	95,415	102,180
Provision for Landfill Post-Closure Costs (Note 8)	104	135
Capital Leases (Note 9)	1,776	3,516
Long-Term Debt (Note 10)	171,157	162,250
	343,328	331,676
NET DEBT	(37,052)	(62,917)
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 12)	1,524,695	1,515,212
Inventories of Supplies	728	764
Prepaid Expenses	2,262	1,644
	1,527,685	1,517,620
ACCUMULATED SURPLUS (Note 14)	\$ 1,490,633	\$ 1,454,703
Commitments and Contingencies (Note 21)		
Subsequent Event (Note 26)		

See accompanying Notes to Consolidated Financial Statements

STRATHCONA COUNTY Consolidated Statement of Operations and Accumulated Surplus (thousands of dollars)

Year ended December 31, 2012

	2012 Budget (Unaudited – Note 23)	2012	2011 (Restated - Note 24)
REVENUE			
Property Taxes (Note 15)	\$ 179,920	\$ 182,133	\$ 162,796
Government Transfers (Note 16)	46,562	48,593	48,346
Utility User Rates	45,845	44,954	42,590
User Fees and Charges	39,721	41,158	43,220
Penalties and Fines	5,454	6,969	5,956
Investment Income	3,672	8,444	4,930
Other Capital Revenues (Note 17)	21,867	15,076	16,116
Contributed Tangible Capital Assets	—	15,213	12,309
Other	6,523	9,383	10,020
TOTAL REVENUES	349,564	371,923	346,283
EXPENSES			
Infrastructure and Planning Services			
Capital Planning and Construction	2,630	2,662	3,666
Economic Development and Tourism	919	897	892
Planning and Development Services	8,988	8,168	7,401
Transportation and Agriculture Services	26,096	24,255	24,331
Utilities	48,895	45,282	47,225
	87,528	81,264	83,515
Community Services			
Emergency Services	27,239	26,388	24,154
Family and Community Services	6,760	7,035	6,538
Strathcona Transit	15,890	15,429	14,879
RCMP and Enforcement Services	18,271	18,471	16,939
Recreation, Parks and Culture	36,924	36,469	34,036
	105,084	103,792	96,546
Corporate Services	34,375	30,494	27,997
Senior Administration	4,271	4,474	4,865
Elected Officials	1,241	1,174	1,163
Fiscal Services	51,336	100,516	42,336
Strathcona County Library	9,169	8,617	7,683
Pioneer Housing Foundation	5,432	5,662	5,727
	105,824	150,937	89,771
TOTAL EXPENSES	298,436	335,993	269,832
ANNUAL SURPLUS	51,128	35,930	76,451
ACCUMULATED SURPLUS, BEGINNING OF YEAR (Note 24)	1,454,703	1,454,703	1,378,252
ACCUMULATED SURPLUS, END OF YEAR (Note 14)	\$ 1,505,831	\$ 1,490,633	\$ 1,454,703

See accompanying Notes to Consolidated Financial Statements.

STRATHCONA COUNTY Consolidated Statement of Change in Net Debt (thousands of dollars)

Year ended December 31, 2012

	2012 Budget (Unaudited – Note 23)	2012	2011
ANNUAL SURPLUS	\$ 51,128	\$ 35,930	\$ 76,451
Acquisition of Tangible Capital Assets	(101,012)	(94,787)	(103,461)
Contributed Tangible Capital Assets	—	(15,213)	(12,309)
Amortization of Tangible Capital Assets	53,988	44,960	41,629
Loss on Tangible Capital Asset Disposals	—	54,995	1,320
Proceeds from Disposal of Tangible Capital Assets	—	562	161
	4,104	26,447	3,791
Acquisition of Inventories of Supplies	—	(1,185)	(948)
Acquisition of Prepaid Expenses	—	(1,157)	(2,400)
Use of Inventories of Supplies	—	1,221	738
Use of Prepaid Expenses	—	539	2,428
	—	(582)	(182)
DECREASE IN NET DEBT	4,104	25,865	3,609
NET DEBT, BEGINNING OF YEAR	(62,917)	(62,917)	(66,526)
NET DEBT, END OF YEAR	\$ (58,813)	\$ (37,052)	\$ (62,917)

See accompanying Notes to Consolidated Financial Statements.

STRATHCONA COUNTY Consolidated Statement of Cash Flows (thousands of dollars)

Year ended December 31, 2012

	2012	2011
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual Surplus	\$ 35,930	\$ 76,451
Items Not Involving Cash:		
Contributed Tangible Capital Assets	(15,213)	(12,309)
Amortization of Tangible Capital Assets	44,960	41,629
Amortization of Premium on Investments	73	36
Loss on Tangible Capital Asset Disposals	54,995	1,320
Gain on Disposal of Investments	(3,843)	(648)
Changes to Non-Cash Assets and Liabilities:		
Property Taxes Receivable	(375)	137
Government Transfers Receivable	5,537	(6,045)
Trade and Other Receivables	1,574	5,386
Development Levies and Charges	1,350	(185)
Land Held for Resale	—	5
Accounts Payable and Accrued Liabilities	5,467	(7,821)
Deposit Liabilities	1,971	(3,303)
Deferred Revenue	(6,765)	1,108
Provision for Landfill Post-Closure Costs	(31)	(11)
Inventories of Supplies	36	(210)
Prepaid Expenses	(618)	28
Cash Provided by Operating Activities	125,048	95,568
CAPITAL		
Proceeds from Disposal of Tangible Capital Assets	562	161
Acquisition of Tangible Capital Assets	(94,787)	(103,461)
Cash Applied to Capital Activities	(94,225)	(103,300)
INVESTING		
Purchase of Investments	(344,915)	(188,860)
Proceeds from Sale/Maturity of Investments	288,695	203,119
Cash Provided by (Applied to) Investing Activities	(56,220)	14,259
FINANCING		
Capital Leases Issued	—	669
Long-Term Debt Issued	19,696	4,300
Capital Leases Repaid	(1,740)	(2,046)
Long-Term Debt Repaid	(10,789)	(9,958)
Cash Provided by (Applied to) Financing Activities	7,167	(7,035)
DECREASE IN CASH AND TEMPORARY INVESTMENTS	(18,230)	(508)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	16,687	17,195
CASH AND TEMPORARY INVESTMENTS (CHEQUES ISSUED IN EXCESS OF CASH), END OF YEAR (Note 2)	\$ (1,543)	\$ 16,687
Cash and Temporary Investments	\$ 2,300	\$ 16,687
Cheques Issued in Excess of Cash	\$ (3,843)	\$ —
Cash Paid for Interest	\$ 8,055	\$ 8,281
Cash Received from Interest	\$ 7,162	\$ 5,324

See accompanying Notes to Consolidated Financial Statements

Strathcona County is a specialized municipality in the Province of Alberta and operates under the provisions of the Municipal Government Act (MGA), R.S.A. 2000, c. M-26, as amended.

1. Significant Accounting Policies

The consolidated financial statements of Strathcona County (the County) are prepared by management in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the County are as follows:

a) Basis of Consolidation

i) Consolidated Entities

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, and accumulated surplus of the reporting entity, which includes the Strathcona County Library (the Library), and Pioneer Housing Foundation (PHF), a Part 9 Company incorporated pursuant to the Companies Act. Inter-organizational transactions and balances between these entities have been eliminated. The Library and PHF are held accountable for the administration of their financial affairs and resources to Strathcona County Council.

ii) Accounting for Housing Management Bodies and School Board Entities

The taxation, other revenues, expenses, assets and liabilities and accumulated surplus with respect to the operations of housing management bodies and school boards are not reflected in these consolidated financial statements.

b) Related Entities

The County is the sole member of Pioneer Housing Foundation Self-contained Apartment Operations, a management body which was created by Ministerial Order and is governed by the Alberta Housing Act to operate and maintain social housing accommodations in the County. PHF, through an operating agreement with this management body, operates 348 low and modest income seniors housing units located at Silver Birch Lodge, Clover Bar Lodge, Lakeside Legion Manor and Kiwanis Apple Blossom Manor in Sherwood Park, and Josephburg Homestead Place. The nature of the incorporation of this management body is such that the profits, if any, or any other income of the management body is applied to promoting its objects, and the payment of any dividend or, in certain cases, a return of assets to the member of the management body is prohibited.

As of December 31, 2012, by Ministerial Order pursuant to the Alberta Housing Act, Heartland Housing Foundation (HHF), a management body, has been established, Pioneer Housing Foundation Self-contained Apartment Operations has been rescinded, and all assets, property, liabilities, obligations and all other concerns of Pioneer Housing Foundation Self-contained Apartment Operations are transferred and assumed by HHF.

The County is also a member of various utility commissions. Under regulation, the Province of Alberta has established these commissions pursuant to the provisions of the MGA. The nature of the establishment and operation of these commissions is such that profits, if any, or any other income of the commissions are retained by the commissions. Further, section 602.4 of the MGA provides that the Lieutenant Governor in Council, on the recommendation of the Minister, may make regulations disestablishing a commission and respecting its winding-up.

All financial transactions with related entities of which the County is a member are recognized and recorded in the audited consolidated financial statements of the County. These transactions are in the normal course of operations and are measured at the exchange amounts, which is the amount of consideration established and agreed to by the related parties.

1. Significant Accounting Policies (continued)

c) Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

d) Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality.

Estimates have been used to determine accrued liabilities, tangible capital asset useful lives and historical costs, and provisions made for allowances for doubtful receivable accounts.

Actual results could differ from those estimates.

e) Local Improvements

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the County.

Under the accrual basis of accounting, revenues to be received from local improvement assessments are recognized in full in the period the local improvement project costs are incurred.

f) Land Held for Resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

g) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis 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.

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

h) Requisition Overlevies and Underlevies

Overlevies and underlevies arise from the difference between the actual levy made to provide for each requisition, and the amount requisitioned.

If the actual levy exceeds the requisition, the overlevy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition, the underlevy is accrued as a receivable and property tax revenue is increased.

Requisition tax rates in the subsequent year are adjusted for any overlevies or underlevies of the prior year.

1. Significant Accounting Policies (continued)

i) Deferred Revenue

Deferred revenue consists of conditional government transfers, unearned revenue and development levies. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Development levies are collected pursuant to agreements between the County and developers.

Accumulated development levies are credited with interest based on the County's average rate of return on investments.

j) Government Transfers

Government transfers are recognized in the consolidated financial statements as revenues in the period that the events giving rise to the transfer occur, provided the transfers are authorized, eligibility criteria have been met and reasonable estimates of the amounts can be made, and for conditional transfers, that all stipulations have been satisfied.

k) Provision for Landfill Post-Closure Costs

Pursuant to the Alberta Environment Protection and Enhancement Act, the County is required to fund the closure and post-closure care of its landfill sites. Closure and post-closure activities include environmental analysis and risk management studies; the landfill cover, landscaping and wetland remediation; and annual surface and ground water monitoring, leachate control, and visual inspection. The liability for closure and post-closure care has been recognized based on estimated future expenses.

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.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value of the tangible capital assets excluding land, is amortized on a straight-line basis over the estimated useful lives as follows:

Asset	Useful Life - Years
Land Improvements	15 - 25
Buildings	10 - 50
Engineered structures	
Roadway system	10 - 80
Water distribution system	35 - 90
Wastewater treatment system	25 - 75
Storm sewer system	25 - 75
Other engineered structures	5 - 40
Machinery and equipment	4 - 40
Books and periodicals	10
Vehicles	4 - 20

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 put into service.

1. Significant Accounting Policies (continued)

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also recorded as Contributed Tangible Capital Asset revenues on the Consolidated Statement of Operations and Accumulated Surplus.

iii. Leased Tangible Capital Assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventories of Supplies

Inventories of supplies include roadway maintenance materials, vehicle, equipment and facility parts, supplies and materials, and print shop materials. Inventories of materials and supplies are valued at the lower of cost or replacement cost with cost determined by the average cost method.

v. Works of Art and Historical Treasures

The County manages and controls various works of art and non-operational historical cultural assets including artifacts, paintings, and sculptures located at County sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

m) Pension Expenses

Contributions for current and past service pension benefits are recorded as expenses in the year in which they become due.

n) Reserves for Future Expenditures

Certain amounts, as approved by Council, are designated within accumulated surplus as reserves for future operating and capital expenditures.

o) Equity in Tangible Capital Assets

Equity in tangible capital assets is included within accumulated surplus. It represents the investment in tangible capital assets, after deducting the portion financed by long-term debt, and adding back related local improvements levies applicable to debt.

2. Cash and Temporary Investments

	2012	2011
Cash	\$ —	\$ 11,683
Temporary Investments	2,300	5,004
	2,300	16,687
Cheques Issued in Excess of Cash	(3,843)	—
	\$ (1,543)	\$ 16,687

Temporary investments comprises term deposits with effective interest rates of 1.16 to 1.43 per cent (2011 – 1.00 to 1.24 per cent) and mature in 90 days or less from the date of acquisition.

3. Available Credit Facilities

The County has an operating line of credit available for use, up to a maximum of \$4,990 (2011 – \$4,990), bearing interest at prime rate minus 0.25 per cent and is secured by the County at large. As at December 31, 2012, nil (2011 – nil) was drawn against the available operating line of credit.

The County also has an acquisition line of credit available for financing new development if required, up to a maximum of \$2,449 (2011 - \$2,449), bearing interest at prime minus 0.50 per cent and is secured by the County at large. As at December 31, 2012, nil (2011 – nil) was drawn against the available acquisition line of credit.

PHF has available a \$100 (2011 - \$100) demand overdraft with interest payable at prime plus 1.00% with security provided by a \$100 overdraft protection agreement, general security agreement and a first charge and interest in the PHF's term deposits in the amount of \$100. As at December 31, 2012, nil (2011 – nil) was drawn against the available demand overdraft.

4. Land Held For Resale

	2012	2011
Land Held for Resale	\$ 2,625	\$ 2,625

The County has entered into a master sales agreement for the sale and development of land held for resale, which includes performance criteria and default provisions. Upon the occurrence of an event of default, the County may terminate the agreement, wherein all monies paid by the developer to the County would be forfeited. Proceeds from the sale of the land, net of development costs, will be held in reserve for future use.

5. Investments

	2012		2011	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Fixed Income:				
Term Deposits and Notes	\$ 156,358	\$ 156,358	\$ 102,355	\$ 102,312
Government Guaranteed Bonds	89,763	99,117	110,855	125,754
Corporate Bonds	30,651	31,014	3,572	3,571
	<u>\$ 276,772</u>	<u>\$ 286,489</u>	<u>\$ 216,782</u>	<u>\$ 231,637</u>

Term deposits and notes, government guaranteed bonds and corporate bonds have effective interest rates of 1.52 to 4.36 per cent (2011 – 1.57 to 4.57 per cent) with maturity dates from January 2013 to September 2025 (2011 – January 2012 to March 2030).

The market value of the bonds is based on quoted market values. The market value of the bonds fluctuates with changes in market interest rates. 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. The carrying amounts exclude accrued interest receivable in the amount of \$6,347 (2011 – \$6,749) which has been included in Trade and Other Accounts Receivable.

6. Deposit Liabilities

	2012	2011
Security Deposits	\$ 15,722	\$ 17,731
Overlevies	246	647
Other Deposits	6,527	2,146
	\$ 22,495	\$ 20,524

7. Deferred Revenue

Deferred revenue comprises the amounts noted below, the use of which, together with any earnings thereon, is externally restricted. These amounts are recognized as revenue in the period they are used for the purpose specified.

	Balance at December 31, 2011	Contributions	Interest Earned	Contributions Earned	Balance at December 31, 2012
Deferred Capital Grants	\$ 50,057	\$ 34,703	\$ 994	\$ (40,860)	\$ 44,894
Deferred Operating Grants	2,920	3,062	55	(3,412)	2,625
Development Levies	46,701	4,602	822	(8,987)	43,138
Other	2,502	11,754	0	(9,498)	4,758
	\$ 102,180	\$ 54,121	\$ 1,871	\$ (62,757)	\$ 95,415

8. Provision for Landfill Post-Closure Costs

Alberta environmental law requires closure and post-closure care of its landfill sites, which includes landscaping and ongoing environmental monitoring, site inspections and maintenance. The liability for the closure and post-closure care of one County decommissioned landfill site is estimated to amount to \$104 (2011 – \$135).

The estimated post-closure care costs will be funded from current operations and reserve funds as determined by the County's business plan and budget process.

9. Capital Leases

	2012	2011
Capital Leases	\$ 1,776	\$ 3,516

Capital leases have been issued on the credit and security of the County at large. Capital leases bear interest at rates ranging from 3.95 to 6.55 per cent (2011 – 2.38 to 6.55 per cent) and mature in periods 2013 to 2016.

Capital lease principal and interest payments are due as follows:

	Principal	Interest	Total
2013	\$ 936	\$ 52	\$ 988
2014	594	19	613
2015	138	5	143
2016	108	1	109
	\$ 1,776	\$ 77	\$ 1,853

10. Long-Term Debt

	2012	2011
Tax-supported Debentures – Municipal	\$ 42,854	\$ 46,269
Tax-supported Debentures – Library	23,490	24,090
	66,344	70,359
Non Tax-supported Debentures – Municipal – Local Improvements	93	97
Non Tax-supported Debentures – Utilities – Local Improvements	326	359
Non Tax-supported Debentures – Municipal	24,523	27,105
Non Tax-supported Debentures – Utilities	67,894	51,968
Non Tax-supported Debentures – PHF	11,977	12,362
	104,813	91,891
	\$ 171,157	\$ 162,250

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 2.599 to 9.125 per cent and matures in periods 2013 through 2037.

Long-term debt principal and interest payments are due as follows:

	Principal	Interest	Total
2013	\$ 11,419	\$ 7,702	\$ 19,121
2014	11,795	7,105	18,900
2015	11,045	6,488	17,533
2016	8,668	5,921	14,589
2017	8,342	5,510	13,852
Thereafter	119,888	44,902	164,790
	\$ 171,157	\$ 77,628	\$ 248,785

11. Debt and Debt Service Limits

Provincial legislation (Section 276(2) of the MGA) requires that debt and service on debt limits as defined by regulation for the County be disclosed as follows:

	2012	2011
Total debt limit	\$ 473,900	\$ 440,978
Total debt (including capital leases)	172,933	165,766
Percentage used	36.5%	37.6%
Service on debt limit	\$ 78,983	\$ 73,496
Service on debt (including capital leases)	20,109	20,098
Percentage used	25.5%	27.3%

The total debt limit is calculated at 1.5 times the revenue of the County (as defined in Alberta Regulation 255/2000) and the service on debt limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are a conservative guideline used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

Year ended December 31, 2012

12. Tangible Capital Assets

Cost	Balance at December 31, 2011 (Restated - Note 24)	Additions	Contributed Additions	Disposals	Balance at December 31, 2012
Land	\$ 439,486	\$ 481	\$ 8,632	\$ (53,436)	\$ 395,163
Land Improvements	51,099	2,144	239	(461)	53,021
Buildings	303,214	25,271	—	—	328,485
Engineered Structures	950,692	45,973	6,342	(17,251)	985,756
Machinery and Equipment	51,391	8,847	—	(1,627)	58,611
Books and Periodicals	4,150	609	—	(247)	4,512
Vehicles	59,143	1,737	—	(3,269)	57,611
Assets under Construction	61,247	9,725	—	—	70,972
	\$ 1,920,422	\$ 94,787	\$ 15,213	\$ (76,291)	\$ 1,954,131
Accumulated Amortization	Balance at December 31, 2011	Disposals		Amortization Expense	Balance at December 31, 2012
Land	\$ —	\$ —		\$ —	\$ —
Land Improvements	22,627	(461)		2,590	24,756
Buildings	58,189	—		8,257	66,446
Engineered Structures	277,102	(15,843)		24,915	286,174
Machinery and Equipment	21,643	(1,403)		4,885	25,125
Books and Periodicals	1,603	(247)		433	1,789
Vehicles	24,046	(2,780)		3,880	25,146
Assets under Construction	—	—		—	—
	\$ 405,210	\$ (20,734)		\$ 44,960	\$ 429,436
Net Book Value	Balance at December 31, 2011 (Restated - Note 24)				Net Book Value December 31, 2012
Land	\$ 439,486				\$ 395,163
Land Improvements	28,472				28,265
Buildings	245,025				262,039
Engineered Structures	673,590				699,582
Machinery and Equipment	29,748				33,486
Books and Periodicals	2,547				2,723
Vehicles	35,097				32,465
Assets under Construction	61,247				70,972
	\$ 1,515,212				\$ 1,524,695

Year ended December 31, 2012

12. Tangible Capital Assets (continued)

Cost	Balance at December 31, 2010 (Restated - Note 24)	Additions	Contributed Additions	Disposals	Balance at December 31, 2011 (Restated - Note 24)
Land	\$ 431,768	\$ 5,541	\$ 2,909	\$ (732)	\$ 439,486
Land Improvements	45,788	5,561	5	(255)	51,099
Buildings	258,292	44,922	—	—	303,214
Engineered Structures	871,549	76,694	9,395	(6,946)	950,692
Machinery and Equipment	45,276	7,255	—	(1,140)	51,391
Books and Periodicals	3,803	597	—	(250)	4,150
Vehicles	50,638	12,209	—	(3,704)	59,143
Assets under Construction	110,565	(49,318)	—	—	61,247
	\$ 1,817,679	\$ 103,461	\$ 12,309	\$ (13,027)	\$ 1,920,422

Accumulated Amortization	Balance at December 31, 2010	Disposals	Amortization Expense	Balance at December 31, 2011
Land	\$ —	\$ —	\$ —	\$ —
Land Improvements	20,607	(253)	2,273	22,627
Buildings	52,139	—	6,050	58,189
Engineered Structures	260,116	(6,946)	23,932	277,102
Machinery and Equipment	17,813	(1,049)	4,879	21,643
Books and Periodicals	1,455	(250)	398	1,603
Vehicles	22,997	(3,048)	4,097	24,046
Assets under Construction	—	—	—	—
	\$ 375,127	\$ (11,546)	\$ 41,629	\$ 405,210

Net Book Value	Balance at December 31, 2010 (Restated - Note 24)	Net Book Value December 31, 2011 (Restated - Note 24)
Land	\$ 431,768	\$ 439,486
Land Improvements	25,181	28,472
Buildings	206,153	245,025
Engineered Structures	611,433	673,590
Machinery and Equipment	27,463	29,748
Books and Periodicals	2,348	2,547
Vehicles	27,641	35,097
Assets under Construction	110,565	61,247
	\$ 1,442,552	\$ 1,515,212

12. Tangible Capital Assets (continued)

a) Assets under Construction

Assets under construction having a value of \$70,972 (2011 – \$61,247) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) Contributed Tangible Capital Assets

Contributed assets are recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$15,213 (2011 – \$12,309) comprised of roads infrastructure in the amount of \$6,342 (2011 – \$2,467), water and wastewater infrastructure in the amount of nil (2011 – \$6,928), land in the amount of \$8,632 (2011 – \$2,909), and land improvements in the amount of \$239 (2011 – \$5).

c) Write-down of Tangible Capital Assets

The County did not write down any tangible capital assets in 2012 or 2011.

13. Equity in Tangible Capital Assets

	2012	2011
Tangible Capital Assets – Cost	\$ 1,954,131	\$ 1,920,422
Accumulated Amortization	(429,436)	(405,210)
Capital Leases	(1,776)	(3,516)
Long-Term Debt	(171,157)	(162,250)
Local Improvements Levies Applicable to Debt	419	456
	<u>\$ 1,352,181</u>	<u>\$ 1,349,902</u>

14. Accumulated Surplus

Accumulated surplus comprises unrestricted surplus, invested in tangible capital assets and reserves as follows:

	2012	2011
Surplus:		(Restated - Note 24)
Unrestricted Surplus (Deficit)	\$ 262	\$ (7,426)
Equity in Tangible Capital Assets	1,352,181	1,349,902
	<u>1,352,443</u>	<u>1,342,476</u>
Reserves:		
Operating Reserves	39,358	31,175
Capital Reserves	98,832	81,052
	<u>138,190</u>	<u>112,227</u>
	<u>\$ 1,490,633</u>	<u>\$ 1,454,703</u>

15. Property Taxes

	Municipal	Provincial	2012	2011
Property Taxes				
Residential and Farmland	\$ 66,603	\$ 39,183	\$ 105,786	\$ 98,483
Commercial and Industrial	109,151	10,705	119,856	103,309
Electric Power and Pipeline	6,186	2,122	8,308	7,903
Government Grants in Lieu of Taxes	193	45	238	313
Local Improvement Levies	—	—	—	661
Other	—	—	—	13
	\$ 182,133	\$ 52,055	\$ 234,188	\$ 210,682
Provincial Alberta School Foundation Fund			45,316	41,710
Elk Island CSRD No. 14			6,739	6,176
Provincial Requisitions			\$ 52,055	\$ 47,886
Taxes for Provision of Municipal Services			\$ 182,133	\$ 162,796

16. Government Transfers

	2012	2011
Government Transfers for Operations		
Federal Transfers	\$ 214	\$ 130
Provincial Transfers	7,602	8,227
	7,816	8,357
Government Transfers for Capital		
Federal Transfers	7,520	3,444
Provincial Transfers	33,257	36,545
	40,777	39,989
	\$ 48,593	\$ 48,346

The Provincial government introduced the Alberta Municipal Infrastructure Program (AMIP) Grant in 2005 to assist municipalities in addressing capital infrastructure needs. In 2009, the County received its final per capita transfer allocation of \$14,452 under this program. During 2012, \$545 (2011 – \$1,865) was recognized in capital transfers, and a total of \$2,129 (2011 – \$2,626) including interest of \$48 (2011 – \$94) remains deferred to future years.

The Major Community Facilities Program (MCFP) assists communities to plan, upgrade and develop large community-use facilities in order to enhance community life and citizen well-being. In 2009, Strathcona County received a transfer allocation of \$5,270 under this program, of which \$318 (2011 - \$600) has been recognized in provincial capital transfers in 2012. MCFP grant funds have been recognized in full as of December 31, 2012.

In 2011, the Provincial government consolidated the Basic Capital Grant, Hamlet Streets Improvement Grant, Rural Transportation Grant and the Provincial Highway Maintenance Grant into a single grant called the Basic Municipal Transportation Grant. During 2012, Strathcona County received transfer allocations of \$4,428 (2011 - \$4,424) under this program, of which \$3,783 (2011 - \$4,068) has been recognized in operating and capital transfers. A total of \$6,554 (2011 - \$5,781) including interest of \$128 (2011 - \$151) remains deferred to future years.

16. Government Transfers (continued)

The Federal government introduced the Federal Gas Tax Fund (formerly, the New Deal for Cities & Communities initiative) in 2005 to transfer federal gas tax revenue to the Province of Alberta to assist in reducing the backlog of necessary sustainable capital municipal infrastructure projects that have been deferred. During 2012, Strathcona County received transfer allocations of \$9,808 (2011 – \$4,904) under this program, of which \$6,400 (2011 – \$2,957) has been recognized in capital transfers. A total of \$15,898 (2011 – \$12,203) including interest of \$287 (2011 – \$272) remains deferred to future years.

The Municipal Sustainability Initiative (MSI) is the Province of Alberta's funding commitment to assist municipalities in meeting growth-related challenges and enhancing long-term sustainability.

- In 2012, Strathcona County received \$19,373 (2011 – \$19,109) in MSI Capital Funding. A total of \$17,899 (2011 – \$20,020) remains deferred to future years, including interest of \$467 (2011 – \$543). During 2012, \$21,961 (2011 – \$25,562) has been recognized in capital transfers, which consists of amounts that had been deferred from prior years plus amounts received in 2012.
- In 2012, Strathcona County received \$1,454 (2011 – \$1,458) in MSI Conditional Operating Funding. A total of \$1,502 (2011 – \$1,373) of the amounts received since inception of the initiative remains deferred to future years, including interest of \$35 (2011 – \$31). During the year, \$1,360 (2011 – \$1,005) has been recognized in operating transfers, which consists of amounts that had been deferred from prior years.
- From 2008 to 2010 Strathcona County received \$12,387 in MSI Affordable Housing Funding. A total of \$603 (2011 – \$5,815) of the amounts received since inception of the initiative remains deferred to future years, including interest of \$14 (2011 – \$138). During the year, \$5,226 (2011 – \$1,192) has been recognized in operating and capital transfers.

The Provincial government announced the Green Transit Incentives Program (GreenTRIP) in July 2008. GreenTRIP supports new public transit projects that will lead to reduced congestion and greenhouse gas emissions by reducing the number of vehicles on the roads. In 2011, Strathcona County was made eligible to receive funding from the Province of Alberta for an amount up to a maximum of \$13,600. In 2012, \$513 (2011 – \$3,303) of this funding has been recognized in capital transfers.

The Resource Road Program was announced by the Provincial government on April 8, 2003. The Resource Road Program provides support for municipal project-specific capital transportation infrastructure projects. During 2011, Strathcona County was made eligible to receive funding from the Province of Alberta for an amount up to a maximum of \$3,000. In 2012, nil (2011 – \$1,329) of this funding has been recognized in capital transfers, and a total of \$1,671 remains deferred to future years.

17. Other Capital Revenues

	2012	2011
Development Levies and Charges	\$ 8,359	\$ 10,533
Developer Contributions	610	4,775
Other	6,107	808
	<u>\$ 15,076</u>	<u>\$ 16,116</u>

18. Salaries and Benefits Disclosure

The following salaries and benefits are disclosed as required by Alberta Regulation 313/2000:

	Salaries	Benefits & Allowances	2012	2011
Elected Officials:				
Mayor	\$ 113	\$ 18	\$ 131	\$ 129
Councillor – Ward 1	63	12	75	74
Councillor – Ward 2	63	13	76	75
Councillor – Ward 3	63	13	76	75
Councillor – Ward 4	63	11	74	72
Councillor – Ward 5 - Jan. - May. 2012	19	4	23	74
Councillor – Ward 5 - July - Dec. 2012	30	7	37	—
Councillor – Ward 6	63	12	75	74
Councillor – Ward 7	63	8	71	70
Councillor – Ward 8	63	14	77	76
	\$ 603	\$ 112	\$ 715	\$ 719
Chief Commissioner - Jan. - Sep. 2012	\$ 204	\$ 29	\$ 233	\$ 273
Chief Commissioner - Nov. - Dec. 2012	17	4	21	—
	\$ 221	\$ 33	\$ 254	\$ 273

Benefits and allowances include the County's share of Canada Pension Plan, Workers' Compensation Board, retirement contributions, group insurance, extended health care, dental benefits, Accidental Death and Dismemberment and car allowance. Benefits also include the County's share of employment insurance and long-term disability insurance for the Chief Commissioner.

19. Pension Plan

County employees participate in the Local Authorities Pension Plan (LAPP, or the Plan), which is one of the plans covered by the Alberta Public Sector Pension Plans Act.

The County was required to make current service contributions to the Plan of 9.91 per cent (2011 – 9.49 per cent) of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 13.74 per cent (2011 – 13.13 per cent) thereafter. Employees of the County are required to make current service contributions of 8.91 per cent (2011 – 8.49 per cent) of pensionable salary up to YMPE, and 12.74 per cent (2011 – 12.13 per cent) thereafter.

Total current service contributions by Strathcona County to LAPP in 2012 were \$8,689 (2011 – \$7,909). Total current service contributions by the employees of Strathcona County to LAPP in 2012 were \$8,003 (2011 – \$7,260).

As stated in their 2011 Annual Report, LAPP serves 214,328 (2010 – 206,249) members and 423 (2010 – 421) employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund. At December 31, 2011, the Plan reported an actuarial deficiency of \$4.6 billion (2010 – \$4.6 billion).

20. Financial Instruments

The County's financial instruments consist of cash and temporary investments, accounts receivable, investments, cheques issued in excess of cash, accounts payable and accrued liabilities, deposit liabilities, capital leases and long-term debt. It is management's opinion that the County is not exposed to significant interest, currency, or credit risk arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

21. Commitments and Contingencies

a) Capital

As at December 31, 2012, authorized costs on capital projects committed but not expended amounted to \$39,022 (2011 – \$47,600).

b) Leases

The County has ongoing operating leases for building space, office equipment and other miscellaneous equipment. Operating leases are generally for periods of three to five years.

The future minimum lease payments are as follows:

2013	\$	205
2014	\$	187
2015	\$	73
2016	\$	63
2017	\$	16

PHF has a lease agreement expiring December 2058, for a nominal value, with respect to its land and is committed to use the land only for affordable housing.

c) Legal Disputes

As at December 31, 2012, the County was involved in various legal disputes. While it is not possible to estimate the outcome of these disputes, management believes that there will be no significant adverse effects on the financial position of the County.

d) Development Agreements

Developers have entered into agreements with the County in the amount of approximately \$20,835 (2011 – \$11,935) and are committed to installing and constructing certain works to serve the development of lands within the County. The County has taken security from developers in the form of deposit liabilities in the amount of \$2,078 (2011 – \$789) and letters of credit in the amount of \$2,628 (2011 – \$4,558) to ensure performance by the developers under the agreements. Security taken by the County is reduced accordingly as the above noted works are constructed.

e) Alberta Health Services

The County is currently under agreement with Alberta Health Services to provide emergency medical services to the County and the region with a renewal date of March 31, 2013. The County is currently under a second agreement with Alberta Health Services to provide emergency medical dispatch services for the County on an ongoing basis.

22. Segmented Information

Segmented information has been identified based upon types of services provided by the County to its residents. The service types are identified in the Consolidated Statement of Operations and Accumulated Surplus.

Certain allocation methodologies are used in the preparation of segmented financial information. Taxation revenues and payments in lieu of taxes are allocated to the segments based on the segment's budgeted net expenditures. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development charges earned and developer contributions received were allocated to the segment for which the charge was collected.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

	Municipal Operations	Utility Operations	Library Operations	PHF Operations	Eliminations	2012	Budget (Unaudited – Note 23)
REVENUE							
Property Taxes	\$ 172,453	\$ —	\$ 7,836	\$ 1,875	\$ (31)	\$ 182,133	\$ 179,920
Government Transfers	39,828	2,652	555	5,558	—	48,593	46,562
Utility User Rates	—	44,954	—	—	—	44,954	45,845
User Fees and Charges	35,685	1,805	161	3,507	—	41,158	39,721
Penalties and Fines	6,804	—	165	—	—	6,969	5,454
Investment Income	7,679	614	98	53	—	8,444	3,672
Other Capital Revenues	13,929	1,141	6	—	—	15,076	21,867
Contributed Tangible Capital Assets	15,213	—	—	—	—	15,213	—
Other	9,316	371	266	42	(612)	9,383	6,523
TOTAL REVENUES	300,907	51,537	9,087	11,035	(643)	371,923	349,564
EXPENSES							
Salaries, Wages and Benefits	111,226	8,352	4,996	3,325	—	127,899	131,334
Contracted and General Services	34,836	9,312	255	277	—	44,680	49,535
Supplies, Material and Utilities	29,821	19,307	995	1,177	—	51,300	52,185
Interest on Long-Term Debt	4,224	2,694	1,069	612	(612)	7,987	7,944
Grants and Requisitions	2,261	—	—	34	(31)	2,264	1,714
Amortization	37,262	5,536	1,281	881	—	44,960	53,988
Loss on Tangible Capital Asset Disposals	54,977	—	18	—	—	54,995	—
Other Expenses	1,823	81	4	—	—	1,908	1,736
TOTAL EXPENSES	276,430	45,282	8,618	6,306	(643)	335,993	298,436
ANNUAL SURPLUS	24,477	6,255	469	4,729	—	35,930	51,128
ACCUMULATED SURPLUS, BEGINNING OF YEAR (Note 24)	1,192,028	247,352	8,270	14,477	(7,424)	1,454,703	1,454,703
ACCUMULATED SURPLUS, END OF YEAR (Note 14)	\$ 1,216,505	\$ 253,607	\$ 8,739	\$ 19,206	\$ (7,424)	\$ 1,490,633	\$ 1,505,831

Year ended December 31, 2012

22. Segmented Information (continued)

	Municipal Operations	Utility Operations	Library Operations	PHF Operations	Eliminations	2011	Budget (Unaudited – Note 23)
REVENUE							
Property Taxes	\$ 153,374	\$ 450	\$ 7,168	\$ 1,833	\$ (29)	\$ 162,796	\$ 165,740
Government Transfers	51,333	889	583	570	(5,029)	48,346	23,845
Utility User Rates	—	42,590	—	—	—	42,590	44,165
User Fees and Charges	34,987	4,730	165	3,338	—	43,220	38,762
Penalties and Fines	5,746	—	210	—	—	5,956	6,354
Investment Income	4,059	710	106	55	—	4,930	2,939
Other Capital Revenues	11,261	48	—	14	—	11,323	2,475
Contributed Tangible Capital Assets	5,381	6,928	—	—	—	12,309	0
Other	13,893	1,185	209	142	(616)	14,813	11,807
TOTAL REVENUE	280,034	57,530	8,441	5,952	(5,674)	346,283	296,087
EXPENSES							
Salaries, Wages and Benefits	105,154	7,073	4,428	3,046	—	119,701	121,413
Contracted and General Services	39,357	12,487	276	159	—	52,279	52,679
Supplies, Materials and Utilities	23,617	16,146	227	1,372	—	41,362	41,463
Interest on Long-term Debt	4,617	2,432	1,088	616	(616)	8,137	9,174
Grants and Requisitions	8,168	—	—	32	(5,058)	3,142	1,669
Amortization	34,795	5,115	1,188	531	—	41,629	45,368
Loss on Tangible Capital Asset Disposals	1,323	(3)	—	—	—	1,320	—
Other Expenses	(2,190)	3,976	476	—	—	2,262	2,199
TOTAL EXPENSES	214,841	47,226	7,683	5,756	(5,674)	269,832	273,965
ANNUAL SURPLUS	65,193	10,304	758	196	—	76,451	22,122
ACCUMULATED SURPLUS, BEGINNING OF YEAR (Note 24)							
	<u>1,126,835</u>	<u>237,048</u>	<u>7,512</u>	<u>14,281</u>	<u>(7,424)</u>	<u>1,378,252</u>	<u>1,378,252</u>
ACCUMULATED SURPLUS, END OF PERIOD (Note 24)							
	<u>\$ 1,192,028</u>	<u>\$ 247,352</u>	<u>\$ 8,270</u>	<u>\$ 14,477</u>	<u>\$ (7,424)</u>	<u>\$ 1,454,703</u>	<u>\$ 1,400,374</u>

23. Budget Data

The unaudited budget data presented in these statements is based on the operating and capital budget approved by Council on December 13, 2011 (2011 – December 14, 2010). The acquisition of tangible capital assets by PHF, contributed tangible capital assets and gain or loss on sale of tangible capital assets were not contemplated on development of the budget and, as such, have not been included.

24. Restatement

In 2009, the County implemented PSAB section 3150 Tangible Capital Assets which required governments to record and amortize their tangible capital assets in their financial statements. During 2012, the County determined that when this accounting policy change was implemented land under roads totalling \$45,246 was inadvertently excluded from Tangible Capital Assets recognized. The effect of this correction was to add \$45,246 of costs to land and \$45,246 to Accumulated Surplus effective January 1, 2011.

The impact of this prior period adjustment on the financial statements is as follows:

Accumulated Surplus at January 1, 2011	
Accumulated Surplus, as previously reported	\$ 1,333,006
Restatement to increase Tangible Capital Assets	45,246
Accumulated Surplus at January 1, 2011, as restated	<u>\$ 1,378,252</u>
Accumulated Surplus at December 31, 2011	
Accumulated Surplus, as previously reported	\$ 1,409,457
Restatement to increase Tangible Capital Assets	45,246
Accumulated Surplus at December 31, 2011, as restated	<u>\$ 1,454,703</u>

25. Comparative Figures

Certain comparative figures have been restated to conform to the current year’s presentation.

26. Subsequent Event

Pursuant to a management services agreement between PHF and HHF, effective March 11, 2013, a transfer of operational assets in the amount of \$3,214 and operational liabilities in the amount of \$3,214, not related to land and buildings, has been made from PHF to HHF.



2013 Budget Highlights

2013 operating expenses — Non-Consolidated (excluding Pioneer Housing Foundation) (\$ millions)

Municipal	\$250.5
Utility	\$52.2
Library	\$9.3

2013 Capital project approval (\$ millions)

Municipal	\$123.0
Utility	\$6.0
Library	\$0.6

2013 allocation of each dollar of residential property tax

Municipal services.	60.8¢
Education	36.0¢
Library	2.2¢
Heartland Housing Foundation	1.0¢

2013 planned distribution of a municipal tax dollar



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Transportation (roads)	30¢
Fire, ambulance, police	27¢
Recreation, parks and culture.	20¢
Public transit	11¢
Planning and development	5¢
Agriculture	3¢
Family and community services.	3¢
Economic development and tourism	1¢

\$1.00

2013 estimated municipal regular property tax (\$ millions)

Residential and farmland.	\$65.9
Industrial machinery and equipment	\$79.4
Commercial, other industrial and linear	\$34.8
Total projected	\$180.1

Municipal property tax structure

The 2013 tax rate was approved in April 2013

Residential and farmland.	4.3752 mills
Commercial and industrial	8.3395 mills
Machinery and equipment	8.3395 mills
Linear (power and pipeline)	8.3395 mills





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