

Approved by Council on April 30, 2019

STRATHCONA COUNTY
CONSOLIDATED
FINANCIAL STATEMENTS
Year ended December 31, 2018

STRATHCONA COUNTY
Consolidated Financial Statements
Year ended December 31, 2018

Index

Management Report.....	1
Independent Auditors' Report.....	2-4
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations and Accumulated Surplus	6
Consolidated Statement of Change in Net Financial Assets	7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements.....	9-27

MANAGEMENT REPORT

The accompanying consolidated financial statements are the responsibility of the management of Strathcona County (the County).

These consolidated financial statements have been prepared by management. Financial statements are not precise in nature as they include certain amounts based on estimates and judgements. Management has determined such amounts within the reasonable limits of materiality.

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

The elected Council of Strathcona County is ultimately responsible to oversee management's fulfillment of the financial reporting obligations, and for reviewing and approving the financial statements. Council generally meets twice a year with management and the external auditors to discuss internal controls, auditing matters and financial reporting matters, and to satisfy that each party is properly discharging its responsibilities. Council approves the appointment 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.



Gregory J. Yeomans, CPA, CGA, MBA
Chief Financial Officer

April 30, 2019



KPMG LLP
2200, 10175 – 101 Street
Edmonton, AB T5J 0H3
Telephone (780) 429-7300
Fax (780) 429-7379
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council of the Strathcona County

Opinion

We have audited the consolidated financial statements of Strathcona County (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Other Information

Management is responsible for the other information. Other information comprises the information, other than the consolidated financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the consolidated financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

The information, other than the consolidated financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the County to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada
April 30, 2019

STRATHCONA COUNTY
Consolidated Statement of Financial Position
As at December 31, 2018 (in thousands of dollars)

	2018	2017
FINANCIAL ASSETS		
Cash and Cash Equivalents	\$ 5,875	\$ 7,042
Accounts Receivable		
Property Taxes	7,057	5,262
Government Transfers	3,919	12,117
Trade and Other	15,058	15,191
Development Levies and Charges	5,095	3,190
Investments (Note 2)	342,804	344,256
Investment Interest Receivable	14,883	10,589
	394,691	397,647
LIABILITIES		
Accounts Payable and Accrued Liabilities (Note 3)	60,499	53,023
Deposit Liabilities	16,899	17,325
Deferred Revenue (Note 4)	77,590	82,712
Long-Term Debt (Note 5)	171,805	165,423
	326,793	318,483
NET FINANCIAL ASSETS	67,898	79,164
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 7)	1,935,418	1,886,035
Inventories of Materials and Supplies	954	1,028
Prepaid Expenses	2,640	2,903
	1,939,012	1,889,966
ACCUMULATED SURPLUS (Note 9)	\$ 2,006,910	\$ 1,969,130

Operating and Acquisition Lines of Credit (Note 10)
Commitments and Contingent Liabilities (Note 11)
Contractual Rights and Contingent Assets (Note 12)

See accompanying Notes to Consolidated Financial Statements.

STRATHCONA COUNTY
Consolidated Statement of Operations and Accumulated Surplus
Year ended December 31, 2018 (in thousands of dollars)

	2018 Budget (Note 14)	2018	2017
OPERATING REVENUE			
Property Taxes (Note 15)	\$ 221,334	\$ 222,743	\$ 221,359
Utility User Rates	55,343	53,547	52,521
User Fees and Charges	40,302	45,229	41,099
Investment Income	6,805	8,864	8,385
Government Transfers – Operating (Note 16)	6,920	7,748	7,717
Penalties and Fines	6,158	6,873	7,001
Other	9,401	11,606	10,039
TOTAL OPERATING REVENUE	346,263	356,610	348,121
EXPENSES			
Infrastructure and Planning Services			
Economic Development and Tourism	1,752	1,697	1,590
Planning and Development Services	10,274	9,555	9,451
Transportation and Agriculture Services	31,546	33,586	27,346
Transportation Planning and Engineering	5,122	4,663	4,675
Utility Operations	58,245	61,644	54,854
	106,939	111,145	97,916
Community Services			
Emergency Services	35,086	35,484	33,546
Family and Community Services	9,571	9,225	8,650
RCMP and Enforcement Services	25,199	25,133	23,504
Recreation, Parks and Culture	45,295	44,893	42,946
Strathcona Transit	19,946	20,229	18,048
	135,097	134,964	126,694
Corporate Services	39,374	38,487	37,024
Elected Officials	1,474	1,297	1,280
Financial and Strategic Management	8,622	7,737	7,149
Fiscal Services	55,213	62,805	56,484
Senior Administration	5,943	5,547	5,085
Strathcona County Library	10,522	10,550	10,224
	121,148	126,423	117,246
TOTAL EXPENSES	363,184	372,532	341,856
(DEFICIT) SURPLUS BEFORE CAPITAL REVENUE	(16,921)	(15,922)	6,265
CAPITAL REVENUE			
Government Transfers – Capital (Note 16)	28,315	23,768	26,648
Contributed Tangible Capital Assets (Note 7)	-	19,634	18,167
Other Capital Revenue (Note 17)	14,136	10,300	8,378
TOTAL CAPITAL REVENUE	42,451	53,702	53,193
ANNUAL SURPLUS	25,530	37,780	59,458
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,969,130	1,969,130	1,909,672
ACCUMULATED SURPLUS, END OF YEAR (Note 9)	\$ 1,994,660	\$ 2,006,910	\$ 1,969,130

See accompanying Notes to Consolidated Financial Statements.

STRATHCONA COUNTY
Consolidated Statement of Change in Net Financial Assets
Year ended December 31, 2018 (in thousands of dollars)

	<u>2018 Budget (Note 14)</u>	<u>2018</u>	<u>2017</u>
ANNUAL SURPLUS	\$ 25,530	\$ 37,780	\$ 59,458
Acquisition of Tangible Capital Assets (Note 7)	(115,148)	(90,343)	(84,518)
Contributed Tangible Capital Assets (Note 7)	-	(19,634)	(18,167)
Amortization of Tangible Capital Assets (Note 7)	60,593	59,040	57,292
(Gain) on Disposal of Tangible Capital Assets	-	(3,450)	(1,110)
Proceeds from Disposal of Tangible Capital Assets	-	5,004	2,302
	<u>(29,025)</u>	<u>(11,603)</u>	<u>15,257</u>
Acquisition of Inventories of Materials and Supplies	-	(1,808)	(1,798)
Acquisition of Prepaid Expenses	-	(2,972)	(3,437)
Use of Inventories of Materials and Supplies	-	1,882	1,717
Use of Prepaid Expenses	-	3,235	2,863
	<u>-</u>	<u>337</u>	<u>(655)</u>
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	(29,025)	(11,266)	14,602
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>79,164</u>	<u>79,164</u>	<u>64,562</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 50,139</u>	<u>\$ 67,898</u>	<u>\$ 79,164</u>

See accompanying Notes to Consolidated Financial Statements.

STRATHCONA COUNTY
Consolidated Statement of Cash Flows
Year ended December 31, 2018 (in thousands of dollars)

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual Surplus	\$ 37,780	\$ 59,458
Items Not Involving Cash:		
Contributed Tangible Capital Assets (Note 7)	(19,634)	(18,167)
Amortization of Tangible Capital Assets (Note 7)	59,040	57,292
Amortization of (Discount) Premium on Investments	(8)	64
(Gain) on Disposal of Tangible Capital Assets	(3,450)	(1,110)
(Gain) on Disposal of Investments	(3)	(944)
Changes to Non-Cash Assets and Liabilities:		
Property Taxes Receivable	(1,795)	(1,212)
Government Transfers Receivable	8,198	(2,607)
Trade and Other Receivables	133	923
Development Levies and Charges Receivable	(1,905)	(1,573)
Investment Interest Receivable	(4,294)	(518)
Accounts Payable and Accrued Liabilities	7,476	11,976
Deposit Liabilities	(426)	1,243
Deferred Revenue	(5,122)	16,965
Inventories of Materials and Supplies	74	(81)
Prepaid Expenses	263	(574)
Cash Provided by Operating Activities	<u>76,327</u>	<u>121,135</u>
CAPITAL		
Proceeds from Disposal of Tangible Capital Assets	5,004	2,302
Acquisition of Tangible Capital Assets	(90,343)	(84,518)
Cash (Applied to) Capital Activities	<u>(85,339)</u>	<u>(82,216)</u>
INVESTING		
Purchase of Investments	(243,201)	(257,256)
Proceeds from Sale/Maturity of Investments	244,664	220,378
Cash (Applied to) Investing Activities	<u>(1,463)</u>	<u>(36,878)</u>
FINANCING		
Long-Term Debt Issued	17,621	9,850
Long-Term Debt Repaid	(11,239)	(10,567)
Cash Provided by (Applied to) Financing Activities	<u>6,382</u>	<u>(717)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,167)	1,324
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,042	5,718
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,875	\$ 7,042
Cash (Paid) for Interest	\$ (6,506)	\$ (6,603)
Cash Received from Interest	\$ 6,183	\$ 8,241

See accompanying Notes to Consolidated Financial Statements.

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2018 (in thousands of dollars)

The 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 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) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenue, expenses, and accumulated surplus of the reporting entity. The reporting entity comprises all organizations which are owned or controlled by the County, and are, therefore, accountable for the administration of their financial affairs and resources.

The reporting entity includes all divisions and departments of the County's operations, the Strathcona County Library and the Pioneer Housing Foundation (PHF). Inter-organizational transactions and balances between these entities have been eliminated. The County is associated with various other boards, commissions and other organizations that are not part of the government reporting entity.

Property taxes levied also include requisitions for education and seniors housing, on behalf of organizations that are external to the government reporting entity.

b) Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are 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.

c) Property Taxes

Property tax revenue is based on approved annual budget and requisition requirements. Property tax rates, per class, are determined by the total revenue requirements divided by the total taxable assessment, which are based on market value and regulated value assessments. Taxation revenues are recorded at the time the tax rates are authorized by Strathcona County Council and the tax notices are issued.

d) Government Transfers

Government transfers are recognized in the consolidated financial statements as revenue in the period the events giving rise to the transfer have occurred, provided that the transfer is authorized, eligibility criteria have been met, and reasonable estimates of the amount can be made. Stipulations are terms imposed by a transferring government regarding the use of transferred resources or the actions that must be performed in order to keep a transfer. Any unfulfilled stipulations related to a government transfer would preclude recognition of revenue until such time that all stipulations have been met.

e) Development Levies

Development levies are collected pursuant to agreements between the County and developers. Development levies are recognized in the consolidated financial statements as revenue in the period the off-site levies are collectible, and the amounts are applied to leviable infrastructure.

f) Local Improvements

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

Local improvement levies represent funds from external parties that are restricted by legislation, and are accounted for as deferred revenue until the special assessments are authorized by Strathcona County Council, issued to the property owners, and the funds are used for the purpose specified.

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2018 (in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) 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.

h) 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.

i) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and temporary investments that are readily convertible to cash and mature within 90 days of purchase.

j) 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, other than a temporary decline, the corresponding investment is written down to recognize the loss.

Investment income is reported as revenue in the period earned. When required by agreement or legislation, investment income earned on deferred revenue is added to the deferred revenue balance based on the County's average rate of return on investments.

k) Employee Benefit Obligations

The cost of employment benefits, pension benefits, compensated absences and termination benefits are recorded as an expense at the time the event giving rise to the obligation occurs.

l) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. A liability is recognized when a site is not in productive use and recorded net of any expected recoveries. The liability for remediation of a contaminated site reflects the County's estimated costs to meet environmental standards.

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2018 (in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) 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 amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The tangible capital asset cost, less residual value, excluding land, is amortized on a straight-line basis over the estimated useful life, as follows:

<u>Asset</u>	<u>Useful Life in Years</u>
Land Improvements	10 - 30
Buildings	10 - 50
Engineered Structures	
Roadway System	10 - 80
Water Distribution System	35 - 90
Wastewater Treatment System	35 - 75
Storm Sewer System	15 - 75
Other Engineered Structures	5 - 40
Machinery and Equipment	2 - 40
Library Collection	10
Vehicles	4 - 20

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

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value on the date of receipt and are also recorded as contributed tangible capital asset revenue in the Consolidated Statement of Operations and Accumulated Surplus.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all 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 Materials and Supplies

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

v. Works of Art and Historical Artifacts

The County manages and controls various works of art and historical artifacts that are not recognized as tangible capital assets.

n) Reserves for Future Expenditures

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

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2018 (in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 long-term debt financing applicable to local improvement levy projects.

p) Use of Estimates

The preparation of the consolidated financial statements of the County requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Actual results may differ from those estimates.

Estimates have been used to determine provisions for accrued liabilities, liabilities for contaminated sites, useful lives of tangible capital assets, historic costs of certain tangible capital assets, fair values of contributed tangible capital assets, and provisions made for allowances for doubtful receivable accounts.

Revenue recognition related to development levies and charges utilizes forecasted development costs, staging, and financing requirements.

q) Adoption of New Accounting Standards

The following table summarizes changes to Canadian Public Sector Accounting Standards that came into effect for fiscal years beginning on or after April 1, 2017. The adoption of these standards resulted in changes to the disclosures in the consolidated financial statements.

<u>Public Sector Accounting Standard</u>	<u>Name</u>
PS2200	Related Party Disclosures
PS3210	Assets
PS3320	Contingent Assets
PS3380	Contractual Rights
PS3420	Inter-Entity Transactions

r) Future Accounting Standard Pronouncements

The following table summarizes prospective changes to Canadian Public Sector Accounting Standards, and while the timing of standard adoption can vary, certain standards must be adopted concurrently. The requirements in Financial Statement Presentation (PS1201), Foreign Currency Translations (PS2601), Portfolio Investments (PS3041), and Financial Instruments (PS3450) must be implemented at the same time.

<u>Public Sector Accounting Standard</u>	<u>Name</u>	<u>Effective date (fiscal years beginning on or after...)</u>
PS3430	Restructuring Transactions	April 1, 2018
PS1201	Financial Statement Presentation	April 1, 2021
PS2601	Foreign Currency Transactions	April 1, 2021
PS3041	Portfolio Investments	April 1, 2021
PS3280	Asset Retirement Obligations	April 1, 2021
PS3450	Financial Instruments	April 1, 2021
PS3400	Revenue	April 1, 2022

The County will continue to assess the impact of the remaining future accounting standards and prepare for their adoption.

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2018 (in thousands of dollars)

2. INVESTMENTS

	2018		2017	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Term Deposits and Notes	\$ 184,226	\$ 183,550	\$ 206,150	\$ 205,663
Government Guaranteed Bonds	139,035	138,023	114,304	113,479
Corporate Bonds	19,543	19,366	23,802	23,818
	\$ 342,804	\$ 340,939	\$ 344,256	\$ 342,960

Term deposits and notes, government guaranteed bonds and corporate bonds have effective interest rates of 2.00 to 3.66 per cent (2017 – 1.70 to 3.66 per cent) with maturity dates from January 2019 to August 2031 (2017 – February 2018 to August 2031).

Certain investments have a market value below cost at year end. The County considers these declines in value to be temporary in nature.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Trade		
Accounts Payable	\$ 21,685	\$ 20,433
Contract Holdbacks	6,736	4,881
Capital Accruals	3,576	7,440
Operating Accruals	12,363	5,513
Other	229	128
	44,589	38,395
Payroll and Remittances	4,710	4,412
Employee Benefit Obligations		
Accrued Vacation	7,922	7,568
Banked Time	707	719
Other	1,338	692
	9,967	8,979
Interest	1,233	1,237
	\$ 60,499	\$ 53,023

4. DEFERRED REVENUE

Deferred revenue comprises the amounts noted below, the use of which, together with any earnings thereon, is externally restricted. Externally restricted amounts include allocated interest of \$1,344 (2017 – \$1,009). Certain deferred revenue relates to government transfers as further described in Note 16.

	Balance at January 1, 2018	Externally Restricted Amounts	Amounts Recognized as Operating Revenue	Amounts Recognized as Capital Revenue	Balance at December 31, 2018
Government Transfers	\$ 46,367	\$ 22,486	\$ (7,748)	\$ (23,768)	\$ 37,337
Development Levies	17,783	7,331	(259)	(6,549)	18,306
Other	18,562	15,749	(8,662)	(3,702)	21,947
	\$ 82,712	\$ 45,566	\$ (16,669)	\$ (34,019)	\$ 77,590

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2018 (in thousands of dollars)

5. LONG-TERM DEBT

	2018	2017
Tax-supported Debentures	\$ 66,806	\$ 70,886
Non Tax-supported Debentures – Development Levies	22,724	22,351
Non Tax-supported Debentures – Utility Rates	52,792	46,456
Non Tax-supported Debentures – Other	29,483	25,730
	\$ 171,805	\$ 165,423

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 2.13 to 7.63 per cent (2017 – 2.13 to 9.13 per cent) and matures in periods 2019 through 2043 (2017 – periods 2018 through 2042).

Tax-supported long-term debt principal and interest payments are due as follows:

	Principal	Interest	Total
2019	\$ 3,939	\$ 2,534	\$ 6,473
2020	3,924	2,390	6,314
2021	4,011	2,246	6,257
2022	4,119	2,098	6,217
2023	4,139	1,946	6,085
Thereafter	46,674	10,816	57,490
	\$ 66,806	\$ 22,030	\$ 88,836

Non Tax-supported long-term debt principal and interest payments are due as follows:

	Principal	Interest	Total
2019	\$ 7,421	\$ 3,977	\$ 11,398
2020	7,591	3,668	11,259
2021	7,574	3,353	10,927
2022	7,402	3,039	10,441
2023	6,575	2,742	9,317
Thereafter	68,436	18,276	86,712
	\$ 104,999	\$ 35,055	\$ 140,054

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

	Principal	Interest	Total
2019	\$ 11,360	\$ 6,511	\$ 17,871
2020	11,515	6,058	17,573
2021	11,585	5,599	17,184
2022	11,521	5,137	16,658
2023	10,714	4,688	15,402
Thereafter	115,110	29,092	144,202
	\$ 171,805	\$ 57,085	\$ 228,890

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2018 (in thousands of dollars)

6. DEBT AND DEBT SERVICE LIMITS

Provincial legislation (Section 276(2) of the MGA) requires that debt and service on debt limits as defined by Alberta Regulation 255/2000 for the County be disclosed as follows:

	2018	2017
Total Debt Limit	\$ 550,364	\$ 534,749
Total Debt	171,805	165,423
Percentage Used	31.2%	30.9%
Service on Debt Limit	\$ 91,727	\$ 89,125
Service on Debt	17,871	17,542
Percentage Used	19.5%	19.7%

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 consolidated financial statements must be interpreted as a whole.

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2018 (in thousands of dollars)

7. TANGIBLE CAPITAL ASSETS

Cost	Balance at January 1, 2018	Purchased Additions	Contributed Additions	Disposals	Balance at December 31, 2018
Land	\$ 499,530	\$ 7,555	\$ 3,590	\$ (357)	\$ 510,318
Land Improvements	115,426	5,114	760	(246)	121,054
Buildings	455,981	27,505	-	(78)	483,408
Engineered Structures	1,193,865	51,790	15,284	(4,254)	1,256,685
Machinery and Equipment	74,168	6,490	-	(1,898)	78,760
Books and Periodicals	6,132	585	-	(329)	6,388
Vehicles	76,063	5,873	-	(4,682)	77,254
Assets under Construction	60,377	(14,569)	-	-	45,808
	\$ 2,481,542	\$ 90,343	\$ 19,634	\$ (11,844)	\$ 2,579,675
Accumulated Amortization	Balance at January 1, 2018	Disposals		Amortization	Balance at December 31, 2018
Land Improvements	\$ 38,564	\$ (213)		\$ 5,320	\$ 43,671
Buildings	111,479	-		11,431	122,910
Engineered Structures	363,819	(4,254)		29,870	389,435
Machinery and Equipment	40,940	(1,893)		6,181	45,228
Books and Periodicals	2,965	(329)		626	3,262
Vehicles	37,740	(3,601)		5,612	39,751
	\$ 595,507	\$ (10,290)		\$ 59,040	\$ 644,257
Net Book Value					Balance at December 31, 2018
Land					\$ 510,318
Land Improvements					77,383
Buildings					360,498
Engineered Structures					867,250
Machinery and Equipment					33,532
Books and Periodicals					3,126
Vehicles					37,503
Assets under Construction					45,808
					\$ 1,935,418

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2018 (in thousands of dollars)

7. TANGIBLE CAPITAL ASSETS (CONTINUED)

Cost	Balance at January 1, 2017	Purchased Additions	Contributed Additions	Disposals	Balance at December 31, 2017
Land	\$ 491,112	\$ 176	\$ 8,334	\$ (92)	\$ 499,530
Land Improvements	106,236	7,151	2,561	(522)	115,426
Buildings	445,163	11,395	-	(577)	455,981
Engineered Structures	1,159,091	38,540	7,253	(11,019)	1,193,865
Machinery and Equipment	71,774	5,493	-	(3,099)	74,168
Books and Periodicals	5,841	623	19	(351)	6,132
Vehicles	75,516	2,547	-	(2,000)	76,063
Assets under Construction	41,784	18,593	-	-	60,377
	\$ 2,396,517	\$ 84,518	\$ 18,167	\$ (17,660)	\$ 2,481,542

Accumulated Amortization	Balance at January 1, 2017	Disposals	Amortization	Balance at December 31, 2017
Land Improvements	\$ 34,002	\$ (492)	\$ 5,054	\$ 38,564
Buildings	100,410	(149)	11,218	111,479
Engineered Structures	346,276	(11,019)	28,562	363,819
Machinery and Equipment	37,225	(2,485)	6,200	40,940
Books and Periodicals	2,717	(351)	599	2,965
Vehicles	34,053	(1,972)	5,659	37,740
	\$ 554,683	\$ (16,468)	\$ 57,292	\$ 595,507

Net Book Value	Balance at December 31, 2017
Land	\$ 499,530
Land Improvements	76,862
Buildings	344,502
Engineered Structures	830,046
Machinery and Equipment	33,228
Books and Periodicals	3,167
Vehicles	38,323
Assets under Construction	60,377
	\$ 1,886,035

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2018 (in thousands of dollars)

7. TANGIBLE CAPITAL ASSETS (CONTINUED)

a) Assets under Construction

Assets under construction having a value of \$45,808 (2017 – \$60,377) have not been amortized.

b) Contributed Tangible Capital Assets

Contributed tangible capital assets are recognized at fair value at the date of contribution. A total of \$19,634 in land, land improvements and engineered structures was contributed to the County in 2018 (2017 – \$18,167).

c) Write-down of Tangible Capital Assets

The County did not write down any tangible capital assets in 2018 or 2017.

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	2018	2017
Tangible Capital Assets – Cost (Note 7)	\$ 2,579,675	\$ 2,481,542
Accumulated Amortization (Note 7)	(644,257)	(595,507)
Long-Term Debt (Note 5)	(171,805)	(165,423)
Local Improvements Levies Applicable to Debt	523	570
	\$ 1,764,136	\$ 1,721,182

9. ACCUMULATED SURPLUS

Accumulated surplus is composed of unrestricted (deficit), equity in tangible capital assets and reserves as follows:

	2018	2017
Unrestricted (Deficit)	\$ (8,813)	\$ (9,957)
Equity in Tangible Capital Assets	1,764,136	1,721,182
	1,755,323	1,711,225
Reserves:		
Stabilization and Contingency	12,309	17,413
Projects	59,450	71,998
Infrastructure Lifecycle, Maintenance and Replacement	125,735	116,413
Special Purpose	49,361	47,355
Strathcona County Library	4,732	4,726
	251,587	257,905
	\$ 2,006,910	\$ 1,969,130

The reserves groupings have been reported in accordance with the Strathcona County Council approved Policy: FIN-001-024 Financial Reserves.

10. OPERATING AND ACQUISITION LINES OF CREDIT

The County has an operating line of credit available for use, up to a maximum of \$5,000 (2017 – \$5,000), bearing interest at prime rate minus 0.5 per cent (2017 – 0.5 per cent) and is secured by the County at large. As at December 31, 2018, nil (2017 – 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 (2017 – \$2,449), bearing interest at prime minus 0.5 per cent (2017 – 0.5 per cent) and is secured by the County at large. As at December 31, 2018, nil (2017 – nil) was drawn against the available acquisition line of credit.

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2018 (in thousands of dollars)

11. COMMITMENTS AND CONTINGENT LIABILITIES

a) Capital

As at December 31, 2018, authorized costs for capital projects committed through a purchase order or other contractual agreement, but not yet expended, amounted to \$19,601 (2017 – \$24,633).

b) Leases

The County has ongoing operating leases for building space, parking space and bus stop usage.

The future minimum lease payments are due as follows:

2019	\$	670
2020		501
2021		502
2022		436
2023		419
Thereafter		838
	<u>\$</u>	<u>3,366</u>

c) Legal Disputes

As at December 31, 2018, the County was involved in various legal disputes. While it is not possible to estimate the outcome of these disputes, management believes that there will be no significant adverse effects on the financial position of the County.

d) Securities Held for Development Agreements and Permits

The County has taken performance securities from developers in the form of cash (recorded as deposit liabilities) or letters of credit for performance by the developers under the agreements or permits. Securities held by the County are reduced or increased accordingly as the associated work progresses.

	2018	2017
Securities		
Deposit Liabilities	\$ 10,916	\$ 11,018
Letters of Credit	55,435	52,323
	\$ 66,351	\$ 63,341

e) Contaminated Sites

The County has implemented procedures and systems for the recognition and measurement of liabilities associated with contaminated sites to ensure consistent and accurate identification. The County did not identify any contaminated sites meeting the applicable criteria, and did not recognize any financial liabilities as at December 31, 2018.

12. CONTRACTUAL RIGHTS AND CONTINGENT ASSETS

The County has initiated a number of insurance claims that arose from the normal course of operations. The County has also initiated significant insurance claims with regards to the Parkade Event, as disclosed in Note 13. The outcomes of these claims may result in assets in the future and cannot be estimated at this time. These amounts are not recorded in the consolidated financial statements.

The County has a contractual right to Provincial and Federal funds that have been allocated to the County. In 2018, the County was allocated \$14,865 (2017 – \$44,045) in Municipal Sustainability Initiative (MSI) Capital funding and \$5,408 (2017 – \$5,171) in Federal Gas Tax Fund (GTF) funding. The future receipt of these assets is dependent on submission and approval of project applications and satisfying subsequent reporting requirements. These allocations contributed to the total contractual rights of \$44,077 (2017 – \$38,038) for MSI and \$5,408 (2017 – \$3,834) for GTF. These amounts are not recorded in the consolidated financial statements.

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2018 (in thousands of dollars)

13. PARKADE EVENT

On November 6, 2018 there were two explosions in the Community Centre parkade as a result of the actions of a citizen. Due to the uncertainty of the situation and the concentration and unknown properties of smoke and soot throughout the entire complex (including the Community Centre, the Strathcona County Library, the underground parkade and County Hall), the complex was closed. The RCMP investigated the event and their file remains open.

The explosion did not cause major structural damage to the Community Centre complex and the building will be restored to its original state. County Hall re-opened to the public as of November 21, 2018 and the majority of the Community Centre re-opened to the public as of January 15, 2019; however, both the parkade and library remain closed with restoration efforts expected to continue into spring 2019. A temporary library location opened on December 10, 2018 and will remain open until the main library re-opens to the public.

Strathcona County Council approved \$14,000 in unbudgeted expenditures to restore the Community Centre complex as a result of this incident. The amount was based on insurance provider assessments. The County is insured under various insurance policies. The County is working closely with its insurers to recover the related expenditures. Reimbursements from the insurance company will be recorded in the period in which they are settled.

As at December 31, 2018 the total costs related to the incident were \$6,200, which will be submitted to the insurance provider. Costs incurred as a result of response or recovery efforts are capitalized or expensed in accordance with the accounting policies in Note 1. All operating expenses are recognized in the current year Statement of Operations and Accumulated Surplus in Fiscal Services. In Note 23 Segmented Information, the expenses are recognized in the Salaries, wages and benefits, Contracted and general services, and Supplies and materials categories. As of December 31, 2018, the County had not received any funds from the insurers as the determination of coverage had not been made.

14. BUDGET DATA

The 2018 Operating Budget, approved by Strathcona County Council on December 4, 2017, is reported on the accrual basis in accordance with Canadian Public Sector Accounting Standards, which excludes the repayment of long-term debt and reserve transactions. On March 27, 2018, Council reviewed the Elected Officials' Remuneration Policy and moved to increase their annual salary and to align the benefits and transition allowance with the changes. Council motion 2018/107 triggered a reallocation of \$71 of the operating expense budget from Fiscal Services to Elected Officials. In addition, the PHF budget, approved by the PHF Board of Directors on September, 27, 2017, has been consolidated into Fiscal Services.

The Capital Budget reports the planned activity for the year ended December 31, 2018, as follows:

	2018	2017
2018 Capital Budget approved by Council on December 4, 2017	\$ 69,191	\$ 65,555
2018 Approved Capital Budget Amendments	(71,696)	21,804
Unspent Prior Years Budgeted Capital Expenditures and Amendments	227,334	222,396
Budgeted Capital Expenditures planned to be incurred after 2018	(109,681)	(119,025)
Capital Budget for Acquisition of Tangible Capital Assets	\$ 115,148	\$ 190,730

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2018 (in thousands of dollars)

15. PROPERTY TAXES

	Municipal	Non-Municipal	2018	2017
Property Taxes				
Residential	\$ 74,928	\$ 45,672	\$ 120,600	\$ 120,142
Non-Residential	49,865	20,644	70,509	69,913
Linear	6,892	2,817	9,709	9,279
Machinery and Equipment	91,046	1,616	92,662	89,831
Local Improvement Levies	12	-	12	12
	<u>\$ 222,743</u>	<u>\$ 70,749</u>	<u>\$ 293,492</u>	<u>\$ 289,177</u>
Non-Municipal Requisitions				
Provincial Alberta School Foundation Fund			(58,867)	(57,589)
Elk Island CSRD No. 41			(7,222)	(7,289)
Designated Industrial Property			(432)	-
Sub-Total Provincial Requisitions			(66,521)	(64,878)
Heartland Housing Foundation			(4,228)	(2,940)
Taxes on Behalf of Non-Municipal Requisitioning Authorities			<u>\$ (70,749)</u>	<u>\$ (67,818)</u>
		2018 Budget		
Taxes for Provision of Municipal Services		<u>\$ 221,334</u>	<u>\$ 222,743</u>	<u>\$ 221,359</u>

16. GOVERNMENT TRANSFERS

	2018 Budget	2018	2017
Government Transfers for Operations			
Federal Transfers	\$ 116	\$ 425	\$ 144
Provincial Transfers	6,804	7,323	7,573
	<u>6,920</u>	<u>7,748</u>	<u>7,717</u>
Government Transfers for Capital			
Federal Transfers	4,961	1,557	5,278
Provincial Transfers	23,354	22,211	21,370
	<u>28,315</u>	<u>23,768</u>	<u>26,648</u>
	<u>\$ 35,235</u>	<u>\$ 31,516</u>	<u>\$ 34,365</u>

The nature of the major government transfers recognized during 2018, include, but are not limited to the following:

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

In 2018, the County received and accrued \$9,482 (2017 – \$30,286) in MSI Capital funding, including interest of \$656 (2017 – \$506). During 2018, \$17,593 (2017 – \$20,042) has been recognized in capital transfers. A total of \$23,869 (2017 – \$31,980) remains deferred to future years. As at December 31, 2018, \$2,699 (2017 – \$6,007) has been recognized as receivable under this program.

In 2018, the County received \$767 (2017 – \$813) in MSI Conditional Operating Funding. During 2018, \$767 (2017 – \$813) has been recognized in operating transfers.

From 2008 to 2010, the County received \$12,387 in MSI Affordable Housing Funding. During 2018, \$30 (2017 – \$45) has been recognized in operating and capital transfers. A total of \$110 (2017 – \$138), of the amounts received since inception of the initiative, remains deferred to future years, including interest of \$2 (2017 – \$3).

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2018 (in thousands of dollars)

16. GOVERNMENT TRANSFERS (CONTINUED)

The Federal government introduced the GTF 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. In 2018, the County received and accrued GTF amounts of \$4,024 (2017 – \$4,658), including interest of \$189 (2017 – \$132). During 2018, \$1,350 (2017 – \$3,565) has been recognized in capital and operating transfers. A total of \$12,229 (2017 – \$9,555), remains deferred to future years. As at December 31, 2018, nil (2017 – \$1,336) has been recognized as receivable under this program.

In 2017, the County was approved to receive funding from the Federal and Provincial government for Public Transit Infrastructure Fund (PTIF). PTIF funding will help accelerate municipal investments to support the rehabilitation of transit systems, new capital projects, and planning and studies for future transit expansion to foster long-term transit plans. In 2018, the County received and accrued \$628 (2017 – \$1,170) in PTIF Funding and \$628 (2017 – \$1,170) has been recognized in capital transfers. As at December 31, 2018, \$3 (2017 – \$1,170) has been recognized as receivable under this program.

The Resource Road Program (RRP) is a Provincial program that provides funding to municipalities to construct or rehabilitate road infrastructure that supports this industrial growth. The Provincial government has allocated \$7,000 in RRP funding for 2017-18 to rural Municipalities. The County received and accrued \$19 (2017 – 3,000) in RRP funding including interest of \$19 (2017 – nil). During 2018, \$3,019 (2017 – nil) has been recognized in capital transfers. As at December 31, 2018, \$300 (2017 – 3,000) has been recognized as receivable under this program.

The Provincial government announced the Green Transit Incentives Program (GreenTRIP) in July 2008. GreenTRIP supports new public transit projects that will lead to a reduction of greenhouse gas emissions and traffic congestion by decreasing the number of vehicles on the roads. In 2018, the County received and accrued of \$1,302 (2017 – \$973) and \$1,302 (2017 – \$973) has been recognized in capital transfers. As at December 31, 2018, \$766 (2017 – \$465) has been recognized as receivable under this program.

17. OTHER CAPITAL REVENUE

	2018 Budget	2018	2017
Development Levies and Charges	\$ 8,947	\$ 6,225	\$ (88)
Developer and Other Third Party Contributions	2,239	3,487	1,133
Other	2,950	588	7,333
	<u>\$ 14,136</u>	<u>\$ 10,300</u>	<u>\$ 8,378</u>

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2018 (in thousands of dollars)

18. SALARIES AND BENEFITS DISCLOSURE

The following salaries and benefits are disclosed on a cash flow basis, as required under the Supplementary Accounting Principles and Standards Regulation (AR 313/2000) of the MGA:

	Salaries	Benefits and Allowances	2018	2017
Elected Officials:				
Mayor	\$ 143	\$ 24	\$ 167	\$ 166
Councillor – Ward 1	78	16	94	74
Councillor – Ward 2	78	19	97	90
Councillor – Ward 3	78	16	94	88
Councillor – Ward 4	78	16	94	103
Councillor – Ward 5	78	18	96	91
Councillor – Ward 6	78	9	87	81
Councillor – Ward 7	78	12	90	96
Councillor – Ward 8	78	19	97	100
	<u>\$ 767</u>	<u>\$ 149</u>	<u>\$ 916</u>	<u>\$ 889</u>
Chief Commissioner	\$ 298	\$ 49	\$ 347	\$ 341

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, long-term disability insurance, and car allowance (2017 includes payment of transition allowances due to the fact that 2017 was an election year). Benefits also include the County's share of employment insurance for the Chief Commissioner.

19. PENSION PLAN

a) Local Authorities 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 10.39 per cent (2017 – 11.39 per cent) of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 14.84 per cent (2017 – 15.84 per cent) thereafter. Employees of the County are required to make current service contributions of 9.39 per cent (2017 – 10.39 per cent) of pensionable salary up to YMPE, and 13.84 per cent (2017 – 14.84 per cent) thereafter.

Total current service contributions by the County to LAPP in 2018 were \$13,128 (2017 – \$13,634). Total current service contributions by the employees of the County to LAPP in 2018 were \$12,029 (2017 – \$12,576).

b) APEX

The APEX supplementary pension plan, an Alberta Urban Municipalities Association (AUMA) sponsored defined benefit pension plan covered under the provisions of the Alberta Employment Pension Plans Act, commenced on January 1, 2004. This plan provides supplementary pension benefits to a prescribed class of employees and supplements LAPP.

Contributions are made by the prescribed class of employees and the County. The employees contribute 2.84 per cent (2017 – 2.84 per cent) and the County contributes 3.78 per cent (2017 – 3.78 per cent) of pensionable earnings up to \$147 (2017 – \$146).

Total contributions made by the employees to APEX in 2018 were \$303 (2017 – \$292). Total contributions made by the County to APEX in 2018 were \$403 (2017 – \$388).

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2018 (in thousands of dollars)

20. FINANCIAL INSTRUMENTS

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

21. RELATED PARTY DISCLOSURES

Related parties are consolidated within the Strathcona County financial statements as part of the reporting entity described in Note 1. Transactions with these entities occur as a normal course of business and are appropriately eliminated in the consolidated financial statements. Related parties also include the County's key management personnel and their close family members, including entities these individuals may control or influence. Key management personnel are those individuals who are included in Note 18 and other members of Executive Team. Transactions with these individuals and entities are considered to be in the normal course of business and are recorded at the exchange amount, which approximates fair value.

22. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform to the current year's presentation.

23. SEGMENTED INFORMATION

Segmented information has been identified based on the types of services provided by the County to its residents:

- a) Infrastructure and Planning Services is responsible for managing the County's infrastructure by planning, constructing, and maintaining streets, sidewalks and highways, designing and maintaining facilities and parks, and coordinating plans and permits. The division also facilitates economic growth, business support, diversification and innovation.
- b) Community Services focuses on creating a healthy, vibrant, safe and welcoming community that celebrates cultural and social inclusion. The operations of Community Services include emergency communications, management, and operations, and enforcement services and crime prevention. Community Services also offers individual and family support, programs and facilities, and transit services.
- c) Corporate Services is at the core of the County; its programs and services enable all departments to be fully functional. Corporate Services supports the front-line departments, caring for the facilities used by staff and residents, repairing transit and emergency vehicles, recruiting and training staff, optimizing the benefits of technology, providing legal advice and supporting the activities of Strathcona County Council.
- d) Financial and Strategic Management performs a number of vital support roles that help the organization successfully achieve its strategic goals. The division performs functions including, but not limited to, assessment and taxation, treasury and risk management, financial reporting and coordination, financial planning and procurement services.
- e) Senior Administration develops, implements, and administers policies and programs established and approved by Strathcona County Council. The division also supports, assists, and advises Council on legislation and municipal operations and coordinates communications.
- f) Elected Officials includes the Mayor and Council, who are stewards of the County's strategic plan, business plan, and budget. The County's Elected Officials govern and plan for success by providing leadership and direction to Administration in the review and approval of policies and programs that benefit our residents, businesses, and industry.

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2018 (in thousands of dollars)

23. SEGMENTED INFORMATION (CONTINUED)

- g)** Fiscal Services is a separate department that includes corporate revenue and expenses that are not specific to an individual department including: taxes, grants, requisitions, amortization and debt servicing costs. It also includes expenses relating to PHF which is a not-for-profit organization controlled by the County which holds land and buildings for the purpose of providing affordable housing.
- h)** Utility Operations plans for, designs, operates and maintains water, wastewater and stormwater infrastructure systems. The department also provides innovative waste management services and community energy services.
- i)** The Strathcona County Library is charged with providing comprehensive and efficient library services that meet the needs of the community.

Certain allocation methodologies are used in the preparation of segmented financial information. Taxation revenue 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 on the segment that generated the revenue. Government transfers have been allocated to the segment based on 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.

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2018 (in thousands of dollars)

23. SEGMENTED INFORMATION (CONTINUED)

	Municipal Operations										2018	2018 Budget (Note 14)	
	Infrastructure and Planning Services (excluding Utility Operations)	Community Services	Corporate Services	Financial and Strategic Management	Senior Administration	Elected Officials	Fiscal Services	Total Municipal Operations	Utility Operations	Strathcona County Library			
OPERATING REVENUE													
Property Taxes	\$ 43,204	\$ 89,110	\$ 38,653	\$ 8,264	\$ 5,799	\$ 1,475	\$ 26,764	\$ 213,269	\$ 12	\$ 9,462	\$ 222,743	\$ 221,334	
Utility User Rates	-	-	-	-	-	-	-	-	53,547	-	53,547	55,343	
User Fees and Charges	4,201	29,773	564	334	125	-	3,341	38,338	6,842	49	45,229	40,302	
Investment Income	-	-	-	-	-	-	7,438	7,438	1,252	174	8,864	6,805	
Government Transfer – Operating	232	6,053	-	-	6	-	855	7,146	40	562	7,748	6,920	
Penalties and Fines	21	5,251	-	-	-	-	1,462	6,734	-	139	6,873	6,158	
Other	831	7,751	234	387	19	-	2,165	11,387	25	194	11,606	9,401	
TOTAL OPERATING REVENUE	48,489	137,938	39,451	8,985	5,949	1,475	42,025	284,312	61,718	10,580	356,610	346,263	
EXPENSES													
Salaries, Wages and Benefits	28,797	91,437	24,523	7,271	4,756	1,007	2,418	160,209	11,049	6,543	177,801	173,964	
Contracted and General Services	11,893	23,234	11,140	924	424	235	8,947	56,797	16,187	398	73,382	63,606	
Supplies, Materials and Utilities	8,569	18,133	2,637	(505)	236	55	(338)	28,787	23,963	1,283	54,033	54,200	
Interest on Long-Term Debt	-	-	-	-	-	-	3,318	3,318	2,298	885	6,501	6,683	
Grants and Requisitions	157	1,670	82	-	131	-	686	2,726	285	-	3,011	2,514	
Amortization	-	-	-	-	-	-	49,793	49,793	7,811	1,436	59,040	60,593	
(Gain) on Asset Disposal	-	-	-	-	-	-	(3,366)	(3,366)	(84)	-	(3,450)	-	
Other Expenses	85	490	105	47	-	-	1,347	2,074	135	5	2,214	1,624	
TOTAL EXPENSES	49,501	134,964	38,487	7,737	5,547	1,297	62,805	300,338	61,644	10,550	372,532	363,184	
(DEFICIT) SURPLUS BEFORE CAPITAL REVENUE	(1,012)	2,974	964	1,248	402	178	(20,780)	(16,026)	74	30	(15,922)	(16,921)	
CAPITAL REVENUE													
Government Transfers – Capital	-	-	-	-	-	-	23,768	23,768	-	-	23,768	28,315	
Contributed Tangible Capital Assets	-	-	-	-	-	-	8,493	8,493	11,141	-	19,634	-	
Other Capital Revenue	-	-	-	-	-	-	6,688	6,688	3,597	15	10,300	14,136	
TOTAL CAPITAL REVENUE	-	-	-	-	-	-	38,949	38,949	14,738	15	53,702	42,451	
ANNUAL SURPLUS (DEFICIT)	\$ (1,012)	\$ 2,974	\$ 964	\$ 1,248	\$ 402	\$ 178	\$ 18,169	\$ 22,923	\$ 14,812	\$ 45	\$ 37,780	\$ 25,530	

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2018 (in thousands of dollars)

23. SEGMENTED INFORMATION (CONTINUED)

	Municipal Operations											2017 Budget (Note 14)	
	Infrastructure and Planning Services (excluding Utility Operations)	Community Services	Corporate Services	Financial and Strategic Management	Senior Administration	Elected Officials	Fiscal Services	Total Municipal Operations	Utility Operations	Strathcona County Library	2017		
OPERATING REVENUE													
Property Taxes	\$ 42,198	\$ 85,126	\$ 37,214	\$ 7,896	\$ 5,347	\$ 1,348	\$ 32,746	\$ 211,875	\$ 12	\$ 9,472	\$ 221,359	\$ 220,530	
Utility User Rates	-	-	-	-	-	-	-	-	52,521	-	52,521	54,184	
User Fees and Charges	4,421	29,316	739	345	123	-	3,795	38,739	2,291	69	41,099	40,071	
Investment Income	-	-	-	-	-	-	7,123	7,123	1,117	145	8,385	5,691	
Government Transfer – Operating	247	6,021	-	26	2	-	812	7,108	39	570	7,717	6,190	
Penalties and Fines	80	5,231	-	-	-	-	1,527	6,838	-	163	7,001	5,862	
Other	651	6,669	405	115	14	-	1,583	9,437	457	145	10,039	8,383	
TOTAL OPERATING REVENUE	47,597	132,363	38,358	8,382	5,486	1,348	47,586	281,120	56,437	10,564	348,121	340,911	
EXPENSES													
Salaries, Wages and Benefits	28,035	88,021	22,614	6,821	4,432	1,088	2,030	153,041	10,748	6,247	170,036	168,709	
Contracted and General Services	6,712	21,179	11,961	796	442	135	2,823	44,048	11,182	332	55,562	62,046	
Supplies, Materials and Utilities	7,825	16,126	2,269	(517)	165	57	(962)	24,963	22,634	1,317	48,914	53,032	
Interest on Long-Term Debt	-	-	-	-	-	-	3,269	3,269	2,353	919	6,541	6,942	
Grants and Requisitions	118	879	82	-	46	-	1,039	2,164	115	-	2,279	2,104	
Amortization	-	-	-	-	-	-	48,518	48,518	7,371	1,403	57,292	55,592	
(Gain) Loss on Asset Disposal	-	-	-	-	-	-	(1,483)	(1,483)	373	-	(1,110)	-	
Other Expenses	372	489	98	49	-	-	1,250	2,258	78	6	2,342	1,631	
TOTAL EXPENSES	43,062	126,694	37,024	7,149	5,085	1,280	56,484	276,778	54,854	10,224	341,856	350,056	
SURPLUS (DEFICIT) BEFORE CAPITAL REVENUE	4,535	5,669	1,334	1,233	401	68	(8,898)	4,342	1,583	340	6,265	(9,145)	
CAPITAL REVENUE													
Government Transfers – Capital	-	-	-	-	-	-	26,666	26,666	(18)	-	26,648	54,748	
Contributed Tangible Capital Assets	-	-	-	-	-	-	13,520	13,520	4,628	19	18,167	-	
Other Capital Revenue	-	-	-	-	-	-	8,008	8,008	361	9	8,378	40,503	
TOTAL CAPITAL REVENUE	-	-	-	-	-	-	48,194	48,194	4,971	28	53,193	95,251	
ANNUAL SURPLUS	\$ 4,535	\$ 5,669	\$ 1,334	\$ 1,233	\$ 401	\$ 68	\$ 39,296	\$ 52,536	\$ 6,554	\$ 368	\$ 59,458	\$ 86,106	