

Strathcona County 2015 Annual Management Report

Prepared by Financial Services

Prepared for

Council

April 19, 2016

Annual Operating Surplus for Tax Purposes for Municipal, Utility, Library Operations and Pioneer Housing Foundation (PHF)

1. Annual Operating Surplus for Tax Purposes

The 2015 annual operating surplus for tax purposes is \$21.1 million, which is an increase of \$7.6 million or 56% as compared to \$13.5 million in 2014. The annual operating surplus for tax purposes includes reserve transactions and debt repayments that are excluded from Public Sector Accounting Standards (PSAS) financial reporting.

Annual Operating Surplus for Tax Purposes	2015 \$M	2014 \$M	2013 \$M	2012 \$M
Municipal	17.9 (6.6%)	9.7 (3.7%)	10.7 (4.3%)	12.7 (5.3%)
Utility	3.1 (5.4%)	3.7 (6.8%)	4.9 (9.4%)	0.4 (0.8%)
Library	0.1 (0.8%)	0.1 (1.5%)	0.3 (2.8%)	0.3 (3.6%)
PHF	-	-	-	-
TOTAL	21.1 (6.3%)	13.5 (4.2%)	15.9 (5.1%)	13.4 (4.5%)

Please note that the percentages represent the proportion of surplus compared to the respective annual operating budgets.

2. Analysis of the 2015 Annual Operating Surplus for Tax Purposes

a. Municipal Operations – \$17.9 million – Contributing Factors (In Order of Significance)

Favourable:

- i. Municipal property tax revenues and supplemental taxes exceeding the budget
- ii. Savings from lower fuel, road oil and asphalt prices than anticipated
- iii. Savings in contracted services costs, including P4 snow clearing and RCMP contract costs
- iv. Unbudgeted gains realized from the disposal of investments
- v. Personnel cost savings due to staff turnover, vacancies, and deferred hiring (net of slippage)
- vi. Unbudgeted grant revenues, mainly due to the Public Safety Answering Point (911) grant funding
- vii. Additional penalty and fines revenues, mainly due to a focus on enforcement
- viii. Savings on utility costs due to lower electricity prices and volumes



b. Utility Operations – \$3.7 million – Contributing Factors (In Order of Significance)

Favourable:

- i. Higher net revenues from additional external contract work
- ii. Lower water and wastewater volumes than anticipated

c. Library Operations – No significant impacts to report.

d. Pioneer Housing Foundations Operations – No significant impacts to report.

2015-2018 Corporate Business Plan Progress Report (Appendix 1)

An integral component of the Business Plan and Budget Implementation (BPBI) Project includes performance measurement and progress reporting. As such, going forward, quarterly management reports will include progress reporting on the goals within the 2015-2018 Corporate Business Plan, which demonstrates linkages to the Strategic Plan. Performance measures will also be reported on as part of the corporate business plan progress report, including ongoing refinement to the measures themselves as part of an evolving process.

Within the Corporate Business Plan Q4 Progress Report, there are some performance measures that are marked as “under development” and targets that have not yet been set. This reflects administration’s commitment to continue working on developing meaningful measures and informed targets that can be reported on to demonstrate the progression of business plan goals. Through ongoing research, and as work continues as part of the Business Plan and Budget Implementation Project, we will continue to review current performance measures and refine as required.

Corporate business plan reporting will be emphasized within the Q2 and annual (Q4) management report.



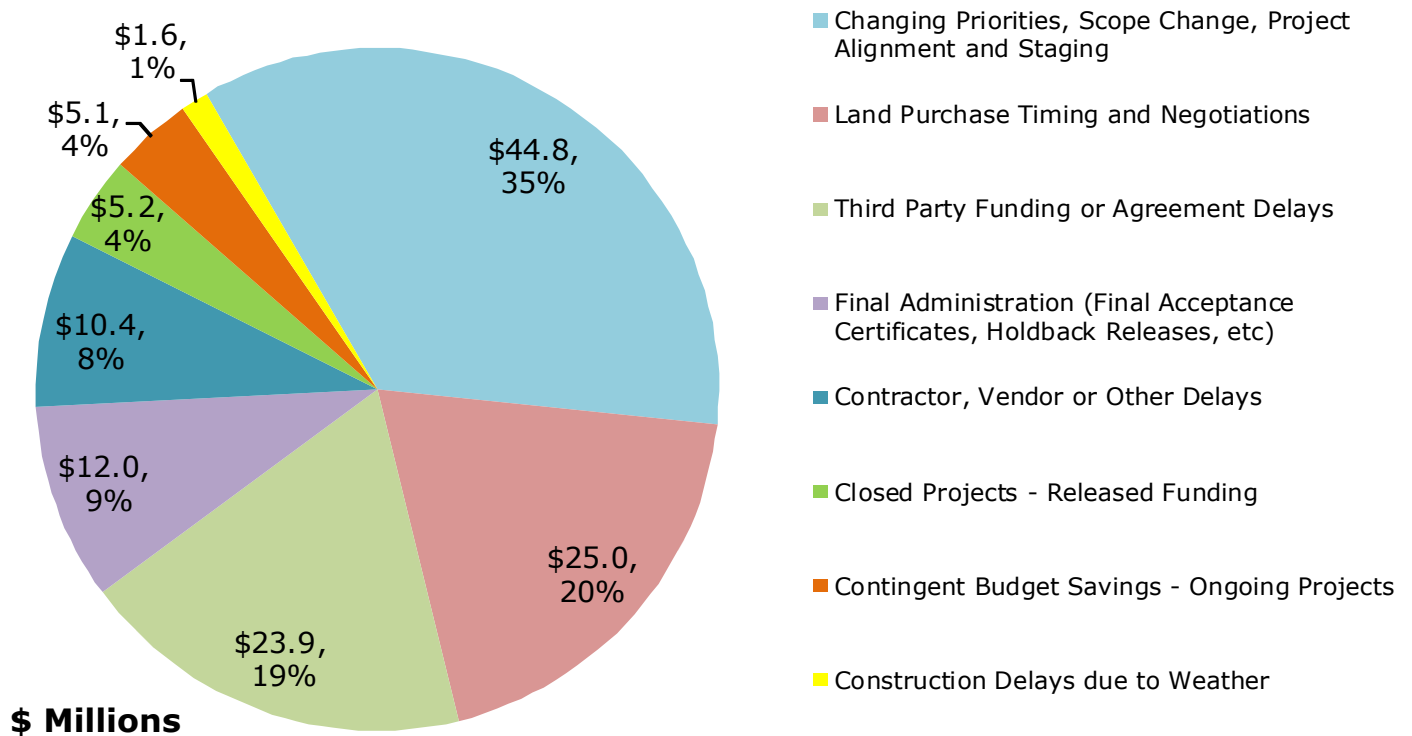
Capital Activity (Excluding PHF)

1. Capital Variance

The 2015 Capital Budget (cash flowed), as amended, totals \$216.9 million. The 2015 Capital Budget (cash flowed) is comprised of the 2015 Capital Budget of \$66.4 million, approved by Council on December 9, 2014; unspent prior years budgeted capital expenditures of \$274.2 million; less budget amendments approved in 2015 of (\$20.3) million; less budgeted capital expenditures planned to be incurred after 2015 of (\$103.4) million.

The capital spending, as of December 31, 2015, totals \$88.9 million (2014 \$89.8 million). Therefore, the 2015 budget variance between planned and actual capital expenditures is \$128.0 million. The supporting explanations for the 2015 capital variance of \$128.0 million are illustrated in the chart below.

2015 Capital Variance = \$128.0 Million



The total outstanding approved open capital project budget (non-cash flowed) totals \$226.1 million and there are 151 active capital projects at December 31, 2015.



2. Update on Completed Projects

During 2015, \$5.2 million of unused funding/financing was released from completed and cancelled projects with total combined budgets of \$64.9 million. Sixty-eight projects were completed \$5.2 million under budget. Of these amounts, \$2.2 million was from internal sources (reserves), \$2.6 was from debt financing, and \$0.4 million was budgeted to be funded from external grants and other sources. All funds released are allocated back to their original funding sources and are available for other emergent or future capital priorities.

3. Capital Project Count by Project Stage at December 31, 2015

<i>Project Stage ¹</i>	<i>2015</i>	<i>2014</i>	<i>2013 and Prior</i>	<i>Total by Stage</i>
1) 0 to 10% - Initiated	24	10	9	43
2) 11 to 85% - In Progress	16	12	19	47
3) 86 to 99% - Substantially Complete	14	11	36	61
TOTAL	54	33	64	151

¹ *Project Stage groupings are based on the assessments provided by responsible departments, based on the work or purchases completed to date. This is not reflective of the budgeted expenditures that have been incurred.*

4. 2015 Capital Budget Amendments

Thirty-seven (37) project amendments were approved in 2015 for a (\$20.3) million total net decrease of the capital budget as follows:

- i. 12 - 2015 projects were added in the amount of \$22.1 million
- ii. 7 - 2015 projects were amended to increase the budget by \$0.2 million
- iii. 15 - 2014 and prior year projects were amended to decrease the budget by (\$42.6) million.
- iv. 3 - 2014 and prior projects were amended without financial consequences, as funds were repurposed within the projects.



Assessment of the County's Financial Condition — Key Financial Indicators

The following section is prepared based on the 2015 Strathcona County Consolidated Financial Statements (draft) provided in Appendix 2. Please note, these statements are reported as draft until they are approved by Council. The Consolidated Financial Statements are prepared in accordance with Public Sector Accounting Standards (PSAS).

1. Statement of Financial Position — Highlights

a. Investments

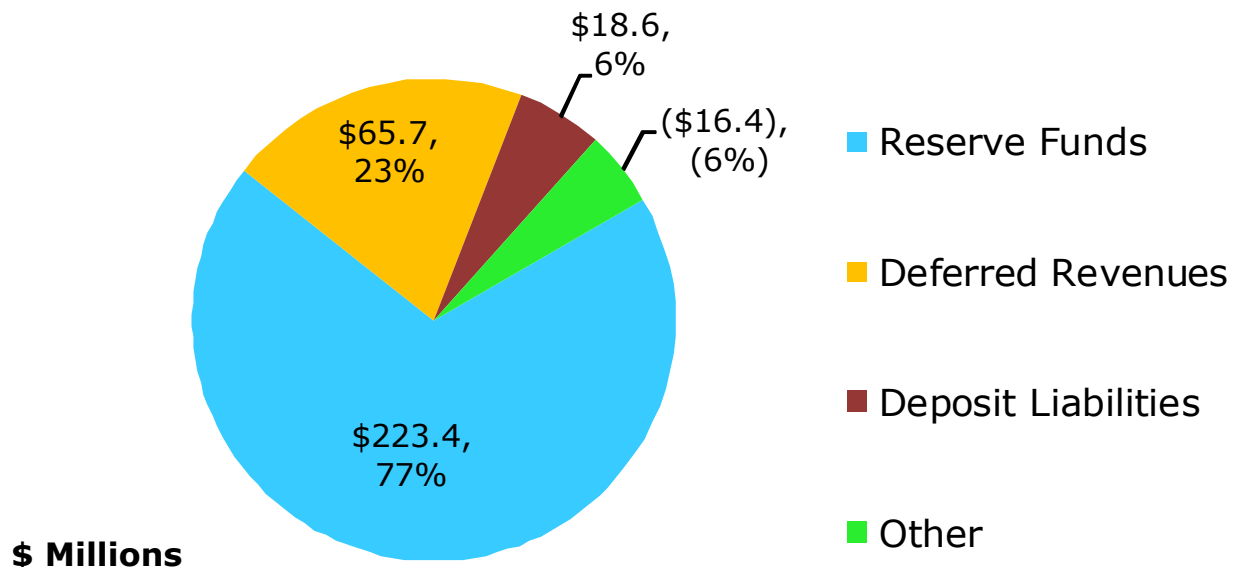
The County held \$291.3 million in investments at December 31, 2015 (2014 \$287.0 million). Prior to the allocation of interest to liabilities, the County earned \$7.3 million (2014 - \$7.5 million) in investment income, which was less than budgeted by (\$0.1) million, as the 2.32% (2014 - 2.52%) year-to-date weighted average return on investments was lower than the 2.42% (2014 - 2.42%) budgeted return. Additionally, \$1.8 million (2014 - \$0.5 million) of gains were realized from the disposal of investments.

Portfolio	Balance \$M	Effective Yield
Operating portfolio - terms up to one year	116.9	1.54% (2014 1.86%)
Mid-term portfolio - terms from one year to ten years	129.9	2.51% (2014 2.68%)
Long-term portfolio - terms greater than ten years	44.5	3.18% (2014 3.53%)
TOTAL	291.3	2.32% (2014 2.52%)

Please note the effective yield of each portfolio is calculated based on the average daily investment balance. Investments are in compliance with Policy: FIN-001-007 Investments.

The funds invested are mainly comprised of reserves, deferred revenues and deposit liabilities, as illustrated in the chart below. Please note that "Other" amounts mainly represent the use of funds to provide interim financing for capital projects in advance of borrowing.

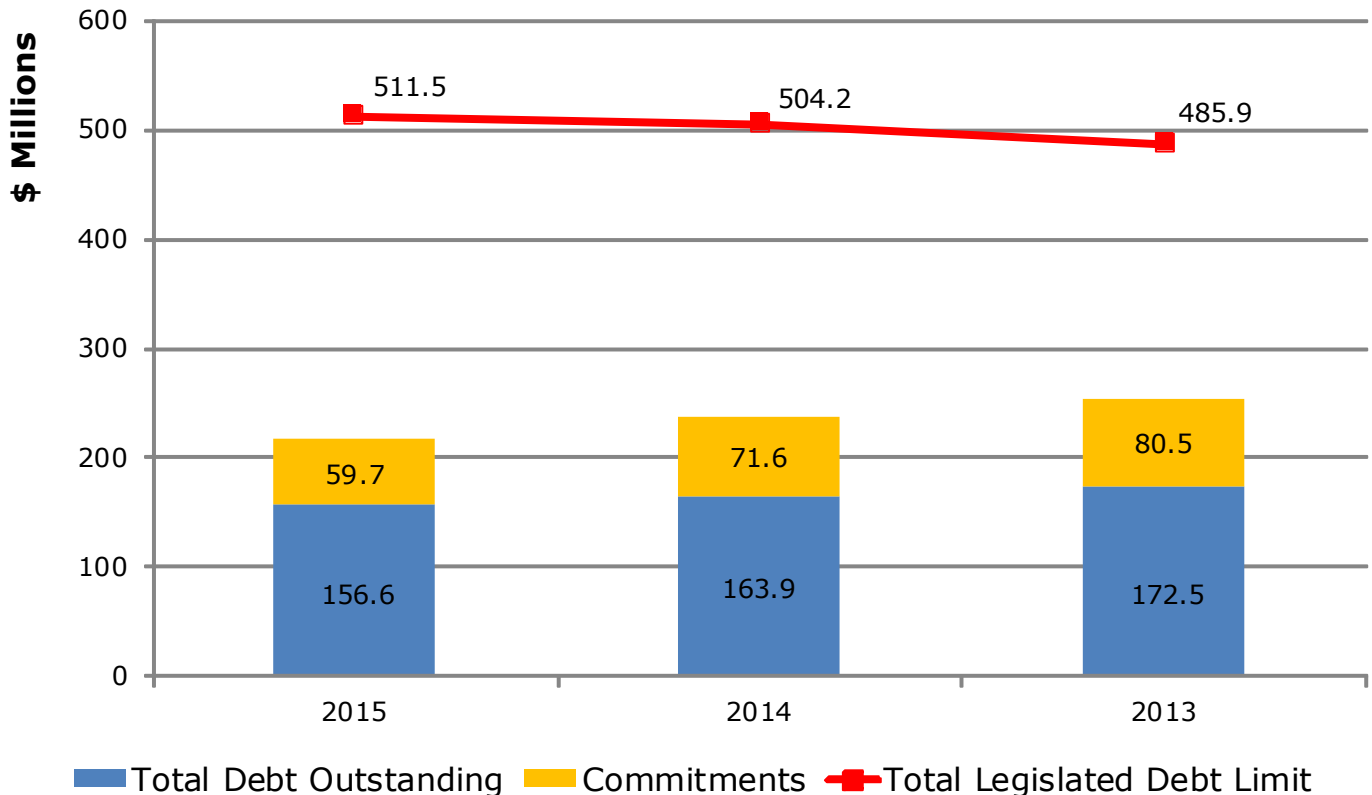
Composition of Investments = \$291.3 Million



b. Long-Term Debt

Long-term debt is only incurred to finance capital expenditures. Capital leases, which comprise part of the total debt outstanding, totalled \$0.1 million (2014 - \$0.2 million) at December 31, 2015. The total long-term debt outstanding at December 31, 2015 amounted to \$156.6 million (2014 - \$163.9 million), representing a decrease of (\$7.3) million from December 31, 2014. This is the result of \$4.6 million in new debt being issued and (\$11.9) million that was repaid.

Total Debt Outstanding versus Debt Limit



As of December 31, 2015, the County's remaining capacity to borrow is \$354.9 million (2014 - \$340.3 million) of the Municipal Government Act (MGA) legislated debt limit of \$511.5 million (2014 - \$504.2 million). Please note that the County has committed an additional \$59.7 million (2014 - \$71.6 million) of debt against capacity, through Council approved borrowing by-laws, as at December 31, 2015.

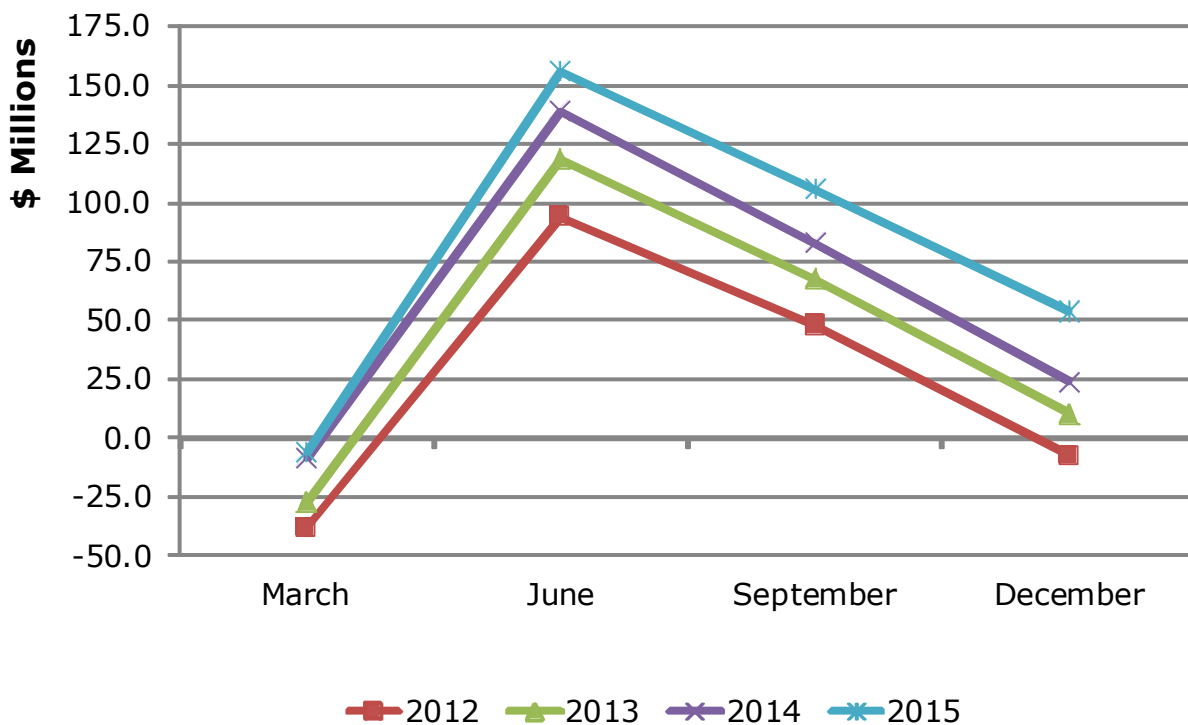


2. Net Financial Assets (Net Debt) Position

As of December 31, 2015, the County's net financial asset position was \$53.3 million compared to a \$23.6 million net financial asset position at December 31, 2014, an increase of \$29.7 million. Due to the significance of the County's capital activity, the timing of capital spending is a key contributor to changes in net financial assets. In 2015, the annual surplus exceeded the net investment in Tangible Capital Assets, resulting in the increase in net financial assets. The increase in net financial assets reflects an increase in our financial resources to meet future operating and capital needs.

a. Net Financial Assets Trend Analysis

Net Financial Assets (Net Debt)



Net financial assets trended normally for the 2015 year. Over a multi-year comparative period, net financial assets are increasing which corresponds to growth in reserves and decreases in long-term debt.



3. Reserves

The following table provides a summary of the County's reserve balances as at December 31, 2015 and includes the additional allocation of the 2015 annual operating surplus for tax purposes. The presentation of reserve groupings is in accordance with the policy: FIN-001-024 Financial Reserves.

Reserves	Committed \$M	Designated \$M	Total \$M	Optimal Variance \$M
Municipal				
Stabilization and Contingency	-	9.5	9.5	(2.6)
Projects	50.8	18.6	69.4	(3.0)
Infrastructure, Lifecycle, Maintenance and Replacement	25.1	37.8	62.9	4.1
Special Purpose	15.4	12.8	28.2	3.8
Total Municipal	91.3	78.7	170.0	2.3
Utilities				
Stabilization and Contingency	(0.3)	1.4	1.1	(1.3)
Projects	-	-	-	-
Infrastructure, Lifecycle, Maintenance and Replacement	3.3	40.1	43.4	(33.7)
Special Purpose	4.8	-	4.8	-
Total Utilities	7.8	41.5	49.3	(35.0)
Total Library	(0.1)	4.2	4.1	-
Total Reserves	99.0	124.4	223.4	(32.7)
Percent of Total	44%	56%	100%	

Please note that the optimal variance column is determined through a comparison of the reserve's optimal balance with the designated funds available within the respective reserve. A positive figure indicates a balance above the optimal amount and a negative figure indicates a balance below the optimal amount.

4. Accumulated Surplus

Accumulated surplus totals \$1,824.6 million at December 31, 2015 (\$1,697.1 million at December 31, 2014). The composition of the 2015 accumulated surplus is as follows:

- i. Reserves of \$223.4 million (2014 - \$191.5 million);
- ii. Investments in tangible capital assets of \$1,611.5 million (2014 - \$1,507.0 million); and
- iii. The unrestricted surplus (deficit) of (\$10.3) million (2014 - (\$1.4) million).



Appendix

1. 2015 - 2018 Corporate Business Plan Progress Report
2. Consolidated Financial Statements and Supporting Schedules for the year ended December 31, 2015 (unaudited)
3. Glossary of Terms





2015 - 2018 Corporate Business Plan Progress Report

For the period ending December 31, 2015

GOAL 1

Strathcona County has planned for long-term financial sustainability in support of service delivery and infrastructure asset management.

Outcome

Stakeholders are aware of and support multi-year capital and operating budgets and business plans, and the supporting principles and policies.

Linkages back to:

Strategic Plan Prioritized Goals

1. Strategically manage, invest and plan for sustainable infrastructure.

Economic Sustainability Framework

Progress

- Revisions to and approval of financial policies including quarterly financial reporting, investments, allocation of year end operating surplus for tax purposes, tangible capital assets financial reporting, and financial reserves policy for the inclusion of optimal reserve balance
- Continued implementation of the Business Plan and Budget Implementation Project included priority driven budget requests in the 2016 Proposed Budget
- Review of asset management between internal departments for the ongoing maintenance of County buildings to improve process efficiency and align asset management objectives

Objectives

- 1) Establish a long-range financial plan to guide decision making on appropriate growth, balance and timing of operating and capital costs.
- 2) Establish the business planning and budget process to guide priority-based decision making.
- 3) Identify appropriate service levels for the community and their costs.
- 4) Ensure current and future infrastructure is planned throughout its lifecycle, constructed and managed efficiently and effectively, balancing environmental, economic and operational realities, including capacity.

Key Performance Indicator and Measures	Benchmark	Target
Percentage of debt utilized (target to be set upon completion of long range financial plan)	30.6% (2015)	TBD
Percentage of committed to designated reserves (target to be set upon completion of long range financial plan)	44% committed 56% designated (2015)	TBD
Rate of optimal reserve balance to total reserves (under development)		
Infrastructure asset management measure (under development)		



GOAL 2

Strathcona County priorities, successes and challenges are known.

Outcome

Citizen, staff, and other stakeholders are informed about the community priorities, successes and challenges.

Linkages back to:

Strategic Plan Prioritized Goals

3. Increase public involvement and communicate with the community on issues affecting the County's future.
4. Advance the community's interests by developing and maintaining strong relationships with our neighbouring municipalities and civic organizations to ensure long-term prosperity.

Objectives

- 1) Provide open, transparent and meaningful stakeholder communication.
- 2) Use various communications tools to make the provision of municipal services known.
- 3) Inform stakeholders of the short- and longer-term strategic and corporate priorities.
- 4) Build support, knowledge and understanding of organizational direction.
- 5) Provide opportunities for public engagement and participation.

Progress

- Updates to the Strathcona County website homepage to give more prominence to County Connect's service requests
- Continuation of the social engagement program was implemented at the New Year's Eve festival (#NYEinSC)
- Website enhancements to provide more information regarding the Taxi Bylaw and Alarm Bylaw
- Feedback collected as part of the Glen Allan traffic calming workshops and open house assisted in the development of recommendations approved by Council in October
- Implementation of new online tax calculator to help residents estimate property taxes based on tax rates and tax increases after completing a project or adding something new to a property

Key Performance Indicator and Measures	Benchmark	Target
Citizens feel informed about services and activities	80.9% (2014)	85% (2018)
Citizen awareness of Strategic Plan	29.2% (2014)	50% (2018)
Citizen satisfaction in opportunity to express opinion (high/very high)	45.8 % (2014)	60% (2018)





GOAL 3

Economic opportunities are created through strategic partnerships.

Outcome

New industrial, commercial and residential developments are occurring at fiscally sustainable rates within Strathcona County.

Linkages back to:

Strategic Plan Prioritized Goals

2. Increase and diversify the petrochemical business.
4. Advance the community's interests by developing and maintaining strong relationships with our neighbouring municipalities and civic organizations to ensure long-term prosperity.

Economic Sustainability Framework

Objectives

- 1) Leverage external and internal partnerships to expand our economic capacity.
- 2) Strengthen relationships with other orders of government and regional municipalities.
- 3) Promote and support partnerships with groups, organizations and businesses in the community.
- 4) Sequence development by collaborative infrastructure investments and evaluate by decision support tools such as the sustainability frameworks.
- 5) Ensure new development is strategically planned and sustainably funded.
- 6) Direct focus on development within the Urban Service Area and Hamlet of Ardrossan.
- 7) Develop a generally available program to promote and support heavy industrial development.

Progress

- Updates to the Regional Transportation Model (RTM) are in progress with the City of Edmonton and Alberta Transportation
- Ongoing partnerships with community agencies including Boys and Girls Club, Parents Empowering Parents, Community Adult Learning and Literacy Society, and Mediation and Youth Justice Committee
- Heartland Area Structure Plan will be presented to Council in spring 2016

Key Performance Indicator and Measures	Benchmark	Target
Tax revenue by source type (target to be set upon completion of long range financial plan)	37% residential 63% non-residential (2014)	TBD
Citizens perception of Strathcona County's municipal government as collaborative (excellent/good)	52% (2015)	60% (2018)
Joint projects and regional initiatives measure (under development)		





GOAL 4

Informed decision making supports quality of life in the community.

Outcome

Anticipated growth maintains quality of life for our community.

Linkages back to:

Strategic Plan: overall

Economic Sustainability Framework

Environmental Sustainability Framework

Social Sustainability Framework

Objectives

- 1) Explore and present elements of change, such as the impact of decisions regarding growth.
- 2) Continue to use evidence-based analysis to inform planning and decision making.
- 3) Use program and service evaluation and adjustments to facilitate a safe, healthy and thriving community.
- 4) Provide opportunities for public awareness, engagement, and participation.

Progress

- Continued implementation of County Connect to include more departments' service requests
- Continued work with all County departments to discuss future direction of business continuity, municipal emergency plan, and Emergency Operations Centre
- Continued progress on the Social Sustainability Framework update
- Transit fare strategy report is currently being completed
- Update on the Open Space and Recreation Facility Strategy (OSRFS) was provided to Council in November

Key Performance Indicator and Measures	Benchmark	Target
Overall citizen satisfaction with quality of life (very high/high)	83.4% (2014)	85% (2018)
Citizen rating that quality of service is much better/better compared to two years ago	25.6% (2014)	40% (2018)
Evidence-based analysis and decision making measure (under development)		





GOAL 5

We are efficient and effective in daily operations.

Outcome

Strathcona County demonstrates efficient operations.

Linkages back to:

Strategic Plan Prioritized Goals

1. Strategically manage, invest and plan for sustainable municipal infrastructure.

Objectives

- 1) Promote innovation, technology and best practices appropriately.
- 2) Ensure policies, procedures and practices support and guide decision making at an appropriate level and that policies are regularly presented.
- 3) Continue to support service and program reviews.
- 4) Examine reallocation, or sharing of resources and leverage partnerships and revenue opportunities.
- 5) Support effective County operations and decision making through technology, integrated systems, tools, and performance measurement.

Progress

- Information technology roadmaps have been created for a number of departments
- New Chief Administrative Officer Bylaw was passed to clearly define administrative roles and responsibilities and triggered a program to update delegated authority
- Piloting of transit service controller project using GPS to monitor bus locations showed positive results (i.e. reduced missed connections)
- Trial of tablet technology to update Utilities' program status resulted in gained administrative and operational efficiencies
- Continuation of business mapping in the organization to identify opportunities for improved efficiency and effectiveness

Key Performance Indicator and Measures	Benchmark	Target
Citizens feel they are getting value for their tax dollar (very good/good)	59% (2014)	65% (2018)
Staff collaboration index	79.6 (2014)	85 (2018)
Operating expenses KPI/measures (under development)		
Efficiency/effectiveness service and program reviews (under development)		





GOAL 6

**Strathcona County is an employer of choice,
attracting and retaining the best people in all
aspects of municipal service delivery.**

Outcome

*Quality service delivery is evident
in staff engagement and customer
satisfaction.*

Linkages back to:

Strategic Plan: overall

Objectives

- 1) Promote leadership and collaboration throughout the organization.
- 2) Support appropriate training and development opportunities for staff.
- 3) Endorse and promote a culture that reflects our corporate values.
- 4) Support a comprehensive attraction and retention strategy.

Progress

- Planning for the next employee survey is underway
- Workshops held for County staff on leadership, coaching, and trust and collaboration
- Implementation of the Performance Planning and Review process is complete

Key Performance Indicator and Measures	Benchmark	Target
Overall citizen satisfaction with quality of service (very high/high)	79.4% (2014)	85% (2018)
Staff engagement index	79.6 (2014)	85 (2018)
Staff communication index	72.2 (2014)	77 (2018)
Work environment index	70.0 (2014)	75 (2018)
Career and compensation index	69.8 (2014)	75 (2018)
Permanent employee voluntary turnover rate	5.3% (2014)	TBD
Permanent employee short-term (less than 12 months) turnover rate	10.5% (2014)	TBD



STRATHCONA COUNTY
CONSOLIDATED
FINANCIAL STATEMENTS
Year ended December 31, 2015

STRATHCONA COUNTY
Consolidated Financial Statements
Year ended December 31, 2015

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MANAGEMENT REPORT

The accompanying consolidated financial statements are the responsibility of the management of Strathcona 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 reasonable limits of materiality in order to provide 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, 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, 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 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
Associate Commissioner, Chief Financial Officer

April 26, 2016



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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, 2015, the consolidated statements of operations and accumulated surplus, change in net financial assets 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.

Auditors' 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 judgment, 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 respects, the consolidated financial position of Strathcona County as at December 31, 2015, and its consolidated results of operations, its consolidated change in its net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

April 26, 2016
Edmonton, Canada

STRATHCONA COUNTY
Consolidated Statement of Financial Position
As at December 31, 2015 (in thousands of dollars)

	2015	2014
FINANCIAL ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 4,214	\$ -
Accounts Receivable		
Property Taxes	4,827	3,299
Government Transfers	9,853	2,409
Trade and Other	13,630	15,501
Development Levies and Charges	2,816	6,790
Land Held for Resale	2,632	2,625
Investments (Note 3)	291,293	286,988
Investment Interest Receivable	8,217	6,293
	<u>337,482</u>	<u>323,905</u>
LIABILITIES		
Cheques Issued in Excess of Cash (Note 2)	-	3,464
Accounts Payable and Accrued Liabilities (Note 4)	44,777	37,194
Deposit Liabilities (Note 5)	18,639	16,576
Deferred Revenue (Note 6)	64,088	79,058
Capital Leases (Note 7)	108	246
Long-Term Debt (Note 8)	156,545	163,724
	<u>284,157</u>	<u>300,262</u>
NET FINANCIAL ASSETS	<u>53,325</u>	<u>23,643</u>
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 12)	1,767,591	1,670,280
Inventories of Materials and Supplies	975	850
Prepaid Expenses	2,738	2,328
	<u>1,771,304</u>	<u>1,673,458</u>
ACCUMULATED SURPLUS (Note 14)	<u>\$ 1,824,629</u>	<u>\$ 1,697,101</u>
Commitments and Contingencies (Note 21)		

See accompanying Notes to Consolidated Financial Statements.

STRATHCONA COUNTY
Consolidated Statement of Operations and Accumulated Surplus
Year ended December 31, 2015 (in thousands of dollars)

	2015 Budget (Note 11)	2015	2014
OPERATING REVENUE			
Property Taxes (Note 15)	\$ 207,930	\$ 211,377	\$ 198,580
Utility User Rates	53,237	52,353	51,160
User Fees and Charges	39,257	41,870	44,257
Penalties and Fines	5,417	6,901	6,063
Investment Income	6,157	7,845	6,839
Government Transfers - Operating (Note 16)	5,457	7,412	7,531
Other	8,187	9,407	10,044
TOTAL OPERATING REVENUE	325,642	337,165	324,474
EXPENSES			
Infrastructure and Planning Services			
Capital Planning and Construction	4,033	3,195	2,905
Economic Development and Tourism	1,688	1,338	1,362
Planning and Development Services	11,318	9,509	9,443
Transportation and Agriculture Services	29,017	26,663	29,216
Utilities	55,589	53,823	53,585
	101,645	94,528	96,511
Community Services			
Emergency Services	33,144	32,388	31,709
Family and Community Services	7,109	7,412	7,167
Strathcona Transit	19,014	17,811	17,689
RCMP and Enforcement Services	22,477	21,137	20,296
Recreation, Parks and Culture	40,942	39,407	39,844
	122,686	118,155	116,705
Corporate Services	32,894	29,282	26,677
Chief Financial Officer	5,848	5,503	4,937
Senior Administration	6,381	6,260	6,035
Elected Officials	1,233	1,125	1,161
Fiscal Services	47,493	50,394	46,707
Strathcona County Library	9,758	9,702	9,390
Pioneer Housing Foundation	991	986	980
	104,598	103,252	95,887
TOTAL EXPENSES	328,929	315,935	309,103
SURPLUS (DEFICIT) BEFORE CAPITAL REVENUE	(3,287)	21,231	15,371
CAPITAL REVENUE			
Contributed Tangible Capital Assets (Note 12)	-	60,325	28,695
Government Transfers - Capital (Note 16)	48,356	43,941	27,507
Other Capital Revenues (Note 17)	38,538	2,032	11,688
TOTAL CAPITAL REVENUE	86,894	106,298	67,890
ANNUAL SURPLUS	83,607	127,528	83,261
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,697,101	1,697,101	1,613,840
ACCUMULATED SURPLUS, END OF YEAR (Note 14)	\$ 1,780,708	\$ 1,824,629	\$ 1,697,101

See accompanying Notes to Consolidated Financial Statements.

STRATHCONA COUNTY
Consolidated Statement of Change in Net Financial Assets (Net Debt)
Year ended December 31, 2015 (in thousands of dollars)

	2015 Budget (Note 11)	2015	2014
ANNUAL SURPLUS	\$ 83,607	\$ 127,528	\$ 83,261
Acquisition of Tangible Capital Assets	(216,894)	(88,863)	(89,769)
Contributed Tangible Capital Assets	-	(60,325)	(28,695)
Amortization of Tangible Capital Assets	50,699	51,153	46,674
Loss on Tangible Capital Asset Transfers and Disposals	-	307	1,948
Proceeds from Transfers and Disposals of Tangible Capital Assets	-	417	678
	<u>(82,588)</u>	<u>30,217</u>	<u>14,097</u>
Acquisition of Inventories of Materials and Supplies	-	(1,908)	(557)
Acquisition of Prepaid Expenses	-	(3,608)	(2,733)
Use of Inventories of Materials and Supplies	-	1,783	359
Use of Prepaid Expenses	-	3,198	2,054
	<u>-</u>	<u>(535)</u>	<u>(877)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS (NET DEBT)	(82,588)	29,682	13,220
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>23,643</u>	<u>23,643</u>	<u>10,423</u>
NET FINANCIAL ASSETS (NET DEBT), END OF YEAR	<u>\$ (58,945)</u>	<u>\$ 53,325</u>	<u>\$ 23,643</u>

See accompanying Notes to Consolidated Financial Statements.

STRATHCONA COUNTY
Consolidated Statement of Cash Flows
Year ended December 31, 2015 (in thousands of dollars)

	2015	2014
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual Surplus	\$ 127,528	\$ 83,261
Items Not Involving Cash:		
Contributed Tangible Capital Assets	(60,325)	(28,695)
Amortization of Tangible Capital Assets	51,153	46,674
Amortization of Premium (Discount) on Investments	51	(15)
Loss on Tangible Capital Asset Transfers and Disposals	307	1,948
Gain on Disposal of Investments	(1,835)	(540)
Changes to Non-Cash Assets and Liabilities:		
Property Taxes Receivable	(1,528)	566
Government Transfers Receivable	(7,444)	2,491
Trade and Other Receivables	1,871	(3,363)
Development Levies and Charges	3,974	(5,599)
Land Held for Resale	(7)	-
Accounts Payable and Accrued Liabilities	7,583	(8,331)
Deposit Liabilities	2,063	1,636
Deferred Revenue	(14,970)	16,196
Inventories of Materials and Supplies	(125)	(198)
Prepaid Expenses	(410)	(679)
Cash Provided by Operating Activities	<u>107,886</u>	<u>105,352</u>
CAPITAL		
Proceeds from Transfers and Disposal of Tangible Capital Assets	417	678
Acquisition of Tangible Capital Assets	(88,863)	(89,769)
Cash Applied to Capital Activities	<u>(88,446)</u>	<u>(89,091)</u>
INVESTING		
Purchase of Investments	(332,130)	(287,498)
Proceeds from Sale/Maturity of Investments	329,609	268,744
Change to Investment Interest Receivable	(1,924)	(1,258)
Cash Applied to Investing Activities	<u>(4,445)</u>	<u>(20,012)</u>
FINANCING		
Long-Term Debt Issued	4,600	4,410
Capital Leases Repaid	(138)	(594)
Long-Term Debt Repaid	(11,779)	(12,352)
Cash Applied to Financing Activities	<u>(7,317)</u>	<u>(8,536)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>7,678</u>	<u>(12,287)</u>
CASH AND CASH EQUIVALENTS (CHEQUES ISSUED IN EXCESS OF CASH), BEGINNING OF YEAR	<u>(3,464)</u>	<u>8,823</u>
CASH AND CASH EQUIVALENTS (CHEQUES ISSUED IN EXCESS OF CASH), END OF YEAR	<u>\$ 4,214</u>	<u>\$ (3,464)</u>
Cash Paid for Interest	\$ 7,015	\$ 7,590
Cash Received from Interest	\$ 5,451	\$ 6,565

See accompanying Notes to Consolidated Financial Statements.

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2015 (in thousands of dollars)

Strathcona County (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, revenues, expenses, and accumulated surplus of the reporting entity. The reporting entity is comprised of 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 that comprise County operations, the Strathcona County Library Board (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, including the Heartland Housing Foundation, the Alberta Capital Region Wastewater Commission, the Capital Region Northeast Water Services Commission, and the John S. Batiuk Regional Water Commission.

Property taxes levied also include requisitions for education and seniors housing; organizations that are not part of the government reporting entity. The consolidated financial statements exclude any trusts under administration for the benefit of external parties.

b) 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.

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 comprised of market value and regulated value assessments. Taxation revenues are recorded at the time the tax rates are authorized by Council and the tax notices are issued.

d) Government Transfers

Government transfers are recognized in the consolidated financial statements as revenues 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.

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2015 (in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Council, issued to the property owners, and the funds are used for the purpose specified.

f) 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.

g) 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.

h) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cheques issues in excess of cash and bank overdrafts. Cheques issued in excess cash results from outstanding cheques exceeding the outstanding deposits and cash on hand. The County's bank overdraft is included as a component of cash and cash equivalents as the bank balance can fluctuates from being positive cash position to overdrawn.

i) 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.

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 respective 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 investment and forms part of the deferred revenue balance.

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.

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2015 (in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Contaminated Sites Liability

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

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 all 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 - Years</u>
Land Improvements	10 - 25
Buildings	10 - 50
Engineered Structures	
Roadway System	10 - 80
Water Distribution System	35 - 90
Wastewater Treatment System	25 - 75
Storm Sewer System	15 - 75
Other Engineered Structures	5 - 40
Machinery and Equipment	4 - 40
Books and Periodicals	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 revenues in the Consolidated Statement of Operations and Accumulated Surplus.

iii. Leased Tangible Capital Assets

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 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 areas of public display. These assets are not recorded as tangible capital assets and are not amortized.

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2015 (in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 capital leases, 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, 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.

q) Future Accounting Standard Pronouncements

The following summarizes upcoming changes to Canadian Public Sector Accounting Standards issued by the Public Sector Accounting Standards Board. In 2016, the County will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently. The requirements in Financial Statement Presentation (PS1201), Financial Instruments (PS3450), Foreign Currency Translations (PS2601) and Portfolio Investments (PS3041) must be implemented at the same time.

Public Sector Accounting Standard	Name	Effective date (fiscal years beginning on or after...)
PS2200	Related Party Transactions	April 1, 2017
PS3420	Inter-Entity Transactions	April 1, 2017
PS3210	Assets	April 1, 2017
PS3320	Contingent Assets	April 1, 2017
PS3380	Contractual Rights	April 1, 2017
PS3430	Restructuring Transactions	April 1, 2018
PS1201	Financial Statement Presentation	April 1, 2019
PS3450	Financial Instruments	April 1, 2019
PS2601	Foreign Currency Translation	April 1, 2019
PS3041	Portfolio Investments	April 1, 2019

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2015 (in thousands of dollars)

2. CASH AND CASH EQUIVALENTS

	2015	2014
Cash	\$ 4,214	\$ -
Cheques Issued in Excess of Cash	-	(3,464)
	<u>\$ 4,214</u>	<u>\$ (3,464)</u>

The County has an operating line of credit available for use, up to a maximum of \$5,000 (2014 – \$5,000), bearing interest at prime rate minus 0.5 per cent (2014 – 0.5 per cent) and is secured by the County at large. As at December 31, 2015, nil (2014 – 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 (2014 – \$2,449), bearing interest at prime minus 0.50 per cent (2014 – 0.50 per cent) and is secured by the County at large. As at December 31, 2015, nil (2014 – nil) was drawn against the available acquisition line of credit.

3. INVESTMENTS

	2015		2014	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Term Deposits and Notes	\$ 171,311	\$ 171,345	\$ 154,604	\$ 154,604
Government Guaranteed Bonds	87,765	92,022	103,638	110,690
Corporate Bonds	32,217	34,483	28,746	30,454
	<u>\$ 291,293</u>	<u>\$ 297,850</u>	<u>\$ 286,988</u>	<u>\$ 295,748</u>

Term deposits and notes, government guaranteed bonds and corporate bonds have effective interest rates of 1.46 to 3.65 per cent (2014 – 1.75 to 4.38 per cent) with maturity dates from January 2016 to February 2026 (2014 – January 2015 to February 2032).

The market value of the bonds is based on quoted market values. The market value of the bonds fluctuates based on changes in market interest rates.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Trade	\$ 28,804	\$ 23,985
Employee Benefit Obligations	9,077	7,958
Payroll and Remittances	5,573	3,735
Interest	1,323	1,516
	<u>\$ 44,777</u>	<u>\$ 37,194</u>

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2015 (in thousands of dollars)

5. DEPOSIT LIABILITIES

	2015	2014
Security Deposits	\$ 15,997	\$ 14,529
Overlevies	681	265
Other Deposits	1,961	1,782
	<u>\$ 18,639</u>	<u>\$ 16,576</u>

6. DEFERRED REVENUE

Deferred revenue comprises the amounts noted below, the use of which, together with any earnings thereon, is externally restricted. Certain deferred revenues relate to government transfers as further described in Note 16.

	Balance at December 31, 2014	Externally Restricted Contributions	Interest Earned	Contributions Recognized as Revenue	Balance at December 31, 2015
Capital Government Transfers	\$ 43,078	\$ 23,980	\$ 674	\$ (43,941)	\$ 23,791
Operating Government Transfers	1,121	7,333	14	(7,412)	1,056
Development Levies & Charges	20,244	2,394	314	(1,006)	21,946
Other	14,615	12,709	52	(10,081)	17,295
	<u>\$ 79,058</u>	<u>\$ 46,416</u>	<u>\$ 1,054</u>	<u>\$ (62,440)</u>	<u>\$ 64,088</u>

7. CAPITAL LEASES

	2015	2014
Capital Leases	<u>\$ 108</u>	<u>\$ 246</u>

Capital leases have been issued on the credit and security of the County at large. Capital leases bear interest at rates of 4.32 per cent (2014 – 4.25 to 4.61 per cent) and mature in 2016.

Capital lease principal and interest payments are due as follows:

	Principal	Interest	Total
2016	<u>\$ 108</u>	<u>\$ 1</u>	<u>\$ 109</u>

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2015 (in thousands of dollars)

8. LONG-TERM DEBT

	2015	2014
Tax-supported Debentures – Municipal	\$ 40,059	\$ 39,857
Tax-supported Debentures – Library	21,522	22,207
	61,581	62,064
Non Tax-supported Debentures – Municipal – Local Improvements	\$ 82	\$ 86
Non Tax-supported Debentures – Utilities – Local Improvements	573	608
Non Tax-supported Debentures – Municipal	16,877	19,630
Non Tax-supported Debentures – Utilities	62,570	65,909
Non Tax-supported Debentures – PHF	14,862	15,427
	94,964	101,660
	\$ 156,545	\$ 163,724

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 2.46 to 9.13 per cent (2014 – 2.60 to 9.13 per cent) and matures in periods 2016 through 2040.

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

	Principal	Interest	Total
2016	\$ 9,669	\$ 6,534	\$ 16,203
2017	9,375	6,092	15,467
2018	9,541	5,672	15,213
2019	8,947	5,248	14,195
2020	9,098	4,863	13,961
Thereafter	109,915	33,786	143,701
	\$ 156,545	\$ 62,195	\$ 218,740

9. 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:

	2015	2014
Total debt limit	\$ 511,522	\$ 504,244
Total debt (including capital leases)	156,653	163,970
Percentage used	30.6%	32.5%
Service on debt limit	\$ 85,254	\$ 84,041
Service on debt (including capital leases)	16,312	18,932
Percentage used	19.1%	22.5%

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, 2015 (in thousands of dollars)

10. CONTAMINATED SITES LIABILITY

On January 1, 2015, the County adopted PS3260 Liability for Contaminated Sites, which establishes standards on recognition, and measurement of liabilities associated with contaminated sites, and provides requirements for financial statement presentation and disclosure. The County has implemented procedures, and systems to ensure consistent and accurate identification and estimation of liabilities associated with contaminated sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the County.

11. BUDGET DATA

The budget data presented in the consolidated financial statements of the County includes:

- The 2015 operating budget of \$325,642 (2014 – \$315,627), approved by Council on December 9, 2014.
- The capital budget of \$216,894 (2014 – \$148,130) (cash flowed), as amended, which is comprised of the following:
 - The 2015 capital budget of \$66,355 (2014 – \$100,579) approved by Council on December 9, 2014;
 - 2015 Council approved capital budget amendments of (\$20,345) (2014 – \$75);
 - Unspent prior years budgeted capital expenditures and amendments of \$274,183 (2014 – \$272,118); and
 - Budgeted capital expenditures planned to be incurred after 2015 of (\$103,299) (2014 – (\$224,642)).

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2015 (in thousands of dollars)

12. TANGIBLE CAPITAL ASSETS

Cost	Balance at January 1, 2015	Additions	Contributed Additions	Disposals	Balance at December 31, 2015
Land	\$ 446,022	\$ 3,189	\$ 24,659	\$ -	\$ 473,870
Land Improvements	79,068	14,574	5,817	(952)	98,507
Buildings	369,042	5,212	-	(152)	374,102
Engineered Structures	1,074,869	32,841	29,846	(12,079)	1,125,477
Machinery and Equipment	64,124	8,513	-	(4,288)	68,349
Books and Periodicals	5,267	615	3	(293)	5,592
Vehicles	69,538	2,026	-	(2,160)	69,404
Assets under Construction	45,794	21,893	-	-	67,687
	\$ 2,153,724	\$ 88,863	\$ 60,325	\$ (19,924)	\$ 2,282,988
Accumulated Amortization	Balance at January 1, 2015	Disposals		Amortization Expense	Balance at December 31, 2015
Land	\$ -	\$ -		\$ -	\$ -
Land Improvements	26,318	(890)		4,432	29,860
Buildings	82,039	(63)		8,985	90,961
Engineered Structures	315,355	(11,752)		26,231	329,834
Machinery and Equipment	30,180	(4,081)		5,787	31,886
Books and Periodicals	2,276	(293)		543	2,526
Vehicles	27,276	(2,121)		5,175	30,330
Assets under Construction	-	-		-	-
	\$ 483,444	\$ (19,200)		\$ 51,153	\$ 515,397
Net Book Value					Balance at December 31, 2015
Land					\$ 473,870
Land Improvements					68,647
Buildings					283,141
Engineered Structures					795,643
Machinery and Equipment					36,463
Books and Periodicals					3,066
Vehicles					39,074
Assets under Construction					67,687
					\$ 1,767,591

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2015 (in thousands of dollars)

12. TANGIBLE CAPITAL ASSETS (CONTINUED)

Cost	Balance at January 1, 2014	Additions	Contributed Additions	Disposals	Balance at December 31, 2014
Land	\$ 426,248	\$ 6,394	\$ 13,380	\$ -	\$ 446,022
Land Improvements	59,528	19,119	2,632	(2,211)	79,068
Buildings	360,837	8,890	-	(685)	369,042
Engineered Structures	1,033,395	42,618	12,660	(13,804)	1,074,869
Machinery and Equipment	62,692	5,093	6	(3,667)	64,124
Books and Periodicals	4,894	609	17	(253)	5,267
Vehicles	62,909	12,200	-	(5,571)	69,538
Assets under Construction	50,948	(5,154)	-	-	45,794
	\$ 2,061,451	\$ 89,769	\$ 28,695	\$ (26,191)	\$ 2,153,724

Accumulated Amortization	Balance at January 1, 2014	Disposals	Amortization Expense	Balance at December 31, 2014
Land	\$ -	\$ -	\$ -	\$ -
Land Improvements	26,928	(2,193)	1,583	26,318
Buildings	74,526	(685)	8,198	82,039
Engineered Structures	302,199	(13,035)	26,191	315,355
Machinery and Equipment	28,101	(3,455)	5,534	30,180
Books and Periodicals	2,021	(253)	508	2,276
Vehicles	26,560	(3,944)	4,660	27,276
Assets under Construction	-	-	-	-
	\$ 460,335	\$ (23,565)	\$ 46,674	\$ 483,444

Net Book Value	Balance at December 31, 2014
Land	\$ 446,022
Land Improvements	52,750
Buildings	287,003
Engineered Structures	759,514
Machinery and Equipment	33,944
Books and Periodicals	2,991
Vehicles	42,262
Assets under Construction	45,794
	\$ 1,670,280

a) Assets under Construction

Assets under construction having a value of \$67,687 (2014 – \$45,794) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2015 (in thousands of dollars)

12. TANGIBLE CAPITAL ASSETS (CONTINUED)

b) Contributed Tangible Capital Assets

Contributed tangible capital assets are recognized at fair value at the date of contribution. The value of contributed tangible capital assets received during the year is \$60,325 (2014 – \$28,695).

c) Write-down of Tangible Capital Assets

The County did not write down any tangible capital assets in 2015 or 2014.

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	2015	2014
Tangible Capital Assets – Cost (Note 12)	\$ 2,282,988	\$ 2,153,724
Accumulated Amortization (Note 12)	(515,397)	(483,444)
Capital Leases (Note 7)	(108)	(246)
Long-Term Debt (Note 8)	(156,545)	(163,724)
Local Improvements Levies Applicable to Debt (Note 8)	655	694
	<u>\$ 1,611,593</u>	<u>\$ 1,507,004</u>

14. ACCUMULATED SURPLUS

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

	2015	2014
Surplus:		
Unrestricted Surplus (Deficit)	\$ (10,330)	\$ (1,373)
Equity in Tangible Capital Assets	1,611,593	1,507,004
	<u>1,601,263</u>	<u>1,505,631</u>
Reserves:		
Stabilization and Contingency	10,638	10,404
Projects	69,449	57,551
Infrastructure Lifecycle, Maintenance and Replacement	106,198	86,057
Special Purpose	32,992	33,515
Library	4,089	3,943
	<u>223,366</u>	<u>191,470</u>
	<u>\$ 1,824,629</u>	<u>\$ 1,697,101</u>

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

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2015 (in thousands of dollars)

15. PROPERTY TAXES

	Municipal	Non-Municipal	2015	2014
Property Taxes				
Residential and Farmland	\$ 74,170	\$ 41,105	\$ 115,275	\$ 110,441
Commercial and Industrial	130,028	16,733	146,761	134,919
Electric Power and Pipeline	6,992	2,399	9,391	8,962
Government Grants in Lieu of Taxes	174	54	228	270
Local Improvement Levies	13	-	13	351
	\$ 211,377	\$ 60,291	\$ 271,668	\$ 254,943
Non-Municipal				
Provincial Alberta School Foundation Fund			50,802	47,759
Elk Island CSRD No. 41			6,790	6,582
Heartland Housing Foundation			2,699	2,022
Taxes on Behalf of Non-Municipal Requisitioning Authorities			\$ 60,291	\$ 56,363
Taxes for Provision of Municipal Services			\$ 211,377	\$ 198,580

16. GOVERNMENT TRANSFERS

	2015	2014
Government Transfers for Operations		
Federal Transfers	\$ 126	\$ 290
Provincial Transfers	7,286	7,241
	7,412	7,531
Government Transfers for Capital		
Federal Transfers	2,805	2,971
Provincial Transfers	41,136	24,536
	43,941	27,507
	\$ 51,353	\$ 35,038

The nature of the major government transfers recognized during 2015, include, but are not limited to the following:

The Provincial government introduced the Alberta Municipal Infrastructure Program (AMIP) Grant 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. In 2015, \$647 (2014 – \$393) was recognized in capital transfers, including interest of \$11 (2014 – \$19). The AMIP grant funds have been recognized in full as of December 31, 2015.

In 2011, the Provincial government consolidated the Basic Capital Grant, the Hamlet Streets Improvement Grant, the Rural Transportation Grant and the Provincial Highway Maintenance Grant into a single grant called the Basic Municipal Transportation Grant. In 2015, the County received nil (2014 – nil) under this program, and \$938 (2014 – \$2,860) has been recognized in capital transfers. A total of \$699 (2014 – \$1,612), including interest of \$25 (2014 – \$55), remains deferred to future years.

The Federal government introduced the Federal Gas Tax Fund 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 2015, the County received \$4,621 (2014 – nil) under this program, and \$2,872 (2014 – \$2,723) has been recognized in capital transfers. A total of \$6,713 (2014 – \$4,900), including interest of \$64 (2014 – \$111), remains deferred to future years.

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2015 (in thousands of dollars)

16. GOVERNMENT TRANSFERS (CONTINUED)

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 2015, the County received \$12,626 (2014 – \$25,254) in MSI Capital Funding, and \$31,232 (2014 – \$18,189) has been recognized in capital transfers. A total of \$16,177 (2014 – \$34,242) remains deferred to future years, including interest of \$541 (2014 – \$554).

– In 2015, the County received \$757 (2014 – \$819) in MSI Conditional Operating Funding. During 2015, \$792 (2014 - \$1,763) has been recognized in operating transfers. The MSI Conditional Operating funds have been recognized in full as of December 31, 2015.

– From 2008 to 2010, the County received \$12,387 in MSI Affordable Housing Funding. During 2015, \$88 (2014 – \$49) has been recognized in operating and capital transfers. A total of \$296 (2014 – \$377) of the amounts received since inception of the initiative remains deferred to future years, including interest of \$7 (2014 – \$9).

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 2015, the County received \$nil (2014 – \$896) in GreenTRIP funding, and \$6,438 (2014 – \$2,985) has been recognized in capital transfers. A receivable of \$6,438 (2014 – \$1,999 as a receivable) has been recorded.

17. OTHER CAPITAL REVENUES

	2015	2014
Development Levies and Charges	\$ 711	\$ 5,927
Developer Contributions	310	2,593
Other	1,011	3,168
	<u>\$ 2,032</u>	<u>\$ 11,688</u>

STRATHCONA COUNTY
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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 & Allowances	2015	2014
Elected Officials:				
Mayor	\$ 120	\$ 17	\$ 137	\$ 127
Councillor – Ward 1	71	8	79	76
Councillor – Ward 2	71	15	86	80
Councillor – Ward 3	71	13	84	78
Councillor – Ward 4	71	15	86	80
Councillor – Ward 5	71	15	86	80
Councillor – Ward 6	71	12	83	77
Councillor – Ward 7	71	9	80	73
Councillor – Ward 8	71	12	83	77
	\$ 688	\$ 116	\$ 804	\$ 748
Chief Commissioner	\$ 272	\$ 44	\$ 316	\$ 315

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

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 11.39 per cent (2014 – 11.39 per cent) of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 15.84 per cent (2014 – 15.84 per cent) thereafter. Employees of the County are required to make current service contributions of 10.39 per cent (2014 – 10.39 per cent) of pensionable salary up to YMPE, and 14.84 per cent (2014 – 14.84 per cent) thereafter.

Total current service contributions by the County to LAPP in 2015 were \$12,282 (2014 – \$11,461). Total current service contributions by the employees of the County to LAPP in 2015 were \$11,330 (2014 – \$10,634).

As stated in their 2014 Annual Report, LAPP serves 237,612 members and 423 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund. At December 31, 2014, the plan reported an actuarial deficiency of \$2.45 billion.

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2015 (in thousands of dollars)

19. PENSION PLAN (CONTINUED)

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 (Executive and Director level employees). The plan supplements the Local Authorities Pension Plan.

Contributions are made by the prescribed class of employees and Strathcona County. The employees contribute 2.50 per cent and Strathcona County contributes 3.00 per cent of pensionable earnings up to \$141 (2014 - \$139).

Total contributions made by the employees to APEX in 2015 were \$76 (2014 - \$72). Total contributions made by Strathcona County to APEX in 2015 were \$91 (2014 - \$86).

20. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and cash equivalents, 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 values of these financial instruments approximate their carrying values.

21. COMMITMENTS AND CONTINGENCIES

a) Capital

As at December 31, 2015, authorized costs on capital projects committed through a purchase order or other contractual agreement, but not yet expended, amounted to \$31,034 (2014 - \$58,904).

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:

2016	\$ 874
2017	\$ 775
2018	\$ 598
2019	\$ 569
2020	\$ 452

c) Legal Disputes

As at December 31, 2015, 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.

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2015 (in thousands of dollars)

21. COMMITMENTS AND CONTINGENCIES (CONTINUED)

d) Development Agreements

Developers have entered into agreements with the County in the amount of approximately \$10,908 (2014 – \$37,050) and are committed to the installation and construction of certain works to serve development of lands within the County. The County has taken performance securities from developers in the form of deposit liabilities in the amount of nil (2014 – nil) and letters of credit in the amount of \$3,899 (2014 – \$10,786) 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 until March 31, 2019. This agreement contains a provision for extension of the initial term for up to two additional two year periods.

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2015 (in thousands of dollars)

22. SEGMENTED INFORMATION

Segmented information has been identified based on the types of services provided by the County to its residents. The types of services 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	2015	2015 Budget (Note 11)
OPERATING REVENUE							
Property Taxes	\$ 202,655	\$ 13	\$ 8,709	\$ -	\$ -	\$ 211,377	\$ 207,930
Government Transfers - Operating	6,836	43	533	-	-	7,412	5,457
Utility User Rates	-	52,353	-	-	-	52,353	53,237
User Fees and Charges	38,615	3,089	166	-	-	41,870	39,257
Penalties and Fines	6,738	-	163	-	-	6,901	5,417
Investment Income	6,763	961	121	-	-	7,845	6,157
Other	8,482	209	140	1,254	(678)	9,407	8,187
TOTAL OPERATING REVENUE	270,089	56,668	9,832	1,254	(678)	337,165	325,642
EXPENSES							
Salaries, Wages and Benefits	137,062	10,453	5,819	-	-	153,334	153,990
Contracted and General Services	42,046	12,263	352	6	-	54,667	59,823
Supplies, Materials and Utilities	22,538	21,902	1,175	-	-	45,615	53,698
Interest on Long-Term Debt	3,214	2,625	983	678	(678)	6,822	7,332
Grants and Requisitions	2,150	-	-	-	-	2,150	1,960
Amortization	42,406	6,405	1,362	980	-	51,153	50,699
Loss on Asset Transfers and Disposals	211	88	8	-	-	307	-
Other Expenses	1,797	87	3	-	-	1,887	1,427
TOTAL EXPENSES	251,424	53,823	9,702	1,664	(678)	315,935	328,929
SURPLUS (DEFICIT) BEFORE CAPITAL REVENUE	18,665	2,845	130	(410)	-	21,230	(3,287)
CAPITAL REVENUE							
Contributed Tangible Capital Assets	42,825	17,497	3	-	-	60,325	-
Government Transfers - Capital	41,325	2,616	-	-	-	43,941	48,356
Other Capital Revenues	1,866	166	-	-	-	2,032	38,538
TOTAL CAPITAL REVENUE	86,015	20,279	3	-	-	106,298	86,894
ANNUAL SURPLUS	104,681	23,124	133	(410)	-	127,528	83,607
ACCUMULATED SURPLUS (DEFICIT), BEGINNING OF YEAR	1,389,560	289,613	9,317	16,035	(7,424)	1,697,101	1,697,101
ACCUMULATED SURPLUS (DEFICIT), END OF YEAR	\$1,494,241	\$ 312,737	\$ 9,450	\$ 15,625	\$ (7,424)	\$1,824,629	\$1,780,708

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2015 (in thousands of dollars)

22. SEGMENTED INFORMATION (CONTINUED)

	Municipal Operations	Utility Operations	Library Operations	PHF Operations	Eliminations	2014
REVENUE						
Property Taxes	\$ 189,807	\$ 351	\$ 8,422	\$ -	\$ -	\$ 198,580
Government Transfers - Operating	6,988	18	525	-	-	7,531
Utility User Rates	-	51,160	-	-	-	51,160
User Fees and Charges	38,830	5,255	172	-	-	44,257
Penalties and Fines	5,891	-	172	-	-	6,063
Investment Income	5,734	982	123	-	-	6,839
Other	9,241	141	148	1,206	(692)	10,044
TOTAL REVENUES	256,491	57,907	9,562	1,206	(692)	324,474
EXPENSES						
Salaries, Wages and Benefits	128,904	9,170	5,595	-	-	143,669
Contracted and General Services	43,335	13,438	317	6	-	57,096
Supplies, Materials and Utilities	25,224	21,704	1,106	-	-	48,034
Interest on Long-Term Debt	3,561	2,808	1,013	692	(692)	7,382
Grants and Requisitions	2,165	-	-	-	-	2,165
Amortization	38,010	6,352	1,338	974	-	46,674
Loss on Asset Transfers and Disposals	1,932	-	16	-	-	1,948
Other Expenses	2,017	113	5	-	-	2,135
TOTAL EXPENSES	245,148	53,585	9,390	1,672	(692)	309,103
SURPLUS (DEFICIT) BEFORE CAPITAL REVENUE	11,343	4,322	172	(466)	-	15,371
CAPITAL REVENUE						
Contributed Tangible Capital Assets	21,203	7,475	17	-	-	28,695
Government Transfers - Capital	25,265	2,242	-	-	-	27,507
Other Capital Revenues	5,675	6,001	12	-	-	11,688
TOTAL CAPITAL REVENUE	52,143	15,718	29	-	-	67,890
ANNUAL SURPLUS	63,486	20,040	201	(466)	-	83,261
ACCUMULATED SURPLUS (DEFICIT), BEGINNING OF YEAR	1,326,074	269,573	9,116	16,501	(7,424)	1,613,840
ACCUMULATED SURPLUS (DEFICIT), END OF YEAR	\$1,389,560	\$ 289,613	\$ 9,317	\$ 16,035	\$ (7,424)	\$1,697,101

23. COMPARATIVE INFORMATION

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

GLOSSARY OF TERMS:

- **Annual Operating Surplus for Tax Purposes** – The annual surplus or (deficit) resulting from the modified cash flow basis, which includes debt repayment expenditures and reserve transactions, and excludes amortization expense, gains/losses on asset disposals and capital revenues, unlike the Public Sector Accounting Standards (PSAS) Surplus.
- **Committed** – Funding approved as per FIN-001-024: Municipal Reserves policy to be applied towards specific expenditures.
- **Designated** – Funding designated to reserves for a specific purpose, which has not yet been approved by Council to be applied towards specific expenditures.
- **Forecast Variances** – Future variances to budget that have yet to occur, but are expected to be realized based on current information, and are projected to affect the year-end surplus or (deficit).
- **Permanent Differences** – Variances to budget that have occurred and will affect the year-end surplus or (deficit).
- **PSAS Surplus** – The surplus or (deficit) resulting from financial statements prepared in accordance with PSAS.
- **Timing Differences** – Variances to budget that are expected to reverse during the remainder of the year and not affect the year-end surplus or (deficit).
- **Year-End Forecast** – Permanent Differences plus the Forecast Variances make up the Year-End Forecast surplus or (deficit).
- **Year-To-Date Operating Variance** – The favourable or (unfavourable) difference between budget and actuals at a point in time including any Timing Differences.