

STRATHCONA COUNTY
CONSOLIDATED
FINANCIAL STATEMENTS
Year ended December 31, 2012

STRATHCONA COUNTY
Consolidated Financial Statements
Year ended December 31, 2012

Index

Management Report.....	1
Auditors' Report	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus.....	4
Consolidated Statement of Change in Net Debt.....	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements.....	7-24

MANAGEMENT REPORT

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

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

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

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

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



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

April 23, 2013



KPMG LLP
Chartered Accountants
10125 – 102 Street
Edmonton AB T5J 3V8
Canada

Telephone (780) 429-7300
Fax (780) 429-7379
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council of Strathcona County

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

Management's Responsibility for the Consolidated Financial Statements

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

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, 2012, and its consolidated results of operations, its consolidated change in its net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

April 23, 2013
Edmonton, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

KPMG Confidential

STRATHCONA COUNTY
Consolidated Statement of Financial Position
As at December 31, 2012 (in thousands of dollars)

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

Commitments and Contingencies (Note 21)
Subsequent Event (Note 26)

See accompanying Notes to Consolidated Financial Statements

STRATHCONA COUNTY
Consolidated Statement of Operations and Accumulated Surplus
Year ended December 31, 2012 (in thousands of dollars)

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

See accompanying Notes to Consolidated Financial Statements.

STRATHCONA COUNTY
Consolidated Statement of Change in Net Debt
Year ended December 31, 2012 (in thousands of dollars)

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

See accompanying Notes to Consolidated Financial Statements.

STRATHCONA COUNTY
Consolidated Statement of Cash Flows
Year ended December 31, 2012 (in thousands of dollars)

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

See accompanying Notes to Consolidated Financial Statements

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2012 (in thousands of dollars)

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Consolidation

i) Consolidated Entities

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

ii) Accounting for Housing Management Bodies and School Board Entities

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

b) Related Entities

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

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

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

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

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2012 (in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Basis of Accounting

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

d) Use of Estimates

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

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

Actual results could differ from those estimates.

e) Local Improvements

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

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

f) Land Held for Resale

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

g) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

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

h) Requisition Overlevies and Underlevies

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

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

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

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2012 (in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Deferred Revenue

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

Development levies are collected pursuant to agreements between the County and developers. Accumulated development levies are credited with interest based on the County's average rate of return on investments.

j) Government Transfers

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

k) Provision for Landfill Post-Closure Costs

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

l) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations.

i. Tangible Capital Assets

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

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

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is put into service.

ii. Contributions of Tangible Capital Assets

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

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2012 (in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii. Leased Tangible Capital Assets

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

iv. Inventories of Supplies

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

v. Works of Art and Historical Treasures

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

m) Pension Expenses

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

n) Reserves for Future Expenditures

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

o) Equity in Tangible Capital Assets

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

2. CASH AND TEMPORARY INVESTMENTS

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

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

3. AVAILABLE CREDIT FACILITIES

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

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2012 (in thousands of dollars)

3. AVAILABLE CREDIT FACILITIES (CONTINUED)

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

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

4. LAND HELD FOR RESALE

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

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

5. INVESTMENTS

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

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

The market value of the bonds is based on quoted market values. The market value of the bonds fluctuates with changes in market interest rates. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. Market values are based on market conditions at a certain point in time and as such, may not be reflective of future fair values. The carrying amounts exclude accrued interest receivable in the amount of \$6,347 (2011 – \$6,749) which has been included in Trade and Other Accounts Receivable.

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2012 (in thousands of dollars)

6. DEPOSIT LIABILITIES

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

7. DEFERRED REVENUE

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

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

8. PROVISION FOR LANDFILL POST-CLOSURE COSTS

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

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

9. CAPITAL LEASES

	2012	2011
Capital Leases	<u>\$ 1,776</u>	<u>\$ 3,516</u>

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

Capital lease principal and interest payments are due as follows:

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

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2012 (in thousands of dollars)

10. LONG-TERM DEBT

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

Debenture debt has been issued on the credit and security of the County at large. Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 2.599 to 9.125 per cent and matures in periods 2013 through 2037.

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

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

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2012 (in thousands of dollars)

11. DEBT AND DEBT SERVICE LIMITS

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

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

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

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2012 (in thousands of dollars)

12. TANGIBLE CAPITAL ASSETS

Cost	Balance at December 31, 2011 (Restated - Note 24)	Additions	Contributed Additions	Disposals	Balance at December 31, 2012
Land	\$ 439,486	\$ 481	\$ 8,632	\$ (53,436)	\$ 395,163
Land Improvements	51,099	2,144	239	(461)	53,021
Buildings	303,214	25,271	-	-	328,485
Engineered Structures	950,692	45,973	6,342	(17,251)	985,756
Machinery and Equipment	51,391	8,847	-	(1,627)	58,611
Books and Periodicals	4,150	609	-	(247)	4,512
Vehicles	59,143	1,737	-	(3,269)	57,611
Assets under Construction	61,247	9,725	-	-	70,972
	\$ 1,920,422	\$ 94,787	\$ 15,213	\$ (76,291)	\$ 1,954,131

Accumulated Amortization	Balance at December 31, 2011	Disposals	Amortization Expense	Balance at December 31, 2012
Land	\$ -	\$ -	\$ -	\$ -
Land Improvements	22,627	(461)	2,590	24,756
Buildings	58,189	-	8,257	66,446
Engineered Structures	277,102	(15,843)	24,915	286,174
Machinery and Equipment	21,643	(1,403)	4,885	25,125
Books and Periodicals	1,603	(247)	433	1,789
Vehicles	24,046	(2,780)	3,880	25,146
Assets under Construction	-	-	-	-
	\$ 405,210	\$ (20,734)	\$ 44,960	\$ 429,436

Net Book Value	Balance at December 31, 2011 (Restated - Note 24)	Net Book Value December 31, 2012
Land	\$ 439,486	\$ 395,163
Land Improvements	28,472	28,265
Buildings	245,025	262,039
Engineered Structures	673,590	699,582
Machinery and Equipment	29,748	33,486
Books and Periodicals	2,547	2,723
Vehicles	35,097	32,465
Assets under Construction	61,247	70,972
	\$ 1,515,212	\$ 1,524,695

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2012 (in thousands of dollars)

12. TANGIBLE CAPITAL ASSETS (CONTINUED)

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

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

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

a) Assets under Construction

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

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2012 (in thousands of dollars)

12. TANGIBLE CAPITAL ASSETS (CONTINUED)

b) Contributed Tangible Capital Assets

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

c) Write-down of Tangible Capital Assets

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

13. EQUITY IN TANGIBLE CAPITAL ASSETS

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

14. ACCUMULATED SURPLUS

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

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

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2012 (in thousands of dollars)

15. PROPERTY TAXES

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

16. GOVERNMENT TRANSFERS

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

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

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

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

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2012 (in thousands of dollars)

16. GOVERNMENT TRANSFERS (CONTINUED)

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

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

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

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

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

17. OTHER CAPITAL REVENUES

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

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2012 (in thousands of dollars)

18. SALARIES AND BENEFITS DISCLOSURE

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

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

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

19. PENSION PLAN

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

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

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

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

20. FINANCIAL INSTRUMENTS

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

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2012 (in thousands of dollars)

21. COMMITMENTS AND CONTINGENCIES

a) Capital

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

b) Leases

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

The future minimum lease payments are as follows:

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

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

c) Legal Disputes

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

d) Development Agreements

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

e) Alberta Health Services

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

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2012 (in thousands of dollars)

22. SEGMENTED INFORMATION

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

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

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

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

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2012 (in thousands of dollars)

22. SEGMENTED INFORMATION (CONTINUED)

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

23. BUDGET DATA

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

STRATHCONA COUNTY
Notes to Consolidated Financial Statements
Year ended December 31, 2012 (in thousands of dollars)

24. RESTATEMENT

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

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

Accumulated Surplus at January 1, 2011

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

Accumulated Surplus at December 31, 2011

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

25. COMPARATIVE FIGURES

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

26. SUBSEQUENT EVENT

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