CITY OF ST. ALBERT

CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND THE 2018 FINANCIAL STATEMENT, DISCUSSION & ANALYSIS (FSD&A)

Table of Contents

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

The 2018 Annual Report for the City of St. Albert provides its recent financial performance, including significant financial practices, strategies, and events.

Combined with the City's consolidated financial statements, the Financial Statement Discussion and Analysis (FSD&A) section of the Annual Report is prepared by management in accordance with the principles and standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada, as well as the *Municipal Government Act* and provincial and federal regulations.

The FSD&A aims to provide the past year's results, with a summary of the sources, allocation and use of the economic resources, while capturing significant differences between the reported year and previous year as well as budgeted and actual results. This reports on how the financial resources entrusted to the City are being managed to provide municipal infrastructure, programs, and services. It depicts how the activities of the period have affected the municipality's results. Moreover, the FSD&A also identifies trends, risks and anticipated events that could have financial implications on the operations of the City.

Management has made every effort to ensure the consolidated financial statements present a fair accounting of the City's consolidated operating and capital activities for the fiscal year ended December 31, 2018. The City's consolidated financial statements are prepared and reported in observation of the City's policies and bylaws, where City Council provides governance and guidance to policy and bylaw changes and approval. To ensure accountability, City Council conducts quarterly and year-end reviews of the financial results. The consolidated financial statements include the City government and its utilities, the St. Albert Public Library and the Arts and Heritage Foundation of St. Albert.

The City's auditor, KPMG LLP, has audited the consolidated financial statements and provided the accompanying Independent Auditors' Report. The consolidated financial statements and auditors' report satisfy a legislative reporting requirement as set out by the *Municipal Government Act*.

The FSD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes. The responsibility for the preparation of both the consolidated financial statements and the FSD&A rests with the City's management. A multi-year statistical and financial section is provided for additional information.

The City's 2018 Consolidated Financial Statements include:

- **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
  It reports financial assets, liabilities, net assets (debt), non-financial assets and accumulated surplus at December 31 year-end. This statement is used to evaluate the City's ability to finance its activities and satisfy its obligations and commitments.
- **CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**
  It reports revenues earned, expenses incurred and results of the fiscal year as annual surplus or deficit and summarizes the change in accumulated surplus.
- **CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**
  It reports the changes in net financial assets (debt) at year-end. This statement provides information regarding the extent to which expenditures in the year were met by revenues recognized in the year. It is a key indicator of the City's overall financial health.
- **CONSOLIDATED STATEMENT OF CASH FLOWS**
  It reports the cash resources provided by operations and financing and how cash was used during the reporting period. It reflects the net change in cash and cash equivalents since the last reporting period.

FINANCIAL HIGHLIGHTS

The significant events that contributed to the positive result at December 31, 2018 include:

- In 2018, the City decreased cash and cash equivalents by $9.9M due largely to investing and financing activities.
- The City's net financial assets position decreased by $9.7M to $82.2M, due to the increase in liabilities being larger than the increase in assets primarily due to an increase in deferred revenue, long-term debt and accounts payable and accrued liabilities, and was partially offset by a decrease in off-site levy liabilities.
- On May 22, 2018, Council advanced priorities by approving an increase of non-residential taxes by an average of 2.3 per cent and residential taxes by an average of 1.4 per cent to generate municipal property taxes of $101.8M. The City's Property Taxes Bylaw 19/2018 authorizes the rates of property taxation that were levied in 2018. It excludes education and homeland housing requisitions.
- During 2018, the City's operating revenues increased by $6.2M to $185.1M primarily due to an increase in property taxes, sales and user fees, and investment income, offset by a decrease of licenses and permits and a decrease of fines and penalties revenues. The operating expenses increased by $4.7M to $184.7M primarily due to increases in general government services, recreation and parks, transportation and roadway services, and transit services, partly offset by a decrease of utility services.
- The City's operating results ended 2018 on a positive note as reflected by the annual surplus of $49.2M. This strengthened the City's financial position, resulting in an increase in the accumulated surplus. The surplus was generated through a decrease in net financial assets of $9.7M and the net additions of $58.8M in new tangible capital assets.

ECONOMY

The Canadian economy grew at a pace of 1.8 per cent in 2018, supported by rising oil prices for the first three quarters before declining in the fourth quarter, a weaker dollar and increased global demand that lifted business activity. However, the slowdown in the fourth quarter was broadly based as consumer spending and household market activity was soft. Continued rising interest rates and tighter federal mortgage regulations, which began in 2017 contributed to a soft economy that weighted on economic activity. Year-over-year, the Canadian dollar hovered at approximately $1.30 CAD per U.S. dollar. Alberta grew at a projected real gross domestic product (GDP) of 2.4 per cent in 2018, trending slightly higher than the national growth rate noted. Over the next two years, the Bank of Canada estimates the national growth to slow with 1.7 per cent this year and 2.0 per cent in 2020.

Despite the softness in the economy in the fourth quarter of 2018, employment is at 40-year low as reflected through strong growth in both the labour force and employment income, except for oil-producing provinces where overall wage growth has slowed in the past year. Nationally, employment in Canada was estimated to have risen on average of 1.3 per cent compared to 1.9 per cent in 2017. Alberta's projected annual growth rate of employment rose above the national average of 1.9 per cent versus 1.0 per cent in the prior year; these employment rates were based on data provided by Statistics Canada. The National Bank of Canada's February 2019 forecast cited that the national unemployment rate declined to a projected 5.8 per cent compared to 6.3 per cent the year before. Alberta's unemployment numbers have improved to 6.6 per cent in 2018, down from 7.8 per cent in 2017.

To keep the economy from overheating while tempering inflation, the Bank of Canada raised the key interest rates five times since July 2017, with a 25 basis points increase in October 2018 to bring the key interest rate to 1.75 per cent. The City may be impacted due to increased borrowing costs if it decides to obtain financing externally to fund capital projects.

FINANCIAL PLANNING

Financial Planning, which enables stewardship of assets and on-going continuity of the City, is a critical tool for management to achieve stated objectives, including fiscal responsibility and sustainability. To carry out its commitment to strong fiscal management, Administration prepares a 10-Year Capital Plan, which provides a future outlook of long range requirements, comprising of key strategic inputs over the planning horizon, and a framework for the three-year Operating Plan.

Consistent with the three-year Operating Plan, the annual operating budget includes the required revenues to fund the City's delivery of approved programs and services to the community and represents City Council's priorities as identified in the City of St. Albert's Council Strategic Plan, the Corporate Business Plan and other sources. As the operating budget is prepared on a modified cash flow basis, the City uses tax revenues, reserve transfers and government transfers to balance its operating budget. Further, the budget does not include non-cash items including revenue from contributed tangible capital assets or amortization expense.

To advance City Council's strategic priorities, Administration executes investments in infrastructure and capital assets to ensure it adheres to the annual Capital Budget and 10-Year Capital Plan. The purpose of the plan is to identify the capital projects and requirements to maintain the City's infrastructure, as well as to support the growth requirements and desires of the community. City Council approves each capital project budget on the basis of the project to accommodate the planning and scheduling requirements. A portion of the City's annual capital budget is often carried forward to future years for projects not completed in the year, and as a result, capital budgets are not directly comparable with current year actual results.

FINANCIAL ASSETS

From cash to receivables to investments, financial assets are resources that are considered as cash or could be turned into cash if required to fund day-to-day government services. In comparison to 2017, financial assets increased by $6.6M primarily as a result of an increase of investments and offset by a decrease of cash and cash equivalents. With financial assets trending higher, the City continues to be in a stable financial position. The Consolidated Statement of Financial Position summarizes the financial assets at year end.

CASH POSITION

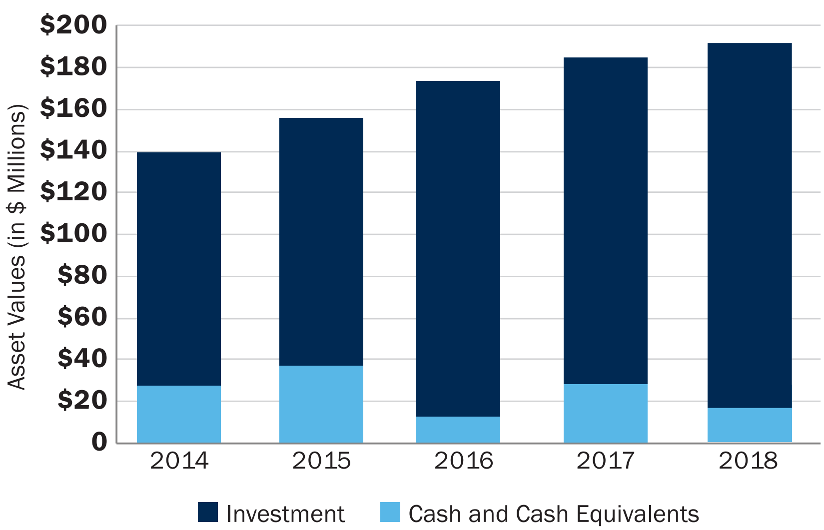
Cash and cash equivalents are financial resources that consist of short-term cash and temporary investments of three months or less that are held to pay for ongoing expenditures and obligations. Uses of cash are subject to the City's Cash Management Policy, which is in place to ensure the cash position is optimized in order to take advantage of investment opportunities.

During 2018, the City's changes in cash position were largely due to:

- $63.5M generated from City operations;
- $63.6M invested in capital assets and offset by $0.1M received proceeds from disposal of capital assets;
- $15.4M applied in the net acquisition of investments; and,
- $10.0M received from financing activities and $4.5M paid for loan principal.

At December 31, 2018, cash flows decreased by $9.9M, ending at $18.3M. The City's sources and uses of cash are summarized on the Consolidated Statement of Cash Flows.

Cash and Cash Equivalents vs. Investments



A decrease in cash position of $9.9M.

RECEIVABLES

Receivables are amounts owed by customers for general taxes, trade, sales and user fees, and other revenues. In the past year, receivables increased by $1.1M to $17.7M, indicating more funds were owed to the City. Collections of receivables are generally due to timing and do not present substantive risks to the City.

INVESTMENTS

Ranging from short-term investments to long-term bonds, the City invests funds to generate income, which provides another source of funding for City services. Short-term investments have maturity terms from three months to one year. Long-term investments are financial securities that have varying maturity terms that extend past one year.

Guided by the City's Investment Policy, investments are consistent with the objectives of preserving capital, maintaining liquidity and achieving an optimum rate of return. Investment performance is benchmarked against the three-month Federal Treasury Bill rate, and the three and seven-year Government of Canada benchmark bond yield rates. In 2018, the City's investments consisted of short-term notes and deposits and long-term corporate and government bonds. Overall, investment returns were favourable in the year compared to designated benchmarks. Investments are also maintained in compliance with regulations stipulated in the *Municipal Government Act*. These regulations are limited to instruments in which the principal is unconditionally guaranteed.

Investment Objectives:

1. **Preserve Capital**
2. **Maintain Liquidity**
3. **Optimize Rate of Return**

In comparison to 2017, the carrying value of investments ended higher by $15.4M, which represents a 9.8 per cent increase, mainly as a result of moving $15.0M from cash and cash equivalents and an additional $35.0M from short-term to long-term and timing of maturities. The investment income earned in the year was $4.1M, an increase of $1.3M from the year before due to a higher long-term bonds investment base that occurred during mid year. Details on investments are provided in Note 2 to the consolidated financial statements.

RATES OF RETURN COMPARISON

	Term	St. Albert Portfolio Rates of Return	Bank of Canada T-Bill and Bond Rates	Benchmark
Short-Term Investments	0–90 days	1.35–2.2%	1.40%	3 months
	91–180 days	N/A	1.57%	6 months
	181 days–1 yr	2.01–2.71%	1.82%	1 year
	1–3 yrs	1.94–9.98%	2.05%	3 years
Long-Term Investments	3–10 yrs	1.91–3.85%	2.05–2.26%	3 years – 10 years

LIABILITIES

Liabilities include accounts payable and accrued liabilities, deferred revenue, off-site levy liabilities, debt, and other liabilities. At year end, this account increased by $16.3M to close at $126.1M, as a result of increases in accounts payable and accrued liabilities, deferred revenue, and long-term debt, partly offset by a decrease in off-site levy liabilities. The Consolidated Statement of Financial Position summarizes the City's liabilities at December 31, 2018.

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are current short-term amounts owed to vendors for work completed or services rendered to the City. The payments to these vendors will be made within the next year. At December 31, 2018, this account increased by $3.2M to $22.6M broadly due to timing of payments to vendors.

DEFERRED REVENUE

Deferred revenue, representing mostly restricted capital funding, is held due to restrictions placed on funds by Provincial and/or Federal governments based on funding agreements. Amounts in deferred revenue are recognized as revenue in the period when the timing or conditions associated with the revenues have been satisfied. Generally, this means that revenues can be recognized as eligible expenditures are made on grant funded capital or operating projects.During the year, deferred revenue increased by $9.6M due to:

- $1.0M earnings on interest, with $0.6M mainly attributed to the Municipal Sustainability Initiative for capital projects;
- $37.1M net contributions received; and offset by
- $28.5M revenue recognized.

Deferred revenue ended the year at $46.4M, most of which was related to capital projects supported by government transfers of $42.8M and the remaining deferred revenue of $3.6M were mostly designated for operating purposes. Note 3 to the consolidated financial statements provides more detail information on deferred revenue.

OFF-SITE LEVY LIABILITIES

The City's key services include working with developers to oversee land development for private and public purposes in the community. This involves processing development applications and permits to ensure compliance with planning goals and regulations. One of the major components when developing a new area of land is ensuring that key connecting infrastructure such as roadways, water, sanitary and storm are in place to support the proposed development.

The City collects off-site levies from developers to fund the construction of these items. The funds are held by the City, restricted and reported as off-site liability until such time as the infrastructure is built.

Net liabilities decreased $1.9M due to a decrease of development from the prior year.

The balance of this fund fluctuates over time based on the pace of development. The Off-site Levy Program specifies that the burden of paying for the cost of the infrastructure rests with developers and supports a growth-pays-for-growth philosophy.

Off-site levy liabilities decreased by $1.9M to $11.0M in 2018, as a result of the issuance of new development agreements and corresponding payment of required levies. More detailed information is specified within the Off-site Levy Bylaw and Note 4 to the consolidated financial statements.

DEBT

City Council considers long-term debt when internal financing is unavailable to fund capital projects and when it is prudent to do so. Current long-term debt consists of fixed term financing agreements with the Alberta Capital Finance Authority. The interest rates were established at the time of borrowing and remain constant throughout the term. The City's current debt is both tax and reserve funded, with a requirement for semi-annual or payments of principal and interest. During the year, the City borrowed $10.0M, repaid a principal amount of $4.5M and accrued an interest expense of $1.8M, resulting in a year-end balance of $43.0M.

The City's existing tax supported long-term debt originated from two projects that were approved in 2004 – the first stages of Ray Gibbon Drive and Servus Credit Union Place. These two significant projects required 20-year external borrowings that increased the City's debt by about $16.9M and $16.3M, respectively.

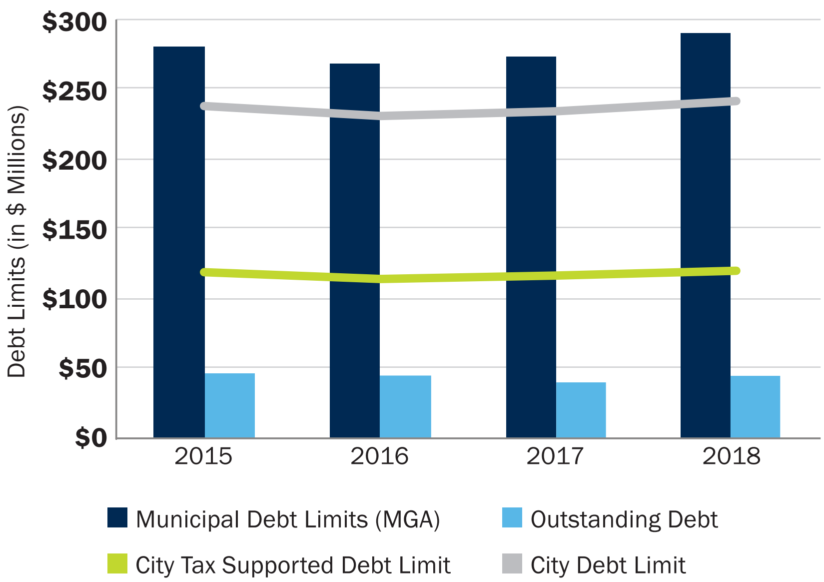
Also, in 2018, the City contributed $10.0M from internal reserves and borrowed $10.0M to fund the North Interceptor Trunk Line (Project 9), a sanitary sewer line, that has a maximum approved borrowing limit of $30M; the forecast spend is $34.2M with further debt financing anticipated to fund the remaining project cost of $14.3M. Principal and interest payments for this debt are approved to come from an established reserve thereby having no impact to future property taxes.

In late 2018, as part of the 2019 budget process, City Council directed Administration to consider debt financing for the North St. Albert Trail Corridor project with an estimated cost of $19.0M. The proposed debt payments will come from an existing reserve thus there will be no impact to future property taxes. The approval of debt financing for the project is subject to passing of a borrowing bylaw, which is expected in 2019.

In addition, in early 2019, City Council and the Province of Alberta entered into a 50/50 cost sharing agreement for a multi-year, four phase $54.2M capital project namely the Twinning of Ray Gibbon Drive. This project is a designated priority within the City of St. Albert Council Strategic Plan, which will facilitate growth of residential, commercial and industrial areas in St. Albert. Initial engineering and design costs of $0.8M has been approved by City Council in the prior year for work to commence in 2019, with construction planned to begin in 2020. It is the intent that the remainder of St. Albert's financial contribution to the project will be funded through debt financing over the next several years; therefore, the process for the approval of a borrowing bylaw will take place in 2019.

The ability to borrow is governed by the *Municipal Government Act*, which sets maximum limits to ensure a municipality does not take on too much debt or exceed their ability to service that debt. In a rising interest rate environment, the regulation safeguards the municipalities from over-extending their limits to ensure that they are able to meet the required payments. Debt, when used strategically, is an effective long-term financing strategy. St. Albert remains largely below prescribed debt limits set by the Province of Alberta and internal limits imposed by its Debt Management Policy.

Debt Limits vs. Outstanding Debt



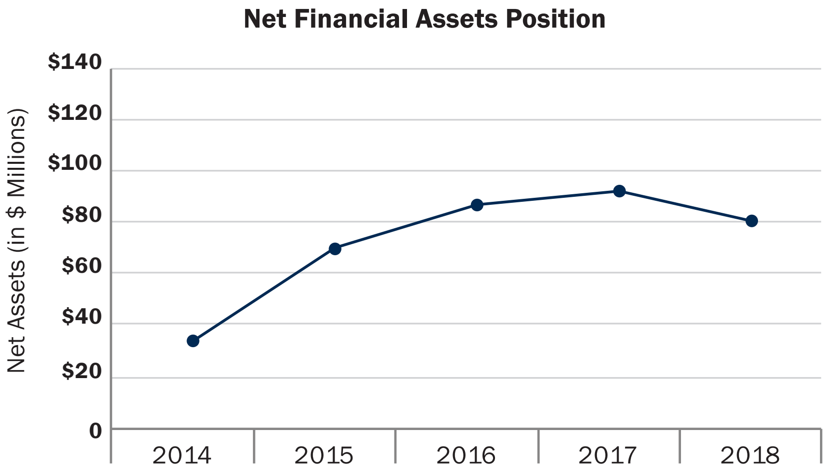
City debt is low at 13 per cent of provincial limit.

ENVIRONMENTAL LIABILITIES

The City has previously recognized the estimated costs on obligations which currently sits at $1.2M at December 31, 2018, pertaining to contaminated site, landfill closure and post closure liabilities. These obligations are based on estimates and assumptions, using the best information available to management. These costs are primarily related to ongoing environmental monitoring activities for 25 years. Future events such as changes to regulatory requirements, may result in changes to these estimated costs.

NET FINANCIAL ASSETS

A government's net financial assets (net debt) position is a function of its total liabilities and its total financial assets. This calculation is a key financial indicator related to the City's financial position as it reflects the relationship between annual surplus, tangible capital asset acquisitions/disposals/amortization, and treatment of other inventories or prepaid expenses. The City's net financial assets position decreased by $9.7M to $82.2M, due to an increase in liabilities specifically related to a $10.0M, 20-year external fixed term loan for the North Interceptor Trunk Line project. The Consolidated Statement of Changes in Net Financial Assets provides more detailed information on the net assets at December 31, 2018



Net financial assets decreased $9.7M in 2018.

NON-FINANCIAL ASSETS

Non-Financial Assets are comprised largely of tangible capital assets (TCA), but also include, inventories of materials and supplies and prepaid expenses. These assets are acquired and used in the production of goods and services primarily for the purpose of providing services to its citizens. Overall, non-financial assets increased by $58.9M which was attributed to increases in the tangible capital asset base in 2018. The Consolidated Statement of Financial Position outlines the non-financial assets balances for the year.

TANGIBLE CAPITAL ASSETS

Whether costs are incurred to construct, buy or maintain assets such as roads, buildings, or equipment, these costs are considered tangible capital assets. Any increase of tangible capital assets is therefore, a form of investment in the community for which citizens can expect to benefit in future years. In general, these assets have physical substance, and have a long-lived service life greater than one-year and in some cases decades. Examples of tangible capital assets would include such things as transit buses, recreation centres, parks and trails, cultural amenities, roadways and water reservoirs.

There are three streams of tangible capital assets – contributed assets and self-constructed/purchased/leased assets. In the normal course of operations, the City receives ownership of tangible capital assets from developers and records them as contributed tangible capital assets. Once contributed as tangible capital assets, the City takes on the future responsibility for repairs, maintenance and eventual replacement of those assets. Contributed tangible capital assets provide a future economic benefit to the City and include such things as roads, land, sidewalks and street lighting. These contributions are reported as revenue upon receipt from developers and at the time of project completion, which results in an increase in the accumulated surplus.

$58.8M of net tangible capital assets added in 2018.

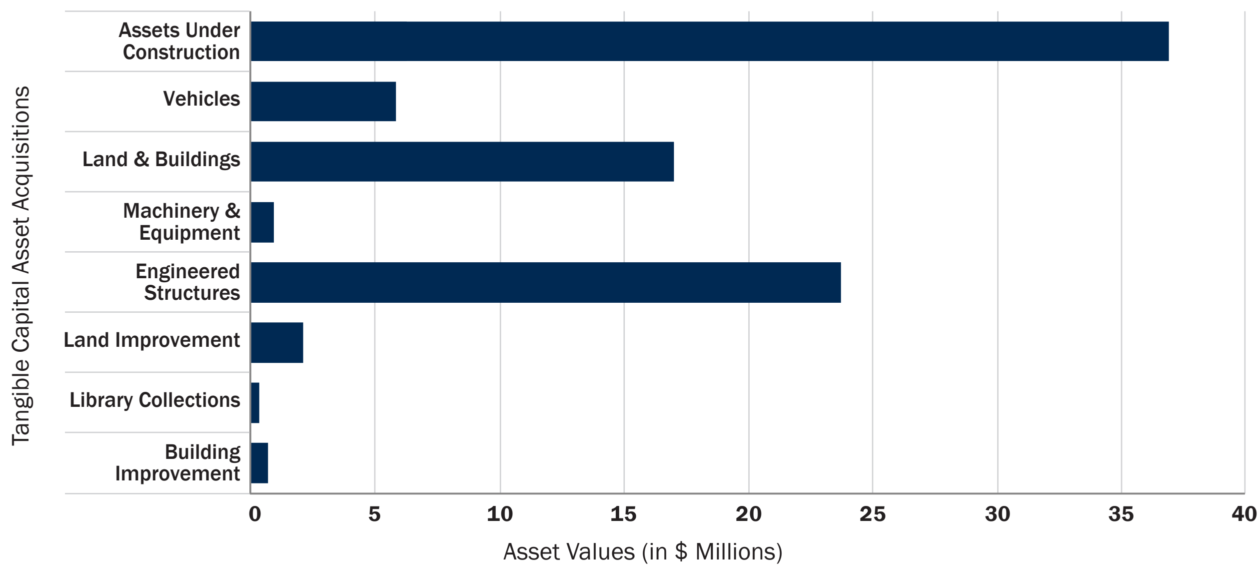
For the year, the changes in the value of the City's tangible capital assets are comprised of:

- $87.5M increase in tangible capital assets acquisitions and transfers (including $23.9M in contributed tangible capital assets and $6.2M in developer contributions and levies);
- $26.4M amortization expenses; and,
- $2.1M loss on disposals net of amortization and $0.1M proceeds on disposals.

Net tangible capital assets increased by $58.8M, ending the year at $1,018.6M.

Capital spending in the past year was mainly on assets under construction, land, buildings, vehicles, and engineered structures such as a roadway system, water system, and waste water system. Tangible capital assets amortization, also referred to as depreciation, is a drawdown of its value, representing the annual cost of using the asset due to wear and tear from use. Land is not a depreciable asset. Note 7 to the consolidated financial statements provides more information on the major components of tangible capital assets, along with its respective amortization amounts in 2018.

2018 Tangible Capital Asset Acquisitions



Note: During the year, there was a large amount of projects completed and moved into service, as a result, the Assets under Construction drawing from Opening Balance was $66.3M. More details are provided in Note 7 to the consolidated financial statements.

ACCUMULATED SURPLUS

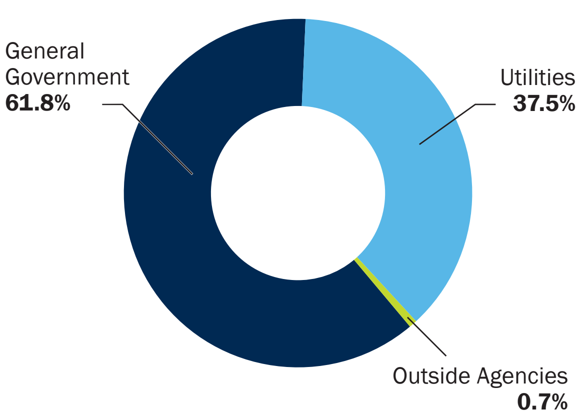
Accumulated surplus, also known as municipal equity, is a balance representing the value of the City and consists of both restricted and unrestricted reserves and equity invested in tangible capital assets. It is driven by the City's investments and ownership of capital assets over time. The accumulated surplus balance is attributed to all assets exceeding all liabilities over time. A positive balance indicates that the government has sufficient net resources to enable the City to provide services in the future. At December 31, 2018, the City's accumulated surplus increased by $49.2M, primarily due to an increase in capital revenues. The accumulated surplus ended the year at $1,102.8M compared to $1,053.6M in 2017. The Consolidated Statement of Operations and Accumulated Surplus summarizes the accumulated surplus, with additional information in Note 9 to the consolidated financial statements.

RESERVES

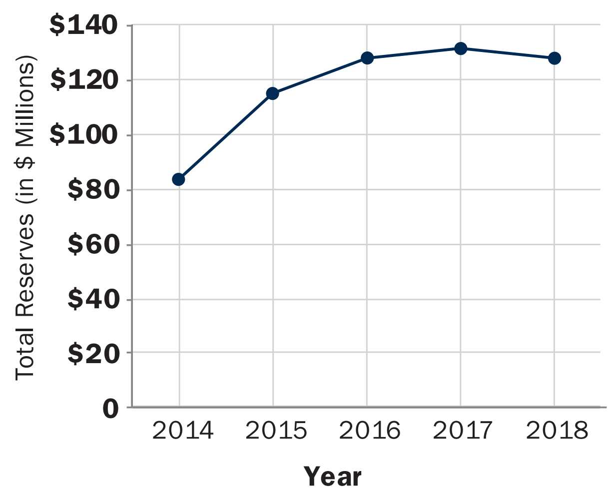
Reserves are funds set aside to provide for capital investments, budget shortfalls or unexpected economic events through general fund contributions and investment income, in an effort to stabilize future tax. The City's reserves are designated for operating and capital purposes; however, the majority of reserves are for capital projects as part of the plan for future expenditures. A growing reserve balance represents good financial management - indicative of healthy fundamental practices and is consistent with the City's conservative approach.

The City's restricted reserves have decreased by $3.0M in 2018 to $129.7M.

2018 Operating and Capital Reserves By Type



Reserve Balance Trend



FINANCIAL OPERATIONS

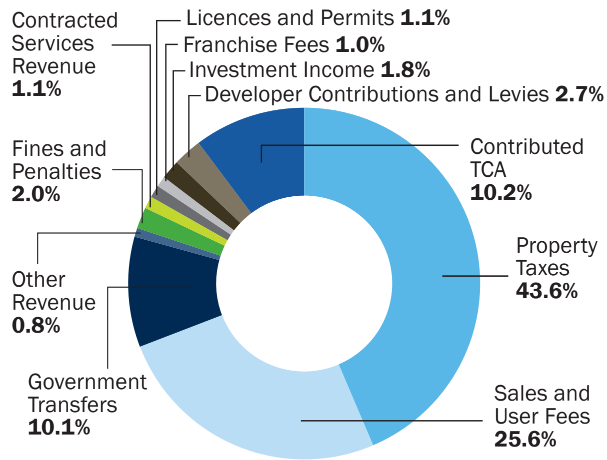
The Consolidated Statement of Operations and Accumulated Surplus summarizes the City's operating results in 2018. While contributing positively to the City's strong financial position, this year's annual surplus of $49.2M is primarily attributed to revenues recognized for capital projects completed. The segmented information on the lines of service provided by the City is detailed in Note 16 to the consolidated financial statements and with the corresponding revenues and expenses presented by object in each functional category.

OPERATING REVENUES (2018 ACTUAL VS. BUDGET)

Property tax is the City's primary source of revenue; however, sales and user fees and government transfers also provide a steady stream of revenues. In general, some of the City's revenues fluctuated with economic conditions, while other revenue sources performed largely as budgeted.

In 2018, the City's consolidated operating revenues were in-line with the budget, ending at $185.1M. The variances of actual revenues from budgeted amounts are as follows:

2018 Operating & Capital Revenues by Object



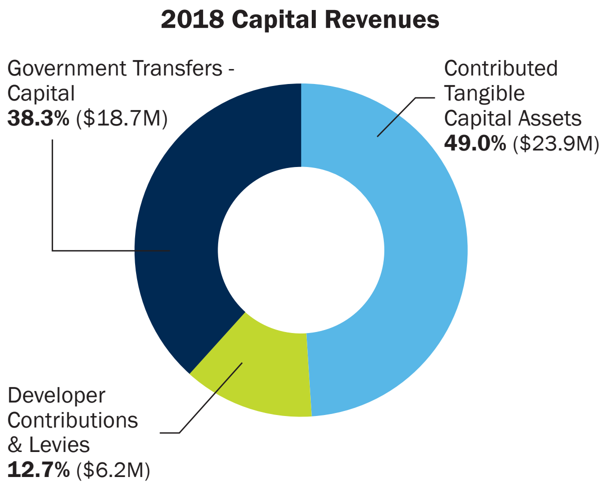
- $1.1M higher in Other Revenue as a result of unbudgeted revenue related to the Smart Fare Project.
- $0.9M higher in Government Transfers for operating projects.
- $1.2M lower in Fines and Penalties mainly due to a decrease in automated enforcement tickets issued.
- $0.5M lower in Licenses and Permits due primarily to a decrease in development permits issued and other land fees as a result of a decrease of development.
- $0.4M lower in Sales and User Fees as a result of a decrease in water purchase and water treatment due to conservation efforts and moderate precipitation, which led to less water requirements from residents, resulting in lower revenues of water and waste water.

2018 OPERATING REVENUES BY OBJECT ($ Million)							
Account	2018 Budget	2018 Actual	Variance $ vs. Budget	Variance % vs. Budget	2017 Actual	Variance $ vs. Prior Year	Variance % vs. Prior Year
Property Taxes	$102.1	$102.0	-$0.1	0%	$97.4	$4.6	5%
Sales and User Fees	$60.2	$59.8	-$0.4	-1%	$58.1	$1.7	3%
Government Transfers - Operating	$4.1	$5.0	$0.9	22%	$4.7	$0.3	6%
Fines and Penalties	$5.8	$4.6	-$1.2	-21%	$5.4	-$0.8	-15%
Licences and Permits	$3.2	$2.7	-$0.5	-16%	$3.7	-$1.0	-27%
Contracted Services Revenue	$2.8	$2.7	-$0.1	-4%	$2.7	$0.0	0%
Investment Income	$3.8	$4.1	$0.3	8%	$2.8	$1.3	46%
Franchise Fees	$2.6	$2.3	-$0.3	-12%	$2.7	-$0.4	-15%
Other Revenue	$0.8	$1.9	$1.1	138%	$1.4	$0.5	36%
Total Operating Revenues	$185.4	$185.1	-$0.3	0%	$178.9	$6.2	3%

CAPITAL REVENUES (2018 ACTUAL VS. BUDGET)

Funding for capital projects comes from a variety of mechanisms such as tax revenues, reserves, government transfers, third-party contributed assets, developer contributions and levies, and to a lesser extent investment income and other revenues. In 2018, 49.0 per cent were related to contributed tangible capital assets, 38.3 per cent of capital funds were received from government transfers and 12.7 per cent from developer contributions and levies.

In addition, capital revenues for capital activities can vary from year-to-year depending on the timing of capital project schedules, thus comparison of current year to prior year actuals provides nominal value. As project expenditures are incurred, related revenues are earned; thus, delays in capital projects result in delays in revenue recognition for projects. The 2018 capital revenues varied by $27.5M from budget, primarily due to unbudgeted contributed tangible capital assets and unbudgeted developer contributions and levies as well as timing of capital projects completion. A total of $48.8M capital revenues were recognized in the year.



EXPENSES

In the delivery of municipal services, the City incurs expenditures for work performed by employees, vendors and contractors to provide for City services. This requires cash outflows to settle amounts owed by the City. In general, the City's expenditures are subject to inflationary pressures. As such, the effects of inflation on contracted services and materials, goods and supplies continue to put pressure on costs associated with delivering the City's programs and services.

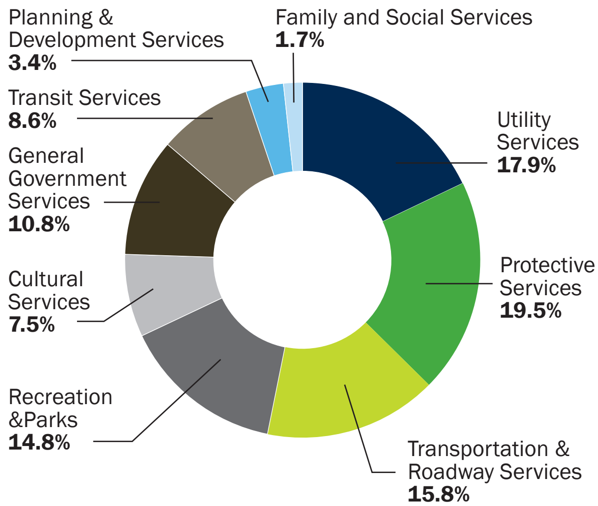
EXPENSES (2018 ACTUAL VS. BUDGET)

During 2018, consolidated City expenses were $15.8M higher than the budget, ending at $184.7M, primarily as a result of two City practices. First, the City does not budget for amortization costs of $26.4M. Amortization costs were particularly pronounced in the areas of transportation and roadway services, recreation and parks, and utility services. Second, the total interest portion of debt servicing costs of $1.9M is included in the above results for each functional category and was about the same as 2017. This indicates that interest payments are trending lower as fixed term borrowings are repaid.

Variances of actual expenses to budgeted amounts are as follows:

- $10.6M higher in Transportation and Roadway Services expenses due to unbudgeted amortization costs and unbudgeted financing interest expenses.
- $4.1M higher in Recreation and Parks expenses primarily due to unbudgeted amortization costs, unbudgeted financing interest expenses and a net loss on disposals of capital assets.
- $3.6M higher in Utility Services expenses, including water, waste water, stormwater, and solid waste mostly due to unbudgeted amortization costs, a net loss on disposals of capital assets and partially offset by a decrease of water and waste water charges as a result of lower water purchases.
- $2.4M higher in Transit Services expenses primarily due to unbudgeted amortization costs.
- $0.5M higher in Protective Services expenses mainly due to unbudgeted amortization costs and partially offset by a decrease in automated enforcement contract as a result of a reduction in tickets issued.

2018 Expenses by Function



- $0.8M higher in Cultural (Community) Services expenses primarily due to unbudgeted amortization costs.
- $3.5M lower in General Government Services expenses due to budgeted financing interest revenue and expenses that are reported corporately with the actuals being allocated to each functional category and various capital projects expenditures that were carried forward into next year, as well as personnel cost savings due to staff vacancies.
- $2.4M lower in Planning and Development Services due to budgeted consulting fees and salaries and wages related to the Sturgeon County Annexation project, which is a multi-year project; as well as a net loss on disposal of capital assets and personnel cost savings due to staff vacancies.

2018 EXPENSES BY FUNCTION ($ Million)

Account	2018 Budget	2018 Actual	Variance $ vs. Budget	Variance % vs. Budget	2017 Actual	Variance $ vs. Prior Year	Variance % vs. Prior Year
Protective Services	$35.5	$36.0	-$0.5	-1%	$36.2	$0.2	1%
Utility Services	$29.5	$33.1	-$3.6	-12%	$34.5	$1.4	4%
Recreation and Parks	$23.3	$27.4	-$4.1	-18%	$26.1	-$1.3	-5%
Transportation and Roadway Services	$18.5	$29.1	-$10.6	-57%	$28.1	-$1.0	-4%
General Government Services	$23.4	$19.9	$3.5	15%	$17.8	-$2.1	-12%
Transit Services	$13.4	$15.8	-$2.4	-18%	$14.7	-$1.1	-7%
Cultural Services	$13.1	$13.9	-$0.8	-6%	$14.1	$0.2	1%
Planning and Development Services	$8.7	$6.3	$2.4	28%	$5.4	-$0.9	-17%
Family and Social Services	$3.5	$3.2	$0.3	9%	$3.1	-$0.1	-3%
Total Expenses	$168.9	$184.7	-$15.8	-9%	$180.0	-$4.7	-3%

ANNUAL SURPLUS

Annual surplus is the difference between the current year's excess of revenues over expenditures.

In 2018, the City realized an annual surplus of $49.2M, which strengthened the City's net assets position.

FINANCIAL CONTROL AND ACCOUNTABILITY

The City maintains a number of processes and financial controls to ensure that accountability is maintained and that management is able to proactively identify and address financial challenges.

FINANCIAL GOVERNANCE

Notwithstanding that the City's management is responsible for the preparation of the FSD&A and consolidated financial statements, the City's governance structure requires a review of various quarterly reporting, financial policies, audit findings, significant or unusual financial transactions, and accounting treatments or estimates. City Council has established a Governance, Priorities and Finance Committee to conduct these reviews, and also to assist Council by making recommendations on these matters. City Council is ultimately responsible for approving the City's budget, appointing the auditor, and providing general financial authority and oversight.

BUDGETING AND FINANCIAL REPORTING

Based on the input from citizens, businesses, and numerous other stakeholders, City Council establishes an annual operating budget each year. This operating budget includes the required revenues to fund the City's delivery of desired programs and services to the community and represents City Council's priorities as identified in the City of St. Albert's Council Strategic Plan and other sources. From year-to-year, services may be altered when City Council identifies a clear need. Note that the operating budget is also prepared on a modified cash flow basis. Based on this method the City uses tax revenues, reserve transfers and government transfers to balance its operating budget. The budget does not include revenue from contributed tangible capital assets, or amortization expense.

The City also prepares an annual capital budget based on the long-term projections of its 10-Year Capital Plan. Budget items for the current year are carefully reviewed on a project basis and funded through a variety of mechanisms such as tax revenues, reserve transfers or government transfers. As there is typically a portion of the capital budget carried forward for projects not completed within the fiscal year, budgets are not directly comparable with current year actual amounts.

The City is organized into various business areas, each responsible for managing the delivery of program services in accordance with the resources allocated to those programs. While all departments share a common accounting and reporting system, financial and accounting services are administered within the Financial and Assessment department and delivered to each business area based on its needs.

The City utilizes three fund categories to record and monitor its financial operations: operating fund, capital fund and reserves fund. In addition, these funds are utilized in the preparation of the City's budget and the distribution and use are applied in accordance within the respective fund policy.

INTERNAL CONTROLS

The City uses financial policies and procedures to ensure appropriate financial internal controls are in place. Policies and procedures are reviewed annually to comply with the *Municipal Government Act* and Canadian Public Sector Accounting Standards. A proactive approach is taken to identify and address financial challenges.

AUDITING PROCESS

The *Municipal Government Act* requires a municipal council to appoint an independent auditor. In 2017, a tender for audit services was completed and City Council appointed the chartered accounting firm of KPMG LLP as the external auditor for a five-year term, with an option to extend an additional four years, at City Council's discretion. Following a comprehensive audit process and after working closely with management, the auditor must report to City Council with the annual consolidated financial statements. City Council approved the 2018 Consolidated Financial Statements at its meeting on April 23, 2019.

RISKS AND UNCERTAINTIES

The City is committed to an integrated approach to risk management, where it is viewed as a key component of sound business practice and due diligence. Management promotes a proactive, corporate-wide and systematic approach to managing risks that could affect City objectives. The City is exposed to various risks that are mitigated through operational and financial controls.

NORMAL OPERATIONAL RISKS

Normal operational risks are related to delivery of the City's programs and services; as well as social, legal, regulatory, and economic events that could impact City operations, human resource availability and costs, and investment risks related to volatile financial markets. Along with the use of estimates and judgments, the City maintains a system of internal controls to provide reasonable assurance that attests to the fairness and reliability of information and data. To protect and safeguard City assets, control systems are regularly reviewed and enhanced as required.

REVENUE VOLATILITY

The City's revenue is exposed to economic or other external influences. To address the challenge connected with revenue volatility, the City adopts strategies and practices, which include conservative budgeting, quarterly forecasting, a long-term investment strategy, and environmental scanning techniques to identify market changes. When appropriate, the City lobbies senior government and other organizations for sufficient and reliable transfers; however, the current provincial government's deficit presents a risk related to future transfers.

INFRASTRUCTURE REPLACEMENT

Municipal infrastructure is required to support a community's economy and quality of life. To ensure that sufficient local infrastructure is available, the City applies long-term construction and maintenance plans or strategies. In many cases, the City's identified infrastructure requirements exceed its funding capacity; therefore, City Council engages in a ranking process and seeks other sources of funding, such as borrowing or government transfers. If not addressed, a municipality's infrastructure deficit could result in lost productivity, damage to property, and decreased quality of life.

INSURANCE LOSS

The City maintains an insurance program to cover losses related to its activities, operations, assets and infrastructure. This program has two components: an insurance program purchased through well capitalized external insurers and a self-funded insurance program for all losses falling below policy deductibles. The City's approach to risk management attempts to achieve a balance between risk and total cost.

A claims reserve was established in 2008 to fund the City's self-insured program. The reserve is funded to a confidence level at the 95th percentile of the City's projected losses, as recommended in the November 2011 loss projection analysis report provided by an external consultant. At December 31, 2018, the City's outstanding and fully reserved insurance claims related liabilities were $0.4M, and its claims self-insurance reserve fund was another $1.4M.

ENVIRONMENTAL RISK

The City employs environmental management professionals to assist departments in complying with environmental laws and regulations. The City has also adopted policies and procedures to govern the City's approaches, and it follows environmental systems that provide a sound model to effectively deal with environmental impacts associated with municipal activities. In addition, insurance policies are in place to handle potential unexpected environmental risks.

FUTURE OUTLOOK

The City of St. Albert, the Botanical Arts City, is known for its commitment to the natural environment and support for cultural engagement. We continue to be recognized as one of the best places to live and raise a family in Canada. While continued economic development tops our list of priorities, we also focus on enhancing the quality of life for our residents by providing an environment with high levels of service, in a fiscally responsible manner.

St. Albert continues to see ongoing growth as reflected in steady rates of construction in residential and non-residential developments. This can be found in the city's north along St. Albert Trail where developers in Jensen Lakes and Erin Ridge North continued adding new homes and retail spaces. Development is also occurring in the City's south along Ray Gibbon Drive, where developers in Ville Giroux, Riverside and South Riel added new single and multi-family homes, apartment buildings, and commercial and industrial spaces.

As a community that borders the northwest corner of Edmonton, St. Albert is impacted by neighbouring communities and economic events within Alberta. The softness of the economy is forecasted to continue through to 2019. Alberta's energy sector has weakened amid the decline of oil prices and pipeline constraints. These factors are weighing on business and consumer sentiment, which have dampened growth expectations for the year. Despite the slowing, but continued growth, the City is cautiously optimistic as it looks towards the future.

In light of the reduction of St. Albert's Municipal Sustainability Initiative allocation in the 2018-19 Provincial Budget, the City, along with other municipalities in Alberta, are likely to see additional reductions to funding in the next budget. The City heavily relies on provincial and federal transfers to support infrastructure needs and remains optimistic that the Alberta Urban Municipalities Association's advocacy efforts to legislate a long-term funding program for all Alberta municipalities will be successful.

In the fall of 2018, the Province announced the Municipal Cannabis Transition Program, to provide the City with up to $0.2M over a two-year period to offset a portion of "start-up" costs related to the federal legalization of cannabis. Unlike other provinces, who have agreed to provide municipalities a portion of the revenues generated by cannabis sales, the Alberta Government has not committed to any long-term funding, other than the two-year Transition Program.

In 2018, the City continued to deliver on its financial stewardship and fiscal responsibility objectives as reflected in healthy reserve balances at year-end. With well managed debt levels and strong financial policies and practices, the City is in a good financial position.

In the upcoming year, the City eagerly awaits the newly implemented electric franchise fee, which is estimated to bring in a net of $1.4M. The fee was introduced at 5.0 per cent in 2019, increasing by 2.5 per cent in years 2020 and 2021, to reach the final intended rate of 10.0 per cent. This new source of flexible revenue helps to further diversify the revenue base.

The past year's success is made possible through the efforts of the dedicated staff of the City of St. Albert. Their hard work and continuing service ensures the delivery of high-quality programs and services and effectively maintains and grows our civic infrastructure. Our appreciation is extended to all of those who make St. Albert a great place to live and work.

Kevin Scoble
Chief Administrative Officer

Diane McMordie
Director, Finance & Assessment/
Chief Financial Officer

April 23, 2019

CANADIAN AWARD FOR FINANCIAL REPORTING

For the last 18 years, the City has received a Canadian Award for Financial Reporting for its Annual Financial Reports. This award, presented by the Government Finance Officers Association of the United States and Canada (GFOA), is presented to governments across Canada who publish high-quality financial reports.

In order to qualify, a government must publish an easily readable and efficiently organized annual financial report, the contents of which conform to program standards beyond the minimum requirements prescribed by Canada's Generally Accepted Accounting Principles. Such a report should clearly communicate the municipality's financial condition, enhance an understanding of financial reporting, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one-year only. The City of St. Albert believes its current Report continues to conform to the program award requirements and will therefore again forward it to the Government Finance Officers Association for award consideration.

Government Finance Officers Association

Canadian Award
for
Financial Reporting

Presented to

The City of St. Albert

Alberta

For its Annual
Financial Report
for the Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

Financial Section

Management's Report

To the Mayor and Members of Council of the City of St. Albert,

Management is responsible for the integrity, relevance and comparability of the data in the accompanying consolidated financial statements. The consolidated financial statements have been prepared by Management in accordance with Canadian Public Sector Accounting Standards. The preparation of the consolidated financial statements necessarily includes some amounts which are based on Management's best estimates.

It is City policy to practice the highest standard of ethics. The City also has policies and procedures for internal controls.

Management is committed to maintaining an extensive system of internal controls, providing reasonable assurance that:

* all transactions are appropriately authorized
* assets are properly accounted for and safeguarded
* all transactions are appropriately recorded, and financial records are reliable for the preparation of financial statements.

Oversight for Management's responsibilities for financial reporting is provided by City Council through the Standing Committee of the Whole. There are regular meetings between the Committee, Management and independent auditors to discuss auditing and reporting on financial matters, and to ensure that Management is carrying out its responsibilities with its preparation of the financial statements. The auditors have full and free access to the Committee and Management.

The consolidated financial statements have been audited by the independent firm of KPMG LLP.

Kevin Scoble,

Chief Administrative Officer

Diane McMordie, CPA,CMA

Director, Finance & Assessment/Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council of the City of St. Albert

Opinion

We have audited the consolidated financial statements of the City of St. Albert (the "Entity"), which comprise:

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

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

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

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

DRAFT

Edmonton, Canada
April 23, 2019

CITY OF ST. ALBERT
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2018 (in thousands of dollars)

	2018	2017
Financial Assets		
Cash and Cash Equivalents	**$ 18,347**	$ 28,286
Accounts Receivable	**14,930**	13,686
Taxes Receivable	**2,821**	2,896
Inventories Held for Resale	**27**	26
Investments (Note 2)	**172,218**	156,794
Total Financial Assets	**208,343**	201,688
Liabilities		
Accounts Payable and Accrued Liabilities	**22,568**	19,437
Deferred Revenue (Note 3)	**46,398**	36,796
Offsite Levy Liabilities (Note 4)	**10,972**	12,900
Deposit Liabilities	**1,931**	1,759
Long-Term Debt (Note 5)	**42,993**	37,475
Environmental Liability (Note 6)	**1,241**	1,389
Total Liabilities	**126,103**	109,756
Net Financial Assets	**82,240**	91,932
Non-Financial Assets		
Tangible Capital Assets (Note 7)	**1,018,639**	959,796
Inventories of Materials and Supplies	**1,028**	1,080
Prepaid Expenses	**940**	786
Total Non-Financial Assets	**1,020,607**	961,662
Accumulated Surplus (Note 9)	**$ 1,102,847**	$ 1,053,594

Commitments and Contingencies (Note 10)

Approved by:

Mayor

Councillor

The accompanying notes are an integral part of these consolidated financial statements.

CITY OF ST. ALBERT
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
Year Ended December 31, 2018 (in thousands of dollars)

	2018 Budget (Note 15)	2018	2017
Operating Revenue			
Property Taxes (Note 11)	$ 102,102	**$ 101,983**	$ 97,419
Sales and User Fees	60,215	**59,800**	58,055
Government Transfers - Operating (Note 12)	4,117	**5,025**	4,740
Fines and Penalties	5,815	**4,568**	5,428
Licenses and Permits	3,227	**2,679**	3,731
Contracted Services Revenue	2,762	**2,684**	2,676
Investment Income	3,803	**4,106**	2,822
Franchise Fees	2,649	**2,316**	2,650
Other Revenue	792	**1,927**	1,373
Total Operating Revenue	185,482	**185,088**	178,894
Expenses			
Protective Services	35,505	**36,042**	36,171
Utility Services	29,456	**33,052**	34,445
Recreation and Parks	23,297	**27,373**	26,091
Transportation and Roadway Services	18,495	**29,071**	28,139
General Government Services	23,395	**19,892**	17,790
Transit Services	13,433	**15,821**	14,725
Cultural Services	13,128	**13,915**	14,126
Planning and Development Services	8,704	**6,348**	5,371
Family and Social Services	3,500	**3,178**	3,134
Total Expenses	168,913	**184,692**	179,992
Annual (Deficiency) Surplus Before Capital Revenue	16,569	**396**	(1,098)
Capital Revenue			
Contributed Tangible Capital Assets	-	**23,950**	13,273
Developer Contributions and Levies	-	**6,217**	3,860
Government Transfers - Capital (Note 12)	21,266	**18,690**	27,162
Total Capital Revenue	21,266	**48,857**	44,295
Annual Surplus	37,835	**49,253**	43,197
Accumulated Surplus, Beginning of Year	1,053,594	**1,053,594**	1,010,397
Accumulated Surplus, End of Year	$ 1,091,429	**$ 1,102,847**	$ 1,053,594

The accompanying notes are an integral part of these consolidated financial statements.

CITY OF ST. ALBERT
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
Year Ended December 31, 2018 **(in thousands of dollars)**

	2018 Budget (Note 15)	2018	2017
Annual Surplus	$ 41,311	**$ 49,253**	$ 43,197
Acquisition of Tangible Capital Assets	(177,722)	**(63,562)**	(52,396)
Contributed Tangible Capital Assets	-	**(23,950)**	(13,273)
Proceeds on Disposal of Tangible Capital Assets	-	**77**	335
Amortization of Tangible Capital Assets	-	**26,443**	24,334
Loss on Disposal of Tangible Capital Assets	-	**2,149**	3,101
	(177,722)	**(58,843)**	(37,899)
Acquisition of Inventories of Materials and Supplies	-	**(1,028)**	(1,080)
Acquisition of Prepaid Expenses	-	**(940)**	(786)
Consumption of Inventories of Materials and Supplies	-	**1,080**	1,199
Use of Prepaid Expenses	-	**786**	748
	-	**(102)**	81
Increase (Decrease) in Net Financial Assets	(136,411)	**(9,692)**	5,379
Net Financial Assets, Beginning of Year	91,932	**91,932**	86,553
Net Financial Assets, End of Year	$ (44,479)	**$ 82,240**	$ 91,932

The accompanying notes are an integral part of these consolidated financial statements.

CITY OF ST. ALBERT
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2018 (in thousands of dollars)

		2018		2017
Cash Provided by (Used in):				
Operating Activities				
Annual Surplus	$	**49,253**	$	43,197
Items Not Involving Cash:				
Amortization of Tangible Capital Assets		**26,443**		24,334
Contributed Tangible Capital Assets		**(23,950)**		(13,273)
Loss on Disposal of Tangible Capital Assets		**2,149**		3,101
		53,895		57,359
Change in Non-Cash Assets and Liabilities:				
Accounts Receivable		**(1,244)**		1,104
Taxes Receivable		**75**		47
Inventories Held for Resale		**(1)**		4
Land Held for Resale		**-**		614
Accounts Payable and Accrued Liabilities		**3,131**		2,071
Deferred Revenue		**9,602**		2,081
Offsite Levy Liabilities		**(1,928)**		3,570
Deposit Liabilities		**172**		207
Environmental Liability		**(148)**		1,064
Inventories of Materials and Supplies		**52**		119
Prepaid Expenses		**(154)**		(38)
Cash from Operating Activities		**63,452**		68,202
Capital Activities				
Acquisition of Tangible Capital Assets		**(63,562)**		(52,396)
Proceeds on Disposal of Tangible Capital Assets		**77**		335
Cash applied to Capital Activities		**(63,485)**		(52,061)
Investing Activities				
Purchase of Investments		**(140,625)**		(167,287)
Maturity of Investments		**125,201**		170,738
Cash (applied) from Investing Activities		**(15,424)**		3,451
Financing Activities				
Issue of Long-Term Debt		**10,000**		-
Repayment of Long-Term Debt		**(4,482)**		(4,111)
Cash from (applied) to Financing Activities		**5,518**		(4,111)
Increase (Decrease) in Cash and Cash Equivalents		**(9,939)**		15,481
Cash and Cash Equivalents, Beginning of Year		**28,286**		12,805
Cash and Cash Equivalents, End of Year	$	**18,347**	$	28,286

The accompanying notes are an integral part of these consolidated financial statements.

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

1. Significant Accounting Policies

The consolidated financial statements ("financial statements") of the City are the representations of management and have been prepared in accordance with Canadian public sector accounting standards.

Significant accounting policies adopted by the City are as follows:

a. Reporting Entity

The financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the reporting entity. The entity is comprised of all organizations, committees and local boards that are owned or controlled by the City and are, therefore, accountable to the Council for the administration of their financial affairs and resources. In addition to the City's municipal government operations, entities include the St. Albert Public Library and the Arts & Heritage Foundation of St. Albert. Inter-departmental and inter-organizational transactions and balances between these entities have been eliminated. The consolidated financial statements also include requisitions for educational and other organizations that are not part of the City.

b. Use of Estimates

The preparation of the consolidated financial statements of the City 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 revenues and expenses during the reporting period.

Significant estimates include assumptions used in a number of areas including useful lives of tangible capital assets and the fair value of contributed tangible capital assets. Estimates are also used for various liabilities, including environmental liabilities, offsite levy liabilities and accrued liabilities. Other areas that estimates are used include, revenue recognized in the year, provision for tax exempt appeals, investment impairment, provisions for allowances in accounts receivable and in performing actuarial valuations of employee future benefits.

Actual results could differ from these estimates.

c. Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting.

i. Revenue

Revenue is accounted for in the period in which it is earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

c. Basis of Accounting

i. Revenue

Offsite levies are collected from a developer upon the execution of a Development Agreement as per the Offsite Levy Bylaw. These funds are restricted to fund the construction of specific infrastructure and are recognized as revenue once the said infrastructure has been built and the City has provided a construction completion certificate.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase or construction of tangible capital assets. These transfers are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. These are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

ii. Expenses

Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

d. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and temporary investments that are highly liquid and mature within 90 days of purchase. They are recorded at cost less any amouont for permanent impairment.

e. Land Held for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as tangible capital assets under the respective function.

f. Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the straight line 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 agreement or legislation, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

g. Inventories Held for Resale

Inventories held for resale are valued at lower of cost and net realizable value.

Year Ended December 31, 2018 (in thousands of dollars)

h. Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for the 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:

Buildings and Building Improvement	10 to 50 years
Land Improvement	10 to 30 years
Library Collections	5 years
Engineered Structures	
Roadway System	15 to 50 years
Water System	20 to 75 years
Wastewater System	30 to 75 years
Storm System	30 to 75 years
Machinery and Equipment	5 to 20 years
Vehicles	10 to 20 years

One half of annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Cultural and historical assets such as works of art, historical and heritage sites are not recorded as tangible capital assets in these consolidated financial statements but are disclosed.

The City does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

Where an estimate of fair value could not be made, the tangible capital asset is recognized at a nominal value. The City has not assigned nominal values to any assets.

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

h. Non-Financial Assets

ii. Contributions of Tangible Capital Assets

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

iii. Inventories of Materials and Supplies

Inventories of materials and supplies consist mainly of parts and road maintenance materials and are valued at the lower of cost and replacement cost.

i. Post Employment Benefits

The City participates in multi-employer pension plans. As such, contributions for current and past service pension benefits are recorded as expenses in the year in which they become due.

j. Environmental Liability

The costs to close and maintain solid waste landfill sites are based on estimated future expenses, adjusted for Alberta Capital Finance Authority discount rate and City of St. Albert municipal index rate to current dollars. These costs are reported as a liability on the Consolidated Statement of Financial Position.

Pursuant to the Alberta Environmental Protection and Enhancement Act, the City is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The liability for closure and post-closure care has been recognized based on an estimate of future expenses.

Contaminated sites are defined as the 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. Sites that are currently in productive use are only considered contaminated sites if an unexpected event results in remediation. In cases where the City's responsibility is not determinable, a contingent liability may be disclosed.

k. Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

Year Ended December 31, 2018 (in thousands of dollars)

l. Future Accounting Standard Pronouncements

The following summarizes upcoming changes to public sector accounting standards issued by the Public Sector Accounting Standards Board. In 2019, the City will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption may 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
PS3430	Restructuring Transactions	April 1, 2018
PS1201	Financial Statement Presentation	April 1, 2021
PS 2601	Foreign Currency Translation	April 1, 2021
PS 3041	Portfolio Investments	April 1, 2021
PS 3450	Financial Instruments	April 1, 2021
PS 3280	Asset Retirement Obligations	April 1, 2021
PS 3400	Revenue	April 1, 2022

m. Changes in Accounting Policies

The City has adopted the following accounting standards effective January 1, 2018: PS2200 Related Party Disclosures, PS3420 Inter-Entity Transactions, PS3210 Assets, PS3320 Contingent Assets and PS3380 Contractual Rights. The adoption of these standards has resulted in certain changes to disclosures in the consolidated financial statements

2. INVESTMENTS

	2018		2017	
	Carrying Value	**Market Value**	Carrying Value	Market Value
Short Term Investment Portfolio	**$ 74,043**	**$ 74,011**	$ 104,261	$ 104,261
Long Term Investment Portfolio	**97,968**	**96,669**	52,333	52,597
Credit Union Shares	**207**	**207**	200	200
	$ 172,218	**$ 170,887**	$ 156,794	$ 157,058

The Short Term Investment Portfolio includes notes and deposits and have effective rates of 1.94% to 9.98% (2017 - 1.26% to 2.64%), are for fixed terms, and have maturity dates ranging between 3 months and one year. The City's Long Term Investment Portfolio includes corporate and government bonds and have effective rates of 1.91% to 3.85% (2017 - 2.18% to 3.84%), with maturity dates ranging between 2019 and 2028. The market value of certain investments is less than amortized cost at December 31, 2018. Management is of the opinion that the decrease in value is temporary. No adjustment was made to change the carrying value of the investments in the current year.

Year Ended December 31, 2018 (in thousands of dollars)

3. DEFERRED REVENUE

	2017	Net Contributions	Interest Earned	Revenue Recognized	**2018**
Deferred Revenue - Capital Government Transfers					
Municipal Sustainability Initiative	$ 23,281	$ 8,399	$ 611	$ (9,572)	**$ 22,719**
Other Capital	-	1,250	-	(1,250)	**-**
Federal Gas Tax Fund	5,445	3,618	157	(3,520)	**5,700**
Ray Gibbon Drive Provincial Grant Funding	128	-	-	-	**128**
Basic Capital Grant	4,100	1,908	109	(3,577)	**2,540**
Green Trip Grant	-	12,418	149	(810)	**11,757**
Total Deferred Revenue - Capital Government Transfers	32,954	27,593	1,026	(18,729)	**42,844**
Deferred Revenue - Operating Government Transfers					
Municipal Sustainability Initiative	-	441	-	(441)	**-**
Library	-	13	-	-	**13**
Family and Community Support Services	-	1,425	-	(1,425)	**-**
Community	-	32	-	(24)	**8**
Arts and Heritage Foundation	316	116	-	(316)	**116**
Other	50	144	-	(50)	**144**
Total Deferred Revenue - Operating Government Transfers	366	2,171	-	(2,256)	**281**
Deferred Revenue - Other					
Servus Place	1,095	5,368	-	(5,065)	**1,398**
Other Operating	1,154	927	-	(1,298)	**783**
Licensing	901	916	-	(901)	**916**
Community	30	7	-	(28)	**9**
Utilities	99	1	-	(54)	**46**
Performing Arts	152	102	-	(152)	**102**
Library	45	17	-	(43)	**19**
Total Deferred Revenue - Other	3,476	7,338	-	(7,541)	**3,273**
Total Deferred Revenue	$ 36,796	$ 37,102	$ 1,026	$ (28,526)	**$ 46,398**

Year Ended December 31, 2018 (in thousands of dollars)

4. OFFSITE LEVY LIABILITIES

	2017	Contributions	Interest Earned	Applied	**2018**
Offsite Levy Liabilities					
Transportation Offsite Levy	$ 3,367	$ 1,181	$ 33	$ (3,100)	**$ 1,481**
Water Offsite Levy	6,300	1,914	191	-	**8,405**
Sanitary Sewer Levy	3,116	934	33	(3,000)	**1,083**
Stormwater Levy	117	2	1	(117)	**3**
Total Offsite Levy Liabilities	$ 12,900	$ 4,031	$ 258	$ (6,217)	**$ 10,972**

5. LONG-TERM DEBT

a. Long-term debt consists of:

	2018	2017
Municipal Tax Supported Debenture	**$ 42,993**	$ 37,475

Debenture debt has been issued on the credit and general security of the City. Debentures are held by the Alberta Capital Finance Authority. Debenture interest is payable, before Provincial subsidy, at rates ranging from 3.34% to 5.00% per annum. The debentures are payable in annual or semi annual amounts and mature in periods ranging from 2019 to 2028.

The City has an operating line of credit with its bank of $5,000 (2017 - $5,000). This credit facility bears interest at the TD Composite Prime minus 0.50% and was not drawn on at December 31, 2018.

The City's total cash payments for interest in 2018 were $1,859 (2017 - $1,890)

b. Long-term debt principal and interest amounts due in each of the next five years and thereafter are as follows:

	Principal	Interest	Total
2019	$ 4,871	$ 1,811	$ 6,682
2020	4,638	1,594	6,232
2021	4,854	1,378	6,232
2022	5,080	1,152	6,232
2023	5,317	915	6,232
Thereafter	18,233	2,982	21,215
	$ 42,993	$ 9,832	$ 52,825

Year Ended December 31, 2018 (in thousands of dollars)

5. LONG-TERM DEBT

c. Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits, as defined by Alberta Regulation 255/2000 for the City be disclosed as follows:

		2018		2017
Total Debt Limit	**$**	**286,958**	$	274,131
Total Debt		**42,993**		37,475
Amount of Debt Limit Unused		**243,965**		236,656
Maximum Allowable Debt Servicing Limit		**47,826**		45,689
Annual Payments of Existing Debt		**6,341**		6,000
Amount of Debt Servicing Limit Unused	**$**	**41,485**	$	39,689

The debt limit is calculated at 1.5 times revenue of the City (as defined in Alberta Regulation 255/2000) and the debt service 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 guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the City, rather, the consolidated financial statements and other factors must be considered.

6. ENVIRONMENTAL LIABILITY

Under Provincial legislation, the City has a liability for closure and post closure care of landfill sites, which includes final covering and landscaping, plumbing of groundwater and leachates from the sites, and ongoing environmental monitoring, site inspections and maintenance. The action plan includes objectives that will maintain the integrity of the containment berms, minimize the generation of leachate and continued monitoring of the groundwater. In addition, under Provincial legislation, the City is required to remediate certain lands with salt contamination in excess of Provincial environmental standards related to a former salt storage shed.

The City's landfill post closure and contaminated sites monitoring costs are based on estimated future monitoring expenses for approximately 25 years, in current dollars by applying Alberta Capital Finance Authority discount rate of 3.339% and the St. Albert municipal price index rate of 2.53%. An amount of $805 (2017 - $828) has been set up for the landfill post closure monitoring expenses and an amount of $436 (2017 - $561) has been set up for contaminated sites monitoring costs. These environmental liabilities relate to salt impact, which are affecting the soil and groundwater from a former salt storage shed.

The reported liabilities are based on estimates and assumptions with respect to events using the best information available to management. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total expenses and will be recognized prospectively as a change in estimate when applicable.

		2018		2017
Estimated Post Closure Monitoring Costs	**$**	**805**	$	828
Estimated Contaminated Site Monitoring Costs		**436**		561
Estimated Monitoring Costs	**$**	**1,241**	$	1,389

CITY OF ST. ALBERT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2018 (in thousands of dollars)

7. TANGIBLE CAPITAL ASSETS

	2018									
	Building Improvement	Library Collections	Land Improvement	Engineered Structures	Buildings	Machinery and Equipment	Land	Vehicles	Assets Under Construction	Total
Cost										
Balance, Beginning of Year	$ 16,069	$ 2,133	$ 56,977	$ 609,310	$ 132,626	$ 26,810	$ 409,002	$ 44,932	$ 61,699	**$ 1,359,558**
Acquisitions and Contributions	666	354	2,144	23,713	7,660	980	9,261	5,754	36,980	**87,512**
Disposals and Transfers	-	(507)	-	(1,064)	-	(654)	(1,514)	(1,845)	(52)	**(5,636)**
Internal Transfers	359	-	7,116	53,568	4,274	965	-	-	(66,282)	**-**
Balance, End of Year	**17,094**	**1,980**	**66,237**	**685,527**	**144,560**	**28,101**	**416,749**	**48,841**	**32,345**	**1,441,434**
Accumulated Amortization										
Balance, Beginning of Year	1,634	1,128	28,966	269,813	64,825	13,418	-	19,978	-	**399,762**
Amortization	535	412	2,518	14,594	2,835	2,761	-	2,788	-	**26,443**
Disposals	-	(507)	-	(518)	-	(660)	-	(1,725)	-	**(3,410)**
Balance, End of Year	**2,169**	**1,033**	**31,484**	**283,889**	**67,660**	**15,519**	**-**	**21,041**	**-**	**422,795**
Net Book Value, End of Year	**$ 14,925**	**$ 947**	**$ 34,753**	**$ 401,638**	**$ 76,900**	**$ 12,582**	**$ 416,749**	**$ 27,800**	**$ 32,345**	**$ 1,018,639**

CITY OF ST. ALBERT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2018 (in thousands of dollars)

7. TANGIBLE CAPITAL ASSETS

2017

	Building Improvement	Library Collections	Land Improvement	Engineered Structures	Buildings	Machinery and Equipment	Land	Vehicles	Assets Under Construction	Total
Cost										
Balance, Beginning of Year	$ 8,457	$ 2,200	$ 49,844	$ 602,132	$ 129,883	$ 24,963	$ 397,392	$ 41,868	$ 57,745	**$ 1,314,484**
Acquisitions and Contributions	1,252	376	1,010	7,684	-	3,135	12,611	3,961	35,640	**65,669**
Disposals and Transfers	-	(443)	-	(15,952)	-	(2,302)	(1,001)	(897)	-	**(20,595)**
Internal Transfers	6,360	-	6,123	15,446	2,743	1,014	-	-	(31,686)	**-**
Balance, End of Year	**16,069**	**2,133**	**56,977**	**609,310**	**132,626**	**26,810**	**409,002**	**44,932**	**61,699**	**1,359,558**
Accumulated Amortization										
Balance, Beginning of Year	1,252	1,137	26,771	270,250	62,141	12,800	-	18,236	-	**392,587**
Amortization	382	434	2,195	13,312	2,684	2,768	-	2,559	-	**24,334**
Disposals	-	(443)	-	(13,749)	-	(2,150)	-	(817)	-	**(17,159)**
Balance, End of Year	**1,634**	**1,128**	**28,966**	**269,813**	**64,825**	**13,418**	**-**	**19,978**	**-**	**399,762**
Net Book Value, End of Year	**$ 14,435**	**$ 1,005**	**$ 28,011**	**$ 339,497**	**$ 67,801**	**$ 13,392**	**$ 409,002**	**$ 24,954**	**$ 61,699**	**$ 959,796**

Year Ended December 31, 2018 (in thousands of dollars)

7. TANGIBLE CAPITAL ASSETS

a. Assets Under Construction

Assets under construction have a cost of $32,345 (2017 - $61,699) and will be amortized when the assets are put into service.

b. Contributed Tangible Capital Assets

Contributed tangible capital assets have been recognized at fair value at the date of contribution. The fair value of contributed tangible assets received during the year is $23,950 (2017 - $13,273). This amount is comprised of roads infrastructure in the amount of $11,492 (2017 - $5,783), water, storm and wastewater infrastructure in the amount of $9,601 (2017 - $4,211), and land (contributed land per agreement's) in the amount of $2,857 (2017 - $3,279).

c. Disposals of Tangible Capital Assets

The City transfered title of two school sites (Alexandre Tache High School and Sister Alphonse Academy) to the School Board's with no remuneration.

d. Works of Art and Historical Treasures

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

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	2018	2017
Tangible Capital Assets (Note 7)	**$ 1,441,434**	$ 1,359,558
Accumulated Amortization (Note 7)	**(422,795)**	(399,762)
Long-Term Debt (Note 5)	**(42,993)**	(37,475)
	$ 975,646	$ 922,321

Year Ended December 31, 2018 (in thousands of dollars)

9. ACCUMULATED SURPLUS

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

	2018	2017
Surplus		
Unrestricted Surplus (Deficit)	**$ (2,522)**	$ (1,421)
Equity in Tangible Capital Assets	**975,646**	922,321
	973,124	920,900
Reserves		
City of St.Albert - Operating	**12,672**	12,872
City of St.Albert - Capital	**67,530**	69,299
*Outside Agencies - Operating	**476**	463
*Outside Agencies - Capital	**482**	473
Utilities	**48,563**	49,587
Total Reserves	**129,723**	132,694
Total Accumulated Surplus	**$ 1,102,847**	$ 1,053,594

*Outside Agencies includes the St. Albert Public Library, the Arts & Heritage Foundation of St. Albert and other Community & Social Development Services.

10. COMMITMENTS AND CONTINGENCIES

a. Legal Claims

As at December 31, 2018, the City 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 adverse effect on the City's financial position.

b. Lease Commitments

The City has entered into several operating lease agreements for space rental. Lease commitments over the next five years and thereafter are as follows

2019	$ 1,065
2020	1,024
2021	697
2022	357
2023	197
Thereafter	1,083
	$ 4,423

Year Ended December 31, 2018 (in thousands of dollars)

11. PROPERTY TAXES

	2018 Budget (Note 15)	2018	2017
Taxation			
Real Property Taxes	$ 132,313	**$ 132,232**	$ 126,935
Linear Property Taxes	1,075	**1,095**	1,075
Government Grants in place of property tax	2,200	**2,222**	1,777
Total Taxation	135,588	**135,549**	129,787
Requisitions			
Alberta School Foundation Fund	24,854	**24,854**	23,953
Opted Out School Board	7,498	**7,498**	7,214
Homeland Housing	1,134	**1,134**	1,121
Other	-	**80**	80
Total Requisitions	33,486	**33,566**	32,368
Property Taxes Available for Municipal Purposes	$ 102,102	**$ 101,983**	$ 97,419

12. GOVERNMENT TRANSFERS

	2018 Budget (Note 15)	2018	2017
Government Transfers for Operations			
Provincial Transfers	$ 3,859	**$ 4,820**	$ 4,399
Federal Transfers	258	**205**	341
Total Operating Transfers	4,117	**5,025**	4,740
Government Transfers for Capital			
Provincial Transfers	16,931	**14,958**	23,189
Federal Transfers	4,335	**3,732**	3,973
Total Capital Transfers	21,266	**18,690**	27,162
Total Government Transfers	$ 25,383	**$ 23,715**	$ 31,902

13. SALARIES AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer, and the designated officer is required by Alberta Regulation 313/2000. This information is not presented in thousands of dollars.

	Salaries (a)	Benefits and Allowances (b)	2018	2017
Mayor Heron (i)	$ 115,169	$ 6,139	**$ 121,308**	$ 20,624
Councillor Hansen (i)	47,115	6,214	**53,329**	8,967
Councillor Joly (i)	47,115	6,255	**53,370**	8,973
Councillor K. MacKay (i)	47,115	5,896	**53,011**	8,283
Councillor Watkins (i)	47,115	4,028	**51,143**	8,849
Councillor Brodhead	47,115	6,371	**53,486**	47,447
Councillor Hughes	47,115	6,466	**53,581**	46,496
Mayor Crouse (ii)	-	-	**-**	121,668
Councillor Heron (ii)	-	-	**-**	36,395
Councillor C. MacKay (ii)	-	-	**-**	35,664
Councillor Osborne (ii)	-	-	**-**	37,649
Councillor Russell (ii)	-	-	**-**	31,490
Chief Administrative Officer	254,237	42,552	**-**	292,889
Designated Officer	146,656	39,571	**186,227**	183,800

(i) Council Term started October 2017.
(ii) Council Term completed October 2017.

a. Salaries

Salaries above includes amounts received from an independent organization by the Mayor and Councillors when acting in their capacity. These amounts were paid through the City and are included in the City's expenses, in the consolidated financial statements.

b. Benefits and Allowances

Benefits and allowances above, include any allowances, as well as the City's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada Pension Plan, employment insurance, WCB, health care, dental coverage, vision coverage, group life insurance, accidental death and dismemberment insurance, long and short term disability plans, professional memberships, and car allowances.

c. Related Party Transactions

Related parties include key management personnel of the City. The City has defined key management personnel to include those individuals disclosed above and the Director of Finance. Transactions with key management personnel primarily consist of compensation related payments and are undertaken on similar terms and conditions to those that would be adopted if the parties were dealing at arm's length.

14. PENSION PLANS

a. Local Authorities Pension Plan

Approximately 673 (2017 – 667) employees of the City participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The plan is financed by employer and employee contributions and investment earnings of the LAPP Fund. The City is required to make current service contributions to the LAPP of 10.39% (2017 - 11.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% (2017 - 15.84%) on pensionable earnings above this amount. Employees of the City are required to make current service contributions of 9.39% (2017 - 10.39%) of pensionable salary up to the year's maximum pensionable salary and 13.84% (2017 – 14.84%) on pensionable salary above this amount.

Total contributions by the City to the LAPP in 2018 were $6,385 (2017 - $6,693). Total contributions by the employees of the City of St. Albert to the Local Authorities Pension Plan in 2018 were $5,851 (2017 - $6,176). At December 31, 2017, the plan reported the value of its assets at $42.7 billion (2016 - $37.7 billion) and disclosed an actuarial surplus of $4.84 billion (2016 – $0.64 billion deficiency). Plan asset and actuarial surplus (deficiency) data as at December 31, 2018 were not yet available.

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 beneficiaries 11 (2017 - 16). The plan supplements the Local Authorities Pension Plan.

Contributions are made by the prescribed class of employees and the City. The employees and the City are required to make current service contributions to APEX of 2.84% and 3.78% (2017 - 2.84% and 3.78%) respectively, of pensionable earnings up to $147 (2017 - $146). Total current service contributions by the City to APEX in 2018 were $81 (2017 - $89). Total current service contributions by the employees of the City were $61 (2017 - $67).

The cost of post retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service, management's best estimate of salary and benefit escalation, and retirement ages of employees. The cost of post retirement benefits are fully funded.

As at December 31, 2018, the APEX supplementary pension plan has vested with approximately 73% of eligible employees. The City has disclosed contributions to the APEX plan.

c. MuniSERP

The MuniSERP supplementary overcap retirement plan extend LAPP and APEX pension benefit levels beyond the Canada Revenue Agency maximum. The plan commenced on January 1, 2003, and provides supplementary benefits to a prescribed class of employees 4 beneficiaries (2017 - 8). MuniSERP supplements APEX and LAPP and is a voluntary, non-contributory, non-registered supplementary employee retirement plan. The cost of post retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service, management's best estimate of salary and benefit escalation, and retirement ages of employees. As at December 31, 2018, an actuarial costing has been completed along with corresponding disclosure of designated assets.

Year Ended December 31, 2018 (in thousands of dollars)

14. PENSION PLANS

The following presents the MuniSERP obligation as at December 31, 2018:

		2018		2017
Accrued Benefit Obligation				
Balance, Beginning of Year	$	**167**	$	255
Current Service Cost and Interest Cost		**(86)**		(88)
Balance, End of Year	**$**	**81**	$	167

There are no defined benefit plan assets.

The significant actuarial assumptions in measuring the City's accrued benefit obligation are as follows:

	2018	2017
Discount Rate	**4.75 %**	4.75 %
Rate of Compensation Increase	**3.50 %**	3.50 %

15. BUDGET INFORMATION

The budget data presented in these consolidated financial statements is based upon the 2018 operating and capital budgets approved by Council. Amortization, contributed tangible capital assets and loss on sale of tangible capital assets were not contemplated in development of the budget and, as such, have not been included. The 2018 operating budget, approved by Council December 18, 2017 (2017 - December 12, 2016), is reported on the accrual basis in accordance with Canadian Public Sector Accounting Standards, which excludes the repayment of long-term debt and reserve transactions. The capital budget reports the authorized activity for the year ended December 31, 2018, as follows:

		2018		2017
Capital Budget approved by Council	**$**	**41,941**	$	72,591
Approved Capital Budget Amendments		**12,945**		(10,497)
Unspent Prior Years Budgeted Capital Expenditures and Amendments		**127,369**		121,438
Amounts Deemed Not Capital in Nature		**(4,533)**		(2,320)
Capital Budget for Acquisition of Tangible Capital Assets	**$**	**177,722**	$	181,212

Budgets establised for capital acquisitions and related financing are calculated on a project oriented basis. As these transactions may be carried out over one or more years, they are not directly comparable with current year acutal amounts.

16. SEGMENTED INFORMATION

Segmented information has been identified based upon lines of service provided by the City. City services are provided by departments and their activities are reported by functional area in the body of the consolidated financial statements. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

a. General Government Services

The City's general services include its corporate functions, such as finance, information technology, human resources, taxation and assessment, legislative operations, and common and fiscal services.

b. Protective Services

The City contracts with the Royal Canadian Mounted Police for police protection, and holds a contract through Alberta Health Services to provide emergency medical services within the community. The City also operates a municipal fire department and provides bylaw enforcement services.

c. Recreation and Parks

The City owns large park systems such as the Red Willow Park and numerous community and neighbourhood parks and playgrounds. The City also provides a variety of recreational programs and services to residents on a year round basis.

d. Utility Services

Four utilities – water, wastewater, storm, and solid waste/recycling – are administered directly by the City. While these utilities are funded independently from municipal operations as per the City's Utility Rate Model, financial results are included with the City.

e. Transportation and Roadway Services

The City provides a number of maintenance and related services for streets, sidewalks, lighting, and equipment pool. Costs related to summer and winter road maintenance are also captured here. Roadway services provides service to other segments of the organization on a cost recovery basis, which is reflected in other expense recoveries.

f. Transit Services

St. Albert Transit is a municipally owned and operated transit service offering local and commuter routes for riders. St. Albert Transit operates on a subsidized fee for service basis.

g. Cultural Services

St. Albert has cultural programs, services, and events. The St. Albert Public Library and Arts & Heritage Foundation of St. Albert are included in Cultural Services on the Consolidated Statement of Operations and Accumulated Surplus.

16. SEGMENTED INFORMATION

h. Planning and Development Services

To ensure that the community is well planned and attractive for investment, the City is active in the area of land use planning, engineering, and economic development.

i. Family and Social Services

Social services include those provided by the City's Family and Community Support Services department, in addition to costs related to the St. Albert Cemetery and other community supports.

CITY OF ST. ALBERT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2018 (in thousands of dollars)

16. SEGMENTED INFORMATION

The following tables report the financial operations for each of the above mentioned segments.

December 31, 2018	General Government Services	Protective Services	Recreation and Parks	Utility Services	Transportation & Roadway Services	Transit Services	Cultural Services	Planning and Development Services	Family and Social Services	**Total 2018**	Budget 2018
Operating Revenue											
Property Taxes	$ 10,984	$ 19,902	$ 15,115	$ 18,251	$ 16,052	$ 8,736	$ 7,684	$ 3,505	$ 1,754	**$ 101,983**	$ 102,102
Sales and User Fees	662	1,353	10,706	38,508	503	4,500	2,598	833	137	**59,800**	60,215
Government Transfers - Operating	441	1,566	38	20	182	2	1,260	2	1,514	**5,025**	4,117
Fines and Penalties	914	3,513	-	141	-	-	-	-	-	**4,568**	5,815
Licenses and Permits	819	365	-	27	20	-	-	1,448	-	**2,679**	3,227
Contracted Services Revenue	-	2,684	-	-	-	-	-	-	-	**2,684**	2,762
Investment Income	2,246	30	122	1,277	248	125	42	16	-	**4,106**	3,803
Franchise Fees	2,316	-	-	-	-	-	-	-	-	**2,316**	2,649
Other Revenue	676	-	516	133	218	544	(171)	6	5	**1,927**	792
Total Operating Revenue	19,058	29,413	26,497	58,357	17,223	13,907	11,413	5,810	3,410	**185,088**	185,482
Expenses											
Salaries, Wages and Benefits	16,341	21,316	14,667	5,159	9,545	2,525	8,934	3,936	1,670	**84,093**	83,263
Contracted and General Services	839	1,939	2,852	8,775	5,083	8,715	2,151	891	163	**31,408**	39,704
Amortization	1,825	963	3,836	5,264	11,678	2,009	736	132	-	**26,443**	-
Purchases from Other Governments	-	9,898	-	11,153	-	-	-	-	-	**21,051**	22,197
Materials, Goods and Utilities	341	942	3,353	1,009	5,089	2,452	1,594	47	76	**14,903**	14,876
Transfers to Individuals & Organizations	313	-	10	35	25	-	(345)	139	1,252	**1,429**	3,983
Interest on Long-Term Debt	22	-	800	253	844	-	-	-	-	**1,919**	1,698
Other Expenses (Recovery)	215	992	1,410	889	(3,183)	17	845	95	17	**1,297**	3,192
Loss (Gain) on Disposal of Tangible Capital Assets	(4)	(8)	445	515	(10)	103	-	1,108	-	**2,149**	-
Total Expenses	19,892	36,042	27,373	33,052	29,071	15,821	13,915	6,348	3,178	**184,692**	168,913
Excess (Deficiency) of Revenue over Expenses before Capital Revenue	(834)	(6,629)	(876)	25,305	(11,848)	(1,914)	(2,502)	(538)	232	**396**	16,569
Capital Revenue											
Contributed Tangible Capital Assets	-	-	-	9,601	11,492	-	-	2,857	-	**23,950**	-
Developer Contributions and Levies	-	-	-	3,117	3,100	-	-	-	-	**6,217**	-
Government Transfers - Capital	45	15	1,805	2,084	10,643	2,709	1,389	-	-	**18,690**	21,266
Excess (Deficiency) of Revenue over Expenses	$ (789)	$ (6,614)	$ 929	$ 40,107	$ 13,387	$ 795	$ (1,113)	$ 2,319	$ 232	**$ 49,253**	$ 37,835

CITY OF ST. ALBERT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2018 (in thousands of dollars)

16. SEGMENTED INFORMATION

December 31, 2017	General Government Services	Protective Services	Recreation and Parks	Utility Services	Transportation and Roadway Services	Transit Services	Cultural Services	Planning and Development Services	Family and Social Services	**Total 2017**	Budget 2017
Operating Revenue											
Property Taxes	$ 13,982	$ 21,235	$ 13,451	$ 16,684	$ 9,610	$ 8,045	$ 7,752	$ 4,681	$ 1,979	**$ 97,419**	$ 97,693
Sales and User Fees	486	1,261	10,758	37,551	519	4,456	1,899	887	238	**58,055**	58,733
Government Transfers - Operating	472	1,543	36	5	130	2	965	104	1,483	**4,740**	4,056
Fines and Penalties	902	4,387	-	139	-	-	-	-	-	**5,428**	6,121
Licenses and Permits	841	367	-	-	20	-	-	2,503	-	**3,731**	3,003
Contracted Services Revenue	-	2,676	-	-	-	-	-	-	-	**2,676**	2,699
Investment Income	1,513	18	102	1,012	60	65	41	11	-	**2,822**	3,003
Franchise Fees	2,650	-	-	-	-	-	-	-	-	**2,650**	2,483
Other Revenue	112	4	554	156	60	-	475	3	9	**1,373**	1,012
Total Operating Revenue	20,958	31,491	24,901	55,547	10,399	12,568	11,132	8,189	3,709	**178,894**	178,803
Expenses											
Salaries, Wages and Benefits	14,456	20,595	14,280	5,445	9,379	2,407	8,605	3,610	1,659	**80,436**	80,375
Contracted and General Services	1,020	2,202	2,647	10,226	4,138	8,357	2,398	479	166	**31,633**	33,847
Amortization	1,563	953	3,621	4,737	10,861	1,836	716	47	-	**24,334**	-
Purchases from Other Governments	-	10,366	-	10,850	-	-	-	-	-	**21,216**	21,120
Materials, Goods and Utilities	334	1,014	3,281	1,221	4,800	2,035	1,653	71	103	**14,512**	14,592
Transfers to Individuals & Organizations	184	-	-	30	33	-	449	268	1,192	**2,156**	3,853
Interest on Long-Term Debt	-	-	967	-	891	-	-	-	-	**1,858**	1,889
Other Expenses (Recovery)	233	1,043	1,334	811	(3,109)	18	305	96	15	**746**	2,665
(Gain) Loss on Disposal of Tangible Capital Assets	-	(2)	(39)	1,125	1,146	72	-	799	-	**3,101**	-
Total Expenses	17,790	36,171	26,091	34,445	28,139	14,725	14,126	5,370	3,135	**179,992**	158,341
Excess (Deficiency) of Revenue over Expenses before Capital Revenue	3,168	(4,680)	(1,190)	21,102	(17,740)	(2,157)	(2,994)	2,819	574	**(1,098)**	20,462
Capital Revenue											
Contributed Tangible Capital Assets	-	-	-	4,211	5,783	-	-	3,279	-	**13,273**	-
Developer Contributions and Levies	-	-	-	18	3,842	-	-	-	-	**3,860**	-
Government Transfers - Capital	721	-	1,210	2,728	11,250	9,601	1,586	66	-	**27,162**	29,890
Excess (Deficiency) of Revenue over Expenses	$ 3,889	$ (4,680)	$ 20	$ 28,059	$ 3,135	$ 7,444	$ (1,408)	$ 6,164	$ 574	**$ 43,197**	$ 50,352

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

18. COMPARATIVE INFORMATION

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