

TOWN OF STRATHMORE

Consolidated Financial Statements

For the year ended December 31, 2012

TOWN OF STRATHMORE
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Young Parkyn McNab LLP

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To: The Mayor and Members of Council of
the Town of Strathmore

We have audited the accompanying consolidated financial statements of the Town of Strathmore which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations, change in net financial assets (debt) and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Strathmore as at December 31, 2012 and the results of its operations, changes in its net financial assets (debt), and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

April 03, 2013

Young Parkyn McNab LLP

Chartered Accountants

MANAGEMENT REPORT

The consolidated financial statements are the responsibility of the management of the Town of Strathmore.

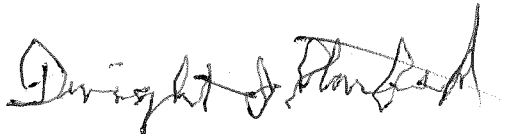
These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

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

The elected Council of the Town of Strathmore is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility principally through the Financial Audit Committee.

The Council meets annually with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council also considers the engagement or re-appointment of the external auditors. Council reviews the monthly financial reports.

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



Chief Administrative Officer

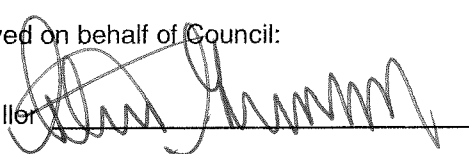
TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2012

	2012	2011
Financial assets		
Cash and temporary investments (note 2)	\$ 11,127,132	\$ 6,727,736
Taxes and grants in place of taxes receivable (note 3)	603,827	660,317
Trade and other receivables (note 4)	5,188,506	5,392,558
Investments (note 5)	8,180,374	6,460,431
Other financial assets	-	7,695
	<u>25,099,839</u>	<u>19,248,737</u>
Liabilities		
Accounts payable and accrued liabilities	2,773,043	2,502,549
Employee benefit obligations (note 6)	334,275	299,464
Deposits	798,602	1,033,120
Deferred revenue (note 7)	2,102,713	511,485
Long-term debt (note 8)	16,930,609	15,128,003
	<u>22,939,242</u>	<u>19,474,621</u>
Net financial assets (debt)	<u>2,160,597</u>	<u>(225,884)</u>
Non-financial assets		
Prepaid expenses	17,179	38,476
Inventory for consumption	48,066	18,957
Tangible capital assets (schedule 2)	173,549,976	169,267,114
	<u>173,615,221</u>	<u>169,324,547</u>
Accumulated surplus (note 9)	<u>\$175,775,818</u>	<u>\$169,098,663</u>

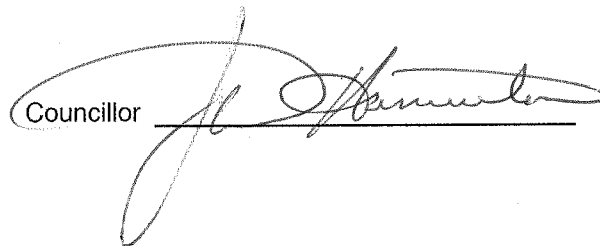
Commitments and contingencies (note 18 and 19)

Approved on behalf of Council:

Councillor



Councillor



TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2012

	Budget (Unaudited)	2012	2011
Revenue			
Net municipal property taxes (note 12)	\$ 9,376,625	\$ 9,400,663	\$ 9,093,935
User fees and sales of goods	8,332,379	8,695,422	8,547,517
Government transfers for operating (note 13)	514,957	645,335	1,254,930
Investment income	69,260	436,852	366,519
Penalties and costs of taxes	245,194	188,781	228,786
Licenses and permits	324,250	506,876	375,911
Gain on disposal of capital assets	-	2,499,489	75,033
Other	108,959	81,161	131,030
	18,971,624	22,454,579	20,073,661
Expenses (note 14)			
Legislative	291,540	249,428	250,302
Administration	2,106,205	2,338,018	2,660,337
Police, fire, disaster, ambulance and bylaw enforcement	3,032,520	3,220,020	2,955,565
Transportation services	2,929,629	2,904,905	2,882,738
Water supply and distribution	3,101,532	2,552,767	2,486,593
Wastewater treatment and disposal	3,335,336	3,337,116	3,324,125
Waste management	795,810	883,509	735,187
Public health and welfare services	370,541	341,721	348,007
Planning and development	646,856	521,903	598,981
Parks and recreation	3,533,728	3,568,259	3,557,372
Culture - libraries, museums, halls	687,411	690,782	706,090
	20,831,108	20,608,428	20,505,297
Excess (deficiency) of revenue over expenses before other	(1,859,484)	1,846,151	(431,636)
Other			
Government transfers for capital (note 13)	3,274,293	1,531,592	3,021,438
Contributed assets (note 15)	-	3,299,412	2,386,477
	3,274,293	4,831,004	5,407,915
Excess of revenue over expenses	1,414,809	6,677,155	4,976,279
Accumulated surplus, beginning of year	169,098,663	169,098,663	164,122,384
Accumulated surplus, end of year	\$170,513,472	\$175,775,818	\$169,098,663

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
For the year ended December 31, 2012

	Budget (Unaudited)	2012	2011
Excess of revenue over expenses	\$ 1,414,809	\$ 6,677,155	\$ 4,976,279
Acquisition of tangible capital assets	(10,034,000)	(5,488,131)	(7,153,489)
Amortization	3,464,909	3,788,292	3,068,470
Contributed assets	-	(3,299,412)	(2,386,477)
(Gain) loss on disposal of tangible capital assets	-	(2,482,582)	182,037
Proceeds on disposal of tangible capital assets	-	3,198,970	103,192
	(6,569,091)	(4,282,863)	(6,186,267)
Net change in inventory for consumption	-	(29,108)	26,436
Net change in prepaid expense	-	21,297	(16,016)
	-	(7,811)	10,420
Decrease in net financial assets (debt)	(5,154,282)	2,386,481	(1,199,568)
Net financial assets (debt), beginning of year	(225,884)	(225,884)	973,684
Net financial assets (debt), end of year	\$ (5,380,166)	\$ 2,160,597	\$ (225,884)

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2012

	2012	2011
Operating transactions		
Excess of revenue over expenses	\$ 6,677,155	\$ 4,976,279
Adjustments for items which do not affect cash		
(Gain) loss on disposal of tangible capital assets	(2,482,582)	182,037
Amortization	3,788,292	3,068,470
Contributed assets	(3,299,412)	(2,386,477)
	4,683,453	5,840,309
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	56,490	(98,857)
Trade and other receivables	204,053	4,772,135
Land held for resale	-	4,730
Other financial assets	7,695	19
Inventory for consumption	(29,108)	26,436
Prepaid expenses	21,297	(16,016)
Accounts payable and accrued liabilities	270,494	(2,492,443)
Employee benefit obligations	34,811	38,072
Deposits	(234,518)	(190,424)
Deferred revenue	1,591,228	(641,027)
Cash provided by operating transactions	6,605,895	7,242,934
Capital transactions		
Proceeds on disposal of tangible capital assets	3,198,970	103,192
Acquisition of tangible capital assets	(5,488,131)	(7,153,489)
Cash applied to capital transactions	(2,289,161)	(7,050,297)
Investing transactions		
Increase in investments	(1,719,944)	(876,695)
Cash applied to investing transactions	(1,719,944)	(876,695)
Financing transactions		
Proceeds of long-term debt	3,120,000	1,750,000
Repayment of long-term debt	(1,317,394)	(1,117,069)
Cash provided by financing transactions	1,802,606	632,931
Increase (decrease) in cash and temporary investments	4,399,396	(51,127)
Cash and temporary investments, beginning of year	6,727,736	6,778,863
Cash and temporary investments, end of year	\$ 11,127,132	\$ 6,727,736

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

1. Significant accounting policies

The consolidated financial statements of the Town of Strathmore are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the town are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all the organizations that are owned or controlled by the Town and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes operating requisitions for educational, and other external organizations that are not controlled by the Municipal Council.

The statements exclude trust assets that are administered for the benefit of external parties.

(b) Basis of accounting

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

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

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 of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be preformed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(c) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(d) Investments

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

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

(e) 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.

(f) Land held for resale

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

(g) Government transfers

Government transfers are the transfer of assets from senior levels of government that 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.

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be determined.

(h) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

(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 is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land improvements	15-25
Buildings	25-50
Engineered structures	45-75
Machinery and equipment	5-25
Vehicles	10-25

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

1. Significant accounting policies, continued

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

- (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
Inventories held for consumption are recorded at the lower of cost and replacement cost.

2. Cash and temporary investments

	2012	2011
Cash	\$ 1,384,518	\$ 2,021,094
Temporary investments	9,742,614	4,706,642
	<u>\$ 11,127,132</u>	<u>\$ 6,727,736</u>

The Town of Strathmore has an authorized overdraft limit of \$1,000,000 at a rate of prime less 0.375%. Security consists of a general security agreement. The temporary investment consists of funds held in a high interest savings account through the investment portfolio.

3. Taxes and grants in place of taxes receivables

	2012	2011
Taxes and grants in place of taxes receivable	\$ 463,863	\$ 497,542
Arrears	139,964	162,775
	<u>\$ 603,827</u>	<u>\$ 660,317</u>

4. Trade accounts receivable

	2012	2011
Trade accounts receivable - operating	\$ 3,640,493	\$ 636,547
Trade accounts receivable - capital	282,206	3,438,376
Goods and services tax receivable	139,885	194,919
Utilities receivable	1,140,862	1,153,999
Allowance for doubtful accounts	(14,940)	(31,283)
	<u>\$ 5,188,506</u>	<u>\$ 5,392,558</u>

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

5. Investments

	2012		2011	
	Cost	Market value	Cost	Market value
Commercial notes	\$ 8,176,741	\$ 8,556,413	\$ 6,456,798	\$ 6,873,090
Other	3,633	3,633	3,633	3,633
	<u>\$ 8,180,374</u>	<u>\$ 8,560,046</u>	<u>\$ 6,460,431</u>	<u>\$ 6,876,723</u>

Commercial notes have interest rates from 3.18% to 7.243% (2011 - 3.15% to 5.474%). Maturity dates are from the year 2014 to 2018.

The Town received Government grants and other funds that are restricted in their use and are to be utilized as funding for specific projects. Since the projects for which funding has been received have not been completed, \$2,901,315 (2011 \$1,544,354) of the cash and temporary investments balance are not available for general use by the Town.

6. Employee benefit obligations

The vacation and overtime liability is comprised of vacation and accumulated overtime that employees have earned and are deferring to future years. Employees have either earned the benefits (and they are vested) or are entitled to these benefits within the next budgetary year.

7. Deferred revenue

	2012	2011
Municipal Sustainability Initiative	\$ 1,805,749	\$ 209,190
Federal Gas Tax Fund	215,613	215,613
Other prepaid charges	77,900	83,231
Ground Search and Emergency Training	3,451	3,451
	<u>\$ 2,102,713</u>	<u>\$ 511,485</u>

Municipal Sustainability Initiative

The Municipal Sustainability Initiative (MSI) is a funding program aimed at providing financial support for critical core and community infrastructure projects and includes incentives to encourage collaboration and co-operation between neighbouring municipalities. This population based funding program includes operating, capital and affordable housing components. In 2012 the Town was allocated \$189,805 in operating funding (2011 - \$272,578) and \$1,615,944 in capital funding (2011 - \$2,174,585).

Federal Gas Tax Fund

The Federal Gas Tax Fund is a program to assist municipalities in addressing sustainable municipal capital infrastructure needs. The program is supported through the allocation of a portion of the federal gas tax refund and to recognize this the grant was re-named the Federal Gas Tax Fund (FGTF) in 2010. The fund was previously called the New Deal for Communities Grant. The balance represents funding that is allocated to capital projects that have not been completed at this time.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

8. Long-term debt

	2012	2011
Self supported long-term debt	\$ 16,930,609	\$ 15,128,003
Current portion	\$ 1,469,895	\$ 1,231,251

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2013	\$ 1,469,895	\$ 672,838	\$ 2,142,733
2014	1,542,429	600,305	2,142,734
2015	1,619,761	522,972	2,142,733
2016	1,702,278	440,455	2,142,733
2017	1,388,748	352,085	1,740,833
Thereafter	9,207,498	1,259,454	10,466,952
	\$ 16,930,609	\$ 3,848,109	\$ 20,778,718

Long-term debt is repayable to Alberta Capital Finance Authority, Canada Mortgage and Housing Corporation, and Chinook Credit Union Ltd. Interest rates range from 2.625% to 11.125% per annum. The long-term debt is issued on the credit and security of the Town at large. The average annual interest rate is 4.03% for 2012 (4.10% for 2011)

Interest on long-term debt amounted to \$672,607 (2011 - \$670,516). The Town's total cash payments for interest in 2012 were \$698,770 (2011 - \$692,009).

9. Accumulated surplus

Accumulated surplus consists of internally restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2012	2011
Unrestricted surplus	\$ 10,666,494	\$ 6,101,125
Internally restricted surplus (reserves) (note 10)	8,489,957	8,858,427
Equity in tangible capital assets (note 11)	156,619,367	154,139,111
	\$175,775,818	\$169,098,663

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

10. Reserves

Council has set up reserves for various purposes. These reserves are either required by legislation or set up at the discretion of Council to provide funding for future expenses. Reserves for operating and capital activities changed as follows:

	2012	2011
Operating		
Financial stabilization	\$ 2,704,643	\$ 3,135,426
Potable water	897,308	872,803
Common services	408,803	397,639
Fire protection	294,285	294,419
Sanitary sewer	316,924	308,269
Office revitalization	258,102	251,054
Family Centre capital reduction	271,531	264,115
RCMP reserve	112,341	109,273
Garbage	54,357	52,872
General administration	41,196	40,071
Roads, walks and lighting	37,353	36,333
Cemetery	31,641	30,777
Family Centre	27,415	26,667
General enforcement	22,722	22,101
Sewer conveyance	4,480	4,358
	5,483,101	5,846,177
Capital		
Storm off-site levies	937,253	920,279
Water supply	482,522	469,344
Sewer off-site levies	317,584	284,580
Water off-site levies	289,833	222,337
Roads off-site levies	263,068	234,491
Municipal public reserve	261,367	444,244
Civic Centre	181,087	176,142
Bike pathway levies	101,670	98,893
Family Centre	35,974	34,991
Roads, walks and lighting	26,946	26,210
Sanitary sewer	25,184	24,497
Storm	21,656	21,064
Storm offsite levies - Eagle Lake	17,923	13,150
Sewer off-site levies - Orchard Park	17,641	16,148
Recreation	12,781	12,432
Sewer off-site levies - West	8,442	7,685
Bike pathway	3,988	3,879
Aquatic Centre	1,937	1,884
	3,006,856	3,012,250
	\$ 8,489,957	\$ 8,858,427

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

11. Equity in tangible capital assets

	2012	2011
Tangible capital assets (schedule 2)	\$210,244,083	\$202,480,456
Accumulated amortization (schedule 2)	(36,694,107)	(33,213,342)
Long-term debt (note 8)	(16,930,609)	(15,128,003)
	<u>\$156,619,367</u>	<u>\$154,139,111</u>

12. Net municipal property taxes

	Budget (Unaudited)	2012	2011
Taxation			
Real property taxes	\$ 10,954,416	\$ 11,317,341	\$ 10,607,205
Linear property taxes	215,202	205,651	216,272
Business taxes	2,912,290	2,702,075	2,817,324
Government grants in place of property taxes	75,544	72,033	72,970
	<u>14,157,452</u>	<u>14,297,100</u>	<u>13,713,771</u>
Requisitions			
Alberta School Foundation Fund	4,240,068	4,329,469	4,102,304
Christ the Redeemer School Division	460,983	464,354	441,065
Wheatland Housing requisition	79,776	102,614	76,467
	<u>4,780,827</u>	<u>4,896,437</u>	<u>4,619,836</u>
	<u>\$ 9,376,625</u>	<u>\$ 9,400,663</u>	<u>\$ 9,093,935</u>

13. Government transfers

	Budget (Unaudited)	2012	2011
Transfers for operating:			
Provincial government	\$ 502,957	\$ 636,535	\$ 1,244,130
Federal government	12,000	8,800	10,800
	<u>514,957</u>	<u>645,335</u>	<u>1,254,930</u>
Transfers for capital			
Provincial government	3,274,293	1,520,568	2,752,783
Federal government	-	11,024	268,655
	<u>3,274,293</u>	<u>1,531,592</u>	<u>3,021,438</u>
	<u>\$ 3,789,250</u>	<u>\$ 2,176,927</u>	<u>\$ 4,276,368</u>

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

14. Expenses by object

	Budget (Unaudited)	2012	2011
Salaries, wages and benefits	\$ 6,694,813	\$ 6,609,337	\$ 6,026,053
Contracted and general services	6,804,204	6,031,977	6,868,390
Materials, goods, supplies and utilities	2,878,177	3,248,891	2,694,614
Bank charges and short-term interest	11,000	18,444	15,437
Interest on long-term debt	733,054	672,607	670,516
Other expenditures	4,000	3,000	40,150
Transfers to local boards and agencies	92,822	65,163	68,691
Transfers to other governments	118,229	120,088	137,863
Transfers to individuals and organizations	29,900	33,720	658,045
Amortization of tangible capital assets	3,464,909	3,788,292	3,068,470
Loss on disposal of tangible capital assets	-	16,909	257,068
	\$ 20,831,108	\$ 20,608,428	\$ 20,505,297

15. Contributed assets

During 2012 the Town received certain contributed tangible capital assets from developers. The tangible capital assets received have been recorded at fair market value at the date of contribution and have been recognized as income during the year.

16. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town be disclosed as follows:

	2012	2011
Total debt limit	\$ 33,681,869	\$ 30,110,492
Total debt	16,930,609	15,128,003
	\$ 16,751,260	\$ 14,982,489
Debt servicing limit	\$ 5,613,645	\$ 5,018,415
Debt servicing	2,142,733	1,889,595
	\$ 3,470,912	\$ 3,128,820

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) 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 municipality. Rather, the financial statements must be interpreted as a whole.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

17. Salary and benefits disclosure

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	(1)	(2)		
	Salary	Benefits & allowances	2012	2011
Council				
Mayor Steve Grajczyk	\$ 45,320	\$ 1,335	\$ 46,655	\$ 45,292
Councillor Robert Sobol	24,720	655	25,375	24,632
Councillor Earl Best	23,250	605	23,855	24,632
Councillor John Rempel	24,720	655	25,375	24,632
Councillor Rocky Blokland	24,720	655	25,375	24,632
Councillor Dave Hamilton	24,720	655	25,375	24,632
Councillor Pat Fule	24,720	655	25,375	24,632
Chief Administrative Officer	\$ 163,403	\$ 26,185	\$ 189,588	\$ 167,075

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, and any other direct cash remuneration.

(2) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits. The 2011 benefits have been restated.

18. Contingencies

The Town of Strathmore has entered into project agreements with Epcor Water Services Inc. ("EPCOR") under which EPCOR has agreed to provide certain equipment and systems to the Town relating to public utilities and infrastructure. Provided that the Town maintains this contractual agreement for a term of twenty years, the Town will not be liable for the costs of this equipment and systems. Should the Town terminate this contract, it will be required to pay the unamortized balance at that date, based on initial costs of \$1,155,951 plus GST, amortized straight-line over twenty years. At the end of the twenty year period, the balance remaining will be \$1. As at December 31, 2012 the remaining unamortized balance was \$431,879, (2011 - \$489,676).

The Town of Strathmore is a member of the Alberta Municipal Insurance Exchange (MUNIX) which provides liability insurance. Under the terms of the membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

19. Commitments

The Town has contracted EPCOR Water services Inc. to provide management and operations services related to the public utilities and infrastructure system until 2020. Billing under the contract is an annual rate of \$2,112,588, adjusted yearly by the consumer price index.

The Town has contracted with the Western Irrigation District to deal with municipal storm water issues. The contract is in effect until 2016. Billing under the contract is an annual rate of \$27,500 which increases each year by the consumer price index (CPI).

Payments over the next five years are as follows:

2013	\$ 30,173
2014	31,120
2015	32,098
2016	33,105
	<u>\$ 126,496</u>

An additional storm water capital levy of \$500 per lot, or \$2,000 per acre assessment, is payable for new property covered by development permits issued by the Town.

The Town owes amounts to Wheatland County associated with the annexed land transaction in 2010. The following payments are due:

2013	\$ 40,405
2014	20,204
	<u>\$ 60,609</u>

20. Local Authorities Pension Plan

Employees of the Town of Strathmore participate in the Local Authorities Pension Plan ("LAPP"), which is one of the plans covered by the Alberta Sector Pension Plans Act. The LAPP serve about 214,000 people and over 423 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year they become due.

The Town is required to make current service contributions to the LAPP of 10.43% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 14.47 % of pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 9.43% of pensionable salary up to the years maximum pensionable salary and 13.47% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2012 were \$379,134 (2011 - \$336,306). Total current service contributions by the employees of the Town to the LAPP in 2012 were \$343,714 (2011 - \$303,493). At December 31, 2011 the LAPP disclosed an actuarial deficiency of \$4,639 million.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

21. Budget amounts

The 2012 budget for the Town was approved by Council on December 7, 2011 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

Budgeted surplus per financial statements	\$ 1,414,809
Less: Capital expenditures	(10,034,000)
Long-term debt repayments	(1,381,493)
Add: Amortization	3,464,909
Transfers from reserves	3,415,775
Long-term debt proceeds	3,120,000
Equals: Balanced budget	\$ -

22. Financial instruments

The Town of Strathmore's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, requisition under-levy, and long-term debt. It is management's opinion that the Town is not exposed to significant interest or risk arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

23. Approval of financial statements

These financial statements were approved by Council and Management.

24. Comparative figures

Where necessary the comparative figures for the 2011 year, have been reclassified to conform with 2012 financial statement presentation.

TOWN OF STRATHMORE
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2012	2011
Balance, beginning of year	\$ 6,101,125	\$ 8,858,427	\$ 154,139,111	\$ 169,098,663	\$ 164,122,384
Excess of revenue over expenses	6,677,155	-	-	6,677,155	4,976,279
Unrestricted funds designated for future use	(377,145)	377,145	-	-	-
Restricted funds used for operations	745,615	(745,615)	-	-	-
Current year funds used for tangible capital assets	(5,488,128)	-	5,488,128	-	-
Contributed tangible capital assets	(3,299,415)	-	3,299,415	-	-
Disposal of tangible capital assets	716,389	-	(716,389)	-	-
Annual amortization expense	3,788,292	-	(3,788,292)	-	-
Long-term debt repaid	(1,317,394)	-	1,317,394	-	-
Proceeds of long-term debt	3,120,000	-	(3,120,000)	-	-
Change in accumulated surplus	4,565,369	(368,470)	2,480,256	6,677,155	4,976,279
Balance, end of year	\$ 10,666,494	\$ 8,489,957	\$ 156,619,367	\$ 175,775,818	\$ 169,098,663

TOWN OF STRATHMORE
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

Schedule of tangible capital assets

Schedule 2

Land Land improvements Buildings Engineered structures Machinery and equipment Vehicles 2012 2011

Cost:

Balance, beginning of year	\$ 18,773,962	\$ 2,248,621	\$ 23,158,734	\$ 151,889,524	\$ 3,832,865	\$ 2,576,751	\$ 202,480,456	\$ 193,280,931
Acquisitions	-	315,349	-	3,777,816	66,942	-	4,160,107	5,870,366
Construction-in-progress	-	-	-	4,627,435	-	-	4,627,435	3,669,600
Disposals	(178,237)	-	(520,273)	(236,574)	(88,831)	-	(1,023,915)	(340,441)

Balance, end of year	18,595,725	2,563,970	22,638,461	160,058,201	3,810,976	2,576,751	210,244,083	202,480,456
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Accumulated amortization:

Balance, beginning of year	-	891,184	6,245,455	23,297,381	2,022,199	757,123	33,213,342	30,200,084
Annual amortization	-	111,161	466,379	2,832,138	218,318	160,295	3,788,291	3,068,470
Disposals	-	-	(235,603)	-	(71,923)	-	(307,526)	(55,212)

Balance, end of year	-	1,002,345	6,476,231	26,129,519	2,168,594	917,418	36,694,107	33,213,342
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Net book value	\$ 18,595,725	\$ 1,561,625	\$ 16,162,230	\$ 133,928,682	\$ 1,642,382	\$ 1,659,333	\$ 173,549,976	\$ 169,267,114
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2011 net book value

\$ 18,773,962	\$ 1,357,437	\$ 16,913,278	\$ 128,592,142	\$ 1,810,667	\$ 1,819,628	\$ 169,267,114
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TOWN OF STRATHMORE

SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

Schedule of segmented disclosure

Schedule 3

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
Revenue								
Net municipal property taxes	\$ 9,400,663	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,400,663
User fees and sales of goods	547,979	208,519	26,092	7,037,655	14,650	55,913	804,614	8,695,422
Government transfers for operating	26,423	422,112	-	70,000	-	-	126,800	645,335
Investment income	287,385	8,887	19,504	90,360	864	-	29,852	436,852
Penalties and costs of taxes	188,781	-	-	-	-	-	-	188,781
Licenses and permits	88,426	339,243	-	-	120	79,087	-	506,876
Gain on disposal of capital assets	-	-	-	2,495,579	-	-	3,910	2,499,489
Other	16,336	10,458	1,948	16,858	-	1,612	33,949	81,161
	10,555,993	989,219	47,544	9,710,452	15,634	136,612	999,125	22,454,579
Expenses								
Salaries, wages and benefits	1,711,793	1,111,083	746,993	602,959	221,835	433,338	1,781,336	6,609,337
Contracted and general services	567,001	1,877,102	189,199	2,387,656	33,220	74,099	903,700	6,031,977
Materials, goods, supplies and utilities	136,737	91,496	635,115	1,607,349	26,359	9,610	742,225	3,248,991
Bank charges and short term interest	18,444	-	-	-	-	-	-	18,444
Interest on long term debt	43,520	-	-	-	-	-	-	43,520
Other expenditures	(5)	-	-	-	-	-	-	(5)
Transfers to local boards and agencies	-	-	-	-	60,307	4,856	3,005	68,163
Transfers to other governments	60,607	-	-	-	-	-	59,481	120,088
Transfers to individuals and organizations	12,284	-	-	-	-	-	21,436	33,720
Amortization of tangible capital assets	37,062	140,340	1,333,598	1,736,991	-	-	540,301	3,788,292
Loss on disposal of tangible capital assets	-	-	-	-	-	-	16,909	16,909
	2,587,443	3,220,021	2,904,905	6,773,392	341,721	521,903	4,259,043	20,608,428
Excess (deficiency) of revenue over expenses before other	7,968,550	(2,230,802)	(2,857,361)	2,937,060	(326,087)	(385,291)	(3,259,918)	1,846,151
Other								
Government transfers for capital	-	-	58,089	1,473,503	-	-	-	1,531,592
Contributed assets	-	-	1,338,551	1,840,861	-	-	120,000	3,299,412
	-	-	1,396,640	3,314,364	-	-	120,000	4,831,004
Excess of revenue over expenses	\$ 7,968,550	\$ (2,230,802)	\$ (1,460,721)	\$ 6,251,424	\$ (326,087)	\$ (385,291)	\$ (3,139,918)	\$ 6,677,155