

TOWN OF STRATHMORE

Financial Statements

For the year ended December 31, 2011

TOWN OF STRATHMORE
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For the year ended December 31, 2011

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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, 2011, 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.

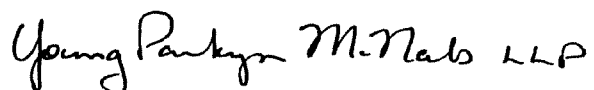
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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, 2011 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 04, 2012

Chartered Accountants

MANAGEMENT REPORT

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

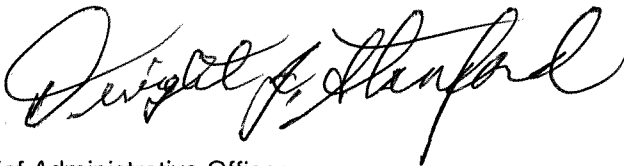
These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial 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, 2011

	2011	2010
Financial assets		
Cash and temporary investments (note 2)	\$ 6,780,162	\$ 6,778,863
Taxes and grants in place of taxes receivable (note 3)	660,317	561,460
Trade and other receivables (note 4)	5,392,558	10,164,695
Land held for resale	-	4,730
Investments (note 5)	6,460,431	5,583,736
Other financial assets	7,695	7,714
	<u>19,301,163</u>	<u>23,101,198</u>
Liabilities		
Accounts payable and accrued liabilities	2,554,975	4,994,993
Employee benefit obligations (note 6)	299,464	261,392
Deposits	1,033,120	1,223,544
Deferred revenue (note 7)	511,485	1,152,512
Long-term debt (note 8)	15,128,003	14,495,072
	<u>19,527,047</u>	<u>22,127,513</u>
Net financial (debt) assets	<u>(225,884)</u>	<u>973,685</u>
Non-financial assets		
Prepaid expenses	38,476	22,460
Inventory for consumption	18,957	45,392
Tangible capital assets (schedule 2)	169,267,114	163,080,847
	<u>169,324,547</u>	<u>163,148,699</u>
Accumulated surplus (note 9)	<u>\$169,098,663</u>	<u>\$164,122,384</u>

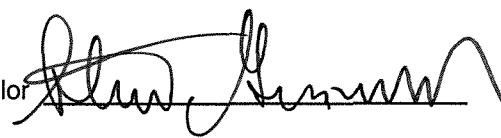
Commitments and contingencies (note 19 and 20)

Approved on behalf of Council:

Councillor



Councillor



TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2011

	Budget (Unaudited)	2011	2010
Revenue			
Net municipal property taxes (note 12)	\$ 9,089,053	\$ 9,093,935	\$ 8,717,829
User fees and sales of goods	7,845,192	8,547,517	7,629,478
Government transfers for operating (note 13)	624,274	1,254,930	667,578
Investment income	77,260	366,519	407,780
Penalties and costs of taxes	237,170	228,786	236,903
Licenses and permits	338,300	375,911	486,976
Gain on disposal of capital assets	-	75,033	9,167
Other	129,275	131,030	118,236
	18,340,524	20,073,661	18,273,947
Expenses (note 14)			
Legislative	266,550	250,302	218,732
Administration	1,983,487	2,660,337	2,058,135
Police, fire, disaster, ambulance and bylaw enforcement	2,993,724	2,955,565	2,931,340
Transportation services	2,478,810	2,882,738	2,548,531
Water supply and distribution	3,094,057	2,486,593	2,298,163
Wastewater treatment and disposal	4,401,635	3,324,125	2,121,373
Waste management	784,455	735,187	784,682
Public health and welfare services	380,926	348,007	363,996
Planning and development	642,267	598,981	584,366
Parks and recreation	3,301,098	3,557,372	2,819,798
Culture - libraries, museums, halls	854,620	706,090	647,606
	21,181,629	20,505,297	17,376,722
(Deficiency) excess of revenue over expenses before other	(2,841,105)	(431,636)	897,225
Other			
Government transfers for capital (note 13)	3,758,540	3,021,438	10,435,559
Contributed assets (note 15)	-	2,386,477	2,148,220
	3,758,540	5,407,915	12,583,779
Excess of revenue over expenses	917,435	4,976,279	13,481,004
Accumulated surplus, beginning of year	164,122,384	164,122,384	150,641,380
Accumulated surplus, end of year	\$165,039,819	\$169,098,663	\$164,122,384

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL (DEBT) ASSETS
For the year ended December 31, 2011

	Budget (Unaudited)	2011	2010
Excess of revenue over expenses	\$ 917,435	\$ 4,976,279	\$ 13,481,004
Acquisition of tangible capital assets	(7,437,350)	(7,153,489)	(15,638,334)
Amortization	4,205,359	3,068,470	2,346,517
Contributed assets	-	(2,386,477)	(2,148,220)
Loss (gain) on disposal of tangible capital assets	-	182,037	(9,167)
Proceeds on disposal of tangible capital assets	-	103,192	12,980
	(3,231,991)	(6,186,267)	(15,436,224)
Net change in inventory for consumption	-	26,435	39,795
Net change in prepaid expense	-	(16,016)	28,991
	-	10,419	68,786
Decrease in net financial assets	(2,314,556)	(1,199,569)	(1,886,434)
Net financial assets, beginning of year	973,685	973,685	2,860,119
Net financial assets (debt), end of year	\$ (1,340,871)	\$ (225,884)	\$ 973,685

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2011

	2011	2010
Operating transactions		
Excess of revenue over expenses	\$ 4,976,279	\$ 13,481,004
Adjustments for items which do not affect cash		
Loss (gain) on disposal of tangible capital assets	182,037	(9,167)
Amortization	3,068,470	2,346,517
Contributed assets	(2,386,477)	(2,148,220)
	5,840,309	13,670,134
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(98,857)	200,041
Trade and other receivables	4,772,137	(414,705)
Land held for resale	4,730	-
Other financial assets	19	17,091
Inventory for consumption	26,435	39,795
Prepaid expenses	(16,016)	28,991
Accounts payable and accrued liabilities	(2,440,018)	(1,809,450)
Employee benefit obligations	38,072	35,500
Deposits	(190,424)	59,098
Deferred revenue	(641,027)	(354,441)
Other liabilities	-	(100,054)
Cash provided by operating transactions	7,295,360	11,372,000
Capital transactions		
Proceeds on disposal of tangible capital assets	103,192	12,980
Acquisition of tangible capital assets	(7,153,489)	(15,638,334)
Cash applied to capital transactions	(7,050,297)	(15,625,354)
Investing transactions		
(Increase) decrease of investments	(876,695)	3,537,003
Financing transactions		
Proceeds of long-term debt	1,750,000	5,934,525
Repayment of long-term debt	(1,117,069)	(785,775)
Cash provided by financing transactions	632,931	5,148,750
Increase in cash and temporary investments	1,299	4,432,399
Cash and temporary investments, beginning of year	6,778,863	2,346,464
Cash and temporary investments, end of year	\$ 6,780,162	\$ 6,778,863

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

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, revenue and expenses, changes in fund balances and change in financial position of the reporting entity which comprises all of 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.

Taxes levied also includes requisitions for educational, health care, social and other external organizations that are not part of the municipal reporting entity.

(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 upon 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 performed. 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 CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

1. Significant accounting policies, continued

(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 and net realizable value. Cost includes costs 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 waste water 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 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.

(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 (Debt) Assets 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 CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

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

	2011	2010
Cash	\$ 2,073,520	\$ 245,273
Temporary investments	4,706,642	6,533,590
	<u>\$ 6,780,162</u>	<u>\$ 6,778,863</u>

The Town 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

	2011	2010
Taxes and grants in place of taxes receivable	\$ 497,542	\$ 440,296
Arrears	162,775	121,164
	<u>\$ 660,317</u>	<u>\$ 561,460</u>

4. Trade accounts receivable

	2011	2010
Trade accounts receivable - operating	\$ 636,547	\$ 783,918
Trade accounts receivable - capital	3,438,376	8,330,902
Goods and services tax receivable	194,919	217,977
Utilities receivable	1,153,999	863,181
Allowance for doubtful accounts	(31,283)	(31,283)
	<u>\$ 5,392,558</u>	<u>\$ 10,164,695</u>

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

5. Investments

	2011		2010	
	Cost	Market value	Cost	Market value
Government bonds	\$ -	\$ -	\$ 735,500	\$ 952,510
Commercial notes	6,456,798	6,873,090	4,846,128	5,105,324
Other	3,633	-	2,108	-
	<u>\$ 6,460,431</u>	<u>\$ 6,873,090</u>	<u>\$ 5,583,736</u>	<u>\$ 6,057,834</u>

Commercial notes have interest rates from 3.15% to 5.474% (2010 - 1.858% to 4.71%). Maturity dates are from the year 2012 to 2016.

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, \$1,544,354 (2010 - \$2,376,056) of the cash and temporary investments balance are not available for general use by the Town.

6. Employee benefit obligations

	2011	2010
Vacation	\$ 299,464	\$ 261,392

Vacation and overtime

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

7. Deferred revenue

	2011	2010
Municipal Sustainability Initiative	\$ 209,190	\$ 793,080
Federal Gas Tax Fund	215,613	311,945
Other prepaid charges	83,231	43,976
Ground Search and Emergency Training	3,451	3,511
	<u>\$ 511,485</u>	<u>\$ 1,152,512</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 2011 the Town was allocated \$272,578 in operating funding (2010 - \$88,661), \$2,174,585 in capital funding (2010 - \$0) and \$0 for Affordable Housing (2010 - \$226,175).

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

7. Deferred revenue, continued

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.

8. Long-term debt

	2011	2010
Self supported long-term debt	\$ 15,128,003	\$ 14,495,072

Current portion	\$ 1,231,251	\$ 1,077,286
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Principal and interest repayments are due as follows:

	Principal	Interest	Total
2012	\$ 1,231,251	\$ 658,344	\$ 1,889,595
2013	1,295,066	594,529	1,889,595
2014	1,362,953	526,642	1,889,595
2015	1,435,514	454,081	1,889,595
2016	1,512,974	376,621	1,889,595
Thereafter	8,290,245	1,510,942	9,801,187
	\$ 15,128,003	\$ 4,121,159	\$ 19,249,162

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 4.10% for 2011 (2010 - 4.68%).

Interest on long-term debt amounted to \$670,516 (2010 - \$589,807). The Town's total cash payments for interest in 2011 were \$692,009 (2010 - \$562,261).

9. Accumulated surplus

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

	2011	2010
Unrestricted surplus	\$ 6,101,125	\$ 4,823,109
Internally restricted surplus (reserves) (note 10)	8,858,427	10,713,500
Equity in tangible capital assets (note 11)	154,139,111	148,585,775
	\$169,098,663	\$164,122,384

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

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:

	2011	2010
Operating		
Financial stabilization	\$ 3,135,426	\$ 3,717,784
General administration	40,071	38,976
Office revitalization	251,054	257,993
RCMP reserve	109,273	106,286
Fire protection	294,419	319,800
General enforcement	22,101	21,497
Common services	397,639	386,770
Roads, walks and lighting	36,333	35,340
Sewer conveyance	4,358	4,238
Potable water	872,803	848,947
Sanitary sewer	308,269	299,843
Garbage	52,872	51,427
Cemetery	30,777	29,936
Family Centre	26,667	25,938
Family Centre capital reduction	264,115	256,896
Swimming pool / skateboard park	-	5,256
	5,846,177	6,406,927
Capital		
Roads, walks and lighting	26,210	72,535
Roads off-site levies	234,491	249,046
Storm	21,064	263,655
Storm off-site levies	920,279	1,220,774
Water supply	469,344	688,805
Water off-site levies	222,337	216,260
Sanitary sewer	24,497	23,827
Sewer off-site levies	284,580	723,693
Sewer off-site levies - West	7,685	7,475
Sewer off-site levies - Orchard Park	16,148	15,707
Municipal public reserve	444,244	432,102
Recreation off-site levies	12,432	12,092
Aquatic Centre	1,884	33,930
Family Centre	34,991	46,201
Bike pathway	3,879	32,953
Bike pathway levies	98,893	96,190
Civic Centre	176,142	171,328
Storm offsite levies - Eagle Lake	13,150	-
	3,012,250	4,306,573
	\$ 8,858,427	\$ 10,713,500

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

11. Equity in tangible capital assets

	2011	2010
Tangible capital assets (schedule 1)	\$202,480,456	\$193,280,931
Accumulated amortization (schedule 1)	(33,213,342)	(30,200,084)
Long-term debt (note 8)	(15,128,003)	(14,495,072)
	<u>\$154,139,111</u>	<u>\$148,585,775</u>

12. Net municipal property taxes

	Budget (Unaudited)	2011	2010
Taxation			
Real property taxes	\$ 11,264,619	\$ 10,607,205	\$ 10,729,389
Linear property taxes	141,003	216,272	154,332
Business taxes	2,446,809	2,817,324	2,143,689
Government grants in place of property taxes	72,619	72,970	68,207
	<u>13,925,050</u>	<u>13,713,771</u>	<u>13,095,617</u>
Requisitions			
Alberta School Foundation Fund	4,334,652	4,102,304	3,919,694
Christ the Redeemer School Division	436,443	441,065	393,192
Wheatland Housing requisition	64,902	76,467	64,902
	<u>4,835,997</u>	<u>4,619,836</u>	<u>4,377,788</u>
	<u>\$ 9,089,053</u>	<u>\$ 9,093,935</u>	<u>\$ 8,717,829</u>

13. Government transfers

	Budget (Unaudited)	2011	2010
Transfers for operating:			
Provincial government	\$ 622,274	\$ 1,244,130	\$ 665,578
Federal government	2,000	10,800	2,000
	<u>624,274</u>	<u>1,254,930</u>	<u>667,578</u>
Transfers for capital			
Provincial government	3,077,540	2,752,783	9,638,738
Federal government	681,000	268,655	744,567
Other local governments	-	-	52,254
	<u>3,758,540</u>	<u>3,021,438</u>	<u>10,435,559</u>
	<u>\$ 4,382,814</u>	<u>\$ 4,276,368</u>	<u>\$ 11,103,137</u>

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

14. Expenses by object

	Budget (Unaudited)	2011	2010
Salaries, wages and benefits	\$ 5,992,462	\$ 6,026,051	\$ 5,764,620
Contracted and general services	7,142,464	6,868,390	6,131,637
Materials, goods, supplies and utilities	2,638,108	2,694,614	2,281,288
Bank charges and short term interest	10,200	15,437	14,164
Interest on long term debt	872,316	670,516	589,807
Other expenditures	64,100	40,150	4,150
Transfers to local boards and agencies	89,738	68,691	60,308
Transfers to other governments	138,432	137,863	156,651
Transfers to individuals and organizations	28,450	658,045	27,580
Amortization of tangible capital assets	4,205,359	3,068,470	2,346,517
Loss on disposal of tangible capital assets	-	257,070	-
	\$ 21,181,629	\$ 20,505,297	\$ 17,376,722

15. Contributed assets

During 2011 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 annexation and the contribution has 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:

	2011	2010
Total debt limit	\$ 30,110,492	\$ 27,410,921
Total debt	15,128,003	14,495,072
	\$ 14,982,489	\$ 12,915,849
Debt servicing limit	\$ 5,018,415	\$ 4,568,487
Debt servicing	1,889,595	1,748,330
	\$ 3,128,820	\$ 2,820,157

The debt limit is calculated at 1.5 times revenue of the municipality (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 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 CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

17. Trust funds

Trust funds are administered by the Town on behalf of others consist of the following:

	2011	2010
Western Irrigation Division capital storm levy	\$ 103,386	\$ 101,848
United Way of Calgary and Area	24,208	4,530
Communities in Bloom	20,457	27,695
Business Vitality Initiative	6,607	-
Other	1,154	1,334
	<u>\$ 155,812</u>	<u>\$ 135,407</u>

These amounts represent the balance of funds held in trust by the Town and its legal counsel to ensure that contractual obligations entered into with third parties are upheld. A portion of the security held is recorded within cash or investments.

18. 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) Salary	(2) Benefits & allowances	2011	2010
Council				
Mayor Steve Grajczyk	\$ 44,000	\$ 14,485	\$ 58,485	\$ 11,472
Councillor Dave Hamilton	24,000	6,039	30,039	5,970
Councillor Earl Best	24,000	3,320	27,320	25,510
Councillor Robert Sobol	24,000	1,897	25,897	28,013
Councillor Rocky Blokland	24,000	1,328	25,328	6,149
Councillor Pat Fule	24,000	251	24,251	5,183
Councillor John Rempel	24,000	67	24,067	20,423
Mayor George Lattery	-	-	-	35,967
Councillor Lois Wegener	-	-	-	24,442
Councillor Brad Walls	-	-	-	21,641
Councillor Michael Lloyd	-	-	-	13,969
 Chief Administrative Officer	 \$ 142,525	 \$ 35,230	 \$ 177,755	 \$ 159,328

(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 including travel allowances.

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

19. Commitments

The Town has contracted EPCOR Water Services Inc. to provide management and operations services related to the public utilities and infrastructure system. The contract is in effect until 2020. Billing under the contract is an annual rate of \$2,061,958 which is adjusted each year 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).

Future payments under this contract with the assumption of an annual CPI increase of 3.14% are as follows:

2012	\$ 29,254
2013	30,173
2014	31,120
2015	32,098
2016	33,105
	<hr/> 155,750 <hr/>

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 an annexed land transaction in 2010. The following payments are due:

2012	60,607
2013	40,405
2014	20,204
	<hr/> \$ 121,216 <hr/>

20. Contingencies

The Town 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, 2011 the remaining unamortized balance was \$489,676 (2010 - \$547,474).

The Town has signed a letter in favour of Chinook Credit Union supporting a \$200,000 line of credit with Wheatland Family and Community Support Services. Should the line of credit fall into default, the Town could be liable to pay the amount due.

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX) which provides liability insurance. Under the terms of 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.

21. Local Authorities Pension Plan

Employees of the Town 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 200,000 people and over 400 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 9.49% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 13.13% of pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.13% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2011 were \$336,306 (2010 - \$297,610). Total current service contributions by the employees of the Town to the LAPP in 2011 were \$303,493 (2010 - \$267,009). At December 31, 2010 the LAPP disclosed an actuarial deficiency of \$4.635 billion.

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

22. Budget amounts

The 2011 budget for the Town was approved by Council on February 16, 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.

In addition, the approved budget did not include the amount indicated as amortization expense separated by function. In order to enhance comparability, the budgeted amortization expense has been included separately.

Budgeted surplus per financial statements	\$ 917,435
Less: Capital expenditures	(7,437,350)
Long-term debt repayments	(1,191,919)
Add: Transfers from reserves	4,961,834
Long-term debt proceeds	2,750,000
Equals: balanced budget	<u>\$ -</u>

23. Financial instruments

The Town'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.

24. Subsequent events

Subsequent to the fiscal year end, the Town has entered into an agreement to sell land totaling approximately 145 acres that was used as a raw water reservoir. The selling price of the land is \$3,195,060.

25. Approval of financial statements

These financial statements were approved by Council and Management.

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

26. Comparative figures

Where necessary the comparative figures for the 2010 year have been reclassified to conform with 2011 financial statement presentation. The changes do not affect the accumulated surplus.

TOWN OF STRATHMORE
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2011	2010
Balance, beginning of year	\$ 4,823,109	\$ 10,713,500	\$ 148,585,775	\$ 164,122,384	\$ 150,641,380
Excess of revenue over expenses	4,976,279	-	-	4,976,279	13,481,004
Unrestricted funds designated for future use	(314,205)	314,205	-	-	-
Restricted funds used for operations	5,401	(5,401)	-	-	-
Restricted funds used for tangible capital assets	-	(2,163,877)	2,163,877	-	-
Current year funds used for tangible capital assets	(4,989,612)	-	4,989,612	-	-
Contributed tangible capital assets	(2,386,477)	-	2,386,477	-	-
Disposal of tangible capital assets	285,229	-	(285,229)	-	-
Annual amortization expense	3,068,470	-	(3,068,470)	-	-
Long-term debt repaid	(1,117,069)	-	1,117,069	-	-
Proceeds of long-term debt	1,750,000	-	(1,750,000)	-	-
Change in accumulated surplus	1,278,016	(1,855,073)	5,553,336	4,976,279	13,481,004
Balance, end of year	\$ 6,101,125	\$ 8,858,427	\$ 154,139,111	\$ 169,098,663	\$ 164,122,384

TOWN OF STRATHMORE
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

Schedule of tangible capital assets

							Schedule 2	
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	2011	2010
Cost:								
Balance, beginning of year	\$ 17,021,283	\$ 2,051,152	\$ 23,048,454	\$ 145,029,215	\$ 3,579,220	\$ 2,551,607	\$ 193,280,931	\$ 175,554,636
Acquisitions	1,752,679	197,469	354,842	3,203,217	253,645	108,514	5,870,366	4,417,677
Construction-in-progress	-	-	12,508	3,657,092	-	-	3,669,600	13,368,876
Disposals	-	-	(257,070)	-	-	(83,371)	(340,441)	(60,258)
Balance, end of year	18,773,962	2,248,621	23,158,734	151,889,524	3,832,865	2,576,750	202,480,456	193,280,931
Accumulated amortization:								
Balance, beginning of year	-	815,887	5,801,361	21,125,876	1,775,425	681,534	30,200,084	27,910,012
Annual amortization	-	75,297	444,094	2,171,505	246,774	130,800	3,068,470	2,346,517
Disposals	-	-	-	-	-	(55,212)	(55,212)	(56,445)
Balance, end of year	-	891,184	6,245,455	23,297,381	2,022,199	757,122	33,213,342	30,200,084
Net book value	\$ 18,773,962	\$ 1,357,437	\$ 16,913,279	\$ 128,592,143	\$ 1,810,666	\$ 1,819,628	\$ 169,267,114	\$ 163,080,847
2010 net book value	\$ 17,021,283	\$ 1,235,265	\$ 17,247,092	\$ 123,903,339	\$ 1,803,795	\$ 1,870,073	\$ 163,080,847	

TOWN OF STRATHMORE
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

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	\$ 9,093,935	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,093,935
User fees and sales of goods	499,784	219,532	15,062	6,791,019	11,825	38,967	971,328	8,547,517
Government transfers for operating	662,360	396,770	-	70,000	-	-	125,800	1,254,930
Investment income	178,156	12,577	20,898	122,774	841	-	31,273	366,519
Penalties and costs of taxes	228,786	-	-	-	-	-	-	228,786
Licenses and permits	89,125	235,236	-	-	120	51,430	-	375,911
Gain on disposal of capital assets	-	-	75,033	-	-	-	-	75,033
Other	47,528	24,177	400	13,657	-	1,187	44,081	131,030
	10,799,674	888,292	111,393	6,997,450	12,786	91,584	1,172,482	20,073,661
Expenses								
Salaries, wages and benefits	1,226,101	1,031,416	701,895	582,659	230,055	469,045	1,784,880	6,026,051
Contracted and general services	492,097	1,699,165	255,306	3,411,084	26,087	112,334	872,317	6,868,390
Materials, goods, supplies and utilities	134,370	117,176	697,308	926,676	31,558	12,747	774,779	2,694,614
Bank charges and short term interest	15,437	-	-	-	-	-	-	15,437
Interest on long term debt	24,784	-	-	423,545	-	-	222,187	670,516
Other expenditures	896	-	-	-	-	-	39,254	40,150
Transfers to local boards and agencies	-	-	-	-	60,307	4,856	3,528	68,691
Transfers to other governments	80,810	-	-	-	-	-	57,053	137,863
Transfers to individuals and organizations	642,452	-	-	-	-	-	15,593	658,045
Amortization of tangible capital assets	36,621	107,808	1,228,228	1,201,942	-	-	493,871	3,068,470
Loss on disposal of tangible capital assets	257,070	-	-	-	-	-	-	257,070
	2,910,638	2,955,565	2,882,737	6,545,906	348,007	598,982	4,263,462	20,505,297
(Deficiency) excess of revenue over expenses before other	7,889,036	(2,067,273)	(2,771,344)	451,544	(335,221)	(507,398)	(3,090,980)	(431,636)
Other								
Government transfers for capital	529,548	-	1,462,077	1,029,813	-	-	-	3,021,438
Contributed assets	-	-	2,386,477	-	-	-	-	2,386,477
	529,548	-	3,848,554	1,029,813	-	-	-	5,407,915
Excess of revenue over expenses	\$ 8,418,584	\$ (2,067,273)	\$ 1,077,210	\$ 1,481,357	\$ (335,221)	\$ (507,398)	\$ (3,090,980)	\$ 4,976,279