

TOWN OF STRATHMORE
Consolidated Financial Statements
For the year ended December 31, 2013

TOWN OF STRATHMORE
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For the year ended December 31, 2013

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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, 2013, and the consolidated statements of operations, change in net financial assets 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, 2013 and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

Young Parkyn McNab LLP

April 16, 2014

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.

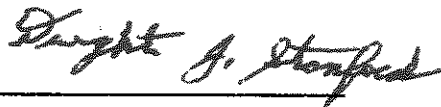
The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

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



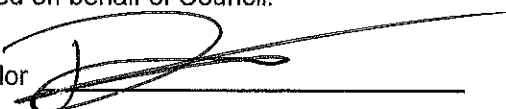
TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2013

	2013	2012
Financial assets		
Cash and temporary investments (note 2)	\$ 8,951,259	\$ 11,127,132
Taxes and grants in place of taxes receivable (note 3)	648,759	603,827
Trade and other receivables (note 4)	2,768,539	5,188,506
Investments (note 5)	12,218,430	8,180,374
	<u>24,586,987</u>	<u>25,099,839</u>
Liabilities		
Accounts payable and accrued liabilities	3,617,942	2,773,041
Employee benefit obligations (note 6)	448,707	334,275
Deposits	750,400	798,602
Deferred revenue (note 7)	154,457	2,102,713
Long-term debt (note 8)	15,460,695	16,930,609
	<u>20,432,201</u>	<u>22,939,240</u>
Net financial assets	<u>4,154,786</u>	<u>2,160,599</u>
Non-financial assets		
Prepaid expenses	33,094	17,179
Inventory for consumption	83,949	48,066
Tangible capital assets (schedule 2)	178,573,582	173,549,975
	<u>178,690,625</u>	<u>173,615,220</u>
Accumulated surplus (note 9)	<u>\$182,845,411</u>	<u>\$175,775,819</u>

Commitments and contingencies (note 18) and (note 19)

Approved on behalf of Council:

Councillor



Councillor



TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2013

	Budget (Unaudited)	2013	2012
Revenue			
Net municipal property taxes (note 12)	\$ 9,649,016	\$ 9,656,942	\$ 9,400,663
User fees and sales of goods	8,700,961	9,784,420	8,695,422
Government transfers for operating (note 13)	862,027	996,697	645,335
Investment income	84,837	513,883	436,852
Penalties and costs of taxes	228,786	187,414	188,781
Licenses and permits	356,750	420,375	506,876
Gain on disposal of capital assets	2,480,419	-	2,499,489
Other	118,513	268,480	81,161
	22,481,309	21,828,211	22,454,579
Expenses (note 14)			
Legislative	307,216	258,393	249,428
Administration	2,283,608	2,426,002	2,338,018
Police, fire, disaster, ambulance and bylaw enforcement	3,367,232	3,247,183	3,220,020
Transportation services	3,078,469	3,447,988	2,904,905
Water supply and distribution	3,167,572	3,086,246	2,552,767
Wastewater treatment and disposal	3,305,840	3,475,249	3,337,116
Waste management	872,566	854,919	883,509
Public health and welfare services	664,435	747,468	341,721
Planning and development	759,764	527,993	521,903
Parks and recreation	3,610,712	3,917,565	3,568,259
Culture - libraries, museums, halls	669,814	729,481	690,782
	22,087,228	22,718,487	20,608,428
(Deficiency) excess of revenue over expenses before other	394,081	(890,276)	1,846,151
Other			
Government transfers for capital (note 13)	4,728,000	5,594,317	1,531,592
Contributed assets	-	2,365,551	3,299,412
	4,728,000	7,959,868	4,831,004
Excess of revenue over expenses	5,122,081	7,069,592	6,677,155
Accumulated surplus, beginning of year	175,775,819	175,775,819	169,098,664
Accumulated surplus, end of year	\$180,897,900	\$182,845,411	\$175,775,819

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2013

	Budget (Unaudited)	2013	2012
Excess of revenue over expenses	\$ 5,122,081	\$ 7,069,592	\$ 6,677,155
Acquisition of tangible capital assets	(7,069,000)	(6,601,683)	(5,488,131)
Amortization	3,586,956	3,909,248	3,788,292
Contributed assets	-	(2,365,551)	(3,299,412)
Loss (gain) on disposal of tangible capital assets	-	34,379	(2,482,582)
Proceeds on disposal of tangible capital assets	-	-	3,198,970
	(3,482,044)	(5,023,607)	(4,282,863)
Net change in inventory for consumption	-	(35,883)	(29,106)
Net change in prepaid expense	-	(15,915)	21,297
	-	(51,798)	(7,809)
Decrease in net financial assets (debt)	1,640,037	1,994,187	2,386,483
Net financial assets (debt), beginning of year	2,160,599	2,160,599	(225,884)
Net financial assets, end of year	\$ 3,800,636	\$ 4,154,786	\$ 2,160,599

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2013

	2013	2012
Operating transactions		
Excess of revenue over expenses	\$ 7,069,592	\$ 6,677,155
Adjustments for items which do not affect cash		
Loss (gain) on disposal of tangible capital assets	34,379	(2,482,582)
Amortization	3,909,248	3,788,292
Contributed assets	(2,365,551)	(3,299,412)
	8,647,668	4,683,453
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(44,932)	56,490
Trade and other receivables	2,419,967	211,749
Inventory for consumption	(35,883)	(29,106)
Prepaid expenses	(15,915)	21,297
Accounts payable and accrued liabilities	844,901	270,491
Employee benefit obligations	114,432	34,811
Deposits	(48,202)	(234,518)
Deferred revenue	(1,948,256)	1,591,228
Cash provided by operating transactions	9,933,780	6,605,895
Capital transactions		
Proceeds on disposal of tangible capital assets	-	3,198,970
Acquisition of tangible capital assets	(6,601,683)	(5,488,131)
Cash applied to capital transactions	(6,601,683)	(2,289,161)
Investing transactions		
Increase in investments	(4,038,056)	(1,719,944)
Cash applied to investing transactions	(4,038,056)	(1,719,944)
Financing transactions		
Proceeds of long-term debt	-	3,120,000
Repayment of long-term debt	(1,469,914)	(1,317,394)
Cash applied to financing transactions	(1,469,914)	1,802,606
(Decrease) increase in cash and temporary investments	(2,175,873)	4,399,396
Cash and temporary investments, beginning of year	11,127,132	6,727,736
Cash and temporary investments, end of year	\$ 8,951,259	\$ 11,127,132

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

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 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 THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

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) Inventories 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, 2013

1. Significant accounting policies, continued

(h) Non-financial assets, continued

(i) Tangible capital assets, 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

	2013	2012
Cash	\$ 1,488,903	\$ 1,384,518
Temporary investments	7,462,356	9,742,614
	<u>\$ 8,951,259</u>	<u>\$ 11,127,132</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

	2013	2012
Taxes and grants in place of taxes receivable	\$ 488,353	\$ 463,863
Arrears	160,406	139,964
	<u>\$ 648,759</u>	<u>\$ 603,827</u>

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

4. Notes receivable

	2013	2012
Trade accounts receivable - operating	\$ 988,042	\$ 3,640,493
Trade accounts receivable - capital	1,222,244	282,206
Goods and services tax receivable	120,468	139,885
Utilities receivable	458,240	1,140,862
Allowance for doubtful accounts	(20,455)	(14,940)
	\$ 2,768,539	\$ 5,188,506

5. Investments

	2013		2012	
	Cost	Market value	Cost	Market value
Commercial notes	\$ 12,214,677	\$ 12,480,953	\$ 8,176,741	\$ 8,556,413
Other	3,753	3,633	3,633	3,633
	\$ 12,218,430	\$ 12,484,586	\$ 8,180,374	\$ 8,560,046

Commercial notes have interest rates from 2.4% to 10.2% (2012 - 3.2% to 7.2%). Maturity dates are from the year 2015 to 2019.

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, \$904,857 (2012 \$2,901,315) of the cash and temporary investments balance are not available for general use by the Town.

6. Employee benefit obligations

	2013	2012
Vacation payable	\$ 410,133	\$ 308,712
Overtime payable	38,574	25,563
	\$ 448,707	\$ 334,275

Vacation and overtime

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.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

7. Deferred revenue

	2013	2012
Other prepaid charges	\$ 106,351	\$ 77,900
Basic Municipal Transportation Grant	26,789	-
Municipal Sustainability Initiative	17,866	1,805,749
Ground Search and Emergency Training	3,451	3,451
Federal Gas Tax Fund	-	215,613
	<u>\$ 154,457</u>	<u>\$ 2,102,713</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 2013 the Town was allocated \$181,712 in operating funding (2012 - \$189,805) and \$916,350 in capital funding (2012 - \$1,615,944).

Basic Municipal Transportation Grant (BMTG)

The BMTG provides financial assistance for developing and maintaining capital transportation infrastructure requirements, promoting economic growth, and improving quality of community life. This program provides annual allocation-based funding for capital construction and rehabilitation of local transportation infrastructure including roads, bridges, and public transit. The balance represents funding that is allocated to capital projects that have not been completed at this time.

8. Long-term debt

	2013	2012
Self supported long-term debt	\$ 15,460,695	\$ 16,930,609
Current portion	<u>\$ 1,542,409</u>	<u>\$ 1,469,895</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2014	\$ 1,542,409	\$ 600,324	\$ 2,142,733
2015	1,619,761	522,972	2,142,733
2016	1,702,278	440,455	2,142,733
2017	1,388,748	352,084	1,740,832
2018	1,439,777	301,055	1,740,832
Thereafter	7,767,722	1,204,519	8,972,241
	<u>\$ 15,460,695</u>	<u>\$ 3,421,409</u>	<u>\$ 18,882,104</u>

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

8. Long-term debt, continued

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 3.31% for 2013 (4.03% for 2012).

Interest on long-term debt amounted to \$639,338 (2012 - \$672,607). The Town's total cash payments for interest in 2013 were \$672,829 (2012 - \$698,770).

9. Accumulated surplus

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

	2013	2012
Unrestricted surplus	\$ 10,131,920	\$ 10,666,496
Internally restricted surplus (reserves) (note 10)	9,600,604	8,489,957
Equity in tangible capital assets (note 11)	163,112,887	156,619,366
	<u>\$182,845,411</u>	<u>\$175,775,819</u>

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:

	2013	2012
Operating		
Financial stabilization	\$ 2,841,133	\$ 2,704,643
Potable water	920,185	897,308
Sanitary sewer	325,004	316,924
Office revitalization	264,683	258,102
Family Centre capital reduction	188,881	271,531
RCMP reserve	115,205	112,341
Garbage	43,662	54,357
General administration	42,247	41,196
Roads, walks and lighting	38,305	37,353
Cemetery	32,448	31,641
Family Centre	28,114	27,415
General enforcement	23,301	22,722
Sewer conveyance	4,594	4,480
Common services	-	408,803
Fire protection	-	294,285
	<u>4,867,762</u>	<u>5,483,101</u>

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

10. Reserves, continued

Capital		
Storm off-site levies	1,007,513	937,253
Water off-site levies	652,166	289,833
Capital equipment reserve	520,255	-
Sewer off-site levies	478,920	317,584
Water supply	469,552	482,522
Fire	401,162	-
Roads off-site levies	399,058	263,068
Municipal public reserve	268,031	261,367
Civic Centre	185,704	181,087
Bike pathway levies	104,262	101,670
Family Centre	67,693	35,974
Storm offsite levies - Eagle Lake	48,255	17,923
Roads, walks and lighting	27,633	26,946
Sanitary sewer	25,827	25,184
Sewer off-site levies - Orchard Park	22,290	17,641
Storm	22,208	21,656
Recreation	13,107	12,781
Sewer off-site levies - West	10,845	8,442
Aquatic Centre Capital Equipment Reserve	4,272	-
Bike pathway	4,089	3,988
Aquatic Centre	-	1,937
	4,732,842	3,006,856
	\$ 9,600,604	\$ 8,489,957

11. Equity in tangible capital assets

	2013	2012
Tangible capital assets (schedule 2)	\$219,143,466	\$210,244,084
Accumulated amortization (schedule 2)	(40,569,884)	(36,694,109)
Long-term debt (note 8)	(15,460,695)	(16,930,609)
	\$163,112,887	\$156,619,366

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

12. Net municipal property taxes

	Budget (Unaudited)	2013	2012
Taxation			
Real property taxes	\$ 11,615,507	\$ 11,504,014	\$ 11,317,341
Linear property taxes	205,415	210,089	205,651
Business taxes	2,779,628	2,798,798	2,702,075
Government grants in place of property taxes	72,032	72,189	72,033
	14,672,582	14,585,090	14,297,100
Requisitions			
Alberta School Foundation Fund	4,439,528	4,352,102	4,329,469
Christ the Redeemer School Division	478,345	469,876	464,354
Wheatland Housing requisition	105,693	106,170	102,614
	5,023,566	4,928,148	4,896,437
	\$ 9,649,016	\$ 9,656,942	\$ 9,400,663

13. Government transfers

	Budget (Unaudited)	2013	2012
Transfers for operating:			
Provincial government	\$ 859,027	\$ 993,697	\$ 636,535
Federal government	3,000	3,000	8,800
	862,027	996,697	645,335
Transfers for capital			
Provincial government	3,182,655	5,594,317	1,520,568
Federal government	1,545,345	-	11,024
	4,728,000	5,594,317	1,531,592
	\$ 5,590,027	\$ 6,591,014	\$ 2,176,927

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

14. Expenditures by object

	Budget (Unaudited)	2013	2012
Salaries, wages and benefits	\$ 7,176,338	\$ 7,304,632	\$ 6,497,037
Contracted and general services	7,367,065	7,266,784	6,144,924
Materials, goods, supplies and utilities	3,117,419	3,353,136	3,248,248
Bank charges and short-term interest	18,000	18,539	18,444
Interest on long-term debt	673,016	639,338	672,607
Other expenditures	3,100	1,998	3,000
Transfers to local boards and agencies	16,948	4,941	65,163
Transfers to other governments	99,886	105,253	120,088
Transfers to individuals and organizations	28,500	80,239	33,720
Amortization of tangible capital assets	3,586,956	3,909,248	3,788,292
Loss on disposal of tangible capital assets	-	34,379	16,905
	\$ 22,087,228	\$ 22,718,487	\$ 20,608,428

15. Contributed assets

During 2013 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:

	2013	2012
Total debt limit	\$ 32,742,316	\$ 33,681,869
Total debt	15,460,695	16,930,609
	\$ 17,281,621	\$ 16,751,260
Debt servicing limit	\$ 5,457,053	\$ 5,613,645
Debt servicing	2,142,733	2,142,733
	\$ 3,314,320	\$ 3,470,912

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, 2013

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) Salary	(2) Benefits & allowances	2013	2012
Council				
Mayor Steve Grajczyk	\$ 38,711	\$ 1,146	\$ 39,857	\$ 46,655
Mayor Michael Ell	8,251	13	8,264	-
Councillor Rocky Blokland	25,338	676	26,014	25,375
Councillor Pat Fule	25,338	676	26,014	25,375
Councillor John Rempel	25,338	676	26,014	25,375
Councillor Robert Sobol	25,338	676	26,014	25,375
Councillor Earl Best	21,115	565	21,680	23,855
Councillor Dave Hamilton	21,115	565	21,680	25,375
Councillor Denise Peterson	4,501	133	4,634	-
Councillor Brad Walls	4,501	133	4,634	-
Chief Administrative Officer	\$ 168,787	\$ 30,796	\$ 199,583	\$ 189,588

(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.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

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, 2013 the remaining unamortized balance was \$374,082, (2012 - \$431,879).

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.

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:

2014	\$	31,120
2015		32,098
2016		33,105
		<hr/>
		\$ 96,323

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

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 224,000 people and over 428 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 2013 were \$479,685 (2012 - \$379,134). Total current service contributions by the employees of the Town to the LAPP in 2013 were \$437,468 (2012 - \$343,714). At December 31, 2012 the LAPP disclosed an actuarial deficiency of \$4,977 million.

21. Budget amounts

The 2013 budget for the Town was approved by Council on December 5, 2012 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	\$ 5,122,081
Less: Capital expenditures	(7,069,000)
Long-term debt repayments	(1,469,416)
Add: Amortization	3,586,957
Transfers from reserves	(170,622)
Equals: Balanced budget	\$ -

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

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 2012 year, have been reclassified to conform with 2013 financial statement presentation.

TOWN OF STRATHMORE
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

Schedule of changes in accumulated surplus				Schedule 1	
	Unrestricted	Restricted	Equity in tangible capital assets	2013	2012
Balance, beginning of year	\$ 10,666,495	\$ 8,489,957	\$ 156,619,367	\$ 175,775,819	\$ 169,098,664
Excess of revenue over expenses	7,069,592	-	-	7,069,592	6,677,155
Unrestricted funds designated for future use	(2,748,561)	2,748,561	-	-	-
Restricted funds used for operations	732,531	(732,531)	-	-	-
Restricted funds used for tangible capital assets	-	(905,383)	905,383	-	-
Current year funds used for tangible capital assets	(5,696,300)	-	5,696,300	-	-
Contributed tangible capital assets	(2,365,551)	-	2,365,551	-	-
Disposal of tangible capital assets	34,379	-	(34,379)	-	-
Annual amortization expense	3,909,248	-	(3,909,248)	-	-
Long term debt repaid	(1,469,913)	-	1,469,913	-	-
Change in accumulated surplus	(534,575)	1,110,647	6,493,520	7,069,592	6,677,155
Balance, end of year	\$ 10,131,920	\$ 9,600,604	\$ 163,112,887	\$ 182,845,411	\$ 175,775,819

TOWN OF STRATHMORE
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

Schedule of tangible capital assets										Schedule 2	
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2013	2012		
Cost:											
Balance, beginning of year \$	18,595,725	\$ 2,563,970	\$ 22,638,461	\$ 160,058,201	\$ 3,810,976	\$ 2,576,751	\$ -	\$ 210,244,084	\$ 202,480,456		
Acquisitions	-	253,058	129,217	5,444,506	308,009	-	-	6,134,790	4,160,107		
Construction-in-progress	-	-	-	2,832,444	-	-	-	2,832,444	4,627,435		
Disposals	-	-	-	(67,852)	-	-	-	(67,852)	(1,023,915)		
Balance, end of year	18,595,725	2,817,028	22,767,678	168,267,299	4,118,985	2,576,751	-	219,143,466	210,244,084		
Accumulated amortization:											
Balance, beginning of year	-	1,002,345	6,476,231	26,129,519	2,168,594	917,418	-	36,694,109	33,213,342		
Annual amortization	-	126,536	468,963	2,934,694	224,656	154,399	-	3,909,248	3,788,291		
Disposals	-	-	-	(33,473)	-	-	-	(33,473)	(307,525)		
Balance, end of year	-	1,128,881	6,945,194	29,030,740	2,393,250	1,071,817	-	40,569,884	36,694,109		
Net book value	\$ 18,595,725	\$ 1,688,147	\$ 15,822,484	\$ 139,236,559	\$ 1,725,735	\$ 1,504,934	\$ -	\$ 178,573,582	\$ 173,549,975		
2012 net book value	\$ 18,595,725	\$ 1,561,625	\$ 16,162,230	\$ 133,928,681	\$ 1,642,383	\$ 1,659,332	\$ -	\$ 173,549,976			

TOWN OF STRATHMORE
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013

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	\$ 9,656,942	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,656,942
User fees and sales of goods	801,148	215,698	129,450	7,697,554	22,910	26,522	9,784,420
Government transfers for operating	246,651	428,816	-	-	241,230	-	996,697
Investment income	374,455	10,321	17,305	87,985	807	-	513,883
Penalties and costs of taxes	187,414	-	-	-	-	-	187,414
Licenses and permits	90,175	270,483	-	-	40	59,677	420,375
Other	89,937	10,842	-	21,239	71,861	-	268,480
	11,446,722	936,160	146,755	7,806,778	336,848	86,199	21,828,211
Expenses							
Salaries, wages and benefits	1,631,138	1,083,739	932,158	607,928	609,782	357,063	7,304,632
Contracted and general services	698,370	1,815,386	333,961	3,355,288	64,870	156,614	7,266,784
Materials, goods, supplies and utilities	164,256	206,949	778,419	1,245,903	42,620	9,375	3,353,136
Bank charges and short term interest	18,539	-	-	-	-	-	18,539
Interest on long term debt	40,899	-	-	438,635	-	-	639,338
Other expenditures	1	-	-	-	-	-	1,998
Transfers to local boards and agencies	-	-	-	-	-	4,941	4,941
Transfers to other governments	40,405	-	-	-	-	-	64,848
Transfers to individuals and organizations	17,591	-	-	-	-	-	32,452
Amortization of tangible capital assets	38,814	141,110	1,403,451	1,768,661	30,196	-	80,239
Loss on disposal of tangible capital assets	34,379	-	-	-	-	-	557,212
	2,684,392	3,247,184	3,447,989	7,416,415	747,468	527,993	22,718,487
(Deficiency) excess of revenue over expenses before other	8,762,330	(2,311,024)	(3,301,234)	390,363	(410,620)	(441,794)	(890,276)
Other							
Government transfers for capital	-	-	3,053,363	2,540,954	-	-	5,594,317
Contributed assets	-	-	676,319	1,644,175	-	-	2,365,551
	-	-	3,729,682	4,185,129	-	-	7,959,868
Excess of revenue over expenses	\$ 8,762,330	\$ (2,311,024)	\$ 428,448	\$ 4,575,492	\$ (410,620)	\$ (441,794)	\$ 7,069,592