

**TOWN OF STRATHMORE**  
**Consolidated Financial Statements**  
**For the year ended December 31, 2016**

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**TOWN OF STRATHMORE**  
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**For the year ended December 31, 2016**

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CHARTERED PROFESSIONAL ACCOUNTANTS

**INDEPENDENT AUDITOR'S 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, 2016, 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, 2016 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

April 19, 2017

A handwritten signature in cursive script that reads "Avail LLP".

Chartered Professional Accountants

## MANAGEMENT REPORT

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

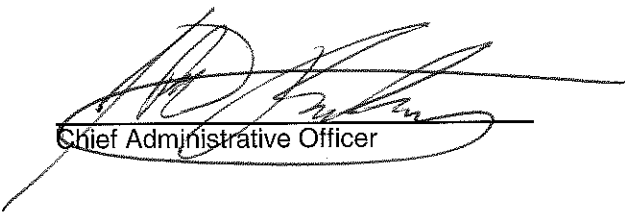
These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated 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 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 Avail LLP Chartered Professional Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Avail LLP has full and free access to the Council.



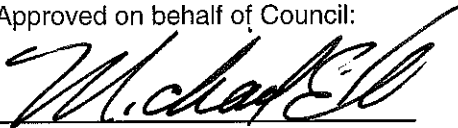
Chief Administrative Officer


**TOWN OF STRATHMORE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2016**

	2016	2015
<b>Financial assets</b>		
Cash and temporary investments (note 2)	\$ 2,588,293	\$ 7,679,039
Taxes and grants in place of taxes receivable (note 3)	463,073	444,578
Trade and other receivables (note 4)	1,905,524	1,164,264
Investments (note 5)	18,407,635	14,606,675
	<u>23,364,525</u>	<u>23,894,556</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	2,942,472	2,552,914
Employee benefit obligations (note 6)	508,123	624,339
Deposits	870,519	971,623
Deferred revenue (note 7)	1,896,914	1,320,379
Long-term debt (note 8)	8,331,260	9,811,811
	<u>14,549,288</u>	<u>15,281,066</u>
<b>Net financial assets</b>	<u>8,815,237</u>	<u>8,613,490</u>
<b>Non-financial assets</b>		
Prepaid expenses	18,402	71,712
Inventory for consumption	8,889	24,325
Tangible capital assets (schedule 2)	180,859,193	177,510,740
	<u>180,886,484</u>	<u>177,606,777</u>
<b>Accumulated surplus (note 9)</b>	<u>\$ 189,701,721</u>	<u>\$ 186,220,267</u>

*Commitments and contingencies (note 17 and 18)*

Approved on behalf of Council:

  
 Councillor

  
 Councillor

**TOWN OF STRATHMORE**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the year ended December 31, 2016

	Budget (Unaudited)	2016	2015
<b>Revenue</b>			
Net municipal property taxes (note 12)	\$ 10,713,334	\$ 10,744,583	\$ 10,269,638
User fees and sales of goods	10,584,821	11,067,547	11,323,907
Government transfers for operating (note 13)	758,208	1,117,319	843,801
Licenses and permits	667,250	648,769	762,747
Investment income	373,210	506,198	504,103
Other	263,323	418,472	446,479
Penalties and costs of taxes	174,400	155,701	165,849
Gain on disposal of capital assets	-	8,018	49,111
	23,534,546	24,666,607	24,365,635
<b>Expenses (note 14)</b>			
Legislative	305,938	294,693	289,149
Administration	2,905,022	3,010,600	2,675,863
Police, fire, disaster, ambulance and bylaw enforcement	3,817,282	3,746,341	3,673,956
Transportation services	4,362,398	4,104,590	3,822,094
Water supply and distribution	4,052,612	3,835,602	4,082,759
Wastewater treatment and disposal	3,654,328	3,497,847	3,487,250
Waste management	842,295	891,813	896,711
Public health and welfare services	852,268	784,204	747,627
Planning and development	1,117,537	1,106,373	1,398,284
Parks and recreation	4,069,201	4,275,731	4,120,508
Culture - libraries, museums, halls	887,438	857,381	793,964
	26,866,319	26,405,175	25,988,165
<b>Deficiency of revenue over expenses before other</b>	<b>(3,331,773)</b>	<b>(1,738,568)</b>	<b>(1,622,530)</b>
<b>Other</b>			
Government transfers for capital (note 13)	2,527,688	3,036,760	4,814,797
Contributed assets	-	2,183,262	-
	2,527,688	5,220,022	4,814,797
<b>(Deficiency) excess of revenue over expenses</b>	<b>(804,085)</b>	<b>3,481,454</b>	<b>3,192,267</b>
<b>Accumulated surplus, beginning of year</b>	<b>186,220,267</b>	<b>186,220,267</b>	<b>183,028,000</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 185,416,182</b>	<b>\$ 189,701,721</b>	<b>\$ 186,220,267</b>

**TOWN OF STRATHMORE**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
For the year ended December 31, 2016

	Budget (Unaudited)	2016	2015
<b>(Deficiency) excess of revenue over expenses</b>	\$ (804,085)	\$ 3,481,454	\$ 3,192,267
Acquisition of tangible capital assets	(2,527,688)	(5,721,178)	(6,401,048)
Amortization of tangible capital assets	4,323,252	4,496,254	4,326,661
Contributed assets	-	(2,183,262)	-
Gain on disposal of tangible capital assets	-	(8,018)	(49,111)
Proceeds on disposal of tangible capital assets	-	67,750	449,039
	1,795,564	(3,348,454)	(1,674,459)
Net change in inventory for consumption	-	15,437	33,764
Net change in prepaid expense	-	53,310	(7,637)
	-	68,747	26,127
<b>Increase in net financial assets</b>	991,479	201,747	1,543,935
<b>Net financial assets, beginning of year</b>	8,613,490	8,613,490	7,069,555
<b>Net financial assets, end of year</b>	\$ 9,604,969	\$ 8,815,237	\$ 8,613,490

**TOWN OF STRATHMORE**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
For the year ended December 31, 2016

	2016	2015
<b>Operating transactions</b>		
(Deficiency) excess of revenue over expenses	\$ 3,481,454	\$ 3,192,267
Adjustments for items which do not affect cash		
Gain on disposal of tangible capital assets	(8,018)	(49,111)
Amortization of tangible capital assets	4,496,254	4,326,661
Contributed assets	(2,183,262)	-
	5,786,428	7,469,817
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(18,495)	53,551
Trade and other receivables	(741,260)	466,355
Inventory for consumption	15,437	33,764
Prepaid expenses	53,310	(7,637)
Accounts payable and accrued liabilities	389,558	145,484
Employee benefit obligations	(116,216)	63,589
Deposits	(101,104)	(45,531)
Deferred revenue	576,535	(1,602,692)
Cash provided by operating transactions	5,844,193	6,576,700
<b>Capital transactions</b>		
Proceeds on disposal of tangible capital assets	67,750	449,039
Acquisition of tangible capital assets	(5,721,178)	(6,401,048)
Cash applied to capital transactions	(5,653,428)	(5,952,009)
<b>Investing transactions</b>		
(Increase) decrease of investments	(3,800,960)	2,232,149
<b>Financing transactions</b>		
Repayment of long-term debt	(1,480,551)	(1,403,752)
(Decrease) Increase in cash and temporary investments	(5,090,746)	1,453,088
Cash and temporary investments, beginning of year	7,679,039	6,225,951
Cash and temporary investments, end of year	\$ 2,588,293	\$ 7,679,039



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**TOWN OF STRATHMORE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2016**

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**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 Chartered Professional Accountants of Canada. 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.

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 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.

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**TOWN OF STRATHMORE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2016**

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**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) Tax revenue

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

Requisitions operate as a flow through and are excluded from municipal revenue.

(g) Inventory 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 physical assets under their respective function.

(h) Contaminated sites liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

(i) 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.

(j) 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 for the year.

**TOWN OF STRATHMORE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2016

**1. Significant accounting policies, continued**

(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

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**

	2016	2015
Cash	\$ 2,587,247	\$ 1,687,116
Temporary investments	1,046	5,991,923
	<u>\$ 2,588,293</u>	<u>\$ 7,679,039</u>

The Town of Strathmore has an available overdraft loan in the amount of \$200,000 with interest at a rate of prime less 0.75%. Security consists of a general security agreement. The temporary investment consists of funds held in a high interest savings account through the investment portfolio.

**TOWN OF STRATHMORE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2016

**3. Taxes and grants in place of taxes receivables**

	2016	2015
Taxes and grants in place of taxes receivable	\$ 368,510	\$ 346,999
Arrears	94,563	97,579
	<u>\$ 463,073</u>	<u>\$ 444,578</u>

**4. Trade and other receivables**

	2016	2015
Trade accounts receivable - operating	\$ 1,267,134	\$ 527,138
Trade accounts receivable - capital	-	101,767
Goods and services tax receivable	143,706	41,986
Utilities receivable	509,323	521,246
Allowance for doubtful accounts	(14,639)	(27,873)
	<u>\$ 1,905,524</u>	<u>\$ 1,164,264</u>

**5. Investments**

	2016		2015	
	Cost	Market value	Cost	Market value
Commercial notes	\$ 18,403,708	\$ 18,394,550	\$ 14,602,748	\$ 14,319,955
Other	3,927	3,927	3,927	3,927
	<u>\$ 18,407,635</u>	<u>\$ 18,398,477</u>	<u>\$ 14,606,675</u>	<u>\$ 14,323,882</u>

Commercial notes have interest rates from 0% to 9.98% (2015 - 0% to 10.2%). Maturity dates are from the year 2017 to 2108.

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, \$2,767,433 (2015 - \$2,292,002) of the cash and temporary investments balance is not available for general use by the Town.

**TOWN OF STRATHMORE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2016

**6. Employee benefit obligations**

	2016	2015
Vacation payable	\$ 417,835	\$ 575,215
Overtime payable	90,288	49,124
	<b>\$ 508,123</b>	<b>\$ 624,339</b>

**Vacation and overtime**

The vacation and overtime liability is comprised of vacation and accumulated overtime that employees have earned and are vested. Employees are entitled to these benefits within the next budgetary year.

**7. Deferred revenue**

	2016	2015
Municipal Sustainability Initiative	\$ 1,270,555	\$ 1,287,615
Federal Gas Tax Fund	594,422	-
Other prepaid charges	28,486	29,313
Ground search and emergency training	3,451	3,451
	<b>\$ 1,896,914</b>	<b>\$ 1,320,379</b>

**Municipality 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 2016 the Town was allocated \$100,784 in operating funding (2015 - \$97,208) and was allocated \$2,999,190 in capital funding (2015 - \$3,046,558).

**Federal Gas Tax Fund**

The Federal Gas Tax Fund is a program to assist municipalities in addressing sustainable municipal capital infrastructure needs. The balance represents funding that is allocated to capital projects that have not been completed at this time.

**8. Long-term debt**

	2016	2015
Self supported long-term debt	\$ 8,331,260	\$ 9,811,811
	<b>\$ 1,160,952</b>	<b>\$ 1,480,551</b>

**TOWN OF STRATHMORE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2016

**8. Long-term debt, continued**

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2017	\$ 1,160,952	\$ 295,516	\$ 1,456,468
2018	1,205,622	250,846	1,456,468
2019	636,460	210,411	846,871
2020	658,897	187,974	846,871
2021	682,157	164,713	846,870
Thereafter	3,987,172	470,227	4,457,399
	<u>\$ 8,331,260</u>	<u>\$ 1,579,687</u>	<u>\$ 9,910,947</u>

Long term debt is repayable to Alberta Capital Finance Authority and Canada Mortgage and Housing Corporation. Interest rates range from 2.634% 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 3.93% for 2016 (3.49% for 2015).

Interest on long-term debt amounted to \$335,254 (2015 - \$415,542). The Town's total cash payments for interest in 2016 were \$377,818 (2015 - \$454,617).

**9. Accumulated surplus**

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

	2016	2015
Unrestricted surplus	\$ 5,878,643	\$ 8,904,280
Internally restricted surplus (reserves) (note 11)	11,295,145	9,617,058
Equity in tangible capital assets (note 10)	172,527,933	167,698,929
	<u>\$ 189,701,721</u>	<u>\$ 186,220,267</u>

**10. Equity in tangible capital assets**

	2016	2015
Tangible capital assets (schedule 2)	\$ 234,077,144	\$ 226,272,234
Accumulated amortization (schedule 2)	(53,217,951)	(48,761,494)
Long-term debt (note 8)	(8,331,260)	(9,811,811)
	<u>\$ 172,527,933</u>	<u>\$ 167,698,929</u>

**11. 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:

**TOWN OF STRATHMORE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2016

**11. Reserves, continued**

	2016	2015
<b>Operating</b>		
Financial stabilization	\$ 2,986,537	\$ 2,718,950
Potable water	992,640	967,123
Sanitary sewer	349,727	340,737
Office revitalization	185,288	180,525
RCMP reserve	123,969	120,782
Family Centre capital reduction	80,361	78,295
Economic	50,000	-
Garbage	46,984	45,776
General administration	45,461	44,292
Roads, walks and lighting	41,219	40,160
General enforcement	25,074	24,429
Family Centre	22,253	29,475
Cemetery	11,676	11,376
Sewer conveyance	4,944	4,816
	4,966,133	4,606,736
<b>Capital</b>		
Water off-site levies	1,111,111	1,082,548
Storm off-site levies	1,081,229	1,105,031
Sewer off-site levies	689,562	671,836
Public works	598,395	-
Roads off-site levies	527,060	513,511
Fieldhouse	518,159	-
Water supply	441,851	455,649
Capital equipment reserve	305,413	204,490
Municipal public reserve	288,420	281,006
Storm offsite levies - Eagle Lake	213,625	208,133
Civic Centre	189,013	194,694
Bike pathway levies	112,193	109,309
Infrastructure reinvestment	107,000	-
Roads, walks and lighting	29,735	28,971
Sewer off-site levies - Orchard Park	27,715	27,003
Fire	23,404	22,802
Recreation	14,104	13,741
Sewer off-site levies - west	13,613	13,263
Sewer off-site levies - east Strathmore	10,744	10,468
Sewer off-site levies - Parkwood bypass	8,971	8,741
Storm	8,698	23,283
Aquatic Centre capital equipment reserve	4,597	4,479
Bike pathway	4,400	4,287
Sanitary sewer	-	27,077
	6,329,012	5,010,322
	\$ 11,295,145	\$ 9,617,058

**TOWN OF STRATHMORE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2016

**12. Net municipal property taxes**

	Budget (Unaudited)	2016	2015
<b>Taxation</b>			
Real property taxes	\$ 12,339,519	\$ 12,609,383	\$ 11,896,715
Linear property taxes	209,874	206,467	209,880
Business taxes	3,045,044	3,022,624	2,933,124
Government grants in place of property taxes	39,597	19,894	23,437
	15,634,034	15,858,368	15,063,156
<b>Requisitions</b>			
Alberta School Foundation Fund	4,375,700	4,509,206	4,233,760
Christ the Redeemer School Division	472,900	487,968	452,498
Wheatland Housing requisition	72,100	116,611	107,260
	4,920,700	5,113,785	4,793,518
	\$ 10,713,334	\$ 10,744,583	\$ 10,269,638

**13. Government transfers**

	Budget (Unaudited)	2016	2015
<b>Transfers for operating:</b>			
Provincial government	\$ 754,208	\$ 908,855	\$ 839,801
Federal government	4,000	4,000	4,000
Municipal government	-	204,464	-
	758,208	1,117,319	843,801
<b>Transfers for capital:</b>			
Provincial government	2,527,688	3,036,760	4,814,797
	2,527,688	3,036,760	4,814,797
	\$ 3,285,896	\$ 4,154,079	\$ 5,658,598



**TOWN OF STRATHMORE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2016

**14. Expenses by object**

	Budget (Unaudited)	2016	2015
Salaries, wages and benefits	\$ 9,322,147	\$ 9,196,771	\$ 8,736,333
Contracted and general services	8,830,497	8,661,740	8,336,058
Materials, goods, supplies and utilities	3,822,106	3,525,121	3,807,420
Interest on long term debt	377,817	335,254	415,542
Transfers to individuals and organizations	83,700	78,684	258,766
Transfers to other governments	77,700	77,696	70,530
Bank charges and short term interest	24,000	25,973	27,126
Transfers to local boards and agencies	5,100	5,331	4,941
Other expenditures	-	2,351	4,788
Amortization of tangible capital assets	4,323,252	4,496,254	4,326,661
	\$ 26,866,319	\$ 26,405,175	\$ 25,988,165

**15. 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:

	2016	2015
Total debt limit	\$ 36,999,910	\$ 36,548,451
Total debt	8,331,260	9,811,811
	\$ 28,668,650	\$ 26,736,640
Debt servicing limit	\$ 6,166,651	\$ 6,091,409
Debt servicing	1,456,468	1,858,369
	\$ 4,710,183	\$ 4,233,040

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, 2016

**16. 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	2016	2015
<b>Council</b>				
Mayor Michael Ell	\$ 50,572	\$ 13	\$ 50,585	\$ 49,625
Councillor Rocky Blokland	29,305	835	30,140	29,476
Councillor Pat Fule	28,805	810	29,615	28,636
Councillor Steve Grajczyk	29,105	586	29,691	29,287
Councillor Denise Peterson	29,005	820	29,825	28,217
Councillor Robert Sobol	29,005	820	29,825	29,371
Councillor Brad Walls	29,205	830	30,035	29,056
 CAO - Dwight Stanford	 151,460	 14,360	 165,820	 230,563
CAO - James Thackray	\$ 121,158	\$ 24,137	\$ 145,295	\$ -

(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.

**17. 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, 2016 the remaining unamortized balance was \$201,049, (2015 - \$258,847).

The Town 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.

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**TOWN OF STRATHMORE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2016**

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**18. 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 ENMAX Commercial Energy Marketing Inc to provide a supply of electricity for Town owned facilities. The contract is in effect until December 31, 2018. The Town is obligated to purchase a minimum of 4,899,200 kWh to a maximum of 7,348,800 of kWh each year of electrical power.

The Town has contracted ATCO Power Canada Ltd to provide a supply of electricity for Town owned facilities. The contract is in effect from January 1, 2019 until December 31, 2020. The Town is obligated to purchase a minimum of 4,899,200 kWh to a maximum of 7,460,400 of kWh each year of electrical power under the agreement.

The Town has contracted Access Gas Services Inc to provide a supply of natural gas for Town owned facilities. The contract is in effect until December 31, 2018 and estimates a purchase and usage of 25,669 GJs of natural gas per year.

The Town has contracted with the Western Irrigation District to deal with municipal storm water issues. The contract is in effect until 2017. Billing under the contract is an annual rate of \$27,500 which increases each year by the consumer price index (CPI). The expected payment for 2017 is \$34,144.

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 along with Wheatland County and Golden Hills School Division has agreed to finance the building of the Edgefield Recreational Field House. The total cost of the project is estimated to be \$10,000,000, and the Town's portion of \$5,000,000 is expected to be funded by \$2,000,000 from provincial grants, \$2,000,000 from debentures and \$1,000,000 from reserves.

**19. Non-monetary transaction**

In 2014, the Town entered into a non-monetary transaction with an unrelated party. The Town agreed to exchange land valued at \$631,955 for recycling services to take place over a five year period. The Town will accrue a liability at \$126,391 per year over five years as the recycling services are received, and legal title to the land will be transferred at the end of the five years to settle the obligation.

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**TOWN OF STRATHMORE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2016

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**20. 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 Public Sector Pension Plans Act. The plan serves about 244,000 people and 426 employers. The LAPP is financed by the employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Town is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2016 were \$625,990 (2015 - \$599,094). Total current service contributions by the employees of the Town to the LAPP in 2016 were \$574,460 (2015 - \$551,018).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million.

**21. Budget amounts**

The 2016 budget for the Town was approved by Council on December 3, 2014 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 deficit per financial statements	\$ (804,085)
Less: Capital expenditures	(2,527,688)
Long-term debt repayments	(1,480,551)
Transfers to reserves	(912,077)
Add: Amortization	4,323,252
Transfers from reserves	1,401,149
Equals: Balanced budget	\$ -

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**TOWN OF STRATHMORE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2016**

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**22. Financial instruments**

The Town's financial instruments consist cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency 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. Contaminated sites liability**

The Town has adopted PS3260 liability for contaminated sites. The Town did not identify any financial liabilities in 2016 (2015 - nil) as a result of this standard.

**24. Approval of financial statements**

These financial statements were approved by Council and Management.

**TOWN OF STRATHMORE**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2016

**Schedule of changes in accumulated surplus**

**Schedule 1**

	Unrestricted	Restricted	Equity in tangible capital assets	2016	2015
Balance, beginning of year	\$ 8,904,280	\$ 9,617,058	\$ 167,698,929	\$ 186,220,267	\$ 183,028,000
Excess (deficiency) of revenue over expenses	3,481,454	-	-	3,481,454	3,192,267
Unrestricted funds designated for future use	(4,308,350)	4,308,350	-	-	-
Restricted funds used for operations	77,938	(77,938)	-	-	-
Restricted funds used for tangible capital assets	-	(2,552,325)	2,552,325	-	-
Current year funds used for tangible capital assets	(3,168,852)	-	3,168,852	-	-
Contributed tangible capital assets	(2,183,262)	-	2,183,262	-	-
Disposal of tangible capital assets	59,732	-	(59,732)	-	-
Amortization of tangible capital assets	4,496,254	-	(4,496,254)	-	-
Long term debt repaid	(1,480,551)	-	1,480,551	-	-
Change in accumulated surplus	(3,025,637)	1,678,087	4,829,004	3,481,454	3,192,267
<b>Balance, end of year</b>	<b>\$ 5,878,643</b>	<b>\$ 11,295,145</b>	<b>\$ 172,527,933</b>	<b>\$ 189,701,721</b>	<b>\$ 186,220,267</b>

**TOWN OF STRATHMORE**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2016

**Schedule of tangible capital assets**

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2016	2015
<b>Cost:</b>									
Balance, beginning of year \$	18,312,425	\$ 3,217,280	\$ 22,753,130	\$ 173,008,557	\$ 5,304,245	\$ 3,349,701	\$ 326,897	\$ 226,272,234	\$ 220,436,674
Acquisitions	-	188,686	1,324,404	4,791,841	902,671	179,532	517,306	7,904,440	6,074,152
Transfers	-	-	-	319,803	7,094	-	(326,897)	-	326,897
Disposals	(59,732)	-	-	-	-	(39,798)	-	(99,530)	(565,489)
Balance, end of year	18,252,693	3,405,966	24,077,534	178,120,201	6,214,010	3,489,435	517,306	234,077,144	226,272,234

**Accumulated amortization:**

Balance, beginning of year	-	1,429,239	7,878,322	35,337,029	2,819,207	1,297,697	-	48,761,494	44,600,392
Annual amortization	-	158,240	480,501	3,268,407	403,130	185,977	-	4,496,255	4,326,660
Disposals	-	-	-	-	-	(39,798)	-	(39,798)	(165,558)
Balance, end of year	-	1,587,479	8,358,823	38,605,436	3,222,337	1,443,876	-	53,217,951	48,761,494
<b>Net book value</b>	<b>\$ 18,252,693</b>	<b>\$ 1,818,487</b>	<b>\$ 15,718,711</b>	<b>\$ 139,514,765</b>	<b>\$ 2,991,673</b>	<b>\$ 2,045,559</b>	<b>\$ 517,306</b>	<b>\$ 180,859,193</b>	<b>\$ 177,510,740</b>

**2015 net book value**      \$ 18,312,425    \$ 1,788,041    \$ 14,874,808    \$ 137,671,527    \$ 2,485,038    \$ 2,052,004    \$ 326,897    \$ 177,510,740

**TOWN OF STRATHMORE**  
**SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2016

**Schedule of segmented disclosure**

Schedule 3

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
<b>Revenue</b>								
Net municipal property taxes	\$ 10,744,583	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,744,583
User fees and sales of goods	1,070,744	248,483	279,508	8,326,246	187,743	12,311	942,512	11,067,547
Government transfers for operating	197,992	409,616	-	-	275,602	645	233,464	1,117,319
Licenses and permits	107,225	483,026	-	-	280	58,238	-	648,769
Investment income	320,127	3,831	59,394	96,200	300	-	26,346	506,198
Other	2,158	11,054	110,796	38,859	41,312	-	214,293	418,472
Penalties and costs of taxes	155,701	-	-	-	-	-	-	155,701
Gain on disposal of capital assets	5,018	-	1,500	-	-	-	1,500	8,018
	12,603,548	1,156,010	451,198	8,461,305	505,237	71,194	1,418,115	24,668,607
<b>Expenses</b>								
Salaries, wages and benefits	1,923,332	1,227,228	1,311,531	610,129	618,643	845,204	2,660,703	9,196,771
Contracted and general services	1,050,891	2,237,424	357,586	3,753,442	84,460	176,815	1,001,122	8,661,740
Materials, goods, supplies and utilities	209,821	142,911	747,464	1,587,752	56,069	47,181	733,923	3,525,121
Interest on long term debt	-	-	-	314,333	-	-	20,921	335,254
Transfers to individuals and organizations	30,352	-	-	-	25,032	20,300	3,000	78,684
Transfers to other governments	-	-	-	-	-	-	77,696	77,696
Bank charges and short term interest	25,973	-	-	-	-	-	-	25,973
Transfers to local boards and agencies	-	-	-	-	-	5,331	-	5,331
Other expenditures	(63)	-	-	-	-	-	2,415	2,351
Amortization of tangible capital assets	64,985	138,779	1,888,010	1,959,606	-	11,542	633,332	4,496,254
	3,305,291	3,746,342	4,104,591	8,225,262	784,204	1,106,373	5,133,112	26,405,175
<b>Excess (deficiency) of revenue over expenses before other</b>	9,298,257	(2,590,332)	(3,653,393)	236,043	(278,967)	(1,035,179)	(3,714,997)	(1,738,568)
<b>Other</b>								
Government transfers for capital	-	-	1,679,241	1,041,149	-	-	316,370	3,036,760
Contributed assets	-	-	1,539,905	643,357	-	-	-	2,183,262
	-	-	3,219,146	1,684,506	-	-	316,370	5,220,022
<b>Excess (deficiency) of revenue over expenses</b>	\$ 9,298,257	\$ (2,590,332)	\$ (434,247)	\$ 1,920,549	\$ (278,967)	\$ (1,035,179)	\$ (3,398,627)	\$ 3,481,454