

TOWN OF STRATHMORE
Consolidated Financial Statements
For the year ended December 31, 2017

TOWN OF STRATHMORE
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For the year ended December 31, 2017

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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, 2017, 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, 2017 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 18, 2018

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

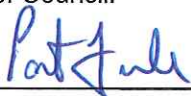
TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2017

	2017	2016
Financial assets		
Cash and temporary investments (note 2)	\$ 2,282,563	\$ 2,588,293
Taxes and grants in place of taxes receivable (note 3)	548,934	463,073
Trade and other receivables (note 4)	2,897,478	1,905,524
Investments (note 5)	23,671,671	18,407,635
	<u>29,400,646</u>	<u>23,364,525</u>
Liabilities		
Accounts payable and accrued liabilities	6,739,356	2,942,472
Employee benefit obligations (note 6)	440,495	508,123
Deposits	756,152	870,519
Deferred revenue (note 7)	2,710,370	1,896,914
Long-term debt (note 8)	12,170,308	8,331,260
	<u>22,816,681</u>	<u>14,549,288</u>
Net financial assets	<u>6,583,965</u>	<u>8,815,237</u>
Non-financial assets		
Prepaid expenses	75,061	18,402
Inventory for consumption	7,511	8,889
Tangible capital assets (schedule 2)	188,365,478	180,859,193
	<u>188,448,050</u>	<u>180,886,484</u>
Accumulated surplus (note 9 and schedule 1)	<u>\$ 195,032,015</u>	<u>\$ 189,701,721</u>

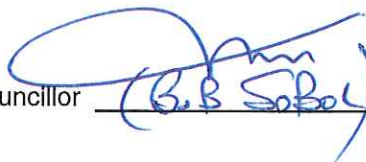
Commitments and contingencies (note 17 and 18)

Approved on behalf of Council:

Councillor



Councillor



TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2017

	Budget (Unaudited)	2017	2016
Revenue			
Net municipal property taxes (note 12)	\$ 10,982,503	\$ 10,963,670	\$ 10,744,583
User fees and sales of goods	11,574,249	11,828,272	11,067,547
Government transfers for operating (note 13)	661,000	1,061,250	1,117,319
Investment income	374,110	601,071	506,198
Penalties and costs of taxes	150,500	189,105	155,701
Licenses and permits	493,461	604,506	648,769
Gain on disposal of capital assets	-	-	8,018
Other	429,104	486,583	418,472
	24,664,927	25,734,457	24,666,607
Expenses (note 14)			
Legislative	322,625	298,863	294,693
Administration	3,090,343	3,206,432	3,010,600
Police, fire, disaster, ambulance and bylaw enforcement	4,120,014	4,298,603	3,746,341
Transportation services	4,350,771	4,102,826	4,104,590
Water supply and distribution	4,112,240	4,015,903	3,835,602
Wastewater treatment and disposal	3,945,696	3,702,688	3,497,847
Waste management	864,570	1,015,953	891,813
Public health and welfare services	869,331	931,852	784,204
Planning and development	1,164,489	1,462,055	1,106,373
Parks and recreation	4,531,489	4,339,313	4,275,731
Culture - libraries, museums, halls	960,257	958,864	857,381
	28,331,825	28,333,352	26,405,175
Deficiency of revenue over expenses before other	(3,666,898)	(2,598,895)	(1,738,568)
Other			
Government transfers for capital (note 13)	9,745,139	6,333,194	3,036,760
Contributed assets	2,075,000	1,595,995	2,183,262
	11,820,139	7,929,189	5,220,022
Excess of revenue over expenses	8,153,241	5,330,294	3,481,454
Accumulated surplus, beginning of year	189,701,721	189,701,721	186,220,267
Accumulated surplus, end of year	\$ 197,854,962	\$ 195,032,015	\$ 189,701,721

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2017

	Budget (Unaudited)	2017	2016
Excess of revenue over expenses	\$ 8,153,241	\$ 5,330,294	\$ 3,481,454
Acquisition of tangible capital assets	(15,937,449)	(10,579,836)	(5,721,178)
Amortization of tangible capital assets	4,264,748	4,669,547	4,496,254
Contributed assets	(2,075,000)	(1,595,995)	(2,183,262)
Gain on disposal of tangible capital assets	-	-	(8,018)
Proceeds on disposal of tangible capital assets	-	-	67,750
	(13,747,701)	(7,506,284)	(3,348,454)
Net change in inventory for consumption	-	1,377	15,437
Net change in prepaid expense	-	(56,659)	53,310
	-	(55,282)	68,747
Increase in net financial assets	(5,594,460)	(2,231,272)	201,747
Net financial assets, beginning of year	8,815,237	8,815,237	8,613,490
Net financial assets, end of year	\$ 3,220,777	\$ 6,583,965	\$ 8,815,237

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2017

	2017	2016
Operating transactions		
Excess of revenue over expenses	\$ 5,330,294	\$ 3,481,454
Adjustments for items which do not affect cash		
Gain on disposal of tangible capital assets	-	(8,018)
Amortization of tangible capital assets	4,669,547	4,496,254
Contributed assets	(1,595,995)	(2,183,262)
	8,403,846	5,786,428
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(85,861)	(18,495)
Trade and other receivables	(991,954)	(741,260)
Inventory for consumption	1,377	15,437
Prepaid expenses	(56,659)	53,310
Accounts payable and accrued liabilities	3,796,884	389,558
Employee benefit obligations	(67,628)	(116,216)
Deposits	(114,367)	(101,104)
Deferred revenue	813,456	576,535
Cash provided by operating transactions	11,699,094	5,844,193
Capital transactions		
Proceeds on disposal of tangible capital assets	-	67,750
Acquisition of tangible capital assets	(10,579,836)	(5,721,178)
Cash applied to capital transactions	(10,579,836)	(5,653,428)
Investing transactions		
Increase of investments	(5,264,036)	(3,800,960)
Financing transactions		
Proceeds of long-term debt	5,000,000	-
Repayment of long-term debt	(1,160,952)	(1,480,551)
Cash provided by (applied to) financing transactions	3,839,048	(1,480,551)
Decrease in cash and temporary investments	(305,730)	(5,090,746)
Cash and temporary investments, beginning of year	2,588,293	7,679,039
Cash and temporary investments, end of year	\$ 2,282,563	\$ 2,588,293

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

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.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

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, 2017

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

	2017	2016
Cash	\$ 1,019,929	\$ 2,587,247
Temporary investments	1,262,634	1,046
	<u>\$ 2,282,563</u>	<u>\$ 2,588,293</u>

The Town of Strathmore has an available overdraft loan in the amount of \$770,000 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, 2017

3. Taxes and grants in place of taxes receivables

	2017	2016
Taxes and grants in place of taxes receivable	\$ 430,071	\$ 368,510
Arrears	118,863	94,563
	<u>\$ 548,934</u>	<u>\$ 463,073</u>

4. Trade and other receivables

	2017	2016
Trade accounts receivable - operating	\$ 1,088,500	\$ 1,267,134
Provincial grants	647,528	-
Utilities receivable	577,103	509,323
Western Economic Diversification grant	450,000	-
Goods and services tax receivable	197,976	143,706
Allowance for doubtful accounts	(63,629)	(14,639)
	<u>\$ 2,897,478</u>	<u>\$ 1,905,524</u>

5. Investments

	2017		2016	
	Cost	Market value	Cost	Market value
Commercial notes	\$ 23,667,744	\$ 23,476,205	\$ 18,403,708	\$ 18,394,550
Other	3,927	3,927	3,927	3,927
	<u>\$ 23,671,671</u>	<u>\$ 23,480,132</u>	<u>\$ 18,407,635</u>	<u>\$ 18,398,477</u>

Commercial notes have interest rates from 0% to 9.98% (2016 - 0% to 9.98%). Maturity dates are from the year 2018 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, \$3,466,522 (2016 - \$2,767,433) of the 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, 2017

6. Employee benefit obligations

	2017	2016
Vacation payable	\$ 389,351	\$ 417,835
Overtime payable	51,144	90,288
	\$ 440,495	\$ 508,123

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

	2017	2016
Municipal Sustainability Initiative	\$ 1,990,648	\$ 1,270,555
Edgefield Recreational Field House	347,847	-
Federal Gas Tax Fund	344,910	594,422
Other prepaid charges	23,514	28,486
Ground search and emergency training	3,451	3,451
	\$ 2,710,370	\$ 1,896,914

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 2017 the Town was allocated \$101,130 in operating funding (2016 - \$100,784) and was allocated \$2,994,540 in capital funding (2016 - \$2,999,190).

Edgefield Recreational Field House

Wheatland County has provided \$3,000,000 towards the Edgefield Recreational Field House project, of which \$2,652,153 had been spent by December 31, 2017.

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.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

8. Long-term debt

	2017	2016
Self-supported long-term debt	\$ 12,170,308	\$ 8,331,260
Current portion	\$ 1,488,955	\$ 1,160,952

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2018	\$ 1,488,955	\$ 392,136	\$ 1,881,091
2019	919,793	343,381	1,263,174
2020	942,230	312,970	1,255,200
2021	965,491	281,043	1,246,534
2022	989,607	248,607	1,238,214
Thereafter	6,864,232	745,135	7,609,367
	\$ 12,170,308	\$ 2,323,272	\$ 14,493,580

Long term debt is repayable to Alberta Capital Finance Authority and CIBC. Interest rates range from 2.634% to 8.125% per annum. The long-term debt is issued on the credit and security of the Town at large. The average annual interest rate is 3.34% (3.93% for 2016).

Interest on long-term debt amounted to \$360,510 (2016 - \$335,254). The Town's total cash payments for interest in 2017 were \$370,432 (2016 - \$377,818).

9. Accumulated surplus

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

	2017	2016
Unrestricted surplus	\$ 4,779,930	\$ 5,878,643
Internally restricted surplus (reserves) (note 10)	12,084,663	11,295,145
Equity in tangible capital assets (note 11)	178,167,422	172,527,933
	\$ 195,032,015	\$ 189,701,721

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:

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

10. Reserves, continued

	2017	2016
Operating		
Financial stabilization	\$ 1,978,233	\$ 2,986,537
Potable water	1,017,618	992,640
Sanitary sewer	358,527	349,727
RCMP reserve	127,088	123,969
Family Centre capital reduction	82,383	80,361
Office revitalization	74,562	185,288
Economic	51,258	50,000
Garbage	48,166	46,984
General administration	46,604	45,461
Roads, walks and lighting	42,256	41,219
General enforcement	25,705	25,074
Family Centre	22,813	22,253
Cemetery	11,970	11,676
Sewer conveyance	5,068	4,944
	<u>3,892,251</u>	<u>4,966,133</u>
Capital		
Water off-site levies	1,898,147	1,111,111
Storm off-site levies	1,197,533	1,081,229
Sewer off-site levies	1,074,594	689,562
Roads off-site levies	871,024	527,060
Fieldhouse	531,198	518,159
Capital equipment reserve	500,438	305,413
Water supply	452,969	441,851
Public works	387,299	598,395
Municipal public reserve	295,678	288,420
Infrastructure reinvestment	252,651	107,000
Storm offsite levies - Eagle Lake	235,024	213,625
Civic Centre	193,769	189,013
Bike pathway levies	115,016	112,193
Sewer off-site levies - Parkwood bypass	37,630	8,971
Sewer off-site levies - Orchard Park	32,194	27,715
Roads, walks and lighting	30,484	29,735
Fire	23,993	23,404
Sewer off-site levies - west	15,926	13,613
Recreation	14,459	14,104
Sewer off-site levies - east Strathmore	14,245	10,744
Storm	8,917	8,698
Aquatic Centre capital equipment reserve	4,713	4,597
Bike pathway	4,511	4,400
	<u>8,192,412</u>	<u>6,329,012</u>
	<u>\$ 12,084,663</u>	<u>\$ 11,295,145</u>

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

11. Equity in tangible capital assets

	2017	2016
Tangible capital assets (schedule 2)	\$ 246,252,975	\$ 234,077,144
Accumulated amortization (schedule 2)	(57,887,497)	(53,217,951)
Long-term debt (note 8)	(12,170,308)	(8,331,260)
Long-term debt - for future tangible capital asset additions	1,972,252	-
	<u>\$ 178,167,422</u>	<u>\$ 172,527,933</u>

12. Net municipal property taxes

	Budget (Unaudited)	2017	2016
Taxation			
Real property taxes	\$ 12,908,200	\$ 13,159,375	\$ 12,609,383
Linear property taxes	205,292	194,239	206,467
Business taxes	3,127,493	3,014,703	3,022,624
Government grants in place of property taxes	22,985	19,477	19,894
	<u>16,263,970</u>	<u>16,387,794</u>	<u>15,858,368</u>
Requisitions			
Alberta School Foundation Fund	4,658,750	4,786,446	4,509,206
Christ the Redeemer School Division	502,607	513,128	487,968
Wheatland Housing requisition	120,110	124,550	116,611
	<u>5,281,467</u>	<u>5,424,124</u>	<u>5,113,785</u>
	<u>\$ 10,982,503</u>	<u>\$ 10,963,670</u>	<u>\$ 10,744,583</u>

13. Government transfers

	Budget (Unaudited)	2017	2016
Transfers for operating:			
Provincial government	\$ 657,000	\$ 857,043	\$ 908,855
Federal government	4,000	9,941	4,000
Municipal government	-	194,266	204,464
	<u>661,000</u>	<u>1,061,250</u>	<u>1,117,319</u>
Transfers for capital:			
Provincial government	9,745,139	3,231,041	3,036,760
Federal government	-	450,000	-
Municipal government	-	2,652,153	-
	<u>9,745,139</u>	<u>6,333,194</u>	<u>3,036,760</u>
	<u>\$ 10,406,139</u>	<u>\$ 7,394,444</u>	<u>\$ 4,154,079</u>

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

14. Expenses by object

	Budget (Unaudited)	2017	2016
Contracted and general services	\$ 9,566,590	\$ 9,770,986	\$ 8,661,740
Salaries, wages and benefits	9,673,750	9,178,388	9,196,771
Materials, goods, supplies and utilities	4,139,923	4,043,881	3,525,121
Interest on long term debt	484,064	360,510	335,254
Transfers to individuals and organizations	94,000	197,334	78,684
Transfers to other governments	79,250	79,162	77,696
Bank charges and short term interest	19,500	32,391	25,973
Other expenditures	4,000	1,153	2,351
Transfers to local boards and agencies	6,000	-	5,331
Amortization of tangible capital assets	4,264,748	4,669,547	4,496,254
	\$ 28,331,825	\$ 28,333,352	\$ 26,405,175

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:

	2017	2016
Total debt limit	\$ 38,601,686	\$ 36,999,910
Total debt	12,170,308	8,331,260
	\$ 26,431,378	\$ 28,668,650
Debt servicing limit	\$ 6,433,614	\$ 6,166,651
Debt servicing	1,881,091	1,456,468
	\$ 4,552,523	\$ 4,710,183

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, 2017

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)	(2)		
	Salary	Benefits & allowances	2017	2016
Council				
Mayor Pat Fule	\$ 33,259	\$ 954	\$ 34,213	\$ 29,615
Mayor Michael Ell	41,741	13	41,754	50,585
Councillor Rocky Blokland	22,785	621	23,406	30,140
Councillor Steve Grajczyk	22,785	13	22,798	29,691
Councillor Denise Peterson	28,781	804	29,585	29,825
Councillor Robert Sobol	28,881	809	29,690	29,825
Councillor Brad Walls	22,784	621	23,405	30,035
Councillor Jason Montgomery	6,172	204	6,376	-
Councillor Lorraine Bauer	6,072	199	6,271	-
Councillor Tari Cockx	6,172	204	6,376	-
Councillor Melanie Corbiell	5,172	155	5,327	-
CAO - James Thackray	185,244	44,750	229,994	145,295
CAO - Dwight Stanford	\$ -	\$ -	\$ -	\$ 165,820

(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, 2017 the remaining unamortized balance was \$143,251 (2016 - \$201,049).

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.

18. Commitments

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

18. Commitments, continued

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 \$2,304,173, 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 2027. Billing under the contract is an annual rate of \$31,004 which increases each year by the consumer price index (CPI). The expected payment for 2018 is \$31,314.

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. As of December 31, 2018 approximately \$3,151,000 of the total estimated \$10,000,000 had been spent on the project. 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.

The Town has contracted H&H Huxted Enterprises Ltd. to provide automated curbside solid waste and organic collection for a five year term ending December 31, 2022. Billing under the contract is an annual rate of \$718,272.

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.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

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 Pensions Plans Act. The plan serves about 254,000 people and 417 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 2017 were \$633,348 (2016 - \$625,990). Total current service contributions by the employees of the Town to the LAPP in 2017 were \$582,436 (2016 - \$574,460).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 million.

21. Budget amounts

The 2017 budget for the Town was approved by Council on December 7, 2016 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	\$ 8,153,241
Less: Capital expenditures	(21,012,449)
Long-term debt repayments	(1,326,859)
Transfers to reserves	2,386,664
Add: Amortization	4,264,747
Transfers from reserves	(465,344)
Long-term debt proceeds	8,000,000
Equals: Balanced budget	\$ -

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

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 2017 (2016 - 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, 2017

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2017	2016
Balance, beginning of year	\$ 5,878,643	\$ 11,295,145	\$ 172,527,933	\$ 189,701,721	\$ 186,220,267
Excess of revenue over expenses	5,330,294	-	-	5,330,294	3,481,454
Unrestricted funds designated for future use	(2,730,292)	2,730,292	-	-	-
Restricted funds used for operations	721,883	(721,883)	-	-	-
Restricted funds used for tangible capital assets	-	(1,218,891)	1,218,891	-	-
Current year funds used for tangible capital assets	(9,360,946)	-	9,360,946	-	-
Contributed tangible capital assets	(1,595,995)	-	1,595,995	-	-
Amortization of tangible capital assets	4,669,547	-	(4,669,547)	-	-
Long-term debt repaid	(1,160,952)	-	1,160,952	-	-
Proceeds of long-term debt used for capital	3,027,748	-	(3,027,748)	-	-
Change in accumulated surplus	(1,098,713)	789,518	5,639,489	5,330,294	3,481,454
Balance, end of year	\$ 4,779,930	\$ 12,084,663	\$ 178,167,422	\$ 195,032,015	\$ 189,701,721

TOWN OF STRATHMORE
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2017	2016
Cost:									
Balance, beginning of year	\$ 18,252,693	\$ 3,405,966	\$ 24,077,534	\$ 178,120,200	\$ 6,214,010	\$ 3,489,435	\$ 517,306	\$ 234,077,144	\$ 226,272,234
Acquisitions	-	405,433	1,259,388	4,295,715	1,793,773	35,431	4,386,091	12,175,831	7,904,440
Transfers	-	-	-	9,670	10,112	-	(19,782)	-	-
Disposals	-	-	-	-	-	-	-	-	(99,530)
Balance, end of year	18,252,693	3,811,399	25,336,922	182,425,585	8,017,895	3,524,866	4,883,615	246,252,975	234,077,144
Accumulated amortization:									
Balance, beginning of year	-	1,587,479	8,358,823	38,605,436	3,222,337	1,443,876	-	53,217,951	48,761,494
Annual amortization	-	172,379	510,701	3,364,028	436,132	186,306	-	4,669,546	4,496,255
Disposals	-	-	-	-	-	-	-	-	(39,798)
Balance, end of year	-	1,759,858	8,869,524	41,969,464	3,658,469	1,630,182	-	57,887,497	53,217,951
Net book value	\$ 18,252,693	\$ 2,051,541	\$ 16,467,398	\$ 140,456,121	\$ 4,359,426	\$ 1,894,684	\$ 4,883,615	\$ 188,365,478	\$ 180,859,193
2016 net book value	\$ 18,252,693	\$ 1,818,486	\$ 15,718,711	\$ 139,514,765	\$ 2,991,673	\$ 2,045,560	\$ 517,306	\$ 180,859,193	

TOWN OF STRATHMORE
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

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	\$ 10,963,670	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,963,670
User fees and sales of goods	1,387,422	262,948	253,181	8,810,572	184,599	834	928,716	11,828,272
Government transfers for operating	101,130	408,116	-	-	306,350	-	245,654	1,061,250
Licenses and permits	123,050	395,511	-	-	200	85,745	-	604,506
Investment income	409,573	3,750	62,230	92,927	294	1,258	31,039	601,071
Other	3,416	7,781	149,326	26,315	43,382	-	256,363	486,583
Penalties and costs of taxes	189,105	-	-	-	-	-	-	189,105
	13,177,366	1,078,106	464,737	8,929,814	534,825	87,837	1,461,772	25,734,457
Expenses								
Contracted and general services	991,580	2,677,109	325,217	3,891,877	218,305	629,857	1,037,041	9,770,986
Salaries, wages and benefits	2,007,728	1,361,260	1,163,492	593,797	610,743	718,236	2,723,132	9,178,388
Materials, goods, supplies and utilities	285,889	128,059	830,258	1,910,747	65,630	64,620	758,678	4,043,881
Interest on long term debt	-	-	1,883	338,264	-	-	20,363	360,510
Transfers to individuals and organizations	107,359	-	-	-	37,175	37,800	15,000	197,334
Transfers to other governments	-	-	-	-	-	-	79,162	79,162
Bank charges and short term interest	32,391	-	-	-	-	-	-	32,391
Other expenditures	(60)	-	-	-	-	-	1,213	1,153
Amortization of tangible capital assets	80,406	132,175	1,781,977	1,999,860	-	11,542	663,587	4,669,547
	3,505,293	4,298,603	4,102,827	8,734,545	931,853	1,462,055	5,298,176	28,333,352
Excess (deficiency) of revenue over expenses before other	9,672,073	(3,220,497)	(3,638,090)	195,269	(397,028)	(1,374,218)	(3,836,404)	(2,598,895)
Other								
Government transfers for capital	-	-	1,129,704	886,068	-	-	4,317,422	6,333,194
Contributed assets	-	-	368,825	877,170	-	-	350,000	1,595,995
	-	-	1,498,529	1,763,238	-	-	4,667,422	7,929,189
Excess (deficiency) of revenue over expenses	\$ 9,672,073	\$ (3,220,497)	\$ (2,139,561)	\$ 1,958,507	\$ (397,028)	\$ (1,374,218)	\$ 831,018	\$ 5,330,294