

TOWN OF STRATHMORE

Financial Statements

For the year ended December 31, 2010

TOWN OF STRATHMORE
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For the year ended December 31, 2010

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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 consolidated financial statements of the Town of Strathmore, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations, change in net financial assets (debt), and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Strathmore as at December 31, 2010 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of matter

We draw your attention to note 14 to the financial statements which describes the amendments made to the prior year's figures. Our audit opinion is not qualified in respect of this matter.

Other matter

The financial statements of the Town of Strathmore for the year ended December 31, 2009 were audited by another accounting firm who expressed an unmodified opinion on those statements on April 16, 2010.

Lethbridge, Alberta

Young Parkyn McNab LLP

April 6, 2011

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, 2010

| | 2010 | 2009 (Restated) |
|--|----------------------|----------------------|
| Financial assets | | |
| Cash and temporary investments (note 2) | \$ 6,778,863 | \$ 2,346,464 |
| Taxes and grants in place of taxes receivable (note 3) | 561,460 | 761,501 |
| Trade and other receivables (note 4) | 10,164,695 | 9,749,990 |
| Land held for resale | 4,730 | 4,730 |
| Investments (note 5) | 5,583,736 | 9,120,739 |
| Other financial assets | 7,714 | 24,805 |
| | 23,101,198 | 22,008,229 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 4,994,994 | 6,804,444 |
| Employee benefit obligations (note 6) | 261,392 | 225,892 |
| Deposits | 1,223,544 | 1,164,446 |
| Deferred revenue (note 7) | 1,152,512 | 1,506,953 |
| Long-term debt (note 8) | 14,495,072 | 9,346,322 |
| Other liabilities | - | 100,054 |
| | 22,127,514 | 19,148,111 |
| Net financial assets | 973,684 | 2,860,118 |
| Non-financial assets | | |
| Prepaid expenses | 22,460 | 51,451 |
| Inventory for consumption | 45,392 | 85,186 |
| Tangible capital assets (schedule 1) | 163,080,847 | 147,644,624 |
| | 163,148,699 | 147,781,261 |
| Accumulated surplus (note 9) | \$164,122,383 | \$150,641,379 |

Commitments and contingencies (notes 20 and 21)

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2010

| | Budget (Unaudited) | 2010 | 2009 (Restated) |
|--|-----------------------|---------------|--------------------|
| Revenue | | | |
| Net municipal property taxes (note 10) | \$ 8,629,125 | \$ 8,717,829 | \$ 8,265,281 |
| User fees and sales of goods | 6,975,313 | 7,629,478 | 6,628,656 |
| Government transfers for operating (note 11) | 465,399 | 667,578 | 698,386 |
| Investment income | 88,101 | 407,780 | 696,703 |
| Penalties and costs of taxes | 158,855 | 236,903 | 205,666 |
| Licenses and permits | 229,750 | 486,976 | 322,925 |
| Gain on disposal of capital assets | - | 9,167 | - |
| Other | 78,529 | 118,236 | 72,527 |
| | 16,625,072 | 18,273,947 | 16,890,144 |
| Expenses (note 12) | | | |
| Legislative | 244,298 | 218,732 | 222,185 |
| Administration | 1,775,879 | 2,058,135 | 1,781,496 |
| Police, fire, disaster, ambulance and bylaw enforcement | 2,811,809 | 2,931,340 | 2,618,041 |
| Transportation services | 2,963,476 | 2,548,531 | 2,593,962 |
| Water supply and distribution | 2,391,353 | 2,298,163 | 1,872,074 |
| Wastewater treatment and disposal | 3,082,273 | 2,121,373 | 2,640,481 |
| Waste management | 690,557 | 784,682 | 650,021 |
| Public health and welfare services | 128,958 | 126,501 | 124,529 |
| Planning and development | 839,994 | 821,861 | 1,028,118 |
| Parks and recreation | 3,033,243 | 2,819,798 | 2,879,180 |
| Culture - libraries, museums, halls | 660,604 | 647,606 | 598,783 |
| | 18,622,444 | 17,376,722 | 17,008,870 |
| Excess (deficiency) of revenue over expenses before other | (1,997,372) | 897,225 | (118,726) |
| Other | | | |
| Government transfers for capital (note 11) | 11,793,294 | 10,435,559 | 44,506,678 |
| Contributed assets (note 13) | - | 2,148,220 | - |
| | 11,793,294 | 12,583,779 | 44,506,678 |
| Excess of revenue over expenses | 9,795,922 | 13,481,004 | 44,387,952 |
| Accumulated surplus (deficit), beginning of year | | | |
| As previously stated | 150,153,438 | 150,153,438 | 105,735,175 |
| Prior period adjustment (note 14) | - | 487,941 | 518,252 |
| As restated | 150,153,438 | 150,641,379 | 106,253,427 |
| Accumulated surplus, end of year | \$159,949,360 | \$164,122,383 | \$150,641,379 |

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
For the year ended December 31, 2010

| | Budget (Unaudited) | 2010 | 2009 (Restated) |
|---|-----------------------|----------------------|----------------------|
| Excess of revenue over expenses | \$ 9,795,922 | \$ 13,481,004 | \$ 44,387,952 |
| Acquisition of tangible capital assets | (25,186,950) | (17,786,554) | (48,493,508) |
| Amortization | 3,496,781 | 2,346,517 | 2,482,068 |
| Gain on disposal of tangible capital assets | - | (9,167) | - |
| Proceeds on disposal of tangible capital assets | 15,000 | 12,980 | 3,236 |
| | (21,675,169) | (15,436,224) | (46,008,204) |
| Net change in inventory for consumption | - | 39,795 | (63,075) |
| Net change in prepaid expense | - | 28,991 | 9,810 |
| | - | 68,786 | (53,265) |
| Decrease in net financial assets | (11,879,247) | (1,886,434) | (1,673,517) |
| Net financial assets, beginning of year | 2,860,118 | 2,860,118 | 4,533,635 |
| Net financial assets (debt), end of year | \$ (9,019,129) | \$ 973,684 | \$ 2,860,118 |

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2010

| | 2010 | 2009 (Restated) |
|--|---------------|--------------------|
| Operating transactions | | |
| Excess of revenue over expenses | \$ 13,481,004 | \$ 44,387,952 |
| Adjustments for items which do not affect cash | | |
| Gain on disposal of tangible capital assets | (9,167) | - |
| Amortization | 2,346,517 | 2,482,068 |
| | 15,818,354 | 46,870,020 |
| Net change in non-cash working capital items | | |
| Taxes and grants in place of taxes receivable | 200,041 | (313,768) |
| Trade and other receivables | (414,704) | (5,954,939) |
| Other financial assets | 17,091 | (3,498) |
| Inventory for consumption | 39,794 | (63,073) |
| Prepaid expenses | 28,991 | 9,810 |
| Accounts payable and accrued liabilities | (1,809,450) | 3,588,721 |
| Employee benefit obligations | 35,500 | (62,988) |
| Deposits | 59,098 | (143,704) |
| Deferred revenue | (354,441) | (3,262,174) |
| Other liabilities | (100,054) | 88,336 |
| Cash provided by operating transactions | 13,520,220 | 40,752,743 |
| Capital transactions | | |
| Proceeds on disposal of tangible capital assets | 12,980 | 3,236 |
| Acquisition of tangible capital assets | (17,786,554) | (48,493,508) |
| Cash applied to capital transactions | (17,773,574) | (48,490,272) |
| Investing transactions | | |
| Decrease of investments | 3,537,003 | 6,846,495 |
| Cash provided by investing transactions | 3,537,003 | 6,846,495 |
| Financing transactions | | |
| Proceeds of long-term debt | 5,934,525 | - |
| Repayment of long-term debt | (785,775) | (721,813) |
| Cash provided by (applied to) financing transactions | 5,148,750 | (721,813) |
| Increase (decrease) in cash and temporary investments | 4,432,399 | (1,612,847) |
| Cash and temporary investments, beginning of year | 2,346,464 | 3,959,311 |
| Cash and temporary investments, end of year | \$ 6,778,863 | \$ 2,346,464 |

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

1. Significant accounting policies

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

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus 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.

(b) Basis of accounting

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

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

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(c) Use of estimates

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

(d) Investments

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

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

1. Significant accounting policies, continued

(e) Requisition over-levy and under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(f) Land held for resale

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

(g) Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

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

(h) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial 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 CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

1. Significant accounting policies, continued

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

- (ii) Contributions of tangible capital assets
Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.
- (iii) Inventories
Inventories held for consumption are recorded at the lower of cost and replacement cost.

2. Cash and temporary investments

| | 2010 | 2009 |
|----------------------|---------------------|---------------------|
| Cash | \$ 245,273 | \$ 1,517,774 |
| Temporary investment | 6,533,590 | 828,690 |
| | <u>\$ 6,778,863</u> | <u>\$ 2,346,464</u> |

The Town has an authorized overdraft limit of \$1,000,000 at a rate of prime less 0.375%. Security consists of a general security agreement.

The temporary investment consists of funds held in a high interest savings account through the investment portfolio.

3. Taxes and grants in place of taxes receivables

| | 2010 | 2009 |
|---|-------------------|-------------------|
| Taxes and grants in place of taxes receivable | \$ 440,296 | \$ 538,176 |
| Arrears | 121,164 | 223,325 |
| | <u>\$ 561,460</u> | <u>\$ 761,501</u> |

4. Trade accounts receivable

| | 2010 | 2009 |
|---------------------------------------|----------------------|---------------------|
| Trade accounts receivable - operating | \$ 783,918 | \$ 649,530 |
| Trade accounts receivable - capital | 8,330,902 | 7,957,865 |
| Goods and services tax receivable | 217,977 | 283,233 |
| Utilities receivable | 863,181 | 871,411 |
| Allowance for doubtful accounts | (31,283) | (12,049) |
| | <u>\$ 10,164,695</u> | <u>\$ 9,749,990</u> |

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

5. Investments

| | 2010 | | 2009 | |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| | Cost | Market value | Cost | Market value |
| Short-term commercial notes | \$ - | \$ - | \$ 624,293 | \$ 627,732 |
| Government bonds | 735,500 | 952,510 | 3,118,908 | 3,471,880 |
| Commercial notes | 4,846,128 | 5,105,324 | 5,374,005 | 5,563,143 |
| Other | 2,108 | - | 3,533 | - |
| | <u>\$ 5,583,736</u> | <u>\$ 6,057,834</u> | <u>\$ 9,120,739</u> | <u>\$ 9,662,755</u> |

Short-term notes had an interest rate of 3.75% and have matured. Government bonds have an interest rate of 4.48% (2009 - 3.75% to 5.00%). Commercial notes have interest rates from 1.858% to 4.71% (2009 - 3.60% to 7.18%). Maturity dates are from the year 2012 to 2015.

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, \$2,376,056 (2009 - \$2,671,400) of the cash and temporary investments balance are not available for general use by the Town.

6. Employee benefit obligations

| | 2010 | 2009 |
|----------|------------|------------|
| Vacation | \$ 261,392 | \$ 225,892 |

Vacation and overtime

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

7. Deferred revenue

| | 2010 | 2009 |
|--------------------------------------|---------------------|---------------------|
| Municipal Sustainability Initiative | \$ 793,080 | \$ 845,047 |
| Federal Gas Tax Fund | 311,945 | 532,397 |
| Other prepaid charges | 43,976 | 27,250 |
| Ground Search and Emergency Training | 3,511 | 3,510 |
| Municipal Sponsorship Program | - | 85,548 |
| Street Improvement Program | - | 13,201 |
| | <u>\$ 1,152,512</u> | <u>\$ 1,506,953</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 2010 the Town was allocated \$177,321 in operating funding (2009 - \$172,411), \$2,174,585 in capital funding (2009 - \$843,090) and \$226,175 for Affordable Housing (2009 - \$747,819).

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

7. Deferred revenue, continued

Federal Gas Tax Fund

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

8. Long-term debt

| | 2010 | 2009 |
|-------------------------------|---------------|--------------|
| Self supported long-term debt | \$ 14,495,072 | \$ 9,346,322 |
| Current portion | \$ 1,077,286 | \$ 720,044 |

Principal and interest repayments are due as follows:

| | Principal | Interest | Total |
|------------|---------------|--------------|---------------|
| 2011 | \$ 1,077,286 | \$ 671,044 | \$ 1,748,330 |
| 2012 | 1,134,394 | 613,936 | 1,748,330 |
| 2013 | 1,195,407 | 552,923 | 1,748,330 |
| 2014 | 1,260,658 | 487,672 | 1,748,330 |
| 2015 | 1,330,514 | 417,817 | 1,748,331 |
| Thereafter | 8,496,813 | 2,936,750 | 11,433,563 |
| | \$ 14,495,072 | \$ 5,680,142 | \$ 20,175,214 |

Long-term debt is repayable to Alberta Capital Finance Authority, Canada Mortgage and Housing Corporation and Chinook Credit Union Ltd. Interest rates range from 2.625% to 11.125% per annum. The long-term debt is issued on the credit and security of the Town at large. The average annual interest rate is 4.68% for 2010 (2009 - 5.58%).

Interest on long-term debt amounted to \$589,807 (2009 - \$663,087). The Town's total cash payments for interest in 2010 were \$562,261 (2009 - \$658,867).

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

9. Accumulated surplus

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

| | 2010 | 2009 |
|--|----------------------|----------------------|
| Unrestricted surplus | \$ 4,823,108 | \$ 3,629,720 |
| Internally restricted surplus (reserves) (note 17) | 10,713,500 | 8,713,357 |
| Equity in tangible capital assets (note 18) | 148,585,775 | 138,298,302 |
| | <u>\$164,122,383</u> | <u>\$150,641,379</u> |

10. Net municipal property taxes

| | Budget (Unaudited) | 2010 | 2009 |
|--|-----------------------|---------------------|---------------------|
| Taxation | | | |
| Real property taxes | \$ 10,143,652 | \$ 10,729,389 | \$ 9,722,433 |
| Linear property taxes | 152,357 | 154,332 | 147,872 |
| Business taxes | 2,263,413 | 2,143,689 | 2,230,533 |
| Government grants in place of property taxes | 68,605 | 68,207 | 65,959 |
| | <u>12,628,027</u> | <u>13,095,617</u> | <u>12,166,797</u> |
| Requisitions | | | |
| Alberta School Foundation Fund | 3,623,637 | 3,919,694 | 3,495,965 |
| Christ the Redeemer School Division | 325,641 | 393,192 | 356,145 |
| Wheatland Housing requisition | 49,624 | 64,902 | 49,406 |
| | <u>3,998,902</u> | <u>4,377,788</u> | <u>3,901,516</u> |
| | <u>\$ 8,629,125</u> | <u>\$ 8,717,829</u> | <u>\$ 8,265,281</u> |

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

11. Government transfers

| | Budget (Unaudited) | 2010 | 2009 |
|---------------------------------|-----------------------|---------------|---------------|
| Transfers for operating: | | | |
| Provincial government | \$ 463,399 | \$ 665,578 | \$ 696,386 |
| Federal government | 2,000 | 2,000 | 2,000 |
| | 465,399 | 667,578 | 698,386 |
| Transfers for capital | | | |
| Provincial government | 10,860,194 | 9,638,738 | 42,148,101 |
| Federal government | 933,100 | 744,567 | 321,445 |
| Other local governments | - | 52,254 | 2,037,132 |
| | 11,793,294 | 10,435,559 | 44,506,678 |
| | \$ 12,258,693 | \$ 11,103,137 | \$ 45,205,064 |

12. Expenses by object

| | Budget (Unaudited) | 2010 | 2009 (Restated) |
|--|-----------------------|---------------|--------------------|
| Salaries, wages and benefits | \$ 5,511,109 | \$ 5,764,620 | \$ 5,365,562 |
| Contracted and general services | 6,947,761 | 6,131,637 | 6,758,297 |
| Materials, goods, supplies and utilities | 1,659,030 | 2,281,288 | 1,681,688 |
| Bank charges and short term interest | 10,700 | 14,164 | 9,707 |
| Interest on long term debt | 825,795 | 589,807 | 541,637 |
| Other expenditures | 4,000 | 4,150 | 3,690 |
| Transfers to local boards and agencies | 85,883 | 60,308 | 90,650 |
| Transfers to other governments | 55,860 | 156,651 | 53,223 |
| Transfers to individuals and organizations | 25,525 | 27,580 | 22,348 |
| Amortization of tangible capital assets | 3,496,781 | 2,346,517 | 2,482,068 |
| | \$ 18,622,444 | \$ 17,376,722 | \$ 17,008,870 |

13. Contributed assets

During the year the Town annexed certain lands from Wheatland County. The tangible capital assets received in the transaction have been recorded at their fair market value at the date of annexation and the contribution has been recognized as income during the year.

14. Prior period adjustment

The prior year's figures have been restated to include tangible capital assets that were not previously recorded. The assets have been recorded at their estimated fair market value consistent with other tangible capital assets at the end of 2009. This has resulted in an increase in tangible capital assets of \$487,941, an increase in amortization expense of \$30,311 and an increase in equity in tangible capital assets of \$487,941.

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

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:

| | 2010 | 2009 |
|----------------------|----------------------|----------------------|
| Total debt limit | \$ 27,410,921 | \$ 25,335,215 |
| Total debt | 14,495,072 | 9,346,322 |
| | <u>\$ 12,915,849</u> | <u>\$ 15,988,893</u> |
| Debt servicing limit | \$ 4,568,487 | \$ 4,222,536 |
| Debt servicing | 1,748,330 | 1,310,131 |
| | <u>\$ 2,820,157</u> | <u>\$ 2,912,405</u> |

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.

16. Trust funds

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

| | 2010 | 2009 |
|--|-------------------|-------------------|
| Western Irrigation Division capital storm levy | \$ 101,848 | \$ 69,376 |
| United Way of Calgary and Area | 4,530 | 23,964 |
| Communities in Bloom | 27,695 | 23,163 |
| Healthy Eating Active Living (HEAL) | 434 | 3,483 |
| Other | 900 | 900 |
| | <u>\$ 135,407</u> | <u>\$ 120,886</u> |

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

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

17. 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:

| | 2010 | 2009 |
|--------------------------------------|---------------|--------------|
| Operating | | |
| Financial stabilization | \$ 3,717,784 | \$ 2,809,678 |
| General administration | 38,976 | 37,708 |
| Office revitalization | 257,993 | 289,080 |
| RCMP reserve | 106,286 | 91,485 |
| Fire protection | 319,800 | 654,962 |
| General enforcement | 21,497 | 20,798 |
| Common services | 386,770 | 374,187 |
| Roads, walks and lighting | 35,340 | 34,190 |
| Sewer conveyance | 4,238 | 3,133 |
| Potable water | 848,947 | 362,499 |
| Sanitary sewer | 299,843 | 290,088 |
| Garbage | 51,427 | 49,754 |
| Cemetery | 29,936 | 28,962 |
| Family Centre | 25,938 | 25,094 |
| Family Centre capital reduction | 256,896 | 215,645 |
| Swimming pool / skateboard park | 5,256 | 5,085 |
| | 6,406,927 | 5,292,348 |
| Capital | | |
| Roads, walks and lighting | 72,535 | 70,175 |
| Roads off-site levies | 249,046 | 133,349 |
| Storm | 263,655 | 255,077 |
| Storm off-site levies | 1,220,774 | 1,080,187 |
| Water supply | 688,805 | 37,543 |
| Water off-site levies | 216,260 | 271,871 |
| Sanitary sewer | 23,827 | 23,052 |
| Sewer off-site levies | 723,693 | 639,521 |
| Sewer off-site levies - West | 7,475 | - |
| Sewer off-site levies - Orchard Park | 15,707 | - |
| Municipal public reserve | 432,102 | 436,904 |
| Recreation off-site levies | 12,092 | 11,699 |
| Aquatic Centre | 33,930 | 135,912 |
| Family Centre | 46,201 | 44,698 |
| Bike pathway | 32,953 | 31,881 |
| Bike pathway levies | 96,190 | 93,061 |
| Civic Centre | 171,328 | 156,079 |
| | 4,306,573 | 3,421,009 |
| | \$ 10,713,500 | \$ 8,713,357 |

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

18. Equity in tangible capital assets

| | 2010 | 2009 (Restated) |
|---------------------------------------|----------------------|----------------------|
| Tangible capital assets (schedule 2) | \$193,280,931 | \$175,554,636 |
| Accumulated amortization (schedule 2) | (30,200,084) | (27,910,012) |
| Long-term debt (note 8) | (14,495,072) | (9,346,322) |
| | <u>\$148,585,775</u> | <u>\$138,298,302</u> |

19. 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 | 2010 | 2009 |
|----------------------------------|----------------|---------------------------------|----------------|----------------|
| Council | | | | |
| Mayor George Lattery | \$ 22,264 | \$ 13,703 | \$ 35,967 | \$ 48,531 |
| Mayor Steve Grajczyk | 4,664 | 6,808 | 11,472 | - |
| Councillor Earl Best | 14,699 | 10,811 | 25,510 | 25,438 |
| Councillor Rocky Bloklund | 2,998 | 3,151 | 6,149 | - |
| Councillor Pat Fule | 2,498 | 2,685 | 5,183 | - |
| Councillor Dave Hamilton | 2,998 | 2,972 | 5,970 | - |
| Councillor Michael Lloyd | 9,044 | 4,925 | 13,969 | 21,142 |
| Councillor John Rempel | 12,299 | 8,124 | 20,423 | 17,530 |
| Councillor Robert Sobol | 16,199 | 11,814 | 28,013 | 25,438 |
| Councillor Brad Walls | 12,944 | 8,697 | 21,641 | 26,033 |
| Councillor Lois Wegener | 14,544 | 9,898 | 24,442 | 30,881 |
| Chief Administrative Officer | \$ 127,665 | \$ 31,663 | \$ 159,328 | \$ 233,637 |

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

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

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including travel allowances.

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

20. Commitments

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

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

Future payments under this contract, with the assumption of a 3.14% increase in CPI in future years, are as follows:

| | |
|------------|------------|
| 2011 | \$ 28,364 |
| 2012 | 29,254 |
| 2013 | 30,173 |
| 2014 | 31,120 |
| 2015 | 32,098 |
| Thereafter | 33,105 |
| | <hr/> |
| | \$ 184,114 |

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

The Town owes amounts to Wheatland County associated with the annexed land transaction in 2010. The payment due in 2011 is \$80,810, with annual payments decreasing by 20% until 2014.

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

21. 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, 2010 the remaining unamortized balance was \$547,474 (2009 - \$605,272).

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

22. Local Authorities Pension Plan

Employees of the Town participate in the Local Authorities Pension Plan ("LAPP"), which is one of the plans covered by the Alberta Sector Pension Plans Act. The LAPP serve about 200,000 people and over 400 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP fund.

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

The Town is required to make current service contributions to the LAPP of 9.06% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 12.53% of pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.06% of pensionable salary up to the year's maximum pensionable salary and 11.53% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2010 were \$297,610 (2009 - \$268,102). Total current service contributions by the employees of the Town to the LAPP in 2010 were \$267,009 (2009 - \$238,588). At December 31, 2009 the LAPP disclosed an actuarial deficiency of \$3,999 million.

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

23. Budget amounts

The 2010 budget for the Town was approved by Council on February 17, 2010 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

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

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

| | |
|---|--------------|
| Budgeted surplus per financial statements | \$ 9,795,922 |
| Less: Capital expenditures | (25,186,950) |
| Long-term debt repayments | (965,156) |
| Add: Amortization | 3,496,781 |
| Transfers from reserves | 1,641,827 |
| Long term debt proceeds | 11,217,576 |
| Equals: balanced budget | \$ - |

24. 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 of Strathmore 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.

25. Subsequent events

Subsequent to the fiscal year end, the Town has entered into an agreement to purchase certain lands within the Town of Strathmore, being approximately 10 acres for \$1,750,000, for municipal purposes. Also the Town has entered into an agreement to sell approximately 145 acres of land that was used as a raw water reservoir for a selling price of approximately \$3,195,060.

26. Approval of financial statements

These financial statements were approved by Council and Management.

TOWN OF STRATHMORE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

27. Comparative figures

Where necessary the comparative figures for the 2009 year, which were reported on by another auditor, have been reclassified to conform with 2010 financial statement presentation.

TOWN OF STRATHMORE
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

Schedule of changes in accumulated surplus (deficit)

Schedule 1

| | Unrestricted | Restricted | Equity in tangible capital assets | 2010 | 2009 (Restated) |
|---|---------------------|----------------------|--------------------------------------|-----------------------|-----------------------|
| Balance, beginning of year | | | | | |
| As previously stated | \$ 3,629,720 | \$ 8,713,357 | \$ 137,810,361 | \$ 150,153,438 | \$ 105,735,175 |
| Prior period adjustment | - | - | 487,941 | 487,941 | 518,252 |
| As restated | 3,629,720 | 8,713,357 | 138,298,302 | 150,641,379 | 106,253,427 |
| Excess of revenue over expenses | 13,481,004 | - | - | 13,481,004 | 44,387,952 |
| Unrestricted funds designated for future use | (4,151,444) | 4,151,444 | - | - | - |
| Restricted funds used for operations | 544,364 | (544,364) | - | - | - |
| Restricted funds used for tangible capital assets | - | (1,606,937) | 1,606,937 | - | - |
| Current year funds used for tangible capital assets | (14,031,395) | - | 14,031,395 | - | - |
| Contributed tangible capital assets | (2,148,220) | - | 2,148,220 | - | - |
| Disposal of tangible capital assets | 3,813 | - | (3,813) | - | - |
| Amortization expense | 2,346,517 | - | (2,346,517) | - | - |
| Long term debt repaid | (785,775) | - | 785,775 | - | - |
| Proceeds of long term debt | 5,934,524 | - | (5,934,524) | - | - |
| Change in accumulated surplus (deficit) | 1,193,388 | 2,000,143 | 10,287,473 | 13,481,004 | 44,387,952 |
| Balance, end of year | \$ 4,823,108 | \$ 10,713,500 | \$ 148,585,775 | \$ 164,122,383 | \$ 150,641,379 |

TOWN OF STRATHMORE
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2010

Schedule of tangible capital assets

| | Land | Land improvements | Buildings | Engineered structures | Machinery and equipment | Vehicles | 2010 | 2009 (Restated) |
|--|------|-------------------|-----------|-----------------------|-------------------------|----------|------|--------------------|
|--|------|-------------------|-----------|-----------------------|-------------------------|----------|------|--------------------|

Cost:

| | | | | | | | | |
|----------------------------|---------------|--------------|---------------|----------------|--------------|--------------|----------------|----------------|
| Balance, beginning of year | \$ 16,496,356 | \$ 1,913,637 | \$ 20,513,608 | \$ 131,478,090 | \$ 3,381,837 | \$ 1,771,107 | \$ 175,554,636 | \$ 127,064,364 |
| Acquisitions | 524,927 | 137,515 | - | 2,717,094 | 226,216 | 811,925 | 4,417,677 | 2,947,295 |
| Construction-in-progress | - | - | 2,534,846 | 10,834,030 | - | - | 13,368,876 | 45,546,213 |
| Disposals | - | - | - | - | (28,833) | (31,425) | (60,258) | (3,236) |
| Balance, end of year | 17,021,283 | 2,051,152 | 23,048,454 | 145,029,214 | 3,579,220 | 2,551,607 | 193,280,931 | 175,554,636 |

Accumulated amortization:

| | | | | | | | | |
|----------------------------|---|---------|-----------|------------|-----------|----------|------------|------------|
| Balance, beginning of year | - | 730,261 | 5,386,009 | 19,557,628 | 1,655,373 | 580,741 | 27,910,012 | 25,427,945 |
| Annual amortization | - | 85,626 | 415,352 | 1,568,248 | 145,073 | 132,218 | 2,346,517 | 2,482,067 |
| Disposals | - | - | - | - | (25,020) | (31,425) | (56,445) | - |
| Balance, end of year | - | 815,887 | 5,801,361 | 21,125,876 | 1,775,426 | 681,534 | 30,200,084 | 27,910,012 |

Net book value

| | | | | | | | | |
|--|---------------|--------------|---------------|----------------|--------------|--------------|----------------|----------------|
| | \$ 17,021,283 | \$ 1,235,265 | \$ 17,247,093 | \$ 123,903,338 | \$ 1,803,794 | \$ 1,870,073 | \$ 163,080,847 | \$ 147,644,624 |
|--|---------------|--------------|---------------|----------------|--------------|--------------|----------------|----------------|

2009 net book value

| | | | | | | | |
|--|---------------|--------------|---------------|----------------|--------------|--------------|----------------|
| | \$ 16,496,356 | \$ 1,183,376 | \$ 15,127,599 | \$ 111,920,462 | \$ 1,726,464 | \$ 1,190,366 | \$ 147,644,624 |
|--|---------------|--------------|---------------|----------------|--------------|--------------|----------------|