

TOWN OF STRATHMORE

Consolidated Financial Statements

For the year ended December 31, 2019

TOWN OF STRATHMORE
TABLE OF CONTENTS
For the year ended December 31, 2019

INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT REPORT	3
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENT OF OPERATIONS	5
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL (DEBT) ASSETS	6
CONSOLIDATED STATEMENT OF CASH FLOW	7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	8 - 18
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS	19 - 21



CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To: The Mayor and Members of Council of
the Town of Strathmore

Opinion

We have audited the consolidated financial statements of the Town of Strathmore which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, change in net financial assets (debt) and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town of Strathmore as at December 31, 2019, the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

INDEPENDENT AUDITOR'S REPORT, continued

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, we confirm that the Town is in compliance with the Debt Limit Regulation. A detailed account of the Town's debt limit can be found in note 15.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, we confirm that the Town is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 16.

Lethbridge, Alberta

April 15, 2020



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, 2019

	2019	2018
Financial assets		
Cash (note 2)	\$ 3,541,954	\$ 2,204,781
Taxes and grants in place of taxes receivable (note 3)	590,674	534,618
Trade and other receivables (note 4)	2,081,763	1,752,351
Investments (note 5)	16,090,781	17,725,475
	<u>22,305,172</u>	<u>22,217,225</u>
Liabilities		
Accounts payable and accrued liabilities	4,794,405	6,015,151
Employee benefit obligations (note 6)	205,975	297,024
Deposits	706,412	738,003
Deferred revenue (note 7)	1,630,093	2,562,176
Long-term debt (note 8)	18,950,160	11,021,352
	<u>26,287,045</u>	<u>20,633,706</u>
Net financial (debt) assets	<u>(3,981,873)</u>	<u>1,583,519</u>
Non-financial assets		
Prepaid expenses	257,206	113,822
Tangible capital assets (schedule 2)	206,535,959	199,174,984
	<u>206,793,165</u>	<u>199,288,806</u>
Accumulated surplus (note 9 and schedule 1)	<u>\$ 202,811,292</u>	<u>\$ 200,872,325</u>

Commitments and contingencies (note 17)

Approved on behalf of Council:

Councillor



Councillor



TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2019

	Budget (Unaudited)	2019	2018
Revenue			
Net municipal property taxes (note 12)	\$ 12,518,710	\$ 12,331,743	\$ 11,656,047
User fees and sales of goods	13,819,435	13,499,370	12,840,604
Government transfers for operating (note 13)	1,112,230	1,213,040	1,068,171
Investment income	434,110	332,437	411,582
Penalties and costs of taxes	194,000	197,786	191,942
Licenses and permits	797,000	375,989	576,907
Gain on disposal of capital assets	-	261,432	171,971
Other	279,360	376,013	504,980
	29,154,845	28,587,810	27,422,204
Expenses (note 14)			
Legislative	380,936	373,692	307,766
Administration	4,657,162	5,197,110	4,099,919
Police, fire, disaster, ambulance and bylaw enforcement	5,253,464	5,262,688	4,718,339
Transportation services	5,590,357	5,404,530	5,273,320
Water supply and distribution	4,022,766	3,689,682	4,115,838
Wastewater treatment and disposal	3,706,587	3,809,403	3,602,574
Waste management	1,130,736	1,139,322	1,008,420
Public health and welfare services	1,100,485	969,881	966,594
Planning and development	1,121,002	1,283,527	1,003,701
Parks and recreation	5,933,722	6,100,620	5,500,017
Culture - libraries, museums, halls	933,038	892,586	1,036,764
	33,830,255	34,123,041	31,633,252
Deficiency of revenue over expenses before other	(4,675,410)	(5,535,231)	(4,211,048)
Other			
Government transfers for capital (note 13)	3,008,600	3,758,475	8,019,730
Contributed assets	-	3,715,723	2,031,627
	3,008,600	7,474,198	10,051,357
(Deficiency) excess of revenue over expenses	(1,666,810)	1,938,967	5,840,309
Accumulated surplus, beginning of year	200,872,325	200,872,325	195,032,016
Accumulated surplus, end of year	\$ 199,205,515	\$ 202,811,292	\$ 200,872,325

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL (DEBT) ASSETS
For the year ended December 31, 2019

	Budget (Unaudited)	2019	2018
(Deficiency) excess of revenue over expenses	\$ (1,666,810)	\$ 1,938,967	\$ 5,840,309
Acquisition of tangible capital assets	(11,810,330)	(8,836,595)	(14,206,662)
Amortization of tangible capital assets	4,919,653	5,179,185	4,879,455
Contributed assets	-	(3,715,723)	(2,031,627)
Gain on disposal of tangible capital assets	-	(261,432)	(172,006)
Proceeds on disposal of tangible capital assets	-	273,590	721,333
	(6,890,677)	(7,360,975)	(10,809,507)
Net change in inventory for consumption	-	-	7,511
Net change in prepaid expense	-	(143,384)	(38,761)
	-	(143,384)	(31,250)
Decrease in net financial assets	(8,557,487)	(5,565,392)	(5,000,448)
Net financial assets, beginning of year	1,583,519	1,583,519	6,583,967
Net financial assets (debt), end of year	\$ (6,973,968)	\$ (3,981,873)	\$ 1,583,519

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2019

	2019	2018
Operating transactions		
(Deficiency) excess of revenue over expenses	\$ 1,938,967	\$ 5,840,309
Adjustments for items which do not affect cash		
Gain on disposal of tangible capital assets	(261,432)	(172,006)
Amortization of tangible capital assets	5,179,185	4,879,455
Contributed assets	(3,715,723)	(2,031,627)
	3,140,997	8,516,131
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(56,056)	14,316
Trade and other receivables	(329,411)	1,145,201
Inventory for consumption	-	7,511
Prepaid expenses	(143,384)	(38,761)
Accounts payable and accrued liabilities	(1,220,746)	(724,277)
Employee benefit obligations	(91,049)	(143,471)
Deposits	(31,591)	(18,149)
Deferred revenue	(932,083)	(148,194)
Cash provided by operating transactions	336,677	8,610,307
Capital transactions		
Proceeds on disposal of tangible capital assets	273,590	721,333
Acquisition of tangible capital assets	(8,836,595)	(14,206,662)
Cash applied to capital transactions	(8,563,005)	(13,485,329)
Investing transactions		
Decrease of investments	1,634,694	5,946,196
Financing transactions		
Proceeds of long-term debt	8,882,600	340,000
Repayment of long-term debt	(953,793)	(1,488,956)
Cash provided by (applied to) financing transactions	7,928,807	(1,148,956)
Increase (decrease) in cash and temporary investments	1,337,173	(77,782)
Cash, beginning of year	2,204,781	2,282,563
Cash, end of year	\$ 3,541,954	\$ 2,204,781

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019

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, 2019

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 (Debt) Assets Assets for the year.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019

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 disposal. Assets under construction are not amortized until 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 for consumption are recorded at the lower of cost and replacement cost.

2. Cash

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.

3. Taxes and grants in place of taxes receivables

	2019	2018
Taxes and grants in place of taxes receivable	\$ 457,470	\$ 367,665
Arrears	133,204	166,953
	\$ 590,674	\$ 534,618

4. Trade and other receivables

	2019	2018
Municipal grants	\$ 675,465	\$ 191,774
Utilities receivable	665,361	662,173
Trade accounts receivable - operating	639,012	700,294
Goods and services tax receivable	135,351	228,272
Allowance for doubtful accounts	(33,426)	(30,162)
	\$ 2,081,763	\$ 1,752,351

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019

5. Investments

	2019		2018	
	Cost	Market value	Cost	Market value
Commercial notes	\$ 16,086,847	\$ 16,121,066	\$ 17,721,548	\$ 17,025,042
Other	3,934	3,934	3,927	3,927
	<u>\$ 16,090,781</u>	<u>\$ 16,125,000</u>	<u>\$ 17,725,475</u>	<u>\$ 17,028,969</u>

Commercial notes have interest rates from 0% to 9.98% (2018 - 0% to 10.22%). Maturity dates are from the year 2020 to 2028.

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, \$2,336,505 (2018 - \$3,300,179) of the investments balance is not available for general use by the Town.

6. Employee benefit obligations

	2019	2018
Vacation payable	\$ 178,453	\$ 282,972
Overtime payable	27,522	14,052
	<u>\$ 205,975</u>	<u>\$ 297,024</u>

The vacation and overtime liability is vested and employees are entitled to these benefits within the next budgetary year.

7. Deferred revenue

	2019	2018
Municipal Sustainability Initiative	\$ 1,530,672	\$ 1,908,384
Other	99,421	19,351
Federal Gas Tax Fund	-	634,441
	<u>\$ 1,630,093</u>	<u>\$ 2,562,176</u>

The Municipal Sustainability Initiative is a 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 includes operating, capital and affordable housing components. In 2019 the Town was allocated \$99,339 in operating funding (2018 - \$99,880) and \$1,977,265 in capital funding (2018 - \$5,637,496).

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019

8. Long-term debt

	2019	2018
Self-supported long-term debt - capital	\$ 13,083,702	\$ 11,021,352
Self-supported long-term debt - future capital projects	5,866,458	-
Self-supported long-term debt	\$ 18,950,160	\$ 11,021,352
Current portion	\$ 1,420,360	\$ 953,793

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2020	\$ 1,420,360	\$ 547,595	\$ 1,967,955
2021	1,443,621	502,725	1,946,346
2022	1,467,736	457,719	1,925,455
2023	1,492,740	410,554	1,903,294
2024	1,518,666	364,680	1,883,346
Thereafter	11,607,037	1,034,987	12,642,024
	\$ 18,950,160	\$ 3,318,260	\$ 22,268,420

Long term debt is repayable to Alberta Capital Finance Authority, Canada Mortgage and Housing Corporation and CIBC. Interest rates range from 2.57% to 4.55% per annum. The long-term debt is issued on the credit and security of the Town at large. The average annual interest rate is 3.32% (3.32% for 2018). Interest on long-term debt amounted to \$449,663 (2018 - \$384,394). The Town's total cash payments for interest in 2019 were \$424,643 (2018 - \$394,724).

9. Accumulated surplus

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

	2019	2018
Unrestricted surplus	\$ 68,016	\$ 1,248,837
Internally restricted surplus (reserves) (note 10)	9,291,019	11,469,856
Equity in tangible capital assets (note 11)	193,452,257	188,153,632
	\$ 202,811,292	\$ 200,872,325

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019

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.

	2019	2018
Operating		
Financial stabilization	\$ 231,416	\$ 2,405,163
Sanitary sewer	378,344	370,592
Economic	74,357	152,245
RCMP reserve	132,244	129,534
Snow control	104,056	101,924
Family Centre	85,725	83,968
Office revitalization	61,151	59,898
Garbage	50,120	49,093
Affordable housing	48,641	47,644
General administration	48,495	47,501
Roads, walks and lighting	43,971	43,070
General enforcement	26,747	26,199
Cemetery	12,455	12,200
Family Centre	3,320	3,252
	<u>1,301,042</u>	<u>3,532,283</u>
Capital		
Water off-site levies	2,160,775	2,015,745
Storm off-site levies	1,213,230	1,190,587
Sewer off-site levies	1,047,641	1,146,755
Roads off-site levies	618,956	551,490
Storm offsite levies - Eagle Lake	244,557	239,546
Sewer off-site levies - Parkwood bypass	52,338	51,265
Sewer off-site levies - Orchard Park	37,554	32,813
Sewer off-site levies - west	16,572	16,232
Sewer off-site levies - east Strathmore	23,133	14,519
Capital equipment reserve	763,715	465,461
Water supply	471,344	461,685
Fieldhouse	4,817	439,939
Public works	264,990	331,681
Municipal public reserve	307,672	301,367
Infrastructure reinvestment	262,899	257,512
Civic Centre	219,495	214,997
Bike pathway	124,376	121,827
Roads, walks and lighting	31,720	31,070
SMP Common capital replacement reserve	70,000	-
Fire	24,966	24,454
Recreation	15,045	14,737
Storm	9,278	9,088
Aquatic Centre	4,904	4,803
	<u>7,989,977</u>	<u>7,937,573</u>
	<u>\$ 9,291,019</u>	<u>\$ 11,469,856</u>

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019

11. Equity in tangible capital assets

	2019	2018
Tangible capital assets (schedule 2)	\$ 273,273,880	\$ 261,170,011
Accumulated amortization (schedule 2)	(66,737,921)	(61,995,027)
Long-term debt (note 8)	(18,950,160)	(11,021,352)
Long-term debt - for future tangible capital asset additions	5,866,458	-
	<u>\$ 193,452,257</u>	<u>\$ 188,153,632</u>

12. Net municipal property taxes

	Budget (Unaudited)	2019	2018
Taxation			
Real property taxes	\$ 14,531,947	\$ 14,293,022	\$ 13,858,534
Linear property taxes	225,940	223,350	212,287
Business taxes	3,417,328	3,449,784	3,199,227
Government grants in place of property taxes	21,952	20,361	20,537
	<u>18,197,167</u>	<u>17,986,517</u>	<u>17,290,585</u>
Requisitions			
Alberta School Foundation Fund	5,007,823	4,975,915	4,970,353
Christ the Redeemer School Division	539,104	535,669	533,160
Wheatland Housing requisition	130,855	143,190	130,339
Designated Industrial Property	675	-	686
	<u>5,678,457</u>	<u>5,654,774</u>	<u>5,634,538</u>
	<u>\$ 12,518,710</u>	<u>\$ 12,331,743</u>	<u>\$ 11,656,047</u>

13. Government transfers

	Budget (Unaudited)	2019	2018
Transfers for operating:			
Provincial government	\$ 861,230	\$ 987,428	\$ 860,138
Federal government	55,000	34,148	16,259
Municipal government	196,000	191,464	191,774
	<u>1,112,230</u>	<u>1,213,040</u>	<u>1,068,171</u>
Transfers for capital:			
Provincial government	3,008,600	3,723,475	7,671,883
Municipal government	-	35,000	347,847
	<u>3,008,600</u>	<u>3,758,475</u>	<u>8,019,730</u>
	<u>\$ 4,120,830</u>	<u>\$ 4,971,515</u>	<u>\$ 9,087,901</u>

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019

14. Expenses by object

	Budget (Unaudited)	2019	2018
Salaries, wages and benefits	\$ 12,790,477	\$ 12,265,829	\$ 10,652,544
Contracted and general services	11,173,801	11,741,636	11,063,898
Materials, goods, supplies and utilities	3,862,106	3,768,582	4,046,996
Bank charges and short term interest	34,000	54,007	26,558
Interest on long term debt	458,579	449,663	384,394
Transfers to individuals and organizations	507,039	580,942	496,046
Transfers to other governments	84,600	83,197	83,361
Amortization of tangible capital assets	4,919,653	5,179,185	4,879,455
	\$ 33,830,255	\$ 34,123,041	\$ 31,633,252

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:

	2019	2018
Total debt limit	\$ 42,881,718	\$ 41,133,306
Total debt	18,950,160	11,021,352
	\$ 23,931,558	\$ 30,111,954
Debt servicing limit	\$ 7,146,953	\$ 6,855,551
Debt servicing	1,967,955	1,308,374
	\$ 5,178,998	\$ 5,547,177

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, 2019

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	2019	2018
Council				
Mayor Pat Fule	\$ 63,427	\$ 2,749	\$ 66,176	\$ 53,455
Councillor Denise Peterson	33,867	1,548	35,415	29,177
Councillor Robert Sobol	34,817	1,597	36,414	29,492
Councillor Jason Montgomery	37,492	4,152	41,644	33,424
Councillor Lorraine Bauer	37,567	4,157	41,724	33,634
Councillor Tari Cockx	33,617	3,955	37,572	33,634
Councillor Melanie Corbiell	34,067	1,559	35,626	30,331
CAO - James Thackray	\$ 205,503	\$ 40,537	\$ 246,040	\$ 245,909

(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. Commitments and contingencies

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.

The Town has contracted EPCOR Water services Inc. to provide management and operations services related to the public utilities and infrastructure system until 2023. Billing under the contract is an annual rate of \$2,725,820, adjusted yearly by the consumer price index.

The Town has contracted ATCO Power Canada Ltd. to provide a supply of electricity for Town owned facilities. The contract is in effect until December 31, 2020 and the Town is obligated to purchase a minimum of 4,899,200 kWh to a maximum of 7,460,400 of kWh. The second contract is in effect until December 31, 2023 and the Town is obligated to purchase a minimum of 4,309,900 kWh to a maximum of 8,004,100 kWh per year 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, 2022 with a maximum bid price of \$2.62 per GJ and estimates a purchase and usage of 25,669 GJs of natural gas per year.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019

17. Commitments and contingencies, continued

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 adjusted yearly by the consumer price index. The contract is currently under renegotiation to cover expanded areas.

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 contracted Waste Management of Canada Corporation 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.

During 2019, the Town entered into various contracts and commenced building a new Town Hall and upgrading the surrounding parks. The total budgeted spend for the Town Hall and parks is \$12,250,000, of which, \$9,635,000 is remaining to be spent during 2020. The Town also entered a contract to purchase a Fire Truck in early 2020 for \$713,000.

18. Subsequent events

COVID-19

The global coronavirus pandemic has significantly impacted global financial markets and will have significant accounting, disclosure, and internal control implications for many entities. Some key impacts include, but are not limited to, interruptions of production and supply chains, unavailability of personnel, reductions in revenue, decline in value of financial investments, disruptions or stoppages in non-essential travel, and the closure of facilities and businesses. The situation is changing rapidly and the future impact on the Town is not readily determinable at this time.

19. 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 265,000 people and 421 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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2019 were \$793,171 (2018 - \$695,613). Total current service contributions by the employees of the Town to the LAPP in 2019 were \$717,759 (2018 - \$638,030).

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.47 billion.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019

20. Budget amounts

The 2019 budget for the Town was approved by Council on December 19, 2018 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	\$ (1,666,810)
Less: Capital expenditures	(11,810,330)
Long-term debt repayments	(1,043,935)
Transfers to reserves	(823,627)
Add: Amortization	4,919,653
Transfers from reserves	5,442,449
Long-term debt proceeds	4,982,600
Equals: Balanced budget	\$ -

21. 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.

22. Contaminated sites liability

The Town has adopted PS3260 liability for contaminated sites. The Town has not identified any financial liabilities as a result of this standard.

23. 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, 2019

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2019	2018
Balance, beginning of year	\$ 1,248,837	\$ 11,469,856	\$ 188,153,632	\$ 200,872,325	\$ 195,032,016
Excess of revenue over expenses	1,938,967	-	-	1,938,967	5,840,309
Unrestricted funds designated for future use	(1,264,553)	1,264,553	-	-	-
Restricted funds used for operations	1,357,665	(1,357,665)	-	-	-
Restricted funds used for tangible capital assets	-	(2,085,725)	2,085,725	-	-
Current year funds used for tangible capital assets	(6,750,870)	-	6,750,870	-	-
Contributed tangible capital assets	(3,715,723)	-	3,715,723	-	-
Disposal of tangible capital assets	12,160	-	(12,160)	-	-
Amortization of tangible capital assets	5,179,185	-	(5,179,185)	-	-
Long-term debt repaid	(953,793)	-	953,793	-	-
Proceeds of long-term debt used for capital	3,016,141	-	(3,016,141)	-	-
Change in accumulated surplus	(1,180,821)	(2,178,837)	5,298,625	1,938,967	5,840,309
Balance, end of year	\$ 68,016	\$ 9,291,019	\$ 193,452,257	\$ 202,811,292	\$ 200,872,325

TOWN OF STRATHMORE
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2019	2018
Cost:									
Balance, beginning of year \$	18,001,085	\$ 4,047,223	\$ 27,445,985	\$ 186,378,894	\$ 9,493,296	\$ 3,420,240	\$ 12,383,288	\$ 261,170,011	\$ 246,252,975
Acquisitions	97,500	492,543	988,238	6,637,998	1,096,510	64,333	3,175,196	12,552,318	16,238,289
Transfers	-	431,021	9,569,983	1,881,320	133,614	-	(12,015,938)	-	-
Disposals	-	-	-	-	(246,567)	(201,882)	-	(448,449)	(1,321,253)
Balance, end of year	18,098,585	4,970,787	38,004,206	194,898,212	10,476,853	3,282,691	3,542,546	273,273,880	261,170,011
Accumulated amortization:									
Balance, beginning of year	-	1,947,579	9,419,269	45,045,763	4,026,443	1,555,972	-	61,995,027	57,887,498
Annual amortization	-	209,177	676,976	3,554,725	568,428	169,877	-	5,179,183	4,879,455
Disposals	-	-	-	-	(246,566)	(189,723)	-	(436,289)	(771,926)
Balance, end of year	-	2,156,756	10,096,245	48,600,488	4,348,305	1,536,126	-	66,737,921	61,995,027
Net book value	\$ 18,098,585	\$ 2,814,031	\$ 27,907,961	\$ 146,297,724	\$ 6,128,548	\$ 1,746,565	\$ 3,542,546	\$ 206,535,959	\$ 199,174,984
2018 net book value	\$ 18,001,085	\$ 2,099,643	\$ 18,026,716	\$ 141,333,131	\$ 5,466,853	\$ 1,864,268	\$ 12,383,288	\$ 199,174,984	

TOWN OF STRATHMORE
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019

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	\$ 12,331,743	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,331,743
User fees and sales of goods	1,856,114	284,831	596,027	9,503,651	172,474	15,886	1,070,387	13,499,370
Government transfers for operating	334,547	482,350	-	-	306,350	41,145	48,648	1,213,040
Investment income	152,235	3,258	51,658	101,445	255	3,185	20,401	332,437
Penalties and costs of taxes	197,786	-	-	-	-	-	-	197,786
Licenses and permits	101,835	200,711	-	-	700	72,743	-	375,989
Gain on disposal of capital assets	195,799	7,722	57,911	-	-	-	-	261,432
Other	5,416	19,547	32,731	24,905	122,745	-	170,669	376,013
	15,175,475	998,419	738,327	9,630,001	602,524	132,959	1,310,105	28,587,810
Expenses								
Salaries, wages and benefits	3,015,831	2,140,889	1,546,079	529,126	665,138	1,011,498	3,357,268	12,265,829
Contracted and general services	1,988,777	2,725,439	848,183	4,393,706	190,400	260,377	1,334,754	11,741,636
Materials, goods, supplies and utilities	286,139	208,195	988,000	1,444,775	42,393	11,653	787,427	3,768,582
Bank charges and short term interest	54,007	-	-	-	-	-	-	54,007
Interest on long term debt	44,624	-	37,223	223,876	-	-	143,940	449,663
Transfers to individuals and organizations	71,405	33,000	-	-	71,950	-	404,587	580,942
Transfers to other governments	-	-	-	-	-	-	83,197	83,197
Amortization of tangible capital assets	110,018	155,165	1,985,045	2,046,924	-	-	882,033	5,179,185
	5,570,801	5,262,688	5,404,530	8,638,407	969,881	1,283,528	6,993,206	34,123,041
Excess (deficiency) of revenue over expenses before other	9,604,674	(4,264,269)	(4,666,203)	991,594	(367,357)	(1,150,569)	(5,683,101)	(5,535,231)
Other								
Government transfers for capital	1,471,113	-	1,100,643	37,972	-	-	1,148,747	3,758,475
Contributed assets	-	-	915,006	2,800,717	-	-	-	3,715,723
	1,471,113	-	2,015,649	2,838,689	-	-	1,148,747	7,474,198
Excess (deficiency) of revenue over expenses	\$ 11,075,787	\$ (4,264,269)	\$ (2,650,554)	\$ 3,830,283	\$ (367,357)	\$ (1,150,569)	\$ (4,534,354)	\$ 1,938,967