

TOWN OF STRATHMORE

Consolidated Financial Statements

For the year ended December 31, 2018

TOWN OF STRATHMORE
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For the year ended December 31, 2018

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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, 2018, 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, 2018, and its results of operations 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

May 15, 2019



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.


Acting Chief Administrative Officer

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2018

	2018	2017
Financial assets		
Cash and temporary investments (note 2)	\$ 2,204,781	\$ 2,282,563
Taxes and grants in place of taxes receivable (note 3)	534,618	548,934
Trade and other receivables (note 4)	1,752,351	2,897,552
Investments (note 5)	17,725,475	23,671,671
	<u>22,217,225</u>	<u>29,400,720</u>
Liabilities		
Accounts payable and accrued liabilities	6,015,153	6,739,428
Employee benefit obligations (note 6)	297,024	440,496
Deposits	738,003	756,152
Deferred revenue (note 7)	2,562,176	2,710,370
Long-term debt (note 8)	11,021,352	12,170,308
	<u>20,633,708</u>	<u>22,816,754</u>
Net financial assets	<u>1,583,517</u>	<u>6,583,966</u>
Non-financial assets		
Prepaid expenses	113,822	75,061
Inventory for consumption	-	7,511
Tangible capital assets (schedule 2)	199,174,985	188,365,477
	<u>199,288,807</u>	<u>188,448,049</u>
Accumulated surplus (note 9 and schedule 1)	<u>\$ 200,872,324</u>	<u>\$ 195,032,015</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, 2018

	Budget (Unaudited)	2018	2017
Revenue			
Net municipal property taxes (note 12)	\$ 11,590,880	\$ 11,656,047	\$ 10,963,670
User fees and sales of goods	13,009,241	12,840,604	11,828,272
Government transfers for operating (note 13)	1,015,096	1,068,171	1,061,250
Investment income	449,110	411,582	601,071
Penalties and costs of taxes	191,800	191,942	189,105
Licenses and permits	543,350	576,907	604,506
Gain on disposal of capital assets	-	171,971	-
Other	316,378	504,980	486,583
	27,115,855	27,422,204	25,734,457
Expenses (note 14)			
Legislative	332,563	307,766	298,864
Administration	3,359,032	4,099,919	3,206,432
Police, fire, disaster, ambulance and bylaw enforcement	4,592,161	4,718,339	4,300,147
Transportation services	4,569,642	4,889,499	4,102,826
Water supply and distribution	4,275,145	4,115,838	4,015,903
Wastewater treatment and disposal	4,137,805	3,998,495	3,702,688
Waste management	950,510	1,008,420	1,015,953
Public health and welfare services	993,934	966,594	931,852
Planning and development	1,604,366	1,418,555	1,462,055
Parks and recreation	4,953,309	5,085,163	4,337,768
Culture - libraries, museums, halls	938,428	1,024,664	958,864
	30,706,895	31,633,252	28,333,352
Deficiency of revenue over expenses before other	(3,591,040)	(4,211,048)	(2,598,895)
Other			
Government transfers for capital (note 13)	9,286,441	8,019,730	6,333,194
Contributed assets	-	2,031,627	1,595,995
	9,286,441	10,051,357	7,929,189
Excess of revenue over expenses	5,695,401	5,840,309	5,330,294
Accumulated surplus, beginning of year	195,032,015	195,032,015	189,701,721
Accumulated surplus, end of year	\$ 200,727,416	\$ 200,872,324	\$ 195,032,015

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2018

	Budget (Unaudited)	2018	2017
Excess of revenue over expenses	\$ 5,695,401	\$ 5,840,309	\$ 5,330,294
Acquisition of tangible capital assets	(18,615,512)	(14,206,662)	(10,579,836)
Amortization of tangible capital assets	4,594,452	4,879,455	4,669,547
Contributed assets	-	(2,031,627)	(1,595,995)
Gain on disposal of tangible capital assets	-	(172,006)	-
Proceeds on disposal of tangible capital assets	-	721,333	-
	(14,021,060)	(10,809,507)	(7,506,284)
Net change in inventory for consumption	-	7,510	1,379
Net change in prepaid expense	-	(38,761)	(56,659)
	-	(31,251)	(55,280)
Decrease in net financial assets	(8,325,659)	(5,000,449)	(2,231,270)
Net financial assets, beginning of year	6,583,966	6,583,966	8,815,236
Net financial assets (debt), end of year	\$ (1,741,693)	\$ 1,583,517	\$ 6,583,966

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2018

	2018	2017
Operating transactions		
Excess of revenue over expenses	\$ 5,840,309	\$ 5,330,294
Adjustments for items which do not affect cash		
Gain on disposal of tangible capital assets	(172,006)	-
Amortization of tangible capital assets	4,879,455	4,669,547
Contributed assets	(2,031,627)	(1,595,995)
	8,516,131	8,403,846
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	14,316	(85,861)
Trade and other receivables	1,145,201	(993,520)
Inventory for consumption	7,510	1,379
Prepaid expenses	(38,761)	(56,659)
Accounts payable and accrued liabilities	(724,275)	3,798,446
Employee benefit obligations	(143,472)	(67,627)
Deposits	(18,149)	(114,367)
Deferred revenue	(148,194)	813,456
Cash provided by operating transactions	8,610,307	11,699,093
Capital transactions		
Proceeds on disposal of tangible capital assets	721,333	-
Acquisition of tangible capital assets	(14,206,662)	(10,579,836)
Cash applied to capital transactions	(13,485,329)	(10,579,836)
Investing transactions		
Decrease (increase) of investments	5,946,196	(5,264,035)
Financing transactions		
Proceeds of long-term debt	340,000	5,000,000
Repayment of long-term debt	(1,488,956)	(1,160,952)
Cash applied to financing transactions	(1,148,956)	3,839,048
Decrease in cash and temporary investments	(77,782)	(305,730)
Cash and temporary investments, beginning of year	2,282,563	2,588,293
Cash and temporary investments, end of year	\$ 2,204,781	\$ 2,282,563

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

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, 2018

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, 2018

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

	2018	2017
Cash	\$ 2,204,781	\$ 1,019,929
Temporary investments	-	1,262,634
	<u>\$ 2,204,781</u>	<u>\$ 2,282,563</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.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

3. Taxes and grants in place of taxes receivables

	2018	2017
Taxes and grants in place of taxes receivable	\$ 367,665	\$ 430,071
Arrears	166,953	118,863
	<u>\$ 534,618</u>	<u>\$ 548,934</u>

4. Trade and other receivables

	2018	2017
Trade accounts receivable - operating	\$ 700,294	\$ 1,088,500
Utilities receivable	662,173	577,103
Goods and services tax receivable	228,272	198,050
Municipal grants	191,774	-
Allowance for doubtful accounts	(30,162)	(63,629)
Western Economic Diversification grant	-	450,000
Provincial grants	-	647,528
	<u>\$ 1,752,351</u>	<u>\$ 2,897,552</u>

5. Investments

	2018		2017	
	Cost	Market value	Cost	Market value
Commercial notes	\$ 17,721,548	\$ 17,025,042	\$ 23,667,744	\$ 23,476,205
Other	3,927	3,927	3,927	3,927
	<u>\$ 17,725,475</u>	<u>\$ 17,028,969</u>	<u>\$ 23,671,671</u>	<u>\$ 23,480,132</u>

Commercial notes have interest rates from 0% to 10.22% (2017 - 0% to 9.98%). Maturity dates are from the year 2019 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, \$3,300,179 (2017 - \$3,466,522) 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, 2018

6. Employee benefit obligations

	2018	2017
Vacation payable	\$ 282,972	\$ 389,352
Overtime payable	14,052	51,144
	<u>\$ 297,024</u>	<u>\$ 440,496</u>

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

	2018	2017
Municipal Sustainability Initiative	\$ 1,908,384	\$ 1,990,648
Federal Gas Tax Fund	634,441	344,910
Other prepaid charges	8,613	23,514
Ground search and emergency training	3,451	3,451
Smile cookie donations	7,287	-
Edgefield Recreational Field House	-	347,847
	<u>\$ 2,562,176</u>	<u>\$ 2,710,370</u>

Municipality Sustainability Initiative

The Municipality 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 2018 the Town was allocated \$99,880 in operating funding (2017 - \$101,130) and was allocated \$5,637,496 in capital funding (2017 - \$2,994,540).

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, 2018

8. Long-term debt

	2018	2017
Self-supported long-term debt	\$ 11,021,352	\$ 12,170,308
Current portion	\$ 953,793	\$ 1,488,955

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2019	\$ 953,793	\$ 354,581	\$ 1,308,374
2020	976,230	322,997	1,299,227
2021	999,491	289,897	1,289,388
2022	1,023,607	256,288	1,279,895
2023	1,048,610	221,791	1,270,401
Thereafter	6,019,621	544,795	6,564,416
	\$ 11,021,352	\$ 1,990,349	\$ 13,011,701

Long term debt is repayable to Alberta Capital Finance Authority, Canada Mortgage and Housing Corporation 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 3.32% (3.34% for 2017).

Interest on long-term debt amounted to \$384,394 (2017 - \$360,510). The Town's total cash payments for interest in 2018 were \$394,724 (2017 - \$370,432).

9. Accumulated surplus

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

	2018	2017
Unrestricted surplus	\$ 1,248,835	\$ 4,779,931
Internally restricted surplus (reserves) (note 10)	11,469,856	12,084,663
Equity in tangible capital assets (note 11)	188,153,633	178,167,421
	\$ 200,872,324	\$ 195,032,015

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

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:

	2018	2017
Operating		
Financial stabilization	\$ 1,367,964	\$ 1,978,233
Potable water	1,037,200	1,017,618
Sanitary sewer	365,426	358,527
Economic	152,245	51,258
RCMP reserve	129,534	127,088
Snow control	101,924	-
Family Centre capital reduction	83,968	82,383
Office revitalization	59,898	74,562
Garbage	49,093	48,166
Affordable housing	47,644	-
General administration	47,501	46,604
Roads, walks and lighting	43,070	42,256
General enforcement	26,199	25,705
Cemetery	12,200	11,970
Sewer conveyance	5,165	5,068
Family Centre	3,252	22,813
	3,532,283	3,892,251
Capital		
Water off-site levies	2,015,745	1,898,147
Storm off-site levies	1,190,587	1,197,533
Sewer off-site levies	1,146,755	1,074,594
Roads off-site levies	551,490	871,024
Capital equipment reserve	465,461	500,438
Water supply	461,685	452,969
Fieldhouse	439,939	531,198
Public works	331,681	387,299
Municipal public reserve	301,367	295,678
Infrastructure reinvestment	257,512	252,651
Storm offsite levies - Eagle Lake	239,546	235,024
Civic Centre	214,997	193,769
Bike pathway levies	117,229	115,016
Sewer off-site levies - Parkwood bypass	51,265	37,630
Sewer off-site levies - Orchard Park	32,813	32,194
Roads, walks and lighting	31,070	30,484
Fire	24,454	23,993
Sewer off-site levies - west	16,232	15,926
Recreation	14,737	14,459
Sewer off-site levies - east Strathmore	14,519	14,245
Storm	9,088	8,917
Aquatic Centre capital equipment reserve	4,803	4,713
Bike pathway	4,598	4,511
	7,937,573	8,192,412
	\$ 11,469,856	\$ 12,084,663

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

11. Equity in tangible capital assets

	2018	2017
Tangible capital assets (schedule 2)	\$ 261,170,011	\$ 246,252,975
Accumulated amortization (schedule 2)	(61,995,026)	(57,887,498)
Long-term debt (note 8)	(11,021,352)	(12,170,308)
Long-term debt - for future tangible capital asset additions	-	1,972,252
	<u>\$ 188,153,633</u>	<u>\$ 178,167,421</u>

12. Net municipal property taxes

	Budget (Unaudited)	2018	2017
Taxation			
Real property taxes	\$ 13,761,321	\$ 13,858,525	\$ 13,159,375
Linear property taxes	193,350	212,287	194,239
Business taxes	3,210,032	3,199,227	3,014,703
Government grants in place of property taxes	19,477	20,537	19,477
Designated Industrial Property	-	9	-
	<u>17,184,180</u>	<u>17,290,585</u>	<u>16,387,794</u>
Requisitions			
Alberta School Foundation Fund	4,939,681	4,970,353	4,786,446
Christ the Redeemer School Division	525,955	533,160	513,128
Wheatland Housing requisition	127,664	130,339	124,550
Designated Industrial Property	-	686	-
	<u>5,593,300</u>	<u>5,634,538</u>	<u>5,424,124</u>
	<u>\$ 11,590,880</u>	<u>\$ 11,656,047</u>	<u>\$ 10,963,670</u>

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

13. Government transfers

	Budget (Unaudited)	2018	2017
Transfers for operating:			
Provincial government	\$ 1,010,096	\$ 860,138	\$ 857,043
Federal government	5,000	16,259	9,941
Municipal government	-	191,774	194,266
	1,015,096	1,068,171	1,061,250
Transfers for capital:			
Provincial government	7,544,600	7,671,883	3,231,041
Federal government	-	-	450,000
Municipal government	1,741,841	347,847	2,652,153
	9,286,441	8,019,730	6,333,194
	\$ 10,301,537	\$ 9,087,901	\$ 7,394,444

14. Expenses by object

	Budget (Unaudited)	2018	2017
Salaries, wages and benefits	\$ 10,867,865	\$ 10,652,544	\$ 9,178,388
Contracted and general services	10,385,064	11,401,287	9,770,986
Materials, goods, supplies and utilities	4,222,821	4,046,041	4,043,881
Bank charges and short term interest	19,900	26,558	32,391
Interest on long term debt	419,293	384,394	360,510
Other expenditures	4,000	954	1,153
Transfers to individuals and organizations	112,700	158,658	197,334
Transfers to other governments	80,800	83,361	79,162
Amortization of tangible capital assets	4,594,452	4,879,455	4,669,547
	\$ 30,706,895	\$ 31,633,252	\$ 28,333,352

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

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:

	2018	2017
Total debt limit	\$ 41,133,306	\$ 38,601,686
Total debt	11,021,352	12,170,308
	<u>\$ 30,111,954</u>	<u>\$ 26,431,378</u>
Debt servicing limit	\$ 6,855,551	\$ 6,433,614
Debt servicing	1,308,374	1,881,091
	<u>\$ 5,547,177</u>	<u>\$ 4,552,523</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. 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	2018	2017
Council				
Mayor Pat Fule	\$ 51,877	\$ 1,578	\$ 53,455	\$ 34,213
Councillor Denise Peterson	28,381	796	29,177	29,585
Councillor Robert Sobol	28,681	811	29,492	29,690
Councillor Jason Montgomery	28,481	4,943	33,424	6,376
Councillor Lorraine Bauer	28,681	4,953	33,634	6,271
Councillor Tari Cockx	28,681	4,953	33,634	6,376
Councillor Melanie Corbiell	29,481	850	30,331	5,327
Mayor Michael Ell	-	-	-	41,754
Councillor Rocky Blokland	-	-	-	23,406
Councillor Steve Grajczyk	-	-	-	22,798
Councillor Brad Walls	-	-	-	23,405
CAO - James Thackray	\$ 196,250	\$ 49,659	\$ 245,909	\$ 229,994

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

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

16. Salary and benefits disclosure, continued

(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 2020. Billing under the contract is an annual rate of \$2,449,465, 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 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, 2022 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).

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 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.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

18. 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 259,000 people and 420 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 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2018 were \$695,613 (2017 - \$633,348). Total current service contributions by the employees of the Town to the LAPP in 2018 were \$638,030 (2017 - \$582,436).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.84 billion.

19. Budget amounts

The 2018 budget for the Town was approved by Council on December 20, 2017 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

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

Budgeted surplus per financial statements	\$ 5,695,401
Less: Capital expenditures	(18,615,512)
Long-term debt repayments	(1,536,461)
Add: Amortization	4,594,452
Transfers from reserves	3,388,520
Long-term debt proceeds	6,473,600
<u>Equals: Balanced budget</u>	<u>\$ -</u>

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

20. 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.

21. Contaminated sites liability

The Town has adopted PS3260 liability for contaminated sites. The Town did not identify any financial liabilities in 2018 (2017 - nil) as a result of this standard.

22. 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, 2018

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2018	2017
Balance, beginning of year	\$ 4,779,931	\$ 12,084,663	\$ 178,167,421	\$ 195,032,015	\$ 189,701,721
Excess of revenue over expenses	5,840,309	-	-	5,840,309	5,330,294
Unrestricted funds designated for future use	(2,779,249)	2,779,249	-	-	-
Restricted funds used for operations	972,493	(972,493)	-	-	-
Restricted funds used for tangible capital assets	-	(2,421,563)	2,421,563	-	-
Current year funds used for tangible capital assets	(11,785,099)	-	11,785,099	-	-
Contributed tangible capital assets	(2,031,627)	-	2,031,627	-	-
Disposal of tangible capital assets	549,326	-	(549,326)	-	-
Amortization of tangible capital assets	4,879,455	-	(4,879,455)	-	-
Long-term debt repaid	(1,488,956)	-	1,488,956	-	-
Proceeds of long-term debt used for capital	2,312,252	-	(2,312,252)	-	-
Change in accumulated surplus	(3,531,096)	(614,807)	9,986,212	5,840,309	5,330,294
Balance, end of year	\$ 1,248,835	\$ 11,469,856	\$ 188,153,633	\$ 200,872,324	\$ 195,032,015

TOWN OF STRATHMORE
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2018	2017
Cost:									
Balance, beginning 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
Acquisitions	-	235,824	842,212	4,547,363	1,580,759	150,567	8,881,564	16,238,289	12,175,831
Transfers	-	-	1,266,851	-	115,040	-	(1,381,891)	-	-
Disposals	(251,608)	-	-	(594,054)	(220,398)	(255,193)	-	(1,321,253)	-
Balance, end 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
Accumulated amortization:									
Balance, beginning of year	-	1,759,859	8,869,524	41,969,464	3,658,469	1,630,182	-	57,887,498	53,217,951
Annual amortization	-	187,720	549,745	3,454,530	506,477	180,983	-	4,879,455	4,669,547
Disposals	-	-	-	(378,231)	(138,503)	(255,193)	-	(771,927)	-
Balance, end of year	-	1,947,579	9,419,269	45,045,763	4,026,443	1,555,972	-	61,995,026	57,887,498
Net book value	\$ 18,001,085	\$ 2,099,644	\$ 18,026,716	\$ 141,333,131	\$ 5,466,853	\$ 1,864,268	\$ 12,383,288	\$ 199,174,985	\$ 188,365,477
2017 net book value	\$ 18,252,693	\$ 2,051,541	\$ 16,467,397	\$ 140,456,121	\$ 4,359,427	\$ 1,894,684	\$ 4,883,615	\$ 188,365,477	

TOWN OF STRATHMORE
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

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	\$ 11,656,047	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,656,047
User fees and sales of goods	1,528,733	236,432	552,391	9,333,636	185,974	14,091	989,347	12,840,604
Government transfers for operating	99,880	410,048	15,300	-	306,350	-	236,593	1,068,171
Investment income	234,760	2,940	53,085	95,249	230	986	24,332	411,582
Penalties and costs of taxes	191,942	-	-	-	-	-	-	191,942
Licenses and permits	104,255	396,091	-	-	300	76,261	-	576,907
Gain on disposal of capital assets	380,348	-	20,415	(215,404)	-	-	(13,388)	171,971
Other	55,783	54,701	16,246	27,951	98,437	-	251,862	504,980
	14,251,748	1,100,212	657,437	9,241,432	591,291	91,338	1,488,746	27,422,204
Expenses								
Salaries, wages and benefits	2,537,993	1,805,434	1,400,046	544,646	682,821	868,308	2,813,296	10,652,544
Contracted and general services	1,376,453	2,634,968	736,419	4,445,409	189,888	433,102	1,585,048	11,401,287
Materials, goods, supplies and utilities	332,308	143,065	848,797	1,845,919	48,066	50,853	777,033	4,046,041
Bank charges and short term interest	26,558	-	-	-	-	-	-	26,558
Interest on long term debt	-	-	49,736	237,183	-	-	97,475	384,394
Other expenditures	244	-	-	-	-	-	710	954
Amortization of tangible capital assets	96,040	134,872	1,854,501	2,049,595	-	11,542	732,905	4,879,455
Transfers to individuals and organizations	38,089	-	-	-	45,819	54,750	20,000	158,658
Transfers to other governments	-	-	-	-	-	-	83,361	83,361
	4,407,685	4,718,339	4,889,499	9,122,752	966,594	1,418,555	6,109,828	31,633,252
Excess (deficiency) of revenue over expenses before other	9,844,063	(3,618,127)	(4,232,062)	118,680	(375,303)	(1,327,217)	(4,621,082)	(4,211,048)
Other								
Government transfers for capital	-	202,089	2,049,844	1,354,391	-	-	4,413,406	8,019,730
Contributed assets	-	-	2,031,627	-	-	-	-	2,031,627
	-	202,089	4,081,471	1,354,391	-	-	4,413,406	10,051,357
Excess (deficiency) of revenue over expenses	\$ 9,844,063	\$ (3,416,038)	\$ (150,591)	\$ 1,473,071	\$ (375,303)	\$ (1,327,217)	\$ (207,676)	\$ 5,840,309