

TOWN OF STRATHMORE

Consolidated Financial Statements

For the year ended December 31, 2022

TOWN OF STRATHMORE
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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, 2022, and the consolidated statements of operations, change in net financial 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, 2022, the results of its operations, change in its net financial 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.

Emphasis of Matter

We draw attention to note 22 to the financial statements which describes the amendments made to the prior year's figures. Our audit opinion is not modified in respect to this matter.

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

June 7, 2023



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.

Kevin Scoble

Chief Administrative Officer

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2022

	2022	2021 (restated)
Financial assets		
Cash (note 2)	\$ 3,386,297	\$ 4,965,688
Taxes and grants in place of taxes receivable (note 3)	780,916	544,955
Trade and other receivables (note 4)	2,112,936	2,095,853
Investments (note 5)	11,728,839	13,747,585
	<u>18,008,988</u>	<u>21,354,081</u>
Liabilities		
Accounts payable and accrued liabilities	4,675,566	3,668,599
Employee benefit obligations (note 6)	176,150	183,221
Deposits	875,251	823,659
Deferred revenue (note 7)	410,661	3,091,545
Long-term debt (note 8)	18,718,724	22,581,693
	<u>24,856,352</u>	<u>30,348,717</u>
Net financial debt	<u>(6,847,364)</u>	<u>(8,994,636)</u>
Non-financial assets		
Prepaid expenses	146,303	271,432
Inventory for consumption	102,065	-
Tangible capital assets (schedule 2)	219,790,825	218,228,450
	<u>220,039,193</u>	<u>218,499,882</u>
Accumulated surplus (note 10 and schedule 1)	<u>\$ 213,191,829</u>	<u>\$ 209,505,246</u>

Commitments and contingencies (note 17)

Approved on behalf of Council:

Councillor Pat Fule

Councillor R. Weyen

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2022

	Budget (Unaudited)	2022	2021 (restated)
Revenue			
Net municipal property taxes (note 12)	\$ 13,865,589	\$ 14,013,612	\$ 12,922,254
User fees and sales of goods	15,887,620	16,491,011	15,300,009
Government transfers for operating (note 13)	1,304,737	1,325,506	1,676,887
Investment income	306,001	327,713	356,357
Penalties and costs of taxes	246,000	216,796	180,053
Development levies	-	134,704	94,683
Licenses and permits	628,700	517,530	470,498
Gain on disposal of tangible capital assets	-	29,440	492,384
Other	596,379	392,419	643,479
	32,835,026	33,448,731	32,136,604
Expenses (note 14)			
General government			
Legislative	429,004	407,646	351,227
Administration	6,779,859	6,394,287	7,339,629
Protective services			
Police, fire, disaster, ambulance and bylaw enforcement	5,953,309	6,377,506	5,281,682
Transportation services			
Transportation services	5,447,894	5,216,553	4,606,062
Environmental use and protection			
Water supply and distribution	4,087,811	4,047,473	3,717,483
Wastewater treatment and disposal	3,937,219	3,818,688	3,652,546
Waste management	1,278,130	1,066,622	1,138,710
Public health and welfare			
Public health and welfare services	1,183,163	975,725	1,223,017
Planning and development			
Planning and development	825,434	633,161	533,915
Recreation and culture			
Parks and recreation	5,906,556	5,545,867	5,007,172
Culture - libraries, museums, halls	968,254	826,308	734,521
	36,796,633	35,309,836	33,585,964
Deficiency of revenue over expenses before other	(3,961,607)	(1,861,105)	(1,449,360)
Other			
Government transfers for capital (note 13)	3,638,000	3,900,126	4,588,715
Contributed assets	-	1,647,562	124,407
	3,638,000	5,547,688	4,713,122
(Deficiency) excess of revenue over expenses	(323,607)	3,686,583	3,263,762
Accumulated surplus, beginning of year			
As previously stated	210,662,178	210,662,178	206,586,483
Prior period adjustment (note 22)	-	(1,156,932)	(344,999)
As restated	210,662,178	209,505,246	206,241,484
Accumulated surplus, end of year	\$ 210,338,571	\$ 213,191,829	\$ 209,505,246

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
For the year ended December 31, 2022

	Budget (Unaudited)	2022	2021 (restated)
(Deficiency) excess of revenue over expenses	\$ (323,607)	\$ 3,686,583	\$ 3,263,762
Acquisition of tangible capital assets	(8,075,230)	(6,153,522)	(7,088,680)
Amortization of tangible capital assets	6,036,176	6,023,395	6,269,145
Contributed assets	-	(1,647,562)	(124,407)
Loss (gain) on disposal of tangible capital assets	-	170,916	(492,384)
Proceeds on disposal of tangible capital assets	-	44,400	1,357,615
	(2,039,054)	(1,562,373)	(78,711)
Net change in inventory for consumption	-	(102,065)	-
Net change in prepaid expense	-	125,127	(110,358)
Increase (decrease) in net financial debt	(2,362,661)	2,147,272	3,074,693
Net financial debt, beginning of year			
As previously stated	(8,994,636)	(7,837,704)	(11,724,330)
Prior period adjustment (note 22)	-	(1,156,932)	(344,999)
As restated	209,505,246	(8,994,636)	(12,069,329)
Net financial debt, end of year	\$ (11,357,297)	\$ (6,847,364)	\$ (8,994,636)

TOWN OF STRATHMORE
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2022

	2022	2021 (restated)
Operating transactions		
(Deficiency) excess of revenue over expenses	\$ 3,686,583	\$ 3,263,762
Adjustments for items which do not affect cash		
Loss (gain) on disposal of tangible capital assets	170,916	(492,384)
Amortization of tangible capital assets	6,023,395	6,269,145
Contributed assets	(1,647,562)	(124,407)
	8,233,332	8,916,116
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(235,961)	55,691
Trade and other receivables	(17,084)	(10,793)
Inventory for consumption	(102,065)	-
Prepaid expenses	125,127	(110,358)
Accounts payable and accrued liabilities	1,006,967	(774,235)
Employee benefit obligations	(7,071)	56,984
Deposits	51,592	38,628
Deferred revenue	(2,680,884)	963,874
Cash provided by operating transactions	6,373,953	9,135,907
Capital transactions		
Proceeds on disposal of tangible capital assets	44,400	1,357,615
Acquisition of tangible capital assets	(6,153,522)	(7,088,680)
Cash applied to capital transactions	(6,109,122)	(5,731,065)
Investing transactions		
Decrease of investments	2,018,747	1,524,856
Financing transactions		
Proceeds of long-term debt	351,300	1,185,148
Repayment of long-term debt	(4,214,269)	(3,017,463)
Cash applied to financing transactions	(3,862,969)	(1,832,315)
(Decrease) increase in cash and temporary investments	(1,579,391)	3,097,383
Cash, beginning of year	4,965,688	1,868,305
Cash, end of year	\$ 3,386,297	\$ 4,965,688

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

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, 2022

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 for the year.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

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

	2022	2021
Taxes and grants in place of taxes receivable	\$ 618,424	\$ 391,156
Arrears	162,492	153,799
	<u>\$ 780,916</u>	<u>\$ 544,955</u>

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

4. Trade and other receivables

	2022	2021
Canada Community Building Fund	\$ 192,738	\$ 825,805
Utilities receivable	878,505	778,129
Trade accounts receivable - operating	958,490	427,318
Goods and services tax receivable	124,486	75,461
Allowance for doubtful accounts	(41,283)	(10,860)
	<u>\$ 2,112,936</u>	<u>\$ 2,095,853</u>

5. Investments

	2022		2021	
	Cost	Market value	Cost	Market value
Commercial notes	\$ 11,724,872	\$ 10,830,375	\$ 13,743,651	\$ 13,578,065
Other	3,967	3,967	3,934	3,934
	<u>\$ 11,728,839</u>	<u>\$ 10,834,342</u>	<u>\$ 13,747,585</u>	<u>\$ 13,581,999</u>

Commercial notes have interest rates from 0% to 3.22% (2021 - 0% to 4.86%). Maturity dates are from the year 2024 to 2031.

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, \$1,285,912 (2021 - \$3,915,204) of the investments balance is not available for general use by the Town.

6. Employee benefit obligations

	2022	2021
Vacation payable	\$ 155,214	\$ 119,430
Overtime payable	20,936	63,791
	<u>\$ 176,150</u>	<u>\$ 183,221</u>

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

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

7. Deferred revenue

	2022	2021 (restated)
Other	\$ 148,319	\$ 121,947
Alberta Community Partnership (ACP)	138,750	-
Municipal Sustainability Initiative	68,787	2,834,841
Community Foundation grant	30,000	-
FCSS	13,486	123,438
Alberta Recycling grant	11,319	11,319
	<u>\$ 410,661</u>	<u>\$ 3,091,545</u>

8. Long-term debt

	2022	2021
Self-supported long-term debt - capital	\$ 18,306,137	\$ 20,169,106
Self-supported long-term debt - future capital projects	412,587	412,587
Self-supported long-term debt - operating	-	2,000,000
Self-supported long-term debt	<u>\$ 18,718,724</u>	<u>\$ 22,581,693</u>
Current portion	<u>\$ 2,169,012</u>	<u>\$ 3,120,589</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2023	\$ 2,169,012	\$ 538,695	\$ 2,707,707
2024	2,194,938	459,357	2,654,295
2025	2,221,821	376,495	2,598,316
2026	1,419,035	311,910	1,730,945
2027	3,474,986	270,113	3,745,099
Thereafter	7,238,932	306,508	7,545,440
	<u>\$ 18,718,724</u>	<u>\$ 2,263,078</u>	<u>\$ 20,981,802</u>

Long term debt is repayable to the Treasury Board and Finance, Canada Mortgage and Housing Corporation, CIBC and Lee Maher Engineering Associates Ltd. Interest rates range from 0% to 6.03% per annum.

The long term debt is issued on the credit and security of the Town at large. The average annual interest rate is 3.07% (2.73% for 2021). Interest on long-term debt amounted to \$650,433 (2021 - \$646,108). The Town's total cash payments for interest in 2022 were \$651,742 (2021 - \$633,147).

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

9. 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.

	2022	2021
Operating		
Financial stabilization	\$ 1,860,391	\$ 302,940
Roads	156,904	156,904
Affordable housing	143,143	143,143
Economic development	89,737	89,737
Community protection	28,351	168,525
Cemetery	13,202	13,202
	2,291,728	874,451
Capital		
Water supply	1,106,604	499,609
Sanitary sewer	1,000,979	395,443
Recreation & parks	792,208	687,318
Storm sewer	762,378	216,281
Capital equipment & infrastructure replacement	500,041	738,700
Municipal land	330,687	326,122
Solid waste	53,869	53,125
Roads	34,093	33,622
Fire	14,537	26,463
Solar panel disposal	1,500	1,500
	4,596,896	2,978,183
Offsite Levies		
Storm water	1,739,548	1,713,451
Water	1,197,571	1,497,784
Waste water	1,016,630	1,337,555
Roads	604,311	558,654
	4,558,060	5,107,444
	\$ 11,446,684	\$ 8,960,078

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

10. Accumulated surplus

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

	2022	2021 (restated)
Unrestricted surplus	\$ 260,457	\$ 2,485,824
Internally restricted surplus (reserves) (note 9)	11,446,684	8,960,078
Equity in tangible capital assets (note 11)	201,484,688	198,059,344
	<u>\$ 213,191,829</u>	<u>\$ 209,505,246</u>

11. Equity in tangible capital assets

	2022	2021
Tangible capital assets (schedule 2)	\$ 302,806,395	\$ 295,550,802
Accumulated amortization (schedule 2)	(83,015,570)	(77,322,352)
Long-term debt (note 8)	(18,718,724)	(22,581,693)
Long-term debt - for operating/future capital additions	412,587	2,412,587
	<u>\$ 201,484,688</u>	<u>\$ 198,059,344</u>

12. Net municipal property taxes

	Budget (Unaudited)	2022	2021
Taxation			
Real property taxes	\$ 15,632,016	\$ 15,709,167	\$ 14,859,668
Linear property taxes	235,884	445,149	231,291
Business taxes	3,789,630	3,562,658	3,393,054
Government grants in place of property taxes	20,863	17,521	19,591
Designated Industrial Property	-	19	17
	<u>19,678,393</u>	<u>19,734,514</u>	<u>18,503,621</u>
Requisitions			
Alberta School Foundation Fund	5,227,538	5,135,979	5,026,479
Christ the Redeemer School Division	434,476	415,947	409,898
Wheatland Housing requisition	150,790	168,976	144,990
	<u>5,812,804</u>	<u>5,720,902</u>	<u>5,581,367</u>
	<u>\$ 13,865,589</u>	<u>\$ 14,013,612</u>	<u>\$ 12,922,254</u>

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

13. Government transfers

	Budget (Unaudited)	2022	2021 (restated)
Transfers for operating:			
Provincial government	\$ 837,900	\$ 816,920	\$ 1,047,456
Federal government	55,420	83,170	226,082
Municipal government	411,417	425,416	403,349
	1,304,737	1,325,506	1,676,887
Transfers for capital:			
Provincial government	3,638,000	3,900,126	4,588,715
	3,638,000	3,900,126	4,588,715
	\$ 4,942,737	\$ 5,225,632	\$ 6,265,602

14. Expenses by object

	Budget (Unaudited)	2022	2021 (restated)
Salaries, wages and benefits	\$ 13,264,235	\$ 12,310,366	\$ 10,762,938
Contracted and general services	11,861,419	11,179,511	11,256,152
Materials, goods, supplies and utilities	4,062,047	4,177,038	3,712,136
Bank charges and short term interest	51,000	55,011	53,444
Interest on long term debt	664,755	650,433	646,108
Transfers to individuals and organizations	427,750	384,173	481,387
Transfers to other governments	429,251	433,665	404,654
Amortization of tangible capital assets	6,036,176	6,023,395	6,269,145
Loss on disposal of tangible capital assets	-	96,244	-
	\$ 36,796,633	\$ 35,309,836	\$ 33,585,964

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

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:

	2022	2021 (restated)
Total debt limit	\$ 50,248,097	\$ 48,204,908
Total debt	18,718,724	22,581,693
	<u>\$ 31,529,373</u>	<u>\$ 25,623,215</u>
Debt servicing limit	\$ 8,374,683	\$ 8,034,151
Debt servicing	2,707,708	3,700,245
	<u>\$ 5,666,975</u>	<u>\$ 4,333,906</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.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

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	2022	2021
Council				
Mayor Pat Fule	\$ 64,641	\$ 3,976	\$ 68,617	\$ 72,769
Councillor Melissa Langmaid	37,531	5,086	42,617	8,508
Councillor Debbie Mitzner	36,631	5,541	42,172	9,141
Councillor Jason Montgomery	37,381	9,814	47,195	45,261
Councillor Denise Peterson	37,481	2,219	39,700	39,276
Councillor Richard Wegener	35,581	9,975	45,556	7,815
Councillor Brent Wiley	35,031	2,078	37,109	7,228
Councillor Lorraine Bauer	-	-	-	40,027
Councillor Tari Cockx	-	-	-	37,530
Councillor Melanie Corbiell	-	-	-	27,372
Councillor Robert Sobol	-	-	-	35,425
CAO - Kevin Scoble	253,547	41,981	295,528	-
CAO - James Thackray	30,000	-	30,000	276,740
Interim CAO - Doug Lagore	-	-	-	390,343
Designated Officers (2)	\$ 284,372	\$ 58,426	\$ 342,798	\$ 229,653

(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 contracted EPCOR Water Services Inc. to provide management and operations services related to the public utilities and infrastructure system until 2028. Billing under the contract is an annual rate of \$2,667,624, adjusted yearly by the consumer price index.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

17. Commitments and contingencies, continued

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, 2021 until December 31, 2023. The Town is obligated to purchase a minimum of 4,309,900 kWh to a maximum of 8,004,100 kWh at \$0.0455 per kWh.

The Town has contracted Capital Power Canada Ltd. to provide a supply of electricity for Town owned facilities. The contract is in effect from January 1, 2024 until December 31, 2026. The Town is obligated to purchase a minimum of 3,933,000 kWh to a maximum of 6,555,000 kWh at \$0.053 per kWh.

The Town has entered in an agreement with Alberta Municipal Services Corporation to provide a future supply of electricity for Town owned facilities. The agreement is from January 1, 2027 until December 31, 2033, with a bid price to be determined at a future date and estimated usage of 5,956,800 kWh of electricity per year.

The Town has contracted Access Gas Services Inc to provide a supply of natural gas for Town owned facilities. The contract is in effect from January 1, 2023 to December 31, 2026 with a maximum bid price of \$5.37 per GJ and estimates a purchase and usage of 26,751 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 \$32,315 adjusted yearly by the consumer price index. The contract is currently under renegotiation to cover expanded areas.

The Town has contracted Waste Management of Canada Corporation to provide automated curbside solid waste, organic collection, and operation of the recycling facility. The curbside solid waste and organic collection is extended by one-year ending December 31, 2023; billing under the contract is based on the number of households and total tonnes collected, totaling approximately \$800,000 per year. The recycling contract is \$127,000 per year plus disposal fees of approximately \$70,000; the contract expires in 2023.

The Town has contracted the City of Calgary to supply the Town's potable water until December 31, 2035. The Town pays a fixed flow charge of \$103,097.50 per ML times a maximum daily flow rate 7.64 ML/Day, totaling approximately \$788,000 per year. The Town will pay a variable water supply rate of \$0.3563 per cubic meter and estimates a purchase of 1.4 million cubic meters annually, totaling approximately \$523,000 for 2023.

The Town has an agreement with Wild Rose Assessment Services Inc. to provide assessment services. Assessment services are required by the municipalities to carry out the assessment of property within each municipality, primarily for taxation purposes. The contract is from April 1, 2023 to March 31, 2028. Under the terms of the agreement the Town is committed to \$90,000 for 2023.

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

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 281,764 people and 435 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 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.80% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 11.80% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2022 were \$698,303 (2021 - \$706,925). Total current service contributions by the employees of the Town to the LAPP in 2022 were \$623,838 (2021 - \$633,691).

At December 31, 2021, the LAPP disclosed an actuarial surplus of \$11.9 billion.

19. Budget amounts

The 2022 budget for the Town was approved by Council on November 24, 2021 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	\$ (323,607)
Less: Capital expenditures	(8,075,230)
Long-term debt repayments	(2,268,155)
Transfers to reserves	(781,000)
Add: Amortization	6,036,176
Transfers from reserves	1,814,816
Long-term debt proceeds	3,597,000
Equals: Balanced budget	\$ -

TOWN OF STRATHMORE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

20. Financial instruments

The Town's financial instruments consist of 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 has not identified any financial liabilities as a result of this standard.

22. Prior period adjustment

The prior year's figures have been restated to remove a portion of the government transfers for capital in 2020 and 2021, as the amounts spent were not eligible under the funding agreement. This resulted in an increase in deferred revenue of \$1,156,932 as at December 31, 2021, and a decrease in government transfers for capital revenue of \$344,999 and \$811,933 for 2020 and 2021, respectively.

23. Approval of financial statements

These financial statements were approved by Council and Management.

24. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

TOWN OF STRATHMORE
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2022	2021 (restated)
Balance, beginning of year					
As previously stated	\$ 3,642,756	\$ 8,960,078	\$ 198,059,344	\$ 210,662,178	\$ 206,586,483
Prior period adjustment	(1,156,932)	-	-	(1,156,932)	(344,999)
As restated	2,485,824	8,960,078	198,059,344	209,505,246	206,241,484
Excess of revenue over expenses	3,686,583	-	-	3,686,583	3,263,762
Unrestricted funds designated for future use	(4,105,140)	4,105,140	-	-	-
Restricted funds used for operations	166,352	(166,352)	-	-	-
Restricted funds used for tangible capital assets	-	(1,452,182)	1,452,182	-	-
Current year funds used for tangible capital assets	(4,701,340)	-	4,701,340	-	-
Contributed tangible capital assets	(1,647,562)	-	1,647,562	-	-
Disposal of tangible capital assets	215,314	-	(215,314)	-	-
Amortization of tangible capital assets	6,023,395	-	(6,023,395)	-	-
Long-term debt repaid	(2,214,269)	-	2,214,269	-	-
Proceeds of long-term debt used for capital	351,300	-	(351,300)	-	-
Change in accumulated surplus	(2,225,367)	2,486,606	3,425,344	3,686,583	3,263,762
Balance, end of year	\$ 260,457	\$ 11,446,684	\$ 201,484,688	\$ 213,191,829	\$ 209,505,246

TOWN OF STRATHMORE
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2022	2021
Cost:									
Balance, beginning of year	\$ 17,877,520	\$ 9,640,934	\$ 48,027,094	\$ 201,755,574	\$ 12,586,428	\$ 3,844,296	\$ 1,818,957	\$ 295,550,802	\$ 290,506,614
Acquisitions	-	353,651	662,883	5,681,300	880,214	109,830	113,206	7,801,084	7,212,919
Transfers	-	68,248	1,511,062	62,262	58,402	-	(1,699,974)	-	-
Disposals	-	-	-	(322,379)	(119,000)	-	(104,112)	(545,491)	(2,168,731)
Balance, end of year	17,877,520	10,062,833	50,201,039	207,176,757	13,406,044	3,954,126	128,077	302,806,395	295,550,802
Accumulated amortization:									
Balance, beginning of year	-	2,910,119	11,235,797	55,828,848	5,591,493	1,756,095	-	77,322,351	72,356,874
Annual amortization	-	429,941	1,074,165	3,660,928	672,756	185,605	-	6,023,395	6,268,977
Disposals	-	-	-	(226,136)	(104,040)	-	-	(330,176)	(1,303,499)
Balance, end of year	-	3,340,060	12,309,962	59,263,640	6,160,209	1,941,700	-	83,015,570	77,322,352
Net book value	\$ 17,877,520	\$ 6,722,773	\$ 37,891,077	\$ 147,913,117	\$ 7,245,835	\$ 2,012,426	\$ 128,077	\$ 219,790,825	\$ 218,228,450
2021 net book value	\$ 17,877,520	\$ 6,730,815	\$ 36,791,297	\$ 145,926,726	\$ 6,994,935	\$ 2,088,201	\$ 1,818,957	\$ 218,228,451	

Engineered structures of \$1,647,562 (2021 - \$124,407) were acquired as contributed tangible capital assets.

TOWN OF STRATHMORE
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

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	\$ 14,013,612	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,013,612
User fees and sales of goods	3,538,021	236,697	829,021	10,739,543	74,798	16,732	1,056,200	16,491,011
Government transfers for operating	102,346	408,224	-	-	370,620	-	444,316	1,325,506
Investment income	327,713	-	-	-	-	-	-	327,713
Penalties and costs of taxes	185,284	-	-	-	-	-	-	216,796
Development levies	-	-	48,374	31,511	-	-	-	134,704
Licenses and permits	119,865	314,701	-	86,331	-	81,714	-	517,530
Gain on disposal of capital assets	-	21,040	-	-	1,250	-	-	29,440
Other	39,367	157,837	3,176	58,356	49,943	21,708	62,031	392,419
	18,326,208	1,138,499	880,571	10,915,741	496,611	120,154	1,570,947	33,448,731
Expenses								
Salaries, wages and benefits	4,226,043	2,320,548	1,453,078	388,445	495,074	611,602	2,815,576	12,310,366
Contracted and general services	1,803,488	3,549,831	523,296	4,465,514	169,253	17,728	650,401	11,179,511
Materials, goods, supplies and utilities	209,121	207,509	1,103,739	1,671,913	5,200	2,851	976,705	4,177,038
Bank charges and short term interest	55,011	-	-	-	-	-	-	55,011
Interest on long term debt	122,214	47,013	67,144	219,664	-	-	194,398	650,433
Amortization of tangible capital assets	354,521	197,971	2,069,297	2,091,003	9,174	-	1,301,429	6,023,395
Loss on disposal of tangible capital assets	-	-	-	96,244	-	-	-	96,244
Transfers to individuals and organizations	31,534	54,634	-	-	297,024	981	-	384,173
Transfers to other governments	-	-	-	-	-	-	433,665	433,665
	6,801,932	6,377,506	5,216,554	8,932,783	975,725	633,162	6,372,174	35,309,836
Excess (deficiency) of revenue over expenses before other	11,524,276	(5,239,007)	(4,335,983)	1,982,958	(479,114)	(513,008)	(4,801,227)	(1,861,105)
Other								
Government transfers for capital	-	-	1,487,613	1,511,418	53,531	-	847,564	3,900,126
Contributed assets	-	-	1,098,879	529,882	-	-	18,801	1,647,562
	-	-	2,586,492	2,041,300	53,531	-	866,365	5,547,688
Excess (deficiency) of revenue over expenses	\$ 11,524,276	\$ (5,239,007)	\$ (1,749,491)	\$ 4,024,258	\$ (425,583)	\$ (513,008)	\$ (3,934,862)	\$ 3,686,583