

# **TOWN OF OKOTOKS**

## **Consolidated Financial Statements**

**For the year ended December 31, 2015**

---

**TOWN OF OKOTOKS**  
**TABLE OF CONTENTS**  
**For the year ended December 31, 2015**

---

<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>1</b>
<b>MANAGEMENT REPORT</b>	<b>2</b>
<b>FINANCIAL STATEMENTS</b>	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF OPERATIONS	4
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS	5
CONSOLIDATED STATEMENT OF CASH FLOW	6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	7 - 20
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS	21 - 23

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying consolidated financial statements of the Town of Okotoks which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

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

*Auditor's Responsibility*

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

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

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

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Okotoks as at December 31, 2015 and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

*Young Parkyn McNab LLP*

April 25, 2016

Chartered Accountants

## MANAGEMENT REPORT

The consolidated financial statements are the responsibility of the management of the Town of Okotoks.

These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town of Okotoks is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility principally through the Finance and Budget committee.

The Council, through its Finance and Budget committee, 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. The Finance and Budget committee reviews the quarterly financial reports.

The consolidated financial statements have been audited by Young Parkyn McNab LLP, Chartered Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Young Parkyn McNab LLP has full and free access to the Council.

Chief Administrative Officer





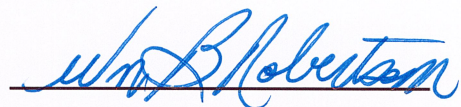
**TOWN OF OKOTOKS**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2015**

	2015	2014
<b>Financial assets</b>		
Cash and temporary investments (note 2)	\$ 22,435,922	\$ 28,989,176
Taxes and grants in place of taxes receivable (note 3)	1,666,126	1,403,083
Trade and other receivables (note 4)	8,200,718	7,979,950
Land held for resale	741,813	970,463
Loans receivable (note 5)	384,000	464,000
Inventory held for resale	63,764	74,912
Investments (note 6)	36,094,883	24,837,631
	69,587,226	64,719,215
<b>Liabilities</b>		
Accounts payable and accrued liabilities	5,628,619	5,233,746
Employee benefit obligations (note 7)	844,614	791,501
Deposits	1,028,879	969,792
Deferred revenue (note 8)	17,662,013	16,645,431
Long-term debt (note 10)	23,597,240	26,573,930
	48,761,365	50,214,400
<b>Net financial assets</b>	20,825,861	14,504,815
<b>Non-financial assets</b>		
Prepaid expenses	103,363	125,716
Inventory for consumption	373,837	105,758
Tangible capital assets (schedule 2)	335,621,989	327,254,486
	336,099,189	327,485,960
<b>Accumulated surplus</b> (note 11)	\$356,925,050	\$341,990,775

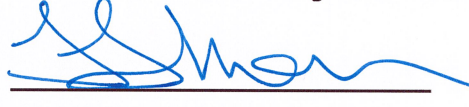
*Commitments and contingencies* (note 22)

Approved on behalf of Council:

Mayor



Chair of Finance and Budget Committee



**TOWN OF OKOTOKS**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2015**

	2015	2014
<b>Financial assets</b>		
Cash and temporary investments (note 2)	\$ 22,435,922	\$ 28,989,176
Taxes and grants in place of taxes receivable (note 3)	1,666,126	1,403,083
Trade and other receivables (note 4)	8,200,718	7,979,950
Land held for resale	741,813	970,463
Loans receivable (note 5)	384,000	464,000
Inventory held for resale	63,764	74,912
Investments (note 6)	36,094,883	24,837,631
	69,587,226	64,719,215
<b>Liabilities</b>		
Accounts payable and accrued liabilities	5,628,619	5,233,746
Employee benefit obligations (note 7)	844,614	791,501
Deposits	1,028,879	969,792
Deferred revenue (note 8)	17,662,013	16,645,431
Long-term debt (note 10)	23,597,240	26,573,930
	48,761,365	50,214,400
<b>Net financial assets</b>	20,825,861	14,504,815
<b>Non-financial assets</b>		
Prepaid expenses	103,363	125,716
Inventory for consumption	373,837	105,758
Tangible capital assets (schedule 2)	335,621,989	327,254,486
	336,099,189	327,485,960
<b>Accumulated surplus</b> (note 11)	\$356,925,050	\$341,990,775

*Commitments and contingencies* (note 22)

Approved on behalf of Council:

Mayor

Chair of Finance and Budget Committee

\_\_\_\_\_

\_\_\_\_\_

**TOWN OF OKOTOKS**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the year ended December 31, 2015

	2015 Budget (Unaudited)	2015	2014
<b>Revenue</b>			
Net municipal taxes (note 14)	\$ 25,137,114	\$ 24,906,010	\$ 22,241,976
User fees and sales of goods	16,247,531	19,422,692	21,972,562
Government transfers for operating (note 15)	3,365,669	5,523,028	5,683,488
Investment income	879,616	1,373,636	1,486,361
Penalties and costs of taxes	513,537	507,547	486,514
Development levies	425,000	329,306	790,828
Gain on disposal of capital assets	-	76,985	419,790
Franchise and concession contracts	1,375,000	1,448,131	1,479,566
Rental	2,046,691	2,040,313	2,015,983
Other	303,431	285,025	762,233
Donations	152,550	197,639	210,098
Insurance proceeds	5,000	3,770	132,229
	50,451,139	56,114,082	57,681,628
<b>Expenses (note 16)</b>			
Legislative	913,804	848,602	781,994
Administration	7,304,750	6,264,348	6,126,874
Protective services	9,235,861	10,019,304	11,481,189
Common and equipment pool	1,412,061	1,455,985	1,323,054
Roads, streets, walks, lighting	5,965,736	5,437,988	7,110,009
Public transportation	84,732	70,195	60,702
Storm sewers and drainage	803,047	790,793	631,588
Water supply and distribution	3,859,474	4,339,301	4,800,081
Wastewater treatment and collection	4,325,980	3,722,282	2,710,410
Waste management	1,801,929	2,012,305	1,759,020
Family and community support services	720,507	638,396	632,793
Cemeteries and crematoriums	161,532	162,361	140,158
Planning and development	2,867,968	2,898,365	2,328,878
Parks and recreation	12,192,165	11,267,121	10,502,953
Culture - libraries, museums, halls	1,031,722	1,030,994	1,031,255
	52,681,268	50,958,340	51,420,958
<b>Excess (deficiency) of revenue over expenses before other</b>	(2,230,129)	5,155,742	6,260,670
<b>Other</b>			
Government transfers for capital (note 15)	4,010,000	7,535,207	5,637,833
Contributed assets (note 20)	-	2,243,326	5,082,020
	4,010,000	9,778,533	10,719,853
<b>Excess (deficiency) of revenue over expenses</b>	1,779,871	14,934,275	16,980,523
<b>Accumulated surplus, beginning of year</b>	341,990,775	341,990,775	325,010,252
<b>Accumulated surplus, end of year</b>	\$ 343,770,646	\$ 356,925,050	\$ 341,990,775

**TOWN OF OKOTOKS**

**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**For the year ended December 31, 2015**

	2015 Budget (Unaudited)	2015	2014
<b>Excess (deficiency) of revenue over expenses</b>	\$ 1,779,871	\$ 14,934,275	\$ 16,980,523
Acquisition of tangible capital assets	(19,361,750)	(14,504,274)	(9,866,976)
Amortization of tangible capital assets	7,866,424	8,323,285	8,075,884
Contributed assets	-	(2,243,326)	(5,082,020)
Gain on disposal of tangible capital assets	-	(76,985)	(419,790)
Proceeds on disposal of tangible capital assets	-	133,797	1,741,965
	(11,495,326)	(8,367,503)	(5,550,937)
Net change in inventory for consumption	-	(268,079)	40,142
Net change in prepaid expense	-	22,353	15,730
	-	(245,726)	55,872
<b>Increase (decrease) in net financial assets</b>	(9,715,455)	6,321,046	11,485,458
<b>Net financial assets, beginning of year</b>	14,504,815	14,504,815	3,019,357
<b>Net financial assets, end of year</b>	\$ 4,789,360	\$ 20,825,861	\$ 14,504,815



**TOWN OF OKOTOKS**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
For the year ended December 31, 2015

	2015	2014
<b>Operating transactions</b>		
Excess (deficiency) of revenue over expenses	\$ 14,934,275	\$ 16,980,523
Adjustments for items which do not affect cash		
Gain on disposal of tangible capital assets	(76,985)	(419,790)
Amortization of tangible capital assets	8,323,285	8,075,884
Contributed assets	(2,243,326)	(5,082,020)
	20,937,249	19,554,597
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(263,043)	352,210
Trade and other receivables	(220,768)	930,552
Inventory held for resale	11,148	2,082
Land held for resale	228,650	350,145
Loans receivable	80,000	66,000
Inventory for consumption	(268,079)	40,142
Prepaid expenses	22,353	15,730
Accounts payable and accrued liabilities	394,873	(511,409)
Employee benefit obligations	53,113	82,964
Deposits	59,087	(7,046)
Deferred revenue	1,016,582	3,986,353
Cash provided by operating transactions	22,051,165	24,862,320
<b>Capital transactions</b>		
Proceeds on disposal of tangible capital assets	133,797	1,741,965
Acquisition of tangible capital assets	(14,504,274)	(9,866,976)
Cash applied to capital transactions	(14,370,477)	(8,125,011)
<b>Investing transactions</b>		
Purchase of investments	(11,257,251)	(8,003,688)
Cash applied to investing transactions	(11,257,251)	(8,003,688)
<b>Financing transactions</b>		
Repayment of long-term debt	(2,976,691)	(2,845,652)
<b>(Decrease) increase in cash and temporary investments</b>	(6,553,254)	5,887,969
<b>Cash and temporary investments, beginning of year</b>	28,989,176	23,101,207
<b>Cash and temporary investments, end of year</b>	\$ 22,435,922	\$ 28,989,176

---

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

---

**1. Significant accounting policies**

The consolidated financial statements of the Town of Okotoks are the representations of management prepared in accordance with public sector accounting standards for local government established by 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.

Taxes levied also includes requisitions for educational, health care, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

**(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 OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

---

**1. Significant accounting policies, continued**

- (e) Inventories 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.
- (f) Debt charges recoverable  
Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.
- (g) 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.
- (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 OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

---

**1. Significant accounting policies, continued**

(j) Non-financial assets, 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	25-75
Machinery and equipment	5-25
Vehicles	10-25

Amortization is charged in the month of acquisition and in the month 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) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(iv) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(v) Cultural and historical tangible capital assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

**2. Cash and temporary investments**

The Town has authorized a line of credit with TD Commercial Banking to a maximum of \$7,300,000. The line of credit bears interest at the prime rate. As at December 31, 2015, the line of credit was undrawn.

Included in cash is \$1,028,879 (2014 - \$969,792) of deposit liability funds which are not available for current purposes.

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

**3. Taxes and grants in place of taxes receivables**

	2015	2014
Taxes and grants in place of taxes receivable	\$ 1,341,510	\$ 1,050,604
Arrears	324,616	352,479
	<u>\$ 1,666,126</u>	<u>\$ 1,403,083</u>

**4. Trade and other receivables**

	2015	2014
Acreage assessments	\$ 3,095,514	\$ 4,146,206
Utility accounts	1,804,041	1,854,455
Trade receivables	298,103	852,364
GST	563,296	633,668
Accrued receivables	257,047	308,763
Recreation receivables	140,221	209,886
Annexation off site levy costs	58,806	58,806
Investment receivables	25,271	37,855
Federal grants	1,432,771	-
Provincial grants	651,201	-
Allowance for accounts	(125,553)	(122,053)
	<u>\$ 8,200,718</u>	<u>\$ 7,979,950</u>

**5. Loans receivable**

	2015	2014
Okotoks Food Bank	\$ 44,000	\$ 44,000
Foothills Dawg's Baseball Club	240,000	320,000
Nustadia Recreation Inc.	100,000	100,000
	<u>\$ 384,000</u>	<u>\$ 464,000</u>

An agreement was signed between Okotoks Food Bank and the Town in 2013 to fund the purchase of a new building. The loan is interest free and is to be repaid at 20% of the original principal per year over 5 years, with payments due in October of each year.

An agreement was signed between Foothills Dawg's Baseball Club Ltd. and the Town in 2014 to fund stadium improvements. The loan is interest free and is to be repaid within the 10 year term.

An agreement was signed between the Nustadia Recreation Inc. and the Town in 2014 to fund a cash float for the Aldersyde Fieldhouse. The loan is interest free with no fixed terms of repayment.



**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

**6. Investments**

	2015		2014	
	Cost	Market value	Cost	Market value
Bonds	\$ 36,094,883	\$ 35,497,514	\$ 24,837,631	\$ 25,334,013

The investments consist of bonds that earn interest at rates between 2% and 10.22% with maturity dates between 2016 and 2108.

**7. Employee benefit obligations**

	2015	2014
Vacation and overtime	\$ 594,933	\$ 568,233
Long-term service benefit	249,681	223,268
	<b>\$ 844,614</b>	<b>\$ 791,501</b>

**Vacation and overtime**

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

**Long service benefits**

The long service benefit liability is comprised of a day's salary per year of service at current pay rates, for those employees with ten or more years of service as per policy. The liability will be paid upon retirement subject to compliance with the terms and arrangements at that time.

**8. Deferred revenue**

	2015	2014
Municipal Sustainability Initiative - capital	\$ 12,410,876	\$ 12,099,658
Federal Gas Tax Fund	2,566,132	-
Basic Municipal Transportation grant	1,287,754	1,711,670
Services not yet provided	862,967	572,268
Recreation centre administrative grants	328,323	290,238
Municipal Sustainability Initiative - operating	142,772	297,419
Resource centre grant	42,807	34,823
General administrative grants	13,629	47,129
Disaster services grant	2,395	1,217,368
Alberta Municipal Infrastructure Program	2,358	372,858
Cultural grant	2,000	2,000
	<b>\$ 17,662,013</b>	<b>\$ 16,645,431</b>

**9. Contaminated sites liability**

On January 1, 2015, the town adopted PS3260 liability for contaminated sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the town.

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

**10. Long-term debt**

	2015	2014
Debentures	\$ 23,597,240	\$ 26,573,930
Current portion	\$ 3,050,563	\$ 2,976,691

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2016	\$ 3,050,563	\$ 946,702	\$ 3,997,265
2017	3,098,349	807,433	3,905,782
2018	3,189,220	665,951	3,855,171
2019	3,335,526	519,695	3,855,221
2020	3,154,396	368,638	3,523,034
Thereafter	7,769,186	3,982,017	11,751,203
	\$ 23,597,240	\$ 7,290,436	\$ 30,887,676

Debenture debt is repayable to Alberta Capital Finance Authority and the Federation of Canadian Municipalities and bears interest at rates ranging from 2.27% to 8.38% per annum, before Provincial subsidy, and matures in periods 2016 through 2037.

Debenture debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$1,076,796 (2014 - \$1,208,185).

The Town's total cash payments for interest in 2015 were \$1,083,981 (2014 - \$1,215,019).

**11. Accumulated surplus**

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

	2015	2014
Unrestricted surplus	\$ 5,489,305	\$ 3,585,138
Internally restricted surplus (reserves) (note 12)	39,410,996	37,725,081
Equity in tangible capital assets (note 13)	312,024,749	300,680,556
	\$356,925,050	\$341,990,775

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

**12. Reserves**

Reserves for operating and capital activities are as follows:

	2015	2014
<b>Operating</b>		
Administration	\$ 3,254,411	\$ 2,417,193
Planning/Development	674,218	612,857
Recreation	461,271	396,270
Transportation	279,493	279,493
Protective	84,000	84,000
Safety	59,684	59,684
Other	6,552	6,552
Utility services	(594,559)	(516,052)
	4,225,070	3,339,997
<b>Capital</b>		
Transportation	12,304,497	13,193,046
Administration	10,040,997	9,224,630
Water/Wastewater	7,846,645	7,325,260
Recreation	4,362,386	4,063,537
Refuse and recycling	583,653	531,678
Planning/Engineering	47,748	46,933
	35,185,926	34,385,084
	\$ 39,410,996	\$ 37,725,081

**13. Equity in tangible capital assets**

	2015	2014
Tangible capital assets (schedule 2)	\$425,921,116	\$409,493,822
Accumulated amortization (schedule 2)	(90,299,127)	(82,239,336)
Long-term debt (note 10)	(23,597,240)	(26,573,930)
	\$312,024,749	\$300,680,556

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

**14. Net municipal property taxes**

	2015 Budget (Unaudited)	2015	2014
<b>Taxation</b>			
Real property taxes	\$ 37,850,830	\$ 37,613,825	\$ 34,417,343
Linear property taxes	218,150	277,197	210,695
Business taxes	12,600	13,641	13,738
Government grants in place of property taxes	64,600	70,247	67,101
	38,146,180	37,974,910	34,708,877
<b>Requisitions</b>			
Alberta School Foundation Fund	9,715,655	9,924,457	9,398,767
Seniors Lodge	555,274	555,272	570,139
Christ the Redeemer Catholic Separate	1,966,368	1,817,411	1,731,608
Okotoks Library Board	771,769	771,760	766,387
	13,009,066	13,068,900	12,466,901
	\$ 25,137,114	\$ 24,906,010	\$ 22,241,976

**15. Government transfers**

	2015 Budget (Unaudited)	2015	2014
<b>Transfers for operating:</b>			
Provincial conditional grants	\$ 1,444,335	\$ 3,505,344	\$ 4,233,566
Federal conditional grants	10,500	17,778	10,000
Other local government transfers	1,806,889	1,929,890	1,410,580
Transfer from local boards and agencies	103,945	70,016	29,342
	3,365,669	5,523,028	5,683,488
<b>Transfers for capital:</b>			
Provincial grants	3,710,000	7,228,418	4,636,738
Federal grants	300,000	306,789	1,001,095
	4,010,000	7,535,207	5,637,833
	\$ 7,375,669	\$ 13,058,235	\$ 11,321,321

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

**16. Expenditures by object**

	2015 Budget (Unaudited)	2015	2014
Salaries, wages and benefits	\$ 19,654,116	\$ 18,128,572	\$ 16,999,609
Contracted and general services	15,036,216	14,223,156	16,055,232
Materials, goods, supplies and utilities	4,619,631	5,568,942	5,211,888
Purchases from other governments	3,674,300	2,978,648	3,274,118
Interest on long term debt	1,083,981	1,076,796	1,208,185
Other expenditures	470,350	388,194	326,280
Transfers to organizations and others	216,750	201,113	206,354
Bank charges and short term interest	59,000	68,144	67,490
Provision for allowances (recovery)	500	1,490	(4,082)
Amortization of tangible capital assets	7,866,424	8,323,285	8,075,884
	<b>\$ 52,681,268</b>	<b>\$ 50,958,340</b>	<b>\$ 51,420,958</b>

**17. Segmented disclosure**

The Town provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1.

Refer to the schedule of segmented disclosure (schedule 3).

**18. Trust funds**

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

	2015	2014
Cemetery perpetual care	\$ 323,427	\$ 291,142
Other	170,957	46,771
	<b>\$ 494,384</b>	<b>\$ 337,913</b>

The above trust funds are not recorded in the financial statements (note 1a).



---

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

---

**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 214,000 people and 423 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 they become due.

The Town is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2015 were \$1,388,312 (2014 - \$1,253,281). Total current service contributions by the employees of the Town to the LAPP in 2015 were \$1,278,599 (2014 - \$1,153,281).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$2.45 billion.

**20. Contributed assets**

Contributed assets consist of the following assets, by type:

	2015	2014
Water	\$ 285,723	\$ 442,211
Sanitary	304,220	345,803
Storm	452,908	880,220
Roadway	1,200,475	3,413,786
	<u>\$ 2,243,326</u>	<u>\$ 5,082,020</u>

---

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

---

**21. 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	2015	2014
Council				
W. Robertson, Mayor	\$ 76,387	\$ 5,042	\$ 81,429	\$ 79,297
T. Thorn	41,013	2,489	43,502	41,324
K. Heemeryck	41,013	1,067	42,080	42,428
R. Watrin	38,213	5,154	43,367	42,243
M. Rockley	38,413	3,455	41,868	43,323
E. Sands	38,213	3,623	41,836	41,105
C. Fischer	35,169	3,471	38,640	41,110
Chief Administrative Officer	231,458	5,825	237,283	237,729
Designated Officers - 2 positions	\$ 226,277	\$ 52,853	\$ 279,130	\$ 266,754

(1) Salary includes regular base pay, bonuses, 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. Benefits and allowances figures also include the Town's share of the costs of additional taxable benefits including travel allowances and car allowances.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

---

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

---

**22. Contingencies and commitments**

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

b) No provisions have been made for any potential legal claims that may be filed against the Town, as management believes the Town has minimal exposure as at December 31, 2015

c) The Town also participates in the following boards, authorities and associations:

- Foothills Foundation
- Foothills Regional Emergency Services Commission
- Foothills Regional Services Commission
- Okotoks Public Library Board

d) The Town has entered into an agreement with EPCOR Water Services Inc. ("EPCOR") for a twenty year period effective June 1, 2005, for EPCOR to manage all aspects of the upgrade, management, operation and maintenance relating to the operation of the waterworks system, the wastewater system, and the utility metering and billing system for and on behalf of the Town. Under the terms of the agreement, the Town pays EPCOR an annual fee for providing these services for 2016 of \$3,321,726.

These charges have been adjusted for wage rates and Consumer Price Index (CPI) as detailed in the contract. The fee for each year of each five year period of the term after the initial five years of the term will be established by September 30 of the last year of the previous five years, and every fifth year thereafter during the term of the agreement.

The agreement with EPCOR also requires an annual contribution by the Town of \$100,000 for future rehabilitation of the water and wastewater systems. These funds are to be used only for approved projects with the prior written approval by the Town. The \$100,000 contribution is established for the last 15 year term of the contract.

The agreement with EPCOR also provided for the transfer of all inventory and capital assets associated with the operation and maintenance of the water and wastewater systems, including but not limited to vehicles, mobile equipment, tools, pumps, motors, spare parts and operating supplies. The net book value of inventory and capital assets transferred under the agreement was established to be \$376,005 on the date of transfer and has been recorded as a disposal of assets. On termination of the agreement, EPCOR will return to the Town all inventory and capital assets in similar condition as when received June 1, 2005. There has been no accounting for this eventual transaction in these financial statements.

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

**23. 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:

	2015	2014
Total debt limit *	\$ 84,171,123	\$ 87,029,313
Total debt	23,597,240	26,573,950
	\$ 60,573,883	\$ 60,455,363
Debt servicing limit *	\$ 14,028,520	\$ 14,504,886
Debt servicing	3,997,265	4,060,671
	\$ 10,031,255	\$ 10,444,215

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.

\* The Town has internally restricted the Debt Limit and Debt Servicing Limit amounts to 75% of these values permissible by Alberta Regulation 255/00, or \$63,128,342 and \$10,521,390 respectively.

**24. Financial instruments**

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, loans receivable, 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 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.

**25. Approval of financial statements**

These financial statements were approved by Council and Management.

---

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

---

**26. Budget amounts**

The 2015 budget for the Town was approved by Council on December 15, 2014 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	\$ 1,779,871
Less: Capital expenditures	(19,361,750)
Long-term debt repayments	(2,976,689)
Add: Amortization	7,866,424
Net transfers from reserves	12,692,144
Equals: Balanced budget	\$ -



**TOWN OF OKOTOKS**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

**Schedule of changes in accumulated surplus**

**Schedule 1**

	Unrestricted	Restricted	Equity in tangible capital assets	2015	2014
Balance, beginning of year	\$ 3,585,138	\$ 37,725,081	\$ 300,680,556	\$ 341,990,775	\$ 325,010,252
Excess (deficiency) of revenue over expenses	14,934,275	-	-	14,934,275	16,980,523
Unrestricted funds designated for future use	(8,118,032)	8,118,032	-	-	-
Restricted funds used for operations	926,389	(926,389)	-	-	-
Restricted funds used for tangible capital assets	-	(5,505,728)	5,505,728	-	-
Current year funds used for tangible capital assets	(8,998,546)	-	8,998,546	-	-
Contributed tangible capital assets	(2,243,326)	-	2,243,326	-	-
Disposal of tangible capital assets	56,813	-	(56,813)	-	-
Amortization of tangible capital assets	8,323,285	-	(8,323,285)	-	-
Long term debt repaid	(2,976,691)	-	2,976,691	-	-
Change in accumulated surplus	1,904,167	1,685,915	11,344,193	14,934,275	16,980,523
<b>Balance, end of year</b>	<b>\$ 5,489,305</b>	<b>\$ 39,410,996</b>	<b>\$ 312,024,749</b>	<b>\$ 356,925,050</b>	<b>\$ 341,990,775</b>

**TOWN OF OKOTOKS**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

**Schedule of tangible capital assets**

**Schedule 2**

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2015	2014
<b>Cost:</b>									
Balance, beginning of year	\$ 27,932,014	\$ 24,195,560	\$ 84,485,073	\$ 237,906,281	\$ 23,656,411	\$ 5,271,228	\$ 6,047,255	\$ 409,493,822	\$ 396,480,351
Acquisitions	-	477,012	126,735	3,341,261	806,538	171,191	11,824,865	16,747,602	14,949,003
Construction-in-progress	-	1,645,081	240,171	302,320	-	-	(2,187,572)	-	-
Disposals	-	-	-	-	(246,188)	(74,120)	-	(320,308)	(1,935,532)
Balance, end of year	27,932,014	26,317,653	84,851,979	241,549,862	24,216,761	5,368,299	15,684,548	425,921,116	409,493,822
<b>Accumulated amortization:</b>									
Balance, beginning of year	-	7,490,481	13,742,172	48,846,958	10,024,381	2,135,344	-	82,239,336	74,776,803
Annual amortization	-	856,735	1,756,277	4,179,256	1,164,951	366,067	-	8,323,286	8,075,884
Disposals	-	-	-	-	(191,508)	(71,987)	-	(263,495)	(613,351)
Balance, end of year	-	8,347,216	15,498,449	53,026,214	10,997,824	2,429,424	-	90,299,127	82,239,336
<b>Net book value</b>	<b>\$ 27,932,014</b>	<b>\$ 17,970,437</b>	<b>\$ 69,353,530</b>	<b>\$ 188,523,648</b>	<b>\$ 13,218,937</b>	<b>\$ 2,938,875</b>	<b>\$ 15,684,548</b>	<b>\$ 335,621,989</b>	<b>\$ 327,254,486</b>
<b>2014 net book value</b>	<b>\$ 27,932,014</b>	<b>\$ 16,705,079</b>	<b>\$ 70,742,901</b>	<b>\$ 189,059,323</b>	<b>\$ 13,632,030</b>	<b>\$ 3,135,884</b>	<b>\$ -</b>	<b>\$ 327,254,486</b>	

**TOWN OF OKOTOKS**  
**SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

Schedule of segmented disclosure								Schedule 3
	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
<b>Revenue</b>								
Net municipal taxes	\$ 24,903,262	\$ -	\$ 2,748	\$ -	\$ -	\$ -	\$ -	\$ 24,906,010
User fees and sales of goods	130,313	2,037,561	1,353,987	11,662,459	143,906	2,528,645	1,565,821	19,422,692
Government transfers for operating	330,609	2,732,338	-	463,854	648,602	10,824	1,336,801	5,523,028
Investment income	1,369,667	-	-	-	3,969	-	-	1,373,636
Penalties and costs of taxes	405,383	-	6,750	95,414	-	-	-	507,547
Development levies	-	-	-	329,306	-	-	-	329,306
Gain on disposal of capital assets	-	76,985	-	-	-	-	-	76,985
Franchise and concession contracts	1,448,131	-	-	-	-	-	-	1,448,131
Rental	95,406	118,441	53,688	-	-	111,787	1,660,991	2,040,313
Other	54,172	49	37,667	45,094	-	53,720	94,323	285,025
Donations	(1)	22,300	-	-	41,900	10,500	122,940	197,639
Insurance proceeds	-	-	-	-	-	-	3,770	3,770
	28,736,942	4,987,674	1,454,840	12,596,127	838,377	2,715,476	4,784,646	56,114,082
<b>Expenses</b>								
Salaries, wages and benefits	4,369,013	3,782,748	1,520,433	1,034,055	446,994	1,813,318	5,162,011	18,128,572
Contracted and general services	2,073,687	1,741,652	1,258,700	5,792,316	75,478	561,245	2,720,078	14,223,156
Materials, goods, supplies and utilities	254,341	990,638	1,413,685	1,072,685	30,651	505,201	1,301,741	5,568,942
Bank charges and short term interest	14,096	8,630	-	-	-	7,299	38,119	68,144
Interest on long term debt	44,033	293,311	49,270	178,655	-	-	511,527	1,076,796
Other expenditures	930	-	-	-	34,123	-	353,141	388,194
Transfers to organizations and others	2,149	-	-	-	187,095	8,200	3,669	201,113
Purchases from other governments	2,927	2,715,214	-	257,406	-	3,101	-	2,978,648
Provision for allowances	244	-	-	400	-	-	846	1,490
Amortization of tangible capital assets	351,532	487,111	3,512,874	1,738,370	26,416	-	2,206,982	8,323,285
	7,112,952	10,019,304	7,754,962	10,073,887	800,757	2,898,364	12,298,114	50,958,340
<b>Excess (deficiency) of revenue over expenses before other</b>	21,623,990	(5,031,630)	(6,300,122)	2,522,240	37,620	(182,888)	(7,513,468)	5,155,742
<b>Other</b>								
Government transfers for capital	7,441,303	-	93,904	-	-	-	-	7,535,207
Contributed assets	-	-	1,200,475	1,042,851	-	-	-	2,243,326
	7,441,303	-	1,294,379	1,042,851	-	-	-	9,778,533
<b>Excess (deficiency) of revenue over expenses</b>	\$ 29,065,293	\$ (5,031,630)	\$ (5,005,743)	\$ 3,565,091	\$ 37,620	\$ (182,888)	\$ (7,513,468)	\$ 14,934,275