

# **TOWN OF OKOTOKS**

## **Consolidated Financial Statements**

**For the year ended December 31, 2017**

---

**TOWN OF OKOTOKS**  
**TABLE OF CONTENTS**  
For the year ended December 31, 2017

---

<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT REPORT</b>	2
<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



CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S 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, 2017, 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, 2017 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

April 23, 2018

A handwritten signature in black ink that reads "Avail LLP". The signature is written in a cursive, flowing style.

Chartered Professional 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 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 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 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.

A handwritten signature in blue ink, appearing to read "Vincent", is written over a horizontal line.

Chief Administrative Officer

**TOWN OF OKOTOKS**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2017**  
**(\$ thousands)**

	2017	2016
<b>Financial assets</b>		
Cash and temporary investments (note 2)	\$ 5,677	\$ 13,129
Taxes and grants in place of taxes receivable (note 3)	2,321	1,789
Trade and other receivables (note 4)	12,461	10,758
Land held for resale	679	679
Loans receivable (note 5)	340	340
Inventory held for resale (note 17)	157	62
Investments (note 6)	38,193	37,683
	59,828	64,440
<b>Liabilities</b>		
Accounts payable and accrued liabilities	8,597	8,019
Employee benefit obligations (note 7)	955	990
Deposits	1,555	1,448
Deferred revenue (note 8)	5,993	11,279
Long-term debt (note 9)	17,449	20,547
	34,549	42,283
<b>Net financial assets</b>	25,279	22,157
<b>Non-financial assets</b>		
Prepaid expenses	189	134
Inventory for consumption	262	264
Tangible capital assets (schedule 2)	364,815	350,254
	365,266	350,652
<b>Accumulated surplus</b> (note 10 and schedule 1)	\$ 390,545	\$ 372,809

*Commitments and contingencies* (note 21)

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, 2017  
(\$ thousands)

	Budget (Unaudited)	2017	2016
<b>Revenue</b>			
Net municipal taxes (note 13)	\$ 27,348	\$ 27,296	\$ 26,540
User fees and sales of goods	17,325	20,601	20,969
Government transfers for operating (note 14)	3,411	3,610	5,153
Investment income	1,190	748	1,082
Penalties and costs of taxes	522	568	527
Development levies	340	384	370
Gain on disposal of capital assets	-	-	25
Franchise and concession contracts	1,400	1,600	1,463
Rental	2,002	2,008	1,961
Other	364	481	421
Donations	149	222	222
Insurance proceeds	5	1,487	-
	54,056	59,005	58,733
<b>Expenses (note 15)</b>			
Legislative	1,277	1,179	1,150
Administration	7,465	7,321	6,813
Protective services	11,007	10,832	12,567
Common and equipment pool	1,116	1,300	1,050
Roads, streets, walks, lighting	5,451	5,747	5,611
Public transportation	80	51	68
Storm sewers and drainage	728	732	636
Water supply and distribution	4,259	5,029	3,907
Wastewater treatment and collection	3,783	3,524	3,731
Waste management	2,476	2,652	2,799
Family and community support services	1,115	987	927
Cemeteries and crematoriums	198	208	174
Planning and development	2,726	2,612	3,112
Parks and recreation	12,076	11,810	12,324
Culture - libraries, museums, halls	1,016	1,056	1,044
	54,773	55,040	55,913
<b>(Deficiency) excess of revenue over expenses before other</b>	<b>(717)</b>	<b>3,965</b>	<b>2,820</b>
<b>Other</b>			
Government transfers for capital (note 14)	19,105	12,592	10,544
Contributed assets (note 19)	-	1,179	2,132
Capital donations	-	-	388
	19,105	13,771	13,064
<b>Excess of revenue over expenses (note 26)</b>	<b>18,388</b>	<b>17,736</b>	<b>15,884</b>
<b>Accumulated surplus, beginning of year</b>	<b>372,809</b>	<b>372,809</b>	<b>356,925</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 391,197</b>	<b>\$ 390,545</b>	<b>\$ 372,809</b>

**TOWN OF OKOTOKS**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
For the year ended December 31, 2017  
(\$ thousands)

	Budget (Unaudited)	2017	2016
<b>Excess of revenue over expenses</b>	\$ 18,388	\$ 17,736	\$ 15,884
Acquisition of tangible capital assets	(29,083)	(22,720)	(21,073)
Amortization of tangible capital assets	8,347	9,092	8,501
Contributed assets	-	(1,179)	(2,132)
Loss (gain) on disposal of tangible capital assets	-	175	(25)
Proceeds on disposal of tangible capital assets	-	71	96
	(20,736)	(14,561)	(14,633)
Net change in inventory for consumption	-	2	111
Net change in prepaid expense	-	(55)	(31)
	-	(53)	80
<b>Increase (decrease) in net financial assets</b>	(2,348)	3,122	1,331
<b>Net financial assets, beginning of year</b>	22,157	22,157	20,826
<b>Net financial assets, end of year</b>	\$ 19,809	\$ 25,279	\$ 22,157

**TOWN OF OKOTOKS**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
For the year ended December 31, 2017  
(\$ thousands)

	2017	2016
<b>Operating transactions</b>		
Excess of revenue over expenses	\$ 17,736	\$ 15,884
Adjustments for items which do not affect cash		
Loss (gain) on disposal of tangible capital assets	175	(25)
Amortization of tangible capital assets	9,092	8,501
Contributed assets	(1,179)	(2,132)
	25,824	22,228
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(532)	(123)
Trade and other receivables	(1,703)	(2,564)
Inventory held for resale	(95)	2
Land held for resale	-	63
Loans receivable	-	44
Inventory for consumption	2	111
Prepaid expenses	(55)	(31)
Accounts payable and accrued liabilities	578	2,390
Employee benefit obligations	(35)	145
Deposits	107	426
Deferred revenue	(5,286)	(6,383)
Cash provided by operating transactions	18,805	16,308
<b>Capital transactions</b>		
Proceeds on disposal of tangible capital assets	71	96
Acquisition of tangible capital assets	(22,720)	(21,073)
Cash applied to capital transactions	(22,649)	(20,977)
<b>Investing transactions</b>		
Increase in investments	(510)	(1,588)
<b>Financing transactions</b>		
Repayment of long-term debt	(3,098)	(3,050)
<b>Decrease in cash and temporary investments</b>	(7,452)	(9,307)
<b>Cash and temporary investments, beginning of year</b>	13,129	22,436
<b>Cash and temporary investments, end of year</b>	\$ 5,677	\$ 13,129



---

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2017**  
**(\$ thousands)**

---

**1. Significant accounting policies**

The consolidated financial statements of the Town of Okotoks 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.

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.

---

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2017**  
**(\$ thousands)**

---

**1. Significant accounting policies, continued**

(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.

(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, 2017**  
**(\$ thousands)**

---

**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	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. The line of credit bears interest at the prime rate. As at December 31, 2017, the line of credit was undrawn.

Included in cash is \$1,555 (2016 - \$1,448) 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, 2017  
(\$ thousands)

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

	2017	2016
Taxes and grants in place of taxes receivable	\$ 1,716	\$ 1,387
Arrears	605	402
	<u>\$ 2,321</u>	<u>\$ 1,789</u>

**4. Trade and other receivables**

	2017	2016
Provincial grants	\$ 3,819	\$ 1,284
Acreage assessments	3,192	2,043
Utility accounts	2,128	1,895
Federal grants	1,550	1,510
Trade receivables	1,041	675
GST	555	704
Recreation receivables	184	218
Annexation off site levy costs	59	59
Investment receivables	16	17
Land sales	-	2,440
Allowance for doubtful accounts	(83)	(87)
	<u>\$ 12,461</u>	<u>\$ 10,758</u>

**5. Loans receivable**

	2017	2016
Foothills Dawg's Baseball Club	\$ 240	\$ 240
Nustadia Recreation Inc.	100	100
	<u>\$ 340</u>	<u>\$ 340</u>

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, 2017  
(\$ thousands)

**6. Investments**

	2017		2016	
	Cost	Market value	Cost	Market value
Bonds	\$ 38,193	\$ 37,117	\$ 37,683	\$ 36,351

The investments consist of bonds and principal protected notes that earn interest at rates between 2% and 9.976% with maturity dates between 2021 and 2108.

**7. Employee benefit obligations**

	2017	2016
Vacation and overtime	\$ 669	\$ 745
Long-term service benefit	286	245
	\$ 955	\$ 990

**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 one day 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**

	2017	2016
Federal Gas Tax Fund	\$ 1,910	\$ 1,910
Alberta Community Resilience Program	1,569	-
Basic Municipal Transportation grant	889	907
Services not yet provided	789	695
Regional Waste Management study	303	39
Recreation centre administrative grants	266	277
Family and Community Support Services	174	131
Municipal Sustainability Initiative - operating	37	117
Resource centre grant	29	30
General administrative grants	25	14
Cultural grant	2	2
Municipal Sustainability Initiative - capital	-	7,157
	\$ 5,993	\$ 11,279

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017  
(\$ thousands)

**9. Long-term debt**

	2017	2016
Debentures	\$ 17,449	\$ 20,547
Current portion	\$ 3,189	\$ 3,098

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2018	\$ 3,189	\$ 665	\$ 3,854
2019	3,336	520	3,856
2020	3,155	369	3,524
2021	840	253	1,093
2022	835	258	1,093
Thereafter	6,094	3,479	9,573
	\$ 17,449	\$ 5,544	\$ 22,993

Debenture debt is repayable to Alberta Capital Finance Authority. Debentures outstanding at December 31 bear interest at rates ranging from 2.27% to 5.26% per annum, before Provincial subsidy, and mature in periods 2019 through 2037.

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

Interest on long-term debt amounted to \$801 (2016 - \$939).

The Town's total cash payments for interest in 2017 were \$807 (2016 - \$947).

**10. Accumulated surplus**

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

	2017	2016
Unrestricted surplus	\$ 3,477	\$ 3,452
Internally restricted surplus (reserves) (note 11)	39,702	39,650
Equity in tangible capital assets (note 12)	347,366	329,707
	\$ 390,545	\$ 372,809

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017  
(\$ thousands)

**11. Reserves**

Reserves for operating and capital activities are as follows:

	2017	2016
<b>Operating</b>		
Finance and systems	\$ 1,700	\$ 2,100
Development services	915	918
Corporate and strategic	612	612
Community services	580	515
Infrastructure services	279	279
Protective	251	311
Safety	60	60
Family & Community Support Services	7	7
Utility services	(757)	8
	3,647	4,810
<b>Capital</b>		
Infrastructure services	11,575	10,943
Recapitalization	11,516	9,805
Utility services	7,934	8,146
Community services	3,991	4,913
Corporate and strategic	395	395
Refuse and recycling	595	590
Development services	49	48
	36,055	34,840
	\$ 39,702	\$ 39,650

**12. Equity in tangible capital assets**

	2017	2016
Tangible capital assets (schedule 2)	\$ 471,998	\$ 448,650
Accumulated amortization (schedule 2)	(107,183)	(98,396)
Long-term debt (note 9)	(17,449)	(20,547)
	\$ 347,366	\$ 329,707

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017  
(\$ thousands)

**13. Net municipal property taxes**

	Budget (Unaudited)	2017	2016
<b>Taxation</b>			
Real property taxes	\$ 42,058	\$ 42,028	\$ 40,141
Linear property taxes	274	287	277
Business taxes	14	12	13
Government grants in place of property taxes	40	39	42
	42,386	42,366	40,473
<b>Requisitions</b>			
Alberta School Foundation Fund	11,523	11,555	10,586
Seniors Lodge	604	604	587
Christ the Redeemer Catholic Separate	2,143	2,143	1,952
Okotoks Library Board	768	768	808
	15,038	15,070	13,933
	\$ 27,348	\$ 27,296	\$ 26,540

**14. Government transfers**

	Budget (Unaudited)	2017	2016
<b>Transfers for operating:</b>			
Provincial government	\$ 1,631	\$ 1,834	\$ 3,193
Federal government	3	13	11
Other local government transfers	1,699	1,705	1,873
Transfer from local boards and agencies	78	58	76
	3,411	3,610	5,153
<b>Transfers for capital:</b>			
Provincial government	19,105	12,552	10,544
Federal government	-	40	-
	19,105	12,592	10,544
	\$ 22,516	\$ 16,202	\$ 15,697



**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017  
(\$ thousands)

**15. Expenses by object**

	Budget (Unaudited)	2017	2016
Salaries, wages and benefits	\$ 21,846	\$ 21,240	\$ 22,635
Contracted and general services	13,714	14,390	14,033
Materials, goods, supplies and utilities	4,708	4,448	5,512
Purchases from other governments	4,778	4,363	3,877
Interest on long term debt	807	801	939
Transfers to organizations and others	426	347	254
Loss on disposal of tangible capital assets	-	174	-
Other expenditures	86	123	91
Bank charges and short term interest	61	64	66
Provision (recovery) for allowances	-	(2)	5
Amortization of tangible capital assets	8,347	9,092	8,501
	\$ 54,773	\$ 55,040	\$ 55,913

**16. 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, disclosed in note 1.

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

**17. Trust funds**

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

	2017	2016
Cemetery perpetual care	\$ 385	\$ 345
Other	49	80
	\$ 434	\$ 425

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, 2017  
(\$ thousands)

**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 254,000 people and 417 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 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 2017 were \$1,655 (2016 - \$1,761). Total current service contributions by the employees of the Town to the LAPP in 2017 were \$1,526 (2016 - \$1,624).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 million.

**19. Contributed assets**

Contributed assets consist of the following assets, by type:

	2017	2016
Roadway	\$ 1,179	\$ 920
Sanitary	-	470
Storm	-	225
Water	-	517
	<u>\$ 1,179</u>	<u>\$ 2,132</u>

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017  
(\$ thousands)

**20. 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	2017	2016
Council				
W. Robertson, Mayor	\$ 78	\$ 4	\$ 82	\$ 85
F. Christophers	6	1	7	-
C. Fischer	32	4	36	42
K. Heemeryck	41	-	41	40
M. Rockley	38	4	42	42
E. Sands	39	4	43	43
T. Thorn	39	4	43	43
R. Watrin	39	4	43	44
Chief Administrative Officer	221	41	262	256
Designated Officers - 2 positions	\$ 250	\$ 41	\$ 291	\$ 309

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

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

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including 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, 2017**  
**(\$ thousands)**

---

**21. Commitments and contingencies**

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, 2017.

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

- Foothills Regional Emergency Services Commission
- Foothills Regional Services Commission
- Okotoks Public Library Board
- Westwinds Communities

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 2018 of \$3,615 and 2019 for \$3,762.

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 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 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 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.

e) During the year the Town finalized an annexation agreement with the Municipal District of Foothills which resulted in land being annexed into the Town. As part of the agreement, the Town will pay the Municipal District a total of \$2,000, \$400 of which was paid in 2017. The remaining balance will be paid in increments of \$200 annually. The last payment is expected to be paid by July 31, 2025.

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017  
(\$ thousands)

**22. 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:

	2017		2016	
Total debt limit *	\$	88,507	\$	88,100
Total debt		17,449		20,547
	\$	71,058	\$	67,553
Debt servicing limit *	\$	14,751	\$	14,683
Debt servicing		3,855		3,906
	\$	10,896	\$	10,777

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 the values permissible by Alberta Regulation 255/00, or \$66,381 and \$11,063, respectively.

**23. Contaminated sites liability**

The Town has adopted PS3260 liability for contaminated sites. The Town did not identify any financial liabilities in 2017 (2016 - nil) as a result of this standard.

**24. 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.

---

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017  
(\$ thousands)

---

**25. Approval of financial statements**

These financial statements were approved by Council and Management.

**26. Budget amounts**

The 2017 budget for the Town was approved by Council on December 12, 2016 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	\$ 18,388
Less: Capital expenditures	(29,083)
Long-term debt repayments	(3,098)
Transfers to reserves	(5,294)
Add: Amortization	8,347
Net transfers from reserves	10,740
<hr/>	
Equals: Balanced budget	\$ -
<hr/>	

**27. Comparative figures**

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

**TOWN OF OKOTOKS**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017  
(\$ thousands)

**Schedule of changes in accumulated surplus**

**Schedule 1**

	Unrestricted	Restricted	Equity in tangible capital assets	2017	2016
Balance, beginning of year	\$ 3,452	\$ 39,650	\$ 329,707	\$ 372,809	\$ 356,925
Excess of revenue over expenses	17,736	-	-	17,736	15,884
Unrestricted funds designated for future use	(15,115)	15,115	-	-	-
Restricted funds used for operations	4,983	(4,983)	-	-	-
Restricted funds used for tangible capital assets	-	(10,080)	10,080	-	-
Current year funds used for tangible capital assets	(12,640)	-	12,640	-	-
Contributed tangible capital assets	(1,179)	-	1,179	-	-
Disposal of tangible capital assets	246	-	(246)	-	-
Amortization of tangible capital assets	9,092	-	(9,092)	-	-
Long-term debt repaid	(3,098)	-	3,098	-	-
Change in accumulated surplus	25	52	17,659	17,736	15,884
<b>Balance, end of year</b>	<b>\$ 3,477</b>	<b>\$ 39,702</b>	<b>\$ 347,366</b>	<b>\$ 390,545</b>	<b>\$ 372,809</b>

**TOWN OF OKOTOKS**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017  
(\$ thousands)

Schedule of tangible capital assets								Schedule 2	
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2017	2016
<b>Cost:</b>									
Balance, beginning of year	\$ 32,843	\$ 26,462	\$ 101,461	\$ 245,179	\$ 25,259	\$ 5,776	\$ 11,670	\$ 448,650	\$ 425,921
Acquisitions	409	-	861	1,364	621	628	20,016	23,899	23,205
Transfers	-	2,015	-	156	-	-	(2,171)	-	-
Disposals	-	-	(256)	-	(66)	(229)	-	(551)	(476)
Balance, end of year	33,252	28,477	102,066	246,699	25,814	6,175	29,515	471,998	448,650
<b>Accumulated amortization:</b>									
Balance, beginning of year	-	9,239	17,168	57,325	11,913	2,751	-	98,396	90,299
Annual amortization	-	935	1,984	4,462	1,297	414	-	9,092	8,501
Disposals	-	-	(58)	-	(29)	(218)	-	(305)	(404)
Balance, end of year	-	10,174	19,094	61,787	13,181	2,947	-	107,183	98,396
<b>Net book value</b>	<b>\$ 33,252</b>	<b>\$ 18,303</b>	<b>\$ 82,972</b>	<b>\$ 184,912</b>	<b>\$ 12,633</b>	<b>\$ 3,228</b>	<b>\$ 29,515</b>	<b>\$ 364,815</b>	<b>\$ 350,254</b>
<b>2016 net book value</b>	<b>\$ 32,843</b>	<b>\$ 17,223</b>	<b>\$ 84,293</b>	<b>\$ 187,855</b>	<b>\$ 13,346</b>	<b>\$ 3,024</b>	<b>\$ 11,670</b>	<b>\$ 350,254</b>	



**TOWN OF OKOTOKS**  
**SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2017**  
**(\$ thousands)**

**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	\$ 27,293	\$ -	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ 27,296
User fees and sales of goods	142	2,069	2,203	13,768	114	828	1,477	20,601
Government transfers for operating	31	1,358	27	153	858	-	1,183	3,610
Investment income	744	-	-	-	4	-	-	748
Penalties and costs of taxes	457	-	7	104	-	-	-	568
Development levies	-	-	-	384	-	-	-	384
Franchise and concession contracts	1,600	-	-	-	-	-	-	1,600
Rental	112	118	55	-	-	74	1,649	2,008
Other	43	-	132	167	-	46	93	481
Donations	-	53	-	20	58	-	91	222
Insurance proceeds	1,486	-	-	-	-	-	1	1,487
	31,908	3,598	2,427	14,596	1,034	948	4,494	59,005
<b>Expenses</b>								
Salaries, wages and benefits	5,471	4,964	1,290	1,214	590	1,882	5,829	21,240
Contracted and general services	1,936	930	1,033	6,705	129	704	2,953	14,390
Materials, goods, supplies and utilities	156	310	1,414	1,025	65	19	1,459	4,448
Bank charges and short term interest	15	10	-	-	-	6	33	64
Interest on long term debt	34	257	31	133	-	-	346	801
Other expenditures	-	-	-	-	40	-	83	123
Transfers to organizations and others	2	-	-	-	345	-	-	347
Purchases from other governments	326	3,827	-	209	-	1	-	4,363
Provision for allowances	1	(3)	-	-	-	-	-	(2)
Amortization of tangible capital assets	384	536	4,061	1,920	26	-	2,165	9,092
Loss on disposal of tangible capital assets	174	-	-	-	-	-	-	174
	8,499	10,831	7,829	11,206	1,195	2,612	12,868	55,040
<b>Excess (deficiency) of revenue over expenses before other</b>	23,409	(7,233)	(5,402)	3,390	(161)	(1,664)	(8,374)	3,965
<b>Other</b>								
Government transfers for capital	199	-	12	71	271	1,790	10,249	12,592
Contributed assets	-	-	1,179	-	-	-	-	1,179
	199	-	1,191	71	271	1,790	10,249	13,771
<b>Excess (deficiency) of revenue over expenses</b>	\$ 23,608	\$ (7,233)	\$ (4,211)	\$ 3,461	\$ 110	\$ 126	\$ 1,875	\$ 17,736