

TOWN OF OKOTOKS

Consolidated Financial Statements

For the year ended December 31, 2019

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

INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT REPORT	3
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENT OF OPERATIONS	5
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS	6
CONSOLIDATED STATEMENT OF CASH FLOW	7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	8 - 22
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS	23 - 25

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of the Town of Okotoks which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, change in net financial assets 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 Okotoks as at December 31, 2019, the results of its operations, change in its net financial assets 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 28 to the financial statements which describes the amendments made to the prior year's figures. Our audit opinion is not modified in respect of 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 23.
- 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 21.

Lethbridge, Alberta

April 27, 2020



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 Audit committee.

The Council, through its Finance and Audit 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 Audit 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.



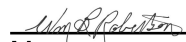
Chief Administrative Officer

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2019
(\$ thousands)

	2019	2018 (restated)
Financial assets		
Cash and temporary investments (note 2)	\$ 12,215	\$ 5,576
Taxes and grants in place of taxes receivable (note 3)	2,373	2,239
Trade and other receivables (note 4)	13,494	15,153
Land held for resale	3,313	679
Loans receivable (note 5)	170	210
Inventory held for resale	140	148
Investments (note 6)	37,251	39,658
	68,956	63,663
Liabilities		
Accounts payable and accrued liabilities	7,110	5,570
Employee benefit obligations (note 7)	1,124	1,023
Deposits	1,320	1,382
Deferred revenue (note 8)	2,107	6,105
Long-term debt (note 9)	21,924	14,259
	33,585	28,339
Net financial assets	35,371	35,324
Non-financial assets		
Prepaid expenses	211	205
Inventory for consumption	81	290
Tangible capital assets (schedule 2)	375,502	370,915
	375,794	371,410
Accumulated surplus (note 10 and schedule 1)	\$ 411,165	\$ 406,734

Commitments and contingencies (note 22)

Approved on behalf of Council:


 Mayor


 Chair, Finance and Audit Committee

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2019
(\$ thousands)

	Budget (Unaudited)	2019	2018 (restated)
Revenue			
Net municipal taxes (note 13)	\$ 28,915	\$ 29,156	\$ 27,915
User fees and sales of goods	18,685	20,344	26,814
Government transfers for operating (note 14)	3,762	4,508	3,832
Investment income	894	1,275	1,040
Penalties and costs of taxes	499	641	587
Franchise and concession contracts	2,800	3,130	1,597
Rental	2,747	2,615	2,295
Other	360	872	889
Donations	196	281	294
	58,858	62,822	65,263
Expenses (note 15)			
Legislative	1,204	1,136	1,231
Administration	8,841	8,565	8,473
Protective services	11,586	11,791	11,255
Common and equipment pool	1,647	1,550	1,412
Roads, streets, walks, lighting	6,095	6,319	6,299
Public transportation	496	234	80
Storm sewers and drainage	894	1,002	851
Water supply and distribution	4,541	5,210	4,690
Wastewater treatment and collection	3,817	6,257	3,701
Waste management	2,647	2,898	2,571
Family and community support services	995	1,014	1,101
Cemeteries and crematoriums	216	214	233
Planning and development	3,172	3,369	2,571
Parks and recreation	14,463	14,078	12,898
Culture - libraries, museums, halls	1,023	1,011	1,072
	61,637	64,648	58,438
(Deficiency) excess of revenue over expenses before other	(2,779)	(1,826)	6,825
Other			
Government transfers for capital (note 14)	4,626	5,466	5,683
Contributed assets (note 20)	-	319	245
Capital donations	-	472	-
	4,626	6,257	5,928
Excess of revenue over expenses (note 27)	1,847	4,431	12,753
Accumulated surplus, beginning of year			
As previously stated	404,389	404,389	391,573
Prior period adjustment (note 28)	-	2,345	2,408
As restated	404,389	406,734	393,981
Accumulated surplus, end of year	\$ 406,236	\$ 411,165	\$ 406,734

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2019
(\$ thousands)

	Budget (Unaudited)	2019	2018 (restated)
Excess of revenue over expenses	\$ 1,847	\$ 4,431	\$ 12,753
Acquisition of tangible capital assets	(19,042)	(17,715)	(12,215)
Amortization of tangible capital assets	9,698	10,316	9,832
Contributed assets	-	(319)	(245)
Loss on disposal of tangible capital assets	-	2,846	289
Proceeds on disposal of tangible capital assets	-	285	168
	(9,344)	(4,587)	(2,171)
Net change in inventory for consumption	-	209	(29)
Net change in prepaid expense	-	(6)	(16)
	-	203	(45)
Increase (decrease) in net financial assets	(7,497)	47	10,537
Net financial assets, beginning of year			
As previously stated	34,894	34,896	24,359
Prior period adjustment (note 28)	-	428	428
As restated	34,894	35,324	24,787
Net financial assets, end of year	\$ 27,397	\$ 35,371	\$ 35,324

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2019
(\$ thousands)

	2019	2018 (restated)
Operating transactions		
Excess of revenue over expenses	\$ 4,431	\$ 12,753
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	2,846	289
Amortization of tangible capital assets	10,316	9,832
Contributed assets	(319)	(245)
	17,274	22,629
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(134)	82
Trade and other receivables	1,659	(2,364)
Inventory held for resale	8	9
Land held for resale	(2,634)	-
Loans receivable	40	130
Inventory for consumption	209	(29)
Prepaid expenses	(6)	(16)
Accounts payable and accrued liabilities	1,540	(3,027)
Employee benefit obligations	101	68
Deposits	(62)	(173)
Deferred revenue	(3,998)	112
Cash provided by operating transactions	13,997	17,421
Capital transactions		
Proceeds on disposal of tangible capital assets	285	168
Acquisition of tangible capital assets	(17,715)	(12,215)
Cash applied to capital transactions	(17,430)	(12,047)
Investing transactions		
Decrease (increase) in investments	2,407	(2,285)
Financing transactions		
Proceeds of long-term debt	11,000	-
Repayment of long-term debt	(3,335)	(3,190)
Cash provided by (applied to) financing transactions	7,665	(3,190)
Increase (decrease) in cash and temporary investments	6,639	(101)
Cash and temporary investments, beginning of year	5,576	5,677
Cash and temporary investments, end of year	\$ 12,215	\$ 5,576

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(\$ 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, 2019
(\$ 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.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(\$ thousands)

1. Significant accounting policies, continued

(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.

(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.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(\$ thousands)

2. Cash and temporary investments

The Town has authorized a line of credit with TD Commercial Banking to a maximum of \$5,400. The line of credit bears interest at the prime rate. As at December 31, 2019, the line of credit was undrawn.

Included in cash is \$1,320 (2018 - \$1,382) of deposit liability funds which are not available for current purposes.

3. Taxes and grants in place of taxes receivables

	2019	2018
Taxes and grants in place of taxes receivable	\$ 1,813	\$ 1,620
Arrears	560	619
	<u>\$ 2,373</u>	<u>\$ 2,239</u>

4. Trade and other receivables

	2019	2018
Acreage assessments	\$ 5,587	\$ 8,425
Provincial grants	2,630	1,699
Utility accounts	2,397	2,232
Trade receivables	2,006	2,033
GST	404	437
Recreation receivables	348	239
Investment receivables	148	131
Annexation off site levy costs	-	59
Allowance for doubtful accounts	(26)	(102)
	<u>\$ 13,494</u>	<u>\$ 15,153</u>

5. Loans receivable

	2019	2018
Foothills Dawg's Baseball Club	\$ 170	\$ 210

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.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(\$ thousands)

6. Investments

	2019		2018	
	Cost	Market value	Cost (restated)	Market value (restated)
Bonds	\$ 37,251	\$ 37,245	\$ 39,658	\$ 38,235

The investments consist of bonds and principal protected notes that earn interest at rates between 2.35% and 4.86% with maturity dates between 2020 and 2029.

7. Employee benefit obligations

	2019	2018
Vacation and overtime	\$ 703	\$ 718
Long-term service benefit	421	305
	\$ 1,124	\$ 1,023

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

	2019	2018
Basic Municipal Transportation grant	\$ 882	\$ 1,965
Services not yet provided	659	795
Recreation centre administrative grants	247	249
Other provincial grants	148	464
General administrative grants	143	277
Resource centre grant	20	25
Family and Community Support Services	8	2
Municipal Sustainability Initiative - operating	-	54
Municipal Sustainability Initiative - capital	-	1,415
Cultural grant	-	2
Federal Gas Tax Fund	-	857
	\$ 2,107	\$ 6,105

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(\$ thousands)

9. Long-term debt

		2019	2018
Self-supported long-term debt - capital	\$	15,893	\$ 14,259
Self-supported long-term debt - future capital projects		6,031	-
Debentures	\$	21,924	\$ 14,259
Current portion	\$	3,479	\$ 3,336

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2020	\$ 3,479	\$ 633	\$ 4,112
2021	1,172	509	1,681
2022	1,176	469	1,645
2023	1,053	429	1,482
2024	816	396	1,212
Thereafter	14,228	3,545	17,773
	\$ 21,924	\$ 5,981	\$ 27,905

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 2020 through 2044.

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

Interest on long-term debt amounted to \$590 (2018 - \$659).

The Town's total cash payments for interest in 2019 were \$520 (2018 - \$666).

10. Accumulated surplus

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

	2019	2018 (restated)
Unrestricted surplus	\$ 10,979	\$ 3,184
Internally restricted surplus (reserves) (note 11)	40,577	46,894
Equity in tangible capital assets (note 12)	359,609	356,656
	\$ 411,165	\$ 406,734

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(\$ thousands)

11. Reserves

Reserves for operating and capital activities are as follows:

	2019	2018
Operating		
Finance and systems	\$ 1,500	\$ 1,500
Development services	748	870
Corporate and strategic	2,422	564
Community services	464	580
Infrastructure services	-	279
Protective	240	251
Safety	-	60
Family & Community Support Services	7	7
Utility services	553	(689)
	5,934	3,422
Capital		
Infrastructure services	8,984	14,652
Recapitalization	19,832	12,930
Utility services	814	9,429
Community services	4,442	5,416
Refuse and recycling	176	601
Corporate and strategic	395	395
Development services	-	49
	34,643	43,472
	\$ 40,577	\$ 46,894

12. Equity in tangible capital assets

	2019	2018 (restated)
Tangible capital assets (schedule 2)	\$ 500,534	\$ 489,288
Accumulated amortization (schedule 2)	(125,032)	(118,373)
Long-term debt (note 9)	(21,924)	(14,259)
Long-term debt - future capital projects (note 9)	6,031	-
	\$ 359,609	\$ 356,656

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(\$ thousands)

13. Net municipal property taxes

	Budget (Unaudited)	2019	2018
Taxation			
Real property taxes	\$ 44,350	\$ 44,511	\$ 42,775
Linear property taxes	324	336	315
Government grants in place of property taxes	41	39	41
Special assessments and local improvements	3	3	3
	44,718	44,889	43,134
Requisitions			
Alberta School Foundation Fund	12,188	12,033	11,613
Seniors Lodge	634	634	645
Christ the Redeemer Catholic Separate	2,144	2,229	2,142
Okotoks Library Board	837	837	819
	15,803	15,733	15,219
	\$ 28,915	\$ 29,156	\$ 27,915

14. Government transfers

	Budget (Unaudited)	2019	2018
Transfers for operating:			
Provincial government	\$ 1,676	\$ 2,330	\$ 1,928
Federal government	5	41	41
Other local government transfers	2,024	2,068	1,791
Transfer from local boards and agencies	57	69	72
	3,762	4,508	3,832
Transfers for capital:			
Provincial government	4,626	5,466	5,683
	\$ 8,388	\$ 9,974	\$ 9,515

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(\$ thousands)

15. Expenses by object

	Budget (Unaudited)	2019	2018 (restated)
Salaries, wages and benefits	\$ 24,410	\$ 24,497	\$ 22,670
Contracted and general services	16,700	15,377	14,427
Materials, goods, supplies and utilities	5,371	5,962	5,568
Bank charges and short term interest	72	77	82
Interest on long term debt	520	590	659
Other expenditures	114	95	122
Transfers to organizations and others	327	331	413
Purchases from other governments	4,425	4,568	4,345
Provision (recovery) for allowances	-	(11)	31
Amortization of tangible capital assets	9,698	10,316	9,832
Loss on disposal of tangible capital assets	-	2,846	289
	\$ 61,637	\$ 64,648	\$ 58,438

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. Local authorities pension plan

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plans Act. The plan serves about 265,000 people and 421 employers. The LAPP is financed by the employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Town is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2019 were \$1,637 (2018 - \$1,691). Total current service contributions by the employees of the Town to the LAPP in 2019 were \$1,484 (2018 - \$1,550).

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.5 billion.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(\$ thousands)

18. APEX Supplementary Pension Plan

The APEX supplementary pension plan, an Alberta Urban Municipalities Association (AUMA) sponsored defined benefit pension plan covered under the provisions of the Alberta Employment Pension Plans Act, commenced on January 1, 2003 and provides supplementary pension benefits to a prescribed class of employees. The plan supplements the Local Authorities Pension Plan.

Contributions are made by the prescribed class of employees and the Town. Employees and the Town are required to make current service contributions to APEX of 2.84% (2018 - 2.84%) and 3.78% (2018 - 3.78%) respectively of pensionable earnings up to \$151 (2018 - \$147).

Total current service contributions by the Town to APEX in 2019 were \$102 (2018 - \$95). Total current service contributions by the employees of the Town were \$76 (2018 - \$71).

19. MuniSERP Supplementary Employee Retirement Plan

In January 2003, Council approved the participation of the Town in the MuniSERP program, a plan available through the Alberta Urban Municipalities Association (AUMA). This plan is a supplemental employee retirement plan (SERP) that provides supplementary benefits to a prescribed class of employees whose retirement income would be affected by the Income Tax Act cap on pension contributions. The supplementary benefit takes the form of a lump sum cash payment upon retirement or death. MuniSERP supplements APEX and LAPP and is a voluntary, non-contributory, non-registered defined benefit employee retirement plan. The retirement benefit expense recorded by the Town in the year is \$228 (2018 \$196).

The cost of post retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary and benefit escalation and retirement ages of employees. An actuarial valuation was completed on December 31, 2019. The significant actuarial assumptions in measuring the accrued benefit obligation are as follows: expected discount rate of 4.60%, expected salary escalations of 2.75% per year and inflation rate of 2.25%.

20. Contributed assets

Contributed assets consist of the following assets, by type:

		2019		2018
Water	\$	115	\$	191
Sanitary		204		-
Storm		-		54
	\$	319	\$	245

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(\$ thousands)

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	2019	2018
Council				
W. Robertson, Mayor	\$ 95	\$ 4	\$ 99	\$ 84
F. Christophers	43	4	47	42
K. Heemeryck	43	1	44	42
M. Rockley	43	4	47	42
E. Sands	43	5	48	43
T. Thorn	45	5	50	44
R. Watrin	43	5	48	43
Chief Administrative Officer	\$ 251	\$ 40	\$ 291	\$ 277

(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, 2019
(\$ thousands)

22. 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, 2019.

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

- Drake Landing Solar Community
- Foothills Regional Emergency Services Commission
- Foothills Regional Services Commission
- Okotoks Public Library Board
- Westwinds Communities

d) In 2017 the Town finalized an annexation agreement with Foothills County which resulted in land being annexed into the Town. As part of the agreement, the Town will pay the County a total of \$2,000, \$800 of which was paid in 2017 to 2019. The remaining balance will be paid in increments of \$200 annually. The last payment is expected to be paid by July 2025.

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:

	2019	2018
Total debt limit *	\$ 94,233	\$ 97,894
Total debt	21,924	14,259
	<u>\$ 72,309</u>	<u>\$ 83,635</u>
Debt servicing limit *	\$ 15,705	\$ 16,316
Debt servicing	4,112	3,856
	<u>\$ 11,593</u>	<u>\$ 12,460</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.

* 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 \$70,675 and \$11,779, respectively.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(\$ thousands)

23. Debt limits, continued

24. 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.

25. 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.

26. Approval of financial statements

These financial statements were approved by Council and Management.

27. Budget amounts

The 2019 budget for the Town was approved by Council on December 10, 2018 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

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

Budgeted surplus per financial statements	\$	1,847
Less: Capital expenditures		(19,042)
Long-term debt repayments		(3,336)
Transfers to reserves		(5,065)
Add: Amortization		9,698
Transfers from reserves		15,898
Equals: Balanced budget	\$	-

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(\$ thousands)

28. Prior period adjustment

The Town has adjusted the comparative figures for 2018 to record investments previously offset by trust assets; contributed tangible capital assets and the associated amortization; and revenues previously recorded as trust liabilities. The effects of these adjustments are as follows:

Investments:

As previously reported December 31, 2018	\$ 39,229
Trust assets	429

Investments, as restated	\$ 39,658
---------------------------------	------------------

Tangible capital assets

As previously stated December 31, 2018	\$ 368,999
Asset additions	2,296
Amortization	(380)

Tangible capital assets, as restated	\$ 370,915
---	-------------------

Accumulated surplus

As previously stated January 1, 2018	\$ 404,389
Adjustments to net book value of tangible capital assets	1,916
Adjustments to trust liabilities	429

Accumulated surplus, as restated	\$ 406,734
---	-------------------

Excess of revenues over expenses

As previously stated December 31, 2018	\$ 12,815
Amortization	(62)

Excess of revenue over expenses, as restated	\$ 12,753
---	------------------

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(\$ thousands)

29. Subsequent events

COVID-19

The global coronavirus pandemic has had a significant impact on global financial markets and will have significant accounting, disclosure, and internal control implications for many entities.

Some of the key impacts include, but are not limited to, interruptions of production and supply chains, unavailability of personnel, reductions in revenue, decline in value of financial investments, disruptions or stoppages in non-essential travel, and the closure of facilities and businesses.

The situation is changing rapidly and the future impact on the Town is not readily determinable at this time.

30. 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, 2019
(\$ thousands)

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2019	2018 (restated)
Balance, beginning of year					
As previously stated	\$ 2,755	\$ 46,894	\$ 354,740	\$ 404,389	\$ 391,573
Prior period adjustment (note 28)	429	-	1,916	2,345	2,408
As restated	3,184	46,894	356,656	406,734	393,981
Excess of revenue over expenses	4,431	-	-	4,431	12,753
Unrestricted funds designated for future use	(11,175)	11,175	-	-	-
Restricted funds used for operations	10,210	(10,210)	-	-	-
Restricted funds used for tangible capital assets	-	(7,282)	7,282	-	-
Current year funds used for tangible capital assets	(10,433)	-	10,433	-	-
Contributed tangible capital assets	(319)	-	319	-	-
Disposal of tangible capital assets	3,131	-	(3,131)	-	-
Amortization of tangible capital assets	10,316	-	(10,316)	-	-
Long-term debt repaid	(3,335)	-	3,335	-	-
Proceeds of long-term debt used for capital	4,969	-	(4,969)	-	-
Change in accumulated surplus	7,795	(6,317)	2,953	4,431	12,753
Balance, end of year	\$ 10,979	\$ 40,577	\$ 359,609	\$ 411,165	\$ 406,734

TOWN OF OKOTOKS
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(\$ thousands)

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2019	2018 (restated)
--	------	-------------------	-----------	-----------------------	-------------------------	----------	--------------------------	------	--------------------

Cost:

Balance, beginning of year	\$ 35,052	\$ 29,916	\$ 117,967	\$ 268,904	\$ 26,113	\$ 6,227	\$ 5,109	\$ 489,288	\$ 477,753
Acquisitions	1,499	-	642	1,100	685	317	13,791	18,034	12,460
Transfers	-	394	1,256	2,859	4,586	-	(9,095)	-	-
Disposals	(2)	(87)	(433)	(3,865)	(2,054)	(347)	-	(6,788)	(925)

Balance, end of year	36,549	30,223	119,432	268,998	29,330	6,197	9,805	500,534	489,288
----------------------	--------	--------	---------	---------	--------	-------	-------	---------	---------

Accumulated amortization:

Balance, beginning of year	-	11,760	22,021	67,151	14,351	3,090	-	118,373	109,010
Annual amortization	-	1,107	2,496	4,980	1,308	425	-	10,316	9,832
Disposals	-	(88)	(143)	(1,316)	(1,980)	(130)	-	(3,657)	(469)

Balance, end of year	-	12,779	24,374	70,815	13,679	3,385	-	125,032	118,373
----------------------	---	--------	--------	--------	--------	-------	---	---------	---------

Net book value	\$ 36,549	\$ 17,444	\$ 95,058	\$ 198,183	\$ 15,651	\$ 2,812	\$ 9,805	\$ 375,502	\$ 370,915
-----------------------	------------------	------------------	------------------	-------------------	------------------	-----------------	-----------------	-------------------	-------------------

2018 net book value	\$ 35,052	\$ 18,156	\$ 95,946	\$ 201,753	\$ 11,762	\$ 3,137	\$ 5,109	\$ 370,915	
----------------------------	------------------	------------------	------------------	-------------------	------------------	-----------------	-----------------	-------------------	--

TOWN OF OKOTOKS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2019
(\$ 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
Revenue								
Net municipal taxes	\$ 29,156	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,156
User fees and sales of goods	129	1,741	1,568	14,490	148	717	1,551	20,344
Government transfers for operating	310	1,309	1	451	955	(2)	1,484	4,508
Investment income	1,271	-	-	-	4	-	-	1,275
Penalties and costs of taxes	522	-	5	114	-	-	-	641
Franchise and concession contracts	3,130	-	-	-	-	-	-	3,130
Rental	104	127	165	-	-	62	2,157	2,615
Other	505	75	44	90	-	10	148	872
Donations	-	18	-	-	26	-	237	281
	35,127	3,270	1,783	15,145	1,133	787	5,577	62,822
Expenses								
Salaries, wages and benefits	6,256	5,762	1,531	1,454	665	2,249	6,580	24,497
Contracted and general services	2,313	738	1,186	6,323	115	1,092	3,610	15,377
Materials, goods, supplies and utilities	519	314	1,935	1,371	62	17	1,744	5,962
Bank charges and short term interest	16	10	-	-	-	9	42	77
Interest on long term debt	38	222	12	162	-	-	156	590
Other expenditures	1	-	-	-	-	-	94	95
Transfers to organizations and others	3	-	-	-	325	-	3	331
Purchases from other governments	204	4,149	-	214	-	2	-	4,568
Provision for allowances	1	(18)	-	-	-	-	6	(11)
Amortization of tangible capital assets	351	613	4,451	2,113	61	-	2,727	10,316
Loss on disposal of tangible capital assets	2	-	(9)	2,727	-	-	125	2,846
	9,704	11,790	9,106	14,364	1,228	3,369	15,087	64,648
Excess (deficiency) of revenue over expenses before other	25,423	(8,520)	(7,323)	781	(95)	(2,582)	(9,510)	(1,826)
Other								
Government transfers for capital	920	607	125	-	4	-	3,810	5,466
Contributed assets	-	-	-	319	-	-	-	319
Capital donations	-	-	-	-	-	-	472	472
	920	607	125	319	4	-	4,282	6,257
Excess (deficiency) of revenue over expenses	\$ 26,343	\$ (7,913)	\$ (7,198)	\$ 1,100	\$ (91)	\$ (2,582)	\$ (5,228)	\$ 4,431