

TOWN OF OKOTOKS

Consolidated Financial Statements

For the year ended December 31, 2018

TOWN OF OKOTOKS
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For the year ended December 31, 2018

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CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To: The Mayor and Members of Council of
the Town of 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, 2018, 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, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 29 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 24.
- **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 22.

Lethbridge, Alberta

April 22, 2019



Chartered Professional Accountants

MANAGEMENT REPORT

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

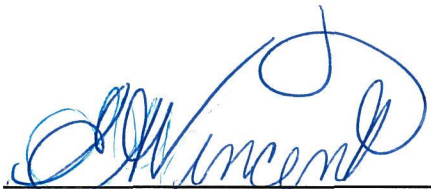
These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated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

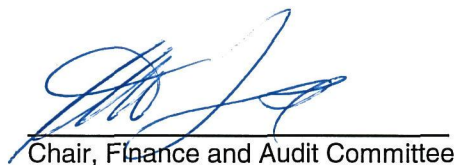
TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2018
(\$ thousands)

	2018	2017 (restated)
Financial assets		
Cash and temporary investments (note 2)	\$ 5,576	\$ 5,677
Taxes and grants in place of taxes receivable (note 3)	2,239	2,321
Trade and other receivables (note 4)	15,151	12,790
Land held for resale	679	679
Loans receivable (note 5)	210	340
Inventory held for resale	148	157
Investments (note 6)	39,229	36,944
	<u>63,232</u>	<u>58,908</u>
Liabilities		
Accounts payable and accrued liabilities	5,569	8,597
Employee benefit obligations (note 7)	1,023	955
Deposits	1,382	1,555
Deferred revenue (note 8)	6,105	5,993
Long-term debt (note 9)	14,259	17,449
	<u>28,338</u>	<u>34,549</u>
Net financial assets	<u>34,894</u>	<u>24,359</u>
Non-financial assets		
Prepaid expenses	205	189
Inventory for consumption	290	262
Tangible capital assets (schedule 2)	368,999	366,763
	<u>369,494</u>	<u>367,214</u>
Accumulated surplus (note 10 and schedule 1)	<u>\$ 404,388</u>	<u>\$ 391,573</u>

Commitments and contingencies (note 23)

Approved on behalf of Council:


Mayor


Chair, Finance and Audit Committee

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2018
(\$ thousands)

	Budget (Unaudited)	2018	2017 (restated)
Revenue			
Net municipal taxes (note 13)	\$ 27,833	\$ 27,915	\$ 27,296
User fees and sales of goods	18,379	26,814	20,986
Government transfers for operating (note 14)	3,628	3,823	3,610
Investment income	1,085	1,040	1,240
Penalties and costs of taxes	517	587	568
Franchise and concession contracts	1,400	1,597	1,600
Rental	2,554	2,295	2,008
Other	895	898	481
Donations	176	294	222
Insurance proceeds	-	-	1,487
	56,467	65,263	59,498
Expenses (note 15)			
Legislative	1,239	1,231	1,179
Administration	8,242	8,463	7,321
Protective services	11,097	11,260	10,831
Common and equipment pool	1,475	1,410	1,567
Roads, streets, walks, lighting	5,721	6,299	5,747
Public transportation	63	80	51
Storm sewers and drainage	804	828	732
Water supply and distribution	4,320	4,690	5,029
Wastewater treatment and collection	3,686	3,701	3,524
Waste management	2,891	2,585	2,652
Family and community support services	1,005	1,101	987
Cemeteries and crematoriums	197	233	208
Planning and development	2,894	2,571	2,612
Parks and recreation	13,313	12,771	11,844
Culture - libraries, museums, halls	1,074	1,153	1,056
	58,021	58,376	55,340
(Deficiency) excess of revenue over expenses before other	(1,554)	6,887	4,158
Other			
Government transfers for capital (note 14)	3,435	5,683	12,592
Contributed assets (note 21)	-	245	3,789
	3,435	5,928	16,381
Excess of revenue over expenses (note 28)	1,881	12,815	20,539
Accumulated surplus, beginning of year			
As previously stated	390,545	390,545	372,809
Prior period adjustment (note 29)	-	1,028	(1,775)
As restated	390,545	391,573	371,034
Accumulated surplus, end of year	\$ 392,426	\$ 404,388	\$ 391,573

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2018
(\$ thousands)

	Budget (Unaudited)	2018	2017 (restated)
Excess of revenue over expenses	\$ 1,881	\$ 12,815	\$ 20,539
Acquisition of tangible capital assets	(13,026)	(12,215)	(22,720)
Amortization of tangible capital assets	9,229	9,768	9,392
Contributed assets	-	(245)	(3,789)
Loss on disposal of tangible capital assets	-	289	175
Proceeds on disposal of tangible capital assets	-	167	71
	(3,797)	(2,236)	(16,871)
Net change in inventory for consumption	-	(28)	2
Net change in prepaid expense	-	(16)	(55)
	-	(44)	(53)
Increase (decrease) in net financial assets	(1,916)	10,535	3,615
Net financial assets, beginning of year			
As previously stated	25,279	25,279	22,157
Prior period adjustment (note 29)	-	(920)	(1,413)
As restated	25,279	24,359	20,744
Net financial assets, end of year	\$ 23,363	\$ 34,894	\$ 24,359

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2018
(\$ thousands)

	2018	2017 (restated)
Operating transactions		
Excess of revenue over expenses	\$ 12,815	\$ 20,539
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	289	175
Amortization of tangible capital assets	9,768	9,392
Contributed assets	(245)	(3,789)
	22,627	26,317
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	82	(532)
Trade and other receivables	(2,361)	(1,423)
Inventory held for resale	9	(95)
Loans receivable	130	-
Inventory for consumption	(28)	2
Prepaid expenses	(16)	(55)
Accounts payable and accrued liabilities	(3,028)	578
Employee benefit obligations	68	(34)
Deposits	(173)	107
Deferred revenue	112	(5,286)
Cash provided by operating transactions	17,422	19,579
Capital transactions		
Proceeds on disposal of tangible capital assets	167	71
Acquisition of tangible capital assets	(12,215)	(22,720)
Cash applied to capital transactions	(12,048)	(22,649)
Investing transactions		
Increase in investments	(2,285)	(1,284)
Financing transactions		
Repayment of long-term debt	(3,190)	(3,098)
Decrease in cash and temporary investments	(101)	(7,452)
Cash and temporary investments, beginning of year	5,677	13,129
Cash and temporary investments, end of year	\$ 5,576	\$ 5,677

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018
(\$ 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, 2018
(\$ 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, 2018
(\$ 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, 2018
(\$ 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, 2018, the line of credit was undrawn.

Included in cash is \$1,382 (2017 - \$1,555) of deposit liability funds which are not available for current purposes.

3. Taxes and grants in place of taxes receivables

	2018	2017
Taxes and grants in place of taxes receivable	\$ 1,620	\$ 1,716
Arrears	619	605
	<u>\$ 2,239</u>	<u>\$ 2,321</u>

4. Trade and other receivables

	2018	2017 (restated)
Acreage assessments	\$ 8,425	\$ 3,192
Utility accounts	2,232	2,128
Trade receivables	2,031	1,041
Provincial grants	1,699	3,819
GST	437	555
Recreation receivables	239	184
Investment receivables	131	345
Annexation off site levy costs	59	59
Federal grants	-	1,550
Allowance for doubtful accounts	(102)	(83)
	<u>\$ 15,151</u>	<u>\$ 12,790</u>

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018
(\$ thousands)

5. Loans receivable

	2018	2017
Foothills Dawg's Baseball Club	\$ 210	\$ 240
Nustadia Recreation Inc.	-	100
	<u>\$ 210</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.

6. Investments

	2018 Cost	2018 Market value	2017 Cost (restated)	2017 Market value
Bonds	\$ 39,229	\$ 38,235	\$ 36,944	\$ 37,117

The investments consist of bonds and principal protected notes that earn interest at rates between 2.3% and 4.9% with maturity dates between 2019 and 2028.

7. Employee benefit obligations

	2018	2017
Vacation and overtime	\$ 718	\$ 669
Long-term service benefit	305	286
	<u>\$ 1,023</u>	<u>\$ 955</u>

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.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018
(\$ thousands)

8. Deferred revenue

	2018	2017
Basic Municipal Transportation grant	\$ 1,965	\$ 889
Municipal Sustainability Initiative - capital	1,418	-
Federal Gas Tax Fund	857	1,910
Services not yet provided	792	789
Other provincial grants	464	303
General administrative grants	277	25
Recreation centre administrative grants	249	266
Municipal Sustainability Initiative - operating	54	37
Resource centre grant	25	29
Cultural grant	2	2
Family and Community Support Services	2	174
Alberta Community Resilience Program	-	1,569
	\$ 6,105	\$ 5,993

9. Long-term debt

	2018	2017
Debentures	\$ 14,259	\$ 17,449
Current portion	\$ 3,336	\$ 3,189

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2019	\$ 3,336	\$ 520	\$ 3,856
2020	3,155	369	3,524
2021	840	253	1,093
2022	835	220	1,055
2023	704	189	893
Thereafter	5,389	1,225	6,614
	\$ 14,259	\$ 2,776	\$ 17,035

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.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018
(\$ thousands)

9. Long-term debt, continued

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

Interest on long-term debt amounted to \$659 (2017 - \$801).

The Town's total cash payments for interest in 2018 were \$666 (2017 - \$807).

10. Accumulated surplus

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

	2018	2017 (restated)
Unrestricted surplus	\$ 2,754	\$ 2,557
Internally restricted surplus (reserves) (note 11)	46,894	39,702
Equity in tangible capital assets (note 12)	354,740	349,314
	<u>\$ 404,388</u>	<u>\$ 391,573</u>

11. Reserves

Reserves for operating and capital activities are as follows:

	2018	2017
Operating		
Finance and systems	\$ 1,500	\$ 1,700
Development services	870	915
Corporate and strategic	564	612
Community services	580	580
Infrastructure services	279	279
Protective	251	251
Safety	60	60
Family & Community Support Services	7	7
Utility services	(689)	(757)
	<u>3,422</u>	<u>3,647</u>

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018
(\$ thousands)

11. Reserves, continued

	2018	2017
Capital		
Infrastructure services	14,652	11,575
Recapitalization	12,930	11,516
Utility services	9,429	7,934
Community services	5,416	3,991
Refuse and recycling	601	595
Corporate and strategic	395	395
Development services	49	49
	43,472	36,055
	\$ 46,894	\$ 39,702

12. Equity in tangible capital assets

	2018	2017 (restated)
Tangible capital assets (schedule 2)	\$ 486,991	\$ 475,456
Accumulated amortization (schedule 2)	(117,992)	(108,693)
Long-term debt (note 9)	(14,259)	(17,449)
	\$ 354,740	\$ 349,314

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018
(\$ thousands)

13. Net municipal property taxes

	Budget (Unaudited)	2018	2017
Taxation			
Real property taxes	\$ 42,654	\$ 42,774	\$ 42,028
Linear property taxes	296	316	287
Business taxes	13	-	12
Government grants in place of property taxes	40	41	39
Special assessments and local improvements	3	3	-
	43,006	43,134	42,366
Requisitions			
Alberta School Foundation Fund	11,567	11,613	11,555
Seniors Lodge	645	645	604
Christ the Redeemer Catholic Separate	2,142	2,142	2,143
Okotoks Library Board	819	819	768
	15,173	15,219	15,070
	\$ 27,833	\$ 27,915	\$ 27,296

14. Government transfers

	Budget (Unaudited)	2018	2017
Transfers for operating:			
Provincial government	\$ 1,871	\$ 1,928	\$ 1,834
Federal government	5	38	13
Other local government transfers	1,698	1,794	1,705
Transfer from local boards and agencies	54	63	58
	3,628	3,823	3,610
Transfers for capital:			
Provincial government	3,435	5,683	12,552
Federal government	-	-	40
	3,435	5,683	12,592
	\$ 7,063	\$ 9,506	\$ 16,202

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018
(\$ thousands)

15. Expenses by object

	Budget (Unaudited)	2018	2017 (restated)
Salaries, wages and benefits	\$ 22,915	\$ 22,671	\$ 21,239
Contracted and general services	15,121	14,429	14,390
Materials, goods, supplies and utilities	5,247	5,568	4,448
Bank charges and short term interest	71	82	64
Interest on long term debt	666	659	801
Other expenditures	95	122	123
Transfers to organizations and others	321	413	347
Purchases from other governments	4,356	4,344	4,363
Provision (recovery) for allowances	-	31	(2)
Amortization of tangible capital assets	9,229	9,768	9,392
Loss on disposal of tangible capital assets	-	289	175
	\$ 58,021	\$ 58,376	\$ 55,340

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:

	2018	2017
Cemetery perpetual care	\$ 428	\$ 385
Other	62	49
	\$ 490	\$ 434

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

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18. Local authorities pension plan

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plans Act. The plan serves about 259,000 people and 420 employers. The LAPP is financed by the employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Town is required to make current service contributions to the LAPP of 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2018 were \$1,691 (2017 - \$1,655). Total current service contributions by the employees of the Town to the LAPP in 2018 were \$1,550 (2017 - \$1,526).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.835 million.

19. 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% (2017 - 2.84%) and 3.78% (2017 - 3.8%) respectively of pensionable earnings up to \$147 (2017 - \$146).

Total current service contributions by the Town to APEX in 2018 were \$95 (2017 - \$95). Total current service contributions by the employees of the Town were \$71 (2017 - \$71).

TOWN OF OKOTOKS
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20. 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 \$196 (2017 \$210).

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, 2018. The significant actuarial assumptions in measuring the accrued benefit obligation are as follows: expected discount rate of 4.75%, expected salary escalations of 3.50% per year and inflation rate of 2.25%.

21. Contributed assets

Contributed assets consist of the following assets, by type:

	2018	2017 (restated)
Water	\$ 191	\$ -
Storm	54	-
Roadway	-	1,179
Champion Park	-	2,610
	<u>\$ 245</u>	<u>\$ 3,789</u>

TOWN OF OKOTOKS
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22. Salary and benefits disclosure

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	(1) Salary	(2) Benefits & allowances	2018	2017
Council				
W. Robertson, Mayor	\$ 79	\$ 5	\$ 84	\$ 82
F. Christophers	38	4	42	7
K. Heemeryck	41	1	42	41
M. Rockley	38	4	42	42
E. Sands	39	4	43	43
T. Thorn	40	4	44	43
R. Watrin	38	5	43	43
C. Fischer	-	-	-	36
Chief Administrative Officer	238	39	277	262
Designated Officers - 0 positions (2017 - 2 positions)	\$ -	\$ -	\$ -	\$ 291

(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
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23. 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, 2018.

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.

In May 2018, the Town gave Epcor an 18 month notice of cancellation. This agreement is set to expire November 2019.

e) 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, \$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 2025.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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24. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town be disclosed as follows:

	2018	2017
Total debt limit *	\$ 97,894	\$ 88,507
Total debt	14,259	17,449
	\$ 83,635	\$ 71,058
Debt servicing limit *	\$ 16,316	\$ 14,751
Debt servicing	3,856	3,855
	\$ 12,460	\$ 10,896

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 \$73,421 and \$12,237, respectively.

25. Contaminated sites liability

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

26. 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, 2018
(\$ thousands)

27. Approval of financial statements

These financial statements were approved by Council and Management.

28. Budget amounts

The 2018 budget for the Town was approved by Council on December 11, 2017 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

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

Budgeted surplus per financial statements	\$ 1,881
Less: Capital expenditures	(13,026)
Long-term debt repayments	(3,205)
Transfers to reserves	(8,175)
Add: Amortization	9,229
Net transfers from reserves	13,296
Equals: Balanced budget	\$ -

29. Prior period adjustment

The Town has adjusted the comparative figures for 2017 to record accrued interest on its investments, amortization of bond premiums in the investment portfolio, the donation of Champion Park and other contributed assets, and errors in the calculation of amortization. The effect of these adjustments for December 31, 2017 is as follows:

Trade and other receivables:

As previously reported December 31, 2017	\$ 12,461
Accrued interest	329

Trade and other receivables, as restated	\$ 12,790
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Investments:

As previously reported December 31, 2017	\$ 38,193
Net amortization of bond premiums	(1,249)

Investments, as restated	\$ 36,944
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TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(\$ thousands)

29. Prior period adjustment, continued

Tangible capital assets	
As previously stated December 31, 2017	\$ 364,815
Contributed assets	3,458
Amortization	(1,510)
Tangible capital assets, as restated	\$ 366,763
 Accumulated surplus	
As previously stated January 1, 2017	\$ 372,809
Adjustments to net book value of tangible capital assets	(362)
Adjustments to investments	(2,022)
Adjustments to trade and other receivables	609
Accumulated surplus, as restated	\$ 371,034
 Excess of revenues over expenses	
As previously stated December 31, 2017	\$ 17,736
Investment income	492
Contributed assets	2,610
Amortization	(299)
Excess of revenue over expenses, as restated	\$ 20,539

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, 2018
(\$ thousands)

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2018	2017 (restated)
Balance, beginning of year					
As previously stated	\$ 3,477	\$ 39,702	\$ 347,366	\$ 390,545	\$ 372,809
Prior period adjustment (note 29)	(920)	-	1,948	1,028	(1,775)
As restated	2,557	39,702	349,314	391,573	371,034
Excess of revenue over expenses	12,815	-	-	12,815	20,539
Unrestricted funds designated for future use	(14,725)	14,725	-	-	-
Restricted funds used for operations	775	(775)	-	-	-
Restricted funds used for tangible capital assets	-	(6,758)	6,758	-	-
Current year funds used for tangible capital assets	(5,456)	-	5,456	-	-
Contributed tangible capital assets	(245)	-	245	-	-
Disposal of tangible capital assets	455	-	(455)	-	-
Amortization of tangible capital assets	9,768	-	(9,768)	-	-
Long-term debt repaid	(3,190)	-	3,190	-	-
Change in accumulated surplus	197	7,192	5,426	12,815	20,539
Balance, end of year	\$ 2,754	\$ 46,894	\$ 354,740	\$ 404,388	\$ 391,573

TOWN OF OKOTOKS
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018
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Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2018	2017 (restated)
Cost:									
Balance, beginning of year	\$ 35,052	\$ 28,477	\$ 102,555	\$ 247,547	\$ 26,136	\$ 6,174	\$ 29,515	\$ 475,456	\$ 449,499
Acquisitions	-	68	345	245	323	435	11,044	12,460	26,509
Transfers	-	821	15,067	19,426	-	-	(35,314)	-	-
Disposals	-	(61)	-	-	(346)	(382)	(136)	(925)	(552)
Balance, end of year	35,052	29,305	117,967	267,218	26,113	6,227	5,109	486,991	475,456
Accumulated amortization:									
Balance, beginning of year	-	10,446	19,785	62,314	13,218	2,930	-	108,693	99,607
Annual amortization	-	1,063	2,236	4,728	1,322	419	-	9,768	9,392
Disposals	-	(20)	-	-	(189)	(260)	-	(469)	(306)
Balance, end of year	-	11,489	22,021	67,042	14,351	3,089	-	117,992	108,693
Net book value	\$ 35,052	\$ 17,816	\$ 95,946	\$ 200,176	\$ 11,762	\$ 3,138	\$ 5,109	\$ 368,999	\$ 366,763
2017 net book value	\$ 35,052	\$ 18,031	\$ 82,770	\$ 185,233	\$ 12,918	\$ 3,243	\$ 29,515	\$ 366,763	

TOWN OF OKOTOKS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018
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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	\$ 27,912	\$ -	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ 27,915
User fees and sales of goods	130	1,876	3,880	18,219	153	1,043	1,513	26,814
Government transfers for operating	120	1,160	-	179	1,042	91	1,231	3,823
Investment income	1,036	-	-	-	4	-	-	1,040
Penalties and costs of taxes	473	-	6	108	-	-	-	587
Franchise and concession contracts	1,597	-	-	-	-	-	-	1,597
Rental	122	122	139	-	-	39	1,873	2,295
Other	405	-	72	115	-	218	88	898
Donations	-	58	-	29	31	-	176	294
	31,795	3,216	4,100	18,650	1,230	1,391	4,881	65,263
Expenses								
Salaries, wages and benefits	5,941	5,263	1,387	1,271	652	1,970	6,187	22,671
Contracted and general services	2,342	818	1,248	6,213	118	576	3,114	14,429
Materials, goods, supplies and utilities	469	381	1,642	1,150	54	14	1,858	5,568
Bank charges and short term interest	19	11	-	-	-	9	43	82
Interest on long term debt	33	239	21	110	-	-	256	659
Other expenditures	-	-	-	-	43	-	79	122
Transfers to organizations and others	2	-	-	-	411	-	-	413
Purchases from other governments	205	3,934	-	204	-	1	-	4,344
Provision for allowances	-	23	1	4	-	-	3	31
Amortization of tangible capital assets	394	592	4,320	2,023	56	-	2,383	9,768
Loss on disposal of tangible capital assets	289	-	-	-	-	-	-	289
	9,694	11,261	8,619	10,975	1,334	2,570	13,923	58,376
Excess (deficiency) of revenue over expenses before other	22,101	(8,045)	(4,519)	7,675	(104)	(1,179)	(9,042)	6,887
Other								
Government transfers for capital	596	16	406	1,569	20	1,045	2,031	5,683
Contributed assets	-	-	-	245	-	-	-	245
	596	16	406	1,814	20	1,045	2,031	5,928
Excess (deficiency) of revenue over expenses	\$ 22,697	\$ (8,029)	\$ (4,113)	\$ 9,489	\$ (84)	\$ (134)	\$ (7,011)	\$ 12,815