

TOWN OF OKOTOKS

Consolidated Financial Statements

For the year ended December 31, 2020

TOWN OF OKOTOKS
TABLE OF CONTENTS
For the year ended December 31, 2020

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, 2020, 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, 2020, 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.

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 22.
- 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 20.

Lethbridge, Alberta

April 26, 2021



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, 2020
(\$ thousands)

	2020	2019
Financial assets		
Cash and temporary investments (note 2)	\$ 22,172	\$ 12,215
Taxes and grants in place of taxes receivable (note 3)	2,344	2,373
Trade and other receivables (note 4)	8,596	13,494
Land held for resale	3,313	3,313
Loans receivable (note 5)	150	170
Inventory held for resale	129	140
Investments (note 6)	38,787	37,251
	75,491	68,956
Liabilities		
Accounts payable and accrued liabilities	11,003	6,905
Employee benefit obligations (note 7)	1,212	1,328
Deposits	1,308	1,320
Deferred revenue (note 8)	6,560	2,107
Long-term debt (note 9)	18,444	21,924
	38,527	33,584
Net financial assets	36,964	35,372
Non-financial assets		
Prepaid expenses	372	211
Inventory for consumption	61	81
Tangible capital assets (schedule 2)	388,272	375,502
	388,705	375,794
Accumulated surplus (note 10 and schedule 1)	\$ 425,669	\$ 411,166

Commitments and contingencies (note 21)

Approved on behalf of Council:

Bill Robertson

Mayor

EWA Sands, BC

Chair, Finance and Audit Committee

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2020
(\$ thousands)

	Budget (Unaudited)	2020	2019
Revenue			
Net municipal taxes (note 13)	\$ 29,991	\$ 29,399	\$ 29,156
User fees and sales of goods	20,112	18,862	20,344
Government transfers for operating (note 14)	4,274	7,041	4,508
Investment income	927	1,570	1,275
Penalties and costs of taxes	531	568	641
Franchise and concession contracts	3,096	3,264	3,130
Rental	2,759	1,576	2,615
Other	418	448	872
Donations	195	546	281
Insurance proceeds	3	24	-
Gain on disposal of tangible capital assets	-	5	-
	62,306	63,303	62,822
Expenses (note 15)			
Legislative	1,241	1,135	1,135
Administration	9,077	7,967	8,565
Protective services	11,226	11,660	11,056
Common and equipment pool	1,712	1,648	1,551
Roads, streets, walks, lighting	6,474	6,415	6,319
Public transportation	900	864	234
Storm sewers and drainage	1,056	1,109	1,002
Water supply and distribution	4,275	4,165	5,210
Wastewater treatment and collection	3,837	3,798	6,257
Waste management	2,680	2,558	2,898
Family and community support services	1,021	940	1,014
Planning and development	5,571	4,382	4,104
Cemeteries and crematoriums	336	196	214
Parks and recreation	15,806	12,041	14,078
Culture - libraries, museums, halls	1,099	891	1,011
	66,311	59,769	64,648
Annual surplus (deficit) before other	(4,005)	3,534	(1,826)
Other			
Government transfers for capital (note 14)	2,032	8,830	5,466
Contributed assets (note 19)	-	1,887	319
Capital donations	-	252	472
	2,032	10,969	6,257
Annual surplus (deficit) (note 26)	(1,973)	14,503	4,431
Accumulated surplus, beginning of year	411,166	411,166	406,735
Accumulated surplus, end of year	\$ 409,193	\$ 425,669	\$ 411,166

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2020
(\$ thousands)

	Budget (Unaudited)	2020	2019
Annual surplus (deficit)	\$ (1,973)	\$ 14,503	\$ 4,431
Acquisition of tangible capital assets	(16,941)	(22,150)	(17,715)
Amortization of tangible capital assets	10,640	11,260	10,316
Contributed assets	-	(1,887)	(319)
Loss on disposal of tangible capital assets	-	2	2,846
Proceeds on disposal of tangible capital assets	-	4	285
	(6,301)	(12,771)	(4,587)
Net change in inventory for consumption	-	21	209
Net change in prepaid expense	-	(161)	(6)
	-	(140)	203
Increase (decrease) in net financial assets	(8,274)	1,592	47
Net financial assets, beginning of year	35,372	35,372	35,325
Net financial assets, end of year	\$ 27,098	\$ 36,964	\$ 35,372

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2020
(\$ thousands)

	2020	2019
Operating transactions		
Annual surplus	\$ 14,503	\$ 4,431
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	2	2,846
Amortization of tangible capital assets	11,260	10,316
Contributed assets	(1,887)	(319)
	23,878	17,274
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	29	(134)
Trade and other receivables	4,897	1,660
Inventory held for resale	11	8
Land held for resale	-	(2,634)
Loans receivable	20	40
Inventory for consumption	21	209
Prepaid expenses	(161)	(6)
Accounts payable and accrued liabilities	4,098	1,495
Employee benefit obligations	(116)	146
Deposits	(12)	(62)
Deferred revenue	4,453	(3,998)
Cash provided by operating transactions	37,118	13,998
Capital transactions		
Proceeds on disposal of tangible capital assets	4	285
Acquisition of tangible capital assets	(22,150)	(17,715)
Cash applied to capital transactions	(22,146)	(17,430)
Investing transactions		
Decrease (increase) in investments	(1,536)	2,407
Financing transactions		
Proceeds of long-term debt	-	11,000
Repayment of long-term debt	(3,479)	(3,336)
Cash applied to financing transactions	(3,479)	7,664
Increase in cash and temporary investments	9,957	6,639
Cash and temporary investments, beginning of year	12,215	5,576
Cash and temporary investments, end of year	\$ 22,172	\$ 12,215

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(\$ 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, 2020
(\$ 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, 2020
(\$ 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, 2020
(\$ 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, 2020, the line of credit was undrawn.

Included in cash is \$1,308 (2019 - \$1,320) of deposit liability funds which are not available for current purposes.

3. Taxes and grants in place of taxes receivables

		2020		2019
Taxes and grants in place of taxes receivable	\$	1,805	\$	1,813
Arrears		539		560
	\$	2,344	\$	2,373

4. Trade and other receivables

		2020		2019
Trade receivables	\$	3,150	\$	2,006
Utility accounts		2,687		2,397
Acreage assessments		2,117		5,587
GST		308		404
Investment receivables		166		148
Recreation receivables		160		348
Federal grants		25		-
Provincial grants		-		2,630
Allowance for doubtful accounts		(17)		(26)
	\$	8,596	\$	13,494

5. Loans receivable

		2020		2019
Foothills Dawg's Baseball Club	\$	150	\$	170

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 at \$50 per year.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(\$ thousands)

6. Investments

	2020		2019	
	Cost	Market value	Cost	Market value
Bonds	\$ 38,787	\$ 39,707	\$ 37,251	\$ 37,245

The investments consist of bonds and principal protected notes that earn interest at rates between 1.57% and 4.86% with maturity dates between 2021 and 2030.

7. Employee benefit obligations

	2020	2019
Vacation and overtime	\$ 516	\$ 703
Long-term service benefit	475	421
Health care spending account	221	204
	\$ 1,212	\$ 1,328

Vacation and overtime

The vacation and overtime liability is comprised of amounts 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.

Health care spending account

The health care spending account liability is comprised of unused balances in employees accounts, which can be carried forward for up to two years.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(\$ thousands)

8. Deferred revenue

	Balance, beginning of year	Received	Recognized	Balance, end of year
Municipal Sustainability Initiative				
- capital	-	11,144	6,752	4,392
Services not yet provided	1,049	-	33	1,016
Municipal Operating Support				
Transfer	-	2,942	2,624	318
Green Trip	670	(21)	425	224
Municipal Stimulus Program	-	220	38	182
Basic Municipal Transportation grant	212	1	50	163
Family and Community Support Services	8	129	6	131
Federal Gas Tax Fund	-	1,188	1,130	58
General administrative grants	148	481	581	48
Resource Centre grant	20	48	40	28
	2,107	16,132	11,679	6,560

9. Long-term debt

	2020	2019
Tax-supported debt	\$ 6,853	\$ 9,415
Self-supported debt		
Offsites	10,675	4,969
Utilities	916	1,509
Offsites Future Capital Projects	-	6,031
Self-supported debt	11,591	12,509
	\$ 18,444	\$ 21,924
Current portion	\$ 1,172	\$ 3,479

Tax-supported debt represents the amount funded by municipal taxes. Self-supported debt represents the amount funded through self-supported municipal operations including offsite levies collected from developers, water, and sanitary.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(\$ thousands)

9. Long-term debt, continued

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2021	\$ 1,172	\$ 509	\$ 1,681
2022	1,176	469	1,645
2023	1,053	429	1,482
2024	816	396	1,212
2025	695	374	1,069
Thereafter	13,532	3,172	16,704
	<u>\$ 18,444</u>	<u>\$ 5,349</u>	<u>\$ 23,793</u>

Debenture debt is repayable to the Treasury Board and Finance.. Debentures outstanding at December 31 bear interest at rates ranging from 2.27% to 4.61% (2019 - 2.27% to 5.26%) per annum, before Provincial subsidy, and mature in periods 2022 through 2044.

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

Interest on long-term debt amounted to \$625 (2019 - \$590).

The Town's total cash payments for interest in 2020 were \$633 (2019 - \$520).

10. Accumulated surplus

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

	2020	2019
Unrestricted surplus	\$ 17,021	\$ 10,980
Internally restricted surplus (reserves) (note 11)	38,820	40,577
Equity in tangible capital assets (note 12)	369,828	359,609
	<u>\$ 425,669</u>	<u>\$ 411,166</u>

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(\$ thousands)

11. Reserves

Reserves for operating and capital activities are as follows:

	2020	2019
Operating		
Infrastructure services	\$ 7,066	\$ 3,155
Corporate	2,799	2,772
Family & Community Support Services	7	7
	9,872	5,934
Capital		
Recapitalization	27,737	19,832
Community services	4,464	4,442
Infrastructure services	(3,253)	10,369
	28,948	34,643
	\$ 38,820	\$ 40,577

12. Equity in tangible capital assets

	2020	2019
Tangible capital assets (schedule 2)	\$ 524,422	\$ 500,534
Accumulated amortization (schedule 2)	(136,150)	(125,032)
Long-term debt (note 9)	(18,444)	(21,924)
Long-term debt - future capital projects (note 9)	-	6,031
	\$ 369,828	\$ 359,609

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(\$ thousands)

13. Net municipal property taxes

	Budget (Unaudited)	2020	2019
Taxation			
Real property taxes	\$ 45,481	\$ 44,956	\$ 44,511
Linear property taxes	347	354	336
Government grants in place of property taxes	42	5	39
Special assessments and local improvements	3	3	3
	45,873	45,318	44,889
Requisitions			
Alberta School Foundation Fund	12,147	12,184	12,033
Seniors Lodge	639	639	634
Christ the Redeemer Catholic Separate	2,253	2,253	2,229
Okotoks Library Board	843	843	837
	15,882	15,919	15,733
	\$ 29,991	\$ 29,399	\$ 29,156

14. Government transfers

	Budget (Unaudited)	2020	2019
Transfers for operating:			
Provincial government	\$ 1,853	\$ 4,331	\$ 2,330
Federal government	9	130	41
Other local government transfers	2,313	2,466	2,068
Transfer from local boards and agencies	99	114	69
	4,274	7,041	4,508
Transfers for capital:			
Provincial government	2,032	8,830	5,466
	\$ 6,306	\$ 15,871	\$ 9,974

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(\$ thousands)

15. Expenses by object

	Budget (Unaudited)	2020	2019
Salaries, wages and benefits	\$ 27,369	\$ 25,677	\$ 24,493
Contracted and general services	15,498	11,244	14,993
Materials, goods, supplies and utilities	6,571	5,492	5,823
Bank charges and short term interest	75	61	78
Interest on long term debt	631	625	590
Other expenditures	46	2	39
Transfers to organizations and others	303	258	428
Purchases from other governments	5,178	5,149	5,053
Provision (recovery) for allowances	-	(1)	(11)
Amortization of tangible capital assets	10,640	11,260	10,316
Loss on disposal of tangible capital assets	-	2	2,846
	\$ 66,311	\$ 59,769	\$ 64,648

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 274,000 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 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 2020 were \$1,801 (2019 - \$1,637). Total current service contributions by the employees of the Town to the LAPP in 2020 were \$1,634 (2019 - \$1,484).

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.9 billion.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(\$ 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 2.61% (2019 - 2.84%) and 3.85% (2019 - 3.78%) respectively of pensionable earnings up to \$155 (2019 - \$151).

Total current service contributions by the Town to APEX in 2020 were \$105 (2019 - \$102). Total current service contributions by the employees of the Town were \$71 (2019 - \$76).

19. Contributed assets

Contributed assets consist of the following assets, by type:

	2020	2019
Water	\$ 459	\$ 115
Sanitary	534	204
Storm	894	-
	<u>\$ 1,887</u>	<u>\$ 319</u>

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(\$ thousands)

20. Salary and benefits disclosure

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

	(1)	(2)		
	Salary	Benefits & allowances	2020	2019
Council				
W. Robertson, Mayor	\$ 96	\$ 3	\$ 99	\$ 99
F. Christophers	43	5	48	47
K. Heemeryck	43	1	44	44
M. Rockley	44	5	49	47
E. Sands	44	5	49	48
T. Thorn	43	5	48	50
R. Watrin	43	6	49	48
Chief Administrative Officer	\$ 274	\$ 41	\$ 315	\$ 291

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, vacation payouts 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, 2020
(\$ thousands)

21. Commitments and contingencies

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

b) No provisions have been made for any potential legal claims that may be filed against the Town, as management believes the Town has minimal exposure as at December 31, 2020.

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, \$1,000 of which was paid in 2017 to 2020. The remaining balance will be paid in increments of \$200 annually. The last payment is expected to be paid by July 2025.

22. Debt limits

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

		2020		2019
Total debt limit *	\$	94,955	\$	94,233
Total debt		18,444		21,924
	\$	76,511	\$	72,309
Debt servicing limit *	\$	15,826	\$	15,705
Debt servicing		1,681		4,112
	\$	14,145	\$	11,593

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 \$71,218 and \$11,870, respectively.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(\$ thousands)

23. 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.

24. Financial instruments

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risk arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

25. Approval of financial statements

These financial statements were approved by Council and Management.

26. Budget amounts

The 2020 budget for the Town was approved by Council on December 9, 2019 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

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

Budgeted deficit per financial statements	\$ (1,973)
Less: Capital expenditures	(16,941)
Long-term debt repayments	(3,482)
Transfers to reserves	(7,744)
Add: Amortization	10,640
Transfers from reserves	19,500
Equals: Balanced budget	\$ -

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(\$ thousands)

27. COVID-19

Events have occurred as a result of the COVID-19 (coronavirus) pandemic that have caused economic uncertainty. The duration and impact of the pandemic, as well as the effectiveness of government responses, remain unclear at this time.

Potential impacts on the Town's business could include future decreases in revenue and delays in completing capital project work, temporary declines in investment income, closure of facilities including recreation, library, and administrative buildings, temporary and/or permanent termination of public employees and mandatory working from home requirements for those able to do so.

The Town has continued to develop strategies to manage the impacts of the COVID-19 outbreak. Administration continues to monitor revenue, expenses, and projects for the Town. Cost saving measures have been instituted where appropriate. The Town continues to follow protocols set by the Alberta Government and to make suitable adjustments in the face of the pandemic.

Management is not aware of any material impairments, at this time, that will impact the financial assets or liabilities of the Town due to the pandemic.

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

28. 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, 2020
(\$ thousands)

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2020	2019
Balance, beginning of year	\$ 10,980	\$ 40,577	\$ 359,609	\$ 411,166	\$ 406,735
Annual surplus	14,503	-	-	14,503	4,431
Unrestricted funds					
designated for future use	(12,775)	12,775	-	-	-
Restricted funds used for					
operations	1,460	(1,460)	-	-	-
Restricted funds used for					
tangible capital assets	-	(13,072)	13,072	-	-
Current year funds used for					
tangible capital assets	(9,078)	-	9,078	-	-
Contributed tangible capital					
assets	(1,887)	-	1,887	-	-
Disposal of tangible capital					
assets	6	-	(6)	-	-
Amortization of tangible					
capital assets	11,260	-	(11,260)	-	-
Long-term debt repaid	(3,479)	-	3,479	-	-
Long-term debt used for					
capital	6,031	-	(6,031)	-	-
Change in accumulated	6,041	(1,757)	10,219	14,503	4,431
surplus					
Balance, end of year	\$ 17,021	\$ 38,820	\$ 369,828	\$ 425,669	\$ 411,166

TOWN OF OKOTOKS
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(\$ thousands)

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2020	2019
Cost:									
Balance, beginning of year	\$ 36,549	\$ 30,223	\$ 119,432	\$ 268,998	\$ 29,330	\$ 6,197	\$ 9,805	\$ 500,534	\$ 489,288
Acquisitions	182	127	16	2,284	395	751	20,282	24,037	18,034
Transfers	-	1,413	1,099	987	1,399	-	(4,898)	-	-
Disposals	-	(5)	-	(50)	-	(94)	-	(149)	(6,788)
Balance, end of year	36,731	31,758	120,547	272,219	31,124	6,854	25,189	524,422	500,534
Accumulated amortization:									
Balance, beginning of year	-	12,779	24,374	70,815	13,679	3,385	-	125,033	118,373
Annual amortization	-	1,128	2,546	5,494	1,611	481	-	11,260	10,316
Disposals	-	(4)	-	(55)	-	(84)	-	(143)	(3,657)
Balance, end of year	-	13,903	26,920	76,254	15,290	3,782	-	136,150	125,032
Net book value	\$ 36,731	\$ 17,855	\$ 93,627	\$ 195,965	\$ 15,834	\$ 3,072	\$ 25,189	\$ 388,272	\$ 375,502
2019 net book value	\$ 36,549	\$ 17,444	\$ 95,058	\$ 198,183	\$ 15,651	\$ 2,812	\$ 9,805	\$ 375,502	

TOWN OF OKOTOKS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
(\$ 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	\$ 29,399	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,399
User fees and sales of goods	100	1,573	1,395	14,506	131	654	503	18,862
Government transfers for operating	2,742	1,344	-	409	879	125	1,542	7,041
Investment income	1,570	-	-	-	-	-	-	1,570
Penalties and costs of taxes	478	-	4	86	-	-	-	568
Franchise and concession contracts	3,264	-	-	-	-	-	-	3,264
Rental	88	215	1	-	-	26	1,246	1,576
Other	230	-	80	94	-	4	40	448
Donations	-	-	-	1	10	350	185	546
Insurance proceeds	-	1	23	-	-	-	-	24
Gain on disposal of capital assets	-	-	-	5	-	-	-	5
	37,871	3,133	1,503	15,101	1,020	1,159	3,516	63,303
Expenses								
Salaries, wages and benefits	6,202	5,922	1,618	2,781	682	2,868	5,604	25,677
Contracted and general services	1,986	425	1,749	2,974	75	1,457	2,578	11,244
Materials, goods, supplies and utilities	201	294	2,060	1,485	66	4	1,382	5,492
Bank charges and short term interest	16	1	-	-	-	19	25	61
Interest on long term debt	30	204	2	323	-	-	66	625
Other expenditures	2	-	-	-	-	-	-	2
Transfers to organizations and others	3	-	-	-	251	-	4	258
Purchases from other governments	204	4,187	-	248	-	34	476	5,149
Provision for allowances	(2)	3	-	(2)	-	-	-	(1)
Amortization of tangible capital assets	462	623	4,607	2,711	61	-	2,796	11,260
Loss on disposal of tangible capital assets	-	2	-	-	-	-	-	2
	9,104	11,661	10,036	10,520	1,135	4,382	12,931	59,769
Annual surplus (deficit) before other	28,767	(8,528)	(8,533)	4,581	(115)	(3,223)	(9,415)	3,534
Other								
Government transfers for capital	514	-	1,531	-	-	-	6,785	8,830
Contributed assets	-	-	894	993	-	-	-	1,887
Capital donations	-	-	-	-	-	-	252	252
	514	-	2,425	993	-	-	7,037	10,969
Annual surplus (deficit)	\$ 29,281	\$ (8,528)	\$ (6,108)	\$ 5,574	\$ (115)	\$ (3,223)	\$ (2,378)	\$ 14,503