

TOWN OF OKOTOKS
Consolidated Financial Statements
For the year ended December 31, 2016

TOWN OF OKOTOKS
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For the year ended December 31, 2016

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CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the Town of Okotoks which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Okotoks as at December 31, 2016 and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

April 24, 2017

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Chartered Professional Accountants

MANAGEMENT REPORT

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

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

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

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

The Council, through its Finance and Budget committee, meets annually with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council also considers the engagement or re-appointment of the external auditors. The Finance and Budget committee reviews the quarterly financial reports.

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

Chief Administrative Officer

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2016

	2016	2015
Financial assets		
Cash and temporary investments (note 2)	\$ 13,128,512	\$ 22,435,922
Taxes and grants in place of taxes receivable (note 3)	1,788,707	1,666,126
Trade and other receivables (note 4)	10,760,523	8,200,718
Land held for resale	678,860	741,813
Loans receivable (note 5)	340,000	384,000
Inventory held for resale	61,997	63,764
Investments (note 6)	37,682,729	36,094,883
	64,441,328	69,587,226
Liabilities		
Accounts payable and accrued liabilities	8,018,963	5,628,619
Employee benefit obligations (note 7)	988,885	844,614
Deposits	1,450,783	1,028,879
Deferred revenue (note 8)	11,278,648	17,662,013
Long-term debt (note 9)	20,547,216	23,597,240
	42,284,495	48,761,365
Net financial assets	22,156,833	20,825,861
Non-financial assets		
Prepaid expenses	134,016	103,363
Inventory for consumption	264,302	373,837
Tangible capital assets (schedule 2)	350,253,749	335,621,989
	350,652,067	336,099,189
Accumulated surplus (note 10)	\$ 372,808,900	\$ 356,925,050

Commitments and contingencies (note 21)

Approved on behalf of Council:

 Mayor

 Chair of Finance and Budget Committee

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2016

	Budget (Unaudited)	2016	2015
Revenue			
Net municipal taxes (note 13)	\$ 26,511,040	\$ 26,539,734	\$ 24,906,010
User fees and sales of goods	16,913,143	20,962,550	19,422,692
Government transfers for operating (note 14)	4,320,189	5,152,652	5,616,932
Investment income	1,004,500	1,082,273	1,373,636
Penalties and costs of taxes	517,021	527,391	507,547
Development levies	425,000	370,057	329,306
Gain on disposal of capital assets	-	25,037	76,985
Franchise and concession contracts	1,400,000	1,463,285	1,448,131
Rental	1,979,562	1,961,404	2,040,313
Other	285,984	427,310	285,025
Donations	143,000	221,916	184,639
Insurance proceeds	5,000	-	3,770
	53,504,439	58,733,609	56,194,986
Expenses (note 15)			
Legislative	1,273,983	1,150,174	848,603
Administration	6,918,310	6,813,497	6,264,348
Protective services	12,315,587	12,566,326	10,019,303
Common and equipment pool	1,166,805	1,051,817	1,455,985
Roads, streets, walks, lighting	6,296,661	5,608,861	5,437,988
Public transportation	86,702	67,820	70,195
Storm sewers and drainage	705,056	635,834	790,793
Water supply and distribution	7,151,862	3,907,469	4,339,301
Wastewater treatment and collection	4,177,314	3,730,907	3,722,282
Waste management	1,930,543	2,798,637	2,012,305
Family and community support services	852,551	926,983	638,396
Cemeteries and crematoriums	142,231	174,117	162,361
Planning and development	3,019,416	3,112,053	2,898,365
Parks and recreation	13,004,711	12,324,282	11,267,121
Culture - libraries, museums, halls	1,030,205	1,044,284	1,030,994
	60,071,937	55,913,061	50,958,340
(Deficiency) excess of revenue over expenses before other	(6,567,498)	2,820,548	5,236,646
Other			
Government transfers for capital (note 14)	4,995,000	10,543,521	7,441,303
Contributed assets (note 19)	-	2,131,781	2,243,326
Capital donations	200,000	388,000	13,000
	5,195,000	13,063,302	9,697,629
(Deficiency) excess of revenue over expenses (note 26)	(1,372,498)	15,883,850	14,934,275
Accumulated surplus, beginning of year	356,925,050	356,925,050	341,990,775
Accumulated surplus, end of year	\$ 355,552,552	\$ 372,808,900	\$ 356,925,050

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2016

	Budget (Unaudited)	2016	2015
(Deficiency) excess of revenue over expenses	\$ (1,372,498)	\$ 15,883,850	\$ 14,934,275
Acquisition of tangible capital assets	(14,760,000)	(21,072,398)	(14,504,276)
Amortization of tangible capital assets	8,007,766	8,500,510	8,323,285
Contributed assets	-	(2,131,781)	(2,243,326)
Gain on disposal of tangible capital assets	-	(25,037)	(76,982)
Proceeds on disposal of tangible capital assets	-	96,946	133,797
	(6,752,234)	(14,631,760)	(8,367,502)
Net change in inventory for consumption	-	109,535	(268,080)
Net change in prepaid expense	-	(30,653)	22,353
	-	78,882	(245,727)
Increase (decrease) in net financial assets	(8,124,732)	1,330,972	6,321,046
Net financial assets, beginning of year	20,825,861	20,825,861	14,504,815
Net financial assets, end of year	\$ 12,701,129	\$ 22,156,833	\$ 20,825,861

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2016

	2016	2015
Operating transactions		
(Deficiency) excess of revenue over expenses	\$ 15,883,850	\$ 14,934,275
Adjustments for items which do not affect cash		
Gain on disposal of tangible capital assets	(25,037)	(76,982)
Amortization of tangible capital assets	8,500,510	8,323,285
Contributed assets	(2,131,781)	(2,243,326)
	22,227,542	20,937,252
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(122,581)	(263,043)
Trade and other receivables	(2,559,805)	(220,768)
Inventory held for resale	1,767	11,148
Land held for resale	62,953	228,650
Loans receivable	44,000	80,000
Inventory for consumption	109,535	(268,080)
Prepaid expenses	(30,653)	22,353
Accounts payable and accrued liabilities	2,390,344	394,873
Employee benefit obligations	144,271	53,113
Deposits	421,904	59,087
Deferred revenue	(6,383,365)	1,016,582
	16,305,912	22,051,167
Capital transactions		
Proceeds on disposal of tangible capital assets	96,946	133,797
Acquisition of tangible capital assets	(21,072,398)	(14,504,276)
	(20,975,452)	(14,370,479)
Investing transactions		
Increase in investments	(1,587,846)	(11,257,251)
Financing transactions		
Repayment of long-term debt	(3,050,024)	(2,976,691)
Decrease in cash and temporary investments	(9,307,410)	(6,553,254)
Cash and temporary investments, beginning of year	22,435,922	28,989,176
Cash and temporary investments, end of year	\$ 13,128,512	\$ 22,435,922

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

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.

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

1. Significant accounting policies, continued

- (e) **Inventories for resale**
Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. Related development costs incurred to provide infrastructure such as water and waste water services, roads, sidewalks, and street lighting are recorded as physical assets under their respective function.
- (f) **Debt charges recoverable**
Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.
- (g) **Tax revenue**
Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.
- (h) **Contaminated sites liability**
Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.
- (i) **Government transfers**
Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.
- (j) **Non-financial assets**
Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

1. Significant accounting policies, continued

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land improvements	15-25
Buildings	25-50
Engineered structures	25-75
Machinery and equipment	5-25
Vehicles	10-25

Amortization is charged in the month of acquisition and in the month of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

(iii) Leases

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

(iv) Inventories

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

(v) Cultural and historical tangible capital assets

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

2. Cash and temporary investments

The Town has authorized a line of credit with TD Commercial Banking to a maximum of \$7,300,000. The line of credit bears interest at the prime rate. As at December 31, 2016, the line of credit was undrawn.

Included in cash is \$1,450,783 (2015 - \$1,028,879) of deposit liability funds which are not available for current purposes.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

3. Taxes and grants in place of taxes receivables

	2016	2015
Taxes and grants in place of taxes receivable	\$ 1,387,172	\$ 1,341,510
Arrears	401,535	324,616
	\$ 1,788,707	\$ 1,666,126

4. Trade and other receivables

	2016	2015
Land sales	\$ 2,439,526	\$ -
Acreage assessments	2,043,247	3,095,514
Utility accounts	1,894,591	1,804,041
Federal grants	1,510,427	1,432,771
Provincial grants	1,283,640	651,201
GST	703,865	563,296
Trade receivables	678,172	555,151
Recreation receivables	217,971	140,221
Annexation off site levy costs	58,805	58,805
Investment receivables	17,002	25,271
Allowance for doubtful accounts	(86,723)	(125,553)
	\$ 10,760,523	\$ 8,200,718

5. Loans receivable

	2016	2015
Foothills Dawg's Baseball Club	\$ 240,000	\$ 240,000
Nustadia Recreation Inc.	100,000	100,000
Okotoks Food Bank	-	44,000
	\$ 340,000	\$ 384,000

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

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

The loan with Okotoks Food Bank was paid out during the fiscal year.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

6. Investments

	2016		2015	
	Cost	Market value	Cost	Market value
Bonds	\$ 37,682,729	\$ 36,351,384	\$ 36,094,883	\$ 35,497,514

The investments consist of bonds that earn interest at rates between 2.1% and 10.22% with maturity dates between 2018 and 2108.

7. Employee benefit obligations

	2016	2015
Vacation and overtime	\$ 743,686	\$ 594,933
Long-term service benefit	245,199	249,681
	\$ 988,885	\$ 844,614

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

	2016	2015
Municipal Sustainability Initiative - capital	\$ 8,997,728	\$ 12,410,876
Basic Municipal Transportation grant	907,100	1,287,754
Services not yet provided	694,706	812,968
Recreation centre administrative grants	276,500	328,323
Family and Community Support Services	131,176	52,395
Municipal Sustainability Initiative - operating	117,341	142,772
Federal Gas Tax Fund	70,245	2,566,132
Regional Waste Management study	38,682	-
Resource centre grant	29,541	42,807
General administrative grants	13,629	13,629
Cultural grant	2,000	2,000
Alberta Municipal Infrastructure Program	-	2,357
	\$ 11,278,648	\$ 17,662,013

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

9. Long-term debt

	2016	2015
Debtures	\$ 20,547,216	\$ 23,597,240
Current portion	\$ 3,098,349	\$ 3,050,563

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2017	\$ 3,098,349	\$ 807,433	\$ 3,905,782
2018	3,189,220	665,951	3,855,171
2019	3,335,526	519,695	3,855,221
2020	3,154,396	368,638	3,523,034
2021	839,716	253,083	1,092,799
Thereafter	6,930,009	3,728,934	10,658,943
	\$ 20,547,216	\$ 6,343,734	\$ 26,890,950

Debture debt is repayable to Alberta Capital Finance Authority and the Federation of Canadian Municipalities and bears interest at rates ranging from 2.27% to 8.38% per annum, before Provincial subsidy, and matures in periods 2017 through 2037.

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

Interest on long-term debt amounted to \$939,210 (2015 - \$1,076,796).

The Town's total cash payments for interest in 2016 were \$946,702 (2015 - \$1,083,981).

10. Accumulated surplus

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

	2016	2015
Unrestricted surplus	\$ 3,452,722	\$ 3,392,951
Internally restricted surplus (reserves) (note 11)	39,649,645	41,507,350
Equity in tangible capital assets (note 12)	329,706,533	312,024,749
	\$ 372,808,900	\$ 356,925,050

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

11. Reserves

Reserves for operating and capital activities are as follows:

	2016	2015
Operating		
Administration	\$ 2,711,692	\$ 3,660,411
Planning/Development	917,950	910,414
Recreation	515,346	461,271
Protective	310,862	1,500,000
Transportation	279,493	279,493
Safety	59,684	59,684
Utility services	7,746	(594,559)
Other	6,552	6,552
	<u>4,809,325</u>	<u>6,283,266</u>
Capital		
Transportation	10,942,939	12,304,497
Administration	10,200,528	10,040,997
Water/Wastewater	8,145,834	7,884,800
Recreation	4,913,305	4,362,386
Refuse and recycling	589,489	583,653
Planning/Engineering	48,225	47,751
	<u>34,840,320</u>	<u>35,224,084</u>
	<u>\$ 39,649,645</u>	<u>\$ 41,507,350</u>

12. Equity in tangible capital assets

	2016	2015
Tangible capital assets (schedule 2)	\$ 448,649,654	\$ 425,921,116
Accumulated amortization (schedule 2)	(98,395,905)	(90,299,127)
Long-term debt (note 9)	(20,547,216)	(23,597,240)
	<u>\$ 329,706,533</u>	<u>\$ 312,024,749</u>

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

13. Net municipal property taxes

	Budget (Unaudited)	2016	2015
Taxation			
Real property taxes	\$ 40,050,460	\$ 40,139,875	\$ 37,613,825
Linear property taxes	274,000	277,074	277,197
Business taxes	11,526	13,128	13,641
Government grants in place of property taxes	64,600	42,168	70,247
	40,400,586	40,472,245	37,974,910
Requisitions			
Alberta School Foundation Fund	10,470,116	10,585,982	9,924,457
Seniors Lodge	586,949	586,956	555,272
Christ the Redeemer Catholic Separate	2,028,252	1,951,990	1,817,411
Okotoks Library Board	804,229	807,583	771,760
	13,889,546	13,932,511	13,068,900
	\$ 26,511,040	\$ 26,539,734	\$ 24,906,010

14. Government transfers

	Budget (Unaudited)	2016	2015
Transfers for operating:			
Provincial government	\$ 2,484,189	\$ 3,193,318	\$ 3,599,248
Federal government	1,250	11,083	17,778
Other local government transfers	1,766,400	1,872,806	1,929,890
Transfer from local boards and agencies	68,350	75,445	70,016
	4,320,189	5,152,652	5,616,932
Transfers for capital:			
Provincial government	4,995,000	10,543,521	7,134,514
Federal government	-	-	306,789
	4,995,000	10,543,521	7,441,303
	\$ 9,315,189	\$ 15,696,173	\$ 13,058,235

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

15. Expenses by object

	Budget (Unaudited)	2016	2015
Salaries, wages and benefits	\$ 23,007,393	\$ 22,633,712	\$ 18,128,570
Contracted and general services	19,005,665	14,034,330	14,223,156
Materials, goods, supplies and utilities	4,667,025	5,736,247	5,568,942
Purchases from other governments	4,054,002	3,652,659	2,978,648
Interest on long term debt	946,702	939,210	1,076,796
Transfers to organizations and others	235,750	254,070	201,113
Other expenditures	86,050	91,352	388,194
Bank charges and short term interest	61,384	65,780	68,144
Provision for allowances	200	5,191	1,492
Amortization of tangible capital assets	8,007,766	8,500,510	8,323,285
	\$ 60,071,937	\$ 55,913,061	\$ 50,958,340

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:

	2016	2015
Cemetery perpetual care	\$ 344,899	\$ 323,427
Other	79,951	170,957
	\$ 424,850	\$ 494,384

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

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

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 244,000 people and 426 employers. The LAPP is financed by the employer and employee contributions and by investment earnings of the LAPP Fund.

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

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

Total current service contributions by the Town to the LAPP in 2016 were \$1,760,746 (2015 - \$1,388,312). Total current service contributions by the employees of the Town to the LAPP in 2016 were \$1,624,392 (2015 - \$1,278,599).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million.

19. Contributed assets

Contributed assets consist of the following assets, by type:

	2016	2015
Water	\$ 516,579	\$ 285,723
Sanitary	469,843	304,220
Storm	224,768	452,908
Roadway	920,591	1,200,475
	<u>\$ 2,131,781</u>	<u>\$ 2,243,326</u>

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

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) Salary	(2) Benefits & allowances	2016	2015
Council				
W. Robertson, Mayor	\$ 77,454	\$ 7,538	\$ 84,992	\$ 81,429
C. Fischer	38,213	3,721	41,934	38,640
K. Heemeryck	40,213	238	40,451	42,080
M. Rockley	38,213	3,721	41,934	41,868
E. Sands	38,213	4,564	42,777	41,836
T. Thorn	39,413	3,453	42,866	43,502
R. Watrin	38,213	5,911	44,124	43,367
Chief Administrative Officer	235,938	20,043	255,981	237,283
Designated Officers - 2 positions	\$ 247,593	\$ 61,723	\$ 309,316	\$ 279,130

(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, 2016

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, 2016

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 2017 of \$3,468,494.

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

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

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

e) In 2016 the Town entered into a memorandum of understanding with the Municipal District of Foothills which will result in land being annexed into the Town, for which the Town will pay \$2,000,000. The annexation has been approved by the Municipal Governance Board but, as of the date of the financial statements, has not received final approval by the Government of Alberta.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

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:

	2016	2015
Total debt limit *	\$ 88,100,414	\$ 84,171,123
Total debt	20,547,216	23,597,240
	\$ 67,553,198	\$ 60,573,883
Debt servicing limit *	\$ 14,683,402	\$ 14,028,520
Debt servicing	3,905,782	3,997,265
	\$ 10,777,620	\$ 10,031,255

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

* The Town has internally restricted the Debt Limit and Debt Servicing Limit amounts to 75% of the values permissible by Alberta Regulation 255/00, or \$66,075,310 and \$11,012,552 respectively.

23. Contaminated sites liability

The Town has adopted PS3260 liability for contaminated sites. The Town did not identify any financial liabilities in 2016 (2015 - nil) as a result of this standard.

24. Financial instruments

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

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

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

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

25. Approval of financial statements

These financial statements were approved by Council and Management.

26. Budget amounts

The 2016 budget for the Town was approved by Council on December 14, 2015 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	\$ (1,372,498)
Less: Capital expenditures	(14,760,000)
Long-term debt repayments	(3,050,564)
Add: Amortization	8,007,766
Net transfers from reserves	11,175,296
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Equals: Balanced budget	\$ -
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27. Comparative figures

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

TOWN OF OKOTOKS
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

Schedule of changes in accumulated surplus	Schedule 1				
	Unrestricted	Restricted	Equity in tangible capital assets	2016	2015
Balance, beginning of year	\$ 3,392,951	\$ 41,507,350	\$ 312,024,749	\$ 356,925,050	\$ 341,990,775
Excess (deficiency) of revenue over expenses	15,883,850	-	-	15,883,850	14,934,275
Unrestricted funds designated for future use	(14,520,746)	14,520,746	-	-	-
Restricted funds used for operations	6,114,026	(6,114,026)	-	-	-
Restricted funds used for tangible capital assets	-	(10,264,425)	10,264,425	-	-
Current year funds used for tangible capital assets	(10,807,973)	-	10,807,973	-	-
Contributed tangible capital assets	(2,131,781)	-	2,131,781	-	-
Disposal of tangible capital assets	71,909	-	(71,909)	-	-
Amortization of tangible capital assets	8,500,510	-	(8,500,510)	-	-
Long term debt repaid	(3,050,024)	-	3,050,024	-	-
Change in accumulated surplus	59,771	(1,857,705)	17,681,784	15,883,850	14,934,275
Balance, end of year	\$ 3,452,722	\$ 39,649,645	\$ 329,706,533	\$ 372,808,900	\$ 356,925,050

TOWN OF OKOTOKS
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2016	2015
Cost:									
Balance, beginning of year	\$ 27,932,014	\$ 26,317,653	\$ 84,851,979	\$ 241,549,862	\$ 24,216,761	\$ 5,368,299	\$ 15,684,548	\$ 425,921,116	\$ 409,493,822
Acquisitions	66,396	-	74,840	2,131,784	1,431,509	493,908	19,005,742	23,204,179	16,747,602
Transfers	4,844,689	143,946	16,534,467	1,497,661	-	-	(23,020,763)	-	-
Disposals	-	-	-	-	(389,209)	(86,432)	-	(475,641)	(320,308)
Balance, end of year	32,843,099	26,461,599	101,461,286	245,179,307	25,259,061	5,775,775	11,669,527	448,649,654	425,921,116
Accumulated amortization:									
Balance, beginning of year	-	8,347,216	15,498,449	53,026,214	10,997,824	2,429,423	-	90,299,127	82,239,336
Annual amortization	-	891,622	1,669,695	4,298,337	1,267,828	373,028	-	8,500,510	8,323,286
Disposals	-	-	-	-	(352,683)	(51,049)	-	(403,732)	(263,495)
Balance, end of year	-	9,238,838	17,168,144	57,324,551	11,912,969	2,751,402	-	98,395,905	90,299,127
Net book value	\$ 32,843,099	\$ 17,222,761	\$ 84,293,142	\$ 187,854,756	\$ 13,346,092	\$ 3,024,373	\$ 11,669,527	\$ 350,253,749	\$ 335,621,989
2015 net book value	\$ 27,932,014	\$ 17,970,437	\$ 69,353,530	\$ 188,523,647	\$ 13,218,937	\$ 2,938,875	\$ 15,684,548	\$ 335,621,989	

TOWN OF OKOTOKS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

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	\$ 26,536,986	\$ -	\$ 2,748	\$ -	\$ -	\$ -	\$ -	\$ 26,539,734
User fees and sales of goods	114,937	1,894,386	1,307,275	12,679,808	117,391	3,270,443	1,578,310	20,962,550
Government transfers for operating	181,955	1,753,674	391,609	830,463	830,255	7,668	1,157,028	5,152,652
Investment income	1,078,948	-	-	-	3,325	-	-	1,082,273
Penalties and costs of taxes	431,557	-	-	95,834	-	-	-	527,391
Development levies	-	-	-	370,057	-	-	-	370,057
Gain on disposal of capital assets	-	25,037	-	-	-	-	-	25,037
Franchise and concession contracts	1,463,285	-	-	-	-	-	-	1,463,285
Rental	101,056	119,196	27,747	-	-	64,681	1,648,724	1,961,404
Other	228,848	-	30,092	63,397	-	3,095	101,878	427,310
Donations	-	17,902	-	-	40,257	14,818	148,939	221,916
	30,137,572	3,810,195	1,759,471	14,039,559	991,228	3,360,705	4,634,879	58,733,609
Expenses								
Salaries, wages and benefits	5,118,030	6,784,498	1,213,208	1,283,635	600,976	1,870,643	5,762,722	22,633,712
Contracted and general services	2,048,670	1,099,302	1,038,792	5,420,190	168,279	741,475	3,517,622	14,034,330
Materials, goods, supplies and utilities	379,117	494,503	1,493,500	1,460,608	30,887	483,333	1,394,299	5,736,247
Purchases from other governments	1,669	3,390,992	-	250,722	-	9,276	-	3,652,659
Interest on long term debt	38,480	273,951	39,984	156,140	-	-	430,655	939,210
Transfers to organizations and others	2,000	-	-	-	252,057	-	13	254,070
Other expenditures	247	-	-	-	22,486	-	68,619	91,352
Bank charges and short term interest	14,497	7,561	-	-	-	7,325	36,397	65,780
Provision for allowances	5,191	-	-	-	-	-	-	5,191
Amortization of tangible capital assets	355,767	515,518	3,578,852	1,865,717	26,416	-	2,158,240	8,500,510
	7,963,668	12,566,325	7,364,336	10,437,012	1,101,101	3,112,052	13,368,567	55,913,061
Excess (deficiency) of revenue over expenses before other	22,173,904	(8,756,130)	(5,604,865)	3,602,547	(109,873)	248,653	(8,733,688)	2,820,548
Other								
Government transfers for capital	8,703,223	-	1,840,298	-	-	-	-	10,543,521
Contributed assets	-	-	920,590	1,211,191	-	-	-	2,131,781
Capital donations	-	163,000	-	-	-	-	225,000	388,000
	8,703,223	163,000	2,760,888	1,211,191	-	-	225,000	13,063,302
Excess (deficiency) of revenue over expenses	\$ 30,877,127	\$ (8,593,130)	\$ (2,843,977)	\$ 4,813,738	\$ (109,873)	\$ 248,653	\$ (8,508,688)	\$ 15,883,850