

**TOWN OF OKOTOKS**  
**Consolidated Financial Statements**  
**For the year ended December 31, 2013**

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**TOWN OF OKOTOKS**  
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**For the year ended December 31, 2013**

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# Young Parkyn McNab LLP

CHARTERED ACCOUNTANTS

## INDEPENDENT AUDITORS' 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, 2013, and the consolidated statements of operations, change in net financial assets (debt) 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, 2013 and the results of its operations, changes in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

April 14, 2014

*Young Parkyn McNab LLP*

Chartered 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 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 of Okotoks 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 monthly financial reports.

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

Municipal Manager



**TOWN OF OKOTOKS**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2013**

	2013	2012
<b>Financial assets</b>		
Cash (note 2)	\$ 23,101,207	\$ 36,899,276
Taxes and grants in place of taxes receivable (note 3)	1,755,293	1,585,286
Trade and other receivables	4,443,436	6,049,270
Land held for resale	1,320,608	1,536,516
Loans receivable (note 4)	530,000	400,000
Inventory held for resale	76,994	80,408
Investments (note 5)	16,833,945	6,768,662
	48,061,483	53,319,418
<b>Liabilities</b>		
Accounts payable and accrued liabilities	5,745,158	6,352,745
Employee benefit obligations (note 6)	708,537	648,273
Deposits	976,838	1,216,117
Deferred revenue (note 7)	8,192,012	14,059,100
Long-term debt (note 8)	29,419,583	31,912,766
	45,042,128	54,189,001
<b>Net financial assets (debt)</b>	3,019,355	(869,583)
<b>Non-financial assets</b>		
Prepaid expenses	141,446	407,456
Inventory for consumption	145,901	98,235
Tangible capital assets (schedule 2)	339,598,105	317,180,909
	339,885,452	317,686,600
<b>Accumulated surplus (note 9)</b>	\$ 342,904,807	\$ 316,817,017

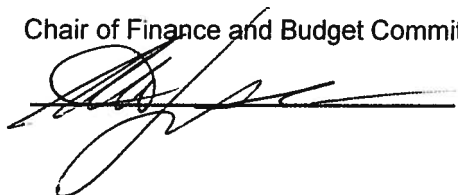
*Commitments and contingencies* (note 20)

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, 2013

	2013 Budget (Unaudited)	2013	2012
<b>Revenue</b>			
Net municipal taxes (note 12)	\$ 19,873,489	\$ 19,956,160	\$ 18,715,995
User fees and sales of goods	14,445,208	15,424,566	14,127,783
Government transfers for operating (note 13)	3,994,599	5,605,361	3,008,639
Investment income	334,500	703,218	565,001
Penalties and costs of taxes	523,980	487,630	499,404
Development levies	424,100	336,218	212,780
Gain on disposal of capital assets	-	18,966	27,600
Franchise and concession contracts	995,400	1,016,774	824,028
Rental	1,738,421	1,875,193	1,819,323
Other	255,440	383,455	393,214
Donations	331,150	375,683	1,415,559
Insurance proceeds	5,000	15,239	4,478
	<b>42,921,287</b>	<b>46,198,463</b>	<b>41,613,804</b>
<b>Expenses (note 14)</b>			
Legislative	708,982	717,857	605,162
Administration	5,582,906	5,370,449	4,995,928
Protective services	7,796,294	9,685,027	6,916,542
Common and equipment pool	1,302,049	1,365,292	1,318,865
Roads, streets, walks, lighting	6,000,183	5,897,956	4,875,600
Public transportation	60,948	45,947	58,638
Storm sewers and drainage	651,999	639,041	671,422
Water supply and distribution	4,763,875	3,875,094	3,452,568
Wastewater treatment and disposal	3,497,471	3,234,952	3,184,432
Waste management	1,660,046	1,642,057	1,820,817
Family and community support services	587,371	560,911	566,422
Cemeteries and crematoriums	136,499	124,083	133,420
Planning and development	1,669,417	1,788,420	1,486,060
Parks and recreation	9,951,229	9,457,465	9,120,642
Culture - libraries, museums, halls	918,736	950,462	939,102
	<b>45,288,005</b>	<b>45,355,013</b>	<b>40,145,620</b>
<b>Excess of revenue over expenses before other</b>	<b>(2,366,718)</b>	<b>843,450</b>	<b>1,468,184</b>
<b>Other</b>			
Government transfers for capital (note 13)	828,435	7,248,100	7,399,785
Contributed assets (note 19)	-	17,996,240	9,940,237
	<b>828,435</b>	<b>25,244,340</b>	<b>17,340,022</b>
<b>Excess of revenue over expenses (note 24)</b>	<b>(1,538,283)</b>	<b>26,087,790</b>	<b>18,808,206</b>
<b>Accumulated surplus, beginning of year</b>	<b>316,817,017</b>	<b>316,817,017</b>	<b>298,008,811</b>
<b>Accumulated surplus, end of year (schedule 1)</b>	<b>\$ 315,278,734</b>	<b>\$ 342,904,807</b>	<b>\$ 316,817,017</b>

**TOWN OF OKOTOKS**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)**  
**For the year ended December 31, 2013**

	2013 Budget (Unaudited)	2013	2012
<b>Excess of revenue over expenses</b>	\$ (1,538,283)	\$ 26,087,790	\$ 18,808,206
Acquisition of tangible capital assets	(4,546,465)	(12,009,439)	(17,742,968)
Amortization	7,514,817	7,568,692	7,393,392
Contributed assets	-	(17,996,240)	(9,940,237)
Gain on disposal of tangible capital assets	-	(18,966)	(27,600)
Proceeds on disposal of tangible capital assets	-	38,757	70,816
	2,968,352	(22,417,196)	(20,246,597)
Net change in inventory for consumption	-	(47,666)	(23,211)
Net change in prepaid expense	-	266,010	(47,740)
	-	218,344	(70,951)
<b>Change in net financial assets (debt)</b>	1,430,069	3,888,938	(1,509,342)
<b>Net financial assets (debt), beginning of year</b>	(869,583)	(869,583)	639,759
<b>Net financial assets (debt), end of year</b>	\$ 560,486	\$ 3,019,355	\$ (869,583)

**TOWN OF OKOTOKS**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
For the year ended December 31, 2013

	2013	2012
<b>Operating transactions</b>		
Excess of revenue over expenses	\$ 26,087,790	\$ 18,808,206
Adjustments for items which do not affect cash		
Gain on disposal of tangible capital assets	(18,966)	(27,600)
Amortization of tangible capital assets	7,568,692	7,393,392
Contributed assets	(17,996,240)	(9,940,237)
	15,641,276	16,233,761
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(170,007)	1,444
Trade and other receivables	1,605,834	3,056,465
Land held for resale	215,908	(293,316)
Investments	(10,065,283)	(112,069)
Loans receivable	(130,000)	5,000
Inventory held for resale	3,414	3,159
Inventory for consumption	(47,666)	(23,211)
Prepaid expenses	266,010	(47,740)
Accounts payable and accrued liabilities	(607,587)	2,102,909
Employee benefit obligations	60,264	50,554
Deposits	(239,279)	575,679
Deferred revenue	(5,867,088)	4,521,819
	665,796	26,074,454
<b>Capital transactions</b>		
Proceeds on disposal of tangible capital assets	38,757	70,816
Acquisition of tangible capital assets	(12,009,439)	(17,742,968)
	(11,970,682)	(17,672,152)
<b>Financing transactions</b>		
Proceeds of long-term debt	275,000	8,933,831
Repayment of long-term debt	(2,768,183)	(2,552,224)
	(2,493,183)	6,381,607
<b>(Decrease) increase in cash and temporary investments</b>	(13,798,069)	14,783,909
<b>Cash, beginning of year</b>	36,899,276	22,115,367
<b>Cash, end of year</b>	\$ 23,101,207	\$ 36,899,276



**TOWN OF OKOTOKS**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
For the year ended December 31, 2013

	2013	2012
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<b>Cash, end of year</b>	\$ 23,101,207	\$ 36,899,276

**1. Significant accounting policies**

The consolidated financial statements of the Town of Okotoks (Town) are the representations of management prepared in accordance with generally accepted accounting principles for local government established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. 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) 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.

(d) 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.

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**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2013**

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**1. Significant accounting policies, continued**

(e) Requisition over-levy and under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(f) 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 liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure 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.

(g) 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 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.

(h) 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 (debt) 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

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2013**

**1. Significant accounting policies, continued**

(h) Non-financial assets, continued

(i) Tangible capital assets, continued

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 of materials and supplies are valued at the lower of cost or net realizable value with cost determined by the first-in first-out method.

(v) Cultural and historical tangible capital assets

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

**2. Cash**

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, 2013, the line of credit was undrawn.

Included in cash is \$976,838 (2012 - \$1,216,117) of deposit liability funds which are not available for current purposes.

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

	2013	2012
Current taxes and grants in place of taxes receivable	\$ 1,264,514	\$ 1,218,876
Arrears	490,779	366,410
	\$ 1,755,293	\$ 1,585,286

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2013

**4. Loans receivable**

	2013	2012
Okotoks Food Bank	\$ 220,000	\$ -
Foothills Dawg's Baseball Club	310,000	400,000
	<b>\$ 530,000</b>	<b>\$ 400,000</b>

An agreement was signed between Okotoks Food Bank and the Town in 2013 to fund the purchase of a new building. The loan is interest free and is to be repaid at 20% of the original principal per year over 5 years, with payments due in October of each year.

An agreement was signed between Foothills Dawg's Baseball Club Ltd. and the Town in 2009 to fund stadium improvements. The loan is interest free and is to be repaid at 10% of the original principal per year over 10 years, with payments due in October of each year.

**5. Investments**

	2013		2012	
	Cost	Market value	Cost	Market value
Bonds	\$ 16,833,945	\$ 17,241,400	\$ 6,768,662	\$ 7,271,540

The investments consist of bonds that earn interest at rates between 2.25% and 10.22% with maturity dates between 2014 and 2108.

**6. Employee benefit obligations**

	2013	2012
Vacation and overtime	\$ 499,935	\$ 457,418
Long-term service benefit	208,602	190,855
	<b>\$ 708,537</b>	<b>\$ 648,273</b>

**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 a day's 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, 2013

**7. Deferred revenue**

	2013	2012
Municipal Sustainability Initiative - capital	\$ 4,225,830	\$ 9,056,959
Basic Municipal Transportation grant	1,886,047	3,358,247
Services not yet provided	605,860	560,918
Federal Gas Tax Fund	470,620	28,224
Alberta Municipal Infrastructure Program	335,888	404,426
Recreation centre administrative grants	298,283	290,892
Municipal Sustainability Initiative - operating	223,659	299,105
General administrative grants	58,629	10,402
Other provincial grants	51,498	12,463
Resource centre grant	33,698	33,964
Cultural Grant	2,000	3,500
	<b>\$ 8,192,012</b>	<b>\$ 14,059,100</b>

**8. Long-term debt**

	2013	2012
Debentures	\$ 29,419,583	\$ 31,912,766
Current portion	\$ 2,845,652	\$ 2,755,994

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2014	\$ 2,845,652	\$ 1,215,019	\$ 4,060,671
2015	2,976,691	1,083,981	4,060,672
2016	3,050,563	946,702	3,997,265
2017	3,098,349	807,433	3,905,782
2018	3,189,220	665,951	3,855,171
Thereafter	14,259,108	2,775,760	17,034,868
	<b>\$ 29,419,583</b>	<b>\$ 7,494,846</b>	<b>\$ 36,914,429</b>

Debenture 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 2016 through 2037.

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

Interest on long-term debt amounted to \$1,333,437 (2012 - \$1,325,189).

The Town's total cash payments for interest in 2013 were \$1,271,170 (2012 - \$1,123,066).

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2013

**9. Accumulated surplus**

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

	2013	2012
Unrestricted surplus	\$ 2,267,143	\$ 5,026,763
Internally restricted surplus (reserves) (note 10)	30,459,142	26,522,111
Equity in tangible capital assets (note 11)	310,178,522	285,268,143
	<b>\$ 342,904,807</b>	<b>\$ 316,817,017</b>

**10. Reserves**

Reserves for operating and capital activities are as follows:

	2013	2012
<b>Operating</b>		
Administration	\$ 1,117,193	\$ 657,193
Planning/Development	425,283	442,168
Recreation	331,270	400,535
Transportation	229,493	169,493
Protective	84,000	209,663
Safety	59,684	59,684
Other	6,552	6,552
Utility services	(37,591)	(31,112)
	<b>2,215,884</b>	<b>1,914,176</b>
<b>Capital</b>		
Transportation	10,388,709	8,765,839
Administration	8,193,748	7,675,362
Water/Wastewater	5,826,627	5,151,803
Recreation	3,293,731	2,516,872
Refuse and recycling	494,794	443,498
Planning/Engineering	45,649	36,638
Protective	-	17,923
	<b>28,243,258</b>	<b>24,607,935</b>
	<b>\$ 30,459,142</b>	<b>\$ 26,522,111</b>

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2013

**11. Equity in tangible capital assets**

	2013	2012
Tangible capital assets (schedule 2)	\$ 414,374,907	\$ 384,554,911
Accumulated amortization (schedule 2)	(74,776,802)	(67,374,002)
Long-term debt (note 8)	(29,419,583)	(31,912,766)
	\$ 310,178,522	\$ 285,268,143

**12. Net municipal property taxes**

	2013 Budget (Unaudited)	2013	2012
<b>Taxation</b>			
Real property taxes	\$ 31,926,094	\$ 32,070,017	\$ 29,124,027
Linear property taxes	243,400	243,439	231,654
Business taxes	10,500	10,738	10,645
Government grants in place of property taxes	64,600	64,629	61,196
	32,244,594	32,388,823	29,427,522
<b>Requisitions</b>			
Alberta School Foundation Fund	9,345,228	9,406,761	8,010,926
Foothills Foundation	559,743	559,743	530,387
Christ the Redeemer Catholic Separate	1,737,235	1,737,258	1,476,402
Okotoks Library Board	728,899	728,901	693,812
	12,371,105	12,432,663	10,711,527
	\$ 19,873,489	\$ 19,956,160	\$ 18,715,995



**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2013

**13. Government transfers**

	2013 Budget (Unaudited)	2013	2012
<b>Transfers for operating:</b>			
Provincial conditional grants	\$ 1,931,261	\$ 3,436,691	\$ 1,710,976
Federal conditional grants	614,198	761,476	63,032
Other local government transfers	1,435,040	1,361,837	1,172,409
Transfer from local boards and agencies	14,100	45,357	62,222
	3,994,599	5,605,361	3,008,639
<b>Transfers for capital</b>			
Provincial grants	803,935	6,671,464	5,004,576
Federal grants	24,500	576,636	2,388,069
Local grants	-	-	7,140
	828,435	7,248,100	7,399,785
	\$ 4,823,034	\$ 12,853,461	\$ 10,408,424

**14. Expenditures by object**

	2013 Budget (Unaudited)	2013	2012
Salaries, wages and benefits	\$ 15,846,355	\$ 15,508,706	\$ 14,513,464
Contracted and general services	12,252,401	12,920,706	9,076,103
Materials, goods, supplies and utilities	4,834,893	4,737,777	4,833,670
Bank charges and short term interest	51,530	59,186	52,980
Interest on long term debt	1,363,185	1,333,437	1,325,189
Other expenditures	25,500	17,218	28,846
Transfers to organizations and others	426,000	213,348	195,985
Purchases from other governments	2,973,224	2,991,384	2,725,515
Provision for allowances	100	4,559	476
Amortization of tangible capital assets	7,514,817	7,568,692	7,393,392
	\$ 45,288,005	\$ 45,355,013	\$ 40,145,620

**15. 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 used in the preparation of the financial statements as disclosed in note 1.

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

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**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2013**

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**16. Trust funds**

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

	2013	2012
Cemetery perpetual care	\$ 272,977	\$ 255,967
Other	41,266	25,233
	<u>\$ 314,243</u>	<u>\$ 281,200</u>

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

**17. Local Authorities Pension Plan**

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 223,000 people and about 428 employers. It is financed by employer and employee contributions and 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 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.47% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

Total current service contributions by the Town to the Local Authorities Pension Plan in 2013 were \$1,063,797 (2012 - \$971,872). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2013 were \$971,023 (2012 - \$882,524).

At December 31, 2012, the LAPP disclosed an actuarial deficiency of \$4.98 billion (2011 - deficiency of \$4.639 billion).

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2013

**18. 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)	2013	2012
	Salary	Benefits & allowances		
<b>Council</b>				
W. Robertson, Mayor	\$ 74,222	\$ 4,302	\$ 78,524	\$ 77,436
M. Rockley	40,428	673	41,101	42,715
R. Watrin	38,828	3,811	42,639	42,166
E. Sands	38,828	2,900	41,728	41,204
L. Hodson	32,949	2,420	35,369	43,804
F. Christophers	32,949	2,117	35,066	41,197
S. Clark	32,949	748	33,697	39,608
K. Heemeryck	6,779	145	6,924	-
T. Thorn	6,279	442	6,721	-
C. Fischer	5,879	477	6,356	-
<b>Municipal Manager</b>	<b>229,788</b>	<b>5,370</b>	<b>235,158</b>	<b>213,117</b>
<b>Designated Officers - 2 positions</b>	<b>\$ 227,460</b>	<b>\$ 32,747</b>	<b>\$ 260,207</b>	<b>\$ 260,360</b>

(1) Salary includes regular base pay, bonuses, 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. Benefits and allowances figures also include the Town's share of the costs of additional taxable benefits including travel allowances and car allowances.

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.

**19. Contributed assets**

Contributed assets consist of the following assets, by type:

	2013	2012
Water	\$ 208,390	\$ 1,892,977
Sanitary	177,755	1,356,762
Storm	298,580	3,158,498
Roadway	15,650,745	2,931,233
Offsite levy funded	1,660,770	600,767
	<b>\$ 17,996,240</b>	<b>\$ 9,940,237</b>

**20. Contingencies and commitments**

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, 2013

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

- Foothills Foundation
- Foothills Regional Emergency Services Commission
- Foothills Regional Services Commission
- Okotoks Public Library Board

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 2014 of \$2,748,695.

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.

**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2013

**21. 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:

	2013	2012
Total debt limit *	\$ 69,297,695	\$ 62,420,705
Total debt	29,419,583	31,912,766
Unused debt limit	\$ 39,878,112	\$ 30,507,939
Debt servicing limit *	\$ 11,549,616	\$ 10,403,451
Debt servicing	4,060,671	4,092,922
Unused servicing limit	\$ 7,488,945	\$ 6,310,529

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.

\* Please note the Town of Okotoks has internally restricted the Debt Limit and Debt Servicing Limit amounts to 75% of these values permissible by Alberta Regulation 255/00, or \$51,973,271 and \$8,662,212 respectively.

**22. Financial instruments**

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, loans receivable, 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.

**23. Approval of financial statements**

These financial statements were approved by Council and Management.

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**TOWN OF OKOTOKS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2013

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**24. Budget amounts**

The 2013 budget for the Town was approved by Council on December 10, 2012 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	\$ (1,538,283)
Less: Capital expenses	(4,546,465)
Long-term debt repayments	(2,772,368)
Transfers to reserves	(2,989,302)
Add: Amortization	7,514,817
Transfers from reserves	4,282,601
Long-term debt proceeds	49,000
<b>Equals: Balanced budget</b>	<b>\$ -</b>

**25. Comparative figures**

Where necessary the comparative figures for the 2012 year have been reclassified to conform with 2013 financial statement presentation.

**TOWN OF OKOTOKS**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2013**

**Schedule of changes in accumulated surplus**

**Schedule 1**

	Unrestricted	Restricted	Equity in tangible capital assets	2013	2012
Balance, beginning of year	\$ 5,026,763	\$ 26,522,111	\$ 285,268,143	\$ 316,817,017	\$ 298,008,811
Excess of revenue over expenses	26,087,790	-	-	26,087,790	18,808,206
Unrestricted funds designated for future use	(10,344,454)	10,344,454	-	-	-
Restricted funds used for operations	811,816	(811,816)	-	-	-
Restricted funds used for tangible capital assets	-	(5,595,607)	5,595,607	-	-
Current year funds used for tangible capital assets	(6,413,832)	-	6,413,832	-	-
Contributed tangible capital assets	(17,996,240)	-	17,996,240	-	-
Disposal of tangible capital assets	19,791	-	(19,791)	-	-
Annual amortization expense	7,568,692	-	(7,568,692)	-	-
Long term debt repaid	(2,768,183)	-	2,768,183	-	-
Long-term debt proceeds	275,000	-	(275,000)	-	-
<b>Change in accumulated surplus</b>	<b>(2,759,620)</b>	<b>3,937,031</b>	<b>24,910,379</b>	<b>26,087,790</b>	<b>18,808,206</b>
<b>Balance, end of year</b>	<b>\$ 2,267,143</b>	<b>\$ 30,459,142</b>	<b>\$ 310,178,522</b>	<b>\$ 342,904,807</b>	<b>\$ 316,817,017</b>

**TOWN OF OKOTOKS**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2013

Schedule of tangible capital assets							Schedule 2		
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2013	2012
<b>Cost:</b>									
Balance, beginning of year \$	26,619,044	\$ 22,904,900	\$ 63,383,180	\$ 226,727,191	\$ 22,055,437	\$ 4,774,059	\$ 18,091,101	\$ 384,554,911	\$ 357,613,215
Acquisitions	711,235	80,000	3,390,182	19,117,768	445,973	533,819	5,726,701	30,005,678	27,683,206
Construction-in-progress	-	71,272	8,401,366	680	77,452	29,289	(8,580,059)	-	-
Disposals	-	-	-	-	(46,247)	(139,435)	-	(185,682)	(741,510)
<b>Balance, end of year</b>	<b>27,330,279</b>	<b>23,056,172</b>	<b>75,174,728</b>	<b>245,845,639</b>	<b>22,532,615</b>	<b>5,197,732</b>	<b>15,237,743</b>	<b>414,374,907</b>	<b>384,554,911</b>
<b>Accumulated amortization:</b>									
Balance, beginning of year	-	5,934,174	11,277,109	40,620,174	7,965,391	1,577,154	-	67,374,002	60,678,905
Annual amortization	-	775,463	1,315,914	4,020,671	1,085,953	370,690	-	7,568,691	7,393,391
Disposals	-	-	-	-	(46,247)	(119,644)	-	(165,891)	(698,294)
<b>Balance, end of year</b>	<b>-</b>	<b>6,709,637</b>	<b>12,593,023</b>	<b>44,640,845</b>	<b>9,005,097</b>	<b>1,828,200</b>	<b>-</b>	<b>74,776,802</b>	<b>67,374,002</b>
<b>Net book value</b>	<b>\$ 27,330,279</b>	<b>\$ 16,346,535</b>	<b>\$ 62,581,705</b>	<b>\$ 201,204,794</b>	<b>\$ 13,527,518</b>	<b>\$ 3,369,532</b>	<b>\$ 15,237,743</b>	<b>\$ 339,598,105</b>	<b>\$ 317,180,909</b>
<b>2012 net book value</b>	<b>\$ 26,619,044</b>	<b>\$ 16,970,727</b>	<b>\$ 52,106,070</b>	<b>\$ 186,107,017</b>	<b>\$ 14,090,046</b>	<b>\$ 3,196,904</b>	<b>\$ 18,091,101</b>	<b>\$ 317,180,909</b>	



**TOWN OF OKOTOKS**  
**SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2013

**Schedule of segmented disclosure**

Schedule 3

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
<b>Revenue</b>								
Net municipal taxes	\$ 19,953,412	\$ -	\$ 2,748	\$ -	\$ -	\$ -	\$ -	\$ 19,956,160
User fees and sales of goods	76,517	1,833,818	514,507	9,442,867	78,812	2,046,220	1,431,825	15,424,566
Government transfers for operating	147,263	2,981,017	754,623	111,101	511,316	202,160	897,881	5,605,361
Investment income	699,802	-	-	-	3,416	-	-	703,218
Penalties and costs of taxes	413,999	-	3,850	69,781	-	-	-	487,630
Development levies	-	-	-	336,218	-	-	-	336,218
Gain on disposal of capital assets	1,016,774	-	18,966	-	-	-	-	1,035,740
Franchise and concession contracts	119,523	-	-	-	-	-	-	119,523
Rental	137,201	112,170	34,941	-	-	50,550	1,558,009	1,875,193
Other	500	5,500	42,990	76,295	20	25,858	101,091	383,455
Donations	-	-	-	-	41,658	224,000	104,025	375,683
Insurance proceeds	-	-	11,309	-	-	-	3,930	15,239
	<b>22,564,991</b>	<b>4,932,505</b>	<b>1,383,934</b>	<b>10,036,262</b>	<b>635,222</b>	<b>2,548,788</b>	<b>4,096,761</b>	<b>46,198,463</b>
<b>Expenses</b>								
Salaries, wages and benefits	3,831,442	3,465,953	1,178,069	1,020,244	392,515	1,258,878	4,361,605	15,508,706
Contracted and general services	1,666,170	2,429,661	1,766,583	4,620,517	50,833	501,698	1,885,244	12,920,706
Materials, goods, supplies and utilities	211,504	435,410	1,489,884	991,625	16,617	11,647	1,581,090	4,737,777
Bank charges and short term interest	13,135	8,596	-	-	-	5,081	32,374	59,186
Interest on long term debt	38,552	346,014	66,030	221,003	-	-	661,838	1,333,437
Other expenditures	102	-	-	-	17,010	-	106	17,218
Transfers to organizations and others	8,900	-	-	-	188,248	8,000	8,200	213,348
Purchases from other governments	6,520	2,750,035	-	232,515	-	2,314	-	2,991,384
Provision for allowances	1,976	417	-	-	-	802	1,364	4,559
Amortization of tangible capital assets	310,006	248,940	3,447,670	1,666,197	19,772	-	1,876,107	7,568,692
	<b>6,088,307</b>	<b>9,685,026</b>	<b>7,948,236</b>	<b>8,752,101</b>	<b>684,995</b>	<b>1,788,420</b>	<b>10,407,928</b>	<b>45,355,013</b>
<b>Excess of revenue over expenses before other</b>	<b>16,476,684</b>	<b>(4,752,521)</b>	<b>(6,564,302)</b>	<b>1,284,161</b>	<b>(49,773)</b>	<b>760,368</b>	<b>(6,311,167)</b>	<b>843,450</b>
<b>Other</b>								
Government transfers for capital	-	39,851	35,000	2,238,644	-	-	4,934,606	7,248,100
Contributed assets	-	-	16,739,316	1,248,423	-	8,500	-	17,996,240
	-	39,851	16,774,316	3,487,067	-	8,500	4,934,606	25,244,340
<b>Excess of revenue over expenses</b>	<b>\$ 16,476,684</b>	<b>\$ (4,712,670)</b>	<b>\$ 10,210,014</b>	<b>\$ 4,771,228</b>	<b>\$ (49,773)</b>	<b>\$ 768,868</b>	<b>\$ (1,376,561)</b>	<b>\$ 26,087,790</b>