

TOWN OF OKOTOKS

Consolidated Financial Statements

For the year ended December 31, 2021

Draft - April 12, 2022

TOWN OF OKOTOKS
TABLE OF CONTENTS
For the year ended December 31, 2021

INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	3
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENT OF OPERATIONS	5 - 6
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS	7
CONSOLIDATED STATEMENT OF CASH FLOW	8
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	9 - 24
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS	25 - 27

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, 2021, 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, 2021, 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 Entity's debt limit can be found in note 24.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, we confirm that the Town is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 22.

Lethbridge, Alberta

April 25, 2022

Chartered Professional Accountants

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Okotoks is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Town's financial position as at December 31, 2021 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The Town Council carries out its responsibilities for review of the consolidated financial statements principally through its Audit Committee. This committee meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Audit Committee with and without the presence of management. The Town Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Avail LLP Chartered Professional Accountants, the independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Chief Administrative Officer

April 25, 2022

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2021
(\$ thousands)

	2021	2020
Financial assets		
Cash and temporary investments (note 3)	\$ 33,693	\$ 22,172
Taxes and grants in place of taxes receivable (note 4)	1,596	2,344
Trade and other receivables (note 5)	7,568	8,596
Land held for resale	3,638	3,313
Loans receivable (note 6)	80	150
Inventory held for resale	120	129
Investments (note 7)	39,851	38,787
	86,546	75,491
Liabilities		
Accounts payable and accrued liabilities	9,124	11,005
Employee benefit obligations (note 8)	1,231	1,212
Deposit liabilities	1,158	1,308
Deferred revenue (note 9)	5,668	6,560
Long-term debt (note 10)	24,272	18,444
	41,453	38,529
Net financial assets	45,093	36,962
Non-financial assets		
Prepaid expenses	218	372
Inventory for consumption	53	61
Tangible capital assets (schedule 2)	402,061	388,273
	402,332	388,706
Accumulated surplus (note 11 and schedule 1)	\$ 447,425	\$ 425,668

Commitments and contingencies (note 23)

Approved on behalf of Council:

Mayor

Chair, Finance and Audit Committee

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2021
(\$ thousands)

	Budget (Unaudited)	2021	2020
Revenue			
Net municipal taxes (note 14)	\$ 29,903	\$ 29,954	\$ 29,399
User fees and sales of goods	19,657	20,067	17,726
Government transfers for operating (note 15)	4,386	5,881	7,041
Franchise and concession contracts (note 16)	4,000	3,963	3,264
Rental	2,753	1,877	1,576
Investment income	945	1,339	1,570
Penalties and costs of taxes	553	429	568
Donations	173	500	546
Gain on disposal of tangible capital assets	-	127	5
Other	397	1,020	478
Total revenue	62,767	65,157	62,173
Expenses (note 17)			
General government			
Council and other legislative	1,307	1,368	1,135
General administration	9,530	8,810	7,482
Protective services			
Police	4,918	5,266	4,802
Fire	5,622	5,629	5,674
Bylaw enforcement	1,255	1,299	1,184
Transportation services			
Common and equipment pool	2,038	1,840	1,898
Roads, streets, walks, lighting	6,938	6,881	6,415
Public transportation	993	1,041	864
Storm sewers and drainage	1,064	1,133	1,099
Environmental use and protection			
Water supply and distribution	4,200	4,894	3,925
Wastewater treatment and collection	3,963	3,928	3,537
Waste management	2,692	2,759	2,558
Public health and welfare			
Family and community support	1,051	1,030	940
Cemeteries and crematoriums	350	322	196
Planning and development			
Land use planning, zoning and development	2,399	1,939	2,070
Subdivision land and development	3,364	2,959	3,086
Recreation and culture			
Parks and recreation	16,394	14,978	12,039
Culture - libraries, museums, halls	1,006	978	866
Total expenses	69,084	67,054	59,770
(Shortfall) excess of revenue over expenses before other	(6,317)	(1,897)	2,403

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2021
(\$ thousands)

	Budget (Unaudited)	2021	2020
Other			
Government transfers for capital (note 15)	10,545	19,062	8,830
Developer capital contributions	-	2,192	1,131
Developer contributed assets (note 18)	-	2,029	1,887
Capital donations	-	371	252
	10,545	23,654	12,100
Excess of revenue over expenses	4,228	21,757	14,503
Accumulated operating surplus, beginning of year	425,668	425,668	411,165
Accumulated operating surplus, end of year	\$ 429,896	\$ 447,425	\$ 425,668

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2021
(\$ thousands)

	Budget (Unaudited)	2021	2020
Excess of revenue over expenses	\$ 4,228	\$ 21,757	\$ 14,503
Acquisition of tangible capital assets	(14,270)	(24,590)	(22,150)
Amortization of tangible capital assets	11,399	12,656	11,260
Developer contributed assets	-	(2,029)	(1,887)
Loss (gain) on disposal of tangible capital assets	238	(103)	2
Proceeds on disposal of tangible capital assets	-	278	4
	(2,633)	(13,788)	(12,771)
Net change in inventory for consumption	-	8	19
Net change in prepaid expense	-	154	(161)
	-	162	(142)
Increase in net financial assets	1,595	8,131	1,590
Net financial assets, beginning of year	36,962	36,962	35,372
Net financial assets, end of year	\$ 38,557	\$ 45,093	\$ 36,962

TOWN OF OKOTOKS
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2021
(\$ thousands)

	2021	2020
Operating transactions		
Annual surplus	\$ 21,757	\$ 14,503
Adjustments for items which do not affect cash		
Loss (gain) on disposal of tangible capital assets	(103)	2
Amortization of tangible capital assets	12,656	11,260
Developer contributed assets	(2,029)	(1,887)
	32,281	23,878
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	748	29
Trade and other receivables	1,028	4,898
Inventory held for resale	9	11
Land held for resale	(325)	-
Loans receivable	70	20
Inventory for consumption	8	19
Prepaid expenses	154	(161)
Accounts payable and accrued liabilities	(1,881)	4,099
Employee benefit obligations	19	(116)
Deposit liabilities	(150)	(12)
Deferred revenue	(892)	4,453
Cash provided by operating transactions	31,069	37,118
Capital transactions		
Proceeds on disposal of tangible capital assets	278	4
Acquisition of tangible capital assets	(24,590)	(22,150)
Cash applied to capital transactions	(24,312)	(22,146)
Investing transactions		
Increase in investments	(1,064)	(1,536)
Financing transactions		
Proceeds of long-term debt	7,000	-
Repayment of long-term debt	(1,172)	(3,479)
Cash provided by (applied to) financing transactions	5,828	(3,479)
Increase in cash and temporary investments	11,521	9,957
Cash and temporary investments, beginning of year	22,172	12,215
Cash and temporary investments, end of year	\$ 33,693	\$ 22,172

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(\$ 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, 2021
(\$ 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, 2021
(\$ 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	15-75
Buildings	25-50
Engineered structures	25-75
Machinery and equipment	3-25
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, 2021
(\$ thousands)

2. Future accounting pronouncements

The following summarizes the upcoming changes to the Public Sector Accounting Standards by the Public Sector Accounting Board (PSAB):

(a) PS1201 - Financial statement presentation

This standard requires a new statement of remeasurement gains and losses separate from the statement of operations. The statement will include the unrealized gains and losses arising from the remeasurement of financial instruments and items denominated in a foreign currency. This standard is effective for fiscal years beginning on or after April 1, 2022.

(b) PS3450 - Financial instruments

This section establishes recognition, measurement, and disclosure requirements for derivative and non-derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments; all other financial instruments can be measured at either cost or fair value depending upon elections made by the government. Unrealized gains and losses will be presented on the new statement of remeasurement gains and losses arising from the adoption of PS1201. There will also be a requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. As the Town does not invest in derivatives or equity instruments based on its investment policy, it is anticipated that the adoption of this standard will have a minimal impact on the Town. This standard is effective for fiscal years beginning on or after April 1, 2022.

(c) PS2601 - Foreign currency translation

This section establishes guidance on the recognition, measurement, presentation and disclosure of assets and liabilities denominated in foreign currencies. The section requires monetary assets and liabilities, denominated in a foreign currency and non-monetary items valued at fair value denominated in a foreign currency to be adjusted to reflect the exchange rates in effect at the financial statement date. The resulting unrealized gains and losses are to be presented in the new statement of remeasurement gains and losses. This standard is effective for fiscal years beginning on or after April 1, 2022.

(d) PS3041 - Portfolio investments

This section removes the distinction between temporary and portfolio investments and provides additional guidance on recognition, measurement, presentation and disclosure of portfolio investments. Upon adoption of this section portfolio investments will no longer be applicable. This standard is effective for fiscal years beginning on or after April 1, 2022.

The requirements in PS1201, PS3450, PS2601 and PS3041 are required to be implemented at the same time.

(d) PS3280 - Asset retirement obligations

Under this new standard, an asset retirement obligation (ARO) is a legal obligation associated with the retirement of a tangible capital asset controlled by a public sector entity. An ARO will include post-retirement operation, maintenance, and monitoring costs. A liability will be recognized when specific criteria are met, with a corresponding increase to the carrying amount of the related tangible capital asset and expensing the amount in a rational and systematic manner. This new standard will replace the current standard for "Liability for Contaminated Sites" and will be effective for fiscal years beginning on or after April 1, 2022.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(\$ thousands)

2. Future accounting pronouncements, continued

(e) PS3400 - Revenue

The new standard establishes overall guidance on how to account for and report revenue. The standard makes a distinction between transactions that include performance obligations (exchange transactions) and those that do not (non-exchange transactions). A performance obligation is an enforceable promise to provide specific goods or services to a specific payor. Revenue from transactions with performance obligations is recognized as the public sector entity satisfies a performance obligation by providing the goods or services to a payor. Once a performance obligation is identified, an assessment is needed to determine whether revenue recognition occurs over a period of time or at a point in time. Earlier adoption is permitted. This standard is effective for fiscal years beginning on or after April 1, 2023.

(f) PS3160 - Public private partnerships

This standard will provide guidance on the accounting for a public private partnership (P3). Earlier adoption is permitted. This standard is effective for fiscal years beginning on or after April 1, 2023.

(g) PSG-8 - Purchased intangibles

This guideline will allow recognition of purchased intangibles as assets. Earlier adoption is permitted. This standard is effective for fiscal years beginning on or after April 1, 2023.

The Town is continuing to assess the impact as it prepares for the adoption of these standards.

3. Cash and temporary investments

The Town has authorized a line of credit with TD Commercial Banking to a maximum of \$6,100. The line of credit bears interest at the prime rate. As at December 31, 2021, the line of credit was undrawn.

Included in cash is \$1,158 (2020 - \$1,308) of deposit liability funds which are not available for current purposes.

4. Taxes and grants in place of taxes receivables

		2021	2020
Taxes and grants in place of taxes receivable	\$	1,246	\$ 1,805
Arrears		350	539
	\$	1,596	\$ 2,344

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(\$ thousands)

5. Trade and other receivables

	2021	2020
Utility accounts	\$ 2,711	\$ 2,687
Trade receivables	2,034	3,150
Offsite levies	1,935	2,117
Recreation receivables	311	160
Investment receivables	257	166
GST	217	308
Federal grants	166	25
Allowance for doubtful accounts	(63)	(17)
	\$ 7,568	\$ 8,596

6. Loans receivable

	2021	2020
Foothills Dawg's Baseball Club	\$ 80	\$ 150

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 as follows:

- October 31, 2022 - \$30
- October 31, 2023 - \$50

7. Investments

	2021		2020	
	Cost	Market value	Cost	Market value
Bonds	\$ 39,851	\$ 39,509	\$ 38,787	\$ 39,382

The investments consist of bonds and principal protected notes that earn interest at rates between 1.57% and 4.86% with maturity dates between 2022 and 2030.

8. Employee benefit obligations

	2021	2020
Vacation and overtime	\$ 645	\$ 516
Long-term service benefit	429	475
Health care spending account	157	221
	\$ 1,231	\$ 1,212

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(\$ thousands)

8. Employee benefit obligations, continued

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.

9. Deferred revenue

	Balance, beginning of year	Received	Recognized	Balance, end of year
Municipal Sustainability Initiative - capital	4,392	10,270	11,290	3,372
Municipal Sustainability Initiative - operating	-	219	219	-
Alberta Municipal Water/Wastewater Partnership	-	3,700	3,700	-
Services not yet provided	1,016	2,107	1,826	1,297
Municipal Operating Support Transfer	318	-	318	-
Canada Community-Building Fund	58	1,594	1,304	348
Green Trip	224	1	-	225
Municipal Stimulus Program	182	3,227	3,409	-
Basic Municipal Transportation grant	163	1	62	102
Family and Community Support Services	131	218	93	256
General administrative grants	48	171	164	55
Resource Centre grant	28	13	28	13
	6,560	21,521	22,413	5,668

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(\$ thousands)

10. Long-term debt

	2021	2020
Tax-supported debt	\$ 6,260	\$ 6,853
Self-supported debt		
Offsites	14,343	10,675
Offsites future capital projects	3,000	-
Utilities	669	916
Self-supported debt	18,012	11,591
	\$ 24,272	\$ 18,444
Current portion	\$ 1,381	\$ 1,172

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.

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2022	\$ 1,381	\$ 642	\$ 2,023
2023	1,263	596	1,859
2024	1,031	558	1,589
2025	915	531	1,446
2026	940	506	1,446
Thereafter	18,742	4,444	23,186
	\$ 24,272	\$ 7,277	\$ 31,549

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% (2020 - 2.27% to 4.61%) per annum, before Provincial subsidy, and mature in periods 2022 through 2046.

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

Interest on long-term debt amounted to \$557 (2020 - \$625).

The Town's total cash payments for interest in 2021 were \$509 (2020 - \$633).

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(\$ thousands)

11. Accumulated surplus

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

	2021	2020
Unrestricted surplus	\$ 21,173	\$ 17,019
Internally restricted surplus (reserves) (note 12)	45,463	38,820
Equity in tangible capital assets (note 13)	380,789	369,829
	<u>\$ 447,425</u>	<u>\$ 425,668</u>

12. Reserves

Reserves for operating and capital activities are as follows:

	2021	2020
Operating		
Infrastructure services	\$ 9,688	\$ 7,066
Corporate	2,324	2,799
Family & Community Support Services	7	7
	<u>12,019</u>	<u>9,872</u>
Capital		
Corporate	30,448	27,737
Community services	4,486	4,464
Infrastructure services	(1,490)	(3,253)
	<u>33,444</u>	<u>28,948</u>
	<u>\$ 45,463</u>	<u>\$ 38,820</u>

13. Equity in tangible capital assets

	2021	2020
Tangible capital assets (schedule 2)	\$ 549,374	\$ 524,428
Accumulated amortization (schedule 2)	(147,313)	(136,155)
Long-term debt (note 10)	(24,272)	(18,444)
Long-term debt - future capital projects (note 10)	3,000	-
	<u>\$ 380,789</u>	<u>\$ 369,829</u>

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(\$ thousands)

14. Net municipal property taxes

	Budget (Unaudited)	2021	2020
Taxation			
Real property taxes	\$ 45,539	\$ 45,585	\$ 44,958
Linear property taxes and Provincial DIP	332	370	354
Government grants in place of property taxes	5	5	5
Special assessments and local improvements	3	3	3
	45,879	45,963	45,320
Requisitions			
Alberta School Foundation Fund	12,189	12,941	12,184
Seniors Lodge	642	642	639
Christ the Redeemer Catholic Separate	2,261	1,542	2,253
Okotoks Library Board	882	882	843
Provincial DIP	2	2	2
	15,976	16,009	15,921
	\$ 29,903	\$ 29,954	\$ 29,399

15. Government transfers

	Budget (Unaudited)	2021	2020
Transfers for operating:			
Provincial government	\$ 1,898	\$ 2,993	\$ 4,331
Federal government	9	77	130
Other local government transfers	2,386	2,682	2,466
Transfer from local boards and agencies	93	129	114
	4,386	5,881	7,041
Transfers for capital:			
Provincial government	10,545	19,062	8,830
	\$ 14,931	\$ 24,943	\$ 15,871

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(\$ thousands)

16. Franchise and concession contracts

	Budget (Unaudited)	2021	2020
ATCO* - natural gas	\$ 1,100	\$ 991	\$ 743
Fortis - electricity	2,900	2,972	2,521
	\$ 4,000	\$ 3,963	\$ 3,264
*Net of property tax	\$	165	\$ 161

17. Expenses by object

	Budget (Unaudited)	2021	2020
Salaries, wages and benefits	\$ 27,589	\$ 27,088	\$ 25,675
Contracted and general services	16,232	14,472	11,244
Materials, goods, supplies and utilities	6,740	5,985	5,492
Bank charges and short term interest	80	85	63
Interest on long term debt	714	557	625
Other expenditures	377	1	3
Transfers to organizations and others	346	317	258
Purchases from other governments	5,369	5,843	5,149
Provision (recovery) for allowances	-	47	(1)
Amortization of tangible capital assets	11,399	12,656	11,260
Loss on disposal of tangible capital assets	238	3	2
	\$ 69,084	\$ 67,054	\$ 59,770

18. Developer contributed assets

Contributed assets consist of the following assets, by type:

	2021	2020
Storm	\$ 914	\$ 894
Water	641	459
Sanitary	474	534
	\$ 2,029	\$ 1,887

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(\$ thousands)

19. 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 275,800 people and 430 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 2021 were \$1,933 (2020 - \$1,801). Total current service contributions by the employees of the Town to the LAPP in 2021 were \$1,753 (2020 - \$1,634).

At December 31, 2020, the LAPP disclosed an actuarial surplus of \$4.96 billion.

20. 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% (2020 - 2.61%) and 3.85% (2020 - 3.85%) respectively of pensionable earnings up to \$162 (2020 - \$155).

Total current service contributions by the Town to APEX in 2021 were \$117 (2020 - \$105). Total current service contributions by the employees of the Town were \$79 (2020 - \$71).

21. 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).

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(\$ thousands)

22. Salary and benefits disclosure

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

	(1)	(2)		
	Salary	Benefits & allowances	2021	2020
Council				
W. Robertson, Mayor	\$ 52	\$ 2	\$ 54	\$ 99
T. Thorn, Mayor	52	5	57	48
K. Heemeryck	44	1	45	44
M. Rockley	37	5	42	49
E. Sands	37	4	41	49
F. Christophers	37	5	42	48
R. Watrin	37	5	42	49
C. Actemichuk	8	1	9	-
O. Hallmark	8	2	10	-
G. Lang	7	1	8	-
B. Robinson	7	2	9	-
R. Swenseid	7	1	8	-
Chief Administrative Officer	\$ 295	\$ 38	\$ 333	\$ 315

(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, 2021
(\$ thousands)

23. Commitments and contingencies

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

b) No provisions have been made for any potential legal claims that may be filed against the Town, as management believes the Town has minimal exposure as at December 31, 2021.

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, \$1,200 of which was paid in 2017 to 2021. The remaining balance will be paid in increments of \$200 annually. The last payment is expected to be paid by July 2025.

24. Debt limits

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

	2021	2020
Total debt limit *	\$ 101,022	\$ 94,957
Total debt	24,272	18,444
	<u>\$ 76,750</u>	<u>\$ 76,513</u>
Debt servicing limit *	\$ 16,837	\$ 15,826
Debt servicing	2,023	1,681
	<u>\$ 14,814</u>	<u>\$ 14,145</u>

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

* The Town has internally restricted the Debt Limit and Debt Servicing Limit amounts to 75% of the values permissible by Alberta Regulation 255/00, or \$75,766 and \$12,628 respectively.

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(\$ thousands)

25. 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.

26. Financial instruments

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

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

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

27. Approval of financial statements

These financial statements were approved by Council and Management.

28. Budget amounts

The 2021 budget for the Town was approved by Council on December 14, 2020 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

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

Budgeted surplus per financial statements	\$ 4,228
Less: Capital expenditures	(14,270)
Long-term debt repayments	(1,334)
Transfers to reserves	(7,492)
Add: Amortization	11,399
Transfers from reserves	7,469
Equals: Balanced budget	<u>\$ -</u>

TOWN OF OKOTOKS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(\$ thousands)

29. 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.

30. Comparative figures

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

TOWN OF OKOTOKS
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(\$ thousands)

Schedule of changes in accumulated surplus
Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2021	2020
Balance, beginning of year	\$ 17,019	\$ 38,820	\$ 369,829	\$ 425,668	\$ 411,165
Annual surplus	21,757	-	-	21,757	14,503
Unrestricted funds					
designated for future use	(12,588)	12,588	-	-	-
Restricted funds used for					
operations	4,809	(4,809)	-	-	-
Restricted funds used for					
tangible capital assets	-	(1,136)	1,136	-	-
Current year funds used for					
tangible capital assets	(23,454)	-	23,454	-	-
Contributed tangible capital					
assets	(2,029)	-	2,029	-	-
Disposal of tangible capital					
assets	175	-	(175)	-	-
Amortization of tangible					
capital assets	12,656	-	(12,656)	-	-
Long-term debt repaid	(1,172)	-	1,172	-	-
Long-term debt					
proceeds - capital	4,000	-	(4,000)	-	-
Change in accumulated	4,154	6,643	10,960	21,757	14,503
surplus					
Balance, end of year	\$ 21,173	\$ 45,463	\$ 380,789	\$ 447,425	\$ 425,668

TOWN OF OKOTOKS
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(\$ thousands)

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2021	2020
Cost:									
Balance, beginning of year	\$ 36,731	\$ 31,758	\$ 120,552	\$ 272,219	\$ 31,124	\$ 6,854	\$ 25,189	\$ 524,428	\$ 500,534
Acquisitions	1,290	95	-	2,029	1,160	427	21,618	26,619	24,041
Transfers	-	2,502	11,026	19,841	1,535	-	(34,904)	-	-
Disposals	-	(193)	(21)	(442)	(282)	(735)	-	(1,673)	(147)
Balance, end of year	38,021	34,162	131,557	293,647	33,537	6,546	11,903	549,374	524,428
Accumulated amortization:									
Balance, beginning of year	-	13,903	26,925	76,254	15,290	3,782	-	136,155	125,033
Annual amortization	-	1,385	2,692	6,350	1,775	454	-	12,656	11,260
Disposals	-	(193)	-	(440)	(279)	(586)	-	(1,498)	(138)
Balance, end of year	-	15,095	29,617	82,164	16,786	3,650	-	147,313	136,155
Net book value	\$ 38,021	\$ 19,067	\$ 101,940	\$ 211,483	\$ 16,751	\$ 2,896	\$ 11,903	\$ 402,061	\$ 388,273
2020 net book value	\$ 36,731	\$ 17,855	\$ 93,627	\$ 195,965	\$ 15,834	\$ 3,072	\$ 25,189	\$ 388,273	

TOWN OF OKOTOKS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2021
(\$ 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	\$ 29,954	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,954
User fees and sales of goods	576	804	1,017	14,672	209	2,057	733	20,067
Government transfers for operating	533	1,484	-	302	886	71	2,605	5,881
Franchise and concession contracts	3,963	-	-	-	-	-	-	3,963
Rental	191	232	-	-	-	26	1,428	1,877
Investment income	1,340	-	-	-	-	-	-	1,339
Penalties and costs of taxes	285	-	3	140	-	-	-	429
Donations	350	-	-	-	54	-	96	500
Gain on disposal of capital assets	-	1	47	35	-	-	43	127
Other	219	13	340	148	-	194	106	1,020
	37,411	2,534	1,407	15,297	1,149	2,348	5,011	65,157
Expenses								
Salaries, wages and benefits	6,469	5,719	1,868	2,771	793	3,341	6,127	27,088
Contracted and general services	2,040	622	2,188	3,630	86	1,477	4,429	14,472
Materials, goods, supplies and utilities	332	322	2,215	1,284	71	11	1,750	5,985
Bank charges and short term interest	18	2	-	-	-	27	38	85
Interest on long term debt	305	214	-	38	-	-	-	557
Other expenditures	1	-	-	-	-	-	-	1
Transfers to organizations and others	3	-	-	-	314	-	-	317
Purchases from other governments	202	4,699	-	250	-	41	651	5,843
Provision for allowances	(5)	22	-	3	-	-	27	47
Amortization of tangible capital assets	813	595	4,626	3,603	87	-	2,932	12,656
Loss on disposal of tangible capital assets	-	-	-	3	-	-	-	3
	10,178	12,195	10,897	11,582	1,351	4,897	15,954	67,054
Excess (shortfall) of revenue over expenses before other	27,233	(9,661)	(9,490)	3,715	(202)	(2,549)	(10,943)	(1,897)
Other								
Government transfers for capital	-	899	2,658	3,700	-	-	11,805	19,062
Developer capital contributions	-	-	650	1,246	-	-	296	2,192
Developer contributed assets	-	-	915	1,114	-	-	-	2,029
Capital donations	-	-	-	-	-	-	371	371
	-	899	4,223	6,060	-	-	12,472	23,654
Excess (shortfall) of revenue over expenses	\$ 27,233	\$ (8,762)	\$ (5,267)	\$ 9,775	\$ (202)	\$ (2,549)	\$ 1,529	\$ 21,757