

Consolidated Financial Statements of

**TOWN OF PINCHER
CREEK**

And Independent Auditor's Report thereon

Year ended December 31, 2022



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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of Council of the Town of Pincher Creek

Opinion

We have audited the consolidated financial statements of Town of Pincher Creek (the "Town"), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2022, and its consolidated results of operations, changes in net financial assets, and its consolidated 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 auditor's report.

We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the 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.



Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in the *Annual Report*. The *Annual Report* is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

When we read the *Annual Report*, if we conclude that there is a material misstatement of this other information, we are required to report the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 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 the 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:

- 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 Town 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants

Lethbridge, Canada

April 24, 2023

TOWN OF PINCHER CREEK

Consolidated Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial Assets:		
Cash and short-term investments (note 3)	\$ 4,116,709	\$ 6,171,502
Taxes and grants in place of taxes (note 4)	216,490	234,142
Trade and other receivables (note 5)	1,728,028	1,672,239
Land held for resale	384,295	401,816
Investments and marketable securities (note 6)	7,133,817	6,753,774
	<u>13,579,339</u>	<u>15,233,473</u>
Financial Liabilities:		
Accounts payable and accrued liabilities	1,747,755	2,238,197
Deposits	118,466	115,631
Deferred revenue (note 7)	1,014,318	2,319,722
Debt (note 8)	3,498,137	3,695,483
	<u>6,378,676</u>	<u>8,369,033</u>
Net financial assets	7,200,663	6,864,440
Non-Financial Assets:		
Prepaid expenses	117,685	117,869
Inventory for consumption	267,786	279,690
Tangible capital assets (Schedule 6)	51,077,535	49,099,191
	<u>51,463,006</u>	<u>49,496,750</u>
Commitments (note 14)		
Contingent liabilities (note 16)		
Accumulated surplus (note 9 and Schedule 3)	\$ 58,663,669	\$ 56,361,190

See accompanying notes to consolidated financial statements.

TOWN OF PINCHER CREEK

Consolidated Statement of Operations

Year ended December 31, 2022, with comparative information for 2021

	Budget	2022	2021
Revenue:			
Net municipal property taxes (Schedule 4)	\$ 4,970,251	\$ 4,970,392	\$ 4,715,680
User fees and sales of goods	1,996,785	2,564,225	2,220,119
Government transfers for operating (Schedule 1)	1,085,145	1,715,135	1,514,980
Franchise fees and concession contracts	898,050	912,264	855,438
Rentals	752,808	719,723	630,343
Investment income	215,860	264,615	228,066
Penalties and cost of taxes	99,600	85,736	81,730
Licenses and permits	112,600	169,933	131,123
Other	96,689	162,052	142,955
Total revenue	10,227,788	11,564,075	10,520,434
Expenses (Schedule 5):			
Recreation and culture	3,733,679	4,497,155	3,913,402
Water supply and distribution	1,125,994	1,180,447	1,266,661
Protective services	1,291,074	1,258,586	1,264,155
Roads, streets, walks and lighting	1,336,729	1,206,858	1,219,335
Wastewater treatment and disposal	910,249	757,670	853,711
Administration	786,599	883,766	852,555
Waste management	499,015	467,432	510,074
Planning and development	902,573	577,549	490,473
Public health and welfare services	369,649	351,619	330,749
Legislative	332,170	342,289	307,785
Other	61,019	51,649	50,927
Total expenses	11,348,750	11,575,020	11,059,827
Deficiency of revenue over expenses from operations	(1,120,962)	(10,945)	(539,393)
Government transfers for capital (Schedule 1)	3,556,680	2,329,204	2,522,384
Gain (loss) on disposal of tangible capital assets	500	(15,780)	(6,863)
	3,557,180	2,313,424	2,515,521
Excess of revenues over expenses	2,436,218	2,302,479	1,976,128
Accumulated surplus, beginning of year	56,361,190	56,361,190	54,385,062
Accumulated surplus, end of year	\$ 58,797,408	\$ 58,663,669	\$ 56,361,190

See accompanying notes to consolidated financial statements.

TOWN OF PINCHER CREEK

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2022, with comparative information for 2021

	Budget	2022	2021
Excess of revenue over expenses	\$ 2,436,218	\$ 2,302,479	\$ 1,976,128
Acquisition of tangible capital assets	(6,212,182)	(3,765,460)	(3,480,599)
Amortization of tangible capital assets	1,671,573	1,771,336	1,795,742
Loss on sale on tangible capital assets	-	15,780	6,863
Proceeds on sale on tangible capital assets	-	-	144,400
Net change in prepaid expense	-	184	(2,317)
Net change in inventory for consumption	-	11,904	10,570
Change in net financial assets	(2,104,391)	336,223	450,787
Net financial assets, beginning of year	6,864,440	6,864,440	6,413,653
Net financial assets, end of year	\$ 4,760,049	\$ 7,200,663	\$ 6,864,440

See accompanying notes to consolidated financial statements.

TOWN OF PINCHER CREEK

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 2,302,479	\$ 1,976,128
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	1,771,336	1,795,742
Loss on sale of tangible capital assets	15,780	6,863
	<u>4,089,595</u>	<u>3,778,733</u>
Changes in non-cash assets and liabilities:		
Taxes and grants in place of taxes	17,652	96,085
Trade and other receivables	(55,789)	888,793
Land held for resale	17,521	-
Prepaid expenses	184	(2,317)
Accounts payable and accrued liabilities	(490,442)	1,156,102
Deferred revenue	(1,305,404)	1,005,223
Deposits	2,835	26,647
Inventory for consumption	11,904	10,570
	<u>2,288,056</u>	<u>6,959,836</u>
Capital activities:		
Acquisition of tangible capital assets	(3,765,460)	(3,480,599)
Proceeds on disposal of tangible capital assets	-	144,400
	<u>(3,765,460)</u>	<u>(3,336,199)</u>
Investing activities:		
Decrease (increase) in investments	(380,043)	618,128
Financing activities:		
Payments on long-term debt	(197,346)	(191,221)
Increase (decrease) in cash and short-term investments	<u>(2,054,793)</u>	<u>4,050,544</u>
Cash and short-term investments, beginning of year	6,171,502	2,120,958
Cash and short-term investments, end of year	<u>\$ 4,116,709</u>	<u>\$ 6,171,502</u>

See accompanying notes to consolidated financial statements.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements

Year ended December 31, 2022

1. Significant accounting policies:

The consolidated financial statements of the Town of Pincher Creek (the "Town") are the representations of management prepared in accordance with Canadian Public Sector Accounting Standards. 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 accumulated surplus and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources. Included with the Town is the Pincher Creek Community Early Learning Centre Ltd.

The schedule of taxes levied also includes requisitions for education, health, 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.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(c) Cash and temporary investments:

Cash and temporary investments includes cash on hand and short-term deposits, which are highly liquid with original maturities of less than three months from the date of acquisition.

(d) Investments:

Investments are recorded at amortized cost. Investment premiums and discounts are amortized 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) 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.

(f) Inventories for resale:

Land inventory held for resale is recorded as the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as tangible capital assets under their respective function.

(g) Contaminated sites liability:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive 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.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(h) 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.

(i) 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.

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:

Assets	Years
Buildings	15 - 50
Land improvements	15 - 60
Engineered structures	20 - 98
Machinery and equipment	5 - 10
Vehicles	10

Assets under construction are not amortized until the asset is available for productive use.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(i) Non-financial assets (continued):

ii. Contribution 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. Inventories:

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

iv. Asset impairment:

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Town's ability to provide goods and services, or when the value of the future economic benefits associated with the tangible capital asset are less than their book value. The net write downs are accounted for as an expense.

(j) Use of estimates:

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards 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 expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Significant areas subject to such estimates and assumptions include the estimated useful life of tangible capital assets, taxes and grants in place of taxes, and land held for resale. Actual results could differ from those estimates.

2. Recent accounting pronouncements:

The following summarizes the upcoming changes to the Public Sector Accounting Standards by the Public Sector Accounting Standards Board (PSAB). In 2023, the Town will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Recent accounting pronouncements (continued):

(a) PS 1201- Financial Statement Presentation:

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

(b) PS 3450- 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 re-measurement gains and losses arising from the adoption of PS 1201. 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) PS 2601 - 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 re-measurement gains and losses. This standard is effective for fiscal years beginning on or after April 1, 2022.

(d) PS 3041 - Portfolio Investments:

This section removes the distinction between temporary and portfolio investments and provides additional guidance on recognition, measurement, presentation and disclosure of these types of investments. Upon adoption of this section and PS 3450, PS 3040 - Portfolio Investments will no longer be applicable. This standard is effective for fiscal years beginning on or after April 1, 2022.

The requirements in PS 1201, PS 3450, PS 2601 and PS 3041 are required to be implemented at the same time.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

2. Recent accounting pronouncements (continued):

(e) PS 3280 - Asset Retirement Obligations:

This section provides guidance on how to account for and report a liability for retirement of a tangible capital asset. This standard is effective for fiscal years beginning on or after April 1, 2022.

(f) PS 3400 - Revenue:

This section provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions. This standard has been deferred by PSAB and is now effective for fiscal years beginning on or after April 1, 2023

(g) PSG-8 - Purchased Intangibles:

This new guideline allows for recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to PS 1000 Financial Statement Concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial Statement Presentation to remove the requirement to disclose that purchased intangibles are not recognized. This is effective for fiscal years beginning on or after April 1, 2023.

(h) PS 3160 - Public Private Partnerships:

This section establishes standards on how to account for public private partnership arrangements. This standard is effective for fiscal years beginning on or after April 1, 2023.

3. Cash and short-term investments:

	2022	2021
Cash	\$ 3,138,311	\$ 5,092,140
Short-term investments	978,398	1,079,362
	<hr/> \$ 4,116,709	<hr/> \$ 6,171,502

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

4. Taxes and grants in place of taxes:

	2022	2021
Taxes and grants in place of taxes:		
Current taxes and grants in place of taxes	\$ 167,541	\$ 184,367
Arrears taxes	48,949	49,775
	\$ 216,490	\$ 234,142

5. Trade and other receivables:

	2022	2021
Local improvement levies	\$ 792,522	\$ 834,158
Trade accounts	897,430	726,676
Goods and services tax recoverable	6,007	58,242
Due from provincial government	32,069	34,248
Due from federal government	-	18,915
	\$ 1,728,028	\$ 1,672,239

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

6. Investments and marketable securities:

	2022		2021	
	Cost	Market value	Cost	Market value
CIBC Wood Gundy:				
Fixed income securities (due 2022 - 2033)	\$ 3,150,157	\$ 2,691,672	\$ 3,150,157	\$ 3,119,221
Bank of Montreal - Equity Linked (due 2031)	602,800	602,800	602,800	602,800
Bank of Montreal - balance protected (due 2031)	688,300	688,300	688,300	688,300
Canadian Imperial Bank of Commerce - balance protected (due 2029)	84,600	82,308	-	-
BMO Wealth Management:				
Fixed income securities (due 2023-2029)	2,336,986	2,330,437	2,034,589	2,237,628
Other:				
Accrued investment interest	270,974	270,978	277,928	277,928
	\$ 7,133,817	\$ 6,666,495	\$ 6,753,774	\$ 6,925,877

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

7. Deferred revenue:

	2022	2021
Deferred revenue, beginning of year	\$ 2,319,722	\$ 1,314,499
Funds received in the year:		
Operating	280,184	563,175
Capital	948,038	4,140,997
	1,228,222	4,704,172
Amounts recognized in revenue during the year:		
Operating	(292,600)	(1,815,067)
Capital	(2,241,026)	(1,883,882)
	(2,533,626)	(3,698,949)
Deferred revenue, end of year	\$ 1,014,318	\$ 2,319,722
Deferred revenue is comprised of:		
Operating:		
Municipal Energy Manager	\$ 18,933	\$ -
Climate Resilience Capacity Building (CRCB)	77,985	-
Economic Development	-	13,877
Prepaid property tax	34,665	78,900
Basic Management Transportation grant	-	47,130
Other	3,686	7,778
Capital:		
Municipal Stimulus Program	-	342,480
Alberta Community Resilience	-	722,217
Alberta Municipal Water Program	11,865	593,242
Canada Community Building Fund	497,584	514,098
MSI Capital	369,600	-
	\$ 1,014,318	\$ 2,319,722

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

8. Debt:

	2022	2021
Debenture tax supported	\$ 840,068	\$ 908,076
Other supported debentures	808,069	870,740
Bankers acceptance loan	1,850,000	1,916,667
	3,498,137	3,695,483
Current portion	(137,107)	(130,680)
Current portion of Bankers acceptance repayable	(66,667)	-
Bankers acceptance repayable	(1,783,333)	(1,916,667)
	\$ 1,511,030	\$ 1,648,136

Principal and interest repayments are as follows:

	Principal	Interest	Total
2023	\$ 203,774	\$ 108,175	\$ 311,949
2024	210,518	100,417	310,935
2025	217,594	92,316	309,910
2026	225,019	83,573	308,592
2027	232,809	74,764	307,573
Thereafter	2,408,423	398,043	2,806,466
	\$ 3,498,137	\$ 857,288	\$ 4,355,425

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at the rates of 4.59% to 5% per annum, before Provincial subsidy, and matures in 2032. Debenture debt is issued on the credit and security of the Town at large.

Interest payments on long-term debt amounted to \$84,394 (2021 - \$90,542).

The Town has an authorized demand bankers acceptance loan up to a maximum of \$1,850,000 bearing interest at 2.29% the bankers acceptance is due on demand. As at December 31, 2022, the balance outstanding was \$1,850,000. During 2022 the bankers acceptance loan was changed in that, CIBC has indicated that they are accepting term payments of \$5,556 per month plus interest.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

9. Accumulated surplus

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

	2022	2021
Unrestricted surplus	\$ 773,231	\$ 839,745
Restricted surplus:		
Operating:		
Municipal income stabilization	652,109	650,386
Early learning centre	366,590	487,729
Legislative	2,894	19,776
Disaster services	13,402	13,402
Capital:		
Legislative and administration	777,898	1,061,655
Protective services	114,128	107,023
Fire Equipment	120,338	-
Equipment	218,770	173,379
Streets	197,347	105,522
Utilities	2,565,892	3,046,267
Garbage Equipment	145,000	72,500
Recycling	19,039	19,039
Cemetery	38,407	36,407
Land development	625,434	184,676
Pool	121,011	102,657
Arena building	3,073,697	2,921,024
General parks	225,649	160,149
Cultural	69,086	55,085
General sportsfield	150,666	147,377
Community recreation centre building	103,684	103,684
Golf Course	290,902	150,000
PC early learning centre	419,097	500,000
	10,311,040	10,117,737
Equity in tangible capital assets	47,579,398	45,403,708
	\$ 58,663,669	\$ 56,361,190

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

(continued):

	2022	2021
Equity in tangible capital assets:		
Tangible capital assets (Schedule 6)	\$ 90,838,084	\$ 87,253,478
Accumulated amortization (Schedule 6)	(39,760,549)	(38,154,287)
Loans related to capital assets	(3,498,137)	(3,695,483)
	<u>\$ 47,579,398</u>	<u>\$ 45,403,708</u>

10. Debt limits:

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Town be disclosed as follows:

	2022	2021
Total debt limit	\$ 17,346,113	\$ 15,780,651
Total debt	(3,498,137)	(3,695,483)
Amount of debt limit unused	<u>13,847,976</u>	<u>12,085,168</u>
Debt servicing limit	2,891,019	2,630,109
Debt servicing	(311,949)	(2,132,202)
Amount of debt servicing unused	<u>\$ 2,579,070</u>	<u>\$ 497,907</u>

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/2000) and the debt service 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 that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Town. Rather, the financial statements must be interpreted as a whole.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

11. Local Authorities Pension Plan:

The Town participates in a multi-employer defined pension plan. The plan is accounted for as a defined contribution 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 Pension Plans Act. The LAPP serves about 281,764 people and about 435 employers. The LAPP 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 8.45% (9.39% in 2021) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.80% (13.84% in 2021) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 7.45% (8.39% in 2021) of pensionable salary up to the year's maximum pensionable salary and 11.80% (12.84% in 2021) on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2022 were \$220,169 (2021 - \$214,907). Total current service contributions by the employees of the Town to the LAPP in 2022 were \$195,951 (2021 - \$193,751).

LAPP reported a surplus of \$11.9 billion in 2021.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

12. Segmented disclosure:

Segmented information has been identified based upon lines of service provided by the Town. Town services are provided by departments and their activities are reported by functional area in the body of the financial statements. The segmented information is presented in Schedule 2. Certain lines of service that have been separately disclosed in the segments information, along with the services they provide, are as follows:

(a) General government:

The mandate of general government includes all taxation, Council and administrative functional activities

(b) Protective services:

The mandate of Protective Services is to provide for the rescue and protection of people and property within the Town through effective and efficient management and coordination of emergency service systems and resources.

(c) Transportation services:

Transportation services is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, streets, walks and lighting.

(d) Planning and development:

Planning and development is responsible for the administration of residential, commercial, industrial and agricultural development services within the Town.

(e) Recreation and culture:

The recreation and culture department is responsible for operation and maintenance of parks, sports fields, recreation, community and cultural facilities within the Town.

(f) Environmental services:

Environmental services is responsible for water supply and distribution services within the Town, as well as wastewater treatment and disposal activities and waste management functions.

(g) Public health:

Public health provides funding for programs that support individuals, families, and communities. Programs and services are delivered through Family and Community Support Services.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment's budgeted net expenditure. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

13. 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:

	Salaries (i)	Benefits and Allowances (ii)	Total 2022	Total 2021
Mayor Anderberg	\$ 43,035	\$ 2,849	\$ 45,884	\$ 40,701
Councilor Barber	38,310	4,152	42,462	36,583
Councilor Elliott	9,645	644	10,289	19,768
Councilor Nodge	26,621	3,641	30,262	5,839
Councilor Oliver	24,285	1,323	25,608	4,599
Councilor Wright	21,090	3,326	24,416	5,722
Councilor Green	31,085	-	31,085	5,223
Councillor Cleland	6,020	578	6,598	-
Councilor McGillivray	-	-	-	32,079
Councilor Korbett	-	-	-	25,597
Councilor Jackson	-	-	-	22,569
	\$ 200,091	\$ 16,513	\$ 216,604	\$ 198,680
Chief Administrative Officer	\$ 140,060	\$ 32,312	\$ 172,372	\$ 156,809
Designated Officer	\$ 45,817	\$ -	\$ 45,817	\$ 42,537

- i) Salary includes regular base pay. For Councilors, salary includes a monthly allowance to attend special events and per diem reimbursement for authorized meetings attended.
- ii) For non-elected officials, employers 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, and long and short-term plans as well as travel allowances.

Benefits and allowances also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement services, concessionary loans, travel allowances, car allowances, and club memberships.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

14. Commitment:

The Town has committed up to \$1,250,000 of matching funds towards the construction of a new curling rink. This project had not begun by December 31, 2022.

15. Financial instruments:

The Town as part of its operations carries a number of financial instruments, such as cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and long term debt. It is management's opinion that the Town is not exposed to significant interest, or currency risks arising from these financial instruments except as otherwise disclosed.

Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

i. Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Town manages exposure through its normal operating and financing activities.

ii. Credit concentration:

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivable 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 of diversity of taxpayers and customers minimizes the credit risk.

iii. Liquidity risk:

Liquidity risk is the risk that the Town will not be able to meet its financial obligations as they become due. The Town manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2022

16. Contingent liabilities:

- i. The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.
- ii. The Town has been named as a defendant in a legal action surrounding a contract dispute with a construction contractor. The ultimate resolution of the claim is not determinable at this time.

17. Budget:

The budgeted information presented in these financial statements is based upon the 2022 operating and capital budgets.

18. Approval of financial statements:

Council and Management approved these financial statements.

19. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

TOWN OF PINCHER CREEK

Schedule 1 - Schedule of Government Transfers

Year ended December 31, 2022, with comparative information for 2021

	Budget	2022	2021
Transfers for operating:			
Provincial government	\$ 457,995	\$ 716,032	\$ 664,687
Other municipal governments	601,650	989,055	828,978
Federal government	25,500	10,048	21,315
	1,085,145	1,715,135	1,514,980
Transfers for capital:			
Provincial government	2,976,680	2,232,544	2,043,242
Federal government	580,000	96,660	479,142
	3,556,680	2,329,204	2,522,384
Total government transfers	\$ 4,641,825	\$ 4,044,339	\$ 4,037,364

TOWN OF PINCHER CREEK

Schedule 2 - Schedule of Segmented Disclosures

Year ended December 31, 2022, with comparative information for 2021

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total 2022	Total 2021
Revenue:									
Net municipal taxes	\$ 4,970,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,970,392	\$ 4,715,680
User fees and sales of goods	79,995	-	8,254	1,699,977	17,277	474,350	284,372	2,564,225	2,220,119
Government transfers	-	41,100	152,037	2,161,849	166,123	13,877	1,509,353	4,044,339	4,037,364
Penalties and cost of taxes	61,887	17,049	-	6,800	-	-	-	85,736	81,730
Licenses and permits	58,172	1,979	-	-	-	109,782	-	169,933	131,123
Franchise and concession contracts	912,264	-	-	-	-	-	-	912,264	855,438
Rentals	5,931	280,777	800	84,225	68,958	106,205	172,827	719,723	630,343
Investment income	257,942	-	-	-	6,673	-	-	264,615	228,066
Other	1,658	7,920	105,821	250	29,541	-	16,862	162,052	142,955
	6,348,241	348,825	266,912	3,953,101	288,572	704,214	1,983,414	13,893,279	13,042,818
Expenses:									
Salaries, wages and benefits	752,632	242,818	405,786	764,864	152,549	268,059	2,182,717	4,769,425	4,213,991
Contracted and general services	324,499	625,626	211,441	601,234	45,661	271,877	858,879	2,939,217	3,106,504
Materials, goods, and utilities	47,873	56,055	283,587	363,831	14,854	37,613	514,179	1,317,992	1,214,737
Transfers to organizations	-	75,676	-	19,253	158,816	-	282,686	536,431	513,542
Interest on long-term debt	-	84,395	-	-	-	-	50,136	134,531	135,477
Other expenditures	51,325	-	-	-	-	-	42,015	93,340	69,329
Bank charges and interest	2,597	-	-	2,767	-	-	7,384	12,748	10,505
Amortization	47,040	149,294	306,044	705,247	4,462	-	559,249	1,771,336	1,795,742
	1,225,966	1,233,864	1,206,858	2,457,196	376,342	577,549	4,497,245	11,575,020	11,059,827
Excess (deficiency) of revenue over expenses									
before other	5,122,275	(885,039)	(939,946)	1,495,905	(87,770)	126,665	(2,513,831)	2,318,259	1,982,991
Other									
Loss on disposal of tangible capital assets	-	-	(15,780)	-	-	-	-	(15,780)	(6,863)
Excess (deficiency) of revenue over expenses									
	\$ 5,122,275	\$ (885,039)	\$ (955,726)	\$ 1,495,905	\$ (87,770)	\$ 126,665	\$ (2,513,831)	\$ 2,302,479	\$ 1,976,128

TOWN OF PINCHER CREEK

Schedule 3 - Schedule of Changes in Accumulated Surplus

Year ended December 31, 2022, with comparative information for 2021

	Unrestricted	Restricted surplus	Equity in tangible capital assets	2022	2021
Balance, beginning of year	\$ 839,745	\$ 10,117,737	\$ 45,403,708	\$ 56,361,190	\$ 54,385,062
Excess of revenues over expenses	2,302,479	-	-	2,302,479	1,976,128
Transferred from restricted surplus	1,995,975	(1,995,975)	-	-	-
Transferred to restricted surplus	(2,189,278)	2,189,278	-	-	-
Acquisition of tangible capital assets	(3,765,460)	-	3,765,460	-	-
Net book value of tangible capital assets disposed	15,780	-	(15,780)	-	-
Amortization of tangible capital assets	1,771,336	-	(1,771,336)	-	-
Debt principal paid	(197,346)	-	197,346	-	-
Change in accumulated surplus	(66,514)	193,303	2,175,690	2,302,479	1,976,128
Balance, end of year	\$ 773,231	\$ 10,311,040	\$ 47,579,398	\$ 58,663,669	\$ 56,361,190

TOWN OF PINCHER CREEK

Schedule 4 - Schedule of Net Municipal Property Taxes

Year ended December 31, 2022, with comparative information for 2021

	Budget	2022	2021
General taxation:			
Real property tax	\$ 6,253,414	\$ 6,253,417	\$ 5,946,834
Linear property tax	100,467	100,467	94,328
Government grants in place of property taxes	53,282	53,282	49,680
Local improvement/special tax	23,336	23,014	23,334
	6,430,499	6,430,180	6,114,176
Requisitions:			
Alberta School Foundation Fund	1,070,852	1,070,852	1,032,424
Holy Spirit School Division	278,116	278,116	269,069
Crestview Lodge	110,820	110,820	97,003
Designated Industrial Property	460	-	-
	1,460,248	1,459,788	1,398,496
Net municipal property tax	\$ 4,970,251	\$ 4,970,392	\$ 4,715,680

TOWN OF PINCHER CREEK

Schedule 5 - Schedule of Expenses by Object

Year ended December 31, 2022, with comparative information for 2021

	Budget	2022	2021
Salaries, wages and benefits	\$ 4,195,771	\$ 4,769,425	\$ 4,213,991
Contracted and general services	3,485,570	2,939,217	3,106,504
Materials, goods and utilities	1,213,600	1,317,992	1,214,737
Transfers to local boards and agencies	611,387	536,431	513,542
Interest on long-term debt	127,799	134,531	135,477
Other expenditures	35,150	93,340	69,329
Bank charges and short-term interest	7,900	12,748	10,505
Amortization	1,671,573	1,771,336	1,795,742
Total expenses by object	\$ 11,348,750	\$ 11,575,020	\$ 11,059,827

TOWN OF PINCHER CREEK

Schedule 6 - Schedule of Tangible Capital Assets

Year ended December 31, 2022, with comparative information for 2021

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	2022	2021
Cost:								
Balance, beginning of year	\$ 5,113,777	\$ 5,508,507	\$ 17,139,201	\$ 53,980,907	\$ 4,162,450	\$ 1,348,636	\$ 87,253,478	\$ 83,959,175
Acquisition of tangible capital assets	-	119,829	168,385	3,300,830	132,606	43,810	3,765,460	3,480,599
Disposal of tangible capital assets	-	(19,984)	-	-	(160,870)	-	(180,854)	(186,296)
Balance, end of year	5,113,777	5,608,352	17,307,586	57,281,737	4,134,186	1,392,446	90,838,084	87,253,478
Accumulated amortization:								
Balance, beginning of year	-	2,785,824	9,438,819	23,039,551	2,185,944	704,149	38,154,287	36,393,578
Accumulated amortization on disposals	-	(6,528)	-	-	(158,546)	-	(165,074)	(35,033)
Amortization	-	199,660	488,255	752,785	233,734	96,902	1,771,336	1,795,742
Balance, end of year	-	2,978,956	9,927,074	23,792,336	2,261,132	801,051	39,760,549	38,154,287
Net book value of tangible capital assets	5,113,777	2,629,396	7,380,512	33,489,401	1,873,054	591,395	51,077,535	49,099,191
2021 Net book value of tangible capital assets	\$ 5,113,777	\$ 2,722,683	\$ 7,700,382	\$ 30,942,256	\$ 1,976,506	\$ 644,487	\$ 49,099,191	