

TOWN OF PINCHER CREEK

Consolidated Financial Statements

For the year ended December 31, 2018

TOWN OF PINCHER CREEK
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For the year ended December 31, 2018

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CHARTERED PROFESSIONAL ACCOUNTANTS

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 the Town of Pincher Creek which comprise the consolidated statement of financial position as at December 31, 2018, 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 Pincher Creek as at December 31, 2018, and its results of operations 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 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 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.

Lethbridge, Alberta

April 3, 2019



Chartered Professional Accountants

MANAGEMENT REPORT

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

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

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

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

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

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



Town Administrator

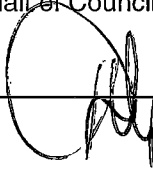
TOWN OF PINCHER CREEK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2018

	2018	2017
Financial assets		
Cash and temporary investments (note 2)	\$ 3,255,562	\$ 3,776,389
Taxes and grants in place of taxes receivable (note 3)	245,106	213,812
Trade and other receivables (note 4)	1,668,012	2,024,012
Land held for resale	282,853	291,915
Investments (note 5)	8,675,625	9,020,482
	<u>14,127,158</u>	<u>15,326,610</u>
Liabilities		
Accounts payable and accrued liabilities	1,136,144	1,521,428
Deposits	71,621	71,455
Deferred revenue (note 6)	1,822,422	1,610,549
Long-term debt (note 7)	2,135,236	2,243,083
	<u>5,165,423</u>	<u>5,446,515</u>
Net financial assets	<u>8,961,735</u>	<u>9,880,095</u>
Non-financial assets		
Prepaid expenses	128,840	124,151
Inventory for consumption	291,758	300,011
Tangible capital assets (schedule 2)	41,581,598	39,779,098
	<u>42,002,196</u>	<u>40,203,260</u>
Accumulated surplus (note 8 and schedule 1)	<u>\$ 50,963,931</u>	<u>\$ 50,083,355</u>

Commitments and contingencies (note 16)

Approved on behalf of Council:

Councillor



Councillor



TOWN OF PINCHER CREEK
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2018

	Budget (Unaudited)	2018	2017
Revenue			
Net municipal property taxes (note 11)	\$ 4,405,356	\$ 5,239,085	\$ 4,281,379
User fees and sales of goods	1,960,330	2,169,052	2,153,451
Government transfers for operating (note 12)	1,004,810	894,263	815,111
Franchise and concession contracts	731,550	770,870	731,281
Rentals	625,366	592,308	578,354
Investment income	340,860	297,675	294,865
Penalties and costs of taxes	78,358	102,347	105,851
Licenses and permits	95,600	100,227	121,405
Other	25,700	95,484	100,156
	9,267,930	10,261,311	9,181,853
Expenses (note 13)			
Legislative	220,084	261,853	210,824
Administration	847,018	895,510	2,135,688
Police, fire, disaster, ambulance and bylaw enforcement	941,776	963,157	1,002,408
Common and equipment pool	174,154	213,193	194,548
Roads, streets, walks and lighting	1,150,001	1,356,043	1,321,917
Water supply and distribution	915,092	1,161,988	964,961
Wastewater treatment and disposal	582,727	851,252	649,978
Waste management	474,851	436,921	392,198
Other environmental use and protection	55,225	45,136	35,951
Public health and welfare services	330,492	328,506	338,406
Planning and development	658,036	429,573	384,898
Recreation and culture	3,159,039	3,204,284	2,728,694
	9,508,495	10,147,416	10,360,471
(Deficiency) excess of revenue over expenses before other	(240,565)	113,895	(1,178,618)
Other			
Government transfers for capital (note 12)	3,656,107	705,276	1,332,085
Contributed assets (note 14)	2,380,684	25,857	150,000
Gain on disposal of tangible capital assets	-	35,548	-
	6,036,791	766,681	1,482,085
Excess of revenue over expenses	5,796,226	880,576	303,467
Accumulated surplus, beginning of year	50,083,355	50,083,355	49,779,888
Accumulated surplus, end of year	\$ 55,879,581	\$ 50,963,931	\$ 50,083,355

TOWN OF PINCHER CREEK
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2018

	Budget (Unaudited)	2018	2017
Excess of revenue over expenses	\$ 5,796,226	\$ 880,576	\$ 303,467
Acquisition of tangible capital assets	(11,127,050)	(3,441,200)	(3,106,144)
Amortization of tangible capital assets	1,253,264	1,479,385	1,477,857
Contributed assets	(2,380,684)	(25,857)	(150,000)
Gain on disposal of tangible capital assets	-	(3,159)	-
Proceeds on disposal of tangible capital assets	-	188,331	-
Assets transferred to Pincher Creek Emergency Services Commission	-	-	95,908
	(12,254,470)	(1,802,500)	(1,682,379)
Net change in inventory for consumption	-	8,253	(106,997)
Net change in prepaid expense	-	(4,689)	(3,873)
	-	3,564	(110,870)
Decrease in net financial assets	(6,458,244)	(918,360)	(1,489,782)
Net financial assets, beginning of year	9,880,095	9,880,095	11,369,877
Net financial assets, end of year	\$ 3,421,851	\$ 8,961,735	\$ 9,880,095

TOWN OF PINCHER CREEK
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2018

	2018	2017
Operating transactions		
Excess of revenue over expenses	\$ 880,576	\$ 303,467
Adjustments for items which do not affect cash		
Gain on disposal of tangible capital assets	(3,159)	-
Amortization of tangible capital assets	1,479,385	1,477,857
Assets transferred to Pincher Creek Emergency Services		
Commission	-	95,908
Contributed assets	(25,857)	(150,000)
	2,330,945	1,727,232
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(31,294)	59,179
Trade and other receivables	356,000	(34,941)
Land held for resale	9,062	8,610
Inventory for consumption	8,253	(106,997)
Prepaid expenses	(4,689)	(3,873)
Accounts payable and accrued liabilities	(385,284)	581,222
Deposits	166	(4,701)
Deferred revenue	211,873	1,238,692
Cash provided by operating transactions	2,495,032	3,464,423
Capital transactions		
Proceeds on disposal of tangible capital assets	188,331	-
Acquisition of tangible capital assets	(3,441,200)	(3,106,144)
Cash applied to capital transactions	(3,252,869)	(3,106,144)
Investing transactions		
Decrease (increase) in investments	344,857	(656,918)
Financing transactions		
Repayment of long-term debt	(107,847)	(102,792)
Decrease in cash and temporary investments	(520,827)	(401,431)
Cash and temporary investments, beginning of year	3,776,389	4,177,820
Cash and temporary investments, end of year	\$ 3,255,562	\$ 3,776,389

TOWN OF PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

1. Significant accounting policies

The consolidated financial statements of the Town are the representations of management prepared in accordance with public sector accounting standards for local government established by 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 expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(d) Investments

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

TOWN OF PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

1. Significant accounting policies, continued

(e) Requisition over-levy and under-levy

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

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

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

(f) 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.

(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) 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 PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

1. Significant accounting policies, continued

(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. 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	15-60
Buildings	15-50
Engineered structures	20-98
Machinery and equipment	5-10
Vehicles	10

(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.

(j) 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.

TOWN OF PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

2. Cash and temporary investments

	2018	2017
Cash	\$ 1,636,376	\$ 1,535,609
Temporary investments	1,619,186	2,240,780
	<u>\$ 3,255,562</u>	<u>\$ 3,776,389</u>

Temporary investments are comprised of an ATB GIC with an interest rate of 2.25%. This investment matures in May 2019. BMO investment with an interest rate of 3.04%. This investment matures in October 2019.

3. Taxes and grants in place of taxes receivables

	2018	2017
Current	\$ 172,515	\$ 156,372
Arrears	72,591	57,440
	<u>\$ 245,106</u>	<u>\$ 213,812</u>

4. Trade and other receivables

	2018	2017
Local improvement levies	\$ 957,198	\$ 129,720
Trade accounts	587,144	701,364
GST receivable	102,479	91,748
Due from provincial government	21,191	766,830
Due from federal government	-	334,350
	<u>\$ 1,668,012</u>	<u>\$ 2,024,012</u>

TOWN OF PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

5. Investments

	2018		2017	
	Cost	Market value	Cost	Market value
Fixed income securities (due 2026-2031)	\$ 3,287,475	\$ 2,998,311	\$ 3,287,475	\$ 3,098,216
Province of Ontario - 2.143% and 2.670% (due 2023)	696,890	719,483	505,557	515,059
National Bank of Canada - balance protected (due 2025)	720,049	702,408	720,049	705,576
Bank of Montreal - 2.12% (due 2022)	649,796	635,830	649,796	639,860
Province of British Columbia - 2.371% (due 2021)	568,482	625,621	568,482	612,009
Bank of Nova Scotia - balance protected (due 2022)	685,400	620,013	685,400	675,462
Bank of Montreal - balance protected (due 2022)	598,500	557,239	-	-
TD Bank - 3.224% (due 2029)	470,175	460,845	-	-
Bank of Nova Scotia - 2.308% (due 2022)	417,597	448,674	417,597	436,756
Province of Manitoba - 2.563% (due 2024)	330,400	341,936	330,400	332,436
Province of Quebec - 1.754% (due 2023)	260,338	260,620	260,338	254,248
Accrued investment interest	221,022	221,074	219,123	219,198
Alberta Municipal Financing Corporation	20	20	20	20
Accumulated amortization of bond premiums	(230,519)	(230,519)	(149,164)	(149,164)
National Bank of Canada - balance protected (due 2021)	-	-	320,024	333,497
Bank of Nova Scotia - 3.036% (due 2019)	-	-	669,833	743,748
Province of Newfoundland - 2.797% (due 2020)	-	-	335,552	379,638
Bank of Nova Scotia - balance protected (due 2022)	-	-	200,000	211,160
	\$ 8,675,625	\$ 8,361,555	\$ 9,020,482	\$ 9,007,719

TOWN OF PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

6. Deferred revenue

	2018	2017
Alberta Resiliency grant	\$ 1,409,236	\$ 1,555,154
Municipal Sustainability Initiative	173,941	-
Intermunicipal Collaboration Framework	116,500	-
Miscellaneous amounts	95,677	28,998
Prepaid property taxes	27,068	26,397
	<u>\$ 1,822,422</u>	<u>\$ 1,610,549</u>

7. Long-term debt

	2018	2017
Tax supported debentures	\$ 1,093,443	\$ 1,149,494
Other supported debentures	1,041,793	1,093,589
	<u>\$ 2,135,236</u>	<u>\$ 2,243,083</u>
Current portion	<u>\$ 113,150</u>	<u>\$ 107,847</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2019	\$ 113,150	\$ 102,385	\$ 215,535
2020	118,716	96,819	215,535
2021	124,553	90,982	215,535
2022	130,680	84,855	215,535
2023	136,708	78,827	215,535
Thereafter	1,511,429	437,300	1,948,729
	<u>\$ 2,135,236</u>	<u>\$ 891,168</u>	<u>\$ 3,026,404</u>

Debenture debt is repayable to Alberta Capital Finance Authority and matures 2032. Interest rates range from 4.59% to 5.00%, before Provincial subsidy. The average annual interest rate for 2018 is 4.84% (2017 - 4.84%). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town of Pincher Creek at large.

Interest on long-term debt amount to \$107,306 (2017 - \$112,379). The Town's total cash payments for interest in 2018 were \$107,688 (2017 - \$112,743).

TOWN OF PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

8. Accumulated surplus

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

	2018	2017
Unrestricted surplus	\$ 494,358	\$ 338,271
Internally restricted surplus (reserves) (note 9)	11,023,211	12,209,069
Equity in tangible capital assets (note 10)	39,446,362	37,536,015
	<u>\$ 50,963,931</u>	<u>\$ 50,083,355</u>

9. Reserves

Council has set up reserves for various purposes. These reserves are either required by legislation or set up at the discretion of Council to provide funding for future expenses. Reserves for operating and capital activities changed as follows:

	2018	2017
Operating		
General contingency	\$ 920,585	\$ 1,020,990
Recreation board	232,918	260,872
Economic development	28,156	28,156
Disaster services	21,163	34,393
Other operating reserves	20,160	27,010
Land use and planning	12,826	12,826
Utility	-	49,104
	<u>1,235,808</u>	<u>1,433,351</u>
Capital		
Water utility	2,709,973	2,903,209
Parks and recreation	2,622,127	3,283,165
Other capital reserves	1,950,658	2,412,627
Subdivision land development	711,787	261,181
Sewer utility	549,239	609,383
Streets	453,818	413,445
Creek management	214,912	214,912
Garbage utility	150,970	269,216
Town hall	142,881	134,647
Storm sewers and drainage	126,993	116,993
RCMP building	102,524	95,419
Cultural	51,521	61,521
	<u>9,787,403</u>	<u>10,775,718</u>
	<u>\$ 11,023,211</u>	<u>\$ 12,209,069</u>

TOWN OF PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

10. Equity in tangible capital assets

	2018	2017
Tangible capital assets (schedule 2)	\$ 75,669,363	\$ 72,679,370
Accumulated amortization (schedule 2)	(34,087,765)	(32,900,272)
Long-term debt (note 7)	(2,135,236)	(2,243,083)
	<u>\$ 39,446,362</u>	<u>\$ 37,536,015</u>

11. Net municipal property taxes

	Budget (Unaudited)	2018	2017
Taxation			
Real property taxes	\$ 5,546,307	\$ 5,546,312	\$ 5,389,796
Linear property taxes	95,630	95,629	92,735
Government grants in place of property taxes	49,473	49,475	49,080
Special assessments and local improvements	5,837	839,559	6,106
	<u>5,697,247</u>	<u>6,530,975</u>	<u>5,537,717</u>
Requisitions			
Alberta School Foundation Fund	931,239	931,239	904,302
Holy Spirit School Division	271,304	271,304	264,040
Crestview Lodge	89,348	89,347	87,996
	<u>1,291,891</u>	<u>1,291,890</u>	<u>1,256,338</u>
	<u>\$ 4,405,356</u>	<u>\$ 5,239,085</u>	<u>\$ 4,281,379</u>

12. Government transfers

	Budget (Unaudited)	2018	2017
Transfers for operating:			
Provincial government	\$ 623,817	\$ 503,177	\$ 424,380
Local governments	376,993	363,056	382,321
Federal government	4,000	28,030	8,410
	<u>1,004,810</u>	<u>894,263</u>	<u>815,111</u>
Transfers for capital:			
Provincial government	3,656,107	697,276	1,005,001
Federal government	-	8,000	327,084
	<u>3,656,107</u>	<u>705,276</u>	<u>1,332,085</u>
	<u>\$ 4,660,917</u>	<u>\$ 1,599,539</u>	<u>\$ 2,147,196</u>

TOWN OF PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

13. Expenses by object

	Budget (Unaudited)	2018	2017
Salaries, wages and benefits	\$ 3,654,445	\$ 3,739,395	\$ 3,397,490
Contracted and general services	2,650,039	2,627,139	2,125,053
Materials, goods, supplies and utilities	1,058,400	1,201,768	1,087,020
Transfers to organizations and others	757,408	927,294	2,048,283
Interest on long-term debt	107,689	107,306	112,378
Other expenditures	23,650	27,103	12,151
Bank charges and short-term interest	3,600	5,636	4,331
Amortization of tangible capital assets	1,253,264	1,479,385	1,477,857
Loss on disposal of tangible capital assets	-	32,390	-
Assets transferred to Pincher Creek			
Emergency Services Commission	-	-	95,908
	\$ 9,508,495	\$ 10,147,416	\$ 10,360,471

14. Contributed assets

Contributed assets consist of contributions towards the spray park additions during the year. Other amounts were budgeted for other sources of revenue expected to be provided for capital projects not completed in 2018.

15. 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:

	2018	2017
Total debt limit	\$ 15,391,966	\$ 13,772,780
Total debt	2,135,236	2,243,083
	\$ 13,256,730	\$ 11,529,697
Debt servicing limit	\$ 2,565,328	\$ 2,295,463
Debt servicing	215,535	215,535
	\$ 2,349,793	\$ 2,079,928

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.

TOWN OF PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

16. Commitments and contingencies

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). The investment in this program is not reflected as an asset in the accompanying financial statements. 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.

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, 2018.

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. Contaminated sites liability

The Town has adopted PS3260 liability for contaminated sites. The Town did not identify any financial liabilities in 2018 (2017 - nil) as a result of this standard.

18. Budget amounts

The 2018 budget for the Town was approved by Council on April 9, 2018 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.

In addition, the approved budget did not contain an amount for amortization expense. In order to enhance comparability, the actual amortization expense has been included as a budget amount.

Budgeted surplus per financial statements	\$ 5,796,226
Less: Capital expenditures	(11,127,050)
Long-term debt repayments	(107,847)
Add: Amortization	1,253,264
Net reserve transfers	4,185,509
Equals: Balanced budget	<u>\$ 102</u>

TOWN OF PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

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 259,000 people and 420 employers. The LAPP is financed by the employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Town is required to make current service contributions to the LAPP of 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2018 were \$242,821 (2017 - \$242,390). Total current service contributions by the employees of the Town to the LAPP in 2018 were \$221,281 (2017 - \$222,546).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.835 million.

20. Salary and benefits disclosure

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

	(1)	(2)		
	Salary	Benefits & allowances	2018	2017
Council				
Mayor Anderberg	\$ 30,700	\$ 821	\$ 31,521	\$ 26,826
Councillor McGillivray	26,200	38	26,238	4,606
Councillor O'Rourke	21,600	598	22,198	4,419
Councillor Korbett	21,000	568	21,568	4,006
Councillor Jackson	20,350	38	20,388	16,228
Councillor Barber	19,500	534	20,034	14,957
Councillor Elliott	16,200	415	16,615	15,463
Councillor Litkowski	-	-	-	14,131
Councillor Thornton	-	-	-	18,131
Councillor Filipuzzi	-	-	-	7,772
CAO - Wilgosh	\$ 126,822	\$ 31,323	\$ 158,145	\$ 145,159

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

(2) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment

TOWN OF PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

20. Salary and benefits disclosure, continued

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.

21. Financial instruments

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the Town is not exposed to significant interest or 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.

22. Comparative figures

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.

23. Approval of financial statements

These financial statements were approved by Council and Management.

TOWN OF PINCHER CREEK
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2018	2017
Balance, beginning of year	\$ 338,271	\$ 12,209,069	\$ 37,536,015	\$ 50,083,355	\$ 49,779,888
Excess of revenue over expenses	880,576	-	-	880,576	303,467
Unrestricted funds designated for future use	(2,329,450)	2,329,450	-	-	-
Restricted funds used for operations	841,688	(841,688)	-	-	-
Restricted funds used for tangible capital assets	-	(2,673,620)	2,673,620	-	-
Current year funds used for tangible capital assets	(767,580)	-	767,580	-	-
Contributed tangible capital assets	(25,857)	-	25,857	-	-
Disposal of tangible capital assets	185,172	-	(185,172)	-	-
Amortization of tangible capital assets	1,479,385	-	(1,479,385)	-	-
Long-term debt repaid	(107,847)	-	107,847	-	-
Change in accumulated surplus	156,087	(1,185,858)	1,910,347	880,576	303,467
Balance, end of year	\$ 494,358	\$ 11,023,211	\$ 39,446,362	\$ 50,963,931	\$ 50,083,355

TOWN OF PINCHER CREEK
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

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 property taxes	\$ 5,239,085	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,239,085
User fees and sales of goods	4,132	-	10	1,668,323	1,150	194,800	300,637	2,169,052
Government transfers for operating	3,430	21,421	245,019	7,485	160,213	-	456,695	894,263
Investment income	292,164	-	-	-	5,511	-	-	297,675
Penalties and costs of taxes	63,381	33,324	-	5,642	-	-	-	102,347
Licenses and permits	57,080	2,015	-	-	-	41,132	-	100,227
Franchise and concession contracts	770,870	-	-	-	-	-	-	770,870
Rentals	17,506	245,270	800	49,083	62,000	59,689	157,960	592,308
Other	13,021	429	1,571	48,075	1,428	-	30,960	95,484
	6,460,669	302,459	247,400	1,778,608	230,302	295,621	946,252	10,261,311
Expenses								
Salaries, wages and benefits	674,052	186,838	370,025	659,476	140,151	232,177	1,476,676	3,739,395
Contracted and general services	326,445	143,914	647,268	681,903	35,063	145,729	646,817	2,627,139
Materials, goods, supplies and utilities	62,680	57,558	315,245	322,975	7,169	51,667	384,474	1,201,768
Bank charges and short-term interest	2,448	-	-	-	-	-	3,188	5,636
Interest on long-term debt	-	107,306	-	-	-	-	-	107,306
Other expenditures	27,103	-	-	-	-	-	-	27,103
Loss on disposal of tangible capital assets	-	32,390	-	-	-	-	-	32,390
Transfers to organizations and others	3,117	291,729	-	38,666	142,816	-	450,966	927,294
Amortization of tangible capital assets	61,520	143,422	236,698	792,276	3,307	-	242,162	1,479,385
	1,157,365	963,157	1,569,236	2,495,296	328,506	429,573	3,204,283	10,147,416
Excess (deficiency) of revenue over expenses before other	5,303,304	(660,698)	(1,321,836)	(716,688)	(98,204)	(133,952)	(2,258,031)	113,895
Other								
Government transfers for capital	-	-	187,290	199,540	-	-	318,446	705,276
Contributed assets	-	-	-	-	-	-	25,857	25,857
Gain on disposal of tangible capital assets	-	-	15,338	-	-	20,210	-	35,548
	-	-	202,628	199,540	-	20,210	344,303	766,681
Excess (deficiency) of revenue over expenses	\$ 5,303,304	\$ (660,698)	\$ (1,119,208)	\$ (517,148)	\$ (98,204)	\$ (113,742)	\$ (1,913,728)	\$ 880,576

TOWN OF PINCHER CREEK
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	2018	2017
Cost:								
Balance, beginning of year	\$ 5,023,567	\$ 5,139,022	\$ 11,531,709	\$ 46,277,910	\$ 3,362,750	\$ 1,344,413	\$ 72,679,370	\$ 70,021,133
Acquisitions	320,000	25,426	1,562,579	1,308,202	203,327	47,523	3,467,057	3,256,144
Disposals	(104,790)	-	-	(50,693)	(71,915)	(249,666)	(477,064)	(597,907)
Balance, end of year	5,238,777	5,164,448	13,094,288	47,535,419	3,494,162	1,142,270	75,669,363	72,679,370
Accumulated amortization:								
Balance, beginning of year	-	1,987,938	7,987,955	20,483,966	1,825,958	614,456	32,900,274	31,924,414
Annual amortization	-	175,445	232,741	757,822	230,779	82,598	1,479,385	1,477,857
Disposals	-	-	-	(19,222)	(65,923)	(206,749)	(291,894)	(501,999)
Balance, end of year	-	2,163,383	8,220,696	21,222,566	1,990,814	490,305	34,087,765	32,900,272
Net book value	\$ 5,238,777	\$ 3,001,065	\$ 4,873,592	\$ 26,312,853	\$ 1,503,348	\$ 651,965	\$ 41,581,598	\$ 39,779,098
2017 net book value	\$ 5,023,567	\$ 3,151,084	\$ 3,543,754	\$ 25,793,944	\$ 1,536,792	\$ 729,957	\$ 39,779,098	