

Consolidated Financial Statements of

**TOWN OF PINCHER
CREEK**

And Independent Auditors' Report thereon

Year ended December 31, 2019

Management's Responsibility for Financial Reporting

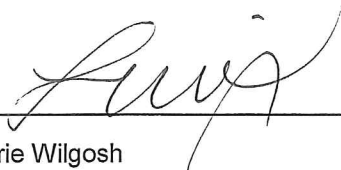
Town of Pincher Creek's management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying consolidated financial statements and the notes thereto. Management believes that the consolidated financial statements present fairly the Town's financial position as at December 31, 2019 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards. Financial statements are not precise, since they include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

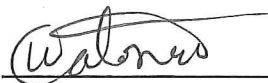
In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintained a system of internal controls to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions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

The Town's Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Town's external auditors.

The consolidated financial statements have been audited by the independent firm of KPMG LLP, Chartered Professional Accountants. Their report to the Members of Council of the Town of Pincher Creek, stating the scope of their examination and opinion on the consolidated financial statements, follows.



Laurie Wilgosh
Chief Administrative Officer



Wendy Catonio
Director of Finance and Human Resources



KPMG LLP
#500, 400 - 4th Avenue South
Lethbridge AB T1J 4E1
Canada
Tel 403-380-5700
Fax 403-380-5760

INDEPENDENT AUDITORS' 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, 2019
- 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, 2019, 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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 auditors' report thereon, included in the *Annual Report*. The *Annual Report* is expected to be made available to us after the date of the auditors' 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

Other Matter – Comparative Information

- The financial statements of the Town as at and for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 3, 2019.

KPMG LLP

Lethbridge, Canada

April 14, 2020

TOWN OF PINCHER CREEK

Consolidated Balance Sheet

December 31, 2019, with comparative information for 2018

	2019	2018
Financial Assets:		
Cash and short-term investments (note 4)	\$ 1,316,697	\$ 3,255,562
Taxes and grants in place of taxes (note 5)	252,453	245,106
Trade and other receivables (note 6)	2,273,834	1,668,012
Land held for resale	407,853	282,853
Investments and marketable securities (note 7)	7,476,688	8,675,625
	<u>11,727,525</u>	<u>14,127,158</u>
Financial Liabilities:		
Accounts payable and accrued liabilities	1,320,990	1,136,144
Deposits	80,586	71,621
Deferred revenue (note 8)	952,789	1,822,422
Long-term debt (note 9)	2,022,086	2,135,236
	<u>4,376,451</u>	<u>5,165,423</u>
Net financial assets	<u>7,351,074</u>	<u>8,961,735</u>
Non-Financial Assets:		
Prepaid expenses	135,540	128,840
Inventory for consumption	328,674	291,758
Tangible capital assets (Schedule 6)	45,315,881	41,581,598
	<u>45,780,095</u>	<u>42,002,196</u>
Commitments (note 15)		
Contingent liabilities (note 17)		
Accumulated surplus (note 10 and Schedule 3)	<u>\$ 53,131,169</u>	<u>\$ 50,963,931</u>

See accompanying notes to consolidated financial statements.

TOWN OF PINCHER CREEK

Consolidated Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	Budget	2019	2018
Revenue:			
Net municipal property taxes (Schedule 4)	\$ 4,392,335	\$ 4,392,343	\$ 5,239,085
User fees and sales of goods	2,484,156	2,129,054	2,169,052
Government transfers for operating (Schedule 1)	1,192,153	1,120,553	894,263
Franchise fees and concession contracts	751,550	825,133	770,870
Rentals	607,016	651,665	592,308
Investment income	270,860	298,500	297,675
Penalties and cost of taxes	89,600	111,050	102,347
Licenses and permits	93,600	104,633	100,227
Other	1,821,500	114,591	95,484
Total revenue	11,702,770	9,747,522	10,261,311
Expenses (Schedule 5):			
Legislative	266,727	346,389	261,853
Administration	988,027	960,688	895,510
Protective services	801,837	908,738	963,157
Roads, streets, walks and lighting	1,306,030	1,274,356	1,356,043
Water supply and distribution	1,010,684	1,024,090	1,161,988
Wastewater treatment and disposal	640,121	758,459	851,252
Waste management	531,321	435,654	436,921
Public health and welfare services	338,324	324,639	328,506
Common and equipment pool	179,222	194,456	213,193
Planning and development	727,488	451,129	429,573
Recreation and culture	3,842,201	3,454,610	3,204,284
Other	60,792	39,491	45,136
Total expenses	10,692,774	10,172,699	10,147,416
Excess (deficiency) of revenue over expenses from operations	1,009,996	(425,177)	113,895
Government transfers for capital (Schedule 1)	5,031,615	2,548,937	705,276
Contributed assets	-	-	25,857
Gain on disposal of tangible capital assets	-	43,478	35,548
	5,031,615	2,592,415	766,681
Excess of revenues over expenses	6,041,611	2,167,238	880,576
Accumulated surplus, beginning of year	50,963,931	50,963,931	50,083,355
Accumulated surplus, end of year	\$ 57,005,542	\$ 53,131,169	\$ 50,963,931

See accompanying notes to consolidated financial statements.

TOWN OF PINCHER CREEK

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

	Budget	2019	2018
Excess of revenue over expenses	\$ 6,041,611	\$ 2,167,238	\$ 880,576
Acquisition of tangible capital assets	(7,292,048)	(5,684,819)	(3,441,200)
Amortization of tangible capital assets	1,250,706	1,607,932	1,479,385
Contributed assets	-	-	(25,857)
Loss (gain) on sale on tangible capital assets	-	75,182	(3,159)
Proceeds on sale on tangible capital assets	-	142,424	188,331
Net change in prepaid expense	-	(6,700)	8,253
Net change in inventory for consumption	-	(36,918)	(4,689)
Assets transferred to land held for resale	-	125,000	-
Change in net financial assets	269	(1,610,661)	(918,360)
Net financial assets, beginning of year	4,459,855	8,961,735	9,880,095
Net financial assets, end of year	\$ 4,460,124	\$ 7,351,074	\$ 8,961,735

See accompanying notes to consolidated financial statements.

TOWN OF PINCHER CREEK

Consolidated Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 2,167,238	\$ 880,576
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	1,607,932	1,479,385
Contributed assets	-	(25,857)
Loss (gain) on sale of tangible capital assets	75,182	(3,159)
Changes in non-cash assets and liabilities:		
Taxes and grants in place of taxes	(7,347)	(31,294)
Trade and other receivables	(605,822)	356,000
Land held for resale	(125,000)	9,062
Prepaid expenses	(6,700)	(4,689)
Accounts payable and accrued liabilities	184,846	(385,284)
Deferred revenue	(869,632)	211,873
Deposits	8,965	166
Inventory for consumption	(36,918)	8,253
	2,392,744	2,495,032
Capital activities:		
Acquisition of tangible capital assets	(5,684,819)	(3,441,200)
Proceeds on disposal of tangible capital assets	142,424	188,331
Asset transferred to land held for resale	125,000	-
	(5,417,395)	(3,252,869)
Investing activities:		
Decrease in investments	1,198,937	344,857
Financing activities:		
Payments on long-term debt	(113,151)	(107,847)
Decrease in cash and short-term investments	(1,938,865)	(520,827)
Cash and short-term investments, beginning of year	3,255,562	3,776,389
Cash and short-term investments, end of year	\$ 1,316,697	\$ 3,255,562

See accompanying notes to consolidated financial statements.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements

Year ended December 31, 2019

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, 2019

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, 2019

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, 2019

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 2020, 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, 2019

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, 2021.

(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, 2021.

(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, 2021.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

2. Recent accounting pronouncements (continued):

(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, 2021.

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

Management has indicated that the impact of the adoption of this standard is being evaluated and it is not known or reasonably estimable at this time.

(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, 2021.

(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 is effective for fiscal years beginning on or after April 1, 2022.

3. Adoption of new accounting standards:

The Town has prospectively adopted PS 3430 - Restructuring transactions effective January 1, 2019. This section provides guidance on the recognition, measurement and presentation of restructuring transactions by both the transferor and recipients of assets and/or liabilities, together with related program or operating responsibilities. The adoption of this standard did not affect the financial statements.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

4. Cash and short-term investments:

	2019	2018
Cash	\$ 1,316,797	\$ 1,636,376
Short-term investments	-	1,619,186
	<u>\$ 1,316,797</u>	<u>\$ 3,255,562</u>

5. Taxes and grants in place of taxes:

	2019	2018
Taxes and grants in place of taxes:		
Current taxes and grants in place of taxes	\$ 183,506	\$ 172,515
Arrears taxes	68,947	72,591
	<u>\$ 252,453</u>	<u>\$ 245,106</u>

6. Trade and other receivables:

	2019	2018
Local improvement levies	\$ 916,483	\$ 957,198
Trade accounts	680,959	587,144
Goods and services tax recoverable	65,954	102,479
Due from provincial government	289,716	21,191
Due from federal government	320,722	-
	<u>\$ 2,273,834</u>	<u>\$ 1,668,012</u>

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

7. Investments and marketable securities:

	2019		2018	
	Cost	Market value	Cost	Market value
CIBC Wood Gundy:				
Fixed income securities (due 2020 - 2031)	\$ 2,195,213	\$ 2,234,015	\$ 3,287,475	\$ 2,998,311
Bank of Nova Scotia - balance protected (due 2022)	685,400	685,194	685,400	620,013
Bank of Montreal - balance protected (due 2022)	598,500	610,685	598,500	557,239
National Bank of Canada - balance protected (due 2025)	720,099	719,689	720,049	702,408
BMO Wealth Management:				
Fixed income securities (due 2022-2029)	3,101,981	3,266,723	3,393,678	3,493,009
Other:				
Accrued investment interest	175,475	175,475	221,022	221,074
Alberta Municipal Financing Corporation	20	20	20	20
Accrued amortization of bond premiums	-	-	(230,519)	(230,519)
	\$ 7,476,688	\$ 7,691,801	\$ 8,675,625	\$ 8,361,555

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

8. Deferred revenue:

	2019	2018
Deferred revenue, beginning of year	\$ 1,822,422	\$ 1,610,549
Grants received in the year:		
Operating	317,922	452,184
Capital	1,157,334	624,117
	1,475,256	1,076,301
Amounts recognized in revenue during the year:		
Operating	(433,639)	(200,624)
Capital	(1,911,250)	(663,804)
	(2,344,889)	(864,428)
Deferred revenue, end of year	\$ 952,789	\$ 1,822,422
Deferred revenue is comprised of:		
Operating:		
Municipal Sustainability Initiative	\$ 32,169	\$ 184,477
Economic Development	82,777	89,543
Prepaid property tax	29,709	27,068
Other	6,912	6,134
Capital:		
Municipal Sustainability Initiative	39,669	105,964
Alberta Community Resilience	761,553	1,409,236
	\$ 952,789	\$ 1,822,422

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

9. Long-term debt:

	2019	2018
Debenture tax supported	\$ 1,034,616	\$ 1,093,443
Other supported debentures	987,470	1,041,793
	2,022,086	2,135,236
Current portion	(118,715)	(113,150)
	\$ 1,903,371	\$ 2,022,086

Principal and interest repayments are as follows:

	Principal	Interest	Total
2020	\$ 118,715	\$ 96,820	\$ 215,535
2021	124,554	90,981	215,535
2022	130,680	84,855	215,535
2023	137,107	78,428	215,535
2024	143,852	71,683	215,535
Thereafter	1,367,178	287,187	1,654,365
	\$ 2,022,086	\$ 709,954	\$ 2,732,040

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 \$101,984 (2018 - \$107,306).

The Town has an authorized overdraft available up to a maximum of \$4,000,000 bearing interest at prime rate. Prime rate at December 31, 2019 was 3.95% (2018 - 3.95%). As at December 31, 2019, this was not drawn upon.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

10. Accumulated surplus

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

	2019	2018
Unrestricted surplus	\$ 757,221	\$ 494,358
Restricted surplus:		
Operating:		
Municipal income stabilization	673,161	810,742
Early learning centre	494,129	429,396
Legislative	30,660	137,671
Disaster services	7,933	21,163
Capital:		
Legislative and administration	1,539,359	1,698,293
Protective services	109,629	102,524
Equipment	10,775	323,553
Streets	165,636	422,732
Utilities	3,019,419	3,425,187
Cemetery	18,223	16,223
Land development	-	711,787
Garbage	161,729	106,729
Pool	-	18,309
Arena building	2,442,514	2,192,514
General parks	83,425	284,141
Cultural	61,521	51,521
General sportsfield	134,877	143,563
Community recreation centre building	127,163	127,163
	9,080,153	11,023,211
Equity in tangible capital assets	43,293,795	39,446,362
	\$ 53,131,169	\$ 50,963,931
	2019	2018
Equity in tangible capital assets:		
Tangible capital assets (Schedule 6)	\$ 80,298,197	\$ 75,669,363
Accumulated amortization (Schedule 6)	(34,982,316)	(34,087,765)
Loans related to capital assets	(2,022,086)	(2,135,236)
	\$ 43,293,795	\$ 39,446,362

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

11. 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:

	2019	2018
Total debt limit	\$ 14,621,283	\$ 15,391,967
Total debt	(2,022,086)	(2,135,236)
Amount of debt limit unused	12,599,197	13,256,731
Debt servicing limit	2,436,881	2,565,328
Debt servicing	(215,535)	(215,535)
Amount of debt servicing unused	\$ 2,221,346	\$ 2,349,793

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, 2019

12. 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 266,000 people and about 421 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 9.39% (10.39% in 2018) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (14.84% in 2018) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% (9.39% in 2018) of pensionable salary up to the year's maximum pensionable salary and 12.84% (13.84% in 2018) on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2019 were \$218,566 (2018 - \$242,821). Total current service contributions by the employees of the Town to the LAPP in 2019 were \$197,045 (2018 - \$221,281).

LAPP reported a deficiency of \$3.5 billion in 2018.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2019

13. 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, 2019

14. 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 2019	Total 2018
Mayor Anderberg	\$ 44,105	\$ 2,303	\$ 46,408	\$ 31,521
Councillor McGillivray	34,240	1,801	36,041	26,238
Councillor O'Rourke	24,145	2,938	27,083	22,198
Councillor Korbett	32,365	3,358	35,723	21,568
Councillor Jackson	24,845	1,878	26,723	20,388
Councillor Barber	28,990	3,187	32,177	20,034
Councillor Elliott	16,745	863	17,608	16,615
	205,435	16,328	221,763	158,562
Chief Administrative Officer	\$ 122,871	\$ 30,404	\$ 153,275	\$ 153,753

- i) Salary includes regular base pay. For Councillors, 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, 2019

15. 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, 2019.

16. 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 fulfill 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, 2019

17. 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.

18. Budget:

The budgeted information presented in these financial statements is based upon the 2019 operating and capital budgets. Amortization was not contemplated in development of the budget and, as such, has not been included.

19. Approval of financial statements:

Council and Management approved these financial statements.

20. 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.

21. Subsequent Events

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of the approval of these financial statements, the Town has experienced financial and operational impacts and has undertaken certain activities in relation to the COVID-19 pandemic. At this time, uncertainty exists over future cash flows which may cause significant changes to the assets and liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

TOWN OF PINCHER CREEK

Schedule 1 - Schedule of Government Transfers

Year ended December 31, 2019, with comparative information for 2018

	Budget	2019	2018
Transfers for operating:			
Provincial government	\$ 728,196	\$ 699,244	\$ 503,177
Other municipal governments	443,457	417,793	363,056
Federal government	20,500	3,516	28,030
	1,192,153	1,120,553	894,263
Transfers for capital:			
Provincial government	5,031,615	2,285,199	697,276
Federal government	-	263,738	8,000
	5,031,615	2,548,937	705,276
Total government transfers	\$ 6,223,768	\$ 3,669,490	\$ 1,599,539

TOWN OF PINCHER CREEK

Schedule 2 - Schedule of Segmented Disclosures

Year ended December 31, 2019, with comparative information for 2018

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total 2019	Total 2018
Revenue:									
Net municipal taxes	\$ 4,392,343	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,392,343	\$ 5,239,085
User fees and sales of goods	4,812	-	130	1,633,725	13,700	2,750	473,937	2,129,054	2,169,052
Government transfers	100,925	-	466,894	2,280,283	164,490	7,661	649,237	3,669,490	1,599,539
Penalties and cost of taxes	60,237	43,840	-	6,973	-	-	-	111,050	102,347
Licenses and permits	57,385	2,324	-	-	-	44,924	-	104,633	100,227
Franchise and concession contracts	825,133	-	-	-	-	-	-	825,133	770,870
Rentals	9,029	282,684	1,100	56,073	66,950	74,493	161,336	651,665	592,308
Investment income	292,623	-	137	-	5,603	-	137	298,500	297,675
Other	5,006	121	301	1,757	-	-	107,406	114,591	95,484
	5,747,493	328,969	468,562	3,978,811	250,743	129,828	1,392,053	12,296,459	10,966,587
Expenses:									
Salaries, wages and benefits	735,987	247,027	382,768	673,990	132,366	226,946	1,718,831	4,117,915	3,739,395
Contracted and general services	404,112	165,494	434,805	564,438	42,077	173,242	678,752	2,462,920	2,627,139
Materials, goods, and utilities	58,766	51,978	319,298	277,984	11,529	24,037	459,447	1,203,039	1,201,768
Transfers to organizations	-	58,513	-	31,152	158,816	26,904	231,645	507,030	927,294
Interest on long-term debt	-	101,984	-	-	-	-	-	101,984	107,306
Other expenditures	44,548	-	-	-	-	-	-	44,548	27,103
Bank charges and interest	2,917	-	-	944	-	-	4,811	8,672	5,636
Amortization	61,519	147,054	282,285	757,016	4,462	-	355,596	1,607,932	1,479,385
Loss on disposal of tangible capital assets	118,659	-	-	-	-	-	-	118,659	32,390
	1,426,508	772,050	1,419,156	2,305,524	349,250	451,129	3,449,082	10,172,699	10,147,416
Excess (deficiency) of revenue over expenses before other	4,320,985	(443,081)	(950,594)	1,673,287	(98,507)	(321,301)	(2,057,029)	2,123,760	819,171
Other									
Contributed assets	-	-	-	-	-	-	-	-	25,857
Gain on disposal of tangible capital assets	-	-	43,478	-	-	-	-	43,478	35,548
	-	-	43,478	-	-	-	-	43,478	61,405
Excess (deficiency) of revenue over expenses	\$ 4,320,985	\$ (443,081)	\$ (907,116)	\$ 1,673,287	\$ (98,507)	\$ (321,301)	\$ (2,057,029)	\$ 2,167,238	\$ 880,576

TOWN OF PINCHER CREEK

Schedule 3 - Schedule of Changes in Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	Unrestricted	Restricted surplus	Equity in tangible capital assets	2019	2018
Balance, beginning of year	\$ 494,358	\$ 11,023,211	\$ 39,446,362	\$ 50,963,931	\$ 50,083,355
Excess of revenues over expenses	2,167,238	-	-	2,167,238	880,576
Transferred to restricted surplus	(1,267,457)	1,267,457	-	-	-
Transferred from restricted surplus	3,210,515	(3,210,515)	-	-	-
Acquisition of tangible capital assets	(5,684,819)	-	5,684,819	-	-
Net book value of tangible capital assets disposed	342,605	-	(342,605)	-	-
Amortization of tangible capital assets	1,607,931	-	(1,607,931)	-	-
Debt principal paid	(113,150)	-	113,150	-	-
Change in accumulated surplus	262,863	(1,943,058)	3,847,433	2,167,238	880,576
Balance, end of year	\$ 757,221	\$ 9,080,153	\$ 43,293,795	\$ 53,131,169	\$ 50,963,931

TOWN OF PINCHER CREEK

Schedule 4 - Schedule of Net Municipal Property Taxes

Year ended December 31, 2019, with comparative information for 2018

	Budget	2019	2018
General taxation:			
Real property tax	\$ 5,784,217	\$ 5,784,222	\$ 5,546,312
Linear property tax	98,365	98,365	95,629
Government grants in place of property taxes	50,481	50,483	49,475
Local improvement/special tax	23,934	23,935	839,559
	5,956,997	5,957,005	6,530,975
Requisitions:			
Alberta School Foundation Fund	971,009	946,979	931,239
Holy Spirit School Division	251,884	275,914	271,304
Crestview Lodge	92,028	92,028	89,347
Pincher Creek Emergency Services	249,263	249,263	-
Designated Industrial Property	478	478	-
	1,564,662	1,564,662	1,291,890
Net municipal property tax	\$ 4,392,335	\$ 4,392,343	\$ 5,239,085

TOWN OF PINCHER CREEK

Schedule 5 - Schedule of Expenses by Object

Year ended December 31, 2019, with comparative information for 2018

	Budget	2019	2018
Salaries, wages and benefits	\$ 4,114,457	\$ 4,117,915	\$ 3,739,395
Contracted and general services	3,171,506	2,462,920	2,627,139
Materials, goods and utilities	1,230,200	1,203,039	1,201,768
Transfers to local boards and agencies	600,339	507,030	927,294
Interest on long-term debt	102,385	101,984	107,306
Other expenditures	215,741	44,548	27,103
Bank charges and short-term interest	7,440	8,672	5,636
Amortization	1,250,706	1,607,932	1,479,385
Loss on sale of tangible capital assets	-	118,659	32,390
Total expenses by object	\$ 10,692,774	\$ 10,172,699	\$ 10,147,416

TOWN OF PINCHER CREEK

Schedule 6 - Schedule of Tangible Capital Assets

Year ended December 31, 2019, with comparative information for 2018

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	2019	2018
Cost:								
Balance, beginning of year	\$ 5,238,777	\$ 5,164,447	\$ 13,094,288	\$ 47,535,419	\$ 3,494,162	\$ 1,142,270	\$ 75,669,363	\$ 72,679,370
Acquisition of tangible capital assets	-	-	-	2,550,677	651,976	93,704	3,296,357	3,467,057
Construction in progress	-	-	1,606,378	782,084	-	-	2,388,462	-
Disposal of tangible capital assets	(125,000)	-	-	(501,896)	(353,263)	(75,826)	(1,055,985)	(477,064)
Balance, end of year	5,113,777	5,164,447	14,700,666	50,366,284	3,792,875	1,160,148	80,298,197	75,669,363
Accumulated amortization:								
Balance, beginning of year	-	2,163,384	8,220,696	21,222,566	1,990,814	490,305	34,087,765	32,900,274
Accumulated amortization on disposals	-	-	-	(383,894)	(255,055)	(74,432)	(713,381)	(291,894)
Amortization	-	209,983	307,063	756,453	252,329	82,104	1,607,932	1,479,385
Balance, end of year	-	2,373,367	8,527,759	21,595,125	1,988,088	497,977	34,982,316	34,087,765
Net book value of tangible capital assets	5,113,777	2,791,080	6,172,907	28,771,159	1,804,787	662,171	45,315,881	41,581,598
2018 Net book value of tangible capital assets	\$ 5,238,777	\$ 3,001,063	\$ 4,873,592	\$ 26,312,853	\$ 1,503,348	\$ 651,965	\$ 41,581,598	

