

TOWN OF PINCHER CREEK

Consolidated Financial Statements

For the year ended December 31, 2017

TOWN OF PINCHER CREEK
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CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the Town of Pincher Creek which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2017 and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

April 4, 2018

A handwritten signature in cursive script that reads "Avail LLP".

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, 2017

	2017	2016
Financial assets		
Cash and temporary investments (note 2)	\$ 3,776,389	\$ 4,177,820
Taxes and grants in place of taxes receivable (note 3)	213,812	272,991
Trade and other receivables (note 4)	2,024,012	1,989,071
Land held for resale	291,915	300,525
Investments (note 5)	9,020,482	8,363,565
	15,326,610	15,103,972
Liabilities		
Accounts payable and accrued liabilities	1,521,427	940,205
Deposits	71,455	76,156
Deferred revenue (note 6)	1,610,549	371,857
Long-term debt (note 7)	2,243,083	2,345,876
	5,446,514	3,734,094
Net financial assets	9,880,096	11,369,878
Non-financial assets		
Prepaid expenses	124,151	120,278
Inventory for consumption	300,011	193,014
Tangible capital assets (schedule 2)	39,779,098	38,096,719
	40,203,260	38,410,011
Accumulated surplus (note 8 and schedule 1)	\$ 50,083,356	\$ 49,779,889

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, 2017

	Budget (Unaudited)	2017	2016
Revenue			
Net municipal property taxes (note 11)	\$ 4,281,377	\$ 4,281,379	\$ 4,162,746
User fees and sales of goods	1,899,793	2,153,451	1,938,348
Government transfers for operating (note 12)	946,626	815,111	1,202,550
Investment income	340,860	294,865	324,073
Penalties and costs of taxes	78,358	105,851	78,883
Licenses and permits	95,600	121,405	147,553
Franchise and concession contracts	650,050	731,281	697,363
Rentals	602,989	578,354	575,794
Other	66,725	100,156	97,225
Gain on disposal of tangible capital assets	-	-	6,375
	8,962,378	9,181,853	9,230,910
Expenses (note 13)			
Legislative	226,386	210,824	221,210
Administration	2,144,714	2,135,688	921,059
Police, fire, disaster, ambulance and bylaw enforcement	898,129	1,002,408	763,127
Common and equipment pool	159,154	194,548	141,470
Roads, streets, walks and lighting	1,139,631	1,321,917	1,192,273
Water supply and distribution	907,202	964,961	979,813
Wastewater treatment and disposal	577,327	649,978	1,063,480
Waste management	469,596	392,198	390,578
Other environmental use and protection	54,716	35,951	41,840
Public health and welfare services	325,111	338,406	327,088
Planning and development	509,372	384,898	403,284
Recreation and culture	3,090,239	2,728,694	2,633,346
	10,501,577	10,360,471	9,078,568
(Deficiency) excess of revenue over expenses before other	(1,539,199)	(1,178,618)	152,342
Other			
Government transfers for capital (note 12)	2,535,008	1,332,085	2,668,669
Contributed assets	1,827,000	150,000	-
	4,362,008	1,482,085	2,668,669
Excess of revenue over expenses	2,822,809	303,467	2,821,011
Accumulated surplus, beginning of year	49,779,889	49,779,889	46,958,878
Accumulated surplus, end of year	\$ 52,602,698	\$ 50,083,356	\$ 49,779,889

TOWN OF PINCHER CREEK
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2017

	Budget (Unaudited)	2017	2016
Excess of revenue over expenses	\$ 2,822,809	\$ 303,467	\$ 2,821,011
Acquisition of tangible capital assets	(7,222,702)	(3,106,144)	(3,572,080)
Amortization of tangible capital assets	1,253,264	1,477,857	1,423,492
Contributed assets	(1,827,000)	(150,000)	-
Assets transferred to Pincher Creek Emergency Services Commission	-	95,908	-
	(7,796,438)	(1,682,379)	(2,148,588)
Net change in inventory for consumption	-	(106,997)	(43,317)
Net change in prepaid expense	-	(3,873)	(206)
	-	(110,870)	(43,523)
Increase in net financial assets	(4,973,629)	(1,489,782)	628,900
Net financial assets, beginning of year	11,369,878	11,369,878	10,740,978
Net financial assets, end of year	\$ 6,396,249	\$ 9,880,096	\$ 11,369,878

TOWN OF PINCHER CREEK
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2017

	2017	2016
Operating transactions		
Excess of revenue over expenses	\$ 303,467	\$ 2,821,011
Adjustments for items which do not affect cash		
Amortization of tangible capital assets	1,477,857	1,423,492
Assets transferred to Pincher Creek Emergency Services		
Commission	95,908	-
Contributed assets	(150,000)	-
	1,727,232	4,244,503
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	59,179	(94,495)
Trade and other receivables	(34,942)	739,498
Land held for resale	8,610	-
Inventory for consumption	(106,997)	(43,317)
Prepaid expenses	(3,873)	(206)
Accounts payable and accrued liabilities	581,222	40,450
Deposits	(4,701)	26,283
Deferred revenue	1,238,692	(882,108)
	3,464,422	4,030,608
Capital transactions		
Acquisition of tangible capital assets	(3,106,144)	(3,572,080)
Investing transactions		
Increase in investments	(656,916)	(2,125,235)
Financing transactions		
Repayment of long-term debt	(102,793)	(157,045)
Decrease in cash and temporary investments	(401,431)	(1,823,752)
Cash and temporary investments, beginning of year	4,177,820	6,001,572
Cash and temporary investments, end of year	\$ 3,776,389	\$ 4,177,820

TOWN OF PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

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, 2017

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, 2017

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, 2017

2. Cash and temporary investments

	2017	2016
Cash	\$ 1,535,609	\$ 1,653,434
Temporary investments	2,240,780	2,524,386
	\$ 3,776,389	\$ 4,177,820

Temporary investments are comprised of an ATB GIC with an interest rate of 1.74%. The investment matures in 2018.

3. Taxes and grants in place of taxes receivables

	2017	2016
Current	\$ 156,372	\$ 205,398
Arrears	57,440	67,593
	\$ 213,812	\$ 272,991

4. Trade and other receivables

	2017	2016
Trade accounts	\$ 701,364	\$ 549,444
GST receivable	91,748	91,659
Local improvement levies	129,720	135,695
Due from provincial government	766,830	694,795
Due from federal government	334,350	517,478
	\$ 2,024,012	\$ 1,989,071

TOWN OF PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

5. Investments

	2017		2016	
	Cost	Market value	Cost	Market value
Fixed income securities (due 2026-2031)	\$ 3,287,475	\$ 3,098,216	\$ 3,428,537	\$ 3,298,053
Bank of Nova Scotia - 3.036% (due 2019)	669,833	743,748	669,833	722,030
Province of British Columbia - 2.371% (due 2021)	568,482	612,009	568,482	609,859
Province of Newfoundland - 2.797% (due 2020)	335,552	379,638	335,552	375,310
Alberta Municipal Financing Corporation	20	20	20	20
Bank of Montreal - 2.12% (due 2022)	649,796	639,860	649,796	649,545
Bank of Nova Scotia - 2.308% (due 2022)	417,597	436,756	417,597	429,220
Bank of Nova Scotia - balance protected (due 2022)	685,400	675,462	250,000	261,740
National Bank of Canada - balance protected (due 2021)	320,024	333,497	320,024	326,681
Bank of Nova Scotia - balance protected (due 2022)	200,000	211,160	200,000	206,740
Province of Ontario - 2.143% (due 2023)	505,557	515,059	505,557	509,097
Province of Quebec - 1.754% (due 2023)	260,338	254,248	260,338	251,630
National Bank of Canada - balance protected (due 2025)	720,049	705,576	720,049	711,265
Province of Manitoba - 2.563% (due 2024)	330,400	332,436	-	-
Accrued investment interest	219,123	219,198	145,097	145,171
Accumulated amortization of bond premiums	(149,164)	(149,164)	(107,317)	(107,317)
	\$ 9,020,482	\$ 9,007,719	\$ 8,363,565	\$ 8,389,044

TOWN OF PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

6. Deferred revenue

	2017	2016
Alberta Resiliency grant	\$ 1,555,154	\$ -
Miscellaneous amounts	28,998	27,664
Prepaid property taxes	26,397	191,496
Municipal Sustainability Initiative - capital	-	56,428
Enel Alberta Wind Inc. - rent received in advance	-	40,955
Basic Municipal Transportation Grant	-	20,357
Federal Gas Tax Fund	-	18,671
Emergency services grant	-	16,286
	\$ 1,610,549	\$ 371,857

7. Long-term debt

	2017	2016
Tax supported debentures	\$ 1,149,493	\$ 1,202,900
Other supported debentures	1,093,590	1,142,976
	\$ 2,243,083	\$ 2,345,876
Current portion	\$ 107,847	\$ 102,792

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2018	\$ 107,847	\$ 107,688	\$ 215,535
2019	113,150	102,385	215,535
2020	118,715	96,819	215,534
2021	124,553	90,982	215,535
2022	130,680	84,855	215,535
Thereafter	1,648,138	437,300	2,085,438
	\$ 2,243,083	\$ 920,029	\$ 3,163,112

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 2017 is 4.84% (2016 - 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 \$112,379 (2016 - \$118,494). The Town's total cash payments for interest in 2017 were \$112,743 (2016 - \$118,965).

TOWN OF PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

8. Accumulated surplus

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

	2017	2016
Unrestricted surplus	\$ 338,272	\$ 338,242
Internally restricted surplus (reserves) (note 9)	12,209,069	13,690,804
Equity in tangible capital assets (note 10)	37,536,015	35,750,843
	\$ 50,083,356	\$ 49,779,889

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:

	2017	2016
Operating		
General contingency	\$ 1,020,990	\$ 2,112,007
Recreation board	260,872	273,811
Utility	49,104	62,299
Disaster services	34,393	-
Economic development	28,156	28,156
Other operating reserves	27,010	37,809
Land use and planning	12,826	12,826
	1,433,351	2,526,908
Capital		
Parks and recreation	3,283,165	3,147,344
Water utility	2,903,209	2,518,209
Other capital reserves	2,412,627	2,532,432
Sewer utility	609,383	673,214
Streets	413,445	449,285
Garbage utility	269,216	398,274
Subdivision land development	261,181	840,815
Creek management	214,912	214,912
Town hall	134,647	137,583
Storm sewers and drainage	116,993	106,993
RCMP building	95,419	88,314
Cultural	61,521	56,521
	10,775,718	11,163,896
	\$ 12,209,069	\$ 13,690,804

TOWN OF PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

10. Equity in tangible capital assets

	2017	2016
Tangible capital assets (schedule 2)	\$ 72,679,370	\$ 70,021,133
Accumulated amortization (schedule 2)	(32,900,272)	(31,924,414)
Long-term debt (note 7)	(2,243,083)	(2,345,876)
	\$ 37,536,015	\$ 35,750,843

11. Net municipal property taxes

	Budget (Unaudited)	2017	2016
Taxation			
Real property taxes	\$ 5,395,900	\$ 5,395,902	\$ 5,261,686
Linear property taxes	92,735	92,735	91,992
Government grants in place of property taxes	49,080	49,080	47,250
	5,537,715	5,537,717	5,400,928
Requisitions			
Alberta School Foundation Fund	904,302	904,302	891,594
Holy Spirit School Division	264,040	264,040	259,875
Crestview Lodge	87,996	87,996	86,713
	1,256,338	1,256,338	1,238,182
	\$ 4,281,377	\$ 4,281,379	\$ 4,162,746

12. Government transfers

	Budget (Unaudited)	2017	2016
Transfers for operating:			
Provincial government	\$ 563,570	\$ 424,380	\$ 834,462
Local governments	376,056	382,321	368,088
Federal government	7,000	8,410	-
	946,626	815,111	1,202,550
Transfers for capital:			
Federal government	-	327,084	517,478
Provincial government	2,535,008	1,005,001	2,151,191
	2,535,008	1,332,085	2,668,669
	\$ 3,481,634	\$ 2,147,196	\$ 3,871,219

TOWN OF PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

13. Expenses by object

	Budget (Unaudited)	2017	2016
Salaries, wages and benefits	\$ 3,546,580	\$ 3,397,490	\$ 3,323,935
Contracted and general services	2,397,663	2,125,053	2,554,351
Materials, goods, supplies and utilities	1,119,217	1,087,020	959,920
Transfers to organizations and others	2,045,060	2,048,283	638,993
Interest on long-term debt	112,744	112,378	118,494
Other expenditures	23,650	12,151	55,875
Bank charges and short-term interest	3,399	4,331	3,508
Amortization of tangible capital assets	1,253,264	1,477,857	1,423,492
Assets transferred to Pincher Creek Emergency Services Commission	-	95,908	-
	\$ 10,501,577	\$ 10,360,471	\$ 9,078,568

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 2017.

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:

	2017	2016
Total debt limit	\$ 13,772,780	\$ 13,846,365
Total debt	2,243,083	2,345,876
	\$ 11,529,697	\$ 11,500,489
Debt servicing limit	\$ 2,295,463	\$ 2,307,728
Debt servicing	215,535	215,535
	\$ 2,079,928	\$ 2,092,193

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, 2017

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 \$275,000 to the new ice plant. This project had not begun by December 31, 2017.

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, 2017.

17. Contaminated sites liability

The Town has adopted PS3260 liability for contaminated sites. The Town did not identify any financial liabilities in 2017 (2016 - nil) as a result of this standard.

18. Budget amounts

The 2017 budget for the Town was approved by Council on April 10, 2017 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	\$ 2,822,809
Less: Capital expenditures	(7,222,702)
Long-term debt repayments	(102,792)
Transfers to reserves	(10,000)
Add: Amortization	1,253,264
Transfers from reserves	3,259,891
<hr/>	
Equals: Balanced budget	<u>\$ 470</u>

TOWN OF PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

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 254,000 people and 417 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 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2017 were \$242,390 (2016 - \$225,400). Total current service contributions by the employees of the Town to the LAPP in 2017 were \$222,546 (2016 - \$206,883).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 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) Salary	(2) Benefits & allowances	2017	2016
Council				
Mayor Anderberg	\$ 26,100	\$ 726	\$ 26,826	\$ 31,671
Councillor Thornton	18,100	31	18,131	23,038
Councillor Litkowski	14,100	31	14,131	22,238
Councillor Jackson	16,200	28	16,228	19,938
Councillor Filipuzzi	7,600	172	7,772	16,396
Councillor Elliott	15,100	363	15,463	15,453
Councillor Barber	14,600	357	14,957	15,053
Councillor Korbett	3,900	106	4,006	-
Councillor McGillivray	4,600	6	4,606	-
Councillor O'Rourke	4,300	119	4,419	-
 CAO - Wilgosh	 \$ 114,302	 \$ 30,858	 \$ 145,160	 \$ 139,558

(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

TOWN OF PINCHER CREEK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

20. Salary and benefits disclosure, continued

dismemberment insurance, long- and short-term disability plans, professional memberships, and tuition.

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

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, 2017

	Schedule of changes in accumulated surplus			Schedule 1	
	Unrestricted	Restricted	Equity in tangible capital assets	2017	2016
Balance, beginning of year	\$ 338,242	\$ 13,690,804	\$ 35,750,843	\$ 49,779,889	\$ 46,958,878
Excess of revenue over expenses	303,467	-	-	303,467	2,821,011
Unrestricted funds designated for future use	(1,780,811)	1,780,811	-	-	-
Restricted funds used for operations	1,498,691	(1,498,691)	-	-	-
Restricted funds used for tangible capital assets	-	(1,763,855)	1,763,855	-	-
Current year funds used for tangible capital assets	(1,342,289)	-	1,342,289	-	-
Contributed tangible capital assets	(150,000)	-	150,000	-	-
Disposal of tangible capital assets	95,908	-	(95,908)	-	-
Amortization of tangible capital assets	1,477,857	-	(1,477,857)	-	-
Long-term debt repaid	(102,793)	-	102,793	-	-
Change in accumulated surplus	30	(1,481,735)	1,785,172	303,467	2,821,011
Balance, end of year	\$ 338,272	\$ 12,209,069	\$ 37,536,015	\$ 50,083,356	\$ 49,779,889

TOWN OF PINCHER CREEK
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	2017	2016
Cost:								
Balance, beginning of year	\$ 5,088,567	\$ 4,491,048	\$ 12,002,592	\$ 44,341,438	\$ 3,325,640	\$ 771,849	\$ 70,021,133	\$ 66,469,553
Acquisitions	-	647,974	62,024	1,936,472	37,110	572,564	3,256,144	3,572,080
Disposals	(65,000)	-	(532,907)	-	-	-	(597,907)	(20,500)
Balance, end 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
Accumulated amortization:								
Balance, beginning of year	-	1,815,498	8,215,810	19,745,966	1,587,331	559,810	31,924,414	30,521,422
Annual amortization	-	172,440	274,144	738,000	238,627	54,646	1,477,857	1,423,492
Disposals	-	-	(501,999)	-	-	-	(501,999)	(20,500)
Balance, end of year	-	1,987,938	7,987,955	20,483,966	1,825,958	614,456	32,900,272	31,924,414
Net book value	\$ 5,023,567	\$ 3,151,084	\$ 3,543,754	\$ 25,793,944	\$ 1,536,792	\$ 729,957	\$ 39,779,098	\$ 38,096,719
2016 net book value	\$ 5,088,567	\$ 2,675,550	\$ 3,786,782	\$ 24,595,472	\$ 1,738,310	\$ 212,038	\$ 38,096,719	

TOWN OF PINCHER CREEK
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

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	\$ 4,275,273	\$ -	\$ -	\$ -	\$ -	\$ 6,106	\$ -	\$ 4,281,379
User fees and sales of goods	4,631	-	-	1,712,342	19,100	210,035	207,343	2,153,451
Government transfers for operating	2,063	6,842	237,701	-	166,219	-	402,286	815,111
Investment income	289,866	-	32	70	4,880	-	17	294,865
Penalties and costs of taxes	60,243	39,308	-	6,300	-	-	-	105,851
Licenses and permits	54,673	1,823	-	-	-	64,909	-	121,405
Franchise and concession contracts	731,281	-	-	-	-	-	-	731,281
Rentals	19,962	233,490	800	49,711	64,868	59,668	149,855	578,354
Other	13,898	48,355	4,073	1,979	-	512	31,339	100,156
	5,451,890	329,818	242,606	1,770,402	255,067	341,230	790,840	9,181,853
Expenses								
Salaries, wages and benefits	603,902	211,150	459,220	515,385	131,657	196,264	1,279,912	3,397,490
Contracted and general services	298,960	103,319	540,632	439,363	48,759	162,197	531,823	2,125,053
Materials, goods, supplies and utilities	62,515	50,838	287,739	277,448	10,365	26,213	371,902	1,087,020
Bank charges and short-term interest	906	-	-	-	-	225	3,200	4,331
Interest on long-term debt	-	112,378	-	-	-	-	-	112,378
Other expenditures	12,151	-	-	-	-	-	-	12,151
Transfers to organizations and others	1,305,956	278,950	-	41,119	145,196	-	277,062	2,048,283
Amortization of tangible capital assets	62,121	149,864	228,874	769,773	2,429	-	264,796	1,477,857
Loss on disposal of tangible capital assets	-	95,908	-	-	-	-	-	95,908
	2,346,511	1,002,407	1,516,465	2,043,088	338,406	384,899	2,728,695	10,360,471
Excess (deficiency) of revenue over expenses before other	3,105,379	(672,589)	(1,273,859)	(272,686)	(83,339)	(43,669)	(1,937,855)	(1,178,618)
Other								
Government transfers for capital	-	-	149,095	752,918	-	-	430,072	1,332,085
Contributed assets	-	-	-	-	-	-	150,000	150,000
	-	-	149,095	752,918	-	-	580,072	1,482,085
Excess (deficiency) of revenue over expenses	\$ 3,105,379	\$ (672,589)	\$ (1,124,764)	\$ 480,232	\$ (83,339)	\$ (43,669)	\$ (1,357,783)	\$ 303,467