

Consolidated Financial Statements of

**TOWN OF PINCHER
CREEK**

And Independent Auditors' Report thereon

Year ended December 31, 2020



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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, 2020
- 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, 2020, 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.

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

Lethbridge, Canada

April 7, 2021

TOWN OF PINCHER CREEK

Consolidated Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets:		
Cash and short-term investments (note 3)	\$ 2,120,958	\$ 1,316,697
Taxes and grants in place of taxes (note 4)	330,227	252,453
Trade and other receivables (note 5)	2,561,032	2,273,834
Land held for resale	401,816	407,853
Investments and marketable securities (note 6)	7,371,902	7,476,688
	<u>12,785,935</u>	<u>11,727,525</u>
Financial Liabilities:		
Accounts payable and accrued liabilities	1,078,764	1,320,990
Deposits	88,984	80,586
Deferred revenue (note 7)	1,314,499	952,789
Debt (note 8)	3,890,035	2,022,086
	<u>6,372,282</u>	<u>4,376,451</u>
Net financial assets	<u>6,413,653</u>	<u>7,351,074</u>
Non-Financial Assets:		
Prepaid expenses	115,552	135,540
Inventory for consumption	290,260	328,674
Tangible capital assets (Schedule 6)	47,565,597	45,315,881
	<u>47,971,409</u>	<u>45,780,095</u>
Commitments (note 14)		
Contingent liabilities (note 16)		
Accumulated surplus (note 10 and Schedule 3)	<u>\$ 54,385,062</u>	<u>\$ 53,131,169</u>

See accompanying notes to consolidated financial statements.

TOWN OF PINCHER CREEK

Consolidated Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Revenue:			
Net municipal property taxes (Schedule 4)	\$ 4,266,176	\$ 4,331,558	\$ 4,392,343
User fees and sales of goods	1,993,274	2,068,743	2,129,054
Government transfers for operating (Schedule 1)	1,192,153	1,747,097	1,120,553
Franchise fees and concession contracts	825,050	837,684	825,133
Rentals	752,948	635,604	651,665
Investment income	220,860	249,158	298,500
Penalties and cost of taxes	92,100	92,581	111,050
Licenses and permits	93,600	106,863	104,633
Other	191,289	113,037	114,591
Total revenue	9,627,450	10,182,325	9,747,522
Expenses (Schedule 5):			
Legislative	297,464	275,044	346,389
Administration	878,045	871,265	960,688
Protective services	830,368	837,424	908,738
Roads, streets, walks and lighting	1,255,944	1,261,257	1,313,247
Water supply and distribution	1,132,828	1,190,188	1,062,981
Wastewater treatment and disposal	785,617	775,209	797,350
Waste management	552,393	459,550	474,545
Public health and welfare services	344,389	309,053	363,531
Planning and development	701,172	581,546	451,129
Recreation and culture	3,403,703	3,201,924	3,454,610
Other	74,693	44,896	39,491
Total expenses	10,256,616	9,807,356	10,172,699
Excess (deficiency) of revenue over expenses from operations	(629,166)	374,969	(425,177)
Government transfers for capital (Schedule 1)	5,031,615	882,844	2,548,937
Gain (loss) on disposal of tangible capital assets	500	(3,920)	43,478
	5,032,115	878,924	2,592,415
Excess of revenues over expenses	4,402,949	1,253,893	2,167,238
Accumulated surplus, beginning of year	53,131,169	53,131,169	50,963,931
Accumulated surplus, end of year	\$ 57,534,118	\$ 54,385,062	\$ 53,131,169

See accompanying notes to consolidated financial statements.

TOWN OF PINCHER CREEK

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Excess of revenue over expenses	\$ 4,402,949	\$ 1,253,893	\$ 2,167,238
Acquisition of tangible capital assets	(7,292,048)	(4,120,390)	(5,684,819)
Amortization of tangible capital assets	1,250,706	1,675,854	1,607,932
Contributed assets	-	-	-
Loss (gain) on sale on tangible capital assets	-	3,920	75,182
Proceeds on sale on tangible capital assets	-	190,900	142,424
Net change in prepaid expense	-	19,988	(6,700)
Net change in inventory for consumption	-	38,414	(36,918)
Assets transferred to land held for resale	-	-	125,000
Change in net financial assets	(1,638,393)	(937,421)	(1,610,661)
Net financial assets, beginning of year	7,351,074	7,351,074	8,961,735
Net financial assets, end of year	\$ 5,712,681	\$ 6,413,653	\$ 7,351,074

See accompanying notes to consolidated financial statements.

TOWN OF PINCHER CREEK

Consolidated Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 1,253,893	\$ 2,167,238
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	1,675,854	1,607,932
Loss (gain) on sale of tangible capital assets	3,920	75,182
	2,933,667	3,850,352
Changes in non-cash assets and liabilities:		
Taxes and grants in place of taxes	(77,774)	(7,347)
Trade and other receivables	(287,198)	(605,822)
Land held for resale	6,037	(125,000)
Prepaid expenses	19,988	(6,700)
Accounts payable and accrued liabilities	(242,226)	184,846
Deferred revenue	361,710	(869,632)
Deposits	8,398	8,965
Inventory for consumption	38,414	(36,918)
	2,761,016	2,392,744
Capital activities:		
Acquisition of tangible capital assets	(4,120,390)	(5,684,819)
Proceeds on disposal of tangible capital assets	190,900	142,424
Asset transferred to land held for resale	-	125,000
	(3,929,490)	(5,417,395)
Investing activities:		
Decrease in investments	104,786	1,198,937
Financing activities:		
Payments on long-term debt	(118,715)	(113,151)
Increase in long term debt	1,986,664	-
	1,867,949	(113,151)
Increase (decrease) in cash and short-term investments	804,261	(1,938,865)
Cash and short-term investments, beginning of year	1,316,697	3,255,562
Cash and short-term investments, end of year	\$ 2,120,958	\$ 1,316,697

See accompanying notes to consolidated financial statements.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements

Year ended December 31, 2020

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, 2020

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, 2020

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, 2020

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, 2020

2. Recent accounting pronouncements (continued):

(a) PS 1201- Financial Statement Presentation:

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

(b) PS 3450- Financial Instruments:

This section establishes recognition, measurement, and disclosure requirements for derivative and non-derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments; all other financial instruments can be measured at either cost or fair value depending upon elections made by the government. Unrealized gains and losses will be presented on the new statement of re-measurement gains and losses arising from the adoption of PS 1201. There will also be a requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. As the Town does not invest in derivatives or equity instruments based on its investment policy, it is anticipated that the adoption of this standard will have a minimal impact on the Town. This standard is effective for fiscal years beginning on or after April 1, 2022.

(c) PS 2601 - Foreign Currency Translation:

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

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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, 2022.

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, 2022.

(f) PS 3400 - Revenue:

This section provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions. This standard is effective for fiscal years beginning on or after April 1, 2022.

3. Cash and short-term investments:

	2020	2019
Cash	\$ 1,815,077	\$ 1,316,797
Short-term investments	305,881	-
	<u>\$ 2,120,958</u>	<u>\$ 1,316,797</u>

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

4. Taxes and grants in place of taxes:

	2020	2019
Taxes and grants in place of taxes:		
Current taxes and grants in place of taxes	\$ 224,433	\$ 183,506
Arrears taxes	105,794	68,947
	<u>\$ 330,227</u>	<u>\$ 252,453</u>

5. Trade and other receivables:

	2020	2019
Local improvement levies	\$ 875,474	\$ 916,483
Trade accounts	751,892	680,959
Goods and services tax recoverable	39,242	65,954
Due from provincial government	894,424	289,716
Due from federal government	-	320,722
	<u>\$ 2,561,032</u>	<u>\$ 2,273,834</u>

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

6. Investments and marketable securities:

	2020		2019	
	Cost	Market value	Cost	Market value
CIBC Wood Gundy:				
Fixed income securities (due 2020 - 2031)	\$ 3,380,312	\$ 3,486,444	\$ 2,195,231	\$ 2,234,015
Bank of Nova Scotia - balance protected (due 2022)	-	-	685,400	685,194
Bank of Montreal - balance protected (due 2022)	662,300	651,001	598,500	610,685
National Bank of Canada - balance protected (due 2025)	-	-	720,099	719,689
BMO Wealth Management:				
Fixed income securities (due 2022-2029)	3,101,982	3,429,217	3,101,981	3,266,723
Other:				
Accrued investment interest	227,308	227,308	175,475	175,475
Alberta Municipal Financing Corporation	-	-	20	20
	\$ 7,371,902	\$ 7,793,970	\$ 7,476,688	\$ 7,691,801

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

7. Deferred revenue:

	2020	2019
Deferred revenue, beginning of year	\$ 952,789	\$ 1,822,422
Funds received in the year:		
Operating	810,823	317,922
Capital	4,378	1,157,334
	815,201	1,475,256
Amounts recognized in revenue during the year:		
Operating	(368,797)	(433,639)
Capital	(84,694)	(1,911,250)
	(453,491)	(2,344,889)
Deferred revenue, end of year	\$ 1,314,499	\$ 952,789
Deferred revenue is comprised of:		
Operating:		
Municipal Sustainability Initiative	\$ -	\$ 32,169
MOST grant	115,102	-
Economic Development	47,306	82,777
Prepaid property tax	42,180	29,709
Other	4,520	6,912
Capital:		
Municipal Sustainability Initiative	-	39,669
Alberta Community Resilience	748,877	761,553
Other federal grants	356,514	-
	\$ 1,314,499	\$ 952,789

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

8. Debt:

	2020	2019
Debenture tax supported	\$ 972,875	\$ 1,034,616
Other supported debentures	930,495	987,470
Bankers acceptance loan	1,986,665	-
	3,890,035	2,022,086
Current portion	(124,554)	(118,715)
Bankers acceptance repayable	(1,986,665)	-
	\$ 1,778,816	\$ 1,903,371

Principal and interest repayments are as follows:

	Principal	Interest	Total
2021	\$ 2,111,219	\$ 90,981	\$ 2,202,200
2022	130,680	84,855	215,535
2023	137,107	78,428	215,535
2024	143,852	71,683	215,535
2025	150,928	64,607	215,535
Thereafter	1,216,249	222,580	1,438,829
	\$ 3,890,035	\$ 613,134	\$ 4,503,169

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 \$96,400 (2018 - \$101,984).

The Town has an authorized demand bankers acceptance loan up to a maximum of \$4,000,000 bearing interest at 2.29%. As at December 31, 2020, the balance outstanding was \$1,986,665.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

9. Accumulated surplus

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

	2020	2019
Unrestricted surplus	\$ 856,275	\$ 757,221
Restricted surplus:		
Operating:		
Municipal income stabilization	898,265	673,161
Early learning centre	494,129	494,129
Legislative	41,160	30,660
Disaster services	13,402	7,933
Capital:		
Legislative and administration	1,160,410	1,539,359
Protective services	99,918	109,629
Equipment	92,744	10,775
Streets	85,843	165,636
Utilities	3,098,082	3,019,419
Cemetery	34,407	18,223
Land development	161,341	-
Garbage	-	161,729
Pool	52,680	-
Arena building	2,692,515	2,442,514
General parks	107,815	83,425
Cultural	60,664	61,521
General sportsfield	137,377	134,877
Community recreation centre building	122,473	127,163
PC early learning center	500,000	-
	9,853,225	9,080,153
Equity in tangible capital assets	43,675,562	43,293,795
	\$ 54,385,062	\$ 53,131,169

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

9. Accumulated surplus(continued):

	2020	2019
Equity in tangible capital assets:		
Tangible capital assets (Schedule 6)	\$ 83,959,175	\$ 80,298,197
Accumulated amortization (Schedule 6)	(36,393,578)	(34,982,316)
Loans related to capital assets	(3,890,035)	(2,022,086)
	<u>\$ 43,675,562</u>	<u>\$ 43,293,795</u>

10. Debt limits:

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

	2020	2019
Total debt limit	\$ 15,273,488	\$ 14,621,283
Total debt	(3,890,035)	(2,022,086)
Amount of debt limit unused	<u>11,383,453</u>	<u>12,599,197</u>
Debt servicing limit	2,545,581	2,436,881
Debt servicing	(2,202,200)	(215,535)
Amount of debt servicing unused	<u>\$ 343,381</u>	<u>\$ 2,221,346</u>

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/2000) and the debt service is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Town. Rather, the financial statements must be interpreted as a whole.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

11. Local Authorities Pension Plan:

The Town participates in a multi-employer defined pension plan. The plan is accounted for as a defined contribution plan.

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 274,151 people and about 420 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% (9.39% in 2019) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (13.84% in 2019) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% (8.39% in 2019) of pensionable salary up to the year's maximum pensionable salary and 12.84% (12.84% in 2019) on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2020 were \$218,545 (2019 - \$218,566). Total current service contributions by the employees of the Town to the LAPP in 2019 were \$197,105 (2019 - \$197,045).

LAPP reported a surplus of \$7.9 billion in 2019.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

12. Segmented disclosure:

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

(a) General government:

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

(b) Protective services:

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

(c) Transportation services:

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

(d) Planning and development:

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

(e) Recreation and culture:

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

(f) Environmental services:

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

(g) Public health:

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

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

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

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

13. Salary and benefits disclosure:

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

	Salaries (i)	Benefits and Allowances (ii)	Total 2020	Total 2019
Mayor Anderberg	\$ 39,180	\$ 2,188	\$ 41,368	\$ 46,408
Councillor McGillivray	34,960	2,111	37,071	36,041
Councillor O'Rourke	20,130	3,126	23,256	27,083
Councillor Korbett	29,710	4,556	34,266	35,723
Councillor Jackson	25,325	2,242	27,567	26,723
Councillor Barber	23,375	4,298	27,673	32,177
Councillor Elliott	16,695	913	17,608	17,608
	189,375	19,434	208,809	221,763
Chief Administrative Officer	\$ 123,461	\$ 31,004	\$ 154,465	\$ 153,275

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, 2020

14. Commitment:

The Town has committed up to \$1,250,000 of matching funds towards the construction of a new curling rink. This project had not begun by December 31, 2020.

15. Financial instruments:

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

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

i. Interest rate risk:

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

ii. Credit concentration:

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to 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, 2020

16. Contingent liabilities:

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

17. Budget:

The budgeted information presented in these financial statements is based upon the 2020 operating and capital budgets. Amortization was not contemplated in development of the budget and, as such, has not been included.

18. Approval of financial statements:

Council and Management approved these financial statements.

19. Comparative information:

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

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

20. COVID-19 impact and contingency:

The World Health Organization declared a global pandemic for the COVID-19 disease on March 11, 2020. Consequently, on March 17, 2020, the Government of Alberta declared a state of public health emergency over the COVID-19 pandemic and enacted measures for its citizens and businesses to follow, intended to minimize the impact of the disease.

The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the operating results and financial position of the Town in the future. The Town did not experience any significant financial implications in relation to the COVID-19 pandemic.

COVID-19 relief was provided to the Town in the form of the Municipal Operating Support Transfer ("MOST") grant received from the Province of Alberta in the amount of \$373,785, with \$259,313 being recognized into income in 2020.

There are also other factors which may present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect of these items is not practicable at this time.

TOWN OF PINCHER CREEK

Schedule 1 - Schedule of Government Transfers

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Transfers for operating:			
Provincial government	\$ 728,196	\$ 608,573	\$ 699,244
Other municipal governments	443,457	1,138,524	417,793
Federal government	20,500	-	3,516
	1,192,153	1,747,097	1,120,553
Transfers for capital:			
Provincial government	5,031,615	882,844	2,285,199
Federal government	-	-	263,738
	5,031,615	882,844	2,548,937
Total government transfers	\$ 6,223,768	\$ 2,629,941	\$ 3,669,490

TOWN OF PINCHER CREEK

Schedule 2 - Schedule of Segmented Disclosures

Year ended December 31, 2020, with comparative information for 2019

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total 2020	Total 2019
Revenue:									
Net municipal taxes	\$ 4,331,558	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,331,558	\$ 4,392,343
User fees and sales of goods	-	-	4,906	1,657,367	10,850	140,150	255,470	2,068,743	2,129,054
Government transfers	14,583	10,500	243,053	18,834	169,393	61,328	2,112,250	2,629,941	3,669,490
Penalties and cost of taxes	70,952	14,854	-	6,775	-	-	-	92,581	111,050
Licenses and permits	57,040	1,823	-	-	-	48,000	-	106,863	104,633
Franchise and concession contracts	837,684	-	-	-	-	-	-	837,684	825,133
Rentals	3,660	272,567	800	92,458	65,556	88,746	111,817	635,604	651,665
Investment income	243,700	-	-	-	5,458	-	-	249,158	298,500
Other	488	58,981	398	4,785	-	-	48,385	113,037	114,591
	5,559,665	358,725	249,157	1,780,219	251,257	338,224	2,527,922	11,065,169	12,296,459
Expenses:									
Salaries, wages and benefits	692,987	250,964	392,046	729,965	120,729	236,488	1,391,328	3,814,507	4,117,915
Contracted and general services	313,509	220,847	312,845	677,491	40,168	318,211	671,846	2,554,917	2,462,920
Materials, goods, and utilities	49,204	46,403	254,764	324,138	9,180	26,848	374,042	1,084,579	1,203,039
Transfers to organizations	-	52,665	-	35,072	158,816	-	277,502	524,055	507,030
Interest on long-term debt	-	96,400	-	-	-	-	-	96,400	101,984
Other expenditures	34,392	-	-	-	-	-	2,981	37,373	44,548
Bank charges and interest	2,146	-	-	11,484	-	-	6,041	19,671	8,672
Amortization	60,627	149,294	299,183	688,722	4,462	-	473,566	1,675,854	1,607,932
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	-	118,659
	1,152,865	816,573	1,258,838	2,466,872	333,355	581,547	3,197,306	9,807,356	10,172,699
Excess (deficiency) of revenue over expenses									
before other	4,406,800	(457,848)	(1,009,681)	(686,653)	(82,098)	(243,323)	(669,384)	1,257,813	2,123,760
Other									
Contributed assets	-	-	-	-	-	-	-	-	-
Gain on disposal of tangible capital assets	-	-	(3,920)	-	-	-	-	(3,920)	43,478
	-	-	(3,920)	-	-	-	-	(3,920)	43,478
Excess (deficiency) of revenue over expenses									
	\$ 4,406,800	\$ (457,848)	\$ (1,013,601)	\$ (686,653)	\$ (82,098)	\$ (243,323)	\$ (669,384)	\$ 1,253,893	\$ 2,167,238

TOWN OF PINCHER CREEK

Schedule 3 - Schedule of Changes in Accumulated Surplus

Year ended December 31, 2020, with comparative information for 2019

	Unrestricted	Restricted surplus	Equity in tangible capital assets	2020	2019
Balance, beginning of year	\$ 757,221	\$ 9,080,153	\$ 43,293,795	\$ 53,131,169	\$ 50,963,931
Excess of revenues over expenses	1,253,893	-	-	1,253,893	2,167,238
Transferred from restricted surplus	1,432,942	(1,432,942)	-	-	-
Transferred to restricted surplus	(2,206,014)	2,206,014	-	-	-
Acquisition of tangible capital assets	(4,120,390)	-	4,120,390	-	-
Increase in debt	1,986,664	-	(1,986,664)	-	-
Net book value of tangible capital assets disposed	194,820	-	(194,820)	-	-
Amortization of tangible capital assets	1,675,854	-	(1,675,854)	-	-
Debt principal paid	(118,715)	-	118,715	-	-
Change in accumulated surplus	99,054	773,072	381,767	1,253,893	2,167,238
Balance, end of year	\$ 856,275	\$ 9,853,225	\$ 43,675,562	\$ 54,385,062	\$ 53,131,169

TOWN OF PINCHER CREEK

Schedule 4 - Schedule of Net Municipal Property Taxes

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
General taxation:			
Real property tax	\$ 5,903,251	\$ 5,903,257	\$ 5,784,222
Linear property tax	97,819	97,819	98,365
Government grants in place of property taxes	49,493	49,493	50,483
Local improvement/special tax	23,642	23,641	23,935
	6,074,205	6,074,210	5,957,005
Requisitions:			
Alberta School Foundation Fund	1,030,517	1,005,653	946,979
Holy Spirit School Division	268,646	293,509	275,914
Crestview Lodge	95,473	95,473	92,028
Pincher Creek Emergency Services	275,591	275,591	249,263
Designated Industrial Property	455	-	478
Police	-	72,426	-
	1,670,682	1,742,652	1,564,662
Net municipal property tax	\$ 4,403,523	\$ 4,331,558	\$ 4,392,343

TOWN OF PINCHER CREEK

Schedule 5 - Schedule of Expenses by Object

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Salaries, wages and benefits	\$ 3,919,226	\$ 3,814,507	\$ 4,117,915
Contracted and general services	3,077,900	2,554,917	2,462,920
Materials, goods and utilities	1,194,135	1,084,579	1,203,039
Transfers to local boards and agencies	675,171	524,055	507,030
Interest on long-term debt	96,820	96,400	101,984
Other expenditures	22,353	37,373	44,548
Bank charges and short-term interest	20,306	19,671	8,672
Amortization	1,250,706	1,675,854	1,607,932
Loss on sale of tangible capital assets	-	-	118,659
Total expenses by object	\$ 10,256,617	\$ 9,807,356	\$ 10,172,699

TOWN OF PINCHER CREEK

Schedule 6 - Schedule of Tangible Capital Assets

Year ended December 31, 2020, with comparative information for 2019

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	2020	2019
Cost:								
Balance, beginning 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
Acquisition of tangible capital assets	-	41,352	2,541,541	691,582	674,409	171,505	4,120,389	3,296,357
Construction in progress	-	296,308	(296,308)	-	-	-	-	2,388,462
Disposal of tangible capital assets	-	-	(58,004)	(21,922)	(379,485)	-	(459,411)	(1,055,985)
Balance, end of year	5,113,777	5,502,107	16,887,895	51,035,944	4,087,799	1,331,653	83,959,175	80,298,197
Accumulated amortization:								
Balance, beginning of year	-	2,373,367	8,527,759	21,595,125	1,988,088	497,977	34,982,316	34,087,765
Accumulated amortization on disposals	-	-	-	(18,350)	(246,243)	-	(264,592)	(713,381)
Amortization	-	209,997	413,017	733,546	227,590	91,702	1,675,854	1,607,932
Balance, end of year	-	2,583,364	8,940,776	22,310,321	1,969,435	589,679	36,393,578	34,982,316
Net book value of tangible capital assets	5,113,777	2,918,743	7,947,119	28,725,623	2,118,364	741,974	47,565,597	45,315,881
2019 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	