

Consolidated Financial Statements of

TOWN OF PINCHER CREEK

And Independent Auditor's Report thereon

Year ended December 31, 2023



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the consolidated statement of financial position as at December 31, 2023
- 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, 2023, and its consolidated results of operations, changes in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Other Information

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

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

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Lethbridge, Canada

April 8, 2024

TOWN OF PINCHER CREEK

Consolidated Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022 Restated (note 3)
Financial Assets:		
Cash and short-term investments (note 4)	\$ 2,556,739	\$ 4,116,709
Taxes and grants in place of taxes (note 5)	220,286	216,490
Trade and other receivables (note 6)	1,752,312	1,728,028
Land held for resale	381,403	384,295
Investments and marketable securities (note 7)	7,819,347	7,133,817
	<u>12,730,087</u>	<u>13,579,339</u>
Financial Liabilities:		
Accounts payable and accrued liabilities	1,277,334	1,747,755
Deposits	121,707	118,466
Deferred revenue (note 8)	1,401,024	1,014,318
Debt (note 9)	3,294,363	3,498,137
Asset retirement obligation (note 10)	13,862,636	\$ 13,489,664
	<u>19,957,064</u>	<u>19,868,340</u>
Net financial assets (debt)	(7,226,977)	(6,289,001)
Non-Financial Assets:		
Prepaid expenses	108,755	117,685
Inventory for consumption	288,827	267,786
Tangible capital assets (Schedule 6)	60,267,185	60,573,102
	<u>60,664,767</u>	<u>60,958,573</u>
Commitments (note 16)		
Contingent liabilities (note 18)		
Accumulated surplus (note 11 and Schedule 3)	<u>\$ 53,437,790</u>	<u>\$ 54,669,572</u>

See accompanying notes to consolidated financial statements.

TOWN OF PINCHER CREEK

Consolidated Statement of Operations

Year ended December 31, 2023, with comparative information for 2022

	Budget	2023	2022 Restated (note 3)
Revenue:			
Net municipal property taxes (Schedule 4)	\$ 4,975,612	\$ 4,975,453	\$ 4,970,392
User fees and sales of goods	2,351,227	2,601,702	2,564,225
Government transfers for operating (Schedule 1)	1,239,577	1,929,331	1,715,135
Franchise fees and concession contracts	898,550	944,490	912,264
Rentals	759,024	695,608	719,723
Investment income	230,860	351,833	264,615
Penalties and cost of taxes	100,000	84,546	85,736
Licenses and permits	112,600	151,364	169,933
Other	163,689	171,374	162,052
Total revenue	10,831,139	11,905,701	11,564,075
Expenses (Schedule 5):			
Recreation and culture	4,055,297	4,674,622	4,497,546
Water supply and distribution	1,267,511	1,318,955	1,184,909
Protective services	1,433,121	1,226,262	1,258,586
Roads, streets, walks and lighting	1,423,806	1,343,828	1,206,858
Wastewater treatment and disposal	861,751	1,163,702	999,444
Administration	624,544	1,359,744	1,246,490
Waste management	585,890	593,771	467,432
Planning and development	912,376	652,391	577,549
Public health and welfare services	402,509	377,505	351,619
Legislative	391,278	480,817	342,289
Other	88,554	62,138	51,649
Total expenses	12,046,637	13,253,735	12,184,371
Deficiency of revenue over expenses from operations	(1,215,498)	(1,348,034)	(620,296)
Government transfers for capital (Schedule 1)	1,626,330	34,452	2,329,204
Gain (loss) on disposal of tangible capital assets	500	81,800	(15,780)
	1,626,830	116,252	2,313,424
Excess (deficiency) of revenues over expenses	411,332	(1,231,782)	1,693,128
Accumulated surplus, beginning of year	54,669,572	54,669,572	52,976,444
Accumulated surplus, end of year	\$ 55,080,904	\$ 53,437,790	\$ 54,669,572

See accompanying notes to consolidated financial statements.

TOWN OF PINCHER CREEK

Consolidated Statement in Net Financial Assets (Debt)

Year ended December 31, 2023, with comparative information for 2022

	Budget	2023	2022
			Restated (note 3)
Excess (deficiency) of revenue over expenses	\$ 411,332	\$ (1,231,782)	\$ 1,693,128
Acquisition of tangible capital assets	(5,393,900)	(1,878,967)	(3,765,460)
Amortization of tangible capital assets	1,678,480	2,039,639	2,017,873
Loss (gain) on sale on tangible capital assets	-	(81,800)	15,780
Proceeds on sale on tangible capital assets	-	227,045	-
Net change in prepaid expense	-	8,930	184
Net change in inventory for consumption	-	(21,041)	11,904
Change in net financial assets	(3,304,088)	(937,976)	(26,591)
Net financial assets (debt), beginning of year	(6,289,001)	(6,289,001)	(6,262,410)
Net financial assets (debt), end of year	\$ (9,593,089)	\$ (7,226,977)	\$ (6,289,001)

See accompanying notes to consolidated financial statements.

TOWN OF PINCHER CREEK

Consolidated Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022 Restated (note 3)
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (1,231,782)	\$ 1,693,128
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	2,039,639	2,017,873
Loss (gain) on sale of tangible capital assets	(81,800)	15,780
	<u>726,057</u>	<u>3,726,781</u>
Changes in non-cash assets and liabilities:		
Taxes and grants in place of taxes	(3,796)	17,652
Trade and other receivables	(24,284)	(55,789)
Land held for resale	2,892	17,521
Prepaid expenses	8,930	184
Accounts payable and accrued liabilities	(470,421)	(490,442)
Deferred revenue	386,706	(1,305,404)
Deposits	3,241	2,835
Inventory for consumption	(21,041)	11,904
Increase in asset retirement obligation	372,972	13,489,664
Asset retirement obligations and environmental liabilities	-	(13,126,850)
	<u>981,256</u>	<u>2,288,056</u>
Capital activities:		
Acquisition of tangible capital assets	(1,878,967)	(3,765,460)
Proceeds on disposal of tangible capital assets	227,045	-
	<u>(1,651,922)</u>	<u>(3,765,460)</u>
Investing activities:		
Increase in investments	(685,530)	(380,043)
Financing activities:		
Payments on long-term debt	(203,774)	(197,346)
Decrease in cash and short-term investments	(1,559,970)	(2,054,793)
Cash and short-term investments, beginning of year	4,116,709	6,171,502
Cash and short-term investments, end of year	<u>\$ 2,556,739</u>	<u>\$ 4,116,709</u>

See accompanying notes to consolidated financial statements.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements

Year ended December 31, 2023

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, 2023

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 consist of funds on deposit. As the Town has the ability and the intent to hold these investments to maturity, they have been recorded at amortized cost. Investment premiums and discounts are amortized over the term of the respective investments. For investments recorded at amortized cost, when there has been a loss in the value that is other than a temporary decline, the respective investment is written down to its realizable value. As all investments are recorded at amortized cost, there are no fair value adjustments which are not recognized through the Statement of Operations, as such, no Statement of Unrealized Gains or Losses is presented.

(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.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(g) Asset Retirement Obligations:

Asset retirement obligations (ARO) are legal obligations associated with the retirement of a tangible capital assets (TCA). Asset retirement activities include all activities relating to an asset retirement obligation. These may include, but are not limited to;

decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed;
remediation of contamination of a tangible capital asset created by its normal use;
post-retirement activities such as monitoring; and
constructing other tangible capital assets to perform post-retirement activities.

A liability for an asset retirement obligation is recognized when, as at the financial reporting date:

- (a) there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- (b) the past transaction or event giving rise to the liability has occurred;
- (c) it is expected that future economic benefits will be given up; and
- (d) a reasonable estimate of the amount can be made.

When a liability for asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying amount of the related asset and are amortized over the estimated useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

(h) 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, 2023

1. Significant accounting policies (continued):

(i) 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.

(j) 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, 2023

1. Significant accounting policies (continued):

(j) 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.

(k) 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.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

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 2024, 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.

(f) PS 3400 - Revenue:

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

(g) PSG-8 - Purchased Intangibles:

The Canadian Public Sector Accounting Board issued a new guideline, PSG 8 - Purchased Intangibles. This new guideline explains the scope of the intangibles now allowed to be recognized in financial statements given the removal of the recognition prohibition relating to purchased intangibles in Section PS 1000. The key aspects of this guideline are:

- A definition of purchased tangibles.
- Examples of items that are not purchased intangibles.
- References to other guidance in the PSA Handbook on intangibles.
- Reference to the asset definition general recognition criteria and the GAAP hierarchy for accounting for purchased intangibles.

(h) PS 3160 - Public Private Partnerships:

The Canadian Public Sector Accounting Board issued a new standard, PS 3160, Public Private Partnerships in April 2021. This section establishes standards for the recognition, measurement, presentation, and disclosure of infrastructure procured through certain types of public private partnership arrangements.

This section is effective for fiscal years beginning on or after April 1, 2023 and may be applied retroactively with or without prior period restatement. Early adoption is permitted.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

3. Change in accounting policy:

Effective January 1, 2023, the Town adopted the new accounting standard PS 3280 Asset Retirement Obligations and applied the standard using the modified retroactive approach with restatement of prior year comparative information.

On the effective date of the PS 3280 standard, the Town recognized the following to conform to the new standard;

- asset retirement obligations, adjusted for accumulated accretion to the effective date;
- asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets in productive use;
- accumulated amortization on the capitalized cost; and
- adjustment to the opening balance of the accumulated surplus/deficit.

Amounts are measured using information, assumptions and discount rates where applicable that are current on the effective date of the standard. The amount recognized as an asset retirement cost is measured as of the date the asset retirement obligation was incurred. Accumulated accretion and amortization are measured for the period from the date the liability would have been recognized had the provisions of this standard been in effect to the date as of which this standard is first applied.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

3. Change in accounting policy (continued):

Impact on the prior year's financial statements as a result of the change in accounting policy is as follows:

	As previously reported	Adjustment recognized	As restated
Statement of Financial Position			
Financial assets	\$ 13,579,339	\$ -	\$ 13,579,339
Liabilities	6,378,676	13,489,664	19,868,340
Net-financial assets	7,200,663	(13,489,664)	(6,289,001)
Non-financial assets	51,463,006	9,495,567	60,958,573
Net assets (net liabilities)	58,663,669	(3,994,097)	54,669,572
Accumulated surplus at beginning of year	56,361,190	(3,384,746)	52,976,444
Accumulated surplus at end of year	58,663,669	(3,994,097)	54,669,572
Statement of Operations			
Total Revenue	13,877,499	-	13,877,499
Total Expenses	11,575,020	609,351	12,184,371
Annual surplus	2,302,479	(609,351)	1,693,128
Statement of Change in Net Financial Assets			
Annual surplus	2,302,479	(609,351)	1,693,128
Amortization of Tangible Capital assets	1,771,336	246,537	2,017,873
Net financial assets at beginning of year	6,864,440	(13,126,850)	(6,262,410)
Net financial assets at end of year	7,200,663	(13,489,664)	(6,289,001)

The Town also adopted the new accounting standards PS 1201 Financial Statement Presentation, PS 3450 - Financial Instruments, PS 2601 Foreign Currency Translation, and PS 3401 Portfolio Investments effective January 1, 2023.

The adoption of these standards did not impact the current year or prior year financial statements or presentation of the Town's financial position, operations, or cash flows.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

4. Cash and short-term investments:

	2023	2022 Restated (note 3)
Cash	\$ 2,018,238	\$ 3,138,311
Short-term investments	538,501	978,398
	<u>\$ 2,556,739</u>	<u>\$ 4,116,709</u>

5. Taxes and grants in place of taxes:

	2023	2022
Taxes and grants in place of taxes:		
Current taxes and grants in place of taxes	\$ 180,706	\$ 167,541
Arrears taxes	39,580	48,949
	<u>\$ 220,286</u>	<u>\$ 216,490</u>

6. Trade and other receivables:

	2023	2022
Local improvement levies	\$ 750,550	\$ 792,522
Trade accounts	973,641	897,430
Goods and services tax recoverable	17,094	6,007
Due from provincial government	11,027	32,069
	<u>\$ 1,752,312</u>	<u>\$ 1,728,028</u>

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

7. Investments and marketable securities:

	2023		2022	
	Cost	Market value	Cost	Market value
CIBC Wood Gundy:				
Fixed income securities (due 2022 - 2033)	\$ 3,150,157	\$ 2,853,559	\$ 3,150,157	\$ 2,691,672
Bank of Montreal - Equity Linked (due 2031)	602,800	602,800	602,800	602,800
Bank of Montreal - balance protected (due 2031)	688,300	688,300	688,300	688,300
Canadian Imperial Bank of Commerce - balance protected (due 2029)	-	-	84,600	82,308
BMO Wealth Management:				
Fixed income securities (due 2023-2029)	3,153,287	3,158,262	2,336,986	2,330,437
Other:				
Accrued investment interest	224,803	224,803	270,974	270,978
	\$ 7,819,347	\$ 7,527,724	\$ 7,133,817	\$ 6,666,495

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

8. Deferred revenue:

	2023	2022
Deferred revenue, beginning of year	\$ 1,014,318	\$ 2,319,722
Funds received in the year:		
Operating	365,251	280,184
Capital	456,987	948,038
	822,238	1,228,222
Amounts recognized in revenue during the year:		
Operating	(223,302)	(292,600)
Capital	(212,230)	(2,241,026)
	(435,532)	(2,533,626)
Deferred revenue, end of year	\$ 1,401,024	\$ 1,014,318
Deferred revenue is comprised of:		
Operating:		
Municipal Energy Manager	\$ -	\$ 18,933
Climate Resilience Capacity Building (CRCB)	-	77,985
Prepaid property tax	47,952	34,665
Other	124,021	3,686
Alberta Community Resilience	105,245	-
Alberta Municipal Water Program	11,865	11,865
Canada Community Building Fund	522,463	497,584
MSI Capital	589,478	369,600
	\$ 1,401,024	\$ 1,014,318

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

9. Debt:

	2023	2022 Restated (note 3)
Debenture tax supported	\$ 768,691	\$ 840,068
Other supported debentures	742,339	808,069
Bankers acceptance loan	1,783,333	1,850,000
	3,294,363	3,498,137
Current portion	(143,852)	(137,107)
Current portion of Bankers acceptance repayable	(66,667)	(66,667)
Bankers acceptance repayable	(1,716,667)	(1,783,333)
	\$ 1,367,177	\$ 1,511,030

Principal and interest repayments are as follows:

	Principal	Interest	Total
2024	\$ 210,518	\$ 100,417	\$ 310,935
2025	217,594	92,316	309,910
2026	225,019	83,573	308,592
2027	232,809	74,764	307,573
2028	240,983	66,590	307,573
Thereafter	2,167,440	318,159	2,485,599
	\$ 3,294,363	\$ 735,819	\$ 4,030,182

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 \$77,945 (2022 - \$84,394).

The Town has an authorized demand bankers acceptance loan up to a maximum of \$1,850,000 bearing interest at 2.29% the bankers acceptance is due on demand. As at December 31, 2023, the balance outstanding was \$1,783,333. During 2022 the bankers acceptance loan was changed in that, CIBC has indicated that they are accepting term payments of \$5,556 per month plus interest.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

10. Asset retirement obligations and environmental liabilities:

	2023	2022 Restated (note 3)
Asset retirement obligations, beginning of year	\$ 13,489,664	\$ 13,126,850
Accretion expense	372,972	362,814
	<u>\$ 13,862,636</u>	<u>\$ 13,489,664</u>

Tangible capital assets with associated retirement obligations include buildings. The Town has asset retirement obligations to remove hazardous asbestos fiber containing materials from various buildings under its control. Regulations require the Town to handle and dispose of the asbestos in a prescribed manner when it is disturbed, such as when the building undergoes renovations or is demolished. Although timing of the asbestos removal is conditional on the building undergoing renovations or being demolished, regulations create an existing obligation for the Town to remove the asbestos when asset retirement activities occur.

Asset retirement obligations are initially measured as of the date the legal obligation was incurred, based on management's best estimate of the amount required to retire tangible capital assets and subsequently remeasured taking into account any new information and the appropriateness of assumptions used. The estimate of the liability is based on a quote from a third-party who completed a survey and supplemental sampling at all Town buildings.

Asset retirement obligations are expected to be settled over the next 10 to 20 years.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

11. Accumulated surplus

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

	2023	2022 Restated (note 3)
Unrestricted surplus	\$ 764,858	\$ 773,231
Restricted surplus:		
Operating:		
Municipal income stabilization	716,841	652,109
Early learning centre	95,451	366,590
Legislative	12,418	2,894
Disaster services	13,402	13,402
Capital:		
Legislative and administration	458,644	777,898
Protective services	121,233	114,128
Fire Equipment	125,214	120,338
Equipment	338,415	218,770
Streets	297,347	197,347
Utilities	1,522,988	2,565,892
Garbage Equipment	217,500	145,000
Recycling	12,871	19,039
Cemetery	40,407	38,407
Land development	660,250	625,434
Pool	115,942	121,011
Arena building	3,312,927	3,073,697
General parks	267,411	225,649
Cultural	77,336	69,086
General sports field	151,239	150,666
Community recreation centre building	95,714	103,684
Golf Course	426,260	290,902
PC early learning centre	482,936	419,097
	9,562,746	10,311,040
Equity in tangible capital assets	43,110,186	43,585,301
	\$ 53,437,790	\$ 54,669,572

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

(continued):

	2023	2022 Restated (note 3)
Equity in tangible capital assets:		
Tangible capital assets (Schedule 6)	\$103,528,804	\$101,961,787
Accumulated amortization (Schedule 6)	(43,261,619)	(41,388,685)
Loans related to capital assets	(3,294,363)	(3,498,137)
ARO liability	(13,862,636)	(13,489,664)
	\$ 43,110,186	\$ 43,585,301

12. 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:

	2023	2022
Total debt limit	\$ 17,858,552	\$ 17,346,113
Total debt	(3,294,363)	(3,498,137)
Amount of debt limit unused	14,564,189	13,847,976
Debt servicing limit	2,976,425	2,891,019
Debt servicing	(311,949)	(311,949)
Amount of debt servicing unused	\$ 2,664,476	\$ 2,579,070

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, 2023

13. 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 291,259 people and about 437 employers. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

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

The Town is required to make current service contributions to the LAPP of 8.45% (8.45% in 2022) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.23% (12.80% in 2022) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 7.45% (7.45% in 2022) of pensionable salary up to the year's maximum pensionable salary and 11.23% (11.80% in 2022) on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2023 were \$235,824 (2022 - \$220,169). Total current service contributions by the employees of the Town to the LAPP in 2023 were \$210,056 (2022 - \$195,951).

At December 31, 2022, the LAPP disclosed an actuarial surplus of \$12.7 billion (2021 - surplus of \$11.9 billion); the 2023 LAPP actuarial balance was not available at the date of this report.

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

14. 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, 2023

15. 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 2023	Total 2022
Mayor Anderberg	\$ 46,085	\$ 4,031	\$ 50,116	\$ 45,884
Councilor Barber	38,125	9,271	47,396	42,462
Councilor Green	28,835	2,253	31,088	31,085
Councilor Oliver	24,575	1,299	25,874	25,608
Councilor Nodge	29,165	4,317	33,482	30,261
Councilor Wright	25,395	5,400	30,795	24,416
Councilor Cleland	23,095	179	23,274	6,598
Councillor Elliott	-	-	-	10,289
	\$ 215,275	\$ 26,750	\$ 242,025	\$ 216,603
Chief Administrative Officer (past incumbent)	\$ 66,387	\$ 11,453	\$ 77,840	\$ 172,372
Chief Administrative Officer *	\$ 387,548	\$ 32,762	\$ 420,310	\$ -
Designated Officer	\$ 47,855	\$ -	\$ 47,855	\$ 45,817

i) Salary includes regular base pay. For Councilors, salary includes a monthly allowance to attend special events and per diem reimbursement for authorized meetings attended.

ii) For non-elected officials, employers share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, and long and short-term plans as well as travel allowances.

* Includes severance package.

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, 2023

16. Commitment:

The Town has committed up to \$1,250,000 of funding towards the construction of a new curling rink. This project had not begun by December 31, 2023.

17. Financial instruments:

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

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

i. Interest rate risk:

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

ii. Credit concentration:

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfil their obligations. The large number of diversity of taxpayers and customers minimizes the credit risk.

iii. Liquidity risk:

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

TOWN OF PINCHER CREEK

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2023

18. 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.

19. Budget:

The budgeted information presented in these financial statements is based upon the 2023 operating and capital budgets.

20. Approval of financial statements:

Council and Management approved these financial statements.

21. Comparative information:

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

TOWN OF PINCHER CREEK

Schedule 1 - Schedule of Government Transfers

Year ended December 31, 2023, with comparative information for 2022

	Budget	2023	2022
Transfers for operating:			
Provincial government	\$ 610,145	\$ 933,733	\$ 716,032
Other municipal governments	623,932	994,278	989,055
Federal government	5,500	1,320	10,048
	1,239,577	1,929,331	1,715,135
Transfers for capital:			
Provincial government	1,161,330	34,452	2,232,544
Federal government	465,000	-	96,660
	1,626,330	34,452	2,329,204
Total government transfers	\$ 2,865,907	\$ 1,963,783	\$ 4,044,339

TOWN OF PINCHER CREEK

Schedule 2 - Schedule of Segmented Disclosures

Year ended December 31, 2023, with comparative information for 2022

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total 2023	Total 2022 Restated (note 3)
Revenue:									
Net municipal taxes	\$ 4,975,453	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,975,453	\$ 4,970,392
User fees and sales of goods	100,991	-	203,429	1,880,013	17,600	79,659	320,010	2,601,702	2,564,225
Government transfers	5,859	38,511	213,465	17,196	178,897	-	1,509,855	1,963,783	4,044,339
Penalties and cost of taxes	61,975	15,301	-	7,270	-	-	-	84,546	85,736
Licenses and permits	59,830	2,235	-	-	-	89,299	-	151,364	169,933
Franchise and concession contracts	944,490	-	-	-	-	-	-	944,490	912,264
Rentals	8,341	278,486	800	83,874	75,781	95,269	153,057	695,608	719,723
Investment income	341,876	-	-	-	9,957	-	-	351,833	264,615
Other	23,096	(1,200)	6,110	74,067	37,106	-	32,195	171,374	162,052
	6,521,911	333,333	423,804	2,062,420	319,341	264,227	2,015,117	11,940,153	13,893,279
Expenses:									
Salaries, wages and benefits	887,382	107,079	364,288	847,109	169,777	420,594	2,392,563	5,188,792	4,769,425
Contracted and general services	381,670	785,119	386,368	854,874	52,198	208,917	802,517	3,471,663	2,939,217
Materials, goods, and utilities	108,979	52,371	266,281	397,440	11,726	22,879	522,650	1,382,326	1,317,992
Transfers to organizations	-	79,091	-	18,728	165,636	-	249,714	513,169	536,431
Interest on long-term debt	-	77,945	-	-	-	-	33,593	111,538	134,531
Other expenditures	413,106	-	-	-	-	-	118,572	531,678	456,154
Bank charges and interest	953	-	-	4,612	-	-	9,365	14,930	12,748
Amortization	48,469	98,365	326,891	1,015,804	4,462	-	545,648	2,039,639	2,017,873
	1,840,559	1,199,970	1,343,828	3,138,567	403,799	652,390	4,674,622	13,253,735	12,184,371
Excess (deficiency) of revenue over expenses									
before other	4,681,352	(866,637)	(920,024)	(1,076,147)	(84,458)	(388,163)	(2,659,505)	(1,313,582)	1,708,908
Other									
Gain (loss) on disposal of tangible capital assets	-	-	81,800	-	-	-	-	81,800	(15,780)
Excess (deficiency) of revenue over expenses									
	\$ 4,681,352	\$ (866,637)	\$ (838,224)	\$ (1,076,147)	\$ (84,458)	\$ (388,163)	\$ (2,659,505)	\$ (1,231,782)	\$ 1,693,128

TOWN OF PINCHER CREEK

Schedule 3 - Schedule of Changes in Accumulated Surplus

Year ended December 31, 2023, with comparative information for 2022

	Unrestricted	Restricted surplus	Equity in tangible capital assets	2023	2022 Restated (note 3)
Balance, beginning of year	\$ 773,231	\$ 10,311,040	\$ 43,585,301	\$ 54,669,572	\$ 56,361,190
Opening ARO adjustment	-	-	-	-	(3,384,746)
Excess of revenues over expenses	(1,231,782)	-	-	(1,231,782)	1,693,128
Transferred from restricted surplus	2,448,199	(2,448,199)	-	-	-
Transferred to restricted surplus	(1,699,905)	1,699,905	-	-	-
Acquisition of tangible capital assets	(1,878,967)	-	1,878,967	-	-
Net book value of tangible capital assets disposed	145,245	-	(145,245)	-	-
Amortization of tangible capital assets	1,793,102	-	(1,793,102)	-	-
Amortization of asset retirement obligations	246,537	-	(246,537)	-	-
Acretion expense	372,972	-	(372,972)	-	-
Debt principal paid	(203,774)	-	203,774	-	-
Change in accumulated surplus	(8,373)	(748,294)	(475,115)	(1,231,782)	(1,691,618)
Balance, end of year	\$ 764,858	\$ 9,562,746	\$ 43,110,186	\$ 53,437,790	\$ 54,669,572

TOWN OF PINCHER CREEK

Schedule 4 - Schedule of Net Municipal Property Taxes

Year ended December 31, 2023, with comparative information for 2022

	Budget	2023	2022
General taxation:			
Real property tax	\$ 6,262,855	\$ 6,262,857	\$ 6,253,417
Linear property tax	104,194	104,194	100,467
Government grants in place of property taxes	49,343	49,342	53,282
Local improvement/special tax	23,335	22,678	23,014
	6,439,727	6,439,071	6,430,180
Requisitions:			
Alberta School Foundation Fund	1,056,038	1,056,038	1,070,852
Holy Spirit School Division	272,877	272,877	278,116
Crestview Lodge	134,703	134,703	110,820
Designated Industrial Property	497	-	-
	1,464,115	1,463,618	1,459,788
Net municipal property tax	\$ 4,975,612	\$ 4,975,453	\$ 4,970,392

TOWN OF PINCHER CREEK

Schedule 5 - Schedule of Expenses by Object

Year ended December 31, 2023, with comparative information for 2022

	Budget	2023	2022 Restated (note 3)
Salaries, wages and benefits	\$ 4,263,370	\$ 5,188,792	\$ 4,769,425
Contracted and general services	3,930,439	3,471,663	2,939,217
Materials, goods and utilities	1,442,488	1,382,326	1,317,992
Transfers to local boards and agencies	543,500	513,169	536,431
Interest on long-term debt	119,965	111,538	134,531
Other expenditures	58,895	531,678	456,154
Bank charges and short-term interest	9,500	14,930	12,748
Amortization	1,678,480	2,039,639	2,017,873
Total expenses by object	\$ 12,046,637	\$ 13,253,735	\$ 12,184,371

TOWN OF PINCHER CREEK

Schedule 6 - Schedule of Tangible Capital Assets

Year ended December 31, 2023, with comparative information for 2022

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	2023	2022 Restated (note 3)
Cost:								
Balance, beginning of year	\$ 5,113,777	\$ 5,608,352	\$ 17,307,586	\$ 57,281,737	\$ 4,134,186	\$ 1,392,446	\$ 90,838,084	\$ 87,253,478
Prior period adjustments	-	-	-	11,117,690	6,013	-	11,123,703	11,123,703
Acquisition of tangible capital assets	-	45,009	192,441	1,394,302	247,215	-	1,878,967	3,765,460
Disposal of tangible capital assets	-	-	-	-	(311,950)	-	(311,950)	(180,854)
Balance, end of year	5,113,777	5,653,361	17,500,027	69,793,729	4,075,464	1,392,446	103,528,804	101,961,787
Accumulated amortization:								
Balance, beginning of year	-	2,978,956	9,927,074	23,792,336	2,261,132	801,051	39,760,549	38,154,287
Prior period adjustments	-	-	-	1,626,031	2,105	-	1,628,136	1,381,599
Accumulated amortization on disposals	-	-	-	-	(166,705)	-	(166,705)	(165,074)
Amortization	-	194,429	444,711	838,001	222,254	93,707	1,793,102	1,771,336
Asset retirement obligation amortization	-	-	-	246,236	301	-	246,537	246,537
Balance, end of year	-	3,173,385	10,371,785	26,502,604	2,319,087	894,758	43,261,619	41,388,685
Net book value of tangible capital assets	5,113,777	2,479,976	7,128,242	43,291,125	1,756,377	497,688	60,267,185	60,573,102
2022 Net book value of tangible capital assets	\$ 5,113,777	\$ 2,692,396	\$ 7,380,512	\$ 42,981,060	\$ 1,876,962	\$ 591,395	\$ 60,573,102	