

**AGENDA**  
**COUNCIL COMMITTEE MEETING**  
**MUNICIPAL DISTRICT OF PINCHER CREEK**

**April 28, 2020**

**9:00 am**

1. Approval of Agenda
2. 9:00am Darren Adamson, CPA, CA Avail
  - Presentation of:
    - Draft Consolidated Financial Statements
    - Annual Audit
3. 10:30am Sergeant Ryan Hodge, Detachment Commander for Pincher Creek RCMP
  - Priorities with the MD for next 1-2 years
4. 11:00am Brian Millis, Health and Safety Specialist
  - National Day of Mourning – Moment of Silence and Reflection
5. 11:05am DEM Brett Wuth
  - Update Council on COVID-19 situation
6. Closed Session
  - a) Changes to Medical Services Provided by Pincher Creek Physicians – FOIP Section 16
  - b) Alberta Transportation – Alberta Municipal Water/Wastewater Partnership – FOIP Section 17
7. Adjournment

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**

**Consolidated Financial Statements**

**For the year ended December 31, 2019**

*Draft - April 2, 2020*

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For the year ended December 31, 2019

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Draft - April 2, 2020



CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To: The Reeve and Members of Council of  
the Municipal District of Pincher Creek No. 9

### *Opinion*

We have audited the consolidated financial statements of the Municipal District of Pincher Creek No. 9 which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Municipal District of Pincher Creek No. 9 as at December 31, 2019, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Municipal District of Pincher Creek No. 9 in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Municipal District of Pincher Creek No. 9'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 Municipal District of Pincher Creek No. 9 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipal District of Pincher Creek No. 9's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

## INDEPENDENT AUDITOR'S REPORT, continued

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipal District of Pincher Creek No. 9'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 Municipal District of Pincher Creek No. 9'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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### *Report on Other Legal and Regulatory Requirements*

- **Debt Limit Regulation:**  
In accordance with Alberta Regulation 255/2000, we confirm that the Municipal District of Pincher Creek No. 9 is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in note 17.
- **Supplementary Accounting Principles and Standards Regulation:**  
In accordance with Alberta Regulation 313/2000, we confirm that the Municipal District of Pincher Creek No. 9 is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 20.

Lethbridge, Alberta

April 14, 2020

Chartered Professional Accountants

## MANAGEMENT REPORT

The consolidated financial statements are the responsibility of the management of the Municipal District of Pincher Creek No. 9.

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

The Municipal District of Pincher Creek No. 9 maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Municipal District of Pincher Creek No. 9's assets are properly accounted for and adequately safeguarded.

The elected Council of the Municipal District of Pincher Creek No. 9 is responsible for ensuring that management fulfils its responsibilities for financial statements.

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

The consolidated financial statements have been audited by Avail LLP Chartered Professional Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Municipal District of Pincher Creek No. 9. Avail LLP has full and free access to the Council.

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Chief Administrative Officer

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2019

	2019	2018
<b>Financial assets</b>		
Cash and temporary investments (note 2)	\$ 14,045,199	\$ 7,594,738
Taxes and grants in place of taxes receivable (note 3)	373,017	518,900
Trade and other receivables (note 4)	1,507,679	1,158,138
Investments (note 5)	9,093,012	8,671,132
Debt charges recoverable (note 6)	1,933,022	2,053,502
	26,951,929	19,996,410
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,990,909	957,327
Employee benefit obligations (note 8)	620,651	771,677
Deferred revenue (note 9)	10,905,788	5,677,410
Long-term debt (note 10)	4,178,212	4,741,552
	17,695,560	12,147,966
<b>Net financial assets</b>	9,256,369	7,848,444
<b>Non-financial assets</b>		
Prepaid expenses	131,677	127,626
Inventory for consumption	2,719,147	2,600,045
Tangible capital assets (schedule 2)	64,892,483	58,187,829
	67,743,307	60,915,500
<b>Accumulated surplus</b> (note 11 and schedule 1)	\$ 76,999,676	\$ 68,763,944

*Commitment and contingency* (note 18)

Approved on behalf of Council:

Councillor \_\_\_\_\_

Councillor \_\_\_\_\_

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the year ended December 31, 2019

	Budget (Unaudited)	2019	2018
<b>Revenue</b>			
Net municipal property taxes (note 14)	\$ 11,995,720	\$ 12,073,910	\$ 11,507,105
User fees and sales of goods	421,670	389,643	344,375
Government transfers for operating (note 15)	490,860	470,012	401,736
Investment income	266,000	351,926	309,399
Penalties and costs of taxes	78,000	101,572	143,761
Licenses and permits	62,750	113,983	108,439
Gain on disposal of tangible capital assets	-	39,958	127,558
Rental	315,870	359,469	390,239
Other	258,240	124,642	250,745
	13,889,110	14,025,115	13,583,357
<b>Expenses (note 16)</b>			
Legislative	254,520	200,281	217,577
Administration	2,613,873	2,527,208	2,486,136
Police, fire, disaster, ambulance and bylaw enforcement	853,909	913,103	849,198
Roads, streets, walks and lighting	8,143,305	7,074,944	7,887,739
Airport	848,574	855,866	858,403
Storm sewers and drainage	9,930	4,140	22,620
Water supply and distribution	379,100	449,688	346,401
Wastewater treatment and disposal	-	174,037	-
Waste management	342,100	319,987	352,572
Family and community support services	134,000	133,514	133,514
Cemeteries and crematoriums	45,960	45,960	45,960
Land use planning, zoning and development	486,250	493,753	331,213
Agricultural and environmental services	622,210	533,056	503,602
Parks and recreation	385,200	396,598	433,459
Culture - libraries, museums, halls	284,900	279,608	285,264
	15,403,831	14,401,743	14,753,658
<b>Deficiency of revenue over expenses before other</b>	<b>(1,514,721)</b>	<b>(376,628)</b>	<b>(1,170,301)</b>
<b>Other</b>			
Government transfers for capital (note 15)	20,060,830	8,612,360	5,434,859
<b>Excess of revenue over expenses</b>	<b>18,546,109</b>	<b>8,235,732</b>	<b>4,264,558</b>
<b>Accumulated surplus, beginning of year</b>	<b>68,763,944</b>	<b>68,763,944</b>	<b>64,499,386</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 87,310,053</b>	<b>\$ 76,999,676</b>	<b>\$ 68,763,944</b>



**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
For the year ended December 31, 2019

	Budget (Unaudited)	2019	2018
<b>Excess of revenue over expenses</b>	\$ 18,546,109	\$ 8,235,732	\$ 4,264,558
Acquisition of tangible capital assets	(27,732,500)	(10,009,220)	(8,049,050)
Amortization of tangible capital assets	3,300,000	3,290,561	3,301,784
Gain on disposal of tangible capital assets	-	(39,611)	(126,778)
Proceeds on disposal of tangible capital assets	-	53,617	196,977
	(24,432,500)	(6,704,653)	(4,677,067)
Net change in inventory for consumption	-	(119,103)	(150,131)
Net change in prepaid expense	-	(4,051)	8,274
	-	(123,154)	(141,857)
<b>Increase in net financial assets</b>	(5,886,391)	1,407,925	(554,366)
<b>Net financial assets, beginning of year</b>	7,848,444	7,848,444	8,402,810
<b>Net financial assets, end of year</b>	\$ 1,962,053	\$ 9,256,369	\$ 7,848,444

Draft - April 2, 2020

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
For the year ended December 31, 2019

	2019	2018
<b>Operating transactions</b>		
Excess of revenue over expenses	\$ 8,235,732	\$ 4,264,558
Adjustments for items which do not affect cash		
Gain on disposal of tangible capital assets	(39,611)	(126,778)
Amortization of tangible capital assets	3,290,561	3,301,784
	11,486,682	7,439,564
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	145,883	(41,684)
Trade and other receivables	(349,541)	(377,944)
Investments	(421,880)	(181,136)
Debt charges recoverable	120,480	120,284
Inventory for consumption	(119,103)	(150,131)
Prepaid expenses	(4,051)	8,274
Accounts payable and accrued liabilities	1,033,582	105,619
Employee benefit obligations	(151,026)	39,245
Deferred revenue	5,228,378	(1,307,021)
Cash provided by operating transactions	16,969,404	5,655,070
<b>Capital transactions</b>		
Proceeds on disposal of tangible capital assets	53,617	196,977
Acquisition of tangible capital assets	(10,009,220)	(8,049,050)
Cash applied to capital transactions	(9,955,603)	(7,852,073)
<b>Financing transactions</b>		
Repayment of long-term debt	(563,340)	(549,655)
<b>Increase (decrease) in cash and temporary investments</b>	<b>6,450,461</b>	<b>(2,746,658)</b>
<b>Cash and temporary investments, beginning of year</b>	<b>7,594,738</b>	<b>10,341,396</b>
<b>Cash and temporary investments, end of year</b>	<b>\$ 14,045,199</b>	<b>\$ 7,594,738</b>

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**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

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**1. Significant accounting policies**

The consolidated financial statements of the Municipal District of Pincher Creek No. 9 are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipal District of Pincher Creek No. 9 are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, changes in fund balances and change in financial position of the reporting entity which comprises all of the organizations that are owned or controlled by the Municipal District of Pincher Creek No. 9 and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

Taxes levied also includes requisitions for educational, health care, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

(b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(c) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(d) Investments

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

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**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

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**1. Significant accounting policies, continued**

- (e) Inventories for resale  
Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. Related development costs incurred to provide infrastructure such as water and waste water services, roads, sidewalks, and street lighting are recorded as physical assets under their respective function.
- (f) Debt charges recoverable  
Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.
- (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 material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.
- (h) Tax revenue  
Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.  
  
Requisitions operate as a flow through and are excluded from municipal revenue.
- (i) Reserves for future expenses  
Reserves are established at the discretion of Council to set aside funds for future operating and capital expenses. Transfers to and/or from reserves are reflected as an adjustment to the respective fund.
- (j) 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.

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**1. Significant accounting policies, continued**

- (k) **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 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.

- (l) **Non-financial assets**  
Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

- (i) **Tangible capital assets**  
Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land improvements	20
Buildings	50
Engineered structures	20-75
Machinery and equipment	3-35
Vehicles	3-20

Assets under construction are not amortized until available for productive use.

- (ii) **Contributions of tangible capital assets**  
Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

- (iii) **Leases**  
Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

- (iv) **Inventories**  
Inventories held for consumption are recorded at the lower of cost and replacement cost.

- (v) **Cultural and historical tangible capital assets**  
Works of art for display are not recorded as tangible capital assets but are disclosed.

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**2. Cash and temporary investments**

	2019	2018
Savings accounts	\$ 12,985,517	\$ 7,042,968
Operating accounts	1,059,682	551,770
	<b>\$ 14,045,199</b>	<b>\$ 7,594,738</b>

**3. Taxes and grants in place of taxes receivables**

	2019	2018
Taxes and grants in place of taxes receivable	\$ 223,289	\$ 200,246
Arrears	149,728	318,654
	<b>\$ 373,017</b>	<b>\$ 518,900</b>

**4. Trade and other receivables**

	2019	2018
Grants	\$ 1,067,635	\$ 903,617
Goods and Services Tax (GST)	257,808	177,959
Trade receivables	182,236	76,562
	<b>\$ 1,507,679</b>	<b>\$ 1,158,138</b>

**5. Investments**

	2019		2018	
	Cost	Market value	Cost	Market value
Bonds	\$ 9,039,672	\$ 9,057,458	\$ 8,667,792	\$ 8,310,625
Castle Mountain resort	50,000	50,000	-	-
Other	3,340	3,340	3,340	3,340
	<b>\$ 9,093,012</b>	<b>\$ 9,110,798</b>	<b>\$ 8,671,132</b>	<b>\$ 8,313,965</b>

The bond portfolio has interest rates in the range of 2.58% to 6.63% (2018 - 2.35% to 9.98%) with maturity dates from 2021 to 2029. The other long-term investments are not traded in an organized financial market.

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**6. Debt charges recoverable**

	2019	2018
Current debt charges recoverable	\$ 124,051	\$ 120,480
Non-current debt charges recoverable	1,808,971	1,933,022
	<b>\$ 1,933,022</b>	<b>\$ 2,053,502</b>

The Municipal District has undertaken a joint landfill road development project with the Crowsnest/Pincher Creek Landfill Association. The Municipal District assumed long-term financing totaling \$3,607,273 in 2012; however, \$2,053,502 plus interest at 2.94% is recoverable from the Landfill Association with respect to this financing. Amounts are recoverable in bi-annual principal and interest payments of \$90,007 until September 1, 2032.

	Principal	Interest	Total
2020	\$ 124,051	\$ 55,964	\$ 180,015
2021	127,727	52,288	180,015
2022	131,513	48,503	180,016
2023	135,410	44,605	180,015
2024	139,424	40,592	180,016
Thereafter	1,274,897	165,219	1,440,116
	<b>\$ 1,933,022</b>	<b>\$ 407,171</b>	<b>\$ 2,340,193</b>

**7. Authorized overdraft**

The Municipal District has an authorized overdraft with the CIBC up to \$5,000,000.

**8. Employee benefit obligations**

	2019	2018
Vacation and time in lieu	\$ 42,917	\$ 73,610
Sick time	577,734	698,067
	<b>\$ 620,651</b>	<b>\$ 771,677</b>

**Vacation and time in lieu**

The vacation and time in lieu liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and they are vested) or are entitled to these benefits within the next budgetary year.

**Sick Time**

Sick leave credits are earned by employees on the basis of 3/4 day for each two week pay period worked, until the employee reaches the age of 65, to a maximum of 120 days. Upon termination of employment or retirement, a non-union employee shall be entitled to any unused sick leave time in the form of severance pay. Union employees shall be entitled to any unused sick time on pensionable retirement at age 55 or death.

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**9. Deferred revenue**

	2019	2018
Municipal Sustainability Initiative	\$ 5,850,856	\$ 5,485,765
Alberta Transportation - castle provincial park waterline	4,456,005	-
Federal Gas Tax	502,989	164,238
Intermunicipal grant	64,655	-
Prepaid property taxes	31,283	27,407
	<b>\$ 10,905,788</b>	<b>\$ 5,677,410</b>

**10. Long-term debt**

	2019	2018
Tax supported debentures	\$ 3,674,212	\$ 4,111,552
Village of Cowley	504,000	630,000
	<b>\$ 4,178,212</b>	<b>\$ 4,741,552</b>
Current portion	<b>\$ 361,791</b>	<b>\$ 549,563</b>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2020	\$ 361,791	\$ 121,201	\$ 482,992
2021	368,779	110,506	479,285
2022	375,974	99,604	475,578
2023	383,383	88,491	471,874
2024	265,011	77,154	342,165
Thereafter	2,423,274	773,932	3,197,206
	<b>\$ 4,178,212</b>	<b>\$ 1,270,888</b>	<b>\$ 5,449,100</b>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at 2.94% per annum with maturity dates ranging from 2023 to 2032. Debenture debt is issued on the credit and security of the Municipal District at large.

The promissory note to the Village of Cowley is payable at \$126,000 annually plus interest at 2.94%.

Interest on long-term debt amounted to \$137,171 (2018 - \$154,563). The Municipal District's cash payments for interest in 2018 were \$137,171 (2018 - \$154,563).



**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**11. Accumulated surplus**

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

	2019	2018
Unrestricted surplus	\$ 2,511,057	\$ 1,321,417
Internally restricted surplus (reserves) (note 12)	11,841,326	11,942,748
Equity in tangible capital assets (note 13)	62,647,293	55,499,779
	<b>\$ 76,999,676</b>	<b>\$ 68,763,944</b>

**12. Reserves**

Council has set up reserves for various purposes. These reserves are either required by legislation or set up at the discretion of Council to provide funding for future expenses.

	2019	2018
<b>Operating</b>		
Mill rate stabilization	\$ 1,091,246	\$ 1,156,383
<b>Capital</b>		
Airport	329,771	329,771
Bridge repair and replacement	2,139,615	2,552,521
Cultural facilities	200,000	200,000
Emergency management	47,622	47,622
Gravel pit stripping/reclamation	1,162,461	912,461
M.D. buildings	200,000	200,000
M.D. equipment	2,298,901	2,337,570
M.D. recycle equipment	89,388	89,388
Next year completions	143,599	273,136
Road construction	2,362,843	2,320,532
Town recreation facilities	562,044	464,213
Wastewater infrastructure	370,495	685,970
Water infrastructure	843,341	373,181
	<b>10,750,080</b>	<b>10,786,365</b>
	<b>\$ 11,841,326</b>	<b>\$ 11,942,748</b>

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**13. Equity in tangible capital assets**

	2019	2018
Tangible capital assets (schedule 2)	\$ 222,241,877	\$ 212,463,762
Accumulated amortization (schedule 2)	(157,349,394)	(154,275,933)
Long-term debt (note 10)	(4,178,212)	(4,741,552)
Debt charges recoverable (note 6)	1,933,022	2,053,502
	<b>\$ 62,647,293</b>	<b>\$ 55,499,779</b>

**14. Net municipal property taxes**

	Budget (Unaudited)	2019	2018
<b>Taxation</b>			
Real property taxes	\$ 12,750,920	\$ 12,761,148	\$ 12,353,558
Linear property taxes	2,255,000	2,358,106	2,158,203
	<b>15,005,920</b>	<b>15,119,254</b>	<b>14,511,761</b>
<b>Requisitions</b>			
Alberta School Foundation Fund - basic levy	2,580,000	2,596,271	2,566,323
Alberta School Foundation Fund - opted out jurisdiction	102,000	123,592	110,175
Pincher Creek Foundation	328,200	325,481	328,158
	<b>3,010,200</b>	<b>3,045,344</b>	<b>3,004,656</b>
	<b>\$ 11,995,720</b>	<b>\$ 12,073,910</b>	<b>\$ 11,507,105</b>

**15. Government transfers**

	Budget (Unaudited)	2019	2018
<b>Transfers for operating:</b>			
Provincial government	\$ 490,860	\$ 470,012	\$ 401,736
<b>Transfers for capital:</b>			
Provincial government	20,060,830	8,612,360	5,434,859
	<b>\$ 20,551,690</b>	<b>\$ 9,082,372</b>	<b>\$ 5,836,595</b>

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**16. Expenses by object**

	Budget (Unaudited)	2019	2018
Salaries, wages, and benefits	\$ 4,651,720	\$ 4,138,570	\$ 4,428,366
Contracted and general services	4,085,830	4,271,702	4,093,490
Materials, goods, supplies and utilities	2,204,390	1,382,020	1,766,932
Bank charges and short term interest	15,841	8,336	8,957
Interest on long term debt	137,190	137,171	154,563
Other expenditures	140,250	306,931	79,262
Transfers to organizations and others	868,610	866,452	920,304
Amortization of tangible capital assets	3,300,000	3,290,561	3,301,784
	<b>\$ 15,403,831</b>	<b>\$ 14,401,743</b>	<b>\$ 14,753,658</b>

**17. Debt limits**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Municipal District be disclosed as follows:

	2019	2018
Total debt limit	\$ 21,037,673	\$ 20,375,034
Total debt	4,178,212	4,741,552
	<b>\$ 16,859,461</b>	<b>\$ 15,633,482</b>
Debt servicing limit	\$ 3,506,279	\$ 3,395,839
Debt servicing	482,992	700,511
	<b>\$ 3,023,287</b>	<b>\$ 2,695,328</b>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

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**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

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**18. Commitment and contingency**

The Municipal District is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of membership, the Municipal District could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The Municipal District has entered into an agreement to carry out the Castle Provincial Park waterline project. The total estimated project costs are \$11,300,000 which will be funded by a grant from Alberta Transportation. Project costs to date on this project is \$5,700,000.

**19. Local authorities pension plan**

Employees of the Municipal District of Pincher Creek No. 9 participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plans Act. The plan serves about 265,000 people and 421 employers. The LAPP is financed by the employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Municipal District of Pincher Creek No. 9 is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the Municipal District of Pincher Creek No. 9 are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the Municipal District of Pincher Creek No. 9 to the LAPP in 2019 were \$259,554 (2018 - \$282,499). Total current service contributions by the employees of the Municipal District of Pincher Creek No. 9 to the LAPP in 2019 were \$235,111 (2018 - \$258,238).

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.5 billion.

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**20. Salary and benefits disclosure**

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

	(1) Salary	(2) Benefits & allowances	2019	2018
Council				
Everts, Bev	\$ 26,850	\$ 1,200	\$ 28,050	\$ 26,931
Hammond, Brian	35,550	1,200	36,750	32,310
Lemire, Rick	22,100		22,100	21,537
Stevick, Quentin	32,975	1,200	34,175	39,640
Yagos, Terry	24,975	1,200	26,175	29,200
Chief administrative officers (2)	185,027	15,585	200,612	324,083
Designated officer	\$ 98,902	\$ 3,417	\$ 102,319	\$ 101,918

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

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

**21. Financial instruments**

The Municipal District's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Municipal District is not exposed to significant interest or currency risk arising from these financial instruments.

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

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

**22. Segmented disclosure**

The Municipal District provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the schedule of segmented disclosure (schedule 3)

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**23. Budget amounts**

The 2019 budget for the Municipal District was approved by Council on December 13, 2018 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified. The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

	Budgeted surplus per financial statements	\$ 18,546,109
Less:	Capital expenditures	(27,732,500)
	Long-term debt repayments	(563,360)
	Transfers from trust accounts	(63,500)
Add:	Amortization	3,300,000
	Transfers from capital reserves	2,954,740
	Transfers from operating reserves	551,843
	Debt acquisition	3,006,668
Equals:	Balanced budget	\$ -

**24. Contaminated sites liability**

The Municipal District has adopted PS3260 liability for contaminated sites. The Municipal District has not identified any financial liabilities as a result of this standard.

**25. Subsequent event**

COVID-19

The global coronavirus pandemic has had a significant impact on global financial markets and will have significant accounting, disclosure, and internal control implications for many entities.

Some of the key impacts include, but are not limited to, interruptions of production and supply chains, unavailability of personnel, reductions in revenue, decline in value of financial investments, disruptions or stoppages in non-essential travel, and the closure of facilities and businesses.

The situation is changing rapidly and the future impact on the Municipal District is not readily determinable at this time.

**26. Comparative figures**

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

**27. Approval of financial statements**

These financial statements were approved by Council and Management.

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

	Schedule of changes in accumulated surplus			Schedule 1	
	Unrestricted	Restricted	Equity in tangible capital assets	2019	2018
Balance, beginning of year	\$ 1,321,417	\$ 11,942,748	\$ 55,499,779	\$ 68,763,944	\$ 64,499,386
Excess of revenue over expenses	8,235,732	-	-	8,235,732	4,264,558
Unrestricted funds designated for future use	(2,121,184)	2,121,184	-	-	-
Restricted funds used for operations	330,920	(330,920)	-	-	-
Restricted funds used for tangible capital assets	-	(1,891,686)	1,891,686	-	-
Current year funds used for tangible capital assets	(8,117,535)	-	8,117,535	-	-
Disposal of tangible capital assets	14,006	-	(14,006)	-	-
Amortization of tangible capital assets	3,290,561	-	(3,290,561)	-	-
Long-term debt repaid	(563,340)	-	563,340	-	-
Debt charges recoverable	120,480	-	(120,480)	-	-
Change in accumulated surplus	1,189,640	(101,422)	7,147,514	8,235,732	4,264,558
<b>Balance, end of year</b>	<b>\$ 2,511,057</b>	<b>\$ 11,841,326</b>	<b>\$ 62,647,293</b>	<b>\$ 76,999,676</b>	<b>\$ 68,763,944</b>

Draft - April 2020

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**Schedule of tangible capital assets**

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2019	2018
<b>Cost:</b>									
Balance, beginning of year	\$ 2,971,594	\$ 237,241	\$ 7,777,908	\$ 183,844,827	\$ 9,352,821	\$ 2,689,965	\$ 5,589,406	\$ 212,463,762	\$ 205,606,570
Acquisitions	-	20,735	-	1,428,837	955,583	-	7,604,066	10,009,221	8,049,051
Transfers	(31,000)	-	31,000	6,728,794	-	-	(6,728,794)	-	-
Disposals	-	-	-	-	-	(231,106)	-	(231,106)	(1,191,859)
<b>Balance, end of year</b>	<b>2,940,594</b>	<b>257,976</b>	<b>7,808,908</b>	<b>192,002,458</b>	<b>10,308,404</b>	<b>2,458,859</b>	<b>6,464,678</b>	<b>222,241,877</b>	<b>212,463,762</b>
<b>Accumulated amortization:</b>									
Balance, beginning of year	-	62,037	1,534,744	145,526,778	5,514,780	1,637,594	-	154,275,933	152,095,809
Annual amortization	-	11,376	170,780	2,340,259	629,091	139,055	-	3,290,561	3,301,784
Disposals	-	-	-	-	-	(217,100)	-	(217,100)	(1,121,660)
<b>Balance, end of year</b>	<b>-</b>	<b>73,413</b>	<b>1,705,524</b>	<b>147,867,037</b>	<b>6,143,871</b>	<b>1,559,549</b>	<b>-</b>	<b>157,349,394</b>	<b>154,275,933</b>
<b>Net book value</b>	<b>\$ 2,940,594</b>	<b>\$ 184,563</b>	<b>\$ 6,103,384</b>	<b>\$ 44,135,421</b>	<b>\$ 4,164,533</b>	<b>\$ 899,310</b>	<b>\$ 6,464,678</b>	<b>\$ 64,892,483</b>	<b>\$ 58,187,829</b>
<b>2018 net book value</b>	<b>\$ 2,971,594</b>	<b>\$ 175,204</b>	<b>\$ 6,243,164</b>	<b>\$ 38,318,049</b>	<b>\$ 3,838,041</b>	<b>\$ 1,052,370</b>	<b>\$ 5,589,406</b>	<b>\$ 58,187,828</b>	



**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2019

**Schedule of segmented disclosure**

Schedule 3

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
<b>Revenue</b>								
Net municipal property taxes	\$ 12,073,910	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,073,910
User fees and sales of goods	24,001	45,030	91,996	152,195	-	76,420	-	389,643
Government transfers for operating	30,999	-	54,618	-	106,811	267,584	10,000	470,012
Investment income	351,926	-	-	-	-	-	-	351,926
Penalties and costs of taxes	101,572	-	-	-	-	-	-	101,572
Licenses and permits	-	-	-	-	-	113,983	-	113,983
Gain on disposal of capital assets	348	-	39,611	-	-	-	-	39,958
Rental	18,876	-	338,885	-	-	1,708	-	359,469
Other	6,549	450	59,855	-	-	35,636	22,152	124,642
	12,608,181	45,480	584,965	152,195	106,811	495,331	32,152	14,025,115
<b>Expenses</b>								
Salaries, wages and benefits	1,361,528	24,800	2,298,552	-	-	453,690	-	4,138,570
Contracted and general services	590,463	863,646	1,545,876	824,225	-	412,993	34,499	4,271,702
Materials, goods, supplies and utilities	228,566	8,332	1,053,983	18,114	-	73,025	-	1,382,020
Bank charges and short term interest	8,336	-	-	-	-	-	-	8,336
Interest on long term debt	-	-	83,030	54,141	-	-	-	137,171
Other expenditures	248,574	10,500	15	47,230	-	611	-	306,931
Transfers to organizations and others	-	-	-	-	179,474	45,271	641,707	866,452
Amortization of tangible capital assets	290,023	5,825	2,953,494	-	-	41,220	-	3,290,561
	2,727,490	913,103	7,934,950	943,710	179,474	1,026,810	676,206	14,401,743
<b>Excess (deficiency) of revenue over expenses before other</b>	9,880,691	(867,623)	(7,349,985)	(791,515)	(72,663)	(531,479)	(644,054)	(376,628)
<b>Other</b>								
Government transfers for capital	-	-	1,696,015	6,916,345	-	-	-	8,612,360
<b>Excess (deficiency) of revenue over expenses</b>	\$ 9,880,691	\$ (867,623)	\$ (5,653,970)	\$ 6,124,830	\$ (72,663)	\$ (531,479)	\$ (644,054)	\$ 8,235,732

April 14, 2020

Reeve and Council  
Municipal District of Pincher Creek No. 9  
PO Box 279  
Pincher Creek, Alberta T0K 1W0

Ladies and Gentlemen:

We have completed our audit of the financial statements of the Municipal District of Pincher Creek No. 9 for the year ended December 31, 2019. Our audit included consideration of internal control relevant to the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, our review of any given control was limited and would not disclose all weaknesses in the system or all matters which an in-depth study might indicate. As you know, the maintenance of an adequate system of internal controls is the responsibility of the Reeve and Council.

During the course of our audit for the year ended December 31, 2019, we identified no significant matters which may be of interest to the Council.

This communication is prepared solely for the information of the Council members and management of the Municipal District of Pincher Creek No. 9 and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

We would like to thank Meghan, Brendan and the finance team for their assistance during our audit. Thank you for the continuing opportunity to be of service to your organization and we look forward to serving you in the future. If you have any questions or concerns regarding our audit or any other issues with which you may require our assistance, please do not hesitate to contact us.

Thank you.

Yours truly,

AVAIL LLP

Darren Adamson, CPA, CA

April 14, 2020

Reeve and Council  
Municipal District of Pincher Creek No. 9  
PO Box 279  
Pincher Creek, Alberta T0K 1W0

Ladies and Gentlemen:

RE: 2019 ANNUAL AUDIT OF MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9

We are pleased to provide the following report relating to our audit of the financial statements of Municipal District of Pincher Creek No. 9 for the year ending December 31, 2019.

During the course of our audit we identified matters which may be of interest to the Council. The objective of an audit is to obtain reasonable assurance whether the financial statements are free of material misstatement and it is not designed to identify matters that may be of interest to the Council in discharging its responsibilities. Accordingly an audit would not usually identify all such matters.

The matters identified are included in this report which has been prepared solely for the information of the Council and is not intended for any other purpose. As such, we accept no responsibility to a third party who uses this report. Should any member of the audit committee or equivalent wish to discuss or review any matter addressed in this letter or any other matters related to financial reporting, please do not hesitate to contact us at any time.

Our report is intended to assist the Council in fulfilling its obligation with respect to the 2019 financial statements. We have also attached a separate communication regarding the role of the Council and our recommendations for the Council of the Municipal District of Pincher Creek No. 9.

We would be pleased to further discuss any of the issues addressed in the report or any other issue which may be of interest or concern to the Council.

Yours truly,

AVAIL LLP

Darren Adamson, CPA, CA  
Enclosure

I. Purpose and Scope of Examination

We refer you to our communication dated March 2, 2020, which outlines the purpose and scope of our examination.

II. Results of Examination

As a result of our examination, we report that, in our opinion, the financial statements as at December 31, 2019 present fairly, in all material respects, the financial position of the Municipal District of Pincher Creek No. 9 in accordance with Canadian public sector accounting standards.

Throughout the course of our examination, we received full co-operation from Municipal District of Pincher Creek No. 9 officials and employees. No restrictions were imposed on the method or extent of our examination. We were given access to all records, documents and other supporting data and were furnished all information and explanations we required. In addition, we had the opportunity to discuss accounting matters with Municipal District of Pincher Creek No. 9 officials.

III. Communication with Council

In accordance with the auditing standard "communications with those having oversight responsibility for the financial reporting process", the following matters are recommended to be communicated to the Council.

<b>Matters to be Communicated</b>	<b>Reference/Comment</b>
1. Significant Deficiencies in Internal Controls	During our audit, we did not encounter any significant deficiencies in internal controls.
2. Illegal Acts and Fraud	<p>An audit conducted in accordance with generally accepted auditing standards does not provide assurance about an entity's compliance with the laws and regulations that may affect it. These standards include, however, a requirement that the nature, extent and timing of the auditors' procedures should be designed so that, in the auditors' professional judgment, the risk of not detecting a material misstatement in the financial statements is reduced to an appropriately low level.</p> <p>However, due to the nature of illegal acts, an auditor conducting an audit in accordance with generally accepted auditing standards may not detect an illegal act, or recognize an act as being illegal, even if the effect of its consequences on the financial statements is material.</p> <p>Based on the results of our testing, we did not identify any illegal, improper or questionable payments or acts nor any acts committed with the intent to deceive, involving either misappropriation of assets or misrepresentation of financial information.</p>

3. Significant Accounting Principles and Policies	We refer you to note 1 to the financial statements for a summary of significant accounting policies adopted by the Municipal District of Pincher Creek No. 9.
4. Management's Judgments and Accounting Estimates	<p>There were no disagreements between management and ourselves regarding management's judgments and accounting estimates.</p> <p>Going Concern Assumption - It is now a requirement that management make an assessment each year regarding the Municipal District of Pincher Creek No. 9's ability to continue as a going concern. This assessment requires management to make certain judgments about the Municipal District of Pincher Creek No. 9's ability to meet its obligations in the foreseeable future.</p> <p>Management has advised that they are aware of no events or conditions that cast doubt upon the Municipal District of Pincher Creek No. 9's ability to continue as a going concern in the foreseeable future, and there is no intention to liquidate the Municipal District of Pincher Creek No. 9's assets or otherwise cease operations.</p>
5. Written Representation from Management	As requested, management has provided us written representations that it has fulfilled its responsibility for the preparation of the financial statements and that it has provided us with the required information for us to complete our audit.
6. Other Information in Documents Containing Audited Financial Statements	Should the Municipal District of Pincher Creek No. 9 issue any report during the year that includes the audited financial statements, we will be required to read the unaudited information in the report prior to its release to ensure consistency with the information presented in the financial statements.
7. Disagreements with Management	There were no disagreements between management and ourselves with respect to the Municipal District of Pincher Creek No. 9's accounting policies or presentation and disclosure in the financial statements.
8. Difficulties Encountered in Performing the Audit	The full co-operation of management and other personnel was received during our examination.

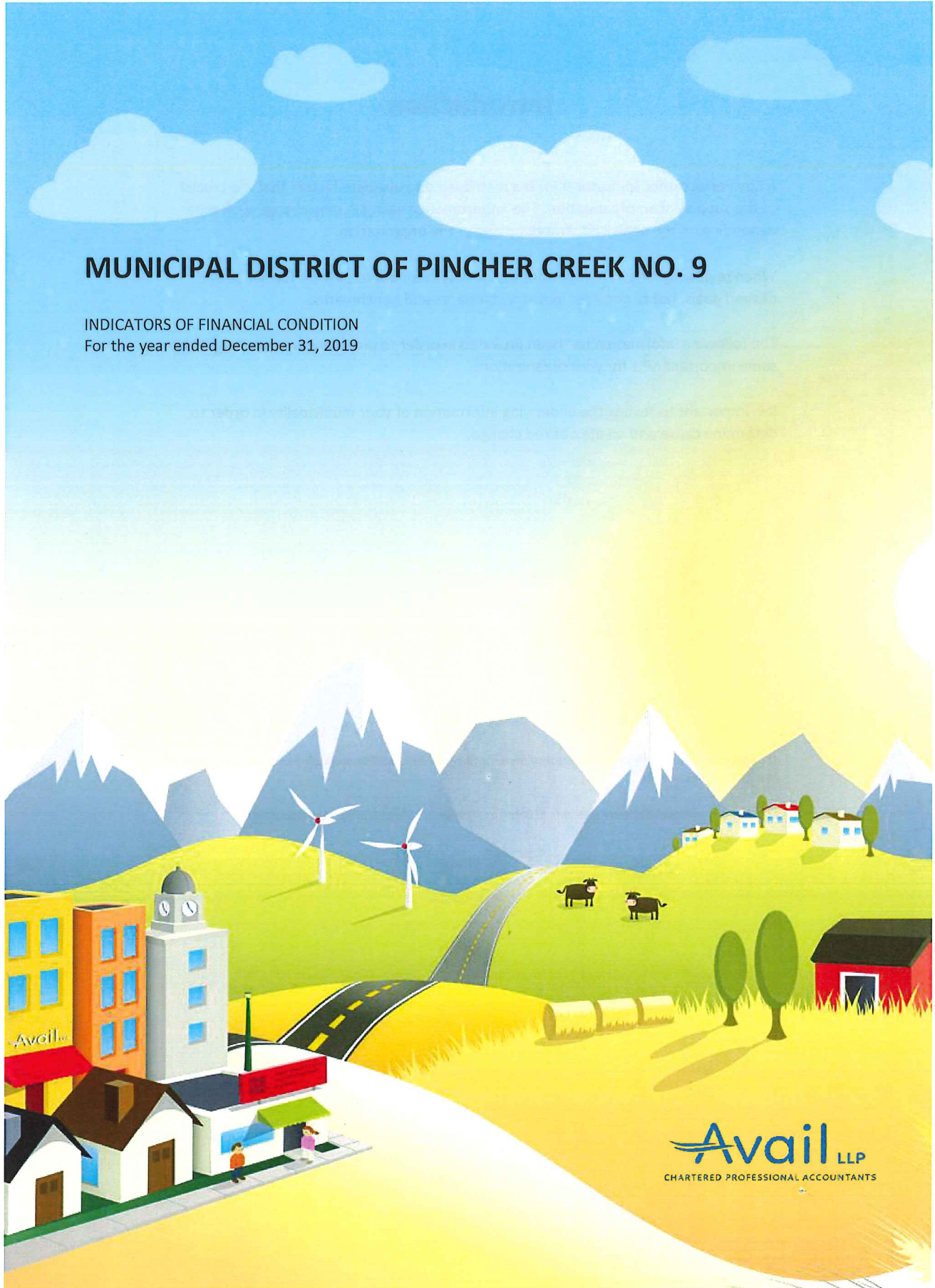
9. Financial Statement Disclosure	There were no contentious financial statement disclosure issues.
10. Other Matters	<p><u>COVID-19</u> On March 11, 2020, the World Health Organization assessed the COVID-19 outbreak as a pandemic. On March 17, 2020, the Province of Alberta declared a public health emergency as a result of the outbreak.</p> <p>The global coronavirus pandemic has had a significant impact on global financial markets and will have significant accounting, disclosure, and internal control implications for many entities.</p> <p>Some of the key impacts include, but are not limited to, interruptions of production and supply chains, unavailability of personnel, reductions in revenue, decline in value of financial investments, disruptions or stoppages in non-essential travel, and the closure of facilities and businesses.</p> <p>The situation is changing rapidly and the future impact on the entity is not readily determinable at this time.</p>
11. Emerging Issues	<p><u>Future Accounting Changes</u> The Public Sector Accounting Board has issued the following accounting standards:</p> <p><i>PS 3450 Financial Instruments (effective April 1, 2021)</i></p> <p>Adoption of this standard requires corresponding adoption of PS 2601 Foreign Currency Translation, PS 1201 Financial Statement Presentation, and PS 3401 Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement and disclosure of financial instruments; standards on how to account for and report transactions that are denominated in a foreign currency; general reporting principles and standards for the disclosure of information in financial statements; and how to account for and report portfolio investments.</p> <p><i>PS 3280 Asset Retirement Obligations (effective April 1, 2021)</i></p> <p>This standard provides guidance on how to account for and report a liability for retirement of a tangible capital asset.</p> <p><i>PS 3400 Revenue (effective April 1, 2022)</i></p> <p>This standard provides guidance on how to account for and report on revenue, and specifically, it addresses revenue arising from exchange and unilateral transactions.</p>

Municipal District of Pincher Creek No. 9  
 Unadjusted Financial Statement Misstatements  
 For the year ended December 31, 2019

Unadjusted Financial Statement Misstatements	Proposed Adjustments Dr (Cr)				
	Opening Equity	Income Statement	Balance Sheet		
			Assets	Liabilities	Closing Equity
Carryforwards					
Castle mountain investment - 10 pref shares at \$5,000 each from 1999.	\$ (50,000)	\$ 50,000	\$ -	\$ -	\$ -
Subtotal	(50,000)	50,000	-	-	-
Income taxes	-	-	-	-	-
Total	\$ (50,000)	\$ 50,000	\$ -	\$ -	\$ -

# MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9

INDICATORS OF FINANCIAL CONDITION  
For the year ended December 31, 2019



**Avail** LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS



# Introduction

A Key Performance Indicator (KPI) is a metric used to evaluate factors that are crucial to the success of an organization. The importance of each KPI may change with time depending on the goals and strategic plans of the organization.

When reviewing KPIs, it is important to not only compare to past performance and desired goals, but to consider industry standards and benchmarks.

The following information has been provided in order to provide you some insight into some important KPIs for your organization.

It is important to review the underlying information of your municipality in order to determine cause and create desired change.

*The underlying data for this report was taken from the financial data publicly available found on the Alberta Municipal Affairs website.*

*Comparable municipalities were determined based on a range of 75% to 125% of your population.*

## MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9

### INDICATORS OF FINANCIAL CONDITION

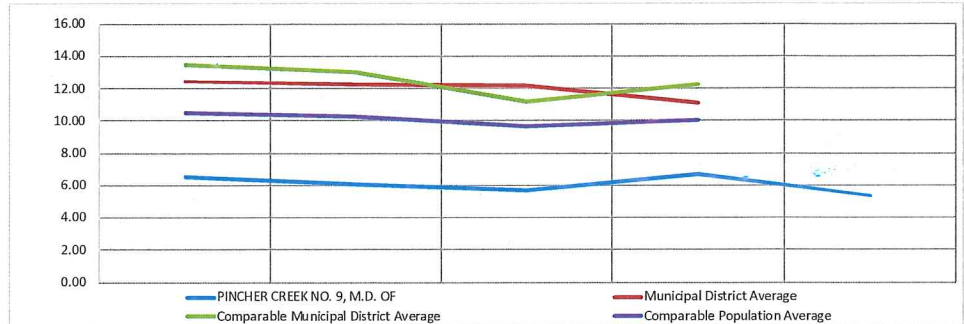
For the year ended December 31, 2019

2015                      2016                      2017                      2018                      2019

#### SUSTAINABILITY INDICATORS

##### Assets to Liabilities

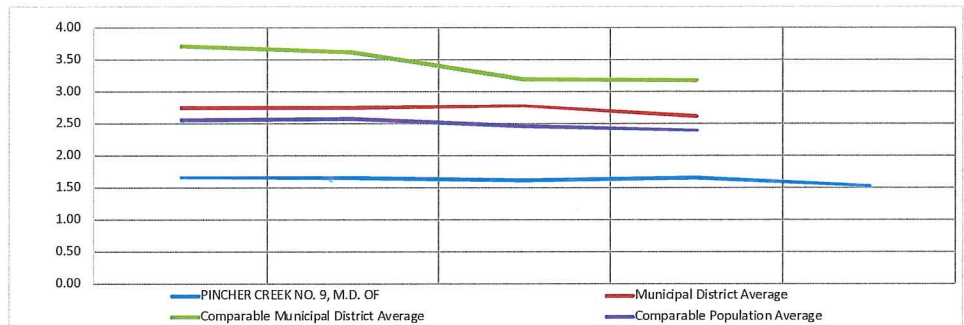
This indicator illustrates the extent a government finances its operations by issuing debt. A ratio higher than one indicates that a government has accumulated surplus and has assets greater than debt. A ratio of less than one indicates that debt is greater than assets and the government has been financing its operations by issuing debt.



Total assets	77,241,184	77,424,468	78,359,164	80,911,909	94,695,236
Total liabilities	11,883,282	12,842,411	13,859,777	12,147,965	17,695,560
Assets to liabilities	6.50	6.03	5.65	6.66	5.35
Municipal District Average	12.42	12.24	12.20	11.09	
Comparable Municipal District Average	13.46	12.98	11.17	12.27	
Comparable Population Average	10.48	10.26	9.65	10.05	

##### Financial assets to liabilities

This indicator illustrates the ratio of a government's financial assets to its liabilities. A result lower than one indicates a net debt position and future revenues will be required to pay for past transactions. A result higher than one indicates net financial assets and financial resources are on hand that can finance future operations. A trend showing increases in net debt or reductions in net financial assets may not be sustainable.



Total financial assets	19,753,928	21,216,648	22,262,587	19,996,410	26,951,929
Total liabilities	11,883,282	12,842,411	13,859,777	12,147,965	17,695,560
Financial assets to liabilities	1.66	1.65	1.61	1.65	1.52
Municipal District Average	2.74	2.74	2.77	2.61	
Comparable Municipal District Average	3.70	3.60	3.19	3.17	
Comparable Population Average	2.55	2.57	2.45	2.39	

# MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9

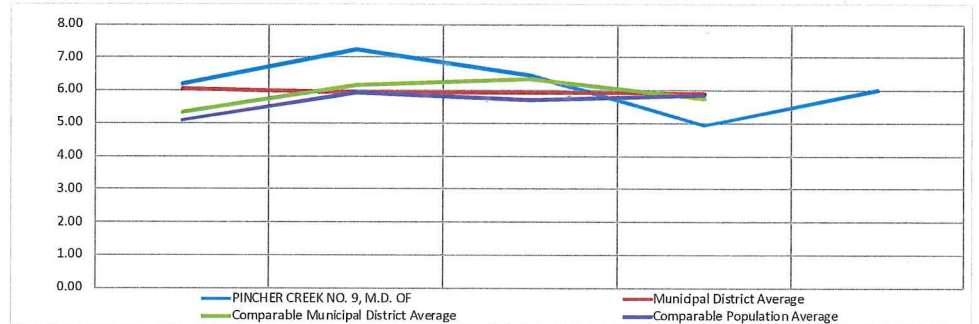
## INDICATORS OF FINANCIAL CONDITION

For the year ended December 31, 2019

2015 2016 2017 2018 2019

### Current Ratio

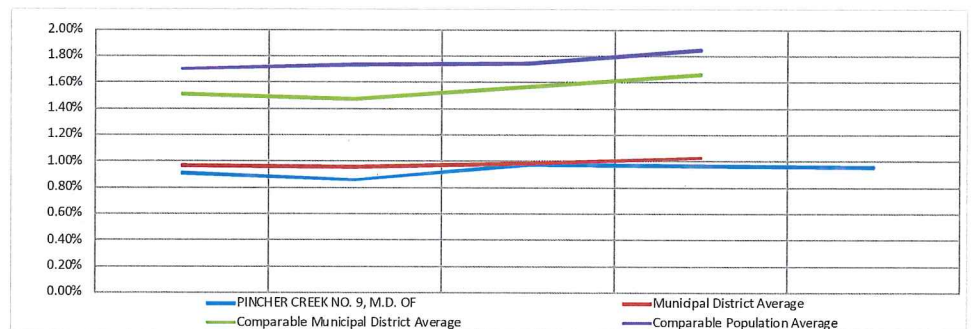
The ratio of current assets (cash, temporary investments, accounts receivable) to current liabilities (accounts payable, temporary borrowings, current repayment obligations on long-term borrowings). This ratio is an indication of the governments ability to meet short term obligations.



Current assets	11,750,415	12,810,932	13,772,591	11,325,278	17,858,917
Current liabilities	1,898,269	1,771,966	2,133,702	2,292,344	2,973,351
Assets to liabilities	6.19	7.23	6.45	4.94	6.01
Municipal District Average	6.03	5.94	5.93	5.91	
Comparable Municipal District Average	5.32	6.14	6.33	5.74	
Comparable Population Average	5.08	5.92	5.70	5.84	

### Operating expenses to taxable assessment

This indicator provides the trend of government spending over time in relation to the growth in the economy. A trend that shows total expense is growing at a faster rate than the growth in the economy may not be sustainable.



Operating expenses	13,644,779	13,713,138	15,398,543	14,877,958	14,401,743
Taxable assessment	1,495,874,944	1,600,520,107	1,582,110,430	1,544,652,166	1,512,769,452
Operating expenses to taxable assessment	0.91%	0.86%	0.97%	0.96%	0.95%
Municipal District Average	0.96%	0.96%	0.98%	1.03%	
Comparable Municipal District Average	1.51%	1.47%	1.57%	1.66%	
Comparable Population Average	1.70%	1.74%	1.75%	1.84%	

# MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9

## INDICATORS OF FINANCIAL CONDITION

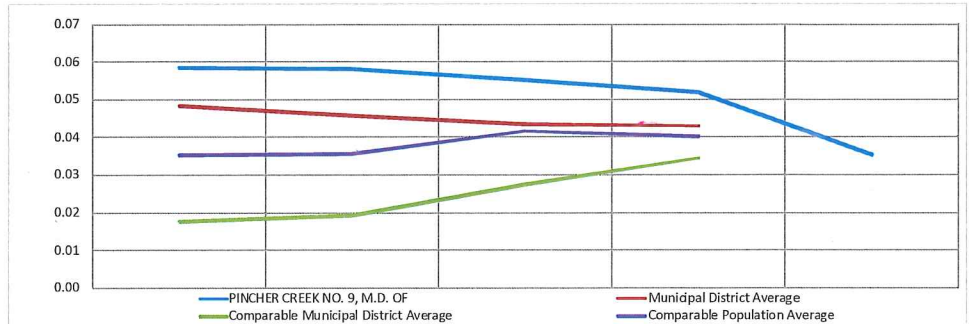
For the year ended December 31, 2019

2015 2016 2017 2018 2019

### FLEXIBILITY INDICATORS

#### Public debt charges to revenues

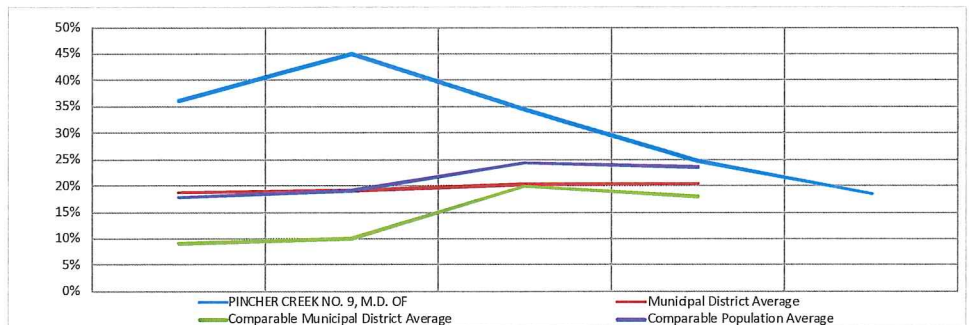
This indicator measures public debt charges as a percentage of revenues. It illustrates the extent to which past borrowing decisions present a constraint on the ability to meet financial and service commitments in the current period. Specifically, the more a government uses revenues to fund debt servicing, the less will be available for program spending.



Debt servicing	711,631	707,925	704,126	700,511	482,992
Operating revenue	12,166,427	12,167,765	12,795,744	13,522,710	13,716,532
Public debt charges to revenues	0.06	0.06	0.06	0.05	0.04
Municipal District Average	0.05	0.05	0.04	0.04	
Comparable Municipal District Average	0.02	0.02	0.03	0.03	
Comparable Population Average	0.04	0.04	0.04	0.04	

#### Debt to Revenue Percentage

The total amount of municipal borrowings, including long term capital leases, as a percentage of total municipal revenues. This indicator demonstrates the growth in revenue compared to changes in debt. An increasing trend would indicate the municipality is increasing its debt load faster than its revenue is growing, which may not be sustainable.



Total long term debt principal balance	6,351,174	5,827,608	5,291,207	4,741,551	4,178,212
Total revenue	17,525,961	12,937,292	15,315,873	19,142,515	22,637,475
Debt to revenue	36%	45%	35%	25%	18%
Municipal District Average	19%	19%	20%	20%	
Comparable Municipal District Average	9%	10%	20%	18%	
Comparable Population Average	18%	19%	24%	23%	

## MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9

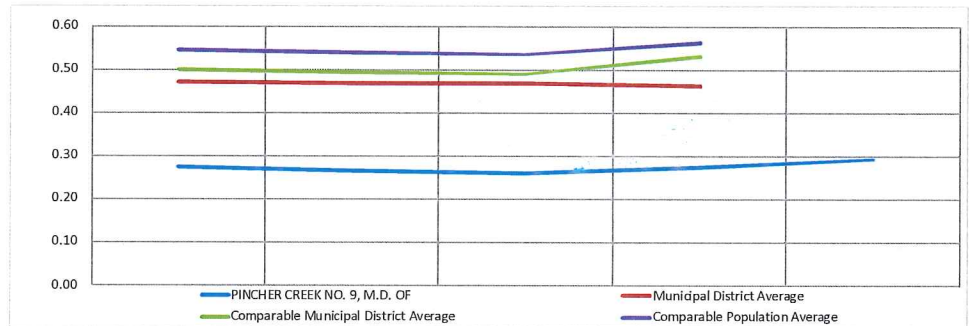
INDICATORS OF FINANCIAL CONDITION

For the year ended December 31, 2019

2015    2016    2017    2018    2019

### Net book value to cost of tangible capital assets

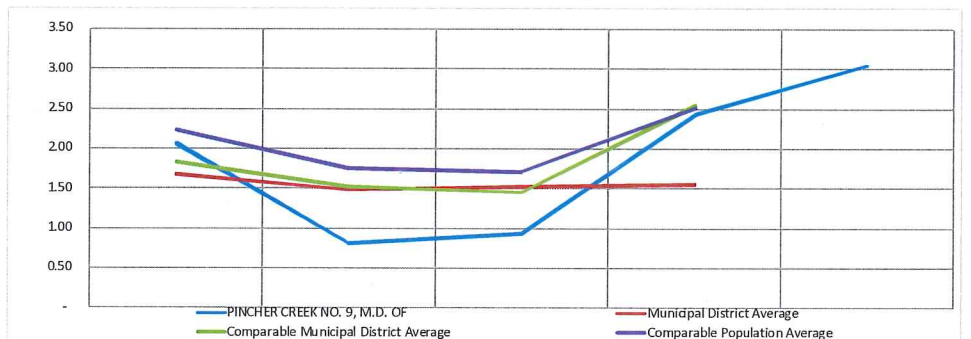
This indicator is important because it reports the extent that the estimated useful lives of tangible capital assets are available to provide its services. If a government's scale, scope and level of services remain unchanged or grow, its asset base could eventually impair flexibility because of the impending future costs of capital asset repair or replacement.



Net book value	55,183,001	53,850,494	53,510,762	58,187,829	64,892,483
Cost of tangible capital assets	201,952,248	202,696,549	205,606,570	212,463,762	222,241,877
Net book value to cost of tangible capital assets	0.27	0.27	0.26	0.27	0.29
Municipal District Average	0.47	0.47	0.47	0.46	
Comparable Municipal District Average	0.50	0.49	0.49	0.53	
Comparable Population Average	0.55	0.54	0.54	0.56	

### Infrastructure Investment

The total cost of annual additions (through purchases or construction) to tangible capital assets (vehicles, equipment, buildings, roads, utility infrastructure, land) relative to the annual amortization (depreciation) on all tangible capital assets - measured as a five-year average.



Tangible capital assets additions	6,504,289	2,590,460	3,081,157	8,049,051	10,009,217
Annual amortization expense	3,165,618	3,194,195	3,296,854	3,301,784	3,290,561
Additions to amortization expense	2.05	0.81	0.93	2.44	3.04
Municipal District Average	1.67	1.48	1.51	1.54	
Comparable Municipal District Average	1.82	1.52	1.45	2.54	
Comparable Population Average	2.23	1.75	1.71	2.51	

## MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9

### INDICATORS OF FINANCIAL CONDITION

For the year ended December 31, 2019

2015

2016

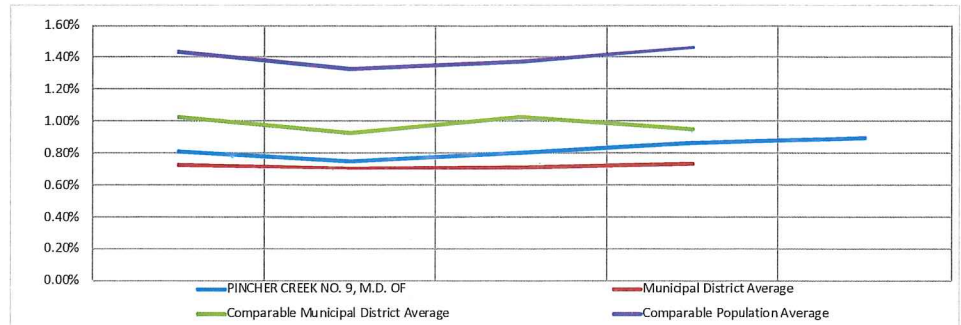
2017

2018

2019

#### Own source revenues to taxable assessment

This indicator is important because it shows the ratio of a local government's own source revenues to its tax base. A change in the size of a local government's taxable assessment or a change in the rate of growth in assessment in relation to changes in own source revenues could influence flexibility.

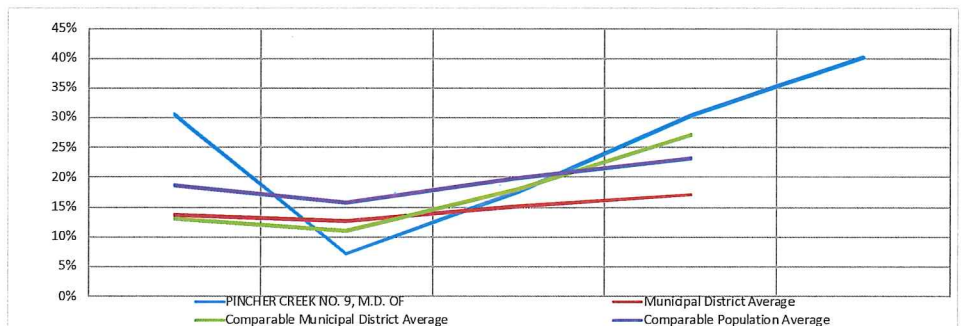


Own source revenues (net of government transfers)	12,166,427	12,006,709	12,633,425	13,305,921	13,555,103
Taxable assessment	1,495,874,944	1,600,520,107	1,582,110,430	1,544,652,166	1,512,769,452
Own source revenues to taxable assessment	0.81%	0.75%	0.80%	0.86%	0.90%
Municipal District Average	0.72%	0.71%	0.71%	0.73%	
Comparable Municipal District Average	1.02%	0.93%	1.03%	0.95%	
Comparable Population Average	1.44%	1.32%	1.37%	1.46%	

#### VULNERABILITY INDICATORS

##### Government transfers to total revenues

The purpose of this ratio is to show the proportion of revenues that provincial or local governments receive from other governments. This indicator offers a perspective on the degree of vulnerability a government faces as a result of its dependence on another level of government for revenues.



Government transfers (including capital)	5,359,534	930,583	2,682,448	5,836,594	9,082,372
Total revenues (including capital)	17,525,961	12,937,292	15,315,873	19,142,515	22,637,475
Government transfers to total revenues	31%	7%	18%	30%	40%
Municipal District Average	14%	13%	15%	17%	
Comparable Municipal District Average	13%	11%	18%	27%	
Comparable Population Average	19%	16%	20%	23%	

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**

**INDICATORS OF FINANCIAL CONDITION**

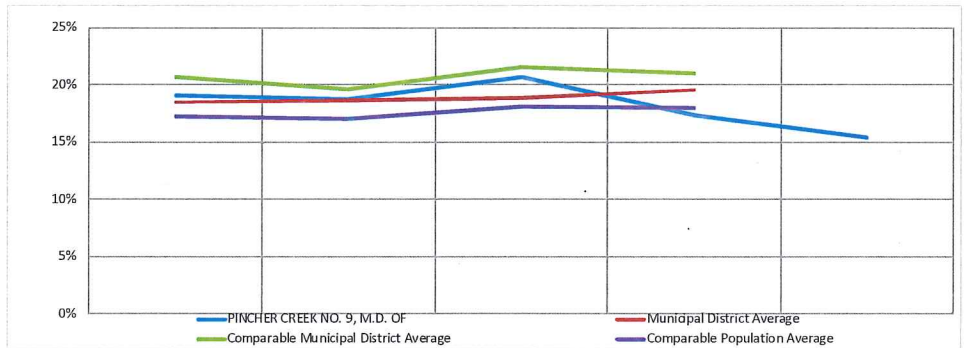
For the year ended December 31, 2019

2015 2016 2017 2018 2019

**OTHER INDICATORS**

**Reserves to total accumulated surplus**

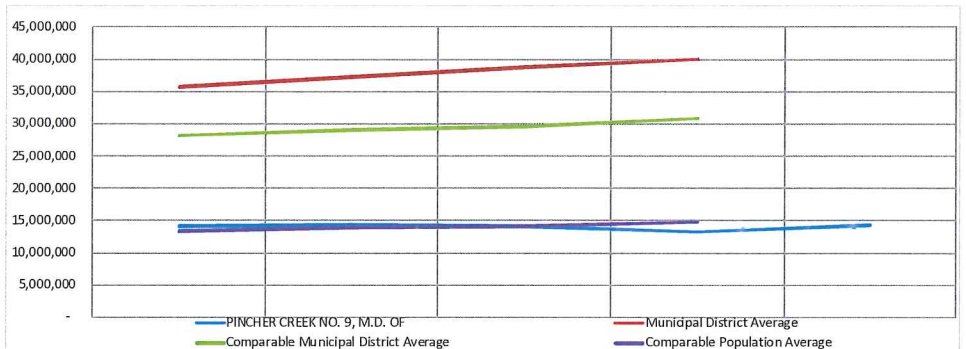
The purpose of this ratio is to show the proportion of total accumulated surplus that has been internally restricted. This indicator provides insight on the change in reserves in relation to overall accumulated surplus. A decrease would show that the government has drawn on past reserves to fund current operations.



Accumulated surplus - restricted	12,477,176	12,081,922	13,329,113	11,942,748	11,841,326
Overall accumulated surplus	65,357,902	64,582,057	64,499,387	68,763,944	76,999,676
Restricted surplus to accumulated surplus	19%	19%	21%	17%	15%
Municipal District Average	18%	19%	19%	20%	
Comparable Municipal District Average	21%	20%	22%	21%	
Comparable Population Average	17%	17%	18%	18%	

**Accumulated surplus available for future use**

Accumulated surplus, to the extent it has not been invested in Tangible Capital Assets, represents overall surplus that is available for future use. This consists of unrestricted surplus and reserves and shows trends in spending vs. saving. This indicator only shows total surplus; the overall size of the municipality is not taken into account.



Accumulated surplus - restricted	12,477,176	12,081,922	13,329,113	11,942,748	11,841,326
Accumulated surplus - unrestricted	1,654,366	2,193,091	776,934	1,321,417	2,511,057
Total accumulated surplus	14,131,542	14,275,013	14,106,047	13,264,165	14,352,383
Municipal District Average	35,676,574	37,262,248	38,687,784	40,066,871	
Comparable Municipal District Average	28,167,117	29,068,309	29,682,369	30,885,677	
Comparable Population Average	13,321,396	13,875,192	14,202,619	14,797,906	

## MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9

INDICATORS OF FINANCIAL CONDITION

For the year ended December 31, 2019

2015

2016

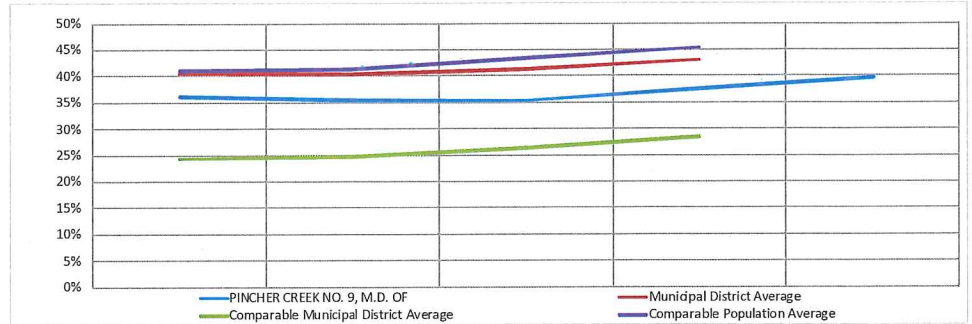
2017

2018

2019

### Tax Base Ratio

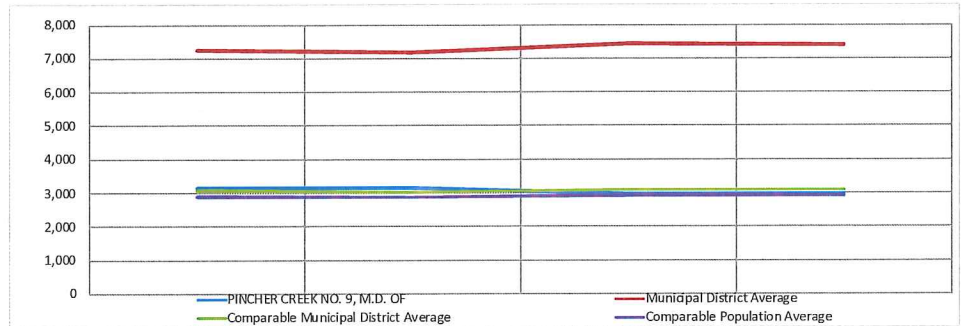
This ratio reports the proportion of the total municipal tax revenue generated by residential and farmland tax base, regardless of whether it is municipal property taxes, special taxes, or local improvement taxes.



Residential & farmland assessed value	540,389,731	565,636,565	558,898,958	578,406,548	599,882,162
Total assessed value	1,495,874,944	1,600,520,107	1,582,110,430	1,544,652,166	1,512,769,452
Residential & farmland assessment percentage	36%	35%	35%	37%	40%
Municipal District Average	40%	40%	41%	43%	
Comparable Municipal District Average	24%	25%	26%	28%	
Comparable Population Average	41%	41%	43%	45%	

### Population Change

The change in population of the municipality over the past four years based on the Municipal Affairs Population List.



Population	3,158	3,158	2,965	2,965
Prior year population	3,158	3,158	3,158	2,965
Population change	0.00%	0.00%	-6.11%	0.00%
Population (Municipal District Average)	7,238	7,184	7,436	7,415
Municipal District Average	0.13%	-0.75%	3.51%	-0.28%
Population (Comparable Municipal District Average)	3,079	3,027	3,089	3,089
Comparable Municipal District Average	1.20%	-1.70%	2.05%	0.00%
Population (population average)	2,895	2,877	2,926	2,937
Comparable Population Average	1.08%	-0.62%	1.70%	0.38%



## Comparable Listing

Comparables were determined on a range of 75% to 125% of your population

**Total Municipal District Count: 63**

### Comparables - Same Type (11)

Municipal District list with a comparable population

CLEAR HILLS COUNTY  
FORTY MILE NO. 8, COUNTY OF  
LESSER SLAVE RIVER NO. 124, M.D. OF  
MINBURN NO. 27, COUNTY OF  
NORTHERN LIGHTS, COUNTY OF  
OPPORTUNITY NO. 17, M.D. OF  
PINCHER CREEK NO. 9, M.D. OF  
SADDLE HILLS COUNTY  
SMOKY LAKE COUNTY  
THORHILD COUNTY  
TWO HILLS NO. 21, COUNTY OF

### Comparables - Any Type (32)

List used for comparable populations

ATHABASCA  
BEAVERLODGE  
BLACK DIAMOND  
CALMAR  
CLEAR HILLS COUNTY  
COALHURST  
CROSSFIELD  
FAIRVIEW  
FORT MACLEOD  
FORTY MILE NO. 8, COUNTY OF  
GIBBONS  
GRANDE CACHE  
GRIMSHAW  
HANNA  
HIGH PRAIRIE  
LESSER SLAVE RIVER NO. 124, M.D. OF  
MAGRATH  
MINBURN NO. 27, COUNTY OF  
NORTHERN LIGHTS, COUNTY OF  
OPPORTUNITY NO. 17, M.D. OF  
PENHOLD  
PINCHER CREEK  
PINCHER CREEK NO. 9, M.D. OF  
RIMBEY  
SADDLE HILLS COUNTY  
SEXSMITH  
SMOKY LAKE COUNTY  
SUNDRE  
THORHILD COUNTY  
THREE HILLS  
TURNER VALLEY  
TWO HILLS NO. 21, COUNTY OF

Not everyone makes it home  
*to those they love.*

In 2019, we lost 165  
people to workplace  
injury or illness in Alberta.

On April 28  
we honour them.



Day of Mourning April 28

*We can make a difference by working together to make workplaces safer.*



Workers'  
Compensation  
Board - Alberta

WCB-125-A (2020)