

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

**Consolidated Financial Statements**

**For the year ended December 31, 2015**

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**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**TABLE OF CONTENTS**  
For the year ended December 31, 2015

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<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT REPORT</b>	2
<b>FINANCIAL STATEMENTS</b>	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF OPERATIONS	4
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS	5
CONSOLIDATED STATEMENT OF CASH FLOW	6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	7 - 18
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS	19 - 21

# Young Parkyn McNab LLP

CHARTERED ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Municipal District of Pincher Creek No. 9 which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

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

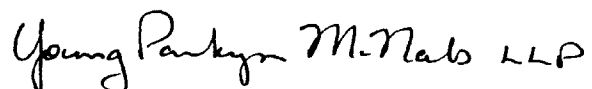
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Municipal District of Pincher Creek No. 9 as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

April 12, 2016



Chartered Accountants

## MANAGEMENT REPORT

The accompanying consolidated financial statements and other information contained in this Financial Report 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 financial statements are presented fairly, in all material respects.

The Municipal District 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'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.

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 Young Parkyn McNab LLP, Chartered Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Municipal District. Young Parkyn McNab LLP has full and free access to the Council.

Chief Administrative Officer



**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2015

	2015	2014
<b>Financial assets</b>		
Cash and temporary investments (note 2)	\$ 4,456,353	\$ 830,406
Taxes and grants in place of taxes receivable (note 3)	304,471	304,207
Trade and other receivables (note 4)	4,595,058	1,330,945
Investments (note 5)	8,003,513	11,250,259
Debt charges recoverable (note 6)	2,394,533	2,501,730
	19,753,928	16,217,547
<b>Liabilities</b>		
Authorized overdraft (note 7)	168,763	901,282
Accounts payable and accrued liabilities	433,682	386,381
Employee benefit obligations (note 8)	772,259	796,883
Deferred revenue (note 10)	4,157,404	183,863
Long-term debt (note 11)	6,351,174	6,862,308
	11,883,282	9,130,717
<b>Net financial assets</b>	7,870,646	7,086,830
<b>Non-financial assets</b>		
Prepaid expenses	133,703	122,380
Inventory for consumption	2,170,552	2,212,418
Tangible capital assets (schedule 2)	55,183,001	52,055,092
	57,487,256	54,389,890
<b>Accumulated surplus</b> (note 12)	\$ 65,357,902	\$ 61,476,720

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, 2015

	Budget (Unaudited)	2015	2014
<b>Revenue</b>			
Net municipal property taxes (note 15)	\$ 9,401,010	\$ 10,156,789	\$ 8,919,627
User fees and sales of goods	443,730	461,384	551,359
Government transfers for operating (note 16)	415,140	873,335	648,073
Investment income	404,500	801,332	323,183
Penalties and costs of taxes	58,500	62,447	57,866
Licenses and permits	19,300	16,746	13,250
Gain on disposal of capital assets	96,200	-	10,166
Rental	258,140	402,121	220,224
Other	204,310	127,822	317,026
	<u>11,300,830</u>	<u>12,901,976</u>	<u>11,060,774</u>
<b>Expenses (note 17)</b>			
Legislative	220,860	225,547	193,388
Administration	2,067,146	1,971,311	1,844,675
Police, fire, disaster, ambulance and bylaw enforcement	496,936	528,569	631,240
Roads, streets, walks and lighting	6,741,511	7,473,016	7,298,458
Airport	853,194	848,464	865,728
Storm sewers and drainage	18,910	39,548	18,592
Water supply and distribution	332,140	407,218	315,623
Waste management	357,890	352,046	416,826
Family and community support services	114,430	121,094	114,419
Cemeteries and crematoriums	40,500	41,687	39,201
Land use planning, zoning and development	324,000	267,371	226,507
Agricultural and environmental services	641,071	558,899	660,530
Parks and recreation	334,510	401,081	416,610
Culture - libraries, museums, halls	413,360	408,928	402,207
	<u>12,956,458</u>	<u>13,644,779</u>	<u>13,444,004</u>
<b>Deficiency of revenue over expenses before other</b>	<u>(1,655,628)</u>	<u>(742,803)</u>	<u>(2,383,230)</u>
<b>Other</b>			
Government transfers for capital (note 16)	1,520,000	4,623,985	4,321,450
<b>Excess of revenue over expenses</b>	<u>(135,628)</u>	<u>3,881,182</u>	<u>1,938,220</u>
<b>Accumulated surplus, beginning of year</b>	<u>61,476,720</u>	<u>61,476,720</u>	<u>59,538,500</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 61,341,092</u>	<u>\$ 65,357,902</u>	<u>\$ 61,476,720</u>

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
For the year ended December 31, 2015

	Budget (Unaudited)	2015	2014
<b>Excess of revenue over expenses</b>	\$ (135,628)	\$ 3,881,182	\$ 1,938,220
Acquisition of tangible capital assets	(5,461,370)	(6,504,288)	(4,553,672)
Amortization of tangible capital assets	3,165,618	3,165,618	2,888,785
Loss (gain) on disposal of tangible capital assets	(96,200)	76,233	(10,166)
Proceeds on disposal of tangible capital assets	96,200	134,530	10,166
	(2,295,752)	(3,127,907)	(1,664,887)
Net change in inventory for consumption	-	41,864	(343,177)
Net change in prepaid expense	-	(11,323)	(55,813)
	-	30,541	(398,990)
<b>Increase in net financial assets</b>	(2,431,380)	783,816	(125,657)
<b>Net financial assets, beginning of year</b>	7,086,830	7,086,830	7,212,487
<b>Net financial assets, end of year</b>	\$ 4,655,450	\$ 7,870,646	\$ 7,086,830

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
For the year ended December 31, 2015

	2015	2014
<b>Operating transactions</b>		
Excess of revenue over expenses	\$ 3,881,182	\$ 1,938,220
Adjustments for items which do not affect cash		
Loss (gain) on disposal of tangible capital assets	76,233	(10,166)
Amortization of tangible capital assets	3,165,618	2,888,785
	7,123,033	4,816,839
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(264)	(5,393)
Trade and other receivables	(3,264,113)	742,626
Investments	3,246,746	(83,325)
Debt charges recoverable	107,197	104,111
Inventory for consumption	41,864	(343,177)
Prepaid expenses	(11,323)	(55,813)
Accounts payable and accrued liabilities	47,301	(2,408,531)
Employee benefit obligations	(24,624)	97,383
Deferred revenue	3,973,541	(876,985)
Cash provided by operating transactions	11,239,358	1,987,735
<b>Capital transactions</b>		
Proceeds on disposal of tangible capital assets	134,530	10,166
Acquisition of tangible capital assets	(6,504,288)	(4,553,672)
Cash applied to capital transactions	(6,369,758)	(4,543,506)
<b>Financing transactions</b>		
Proceeds of long-term debt	-	1,400,000
Repayment of long-term debt	(511,134)	(641,305)
Cash applied to financing transactions	(511,134)	758,695
<b>Increase (decrease) in cash and temporary investments</b>	4,358,466	(1,797,076)
<b>Cash and temporary investments, beginning of year</b>	(70,876)	1,726,200
<b>Cash and temporary investments, end of year</b>	\$ 4,287,590	\$ (70,876)
<b>Cash and temporary investments consists of:</b>		
Cash	\$ 4,456,353	\$ 830,406
Authorized overdraft	(168,763)	(901,282)
	\$ 4,287,590	\$ (70,876)



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**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

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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 government established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Municipal District 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 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. 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, 2015

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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.

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**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

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**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 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.

(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 the asset is 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.

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

**1. Significant accounting policies, continued**

(l) Non-financial assets, continued

(v) Cultural and historical tangible capital assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

**2. Cash and temporary investments**

	2015	2014
Temporary investments	\$ 4,456,353	\$ 830,406

Temporary investments consist of premium and regular Canadian T-Bill funds with maturities of twelve months or less.

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

	2015	2014
Taxes and grants in place of taxes receivable	\$ 216,674	\$ 218,511
Arrears	87,797	85,696
	\$ 304,471	\$ 304,207

**4. Trade and other receivables**

	2015	2014
Provincial grants receivable	\$ 4,401,713	\$ 1,044,070
Goods and Services Tax (GST)	111,797	114,493
Trade receivables	81,548	148,637
Other receivables	-	23,745
	\$ 4,595,058	\$ 1,330,945

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

**5. Investments**

	2015		2014	
	Cost	Market value	Cost	Market value
Bonds	\$ 8,000,173	\$ 7,870,342	\$ 11,246,919	\$ 11,556,937
Other	3,340	3,340	3,340	3,340
	<u>\$ 8,003,513</u>	<u>\$ 7,873,682</u>	<u>\$ 11,250,259</u>	<u>\$ 11,560,277</u>

The bond portfolio has an effective interest rate of 6.0% (2014 - 4.0%) with maturity dates from 2019 to 2107.

The other long-term investments are recorded at cost. These instruments are not traded in an organized financial market.

**6. Debt charges recoverable**

	2015	2014
Current debt charges recoverable	\$ 107,197	\$ 104,111
Non-current debt charges recoverable	2,287,314	2,397,619
	<u>\$ 2,394,533</u>	<u>\$ 2,501,730</u>

The Municipal District has undertaken a joint landfill road development project with the Crowsnest/Pincher Creek Landfill Association. The MD assumed long-term financing totaling \$3,607,273 in 2012; however, \$2,706,955 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
2016	\$ 110,374	\$ 69,641	\$ 180,015
2017	113,645	66,370	180,015
2018	117,013	63,002	180,015
2019	120,840	59,535	180,375
2020	120,480	55,967	176,447
Thereafter	1,812,181	351,206	2,163,387
	<u>\$ 2,394,533</u>	<u>\$ 665,721</u>	<u>\$ 3,060,254</u>

**7. Authorized overdraft**

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

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

**8. Employee benefit obligations**

	2015	2014
Vacation and time in lieu	\$ 93,624	\$ 224,896
Sick time	678,635	571,987
	<b>\$ 772,259</b>	<b>\$ 796,883</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.

**9. Contaminated sites liability**

On January 1, 2015, the Municipal District adopted PS3260 liability for contaminated sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the Municipal District.

**10. Deferred revenue**

	2015	2014
Municipal Sustainability Initiative	\$ 2,448,746	\$ 13,307
Regional water study	1,629,084	14
Prepaid property taxes	44,083	42,820
Bridge grants	35,491	105,542
Federal Gas Tax Fund	-	19,928
NAV Canada	-	2,252
	<b>\$ 4,157,404</b>	<b>\$ 183,863</b>

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

**11. Long-term debt**

	2015	2014
Tax supported debentures	\$ 5,343,174	\$ 5,728,308
Village of Cowley	1,008,000	1,134,000
	<b>\$ 6,351,174</b>	<b>\$ 6,862,308</b>
Current portion	\$ 523,565	\$ 511,134

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2016	\$ 523,565	\$ 188,066	\$ 711,631
2017	536,402	171,523	707,925
2018	549,655	154,563	704,218
2019	563,340	137,171	700,511
2020	361,791	126,677	488,468
Thereafter	3,816,421	1,362,238	5,178,659
	<b>\$ 6,351,174</b>	<b>\$ 2,140,238</b>	<b>\$ 8,491,412</b>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest from 2.94% to 3.49% per annum with maturity dates ranging from 2019 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 \$204,205 (2014 - \$219,952). The Municipal District's cash payments for interest in 2015 was \$204,205 (2014 - \$219,952).

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

**12. Accumulated surplus**

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

	2015	2014
Unrestricted surplus	\$ 1,654,366	\$ 886,913
Internally restricted surplus (reserves) (note 13)	12,477,176	12,895,293
Equity in tangible capital assets (note 14)	51,226,360	47,694,514
	<b>\$ 65,357,902</b>	<b>\$ 61,476,720</b>

**13. 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.

	2015	2014
<b>Operating</b>		
Mill rate stabilization	\$ 1,234,930	\$ 1,291,294
Interim operating funds	803,936	803,936
Gravel reclamation	361,289	400,749
Next year completions	193,448	334,112
Emergency services	30,000	30,000
Recycle committee	29,836	29,536
	<b>2,653,439</b>	<b>2,889,627</b>
<b>Capital</b>		
Road construction	3,091,442	3,991,252
Culture	1,425,000	1,275,000
Public works	1,336,061	1,638,235
Bridges	780,000	-
Regional water system	641,169	541,567
Lundbreck water/sewer system	512,157	525,064
Emergency services	478,163	540,689
Dams	438,324	413,324
Airport	340,260	340,260
Agricultural and environmental services	239,242	250,438
Recreation facilities	238,533	153,898
Administration	231,998	273,551
Recycling equipment	71,388	62,388
	<b>9,823,737</b>	<b>10,005,666</b>
	<b>\$ 12,477,176</b>	<b>\$ 12,895,293</b>



**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

**14. Equity in tangible capital assets**

	2015	2014
Tangible capital assets (schedule 2)	\$ 201,952,248	\$ 196,240,454
Accumulated amortization (schedule 2)	(146,769,247)	(144,185,362)
Long-term debt (note 11)	(6,351,174)	(6,862,308)
Debt charges recoverable (note 6)	2,394,533	2,501,730
	<b>\$ 51,226,360</b>	<b>\$ 47,694,514</b>

**15. Net municipal property taxes**

	Budget (Unaudited)	2015	2014
<b>Taxation</b>			
Real property taxes	\$ 9,365,610	\$ 9,841,555	\$ 8,911,409
Linear property taxes	2,964,560	3,203,926	2,850,527
	<b>12,330,170</b>	<b>13,045,481</b>	<b>11,761,936</b>
<b>Requisitions</b>			
Alberta School Foundation Fund - basic levy	2,484,060	2,454,078	2,411,714
Alberta School Foundation Fund - opted out jurisdiction	108,830	105,620	104,122
Pincher Creek Foundation	336,270	328,994	326,473
	<b>2,929,160</b>	<b>2,888,692</b>	<b>2,842,309</b>
	<b>\$ 9,401,010</b>	<b>\$ 10,156,789</b>	<b>\$ 8,919,627</b>

**16. Government transfers**

	Budget (Unaudited)	2015	2014
<b>Transfers for operating:</b>			
Provincial government	\$ 277,370	\$ 735,550	\$ 518,833
Local government	137,770	137,785	129,240
	<b>415,140</b>	<b>873,335</b>	<b>648,073</b>
<b>Transfers for capital</b>			
Provincial government	1,520,000	4,623,985	4,321,450
	<b>\$ 1,935,140</b>	<b>\$ 5,497,320</b>	<b>\$ 4,969,523</b>

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

**17. Expenditures by object**

	Budget (Unaudited)	2015	2014
Salaries, wages and benefits	\$ 4,145,980	\$ 3,862,204	\$ 3,802,958
Contracted and general services	2,980,490	3,847,074	4,031,823
Materials, goods, supplies and utilities	1,462,530	1,548,437	1,278,871
Bank charges and short term interest	43,430	29,473	13,190
Interest on long-term debt	204,210	204,205	219,952
Other expenditures	24,750	60,465	49,117
Transfers to organizations and others	929,450	927,303	1,159,308
Amortization of tangible capital assets	3,165,618	3,165,618	2,888,785
	<b>\$ 12,956,458</b>	<b>\$ 13,644,779</b>	<b>\$ 13,444,004</b>

**18. Contingency**

The Municipal District of Pincher Creek No. 9 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.

**19. 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:

	2015	2014
Total debt limit	\$ 19,352,964	\$ 16,353,514
Total debt	6,351,174	6,862,308
	<b>\$ 13,001,790</b>	<b>\$ 9,491,206</b>
Debt servicing limit	\$ 3,225,494	\$ 2,725,586
Debt servicing	711,631	715,359
	<b>\$ 2,513,863</b>	<b>\$ 2,010,227</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.

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

**20. Local Authorities Pension Plan**

Employees of the Municipal District 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 237,612 people and 423 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP fund.

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

The Municipal District is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Municipal District to the LAPP in 2015 were \$282,298 (2014 - \$256,381). Total current service contributions by the employees of the Municipal District to the LAPP in 2015 were \$259,990 (2014 - \$236,045).

At December 31, 2014, the LAPP disclosed an actuarial deficiency of \$2.4 billion.

**21. 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)	(2)		
	Salary	Benefits & allowances	2015	2014
Council				
Hammond, Brian	\$ 38,900	\$ 1,644	\$ 40,544	\$ 39,987
Marchuk, Garry	37,000	462	37,462	35,775
McNab, Grant	7,450	-	7,450	6,173
Schoening, Fred	26,000	448	26,448	22,868
Stevick, Quentin	10,275	504	10,779	-
Yagos, Terry	31,750	690	32,440	31,354
Chief administrative officer	155,786	1,763	157,549	150,330
Designated officer	92,838	2,857	95,695	93,405

(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.

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**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2015

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**22. Financial instruments**

The Municipal District of Pincher Creek No. 9's financial instruments consist of cash and temporary investments, accounts receivable, investments, 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 of Pincher Creek No. 9 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.

**23. 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).

**24. Budget amounts**

The 2015 budget for the Municipal District was approved by Council on December 8, 2014 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements. In addition, the approved budget did not contain an amount for amortization expense. In order to enhance comparability, the actual amortization expense has been included as a budget amount.

Budgeted deficit per financial statements	\$ (135,628)
Less: Capital expenditures	(5,461,370)
Long-term debt repayments	(519,890)
Transfers to operating reserves	(1,302,110)
Add: Amortization	3,165,618
Transfers from capital reserves	4,253,390
<u>Equals: Budgeted surplus</u>	<u>\$ 10</u>

**25. 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, 2015

	Schedule of changes in accumulated surplus			Schedule 1	
	Unrestricted	Restricted	Equity in tangible capital assets	2015	2014
Balance, beginning of year	\$ 886,913	\$ 12,895,293	\$ 47,694,514	\$ 61,476,720	\$ 59,538,500
Excess of revenue over expenses	3,881,182	-	-	3,881,182	1,938,220
Unrestricted funds designated for future use	(1,285,186)	1,285,186	-	-	-
Restricted funds used for operations	(236,187)	236,187	-	-	-
Restricted funds used for tangible capital assets	-	(1,939,490)	1,939,490	-	-
Current year funds used for tangible capital assets	(4,564,800)	-	4,564,800	-	-
Disposal of tangible capital assets	210,763	-	(210,763)	-	-
Amortization of tangible capital assets	3,165,618	-	(3,165,618)	-	-
Long term debt repaid	(511,134)	-	511,134	-	-
Debt charges recoverable	107,197	-	(107,197)	-	-
Change in accumulated surplus	767,453	(418,117)	3,531,846	3,881,182	1,938,220
<b>Balance, end of year</b>	<b>\$ 1,654,366</b>	<b>\$ 12,477,176</b>	<b>\$ 51,226,360</b>	<b>\$ 65,357,902</b>	<b>\$ 61,476,720</b>

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

**Schedule of tangible capital assets**

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2015	2014
<b>Cost:</b>									
Balance, beginning of year \$	3,249,136	\$ 60,768	\$ 7,705,713	\$ 173,783,134	\$ 8,972,439	\$ 2,249,421	\$ 219,842	\$ 196,240,454	\$ 191,720,388
Acquisitions	-	-	-	4,378,869	720,948	457,157	947,315	6,504,289	4,553,672
Construction-in-progress	(14,400)	-	-	726,094	-	-	(711,694)	-	-
Disposals	(122,874)	-	(10,487)	(4,000)	(357,854)	(233,610)	(63,670)	(792,495)	(33,606)
<b>Balance, end of year</b>	<b>3,111,862</b>	<b>60,768</b>	<b>7,695,226</b>	<b>178,884,097</b>	<b>9,335,533</b>	<b>2,472,968</b>	<b>391,793</b>	<b>201,952,248</b>	<b>196,240,454</b>
<b>Accumulated amortization:</b>									
Balance, beginning of year	-	48,903	1,060,546	136,683,498	4,878,294	1,514,121	-	144,185,362	141,330,183
Annual amortization	-	1,519	160,804	2,182,683	682,122	138,488	-	3,165,616	2,888,785
Disposals	-	-	(5,649)	(1,698)	(353,925)	(220,459)	-	(581,731)	(33,606)
<b>Balance, end of year</b>	<b>-</b>	<b>50,422</b>	<b>1,215,701</b>	<b>138,864,483</b>	<b>5,206,491</b>	<b>1,432,150</b>	<b>-</b>	<b>146,769,247</b>	<b>144,185,362</b>
<b>Net book value</b>	<b>\$ 3,111,862</b>	<b>\$ 10,346</b>	<b>\$ 6,479,525</b>	<b>\$ 40,019,614</b>	<b>\$ 4,129,042</b>	<b>\$ 1,040,818</b>	<b>\$ 391,793</b>	<b>\$ 55,183,001</b>	<b>\$ 52,055,092</b>

**2014 net book value** \$ 3,249,136 \$ 11,866 \$ 6,645,167 \$ 37,099,636 \$ 4,094,146 \$ 735,300 \$ 219,842 \$ 52,055,092

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

**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	\$ 10,156,789	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,156,789
User fees and sales of goods	17,688	33,774	167,897	199,602	-	42,423	-	461,384
Government transfers for operating	-	-	451,506	-	95,685	188,359	137,785	873,335
Investment income	801,332	-	-	-	-	-	-	801,332
Penalties and costs of taxes	62,447	-	-	-	-	-	-	62,447
Licenses and permits	-	-	-	-	-	16,746	-	16,746
Rental	21,144	-	380,007	-	-	970	-	402,121
Other	(12,406)	-	85,449	-	-	25,076	29,703	127,822
	11,046,994	33,774	1,084,859	199,602	95,685	273,574	167,488	12,901,976
<b>Expenses</b>								
Salaries, wages and benefits	1,281,888	11,124	2,094,578	-	-	474,614	-	3,862,204
Contracted and general services	500,091	470,527	2,045,739	623,124	-	161,681	45,912	3,847,074
Materials, goods, supplies and utilities	157,149	926	1,234,614	32,402	-	123,346	-	1,548,437
Bank charges and short term interest	29,473	-	-	-	-	-	-	29,473
Interest on long term debt	-	-	118,713	85,492	-	-	-	204,205
Other expenditures	7,209	3,046	2,650	18,246	-	55	29,259	60,465
Transfers to organizations and others	-	-	-	-	162,781	29,683	734,838	927,303
Amortization of tangible capital assets	221,047	42,946	2,864,735	-	-	36,891	-	3,165,618
	2,196,857	528,569	8,361,029	759,264	162,781	826,270	810,009	13,644,779
<b>Deficiency of revenue over expenses before other</b>	8,850,137	(494,795)	(7,276,170)	(559,662)	(67,096)	(552,696)	(642,521)	(742,803)
<b>Other</b>								
Government transfers for capital	-	107,214	4,382,574	134,197	-	-	-	4,623,985
<b>Excess of revenue over expenses</b>	\$ 8,850,137	\$ (387,581)	\$ (2,893,596)	\$ (425,465)	\$ (67,096)	\$ (552,696)	\$ (642,521)	\$ 3,881,182