

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9

Consolidated Financial Statements

For the year ended December 31, 2016

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
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CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S 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, 2016, 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, 2016 and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

April 11, 2017

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

Chartered Professional Accountants

MANAGEMENT REPORT

The consolidated financial statements are the responsibility of the management of the 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 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.

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. Avail 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, 2016

	2016	2015
Financial assets		
Cash and temporary investments (note 2)	\$ 9,303,333	\$ 4,456,353
Taxes and grants in place of taxes receivable (note 3)	388,691	304,471
Trade and other receivables (note 4)	834,748	4,595,058
Investments (note 5)	8,405,716	8,003,513
Debt charges recoverable (note 6)	2,284,160	2,394,533
	21,216,648	19,753,928
Liabilities		
Authorized overdraft (note 7)	-	168,763
Accounts payable and accrued liabilities	502,563	433,680
Employee benefit obligations (note 8)	733,001	772,259
Deferred revenue (note 9)	5,779,239	4,157,404
Long-term debt (note 10)	5,827,609	6,351,174
	12,842,412	11,883,280
Net financial assets	8,374,236	7,870,648
Non-financial assets		
Prepaid expenses	154,246	133,703
Inventory for consumption	2,203,083	2,170,552
Tangible capital assets (schedule 2)	53,850,492	55,183,000
	56,207,821	57,487,255
Accumulated surplus (note 11)	\$ 64,582,057	\$ 65,357,903

Contingency (note 17)

Approved on behalf of Council:


 Councillor


 Councillor

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2016

	Budget (Unaudited)	2016	2015
Revenue			
Net municipal property taxes (note 14)	\$ 10,650,240	\$ 10,653,447	\$ 10,156,789
User fees and sales of goods	454,510	413,319	461,384
Government transfers for operating (note 15)	467,550	535,052	873,335
Investment income	264,500	156,957	801,332
Penalties and costs of taxes	58,500	82,704	62,447
Licenses and permits	14,300	44,144	16,746
Gain on disposal of capital assets	91,000	475	-
Rental	261,770	337,952	402,121
Other	89,190	184,997	140,385
	<u>12,351,560</u>	<u>12,409,047</u>	<u>12,914,539</u>
Expenses (note 16)			
Legislative	228,110	218,295	225,547
Administration	2,275,997	2,157,223	1,983,874
Police, fire, disaster, ambulance and bylaw enforcement	555,513	1,013,814	528,569
Roads, streets, walks and lighting	7,109,800	6,858,423	7,473,016
Airport	876,794	849,569	848,464
Storm sewers and drainage	18,780	9,010	39,548
Water supply and distribution	358,560	507,083	407,218
Waste management	357,890	342,538	352,046
Family and community support services	122,770	136,672	121,094
Cemeteries and crematoriums	49,150	43,940	41,687
Land use planning, zoning and development	305,490	255,094	267,371
Agricultural and environmental services	640,561	539,923	558,899
Parks and recreation	334,940	374,181	401,081
Culture - libraries, museums, halls	412,490	407,374	408,928
	<u>13,646,845</u>	<u>13,713,139</u>	<u>13,657,342</u>
Deficiency of revenue over expenses before other	<u>(1,295,285)</u>	<u>(1,304,092)</u>	<u>(742,803)</u>
Other			
Government transfers for capital (note 15)	1,770,000	528,246	4,623,985
Excess (deficiency) of revenue over expenses	474,715	(775,846)	3,881,182
Accumulated surplus, beginning of year	65,357,903	65,357,903	61,476,721
Accumulated surplus, end of year	<u>\$ 65,832,618</u>	<u>\$ 64,582,057</u>	<u>\$ 65,357,903</u>

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2016

	Budget (Unaudited)	2016	2015
Excess (deficiency) of revenue over expenses	\$ 474,715	\$ (775,846)	\$ 3,881,182
Acquisition of tangible capital assets	(3,685,450)	(2,590,460)	(6,504,289)
Amortization of tangible capital assets	3,194,196	3,194,196	3,165,618
Loss on disposal of tangible capital assets	-	572,618	76,232
Proceeds on disposal of tangible capital assets	91,000	156,155	134,530
	(400,254)	1,332,509	(3,127,909)
Net change in inventory for consumption	-	(32,532)	41,867
Net change in prepaid expense	-	(20,543)	(11,323)
	-	(53,075)	30,544
Increase in net financial assets	74,461	503,588	783,817
Net financial assets, beginning of year	7,870,648	7,870,648	7,086,831
Net financial assets, end of year	\$ 7,945,109	\$ 8,374,236	\$ 7,870,648

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2016

	2016	2015
Operating transactions		
Excess (deficiency) of revenue over expenses	\$ (775,846)	\$ 3,881,182
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	572,618	76,232
Amortization of tangible capital assets	3,194,196	3,165,618
	2,990,968	7,123,032
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(84,220)	(264)
Trade and other receivables	3,760,310	(3,264,112)
Investments	(402,203)	3,246,746
Debt charges recoverable	110,373	107,197
Inventory for consumption	(32,532)	41,867
Prepaid expenses	(20,543)	(11,323)
Accounts payable and accrued liabilities	68,883	47,299
Employee benefit obligations	(39,258)	(24,624)
Deferred revenue	1,621,835	3,973,541
Cash provided by operating transactions	7,973,613	11,239,359
Capital transactions		
Proceeds on disposal of tangible capital assets	156,155	134,530
Acquisition of tangible capital assets	(2,590,460)	(6,504,289)
Cash applied to capital transactions	(2,434,305)	(6,369,759)
Financing transactions		
Repayment of long-term debt	(523,565)	(511,134)
Increase in cash and temporary investments	5,015,743	4,358,466
Cash and temporary investments, beginning of year	4,287,590	(70,876)
Cash and temporary investments, end of year	\$ 9,303,333	\$ 4,287,590
Cash and temporary investments consists of:		
Cash	\$ 682,838	\$ -
Temporary investments	8,620,495	4,456,353
Authorized overdraft	-	(168,763)
	\$ 9,303,333	\$ 4,287,590

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

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 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. 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.

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

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, 2016

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, 2016

1. Significant accounting policies, 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

	2016	2015
Temporary investments	\$ 8,620,495	\$ 4,456,353
Cash	682,838	-
	\$ 9,303,333	\$ 4,456,353

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

	2016	2015
Taxes and grants in place of taxes receivable	\$ 297,089	\$ 216,674
Arrears	91,602	87,797
	\$ 388,691	\$ 304,471

4. Trade and other receivables

	2016	2015
Provincial grants	\$ 696,183	\$ 4,401,712
Trade receivables	81,252	81,549
Goods and Services Tax (GST)	57,313	111,797
	\$ 834,748	\$ 4,595,058

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

5. Investments

	2016		2015	
	Cost	Market value	Cost	Market value
Bonds	\$ 8,402,376	\$ 8,332,504	\$ 8,000,173	\$ 7,870,342
Other	3,340	3,340	3,340	3,340
	<u>\$ 8,405,716</u>	<u>\$ 8,335,844</u>	<u>\$ 8,003,513</u>	<u>\$ 7,873,682</u>

The bond portfolio has an effective interest rate of 5.4% (2015 - 6.0%) with maturity dates from 2019 to 2108.

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

6. Debt charges recoverable

	2016	2015
Current debt charges recoverable	\$ 110,374	\$ 107,197
Non-current debt charges recoverable	2,173,786	2,287,336
	<u>\$ 2,284,160</u>	<u>\$ 2,394,533</u>

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, \$2,706,955 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
2017	\$ 110,374	\$ 69,641	\$ 180,015
2018	113,645	66,371	180,016
2019	117,013	63,002	180,015
2020	120,480	59,535	180,015
2021	124,048	55,967	180,015
Thereafter	1,698,600	281,565	1,980,165
	<u>\$ 2,284,160</u>	<u>\$ 596,081</u>	<u>\$ 2,880,241</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, 2016

8. Employee benefit obligations

	2016	2015
Vacation and time in lieu	\$ 40,010	\$ 93,624
Sick time	692,991	678,635
	\$ 733,001	\$ 772,259

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. Deferred revenue

	2016	2015
Municipal Sustainability Initiative	\$ 3,822,632	\$ 2,448,746
Regional water study	1,594,790	1,629,084
Water for life	321,368	-
Prepaid property taxes	40,449	44,083
Bridge grants	-	35,491
	\$ 5,779,239	\$ 4,157,404

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

10. Long-term debt

	2016	2015
Tax supported debentures	\$ 4,945,609	\$ 5,343,174
Village of Cowley	882,000	1,008,000
	\$ 5,827,609	\$ 6,351,174

Principal and interest repayments are due as follows:

	Principal	Interest	Total
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
2021	368,779	115,982	484,761
Thereafter	3,447,642	1,181,586	4,629,228
	\$ 5,827,609	\$ 1,887,502	\$ 7,715,111

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 \$188,066 (2015 - \$204,205). The Municipal District's cash payments for interest in 2016 was \$188,066 (2015 - \$204,205).

11. Accumulated surplus

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

	2016	2015
Unrestricted surplus	\$ 2,193,092	\$ 409,826
Internally restricted surplus (reserves) (note 12)	12,081,922	13,721,718
Equity in tangible capital assets (note 13)	50,307,043	51,226,359
	\$ 64,582,057	\$ 65,357,903

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

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.

	2016	2015
General		
Mill rate stabilization	\$ 1,144,582	\$ 1,234,930
Allocated		
Airport	329,771	340,260
Bridge repair and replacement	748,135	780,000
Cultural facilities	1,500,000	1,425,000
Dams (water storage)	463,324	438,324
Emergency services operating	30,000	30,000
Gravel pit stripping/reclamation	504,000	361,289
Interim operating funds	803,936	803,936
Lundbreck water/sewer infrastructure	515,297	512,157
M.D. equipment	2,094,472	3,319,337
M.D. recycle equipment	80,388	71,388
Next year completions	337,837	433,953
Recreation facilities	349,063	238,533
Regional water infrastructure	655,141	641,169
Road construction	2,525,976	3,091,442
	10,937,340	12,486,788
	\$ 12,081,922	\$ 13,721,718

13. Equity in tangible capital assets

	2016	2015
Tangible capital assets (schedule 2)	\$ 202,696,549	\$ 201,952,248
Accumulated amortization (schedule 2)	(148,846,057)	(146,769,248)
Long-term debt (note 10)	(5,827,609)	(6,351,174)
Debt charges recoverable (note 6)	2,284,160	2,394,533
	\$ 50,307,043	\$ 51,226,359

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

14. Net municipal property taxes

	Budget (Unaudited)	2016	2015
Taxation			
Real property taxes	\$ 10,248,790	\$ 10,456,033	\$ 9,841,555
Linear property taxes	3,330,040	3,253,265	3,203,926
	13,578,830	13,709,298	13,045,481
Requisitions			
Alberta School Foundation Fund - basic levy	2,484,070	2,614,769	2,454,078
Alberta School Foundation Fund - opted out jurisdiction	105,660	110,104	105,620
Pincher Creek Foundation	338,860	330,978	328,994
	2,928,590	3,055,851	2,888,692
	\$ 10,650,240	\$ 10,653,447	\$ 10,156,789

15. Government transfers

	Budget (Unaudited)	2016	2015
Transfers for operating:			
Provincial government	\$ 334,050	\$ 402,337	\$ 735,550
Local government	133,500	132,715	137,785
	467,550	535,052	873,335
Transfers for capital:			
Provincial government	1,770,000	528,246	4,623,985
	\$ 2,237,550	\$ 1,063,298	\$ 5,497,320

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

16. Expenses by object

	Budget (Unaudited)	2016	2015
Salaries, wages, and benefits	\$ 4,354,309	\$ 4,246,425	\$ 3,862,203
Contracted and general services	3,310,670	3,152,546	3,847,074
Materials, goods, supplies and utilities	1,582,960	1,357,171	1,548,437
Interest on long term debt	188,090	188,066	204,205
Bank charges and short term interest	13,910	14,462	29,473
Other expenditures	44,250	36,723	60,465
Transfers to organizations and others	958,460	950,931	927,303
Amortization of tangible capital assets	3,194,196	3,194,196	3,165,618
Assets transferred to Pincher Creek			
Emergency Services Commission	-	426,856	-
Loss on disposal of tangible capital assets	-	145,763	12,564
	\$ 13,646,845	\$ 13,713,139	\$ 13,657,342

17. 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.

18. 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:

	2016	2015
Total debt limit	\$ 18,613,570	\$ 19,371,810
Total debt	5,827,609	6,351,174
	\$ 12,785,961	\$ 13,020,636
Debt servicing limit	\$ 3,102,262	\$ 3,228,635
Debt servicing	707,925	711,631
	\$ 2,394,337	\$ 2,517,004

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, 2016

19. 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 Pensions Plans Act. The plan serves about 244,621 people and 426 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 is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the Municipal District 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 2016 were \$295,829 (2015 - \$282,298). Total current service contributions by the employees of the Municipal District to the LAPP in 2016 were \$272,487 (2015 - \$259,990).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million.

20. Salary and benefits disclosure

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

	(1)	(2)	2016	2015
	Salary	Benefits & allowances		
Council				
Hammond, Brian	\$ 31,000	\$ 559	\$ 31,559	\$ 40,544
Marchuk, Garry	36,350	378	36,728	37,462
McNab, Grant	-	-	-	7,450
Schoening, Fred	27,225	352	27,577	26,448
Stevick, Quentin	31,600	592	32,192	10,779
Yagos, Terry	32,550	630	33,180	32,440
Chief administrative officer	151,533	26,361	177,894	179,119
Designated officer	\$ 95,623	\$ 3,256	\$ 98,879	\$ 95,695

(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.

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

21. Financial instruments

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

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)

23. Budget amounts

The 2016 budget for the Municipal District was approved by Council on December 8, 2015 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified. The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements. In addition, the approved budget did not contain an amount for amortization expense. In order to enhance comparability, the actual amortization expense has been included as a budget amount.

Budgeted surplus per financial statements	\$	474,715
Less: Capital expenditures		(3,685,450)
Long-term debt repayments		(523,570)
Add: Amortization		3,194,195
Transfers from capital reserves		486,940
Transfers from operating reserves		53,180
<hr/>		
Equals: Budgeted surplus	\$	10

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

24. Approval of financial statements

These financial statements were approved by Council and Management.

25. Contaminated sites liability

The Municipal District has adopted PS3260 liability for contaminated sites. The Municipal District did not identify any financial liabilities in 2016 (2015 - nil) as a result of this standard.

26. Comparative figures

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

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

	Schedule of changes in accumulated surplus			Schedule 1	
	Unrestricted	Restricted	Equity in tangible capital assets	2016	2015
Balance, beginning of year	\$ 409,826	\$ 13,721,718	\$ 51,226,359	\$ 65,357,903	\$ 61,476,721
Excess (deficiency) of revenue over expenses	(775,846)	-	-	(775,846)	3,881,182
Unrestricted funds designated for future use	(271,696)	271,696	-	-	-
Restricted funds used for operations	(154,049)	154,049	-	-	-
Restricted funds used for tangible capital assets	-	(2,065,541)	2,065,541	-	-
Current year funds used for tangible capital assets	(524,919)	-	524,919	-	-
Disposal of tangible capital assets	728,772	-	(728,772)	-	-
Amortization of tangible capital assets	3,194,196	-	(3,194,196)	-	-
Long term debt repaid	(523,565)	-	523,565	-	-
Debt charges recoverable	110,373	-	(110,373)	-	-
Change in accumulated surplus	1,783,266	(1,639,796)	(919,316)	(775,846)	3,881,182
Balance, end of year	\$ 2,193,092	\$ 12,081,922	\$ 50,307,043	\$ 64,582,057	\$ 65,357,903

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

Schedule of tangible capital assets

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2016	2015
Cost:									
Balance, beginning of year\$	3,111,862	\$ 60,768	\$ 7,695,226	\$ 178,884,097	\$ 9,335,533	\$ 2,472,968	\$ 391,794	\$ 201,952,248	\$ 196,240,454
Acquisitions	-	-	-	387,347	1,136,031	112,146	954,936	2,590,460	6,504,289
Transfers	-	-	-	380,524	111,605	-	(492,129)	-	-
Disposals	(16,233)	-	(343,314)	-	(1,432,223)	(54,389)	-	(1,846,159)	(792,495)
Balance, end of year	3,095,629	60,768	7,351,912	179,651,968	9,150,946	2,530,725	854,601	202,696,549	201,952,248
Accumulated amortization:									
Balance, beginning of year	-	50,422	1,215,701	138,864,484	5,206,491	1,432,150	-	146,769,248	144,185,362
Annual amortization	-	1,519	153,422	2,172,045	729,755	137,455	-	3,194,196	3,165,616
Disposals	-	-	(164,288)	-	(898,710)	(54,389)	-	(1,117,387)	(581,730)
Balance, end of year	-	51,941	1,204,835	141,036,529	5,037,536	1,515,216	-	148,846,057	146,769,248
Net book value	\$ 3,095,629	\$ 8,827	\$ 6,147,077	\$ 38,615,439	\$ 4,113,410	\$ 1,015,509	\$ 854,601	\$ 53,850,492	\$ 55,183,000
2015 net book value	\$ 3,111,862	\$ 10,346	\$ 6,479,525	\$ 40,019,613	\$ 4,129,042	\$ 1,040,818	\$ 391,794	\$ 55,183,000	

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

Schedule of segmented disclosure	Schedule 3						Total
	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	
Revenue							
Net municipal property taxes	\$ 10,653,447	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,653,447
Government transfers for operating	-	-	90,822	-	106,811	204,704	535,052
User fees and sales of goods	17,068	19,813	108,739	191,977	-	75,722	413,319
Rental	17,010	-	319,262	-	-	1,680	337,952
Other	5,902	-	113,845	-	-	41,749	184,997
Investment income	156,957	-	-	-	-	-	156,957
Penalties and costs of taxes	82,704	-	-	-	-	-	82,704
Licenses and permits	-	-	-	-	-	44,144	44,144
Gain on disposal of capital assets	205	-	270	-	-	-	475
	10,933,293	19,813	632,938	191,977	106,811	367,999	12,409,047
Expenses							
Salaries, wages and benefits	1,336,282	56,900	2,370,434	-	-	482,810	4,246,425
Contracted and general services	514,122	503,284	1,201,956	730,665	-	145,609	3,152,546
Materials, goods, supplies and utilities	180,672	700	1,078,677	20,597	-	76,525	1,357,171
Transfers to organizations and others	-	-	-	-	180,612	47,145	950,931
Other expenditures	4,249	8,761	1,398	20,507	-	337	36,723
Interest on long term debt	-	-	110,214	77,852	-	-	188,066
Bank charges and short term interest	14,462	-	-	-	-	-	14,462
Amortization of tangible capital assets	317,678	17,313	2,816,614	-	-	42,591	3,194,196
Loss on disposal of tangible capital assets	8,054	426,856	137,707	-	-	-	145,763
	2,375,519	1,013,814	7,717,000	849,621	180,612	795,017	13,713,139
Excess (deficiency) of revenue over expenses before other	8,557,774	(994,001)	(7,084,062)	(657,644)	(73,801)	(427,018)	(1,304,092)
Other							
Government transfers for capital	-	534	434,506	93,206	-	-	528,246
Excess (deficiency) of revenue over expenses	\$ 8,557,774	\$ (993,467)	\$ (6,649,556)	\$ (564,438)	\$ (73,801)	\$ (427,018)	\$ (775,846)