

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

**Consolidated Financial Statements**

**For the year ended December 31, 2017**

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

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For the year ended December 31, 2017

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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, 2017, 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, 2017 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 10, 2018

A handwritten signature in black ink that reads "Avail LLP". The signature is written in a cursive, flowing style.

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 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.



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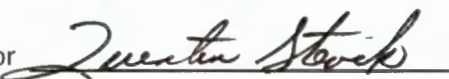
Chief Administrative Officer

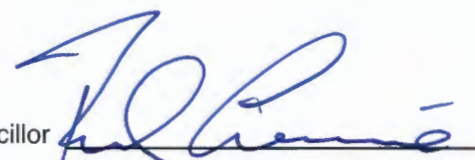
**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2017

	2017	2016
<b>Financial assets</b>		
Cash and temporary investments (note 2)	\$ 10,341,396	\$ 9,303,333
Taxes and grants in place of taxes receivable (note 3)	477,216	388,691
Trade and other receivables (note 4)	780,195	834,748
Investments (note 5)	8,489,996	8,405,716
Debt charges recoverable (note 6)	2,173,786	2,284,160
	22,262,589	21,216,648
<b>Liabilities</b>		
Accounts payable and accrued liabilities	851,707	502,563
Employee benefit obligations (note 8)	732,432	733,001
Deferred revenue (note 9)	6,984,431	5,779,239
Long-term debt (note 10)	5,291,207	5,827,609
	13,859,777	12,842,412
<b>Net financial assets</b>	8,402,812	8,374,236
<b>Non-financial assets</b>		
Prepaid expenses	135,900	154,246
Inventory for consumption	2,449,915	2,203,083
Tangible capital assets (schedule 2)	53,510,760	53,850,492
	56,096,575	56,207,821
<b>Accumulated surplus</b> (note 11 and schedule 1)	\$ 64,499,387	\$ 64,582,057

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, 2017

	Budget (Unaudited)	2017	2016
<b>Revenue</b>			
Net municipal property taxes (note 14)	\$ 10,970,310	\$ 10,808,268	\$ 10,653,447
User fees and sales of goods	464,620	512,432	413,319
Government transfers for operating (note 15)	439,910	666,954	535,052
Investment income	264,500	310,198	156,957
Penalties and costs of taxes	76,000	92,114	82,704
Licenses and permits	62,750	103,484	44,144
Gain on disposal of capital assets	41,000	62,849	475
Rental	242,370	317,491	337,952
Other	95,670	316,849	184,997
	12,657,130	13,190,639	12,409,047
<b>Expenses (note 16)</b>			
Legislative	239,250	251,039	218,295
Administration	2,238,503	2,265,577	2,157,223
Police, fire, disaster, ambulance and bylaw enforcement	580,050	724,319	1,013,814
Roads, streets, walks and lighting	7,447,291	7,398,221	6,858,423
Airport	852,684	838,027	849,569
Storm sewers and drainage	14,580	6,474	9,010
Water supply and distribution	361,570	447,341	507,083
Waste management	357,600	350,747	342,538
Family and community support services	133,510	133,514	136,672
Cemeteries and crematoriums	48,950	48,950	43,940
Land use planning, zoning and development	316,970	282,153	255,094
Agricultural and environmental services	605,786	588,458	539,923
Parks and recreation	346,500	398,784	374,181
Culture - libraries, museums, halls	371,640	1,664,939	407,374
	13,914,884	15,398,543	13,713,139
<b>Deficiency of revenue over expenses before other</b>	<b>(1,257,754)</b>	<b>(2,207,904)</b>	<b>(1,304,092)</b>
<b>Other</b>			
Government transfers for capital (note 15)	1,490,000	2,125,234	528,246
<b>Excess (deficiency) of revenue over expenses</b>	<b>232,246</b>	<b>(82,670)</b>	<b>(775,846)</b>
<b>Accumulated surplus, beginning of year</b>	<b>64,582,057</b>	<b>64,582,057</b>	<b>65,357,903</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 64,814,303</b>	<b>\$ 64,499,387</b>	<b>\$ 64,582,057</b>

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
For the year ended December 31, 2017

	Budget (Unaudited)	2017	2016
<b>Excess (deficiency) of revenue over expenses</b>	\$ 232,246	\$ (82,670)	\$ (775,846)
Acquisition of tangible capital assets	(2,883,930)	(3,081,157)	(2,590,460)
Amortization of tangible capital assets	3,296,854	3,296,854	3,194,196
Loss on disposal of tangible capital assets	-	104,762	572,618
Proceeds on disposal of tangible capital assets	91,000	19,273	156,155
	503,924	339,732	1,332,509
Net change in inventory for consumption	-	(246,832)	(32,532)
Net change in prepaid expense	-	18,346	(20,543)
	-	(228,486)	(53,075)
<b>Increase in net financial assets</b>	736,170	28,576	503,588
<b>Net financial assets, beginning of year</b>	8,374,236	8,374,236	7,870,648
<b>Net financial assets, end of year</b>	\$ 9,110,406	\$ 8,402,812	\$ 8,374,236

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
For the year ended December 31, 2017

	2017	2016
<b>Operating transactions</b>		
Excess (deficiency) of revenue over expenses	\$ (82,670)	\$ (775,846)
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	104,762	572,618
Amortization of tangible capital assets	3,296,854	3,194,196
	3,318,946	2,990,968
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(88,525)	(84,220)
Trade and other receivables	54,552	3,760,310
Investments	(84,280)	(402,203)
Debt charges recoverable	110,374	110,373
Inventory for consumption	(246,832)	(32,532)
Prepaid expenses	18,346	(20,543)
Accounts payable and accrued liabilities	349,144	68,883
Employee benefit obligations	(569)	(39,258)
Deferred revenue	1,205,193	1,621,835
Cash provided by operating transactions	4,636,349	7,973,613
<b>Capital transactions</b>		
Proceeds on disposal of tangible capital assets	19,273	156,155
Acquisition of tangible capital assets	(3,081,157)	(2,590,460)
Cash applied to capital transactions	(3,061,884)	(2,434,305)
<b>Financing transactions</b>		
Repayment of long-term debt	(536,402)	(523,565)
<b>Increase in cash and temporary investments</b>	1,038,063	5,015,743
<b>Cash and temporary investments, beginning of year</b>	9,303,333	4,287,590
<b>Cash and temporary investments, end of year</b>	\$ 10,341,396	\$ 9,303,333



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**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

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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 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.

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**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

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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, 2017**

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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, 2017

**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**

	2017	2016
Savings accounts	\$ 9,890,779	\$ 8,620,495
Operating accounts	450,617	682,838
	<b>\$ 10,341,396</b>	<b>\$ 9,303,333</b>

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

	2017	2016
Taxes and grants in place of taxes receivable	\$ 264,063	\$ 297,089
Arrears	213,153	91,602
	<b>\$ 477,216</b>	<b>\$ 388,691</b>

**4. Trade and other receivables**

	2017	2016
Grants	\$ 596,641	\$ 696,183
Trade receivables	58,156	81,252
Goods and Services Tax (GST)	125,398	57,313
	<b>\$ 780,195</b>	<b>\$ 834,748</b>

**5. Investments**

	2017		2016	
	Cost	Market value	Cost	Market value
Bonds	\$ 8,486,656	\$ 8,310,625	\$ 8,402,376	\$ 8,332,504
Other	3,340	3,340	3,340	3,340
	<b>\$ 8,489,996</b>	<b>\$ 8,313,965</b>	<b>\$ 8,405,716</b>	<b>\$ 8,335,844</b>

The bond portfolio has an effective interest rate of 5.2% (2016 - 5.4%) with maturity dates from 2019 to 2027. The other long-term investments are recorded at cost. These instruments 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, 2017

**6. Debt charges recoverable**

	2017	2016
Current debt charges recoverable	\$ 117,013	\$ 110,374
Non-current debt charges recoverable	2,056,773	2,173,786
	\$ 2,173,786	\$ 2,284,160

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
2018	\$ 117,013	\$ 63,002	\$ 180,015
2019	120,480	59,535	180,015
2020	124,051	55,964	180,015
2021	127,727	52,288	180,015
2022	131,513	48,502	180,015
Thereafter	1,553,002	247,144	1,800,146
	\$ 2,173,786	\$ 526,435	\$ 2,700,221

**7. Authorized overdraft**

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

**8. Employee benefit obligations**

	2017	2016
Vacation and time in lieu	\$ 36,288	\$ 40,010
Sick time	696,144	692,991
	\$ 732,432	\$ 733,001

**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, 2017

**9. Deferred revenue**

	2017	2016
Municipal Sustainability Initiative	\$ 4,765,037	\$ 3,822,632
Regional water intake	1,539,947	1,594,790
Water for life	646,847	321,368
Prepaid property taxes	32,600	40,449
	<b>\$ 6,984,431</b>	<b>\$ 5,779,239</b>

**10. Long-term debt**

	2017	2016
Tax supported debentures	\$ 4,535,207	\$ 4,945,609
Village of Cowley	756,000	882,000
	<b>\$ 5,291,207</b>	<b>\$ 5,827,609</b>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2018	\$ 549,563	\$ 154,563	\$ 704,126
2019	563,340	137,171	700,511
2020	361,791	126,677	488,468
2021	368,779	115,982	484,761
2022	375,974	105,080	481,054
Thereafter	3,071,760	1,028,597	4,100,357
	<b>\$ 5,291,207</b>	<b>\$ 1,668,070</b>	<b>\$ 6,959,277</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 \$171,523 (2016 - \$188,066). The Municipal District's cash payments for interest in 2017 was \$171,523 (2016 - \$188,066).

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**11. Accumulated surplus**

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

	2017	2016
Unrestricted surplus	\$ 776,935	\$ 2,193,092
Internally restricted surplus (reserves) (note 12)	13,329,113	12,081,922
Equity in tangible capital assets (note 13)	50,393,339	50,307,043
	\$ 64,499,387	\$ 64,582,057

**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.

	2017	2016
<b>General</b>		
Mill rate stabilization	\$ 1,302,503	\$ 1,144,582
<b>Allocated</b>		
Airport	329,771	329,771
Bridge repair and replacement	2,735,904	748,135
Cultural facilities	200,000	1,500,000
Dams (water storage)	-	463,324
Emergency management	47,622	-
Emergency services operating	-	30,000
Gravel pit stripping/reclamation	748,077	504,000
Interim operating funds	-	803,936
Lundbreck water/sewer infrastructure	-	515,297
M.D. buildings	200,000	-
M.D. equipment	2,249,608	2,094,472
M.D. recycle equipment	89,388	80,388
Next year completions	369,833	337,837
Regional water infrastructure	-	655,141
Road construction	2,497,014	2,525,976
Town recreation facilities	444,593	349,063
Wastewater infrastructure	815,297	-
Water infrastructure	1,299,503	-
	12,026,610	10,937,340
	\$ 13,329,113	\$ 12,081,922

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**13. Equity in tangible capital assets**

	2017	2016
Tangible capital assets (schedule 2)	\$ 205,606,570	\$ 202,696,549
Accumulated amortization (schedule 2)	(152,095,810)	(148,846,057)
Long-term debt (note 10)	(5,291,207)	(5,827,609)
Debt charges recoverable (note 6)	2,173,786	2,284,160
	<u>\$ 50,393,339</u>	<u>\$ 50,307,043</u>

**14. Net municipal property taxes**

	Budget (Unaudited)	2017	2016
<b>Taxation</b>			
Real property taxes	\$ 10,839,910	\$ 11,775,387	\$ 10,456,033
Linear property taxes	3,391,430	2,021,997	3,253,265
	<u>14,231,340</u>	<u>13,797,384</u>	<u>13,709,298</u>
<b>Requisitions</b>			
Alberta School Foundation Fund - basic levy	2,806,620	2,550,885	2,614,769
Alberta School Foundation Fund - opted out jurisdiction	113,410	108,579	110,104
Pincher Creek Foundation	341,000	329,652	330,978
	<u>3,261,030</u>	<u>2,989,116</u>	<u>3,055,851</u>
	<u>\$ 10,970,310</u>	<u>\$ 10,808,268</u>	<u>\$ 10,653,447</u>

**15. Government transfers**

	Budget (Unaudited)	2017	2016
<b>Transfers for operating:</b>			
Provincial government	\$ 330,170	\$ 557,214	\$ 402,337
Local government	109,740	109,740	132,715
	<u>439,910</u>	<u>666,954</u>	<u>535,052</u>
<b>Transfers for capital:</b>			
Provincial government	1,490,000	2,125,234	528,246
	<u>\$ 1,929,910</u>	<u>\$ 2,792,188</u>	<u>\$ 1,063,298</u>



**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**16. Expenses by object**

	Budget (Unaudited)	2017	2016
Salaries, wages, and benefits	\$ 4,374,550	\$ 4,392,038	\$ 4,246,425
Contracted and general services	3,470,870	3,652,030	3,152,546
Materials, goods, supplies and utilities	1,647,480	1,509,750	1,357,171
Interest on long term debt	171,560	171,523	188,066
Bank charges and short term interest	15,840	7,470	14,462
Other expenditures	30,580	26,845	36,723
Transfers to organizations and others	907,150	2,237,271	950,931
Amortization of tangible capital assets	3,296,854	3,296,854	3,194,196
Assets transferred to Pincher Creek			
Emergency Services Commission	-	-	426,856
Loss on disposal of tangible capital assets	-	104,762	145,763
	<b>\$ 13,914,884</b>	<b>\$ 15,398,543</b>	<b>\$ 13,713,139</b>

**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:

	2017	2016
Total debt limit	\$ 19,785,960	\$ 18,613,571
Total debt	5,291,207	5,827,609
	<b>\$ 14,494,753</b>	<b>\$ 12,785,962</b>
Debt servicing limit	\$ 3,297,660	\$ 3,102,262
Debt servicing	704,126	707,925
	<b>\$ 2,593,534</b>	<b>\$ 2,394,337</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, 2017

**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 253,862 people and 417 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 2017 were \$308,303 (2016 - \$295,829). Total current service contributions by the employees of the Municipal District to the LAPP in 2017 were \$284,128 (2016 - \$272,487).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 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)		
	Salary	Benefits & allowances	2017	2016
Council				
Everts, Bev	\$ 6,025	\$ 72	\$ 6,097	\$ -
Hammond, Brian	33,725	545	34,270	31,559
Lemire, Rick	4,900	33	4,933	-
Marchuk, Garry	28,750	315	29,065	36,728
Schoening, Fred	19,375	224	19,599	27,577
Stevick, Quentin	32,875	402	33,277	32,192
Yagos, Terry	28,350	510	28,860	33,180
Chief administrative officer	161,960	25,764	187,724	177,894
Designated officer	\$ 97,661	\$ 3,056	\$ 100,717	\$ 98,879

(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, 2017

**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 2017 budget for the Municipal District was approved by Council on December 6, 2016 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	\$	232,246
Less:	Capital expenditures		(2,883,930)
	Long-term debt repayments		(536,430)
Add:	Amortization		3,296,854
	Transfers from capital reserves		8,340
	Transfers from operating reserves		(109,580)
	Transfers from trust accounts		(7,500)
<hr/>			
Equals:	Balanced budget	\$	-
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**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

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**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 2017 (2016 - nil) as a result of this standard.

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

Schedule of changes in accumulated surplus	Schedule 1				
	Unrestricted	Restricted	Equity in tangible capital assets	2017	2016
Balance, beginning of year	\$ 2,193,092	\$ 12,081,922	\$ 50,307,043	\$ 64,582,057	\$ 65,357,903
Deficiency of revenue over expenses	(82,670)	-	-	(82,670)	(775,846)
Unrestricted funds designated for future use	(3,484,167)	3,484,167	-	-	-
Restricted funds used for operations	1,486,491	(1,486,491)	-	-	-
Restricted funds used for tangible capital assets	-	(750,485)	750,485	-	-
Current year funds used for tangible capital assets	(2,330,672)	-	2,330,672	-	-
Disposal of tangible capital assets	124,035	-	(124,035)	-	-
Amortization of tangible capital assets	3,296,854	-	(3,296,854)	-	-
Long-term debt repaid	(536,402)	-	536,402	-	-
Debt charges recoverable	110,374	-	(110,374)	-	-
Change in accumulated surplus	(1,416,157)	1,247,191	86,296	(82,670)	(775,846)
<b>Balance, end of year</b>	<b>\$ 776,935</b>	<b>\$ 13,329,113</b>	<b>\$ 50,393,339</b>	<b>\$ 64,499,387</b>	<b>\$ 64,582,057</b>

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**Schedule of tangible capital assets**

**Schedule 2**

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2017	2016
<b>Cost:</b>									
Balance, beginning 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
Acquisitions	-	80,580	425,996	119,242	108,305	260,975	2,086,059	3,081,157	2,590,460
Transfers	-	-	-	857,547	-	-	(857,547)	-	-
Disposals	(124,035)	-	-	(17,000)	-	(30,101)	-	(171,136)	(1,846,159)
<b>Balance, end of year</b>	<b>2,971,594</b>	<b>141,348</b>	<b>7,777,908</b>	<b>180,611,757</b>	<b>9,259,251</b>	<b>2,761,599</b>	<b>2,083,113</b>	<b>205,606,570</b>	<b>202,696,549</b>
<b>Accumulated amortization:</b>									
Balance, beginning of year	-	51,941	1,204,835	141,036,528	5,037,536	1,515,216	-	148,846,057	146,769,248
Annual amortization	-	3,751	155,216	2,230,540	753,045	154,302	-	3,296,854	3,194,196
Disposals	-	-	-	(17,000)	-	(30,101)	-	(47,101)	(1,117,387)
<b>Balance, end of year</b>	<b>-</b>	<b>55,692</b>	<b>1,360,051</b>	<b>143,250,068</b>	<b>5,790,581</b>	<b>1,639,417</b>	<b>-</b>	<b>152,095,810</b>	<b>148,846,057</b>
<b>Net book value</b>	<b>\$ 2,971,594</b>	<b>\$ 85,656</b>	<b>\$ 6,417,857</b>	<b>\$ 37,361,689</b>	<b>\$ 3,468,670</b>	<b>\$ 1,122,182</b>	<b>\$ 2,083,113</b>	<b>\$ 53,510,760</b>	<b>\$ 53,850,492</b>
<b>2016 net book value</b>	<b>\$ 3,095,629</b>	<b>\$ 8,827</b>	<b>\$ 6,147,076</b>	<b>\$ 38,615,440</b>	<b>\$ 4,113,410</b>	<b>\$ 1,015,509</b>	<b>\$ 854,601</b>	<b>\$ 53,850,492</b>	

**MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9**  
**SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2017

**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	\$ 10,808,268	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,808,268
User fees and sales of goods	12,116	21,927	177,889	225,563	-	74,937	-	512,432
Government transfers for operating	-	-	249,061	17,983	106,811	183,359	109,740	666,954
Investment income	310,198	-	-	-	-	-	-	310,198
Penalties and costs of taxes	92,114	-	-	-	-	-	-	92,114
Licenses and permits	-	-	-	-	-	103,484	-	103,484
Gain on disposal of capital assets	22,839	-	40,010	-	-	-	-	62,849
Rental	16,418	-	299,585	-	-	1,489	-	317,491
Other	6,888	102,628	83,456	-	-	36,154	87,722	316,849
	11,268,841	124,555	850,001	243,546	106,811	399,423	197,462	13,190,639
<b>Expenses</b>								
Salaries, wages and benefits	1,320,905	93,500	2,491,741	-	-	485,892	-	4,392,038
Contracted and general services	564,050	600,535	1,574,459	681,170	-	163,832	67,984	3,652,030
Materials, goods, supplies and utilities	196,187	2,938	1,159,452	26,660	-	124,513	-	1,509,750
Bank charges and short term interest	7,470	-	-	-	-	-	-	7,470
Interest on long term debt	-	-	101,441	70,082	-	-	-	171,523
Other expenditures	(4,670)	10,046	874	20,175	-	420	-	26,845
Transfers to organizations and others	-	-	-	-	182,464	59,068	1,995,739	2,237,271
Amortization of tangible capital assets	327,913	17,300	2,914,755	-	-	36,886	-	3,296,854
Loss on disposal of tangible capital assets	104,762	-	-	-	-	-	-	104,762
	2,516,617	724,319	8,242,722	798,087	182,464	870,611	2,063,723	15,398,543
<b>Excess (deficiency) of revenue over expenses before other</b>	8,752,224	(599,764)	(7,392,721)	(554,541)	(75,653)	(471,188)	(1,866,261)	(2,207,904)
<b>Other</b>								
Government transfers for capital	-	-	722,166	1,403,068	-	-	-	2,125,234
<b>Excess (deficiency) of revenue over expenses</b>	\$ 8,752,224	\$ (599,764)	\$ (6,670,555)	\$ 848,527	\$ (75,653)	\$ (471,188)	\$ (1,866,261)	\$ (82,670)