

AGENDA
COUNCIL COMMITTEE MEETING
MUNICIPAL DISTRICT OF PINCHER CREEK

March 3, 2021

via GoToMeeting

10:00 am

**** Please note start time**

1. Approval of Agenda
2. 2020 Year End Adjustments – Finance
3. Beaver Mines Standpipe Follow Up
4. Discussion on Coal Development Policy and Proposed Water Allocation Order Changes
 - a) Current Status
 - b) Next Steps
5. Closed Session:
 - a) PCCEMC – Fire Response Charges Follow Up – FOIP Section 17
6. Adjournment

2020 Year End Adjustments

Provided to Council Committee on March 9, 2021

For the 2020 fiscal period, Administration became aware of, and brought forward to the auditors two accounting adjustments. Unfortunately, the errors are so material that the financial statements of prior periods can no longer be considered to have been fairly presented at the date of their issue and therefore must be restated.

1. Overstating the value of gravel inventory

The MD follows Canadian public sector accounting standards. Under these standards inventory must be valued at actual costs. It has been MD past practice to add \$2/cubic yard to the value of inventory, due to reclamation. However, because we have no offsetting actual expense, this has inadvertently generated revenue in the income statement. This is not correct, nor has it been correct for many years.

Therefore the MD must write down the value of inventory by \$612,305 and restate prior period.

2. Requirement to record gravel reclamation as a liability

Liabilities are defined as a present obligation to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits. A liability is essentially a responsibility to others, leaving little or no discretion to avoid settlement of the obligation.

The MD has an obligation (therefore liability) to reclaim gravel pits because reclamation work is included in many agreements between the MD and a third party pit owner, or because we are the sole owner of the pit. This obligation results in the MD recording a \$1.4M liability.

Gravel Pit	Estimated Reclamation Cost (Liability at Year End)		
	2018	2019	2020
Bruder Pit*	-	42,112	31,444
Thompson Colony (Reed) Pit	163,509	163,509	163,509
Olson Pit	39,305	39,305	39,305
Carbondale Pit	33,860	33,860	33,860
Castle Falls Pit	136,090	136,090	136,090
Hucik Pit	42,930	42,930	42,930
McRae Pit	235,829	235,829	235,829
Mcculloch Pit*	145,131	166,735	117,755
Pine Creek	239,125	239,125	239,125
Tapay Pit	174,162	174,162	174,162
Vantol Pit	149,272	149,272	149,272
Burles Pit	19,362	19,362	19,362
Scotton Pit	27,804	27,804	27,804
Total	1,406,378.85	1,470,094.89	1,410,447.15

*Pits had reclamation work done in 2020.

The projected reclamation was estimated by Public Works. It is based on the specific situation unique to each pit.

What does this mean for our books?

Liability vs Reserve

It has been past practice for the MD to set aside funds into a gravel reclamation reserve for pit stripping, reclamation, and weed control. However, **reserves are a means to pay for an expenditure not yet incurred**, whereas a **liability is an incurred expenditure**.

During the 2020 fiscal period, the MD had \$1.3M set aside in the Gravel Reclamation Reserve. These reserve funds have essentially been used to “fully fund” the liability incurred. Therefore this reserve balance has been brought to 0 at the 2020 year end.

Prior Period Adjustments

Accumulated surplus consists of internally restricted and unrestricted amount and equity in tangible capital assets (TCA).

- Restricted Surplus results from excess revenues which have been internally or externally restricted or formally designated. These restrictions identify funds for a specified future purpose.
- Unrestricted surplus results from excess revenues or expenses. An unrestricted surplus is funds which have not formally been specified for a future purpose and are available to meet future obligations. A deficit position means that future revenues will be required to cover this deficiency.
- Equity in TCA is the net book value of recorded tangible capital assets net of capital debt and related debt charges recoverable.

The above said changes **will not** significantly impact the statement of operations (income statement) in the 2020 fiscal year, because the adjustments will be made retroactively. The changes **will** significantly impact the statement of financial position (balance sheet) and the change in net financial assets.

	2019 Restate	2019 Original	Change
Financial assets	26,951,929	26,951,929	-
Liabilities			
Accounts payable and accrued liabilities	1,990,905	1,990,905	-
Employee benefit obligations	620,651	620,651	-
Provision for reclamation	1,470,100	-	1,470,100
Deferred revenue	10,905,788	10,905,788	-
Long-term debt	4,178,212	4,178,212	-
	19,165,656	17,695,556	1,470,100
Net financial assets	7,786,273	9,256,373	(1,470,100)
Non-financial assets			
Prepaid expenses	131,677	131,677	-
Inventory for consumption	2,189,115	2,719,147	(530,032)
Tangible capital assets	64,892,483	64,892,483	-
	67,213,275	67,743,307	(530,032)
Accumulated Surplus	74,999,548	76,999,680	(2,000,132)