

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9

Consolidated Financial Statements

For the year ended December 31, 2019

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

Opinion

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

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

Basis for Opinion

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Municipal District of Pincher Creek No. 9's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipal District of Pincher Creek No. 9 or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT, continued

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipal District of Pincher Creek No. 9's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipal District of Pincher Creek No. 9's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

Lethbridge, Alberta

April 28, 2020



Chartered Professional Accountants

MANAGEMENT REPORT

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

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

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

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

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

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

TMC
Chief Administrative Officer

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

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

Commitment and contingency (note 18)

Approved on behalf of Council:

Councillor 

Councillor 

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

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

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

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

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

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

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

1. Significant accounting policies

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

(a) Reporting entity

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

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

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

(b) Basis of accounting

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

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

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

(c) Use of estimates

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

(d) Investments

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

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

1. Significant accounting policies, continued

- (e) **Inventories for resale**
Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. Related development costs incurred to provide infrastructure such as water and waste water services, roads, sidewalks, and street lighting are recorded as physical assets under their respective function.
- (f) **Debt charges recoverable**
Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.
- (g) **Contaminated sites liability**
Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.
- (h) **Tax revenue**
Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.
- (i) **Reserves for future expenses**
Reserves are established at the discretion of Council to set aside funds for future operating and capital expenses. Transfers to and/or from reserves are reflected as an adjustment to the respective fund.
- (j) **Requisition over-levy and under-levy**
Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

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

1. Significant accounting policies, continued

(k) Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

(l) Non-financial assets

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

(i) Tangible capital assets

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

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

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

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

(iii) Leases

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

(iv) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(v) Cultural and historical tangible capital assets

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

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

2. Cash and temporary investments

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

3. Taxes and grants in place of taxes receivables

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

4. Trade and other receivables

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

5. Investments

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

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

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

6. Debt charges recoverable

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

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

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

7. Authorized overdraft

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

8. Employee benefit obligations

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

Vacation and time in lieu

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

Sick Time

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

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

9. Deferred revenue

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

10. Long-term debt

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

Principal and interest repayments are due as follows:

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

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

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

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

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

11. Accumulated surplus

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

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

12. Reserves

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

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

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

13. Equity in tangible capital assets

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

14. Net municipal property taxes

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

15. Government transfers

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

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

16. Expenses by object

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

17. Debt limits

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

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

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, 2019

18. Commitment and contingency

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

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

19. Local authorities pension plan

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

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

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

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

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

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

20. Salary and benefits disclosure

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

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

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

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

21. Financial instruments

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

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

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

22. Segmented disclosure

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

Refer to the schedule of segmented disclosure (schedule 3)

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

23. Budget amounts

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

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

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

25. Subsequent event

COVID-19

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

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

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

26. Comparative figures

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

27. Approval of financial statements

These financial statements were approved by Council and Management.

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

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

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

Schedule of tangible capital assets

Schedule 2

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

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

Schedule of segmented disclosure

Schedule 3

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