

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9

Consolidated Financial Statements

For the year ended December 31, 2018

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, 2018, 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, 2018, and its results of operations 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 9, 2019



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.



Chief Administrative Officer

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2018

	2018	2017
Financial assets		
Cash and temporary investments (note 2)	\$ 7,594,738	\$ 10,341,396
Taxes and grants in place of taxes receivable (note 3)	518,900	477,216
Trade and other receivables (note 4)	1,158,138	780,195
Investments (note 5)	8,671,132	8,489,996
Debt charges recoverable (note 6)	2,053,502	2,173,786
	19,996,410	22,262,589
Liabilities		
Accounts payable and accrued liabilities	957,327	851,709
Employee benefit obligations (note 8)	771,677	732,432
Deferred revenue (note 9)	5,677,410	6,984,431
Long-term debt (note 10)	4,741,552	5,291,207
	12,147,966	13,859,779
Net financial assets	7,848,444	8,402,810
Non-financial assets		
Prepaid expenses	127,626	135,900
Inventory for consumption	2,600,045	2,449,915
Tangible capital assets (schedule 2)	58,187,829	53,510,761
	60,915,500	56,096,576
Accumulated surplus (note 11 and schedule 1)	\$ 68,763,944	\$ 64,499,386

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, 2018

	Budget (Unaudited)	2018	2017
Revenue			
Net municipal property taxes (note 14)	\$ 11,256,000	\$ 11,507,105	\$ 10,808,268
User fees and sales of goods	414,670	344,375	512,432
Government transfers for operating (note 15)	464,660	526,036	666,954
Investment income	266,000	309,399	310,198
Penalties and costs of taxes	83,000	148,934	92,114
Licenses and permits	64,750	108,439	103,484
Gain on disposal of capital assets	-	127,558	62,849
Rental	319,870	390,239	317,491
Other	102,300	245,573	316,849
	12,971,250	13,707,658	13,190,639
Expenses (note 16)			
Legislative	233,660	217,578	251,039
Administration	2,277,337	2,486,136	2,265,577
Police, fire, disaster, ambulance and bylaw enforcement	581,186	849,198	724,319
Roads, streets, walks and lighting	7,678,219	7,887,739	7,398,221
Airport	851,374	858,403	838,027
Storm sewers and drainage	12,290	22,620	6,474
Water supply and distribution	370,930	346,401	447,341
Waste management	360,820	352,572	350,747
Family and community support services	134,000	133,514	133,514
Cemeteries and crematoriums	45,960	45,960	48,950
Land use planning, zoning and development	311,710	331,213	282,153
Agricultural and environmental services	618,328	503,602	588,458
Parks and recreation	327,200	433,459	398,784
Culture - libraries, museums, halls	392,020	409,564	1,664,939
	14,195,034	14,877,959	15,398,543
Deficiency of revenue over expenses before other	(1,223,784)	(1,170,301)	(2,207,904)
Other			
Government transfers for capital (note 15)	431,000	5,434,859	2,125,234
(Deficiency) excess of revenue over expenses	(792,784)	4,264,558	(82,670)
Accumulated surplus, beginning of year	64,499,386	64,499,386	64,582,056
Accumulated surplus, end of year	\$ 63,706,602	\$ 68,763,944	\$ 64,499,386

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2018

	Budget (Unaudited)	2018	2017
(Deficiency) excess of revenue over expenses	\$ (792,784)	\$ 4,264,558	\$ (82,670)
Acquisition of tangible capital assets	(2,705,100)	(8,049,050)	(3,081,157)
Amortization of tangible capital assets	3,301,784	3,301,784	3,296,854
(Gain) loss on disposal of tangible capital assets	-	(126,778)	104,762
Proceeds on disposal of tangible capital assets	-	196,977	19,273
	596,684	(4,677,067)	339,732
Net change in inventory for consumption	-	(150,131)	(246,832)
Net change in prepaid expense	-	8,274	18,346
	-	(141,857)	(228,486)
Increase in net financial assets	(196,100)	(554,366)	28,576
Net financial assets, beginning of year	8,402,810	8,402,810	8,374,234
Net financial assets, end of year	\$ 8,206,710	\$ 7,848,444	\$ 8,402,810

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2018

	2018	2017
Operating transactions		
(Deficiency) excess of revenue over expenses	\$ 4,264,558	\$ (82,670)
Adjustments for items which do not affect cash		
(Gain) loss on disposal of tangible capital assets	(126,778)	104,762
Amortization of tangible capital assets	3,301,784	3,296,854
	7,439,564	3,318,946
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(41,684)	(88,525)
Trade and other receivables	(377,943)	54,551
Investments	(181,136)	(84,280)
Debt charges recoverable	120,284	110,374
Inventory for consumption	(150,131)	(246,832)
Prepaid expenses	8,274	18,346
Accounts payable and accrued liabilities	105,618	349,146
Employee benefit obligations	39,245	(569)
Deferred revenue	(1,307,021)	1,205,192
	5,655,070	4,636,349
Capital transactions		
Proceeds on disposal of tangible capital assets	196,977	19,273
Acquisition of tangible capital assets	(8,049,050)	(3,081,157)
	(7,852,073)	(3,061,884)
Financing transactions		
Repayment of long-term debt	(549,655)	(536,402)
(Decrease) increase in cash and temporary investments	(2,746,658)	1,038,063
Cash and temporary investments, beginning of year	10,341,396	9,303,333
Cash and temporary investments, end of year	\$ 7,594,738	\$ 10,341,396

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

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, 2018

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, 2018

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, 2018

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

	2018	2017
Savings accounts	\$ 7,042,968	\$ 9,890,779
Operating accounts	551,770	450,617
	<u>\$ 7,594,738</u>	<u>\$ 10,341,396</u>

3. Taxes and grants in place of taxes receivables

	2018	2017
Taxes and grants in place of taxes receivable	\$ 200,246	\$ 264,063
Arrears	318,654	213,153
	<u>\$ 518,900</u>	<u>\$ 477,216</u>

4. Trade and other receivables

	2018	2017
Grants	\$ 903,617	\$ 596,641
Goods and Services Tax (GST)	177,959	125,398
Trade receivables	76,562	58,156
	<u>\$ 1,158,138</u>	<u>\$ 780,195</u>

5. Investments

	2018		2017	
	Cost	Market value	Cost	Market value
Bonds	\$ 8,667,793	\$ 8,425,449	\$ 8,486,657	\$ 8,310,625
Other	3,339	3,340	3,339	3,340
	<u>\$ 8,671,132</u>	<u>\$ 8,428,789</u>	<u>\$ 8,489,996</u>	<u>\$ 8,313,965</u>

The bond portfolio has interest rates in the range of 2.35% to 9.98% (2017 - 2.15% to 9.98%) with maturity dates from 2019 to 2029. 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, 2018

6. Debt charges recoverable

	2018	2017
Current debt charges recoverable	\$ 120,480	\$ 117,013
Non-current debt charges recoverable	1,933,022	2,056,773
	\$ 2,053,502	\$ 2,173,786

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
2019	\$ 120,480	\$ 59,535	\$ 180,015
2020	124,051	55,964	180,015
2021	127,727	52,288	180,015
2022	131,513	48,503	180,016
2023	135,410	44,605	180,015
Thereafter	1,414,321	205,810	1,620,131
	\$ 2,053,502	\$ 466,705	\$ 2,520,207

7. Authorized overdraft

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

8. Employee benefit obligations

	2018	2017
Vacation and time in lieu	\$ 73,610	\$ 36,288
Sick time	698,067	696,144
	\$ 771,677	\$ 732,432

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, 2018

9. Deferred revenue

	2018	2017
Municipal Sustainability Initiative	\$ 5,485,765	\$ 4,765,037
Federal Gas Tax	164,238	-
Prepaid property taxes	27,407	32,600
Regional water intake	-	1,539,947
Water for life	-	646,847
	\$ 5,677,410	\$ 6,984,431

10. Long-term debt

	2018	2017
Tax supported debentures	\$ 4,111,552	\$ 4,535,207
Village of Cowley	630,000	756,000
	\$ 4,741,552	\$ 5,291,207
Current portion	\$ 563,340	\$ 549,563

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2019	\$ 563,340	\$ 137,171	\$ 700,511
2020	361,791	121,201	482,992
2021	368,779	110,506	479,285
2022	375,974	99,604	475,578
2023	383,383	92,196	475,579
Thereafter	2,688,285	896,276	3,584,561
	\$ 4,741,552	\$ 1,456,954	\$ 6,198,506

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 \$154,563 (2017 - \$171,523). The Municipal District of Pincher Creek No. 9's cash payments for interest in 2018 was \$154,563 (2017 - \$171,523).

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

11. Accumulated surplus

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

	2018	2017
Unrestricted surplus	\$ 1,321,417	\$ 776,933
Internally restricted surplus (reserves) (note 12)	11,942,748	13,329,113
Equity in tangible capital assets (note 13)	55,499,779	50,393,340
	\$ 68,763,944	\$ 64,499,386

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.

	2018	2017
Operating		
Mill rate stabilization	\$ 1,156,383	\$ 1,302,503
Capital		
Airport	329,771	329,771
Bridge repair and replacement	2,552,521	2,735,904
Cultural facilities	200,000	200,000
Emergency management	47,622	47,622
Gravel pit stripping/reclamation	912,461	748,077
M.D. buildings	200,000	200,000
M.D. equipment	2,337,570	2,249,608
M.D. recycle equipment	89,388	89,388
Next year completions	273,136	369,833
Road construction	2,320,532	2,497,014
Town recreation facilities	464,213	444,593
Wastewater infrastructure	685,970	815,297
Water infrastructure	373,181	1,299,503
	10,786,365	12,026,610
	\$ 11,942,748	\$ 13,329,113

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

13. Equity in tangible capital assets

	2018	2017
Tangible capital assets (schedule 2)	\$ 212,463,762	\$ 205,606,570
Accumulated amortization (schedule 2)	(154,275,933)	(152,095,809)
Long-term debt (note 10)	(4,741,552)	(5,291,207)
Debt charges recoverable (note 6)	2,053,502	2,173,786
	<u>\$ 55,499,779</u>	<u>\$ 50,393,340</u>

14. Net municipal property taxes

	Budget (Unaudited)	2018	2017
Taxation			
Real property taxes	\$ 12,511,950	\$ 12,353,558	\$ 11,775,387
Linear property taxes	2,102,880	2,158,203	2,021,997
	<u>14,614,830</u>	<u>14,511,761</u>	<u>13,797,384</u>
Requisitions			
Alberta School Foundation Fund - basic levy	2,890,820	2,566,323	2,550,885
Alberta School Foundation Fund - opted out jurisdiction	116,810	110,175	108,579
Pincher Creek Foundation	351,200	328,158	329,652
	<u>3,358,830</u>	<u>3,004,656</u>	<u>2,989,116</u>
	<u>\$ 11,256,000</u>	<u>\$ 11,507,105</u>	<u>\$ 10,808,268</u>

15. Government transfers

	Budget (Unaudited)	2018	2017
Transfers for operating:			
Provincial government	\$ 340,360	\$ 401,736	\$ 557,214
Local government	124,300	124,300	109,740
	<u>464,660</u>	<u>526,036</u>	<u>666,954</u>
Transfers for capital:			
Provincial government	431,000	5,434,859	2,125,234
	<u>431,000</u>	<u>5,434,859</u>	<u>2,125,234</u>
	<u>\$ 895,660</u>	<u>\$ 5,960,895</u>	<u>\$ 2,792,188</u>

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

16. Expenses by object

	Budget (Unaudited)	2018	2017
Salaries, wages, and benefits	\$ 4,512,520	\$ 4,428,367	\$ 4,392,038
Contracted and general services	3,490,800	4,093,488	3,652,030
Materials, goods, supplies and utilities	1,769,540	1,766,932	1,509,750
Interest on long term debt	154,570	154,563	171,523
Bank charges and short term interest	15,840	8,959	7,470
Other expenditures	34,250	79,262	26,845
Transfers to organizations and others	915,730	1,044,604	2,237,271
Amortization of tangible capital assets	3,301,784	3,301,784	3,296,854
Loss on disposal of tangible capital assets	-	-	104,762
	\$ 14,195,034	\$ 14,877,959	\$ 15,398,543

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 of Pincher Creek No. 9 be disclosed as follows:

	2018	2017
Total debt limit	\$ 20,561,487	\$ 19,785,960
Total debt	4,741,552	5,291,207
	\$ 15,819,935	\$ 14,494,753
Debt servicing limit	\$ 3,426,915	\$ 3,297,660
Debt servicing	700,511	704,126
	\$ 2,726,404	\$ 2,593,534

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, 2018

18. Commitment and 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.

The Municipal District of Pincher Creek No. 9 has entered into an agreement to carry out the Castle Provincial Park waterline project. The estimated project costs are \$11,300,000 which will be funded by a grant from Alberta transportation.

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 259,000 people and 420 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 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the Municipal District of Pincher Creek No. 9 are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions by the Municipal District of Pincher Creek No. 9 to the LAPP in 2018 were \$282,499 (2017 - \$308,303). Total current service contributions by the employees of the Municipal District of Pincher Creek No. 9 to the LAPP in 2018 were \$258,238 (2017 - \$284,128).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.84 billion.

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

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)	2018	2017
	Salary	Benefits & allowances		
Council				
Everts, Bev	\$ 26,475	\$ 456	\$ 26,931	\$ 6,097
Hammond, Brian	31,750	560	32,310	34,270
Lemire, Rick	21,350	187	21,537	4,933
Marchuk, Garry	-	-	-	29,065
Schoening, Fred	-	-	-	19,599
Stevick, Quentin	39,100	540	39,640	33,277
Yagos, Terry	28,600	600	29,200	28,860
Chief administrative officer(s)				
- 2 in 2018, 1 in 2017	248,220	75,863	324,083	187,724
Designated officer	\$ 97,440	\$ 4,478	\$ 101,918	\$ 100,717

(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 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 of Pincher Creek No. 9 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 of Pincher Creek No. 9 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.

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

22. Segmented disclosure

The Municipal District of Pincher Creek No. 9 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 2018 budget for the Municipal District of Pincher Creek No. 9 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 deficit per financial statements	\$ (792,784)
Less: Capital expenditures	(2,705,100)
Long-term debt repayments	(549,670)
Add: Amortization	3,301,784
Transfers from capital reserves	753,270
Transfers from trust accounts	(7,500)
<hr/>	
Equals: Balanced budget	\$ -
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24. Contaminated sites liability

The Municipal District has adopted PS3260 liability for contaminated sites. The Municipal District did not identify any financial liabilities in 2018 (2017 - nil) as a result of this standard.

25. Approval of financial statements

These financial statements were approved by Council and Management.

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

	Schedule of changes in accumulated surplus			Schedule 1	
	Unrestricted	Restricted	Equity in tangible capital assets	2018	2017
Balance, beginning of year	\$ 776,933	\$ 13,329,113	\$ 50,393,340	\$ 64,499,386	\$ 64,582,056
Excess (deficiency) of revenue over expenses	4,264,558	-	-	4,264,558	(82,670)
Unrestricted funds designated for future use	(1,555,817)	1,555,817	-	-	-
Restricted funds used for operations	530,175	(530,175)	-	-	-
Restricted funds used for tangible capital assets	-	(2,412,007)	2,412,007	-	-
Current year funds used for tangible capital assets	(5,637,044)	-	5,637,044	-	-
Disposal of tangible capital assets	70,199	-	(70,199)	-	-
Amortization of tangible capital assets	3,301,784	-	(3,301,784)	-	-
Long-term debt repaid	(549,655)	-	549,655	-	-
Debt charges recoverable	120,284	-	(120,284)	-	-
Change in accumulated surplus	544,484	(1,386,365)	5,106,439	4,264,558	(82,670)
Balance, end of year	\$ 1,321,417	\$ 11,942,748	\$ 55,499,779	\$ 68,763,944	\$ 64,499,386

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

Schedule of tangible capital assets										Schedule 2
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2018	2017	
Cost:										
Balance, beginning of year \$	2,971,594	\$ 141,348	\$ 7,777,908	\$ 180,611,757	\$ 9,259,251	\$ 2,761,599	\$ 2,083,113	\$ 205,606,570	\$	202,696,549
Acquisitions	-	95,893	-	-	1,128,204	79,591	6,745,363	8,049,051		3,081,157
Transfers	-	-	-	3,239,070	-	-	(3,239,070)	-		-
Disposals	-	-	-	(6,000)	(1,034,634)	(151,225)	-	(1,191,859)		(171,136)
Balance, end 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
Accumulated amortization:										
Balance, beginning of year	-	55,692	1,360,051	143,250,068	5,790,581	1,639,417	-	152,095,809		148,846,057
Annual amortization	-	6,345	174,693	2,282,710	688,634	149,402	-	3,301,784		3,296,854
Disposals	-	-	-	(6,000)	(964,435)	(151,225)	-	(1,121,660)		(47,102)
Balance, end of year	-	62,037	1,534,744	145,526,778	5,514,780	1,637,594	-	154,275,933		152,095,809
Net book value	\$ 2,971,594	\$ 175,204	\$ 6,243,164	\$ 38,318,049	\$ 3,838,041	\$ 1,052,371	\$ 5,589,406	\$ 58,187,829		\$ 53,510,761
2017 net book value	\$ 2,971,594	\$ 85,656	\$ 6,417,857	\$ 37,361,689	\$ 3,468,670	\$ 1,122,182	\$ 2,083,113	\$ 53,510,761		

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

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	\$ 11,507,105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,507,105
User fees and sales of goods	21,222	20,092	113,180	155,186	-	34,695	-	344,375
Government transfers for operating	-	-	111,566	-	106,811	183,359	124,300	526,036
Investment income	309,399	-	-	-	-	-	-	309,399
Penalties and costs of taxes	148,934	-	-	-	-	-	-	148,934
Licenses and permits	-	-	-	-	-	108,439	-	108,439
Gain on disposal of capital assets	30	-	127,528	-	-	-	-	127,558
Rental	27,600	-	360,209	-	-	2,430	-	390,239
Other	1,290	-	207,548	-	-	27,000	9,735	245,573
	12,015,580	20,092	920,031	155,186	106,811	355,923	134,035	13,707,658
Expenses								
Salaries, wages and benefits	1,446,703	21,400	2,458,577	-	-	501,687	-	4,428,367
Contracted and general services	635,786	778,138	1,884,230	585,358	-	186,826	23,150	4,093,488
Materials, goods, supplies and utilities	282,441	1,929	1,405,834	16,246	-	60,482	-	1,766,932
Bank charges and short term interest	8,959	-	-	-	-	-	-	8,959
Interest on long term debt	-	-	92,383	62,180	-	-	-	154,563
Other expenditures	600	42,074	925	35,189	-	474	-	79,262
Transfers to organizations and others	-	-	-	-	179,474	45,257	819,873	1,044,604
Amortization of tangible capital assets	329,227	5,656	2,926,813	-	-	40,088	-	3,301,784
	2,703,716	849,197	8,768,762	698,973	179,474	834,814	843,023	14,877,959
Excess (deficiency) of revenue over expenses before other	9,311,864	(829,105)	(7,848,731)	(543,787)	(72,663)	(478,891)	(708,988)	(1,170,301)
Other								
Government transfers for capital	-	-	256,400	5,178,459	-	-	-	5,434,859
Excess (deficiency) of revenue over expenses	\$ 9,311,864	\$ (829,105)	\$ (7,592,331)	\$ 4,634,672	\$ (72,663)	\$ (478,891)	\$ (708,988)	\$ 4,264,558