

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9

Consolidated Financial Statements

For the year ended December 31, 2020

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, 2020, 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, 2020, 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.

Emphasis of Matter

We draw attention to note 28 to the financial statements which discloses the amendments made to the prior year's figures. Our audit opinion is not modified in respect of this matter.

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

INDEPENDENT AUDITOR'S REPORT, continued

judgment and maintain professional skepticism throughout the audit. We also:

- 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 18.
- 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 21.

Lethbridge, Alberta

April 27, 2021



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.

Troy A. MacCulloch

Chief Administrative Officer

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2020

	2020	2019 (restated)
Financial assets		
Cash and temporary investments (note 2)	\$ 9,177,415	\$ 14,045,199
Taxes and grants in place of taxes receivable (note 3)	3,097,717	373,017
Trade and other receivables (note 4)	2,988,913	1,507,679
Investments (note 5)	9,364,032	9,093,012
Debt charges recoverable (note 6)	1,808,971	1,933,022
	26,437,048	26,951,929
Liabilities		
Accounts payable and accrued liabilities	2,498,259	1,990,906
Employee benefit obligations (note 8)	685,100	620,651
Provision for reclamation (note 9)	1,410,447	1,470,100
Deferred revenue (note 10)	7,848,690	10,905,788
Long-term debt (note 11)	3,816,421	4,178,212
	16,258,917	19,165,657
Net financial assets	10,178,131	7,786,272
Non-financial assets		
Prepaid expenses	152,020	131,677
Inventory for consumption	2,485,246	2,189,115
Tangible capital assets (schedule 2)	69,120,692	64,892,481
	71,757,958	67,213,273
Accumulated surplus (note 12 and schedule 1)	\$ 81,936,089	\$ 74,999,545

Commitment and contingency (note 19)

Approved on behalf of Council:

Councillor Brian C Hammond

Councillor Reuk Renio

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2020

	Budget (Unaudited)	2020	2019 (restated)
Revenue			
Net municipal property taxes (note 15)	\$ 11,852,270	\$ 11,823,917	\$ 12,073,910
User fees and sales of goods	337,170	396,137	389,643
Government transfers for operating (note 16)	340,360	440,527	470,012
Investment income	257,000	322,858	351,926
Penalties and costs of taxes	92,000	124,285	101,572
Licenses and permits	65,050	92,443	113,983
Gain on disposal of tangible capital assets	-	107,408	39,958
Rental	316,770	169,355	359,469
Other	108,390	132,452	124,642
	13,369,010	13,609,382	14,025,115
Expenses (note 17)			
Legislative	238,510	146,803	200,281
Administration	2,386,525	2,181,859	2,527,208
Police, fire, disaster, ambulance and bylaw enforcement	995,933	879,635	913,103
Roads, streets, walks and lighting	7,623,699	6,732,101	7,172,099
Airport	860,274	804,639	855,866
Storm sewers and drainage	8,600	1,169	4,140
Water supply and distribution	459,290	384,000	449,688
Wastewater treatment and disposal	-	-	174,037
Waste management	348,430	289,068	319,987
Family and community support services	134,000	133,514	133,514
Cemeteries and crematoriums	55,140	55,140	45,960
Land use planning, zoning and development	357,020	326,577	493,753
Agricultural and environmental services	563,819	474,803	533,056
Parks and recreation	382,500	389,674	396,598
Culture - libraries, museums, halls	279,830	767,018	279,608
	14,693,570	13,566,000	14,498,898
(Deficiency) excess of revenue over expenses before other	(1,324,560)	43,382	(473,783)
Other			
Government transfers for capital (note 16)	11,529,330	6,893,162	8,612,360
Excess of revenue over expenses	10,204,770	6,936,544	8,138,577
Accumulated surplus, beginning of year			
As previously stated	76,999,677	76,999,677	68,763,945
Prior period adjustment (note 28)	-	(2,000,132)	(1,902,977)
As restated	76,999,677	74,999,545	66,860,968
Accumulated surplus, end of year	\$ 87,204,447	\$ 81,936,089	\$ 74,999,545

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2020

	Budget (Unaudited)	2020	2019 (restated)
Excess of revenue over expenses	\$ 10,204,770	\$ 6,936,544	\$ 8,138,577
Acquisition of tangible capital assets	(14,692,000)	(7,702,828)	(10,009,220)
Amortization of tangible capital assets	3,405,240	3,405,240	3,290,561
Gain on disposal of tangible capital assets	-	(87,097)	(39,611)
Proceeds on disposal of tangible capital assets	-	156,472	53,617
	(11,286,760)	(4,228,213)	(6,704,653)
Net change in inventory for consumption	-	(296,129)	410,932
Net change in prepaid expense	-	(20,343)	(4,051)
	-	(316,472)	406,881
Increase in net financial assets	(1,081,990)	2,391,859	1,840,805
Net financial assets, beginning of year			
As previously stated	7,786,272	9,256,369	7,848,444
Prior period adjustment (note 28)	-	(1,470,097)	(1,902,977)
As restated	74,999,545	7,786,272	5,945,467
Net financial assets, end of year	\$ 6,704,282	\$ 10,178,131	\$ 7,786,272

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2020

	2020	2019 (restated)
Operating transactions		
Excess of revenue over expenses	\$ 6,936,544	\$ 8,138,577
Adjustments for items which do not affect cash		
Gain on disposal of tangible capital assets	(87,097)	(39,611)
Amortization of tangible capital assets	3,405,240	3,290,561
	10,254,687	11,389,527
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(2,724,700)	145,883
Trade and other receivables	(1,481,234)	(349,540)
Investments	(271,020)	(421,880)
Debt charges recoverable	124,051	120,480
Inventory for consumption	(296,129)	(85,646)
Prepaid expenses	(20,343)	(4,051)
Accounts payable and accrued liabilities	507,353	1,033,579
Employee benefit obligations	64,449	(151,026)
Deferred revenue	(3,057,098)	5,228,378
Provision for reclamation	(59,653)	63,700
	3,040,363	16,969,404
Capital transactions		
Proceeds on disposal of tangible capital assets	156,472	53,617
Acquisition of tangible capital assets	(7,702,828)	(10,009,220)
	(7,546,356)	(9,955,603)
Financing transactions		
Repayment of long-term debt	(361,791)	(563,340)
(Decrease) increase in cash and temporary investments	(4,867,784)	6,450,461
Cash and temporary investments, beginning of year	14,045,199	7,594,738
Cash and temporary investments, end of year	\$ 9,177,415	\$ 14,045,199

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

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 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, 2020

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) Gravel pit closure
Pursuant to the gravel pit contracts, the Municipal District is required to fund the reclamation work for gravel pits. Closure activities include the final clay cover landscaping, and reclamation monitoring. The requirement is being provided for over the estimated remaining life of the gravel pits based on usage.
- (h) 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.
- (i) 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.
- (j) 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.
- (k) 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, 2020

1. Significant accounting policies, continued

(l) 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.

(m) 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, 2020

2. Cash and temporary investments

	2020	2019
Savings accounts	\$ 8,811,059	\$ 12,985,517
Operating accounts	366,356	1,059,682
	<u>\$ 9,177,415</u>	<u>\$ 14,045,199</u>

3. Taxes and grants in place of taxes receivables

	2020	2019
Taxes and grants in place of taxes receivable	\$ 2,943,039	\$ 223,289
Arrears	154,678	149,728
	<u>\$ 3,097,717</u>	<u>\$ 373,017</u>

4. Trade and other receivables

	2020	2019
Grants	\$ 2,557,245	\$ 1,067,635
Goods and Services Tax (GST)	173,105	257,808
Trade receivables	258,563	182,236
	<u>\$ 2,988,913</u>	<u>\$ 1,507,679</u>

5. Investments

	2020		2019	
	Cost	Market value	Cost	Market value
Bonds	\$ 9,310,732	\$ 9,386,855	\$ 9,039,672	\$ 9,057,458
Castle Mountain resort	50,000	50,000	50,000	50,000
Other	3,300	3,340	3,340	3,340
	<u>\$ 9,364,032</u>	<u>\$ 9,440,195</u>	<u>\$ 9,093,012</u>	<u>\$ 9,110,798</u>

The bond portfolio has interest rates in the range of 2.33% to 6.63% (2019 - 2.58% to 6.63%) with maturity dates from 2021 to 2030. 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, 2020

6. Debt charges recoverable

	2020	2019
Non-current debt charges recoverable	\$ 1,681,244	\$ 1,808,971
Current debt charges recoverable	127,727	124,051
	\$ 1,808,971	\$ 1,933,022

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
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
2025	143,556	36,459	180,015
Thereafter	1,131,341	128,761	1,260,102
	\$ 1,808,971	\$ 351,208	\$ 2,160,179

7. Authorized overdraft

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

8. Employee benefit obligations

	2020	2019
Vacation and time in lieu	\$ 47,308	\$ 42,917
Sick time	637,792	577,734
	\$ 685,100	\$ 620,651

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, 2020

9. Provision for gravel pit closure

The Municipal District is required under contract to perform post-closure costs of several gravel pits. The accrued liability portion for the gravel pits is based on an estimate of future costs. The estimated closure costs for the gravel pits are \$1,410,447, all costs have been accrued in the financial statements.

10. Deferred revenue

	2020	2019
Municipal Sustainability Initiative	\$ 6,210,471	\$ 5,850,856
Alberta Transportation - castle provincial park waterline	877,209	4,456,005
Federal Gas Tax	495,310	502,989
Municipal Operating Support Transfer	171,391	-
Municipal Stimulus Program	57,729	-
Intermunicipal grant	36,580	64,655
Prepaid property taxes	-	31,283
	\$ 7,848,690	\$ 10,905,788

11. Long-term debt

	2020	2019
Tax supported debentures	\$ 3,438,421	\$ 3,674,212
Village of Cowley	378,000	504,000
	\$ 3,816,421	\$ 4,178,212
Current portion	\$ 368,779	\$ 361,791

Principal and interest repayments are due as follows:

	Principal	Interest	Total
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
2025	272,864	69,300	342,164
Thereafter	2,150,410	773,932	2,924,342
	\$ 3,816,421	\$ 1,218,987	\$ 5,035,408

Debenture debt is repayable to the Treasury Board and Finance 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

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

11. Long-term debt, continued

2.94%.

Interest on long-term debt amounted to \$121,201 (2019 - \$137,171). The Municipal District's cash payments for interest in 2020 were \$121,201 (2019 - \$137,171).

12. Accumulated surplus

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

	2020	2019 (restated)
Unrestricted surplus	\$ 3,797,030	\$ 510,928
Internally restricted surplus (reserves) (note 13)	11,025,817	11,841,326
Equity in tangible capital assets (note 14)	67,113,242	62,647,291
	\$ 81,936,089	\$ 74,999,545

13. 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.

	2020	2019
Operating		
Mill rate stabilization	\$ 1,205,292	\$ 1,091,246
Capital		
Airport	329,771	329,771
Bridge repair and replacement	2,309,872	2,139,615
Cultural facilities	200,000	200,000
Emergency management	53,091	47,622
Emergency services	50,000	-
Gravel pit stripping/reclamation	-	1,162,461
M.D. buildings	200,000	200,000
M.D. equipment	2,682,182	2,298,901
M.D. recycle equipment	89,388	89,388
Next year completions	101,552	143,599
Road construction	2,526,101	2,362,843
Town recreation facilities	195,474	562,044
Water infrastructure	704,560	843,341
Wastewater infrastructure	378,534	370,495
	9,820,525	10,750,080
	\$ 11,025,817	\$ 11,841,326

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

14. Equity in tangible capital assets

	2020	2019
Tangible capital assets (schedule 2)	\$ 229,382,721	\$ 222,241,876
Accumulated amortization (schedule 2)	(160,262,029)	(157,349,395)
Long-term debt (note 11)	(3,816,421)	(4,178,212)
Debt charges recoverable (note 6)	1,808,971	1,933,022
	<u>\$ 67,113,242</u>	<u>\$ 62,647,291</u>

15. Net municipal property taxes

	Budget (Unaudited)	2020	2019
Taxation			
Real property taxes	\$ 12,612,020	\$ 12,633,959	\$ 12,761,148
Linear property taxes	2,358,110	2,301,421	2,358,106
	<u>14,970,130</u>	<u>14,935,380</u>	<u>15,119,254</u>
Requisitions			
Alberta School Foundation Fund - basic levy	2,645,860	2,661,100	2,596,271
Alberta School Foundation Fund - opted out jurisdiction	150,000	128,366	123,592
Pincher Creek Foundation	322,000	321,997	325,481
	<u>3,117,860</u>	<u>3,111,463</u>	<u>3,045,344</u>
	<u>\$ 11,852,270</u>	<u>\$ 11,823,917</u>	<u>\$ 12,073,910</u>

16. Government transfers

	Budget (Unaudited)	2020	2019
Transfers for operating:			
Provincial government	\$ 340,360	\$ 440,527	\$ 470,012
Transfers for capital:			
Provincial government	11,529,330	6,893,162	8,612,360
	<u>\$ 11,869,690</u>	<u>\$ 7,333,689</u>	<u>\$ 9,082,372</u>

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

17. Expenses by object

	Budget (Unaudited)	2020	2019 (restated)
Salaries, wages, and benefits	\$ 4,423,370	\$ 4,094,227	\$ 4,098,327
Contracted and general services	3,687,950	3,100,401	4,319,199
Materials, goods, supplies and utilities	1,941,760	1,308,585	1,471,921
Bank charges and short term interest	11,000	7,322	8,336
Interest on long term debt	186,730	121,202	137,171
Other expenditures	166,750	147,752	306,931
Transfers to organizations and others	870,770	1,381,271	866,452
Amortization of tangible capital assets	3,405,240	3,405,240	3,290,561
	\$ 14,693,570	\$ 13,566,000	\$ 14,498,898

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:

	2020	2019
Total debt limit	\$ 20,414,073	\$ 21,037,673
Total debt	3,816,421	4,178,212
	\$ 16,597,652	\$ 16,859,461
Debt servicing limit	\$ 3,402,346	\$ 3,506,279
Debt servicing	479,285	482,992
	\$ 2,923,061	\$ 3,023,287

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, 2020

19. 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 are \$10,631,000.

The Municipal District has entered into an agreement with the Town of Pincher Creek to help fund the Early Childhood Learning Centres. The Municipal District has contributed \$500,000 towards the project in 2020 and will contribute an additional \$100,000 per year through 2025.

20. 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 274,000 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 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 2020 were \$286,854 (2019 - \$259,554). Total current service contributions by the employees of the Municipal District of Pincher Creek No. 9 to the LAPP in 2020 were \$260,365 (2019 - \$235,111).

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.9 billion.

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

21. 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)	2020	2019
	Salary	Benefits & allowances		
Council				
Everts, Bev	\$ 20,475	\$ 2,555	\$ 23,030	\$ 28,050
Hammond, Brian	32,000	4,350	36,350	36,750
Lemire, Rick	19,100	1,827	20,927	22,100
Stevick, Quentin	21,100	3,603	24,703	34,175
Yagos, Terry	20,475	3,055	23,530	26,175
Chief administrative officer	149,006	2,001	151,007	200,612
Designated officer	\$ 100,385	-	\$ 100,385	\$ 102,319

(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.

22. 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.

23. 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, 2020

24. Budget amounts

The 2020 budget for the Municipal District was approved by Council on October 13, 2019 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	\$ 10,204,770
Less: Capital expenditures	(14,692,000)
Long-term debt repayments	(458,060)
Transfers from trust accounts	(7,500)
Add: Amortization	3,405,240
Transfers from capital reserves	(893,806)
Transfers from operating reserves	(46,976)
Debt acquisition	2,488,332
<hr/>	
Equals: Balanced budget	\$ -
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25. 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.

26. COVID-19

Events have occurred as a result of the COVID-19 (coronavirus) pandemic that have caused economic uncertainty. The duration and impact of the pandemic, as well as the effectiveness of government responses, remain unclear at this time.

Potential impacts on the Municipal District's business could include future decreases in revenue and delays in completing capital project work, temporary declines in investment income, closure of facilities including recreation, library, and administrative buildings, temporary and/or permanent termination of public employees and mandatory working from home requirements for those able to do so.

The Municipal District has continued to develop strategies to manage the impacts of the COVID-19 outbreak. Administration continues to monitor revenue, expenses, and projects for the Municipal District. Cost saving measures have been instituted where appropriate. The Municipal District continues to follow protocols set by the Alberta Government and to make suitable adjustments in the face of the pandemic.

Management is not aware of any material impairments, at this time, that will impact the financial assets or liabilities of the Municipal District due to the pandemic.

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

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

27. Comparative figures

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

28. Prior period adjustment

The prior year figures have been adjusted to record a gravel pit reclamation provision which was not previously recorded, and to adjust inventory for consumption to actual.

The effects of these adjustments are:

- a decrease in accumulated surplus as at January 1, 2019 of \$1,902,977,
- an increase in the provision for reclamation liability as at December 31, 2019 of \$ 1,470,100,
- a decrease in inventory for consumption as at December 31, 2019 of \$530,032,
- an increase in expenses for the year ended December 31, 2019 of \$97,155, and
- a decrease in accumulated surplus as at December 31, 2019 of \$2,000,132.

29. 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, 2020

Schedule of changes in accumulated surplus	Schedule 1				
	Unrestricted	Restricted	Equity in tangible capital assets	2020	2019 (restated)
Balance, beginning of year					
As previously stated	\$ 2,511,060	\$ 11,841,326	\$ 62,647,291	\$ 76,999,677	\$ 68,763,945
Prior period adjustment (note 28)	(2,000,132)	-	-	(2,000,132)	(1,902,977)
As restated	510,928	11,841,326	62,647,291	74,999,545	66,860,968
Excess of revenue over expenses	6,936,544	-	-	6,936,544	8,138,577
Unrestricted funds designated for future use	(1,308,349)	1,308,349	-	-	-
Restricted funds used for operations	1,319,990	(1,319,990)	-	-	-
Restricted funds used for tangible capital assets	-	(803,868)	803,868	-	-
Current year funds used for tangible capital assets	(6,898,960)	-	6,898,960	-	-
Disposal of tangible capital assets	69,377	-	(69,377)	-	-
Amortization of tangible capital assets	3,405,240	-	(3,405,240)	-	-
Long-term debt repaid	(361,791)	-	361,791	-	-
Debt charges recoverable	124,051	-	(124,051)	-	-
Change in accumulated surplus	3,286,102	(815,509)	4,465,951	6,936,544	8,138,577
Balance, end of year	\$ 3,797,030	\$ 11,025,817	\$ 67,113,242	\$ 81,936,089	\$ 74,999,545

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

Schedule of tangible capital assets											Schedule 2
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2020	2019		
Cost:											
Balance, beginning of year	\$ 2,940,594	\$ 257,976	\$ 7,808,908	\$ 192,002,458	\$ 10,308,404	\$ 2,458,859	\$ 6,464,678	\$ 222,241,876	\$ 212,463,762		
Acquisitions	-	-	-	189,604	103,286	-	7,409,938	7,702,828	10,009,221		
Transfers	-	68,281	-	1,419,436	-	-	(1,487,717)	-	-		
Disposals	-	-	-	-	(374,800)	(187,183)	-	(561,983)	(231,107)		
Balance, end of year	2,940,594	326,257	7,808,908	193,611,498	10,036,890	2,271,676	12,386,899	229,382,721	222,241,876		
Accumulated amortization:											
Balance, beginning of year	-	73,414	1,705,524	147,867,037	6,143,871	1,559,549	-	157,349,395	154,275,933		
Annual amortization	-	14,802	169,361	2,548,924	548,148	124,006	-	3,405,241	3,290,562		
Disposals	-	-	-	-	(323,710)	(168,897)	-	(492,607)	(217,100)		
Balance, end of year	-	88,216	1,874,885	150,415,961	6,368,309	1,514,658	-	160,262,029	157,349,395		
Net book value	\$ 2,940,594	\$ 238,041	\$ 5,934,023	\$ 43,195,537	\$ 3,668,581	\$ 757,018	\$ 12,386,899	\$ 69,120,692	\$ 64,892,481		
2019 net book value	\$ 2,940,594	\$ 184,563	\$ 6,103,384	\$ 44,135,420	\$ 4,164,532	\$ 899,310	\$ 6,464,678	\$ 64,892,481			

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

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	\$ 11,823,917	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,823,917
User fees and sales of goods	17,591	108,402	74,552	147,667	-	47,925	-	396,137
Government transfers for operating	133,842	-	38,981	-	115,722	151,982	-	440,527
Investment income	322,858	-	-	-	-	-	-	322,858
Penalties and costs of taxes	124,285	-	-	-	-	-	-	124,285
Licenses and permits	-	-	-	-	-	92,443	-	92,443
Gain on disposal of capital assets	20,311	-	87,097	-	-	-	-	107,408
Rental	18,905	-	149,071	-	-	1,379	-	169,355
Other	6,334	935	83,621	-	-	41,562	-	132,452
	12,468,043	109,337	433,322	147,667	115,722	335,291	-	13,609,382
Expenses								
Salaries, wages and benefits	1,355,700	185,643	2,147,870	-	-	405,014	-	4,094,227
Contracted and general services	450,164	590,837	1,247,970	558,209	-	240,472	12,749	3,100,401
Materials, goods, supplies and utilities	252,614	5,324	957,439	17,063	-	76,145	-	1,308,585
Bank charges and short term interest	7,322	-	-	-	-	-	-	7,322
Interest on long term debt	-	-	74,619	46,583	-	-	-	121,202
Other expenditures	3,325	91,717	450	51,213	-	1,047	-	147,752
Transfers to organizations and others	-	-	-	-	188,654	48,674	1,143,943	1,381,271
Amortization of tangible capital assets	259,535	6,113	3,109,563	-	-	30,029	-	3,405,240
	2,328,660	879,634	7,537,911	673,068	188,654	801,381	1,156,692	13,566,000
Excess (deficiency) of revenue over expenses before other	10,139,383	(770,297)	(7,104,589)	(525,401)	(72,932)	(466,090)	(1,156,692)	43,382
Other								
Government transfers for capital	-	-	1,266,519	5,626,643	-	-	-	6,893,162
Excess (deficiency) of revenue over expenses	\$ 10,139,383	\$ (770,297)	\$ (5,838,070)	\$ 5,101,242	\$ (72,932)	\$ (466,090)	\$ (1,156,692)	\$ 6,936,544