

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9

Consolidated Financial Statements

For the year ended December 31, 2022

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9

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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, 2022, 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, 2022, 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 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 11, 2023



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, 2022

	2022	2021
Financial assets		
Cash and temporary investments (note 2)	\$ 16,953,405	\$ 14,782,481
Taxes and grants in place of taxes receivable (note 3)	268,693	389,859
Trade and other receivables (note 4)	4,484,341	3,787,238
Investments (note 5)	9,907,340	9,695,941
Debt charges recoverable (note 6)	1,549,731	1,681,243
	33,163,510	30,336,762
Liabilities		
Accounts payable and accrued liabilities	3,502,050	1,812,934
Employee benefit obligations (note 8)	441,366	507,918
Provision for reclamation (note 9)	1,330,204	1,276,300
Deferred revenue (note 10)	8,264,646	9,463,722
Long-term debt (note 11)	3,071,667	3,447,641
	16,609,933	16,508,515
Net financial assets	16,553,577	13,828,247
Non-financial assets		
Prepaid expenses	185,952	191,214
Inventory for consumption	2,470,915	2,352,684
Tangible capital assets (schedule 2)	73,394,611	69,670,530
	76,051,478	72,214,428
Accumulated surplus (note 12 and schedule 1)	\$ 92,605,055	\$ 86,042,675

Commitment and contingencies (note 19)

Approved on behalf of Council:

Councillor

Councillor

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2022

	Budget (Unaudited)	2022	2021
Revenue			
Net municipal property taxes (note 15)	\$ 13,214,595	\$ 13,171,798	\$ 13,072,669
User fees and sales of goods	530,150	405,301	432,689
Government transfers for operating (note 16)	295,900	357,079	513,226
Investment income	257,000	443,394	246,309
Penalties and costs of taxes	234,900	95,009	550,102
Licenses and permits	64,300	95,591	103,271
Rental	126,535	81,468	166,723
Other	154,380	224,772	173,923
	14,877,760	14,874,412	15,258,912
Expenses (note 17)			
General government			
Legislative	256,010	179,191	165,181
Administration	2,433,742	2,217,749	2,315,807
Protective services			
Police, fire, disaster, ambulance and bylaw enforcement	943,111	974,717	820,344
Transportation services			
Roads, streets, walks and lighting	7,493,230	7,228,691	6,258,263
Airport	850,744	826,601	840,122
Environmental use and protection			
Water supply and distribution	1,329,749	1,244,582	1,077,407
Waste management	402,700	322,733	319,991
Wastewater treatment and disposal	68,188	75,024	73,752
Public health and welfare			
Family and community support services	134,000	133,514	133,514
Cemeteries and crematoriums	55,140	51,870	46,714
Planning and development			
Land use planning, zoning and development	410,200	277,224	388,605
Agricultural and environmental services	615,368	482,789	501,266
Recreation and culture			
Parks and recreation	416,767	464,356	374,931
Culture - libraries, museums, halls	440,285	443,444	581,527
	15,849,234	14,922,485	13,897,424
(Deficiency) excess of revenue over expenses before other	(971,474)	(48,073)	1,361,488
Other			
Government transfers for capital (note 16)	9,000,355	6,610,453	4,035,835
Excess of revenue over expenses	8,028,881	6,562,380	5,397,323
Accumulated surplus, beginning of year	86,042,675	86,042,675	80,645,352
Accumulated surplus, end of year	\$ 94,071,556	\$ 92,605,055	\$ 86,042,675

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2022

	Budget (Unaudited)	2022	2021
Excess of revenue over expenses	\$ 8,028,881	\$ 6,562,380	\$ 5,397,323
Acquisition of tangible capital assets	(9,620,355)	(7,357,887)	(5,384,678)
Amortization of tangible capital assets	3,629,379	3,629,399	3,505,851
Loss on disposal of tangible capital assets	-	4,407	38,253
	(5,990,976)	(3,724,081)	(1,840,574)
Net change in inventory for consumption	-	(118,231)	132,563
Net change in prepaid expense	-	5,262	(39,194)
	-	(112,969)	93,369
Increase in net financial assets	2,037,905	2,725,330	3,650,118
Net financial assets, beginning of year	13,828,247	13,828,247	10,178,129
Net financial assets, end of year	\$ 15,866,152	\$ 16,553,577	\$ 13,828,247

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2022

	2022	2021
Operating transactions		
Excess of revenue over expenses	\$ 6,562,380	\$ 5,397,323
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	4,407	38,253
Amortization of tangible capital assets	3,629,399	3,505,851
	10,196,186	8,941,427
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	121,166	2,707,858
Trade and other receivables	(697,103)	(798,326)
Investments	(211,399)	(331,909)
Debt charges recoverable	131,512	127,728
Inventory for consumption	(118,231)	132,563
Prepaid expenses	5,262	(39,194)
Accounts payable and accrued liabilities	1,689,116	(685,327)
Employee benefit obligations	(66,552)	(177,182)
Deferred revenue	(1,199,076)	1,615,032
Provision for reclamation	53,904	(134,147)
	9,904,785	11,358,523
Capital transactions		
Acquisition of tangible capital assets	(7,357,887)	(5,384,678)
Financing transactions		
Repayment of long-term debt	(375,974)	(368,779)
Increase in cash and temporary investments	2,170,924	5,605,066
Cash and temporary investments, beginning of year	14,782,481	9,177,415
Cash and temporary investments, end of year	\$ 16,953,405	\$ 14,782,481

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

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, 2022

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, 2022

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, 2022

2. Cash and temporary investments

	2022	2021
Savings accounts	\$ 15,988,901	\$ 11,601,509
Operating accounts	964,504	3,180,972
	\$ 16,953,405	\$ 14,782,481

3. Taxes and grants in place of taxes receivables

	2022	2021
Taxes and grants in place of taxes receivable	\$ 173,157	\$ 293,764
Arrears	95,536	96,095
	\$ 268,693	\$ 389,859

4. Trade and other receivables

	2022	2021
Grants	\$ 4,173,877	\$ 3,382,016
Goods and Services Tax	209,538	155,503
Trade receivables	100,926	249,719
	\$ 4,484,341	\$ 3,787,238

5. Investments

	2022		2021	
	Cost	Market value	Cost	Market value
Bonds	\$ 9,854,040	\$ 9,418,679	\$ 9,642,641	\$ 9,662,948
Castle Mountain resort	50,000	58,820	50,000	58,820
Other	3,300	3,340	3,300	3,340
	\$ 9,907,340	\$ 9,480,839	\$ 9,695,941	\$ 9,725,108

The bond portfolio has interest rates in the range of 1.67% to 4.86% (2021 - 1.67% to 4.86%) with maturity dates from 2024 to 2033. 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, 2022

6. Debt charges recoverable

	2022	2021
Current debt charges recoverable	\$ 135,410	\$ 131,513
Non-current debt charges recoverable	1,414,321	1,549,730
	\$ 1,549,731	\$ 1,681,243

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
2023	\$ 135,410	\$ 44,605	\$ 180,015
2024	139,424	40,592	180,016
2025	143,556	36,460	180,016
2026	147,810	32,205	180,015
2027	152,191	27,824	180,015
Thereafter	831,340	68,735	900,075
	\$ 1,549,731	\$ 250,421	\$ 1,800,152

7. Authorized overdraft

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

8. Employee benefit obligations

	2022	2021
Vacation and time in lieu	\$ 33,897	\$ 49,313
Sick time	407,469	458,605
	\$ 441,366	\$ 507,918

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, 2022

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 \$1,330,204 (2021 - \$1,276,300), all costs have been accrued in the financial statements.

10. Deferred revenue

	2022	2021
Municipal Sustainability Initiative	\$ 4,917,594	\$ 6,429,607
Strategic Transportation Infrastructure Program	1,108,727	-
Canada Community-Building Fund	1,006,796	844,551
Municipal Water/Wastewater Partnership	937,431	2,000,327
Minister of Environment and Parks - watershed	159,402	-
Minister of Environment and Parks - watercourse	113,872	-
Enel - EV chargers	20,824	-
Alberta Transportation	-	162,452
Family and Community Support Services	-	26,705
Intermunicipal grant	-	80
	\$ 8,264,646	\$ 9,463,722

11. Long-term debt

	2022	2021
Tax supported debentures	\$ 2,945,667	\$ 3,195,641
Village of Cowley	126,000	252,000
	\$ 3,071,667	\$ 3,447,641
Current portion	\$ 383,383	\$ 375,974

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

11. Long-term debt, continued

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2023	\$ 383,383	\$ 88,491	\$ 471,874
2024	265,011	77,154	342,165
2025	272,864	69,300	342,164
2026	280,951	61,214	342,165
2027	289,278	52,887	342,165
Thereafter	1,580,180	475,982	2,056,162
	<u>\$ 3,071,667</u>	<u>\$ 825,028</u>	<u>\$ 3,896,695</u>

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 2.94%.

Interest on long-term debt amounted to \$99,604 (2021 - \$110,506). The Municipal District's cash payments for interest in 2022 were \$99,604 (2021 - \$110,506).

12. Accumulated surplus

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

	2022	2021
Unrestricted surplus	\$ 5,843,583	\$ 5,389,785
Internally restricted surplus (reserves) (note 13)	14,888,797	12,748,758
Equity in tangible capital assets (note 14)	71,872,675	67,904,132
	<u>\$ 92,605,055</u>	<u>\$ 86,042,675</u>

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

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.

	2022	2021
Operating		
Tax rate stabilization	\$ 2,379,242	\$ 1,193,125
Emergency management	61,001	61,001
Next year completions	103,863	131,428
	2,544,106	1,385,554
Capital		
Airport	329,771	329,771
Dam (Water Storage)	75,000	75,000
Bridge infrastructure	3,082,850	2,682,850
Buildings	175,100	200,000
Emergency services	59,369	100,000
Equipment	3,967,698	3,199,199
Regional community initiatives	249,834	228,904
Recycle equipment	104,966	104,966
Road infrastructure	3,033,570	2,701,219
Seniors housing	200,000	200,000
Water and wastewater infrastructure	1,066,533	1,541,295
	12,344,691	11,363,204
	\$ 14,888,797	\$ 12,748,758

14. Equity in tangible capital assets

	2022	2021
Tangible capital assets (schedule 2)	\$ 239,070,579	\$ 231,808,622
Accumulated amortization (schedule 2)	(165,675,968)	(162,138,092)
Long-term debt (note 11)	(3,071,667)	(3,447,641)
Debt charges recoverable (note 6)	1,549,731	1,681,243
	\$ 71,872,675	\$ 67,904,132

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

15. Net municipal property taxes

	Budget (Unaudited)	2022	2021
Taxation			
Real property taxes	\$ 13,963,610	\$ 13,839,385	\$ 13,820,352
Linear property taxes	2,416,200	2,605,679	2,392,275
	16,379,810	16,445,064	16,212,627
Requisitions			
Alberta School Foundation Fund - basic levy	2,622,270	2,749,081	2,609,294
Alberta School Foundation Fund - opted out jurisdiction	150,000	146,495	137,729
Pincher Creek Foundation	320,370	306,334	320,364
Designated Industrial Property	72,575	71,356	72,571
	3,165,215	3,273,266	3,139,958
	\$ 13,214,595	\$ 13,171,798	\$ 13,072,669

16. Government transfers

	Budget (Unaudited)	2022	2021
Transfers for operating:			
Provincial government	\$ 295,900	\$ 357,079	\$ 513,226
Transfers for capital:			
Provincial government	6,405,737	5,154,309	2,551,189
Federal government	2,594,618	1,456,144	1,484,646
	9,000,355	6,610,453	4,035,835
	\$ 9,296,255	\$ 6,967,532	\$ 4,549,061

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

17. Expenses by object

	Budget (Unaudited)	2022	2021
Salaries, wages, and benefits	\$ 5,026,120	\$ 4,191,356	\$ 3,944,301
Contracted and general services	3,107,340	2,918,581	2,291,470
Materials, goods, supplies and utilities	2,236,730	2,165,952	2,079,884
Bank charges and short term interest	10,000	7,403	7,826
Interest on long term debt	99,650	99,604	110,506
Other expenditures	8,200	29,056	172,715
Transfers to organizations and others	1,731,815	1,876,727	1,756,953
Amortization of tangible capital assets	3,629,379	3,629,399	3,505,851
Loss on disposal of tangible capital assets	-	4,407	27,918
	\$ 15,849,234	\$ 14,922,485	\$ 13,897,424

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:

	2022	2021
Total debt limit	\$ 22,311,617	\$ 22,888,368
Total debt	3,071,667	3,447,641
	\$ 19,239,950	\$ 19,440,727
Debt servicing limit	\$ 3,718,603	\$ 3,814,728
Debt servicing	471,874	457,578
	\$ 3,246,729	\$ 3,357,150

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, 2022

19. Commitment and contingencies

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 \$600,000 towards the project in prior years, \$100,000 in 2022 and will contribute an additional \$100,000 per year through 2025.

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.

With the changes to the collective agreement with the National Police Federation, the MD could have a potential liability for the retroactive pay increases identified in the agreement. It is unknown if costs will be downloaded to the MD and the specific amounts associated with the retroactive pay rates are not yet finalized. As a result, no amounts have been accrued in the financial statements as at December 31, 2022.

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 281,764 people and 435 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 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.80% on pensionable earnings above this amount. Employees of the Municipal District of Pincher Creek No. 9 are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 11.80% on pensionable salary above this amount.

Total current service contributions by the Municipal District of Pincher Creek No. 9 to the LAPP in 2022 were \$249,962 (2021 - \$266,974). Total current service contributions by the employees of the Municipal District of Pincher Creek No. 9 to the LAPP in 2022 were \$223,598 (2021 - \$241,877).

At December 31, 2021, the LAPP disclosed an actuarial surplus of \$11.9 billion.

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

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)		
	Salary		Benefits & allowances	2022	2021
Council					
Bruder, Tony	\$ 20,975	\$	2,963	\$ 23,938	\$ 6,147
Cox, Dave	29,350		3,797	33,147	5,876
Hollingshead, Harold	31,225		6,536	37,761	8,214
Lemire, Rick	25,125		2,796	27,921	22,387
MacGarva, John	27,225		4,745	31,970	4,930
Everts, Bev	-		-	-	17,093
Hammond, Brian	-		-	-	30,902
Stevick, Quentin	-		-	-	16,810
Yagos, Terry	-		-	-	18,920
Chief administrative officer -					
MacCulloch	128,197		-	128,197	192,620
Chief administrative officer - Milligan	85,961		-	85,961	-
Designated officer	\$ 103,419	\$	2,331	\$ 105,750	\$ 104,634

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration. For Councillors, salary includes a monthly allowance and per diem reimbursement for authorized meetings attended.

(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.

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

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)

24. Budget amounts

The 2022 budget for the Municipal District was approved by Council on October 12, 2021 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	\$ 8,028,881
Less: Capital expenditures	(9,620,355)
Long-term debt repayments	(375,970)
Transfers from trust accounts	(40,000)
Water meters	(450,000)
Add: Amortization	3,629,379
Transfers from capital reserves	(1,046,540)
Transfers from operating reserves	(125,395)
<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. 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, 2022

	Schedule of changes in accumulated surplus			Schedule 1	
	Unrestricted	Restricted	Equity in tangible capital assets	2022	2021
Balance, beginning of year	\$ 5,389,785	\$ 12,748,758	\$ 67,904,132	\$ 86,042,675	\$ 80,645,352
Excess of revenue over expenses	6,562,380	-	-	6,562,380	5,397,323
Unrestricted funds designated for future use	(3,261,519)	3,261,519	-	-	-
Restricted funds used for operations	411,151	(411,151)	-	-	-
Restricted funds used for tangible capital assets	-	(710,329)	710,329	-	-
Current year funds used for tangible capital assets	(6,647,559)	-	6,647,559	-	-
Disposal of tangible capital assets	4,410	-	(4,410)	-	-
Amortization of tangible capital assets	3,629,399	-	(3,629,399)	-	-
Long-term debt repaid	(375,974)	-	375,974	-	-
Debt charges recoverable	131,510	-	(131,510)	-	-
Change in accumulated surplus	453,798	2,140,039	3,968,543	6,562,380	5,397,323
Balance, end of year	\$ 5,843,583	\$ 14,888,797	\$ 71,872,675	\$ 92,605,055	\$ 86,042,675

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2022	2021
Cost:									
Balance, beginning of year	\$ 2,940,594	\$ 354,574	\$ 7,808,908	\$ 204,067,919	\$ 10,558,315	\$ 2,271,676	\$ 3,806,636	\$ 231,808,622	\$ 226,733,912
Acquisitions	-	37,106	24,900	5,743	146,000	-	7,144,138	7,357,887	5,384,678
Transfers	-	-	-	692,279	18,400	46,926	(757,605)	-	-
Disposals	-	-	-	-	(95,930)	-	-	(95,930)	(309,968)
Balance, end of year	2,940,594	391,680	7,833,808	204,765,941	10,626,785	2,318,602	10,193,169	239,070,579	231,808,622
Accumulated amortization:									
Balance, beginning of year	-	103,006	2,044,172	151,621,421	6,737,041	1,632,452	-	162,138,092	158,903,955
Annual amortization	-	14,995	169,287	2,739,538	589,324	116,254	-	3,629,398	3,505,850
Disposals	-	-	-	-	(91,522)	-	-	(91,522)	(271,713)
Balance, end of year	-	118,001	2,213,459	154,360,959	7,234,843	1,748,706	-	165,675,968	162,138,092
Net book value	\$ 2,940,594	\$ 273,679	\$ 5,620,349	\$ 50,404,982	\$ 3,391,942	\$ 569,896	\$ 10,193,169	\$ 73,394,611	\$ 69,670,530
2021 net book value	\$ 2,940,594	\$ 251,568	\$ 5,764,736	\$ 52,446,498	\$ 3,821,274	\$ 639,224	\$ 3,806,636	\$ 69,670,530	

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

Schedule of segmented disclosure

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Schedule 3 Total
Revenue								
Net municipal property taxes	\$ 13,171,798	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,171,798
User fees and sales of goods	7,670	13,792	64,384	225,875	-	93,580	-	405,301
Government transfers for operating	-	-	58,564	36,699	106,811	155,005	-	357,079
Investment income	443,394	-	-	-	-	-	-	443,394
Penalties and costs of taxes	95,009	-	-	-	-	-	-	95,009
Licenses and permits	-	-	-	-	-	95,591	-	95,591
Rental	19,252	-	61,273	-	-	943	-	81,468
Other	10,830	-	96,544	-	-	71,292	46,106	224,772
	13,747,953	13,792	280,765	262,574	106,811	416,411	46,106	14,874,412
Expenses								
Salaries, wages and benefits	1,338,333	-	2,371,145	110,582	-	371,296	-	4,191,356
Contracted and general services	508,139	198,229	1,364,104	594,062	-	225,282	28,765	2,918,581
Materials, goods, supplies and utilities	267,029	(685)	1,687,500	114,473	-	95,440	2,195	2,165,952
Bank charges and short term interest	7,403	-	-	-	-	-	-	7,403
Interest on long term debt	-	-	64,669	34,935	-	-	-	99,604
Other expenditures	10,078	-	18,843	-	-	135	-	29,056
Transfers to organizations and others	14,425	771,073	-	-	185,384	35,792	870,053	1,876,727
Amortization of tangible capital assets	251,532	6,101	2,544,624	788,287	-	32,068	6,787	3,629,399
Loss on disposal of tangible capital assets	-	-	4,407	-	-	-	-	4,407
	2,396,939	974,718	8,055,292	1,642,339	185,384	760,013	907,800	14,922,485
Excess (deficiency) of revenue over expenses before other	11,351,014	(960,926)	(7,774,527)	(1,379,765)	(78,573)	(343,602)	(861,694)	(48,073)
Other								
Government transfers for capital	-	-	1,779,253	4,831,200	-	-	-	6,610,453
Excess (deficiency) of revenue over expenses	\$ 11,351,014	\$ (960,926)	\$ (5,995,274)	\$ 3,451,435	\$ (78,573)	\$ (343,602)	\$ (861,694)	\$ 6,562,380