

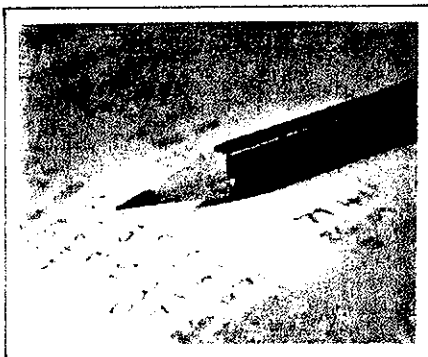
SYLVAIN & DORAN

Certified General Accountants

**MUNICIPAL DISTRICT OF PEACE
NO. 135**

Financial Statements

For the Year Ended December 31, 2012



MUNICIPAL DISTRICT OF PEACE NO. 135

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council
MUNICIPAL DISTRICT OF PEACE NO. 135

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of MUNICIPAL DISTRICT OF PEACE NO. 135, which comprise the statement of financial position as at December 31, 2012, and the statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

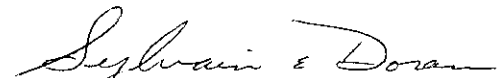
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the MUNICIPAL DISTRICT OF PEACE NO. 135 as at December 31, 2012 and the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Falher, Alberta
April 8, 2013


CERTIFIED GENERAL ACCOUNTANTS

**MUNICIPAL DISTRICT OF PEACE NO. 135
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at December 31, 2012

	2012	2011
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	5,615,152	4,443,238
Receivables		
Taxes and grants in place of taxes (Note 3)	86,375	89,416
From other governments	43,546	454,519
Trade and other receivables	106,861	133,765
Land for resale inventory	13,020	1,975
Long-term investments (Note 4)	3,460,244	3,771,085
	<u>9,325,198</u>	<u>8,893,998</u>
LIABILITIES		
Accounts payable and accrued liabilities	33,036	212,274
Deferred revenue (Note 5)	822,674	831,980
Employee benefit obligations (Note 6)	52,135	56,075
Provision for landfill closure and post-closure costs (Note 7)	2,500	-
	<u>910,345</u>	<u>1,100,329</u>
NET FINANCIAL ASSETS (DEBT)	<u>8,414,853</u>	<u>7,793,669</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	8,686,169	8,108,477
Inventory for consumption	304,184	413,392
Prepaid expenses	43,873	38,714
	<u>9,034,226</u>	<u>8,560,583</u>
ACCUMULATED SURPLUS (Schedule 1, Note 10)	<u>17,449,079</u>	<u>16,354,252</u>

Commitments and contingencies - (Note 15 and 16)

See accompanying schedules and notes to the financial statements.

**MUNICIPAL DISTRICT OF PEACE NO. 135
CONSOLIDATED STATEMENT OF OPERATIONS**

For the Year Ended December 31, 2012

	Budget \$ (Unaudited)	2012 \$	2011 \$
REVENUE			
Net municipal taxes (Schedule 3)	2,033,143	2,034,671	2,012,557
Well drilling	10,000	10,593	16,369
Sales and user charges	49,500	85,102	65,304
Penalties and costs on taxes	25,000	23,780	26,016
Licenses and permits	2,600	3,520	2,445
Investment income	163,000	150,520	186,723
Rentals	27,500	32,446	30,197
Government transfers for operating (Schedule 4)	449,069	471,220	837,574
Gain on disposal of capital assets	-	36,355	112,779
Other revenues	72,300	143,827	129,160
Total Revenue	2,832,112	2,992,034	3,419,124
EXPENDITURES			
Council and other legislative	140,000	127,793	135,813
General administration	427,000	373,944	535,628
Fire fighting and protective services	180,000	163,412	84,732
Bylaws enforcement	11,000	9,297	8,846
Roads, streets, walks, lighting	1,772,000	1,376,950	1,572,858
Airport	30,000	-	-
Water and wastewater	102,700	91,194	79,352
Waste management	31,300	26,444	26,460
Family and community support services	54,810	54,784	54,784
Cemeteries	5,500	8,850	530
Land use planning, zoning, development	79,100	67,038	60,028
Agricultural development	352,737	290,794	285,080
Economic development	33,000	33,000	33,000
Subdivision land development	-	1,380	-
Parks and recreation	171,700	168,764	150,585
Culture: libraries, museums, halls	15,700	15,613	14,870
Total Expenditures	3,406,547	2,809,257	3,042,566
EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES - BEFORE OTHER			
	(574,435)	182,777	376,558
Other			
Contributed Assets	-	17,480	-
Government transfers for capital (Schedule 4)	1,017,800	894,570	956,251
EXCESS OF REVENUE OVER EXPENDITURES			
	443,365	1,094,827	1,332,809
ACCUMULATED SURPLUS, BEGINNING OF YEAR			
	16,354,252	16,354,252	15,021,443
ACCUMULATED SURPLUS, END OF YEAR			
	16,797,617	17,449,079	16,354,252

See accompanying schedules and notes to the financial statements.

MUNICIPAL DISTRICT OF PEACE NO. 135
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

For the Year Ended December 31, 2012

	Budget \$ (Unaudited)	2012 \$	2011 \$
EXCESS OF REVENUES OVER EXPENDITURES	443,365	1,094,827	1,332,809
Acquisition of tangible capital assets	(1,545,000)	(1,079,096)	(1,120,237)
Contributed tangible capital assets	-	(17,480)	-
Proceeds on disposal of tangible capital assets	-	58,100	119,115
Amortization of tangible capital assets	452,000	459,846	447,895
(Gain) loss on sale of tangible capital assets	-	938	(112,779)
	(1,093,000)	(577,692)	(666,006)
Acquisition of supplies inventories	(417,000)	(291,342)	(287,763)
Acquisition of prepaid assets	(60,900)	(62,103)	(54,662)
Use of supplies inventories	417,000	400,550	391,775
Use of prepaid assets	60,900	56,944	54,350
	-	104,049	103,700
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(649,635)	621,184	770,503
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	7,793,669	7,793,669	7,023,166
NET FINANCIAL ASSETS (DEBT), END OF YEAR	7,144,034	8,414,853	7,793,669

See accompanying schedules and notes to the financial statements.

**MUNICIPAL DISTRICT OF PEACE NO. 135
CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2012

	2012	2011
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenditures	1,094,827	1,332,809
Non-cash items included in excess of revenues over expenditures:		
Amortization of tangible capital assets	459,846	447,895
Loss on disposal of tangible capital assets	938	(112,779)
Tangible capital assets received as contributions	(17,480)	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	3,041	8,074
Decrease (increase) in receivable from other governments	410,973	(336,815)
Decrease (increase) in trade and other receivables	26,904	129,529
Decrease (increase) in land held for resale	(11,045)	(1,975)
Decrease (increase) in inventory for consumption	109,208	104,012
Decrease (increase) in prepaid expenses	(5,159)	(312)
Increase (decrease) in accounts payable and accrued liabilities	(174,238)	192,237
Increase (decrease) in employee benefit obligations	(3,940)	(5,327)
Increase (decrease) in deferred revenue	(9,306)	52,417
Increase (decrease) in provision for landfill closure	(2,500)	-
Cash provided by operating transactions	1,882,069	1,809,765
CAPITAL		
Acquisition of tangible capital assets	(1,079,096)	(1,120,237)
Sale of tangible capital assets	58,100	119,115
Cash applied to capital transactions	(1,020,996)	(1,001,122)
INVESTING		
Decrease (increase) in restricted cash and temporary investments	16,231	(58,707)
Decrease (increase) in long-term investments	310,841	(489,499)
Cash provided by (applied to) investing transactions	327,072	(548,206)
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	1,188,145	260,437
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,582,798	3,322,361
CASH AND CASH EQUIVALENTS, END OF YEAR	4,770,943	3,582,798
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	5,615,152	4,443,238
Less: restricted portion of cash and temporary investments (Note 2)	(844,209)	(860,440)
	4,770,943	3,582,798

See accompanying schedules and notes to the financial statements.

**MUNICIPAL DISTRICT OF PEACE NO. 135
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS**

Schedule 1

For the Year Ended December 31, 2012

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2012	2011
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	1,975,421	6,270,354	8,108,477	16,354,252	15,021,443
Excess (deficiency) of revenues over expenses	1,094,827	-	-	1,094,827	1,332,809
Unrestricted funds designated for future use	(494,883)	494,883	-	-	-
Restricted funds used for operations	-	-	-	-	-
Restricted funds used for tangible capital assets	-	-	-	-	-
Current year funds used for tangible capital assets	(1,079,096)	-	1,079,096	-	-
Contributed tangible capital assets	(17,480)	-	17,480	-	-
Disposal of tangible capital assets	59,038	-	(59,038)	-	-
Annual amortization expense	459,846	-	(459,846)	-	-
Capital long-term debt repaid	-	-	-	-	-
CHANGE IN ACCUMULATED SURPLUS	22,252	494,883	577,692	1,094,827	1,332,809
BALANCE, END OF YEAR	1,997,673	6,765,237	8,686,169	17,449,079	16,354,252

See accompanying schedules and notes to the financial statements.

**MUNICIPAL DISTRICT OF PEACE NO.135
SCHEDULE OF TANGIBLE CAPITAL ASSETS**

Schedule 2

For the Year Ended December 31, 2012

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2012 \$	2011 \$
COST:								
BALANCE, BEGINNING OF YEAR	180,943	363,893	971,311	8,248,988	2,717,245	962,453	13,444,833	12,657,411
Acquisition of tangible capital assets	17,480		83,400	264,174	384,256	232,753	982,063	1,115,077
Construction-in-progress		1,000	3,750		109,763		114,513	5,160
Disposal of tangible capital assets				(62,791)	(207,148)	(64,375)	(334,314)	(332,815)
Write-down of tangible capital assets							-	-
BALANCE, END OF YEAR	198,423	364,893	1,058,461	8,450,371	3,004,116	1,130,831	14,207,095	13,444,833
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	111,949	415,014	2,548,911	1,758,864	501,618	5,336,356	5,214,940
Annual Amortization	-	11,102	20,260	202,529	173,455	52,500	459,846	447,895
Accumulated amortization on disposals	-			(61,184)	(187,003)	(27,089)	(275,276)	(326,479)
BALANCE, END OF YEAR	-	123,051	435,274	2,690,256	1,745,316	527,029	5,520,926	5,336,356
NET BOOK VALUE								
TANGIBLE CAPITAL ASSETS	198,423	241,842	623,187	5,760,115	1,258,800	603,802	8,686,169	8,108,477
2011 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	180,943	251,944	556,297	5,700,077	958,381	460,835		

See accompanying schedules and notes to the financial statements.

**MUNICIPAL DISTRICT OF PEACE NO. 135
SCHEDULE OF PROPERTY TAXES LEVIED**

Schedule 3

For the Year Ended December 31, 2012

	Budget \$ (Unaudited)	2012 \$	2011 \$
TAXATION			
Real property taxes	1,506,313	1,499,224	1,429,500
Linear property taxes	846,210	854,108	850,543
Government grants in place of property taxes	434,821	435,541	440,112
	<u>2,787,344</u>	<u>2,788,873</u>	<u>2,720,155</u>
REQUISITIONS			
Alberta School Foundation Fund	629,916	625,074	588,650
Holy Family Catholic Regional Division No. 37	64,291	69,134	58,067
North Peace Housing Foundation	59,994	59,994	60,881
	<u>754,201</u>	<u>754,202</u>	<u>707,598</u>
NET MUNICIPAL PROPERTY TAXES	<u>2,033,143</u>	<u>2,034,671</u>	<u>2,012,557</u>

See accompanying schedules and notes to the financial statements.

**MUNICIPAL DISTRICT OF PEACE NO. 135
SCHEDULE OF GOVERNMENT TRANSFERS**

Schedule 4

For the Year Ended December 31, 2012

	Budget \$ (Unaudited)	2012 \$	2011 \$
TRANSFERS FOR OPERATING			
Federal Government	-	-	-
Provincial Government - conditional	449,069	471,220	837,574
Provincial Government - unconditional	-	-	-
Other local governments	-	-	-
	449,069	471,220	837,574
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	977,800	861,817	956,251
Other local governments	40,000	32,753	-
	1,017,800	894,570	956,251
TOTAL GOVERNMENT TRANSFERS	1,466,869	1,365,790	1,793,825

See accompanying schedules and notes to the financial statements.

MUNICIPAL DISTRICT OF PEACE NO. 135

Schedule 5

SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT

For the Year Ended December 31, 2012

	Budget	2012	2011
	\$	\$	\$
	(Unaudited)		
Consolidated Expenditures by Object			
Salaries, wages and benefits	926,587	896,979	869,015
Contracted and general services	834,500	564,382	599,034
Purchases from other governments	3,500	3,003	2,967
Materials, goods, supplies and utilities	853,700	552,434	701,312
Transfers to other governments	222,810	180,146	135,235
Transfers to local boards and agencies	41,200	41,178	222,185
Transfers to individuals and organizations	52,000	60,779	49,534
Amortization of tangible capital assets	452,000	459,846	447,895
Loss on disposal of capital assets	-	37,294	-
Other expenditures	20,250	13,216	15,389
Total expenditures	3,406,547	2,809,257	3,042,566

See accompanying schedules and notes to the financial statements.

**MUNICIPAL DISTRICT OF PEACE NO.135
SCHEDULE OF SEGMENTED DISCLOSURE**

Schedule 6

For the Year Ended December 31, 2012

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation Culture	Other	Total 2012
	\$	\$	\$	\$	\$	\$	\$
REVENUE							
Net municipal taxes	2,034,671	-	-	-	-	-	2,034,671
Well drilling charges	10,593	-	-	-	-	-	10,593
User fees and sales of goods	3,466	15,400	20,610	30,152	-	15,474	85,102
Government transfers for operating	-	-	152,579	-	18,833	299,808	471,220
Penalties and costs on taxes	23,780	-	-	-	-	-	23,780
Licenses and permits	-	70	-	-	-	3,450	3,520
Investment income	147,113	-	-	481	2,926	-	150,520
Rentals	-	-	16,290	-	1,595	14,561	32,446
Drawn from allowances	-	-	-	-	-	-	-
Gain on disposal of tangible capital assets	-	-	36,355	-	-	-	36,355
Other revenues	1,566	1,265	98,163	883	32,100	9,850	143,827
	2,221,189	16,735	323,997	31,516	55,454	343,143	2,992,034
EXPENSES							
Salaries, wages and benefits	241,243	13,396	425,251	33,322	30,143	153,624	896,979
Contracted and general services	196,007	33,783	160,183	31,497	24,341	118,571	564,382
Purchases from other governments	3,003	-	-	-	-	-	3,003
Materials, goods and utilities	21,120	18,456	425,621	17,676	10,577	58,984	552,434
Provision for allowance	-	-	-	-	-	-	-
Transfers to other governments	5,294	43,434	-	6,806	75,302	49,310	180,146
Transfers to local boards and agencies	-	-	-	-	8,178	33,000	41,178
Transfers to individuals and organizations	16,805	3,000	-	-	16,000	24,974	60,779
Bank charges and short-term interest	-	-	-	-	-	-	-
Other expenditures	10,488	-	-	2,728	-	-	13,216
Loss on disposal of tangible capital assets	-	35,686	1,608	-	-	-	37,294
	493,960	147,755	1,012,663	92,029	164,541	438,463	2,349,411
Net revenue before amortization and transfers for capital	1,727,229	(131,020)	(688,666)	(60,513)	(109,087)	(95,320)	642,623
Amortization	(7,777)	(24,955)	(364,287)	(25,608)	(19,836)	(17,383)	(459,846)
Contributed assets	17,480	-	-	-	-	-	17,480
Government transfers for capital	-	243,800	620,970	-	29,800	-	894,570
NET REVENUE (SHORTFALL)	1,736,932	87,825	(431,983)	(86,121)	(99,123)	(112,703)	1,094,827

See accompanying schedules and notes to the financial statements.

MUNICIPAL DISTRICT OF PEACE NO. 135

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Municipal District of Peace No. 135 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 Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the municipality are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to the municipal Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, 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 expenditure 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 PEACE NO. 135

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

e) 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.

f) 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.

g) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

h) Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

i) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environment Protection and Enhancement Act, the Municipality is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

j) 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.

MUNICIPAL DISTRICT OF PEACE NO. 135

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

k) 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 (Debt) 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 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	
Bridges	variable
Water system	60
Wastewater system	60
Other engineered structures	30-40
Machinery and Equipment	5-20
Vehicles	10-25

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. 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.

v. Cultural and Historical Tangible Capital Assets

Works of art for display and historical artifacts are not recorded as tangible capital assets.

MUNICIPAL DISTRICT OF PEACE NO. 135

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

2. CASH AND TEMPORARY INVESTMENTS

	2012	2011
	\$	\$
Cash	2,014	18,819
Current bank accounts	2,928,467	2,666,306
Savings - recreation reserve	115,478	95,596
Temporary investments	2,569,193	1,662,517
	5,615,152	4,443,238

Temporary investments are short-term deposits with original maturities of three months or less.

Included in the above balances is a restricted amount of \$728,730 (2011: \$764,844) received from the provincial government and held exclusively for specific projects.

Included in the above balances are \$4,886,422 (2011: \$ 3,678,394) of funds which are restricted in use, as per reserves (Note 10) of funds. The recreation land reserve of \$115,479 (2011: \$95,596) is externally restricted while the remaining reserves are internal council restrictions.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2012	2011
	\$	\$
Current taxes and grants in place of taxes	68,015	73,409
Non-current taxes and grants in place of taxes	27,757	25,404
	95,772	98,813
Less: Allowance for doubtful accounts	(9,397)	(9,397)
	86,375	89,416

4. LONG-TERM INVESTMENTS

	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Equity held in Servus Credit Un.	2	2	2	2
Equity held in A.A.M.D. & C.	555	555	576	576
Equity held in U.F.A.	4,707	4,707	4,669	4,669
Temporary investments	1,094,414	1,094,414	2,072,948	2,072,948
Investment in marketable bonds	2,360,566	2,445,571	1,692,890	1,785,097
	3,460,244	3,545,249	3,771,085	3,863,292

Long-term deposit has an effective interest rate of 1.57% maturing on August 23, 2013. Included in the term deposits balance are \$264,786 (2011- \$977,931) of funds which are restricted in use as per reserves (Note 10) of funds.

Investments in marketable bonds have effective interest rates of 2.98% to 6.02% with maturity dates from April 8, 2013 to June 2, 2021.

MUNICIPAL DISTRICT OF PEACE NO. 135**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2012

5. DEFERRED REVENUE

	2012	2011
	\$	\$
Provincial government transfers		
Federal Gas Tax Fund	131,922	83,200
Municipal Sponsorship	-	11,047
Municipal Sustainability Initiative	378,275	530,547
Basic Municipal Transportation Grant	148,533	136,000
Peace Reg. Water Hauling Infrast. Program	70,000	-
Tangible capital assets	-	-
	728,730	760,794
Interest earned on deferred provincial transfers	-	4,050
Prepaid property taxes and utilities	88,069	62,836
Other - hall, tent rent, reward fund, bulk water deposits	5,875	4,300
	822,674	831,980

Funding from the province and interest earned on these conditional transfers in the amount of \$728,730 remains unspent at year-end. The use of these funds is restricted to eligible projects, as approved under the funding agreement. Unexpended funds related to these advances are supported by temporary investments of \$728,730 held exclusively for these projects (refer Note 2).

6. EMPLOYEE BENEFIT OBLIGATIONS

	2012	2011
	\$	\$
Vacation and overtime	52,135	56,075

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

7. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The accrued liability for closure and post-closure of the Municipality's landfill is recognized, using management's estimated costs for closure and post-closure care. Management is unable to estimate how many years that post-closure care could be required.

At the current rate of usage, the landfill is expected to reach capacity in the year 2021. An annual amount of \$2,500 will be accrued over the expected remaining nine years of usage.

The Municipality has not designated assets for setting closure and post-closure liabilities. The following summarizes the total estimated costs of closure and post-closure care:

Estimated closure costs	\$ 10,000
Estimated post-closure costs	15,000
Estimated total costs	25,000
Accrued liability portion, December 31, 2012	2,500

MUNICIPAL DISTRICT OF PEACE NO. 135

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

8. TANGIBLE CAPITAL ASSETS

	2012	2011
	\$	\$
Net Book Value		
Land	198,423	180,943
Land improvements	240,842	251,944
Gas Line - construction in progress	1,000	-
Buildings	619,437	556,297
Office renovations - construction in progress	3,750	-
Engineered structures		
Roadway system	4,950,968	4,944,546
Water and wastewater system	437,146	450,324
Other	372,000	305,207
Machinery, equipment and furnishings	1,149,038	953,221
Playground equipment - construction in progress	-	5,160
Cardlock fuel system - construction in progress	109,763	-
Vehicles	603,802	460,835
	8,686,169	8,108,477

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	2012	2011
	\$	\$
Tangible Capital Assets (Schedule 2)	14,207,095	13,444,833
Accumulated amortization (Schedule 2)	5,520,926	5,336,356
	8,686,169	8,108,477

10. ACCUMULATED SURPLUS

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

	2012	2011
	\$	\$
Unrestricted surplus	1,997,673	1,975,421
Restricted surplus		
Tax Rate Stabilization	1,614,029	1,614,029
Administration	1,115,000	910,000
Economic Development	50,000	50,000
Fire Services	475,000	475,000
Public Works	2,320,000	2,320,000
Environment	160,000	135,000
A.S.B.	315,729	270,729
Recreation	715,479	495,596
Equity in tangible capital assets	8,686,169	8,108,477
	17,449,079	16,354,252

MUNICIPAL DISTRICT OF PEACE NO. 135

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

11. TRUST FUNDS

	2012	2011
The Municipal District of Peace No. 135 administers the following trust:	\$	\$
Tax Sale Surplus		
Balance, beginning of year	34,888	34,272
Add: Deposits	-	-
Interest	455	616
	455	616
Less: Payment to property owner	-	-
Appropriated by M.D. of Peace	-	-
	-	-
Balance, end of year	35,343	34,888

12. 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:

	Salary(1)	Benefits & Allowances(2)	2012 Total	2011 Total
	\$	\$		\$
Reeve:				
BLISKA, Veronica	\$ 22,135	\$ 18,343	40,478	\$ 38,135
Councillors:				
BRIGHTWELL, George	10,675	11,802	22,477	23,796
FRIESEN, Sandra	8,625	7,396	16,021	18,296
KEILLOR, Richard	13,330	8,039	21,369	22,325
WILLING, Robert	12,370	9,643	22,013	21,388
	67,135	55,223	122,358	123,940
Chief Administrative Officer:				
MCKEN, Lyle	92,801	15,405	108,206	104,146
	159,936	70,628	230,564	228,086

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

2) For reeve and councillors, benefits and allowances consists of travel and general non-accountable expense allowances. For chief administrative officer, benefits and allowances consists of employer's share of Canada pension plan, unemployment insurance contributions, pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, tuition, travel and automobile allowances.

Payments to Elected Officials by Other Organizations (unaudited)

2012
\$

Sandra Friesen - North Peace Housing Foundation

1,710