

**MUNICIPAL DISTRICT OF PEACE
NO. 135**

Financial Statements

For the Year Ended December 31, 2015

MUNICIPAL DISTRICT OF PEACE NO. 135

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

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INDEPENDENT AUDITORS' 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, 2015, 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, 2015 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 12, 2016


CHARTERED PROFESSIONAL ACCOUNTANTS

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

As at December 31, 2015

	2015	2014
	\$	\$
		Restated
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	4,273,006	4,879,419
Receivables		
Taxes and grants in place of taxes (Note 3)	703,639	95,393
From other governments	56,005	65,786
Trade and other receivables	108,317	131,490
Land for resale inventory	22,041	22,041
Long-term investments (Note 4)	4,053,796	4,524,842
Other Financial Assets (Note 5)	-	-
	9,216,804	9,718,971
LIABILITIES		
Accounts payable and accrued liabilities	291,333	47,594
Deferred revenue (Note 6)	812,064	1,112,128
Employee benefit obligations (Note 7)	63,028	59,637
Provision for landfill closure and post-closure costs (Note 8)	10,000	7,500
	1,176,425	1,226,859
NET FINANCIAL ASSETS (DEBT)	8,040,379	8,492,112
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	10,756,588	9,232,013
Inventory for consumption	294,022	392,596
Prepaid expenses	55,021	61,860
	11,105,631	9,686,469
ACCUMULATED SURPLUS (Schedule 1, Note 11)	19,146,010	18,178,581

Commitments and contingencies - (Note 16 and 17)

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, 2015

	Budget \$ (Unaudited)	2015 \$	2014 \$ Restated
REVENUE			
Net municipal taxes (Schedule 3)	2,476,338	2,471,516	2,264,927
Well drilling	8,000	10,874	9,837
Sales and user charges	84,300	103,929	162,937
Penalties and costs on taxes	25,000	35,865	25,486
Licenses and permits	5,100	6,102	5,505
Investment income	143,400	171,979	155,865
Rentals	26,500	23,165	39,319
Government transfers for operating (Schedule 4)	539,637	525,683	601,921
Gain on disposal of capital assets	-	68,346	39,500
Other revenues	90,400	146,205	201,275
Total Revenue	3,398,675	3,563,664	3,506,572
EXPENDITURES			
Council and other legislative	188,100	160,004	164,378
General administration	684,100	614,765	569,897
Fire fighting and protective services	151,500	111,041	186,460
Bylaws enforcement	12,700	7,800	9,942
Roads, streets, walks, lighting	1,682,700	1,726,470	1,598,402
Airport	-	-	-
Water and wastewater	108,200	94,577	80,937
Waste management	37,400	31,522	28,638
Family and community support services	54,810	57,811	54,702
Cemeteries	3,000	2,367	6,352
Land use planning, zoning, development	87,700	83,100	80,299
Agricultural development	429,556	393,724	401,677
Economic development	36,300	36,300	24,944
Subdivision land development	5,000	-	-
Parks and recreation	248,000	227,132	220,328
Culture: libraries, museums, halls	17,100	16,991	16,991
Total Expenditures	3,746,166	3,563,604	3,443,947
EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES - BEFORE OTHER	(347,491)	60	62,625
Other			
Contributed Assets	-	132,369	31,800
Government transfers for capital (Schedule 4)	850,000	835,000	471,000
EXCESS OF REVENUE OVER EXPENDITURES	502,509	967,429	565,425
ACCUMULATED SURPLUS, BEGINNING OF YEAR	18,178,581	18,178,581	17,613,156
ACCUMULATED SURPLUS, END OF YEAR	18,681,090	19,146,010	18,178,581

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, 2015

	Budget \$ (Unaudited)	2015 \$	2014 \$ Restated
EXCESS OF REVENUES OVER EXPENDITURES	502,509	967,429	565,425
Acquisition of tangible capital assets	(3,295,000)	(2,063,929)	(849,562)
Contributed tangible capital assets	-	(132,369)	(31,800)
Proceeds on disposal of tangible capital assets		74,070	68,000
Amortization of tangible capital assets	503,400	538,160	501,278
(Gain) loss on sale of tangible capital assets	-	59,493	(20,701)
	(2,791,600)	(1,524,575)	(332,785)
Acquisition of supplies inventories	(480,200)	(292,828)	(361,228)
Acquisition of prepaid assets	(61,950)	(48,931)	(75,783)
Use of supplies inventories	480,200	391,402	496,624
Use of prepaid assets	61,950	55,770	58,973
	-	105,413	118,586
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(2,289,091)	(451,733)	351,226
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	8,492,112	8,492,112	8,140,886
NET FINANCIAL ASSETS (DEBT), END OF YEAR	6,203,021	8,040,379	8,492,112

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, 2015

	2015	2014
	\$	\$ Restated
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenditures	967,429	565,425
Non-cash items included in excess of revenues over expenditures:		
Amortization of tangible capital assets	538,160	501,278
Loss on disposal of tangible capital assets	59,493	(20,701)
Tangible capital assets received as contributions	(132,369)	(31,800)
Non-cash charges to operations (net change):		-
Decrease (increase) in taxes and grants in lieu receivable	(608,246)	1,944
Decrease (increase) in receivable from other governments	9,781	16,092
Decrease (increase) in trade and other receivables	23,173	(69,879)
Decrease (increase) in land held for resale	-	-
Decrease (increase) in inventory for consumption	98,574	135,396
Decrease (increase) in prepaid expenses	6,839	(16,810)
Decrease (increase) in other assets	-	2,855
Increase (decrease) in accounts payable and accrued liabilities	243,739	(101,611)
Increase (decrease) in employee benefit obligations	3,391	2,745
Increase (decrease) in deferred revenue	(300,064)	107,821
Increase (decrease) in provision for landfill closure	2,500	2,500
Cash provided by operating transactions	912,400	1,095,255
CAPITAL		
Acquisition of tangible capital assets	(2,063,929)	(849,562)
Sale of tangible capital assets	74,070	68,000
Cash applied to capital transactions	(1,989,859)	(781,562)
INVESTING		
Decrease (increase) in restricted cash and temporary investments	281,924	(161,199)
Decrease (increase) in long-term investments	471,046	(450,976)
Cash provided by (applied to) investing transactions	752,970	(612,175)
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(324,489)	(298,482)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,636,938	3,935,420
CASH AND CASH EQUIVALENTS, END OF YEAR	3,312,449	3,636,938
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	4,273,006	4,879,419
Less: restricted portion of cash and temporary investments (Note 2)	(960,557)	(1,242,481)
	3,312,449	3,636,938

See accompanying schedules and notes to the financial statements.

**MUNICIPAL DISTRICT OF PEACE NO.135
 SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
 For the Year Ended December 31, 2015**

Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2015	2014 Restated
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	1,703,095	7,243,473	9,232,013	18,178,581	17,613,156
Excess (deficiency) of revenues over expenses	967,429	-	-	-	565,425
Unrestricted funds designated for future use	(533,014)	533,014	-	967,429	-
Restricted funds used for operations	-	-	-	-	-
Restricted funds used for tangible capital assets	-	(1,087,000)	1,087,000	-	-
Current year funds used for tangible capital assets	(976,929)	-	976,929	-	-
Contributed tangible capital assets	(132,369)	-	132,369	-	-
Disposal of tangible capital assets	133,563	-	(133,563)	-	-
Annual amortization expense	538,160	-	(538,160)	-	-
Capital long-term debt repaid	-	-	-	-	-
CHANGE IN ACCUMULATED SURPLUS	(3,160)	(553,986)	1,524,575	967,429	565,425
BALANCE, END OF YEAR	1,699,935	6,689,487	10,756,588	19,146,010	18,178,581

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, 2015

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2015 \$	2014 \$
COST:								
BALANCE, BEGINNING OF YEAR	256,965	369,393	1,460,050	8,776,043	3,324,461	1,249,924	15,436,836	14,871,747
Acquisition of tangible capital assets	67,369	-	1,350	407,863	419,596	18,420	914,598	780,532
Construction-in-progress	-	-	1,281,700	-	-	-	1,281,700	100,830
Disposal of tangible capital assets	-	-	-	(393,366)	(303,523)	(229,924)	(926,813)	(316,273)
Write-down of tangible capital assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	324,334	369,393	2,743,100	8,790,540	3,440,534	1,038,420	16,706,321	15,436,836
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	145,431	477,610	3,089,255	1,848,694	643,833	6,204,823	5,972,519
Annual Amortization	-	11,259	24,651	211,762	229,933	60,555	538,160	501,278
Accumulated amortization on disposals	-	-	-	(273,171)	(303,523)	(216,556)	(793,250)	(268,974)
BALANCE, END OF YEAR	-	156,690	502,261	3,027,846	1,775,104	487,832	5,949,733	6,204,823
NET BOOK VALUE	324,334	212,703	2,240,839	5,762,694	1,665,430	550,588	10,756,588	9,232,013
TANGIBLE CAPITAL ASSETS								
2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	256,965	223,962	982,440	5,686,788	1,475,767	606,091		

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, 2015

	Budget \$ (Unaudited)	2015 \$	2014 \$
TAXATION			
Real property taxes	1,939,469	1,936,931	1,692,298
Linear property taxes	908,412	908,412	884,306
Government grants in place of property taxes	547,672	545,388	516,168
	3,395,553	3,390,731	3,092,772
REQUISITIONS			
Alberta School Foundation Fund	738,022	738,022	686,719
Holy Family Catholic Regional Division No. 37	85,792	85,792	79,670
North Peace Housing Foundation	95,401	95,401	61,456
	919,215	919,215	827,845
NET MUNICIPAL PROPERTY TAXES	2,476,338	2,471,516	2,264,927

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, 2015

	Budget \$ (Unaudited)	2015 \$	2014 \$
TRANSFERS FOR OPERATING			
Federal Government	-	-	-
Provincial Government - conditional	536,137	521,183	598,421
Provincial Government - unconditional	-	-	-
Other local governments	4,500	4,500	3,500
	540,637	525,683	601,921
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	850,000	835,000	471,000
Other local governments	-	-	-
	850,000	835,000	471,000
TOTAL GOVERNMENT TRANSFERS	1,390,637	1,360,683	1,072,921

See accompanying schedules and notes to the financial statements.

MUNICIPAL DISTRICT OF PEACE NO. 135
SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT

Schedule 5

For the Year Ended December 31, 2015

	Budget \$ (Unaudited)	2015 \$	2014 \$ Restated
Consolidated Expenditures by Object			
Salaries, wages and benefits	1,308,960	1,188,618	1,115,395
Contracted and general services	948,146	814,635	856,119
Purchases from other governments	3,500	2,287	3,076
Materials, goods, supplies and utilities	626,200	548,377	602,363
Transfers to other governments	229,810	229,831	151,100
Transfers to local boards and agencies	45,400	45,338	33,981
Transfers to individuals and organizations	57,500	54,494	138,614
Bank charges & short term interest	500	717	171
Amortization of tangible capital assets	503,400	538,160	501,278
Loss on disposal of capital assets	-	127,839	18,799
Other expenditures	22,750	13,308	23,051
Total expenditures	3,746,166	3,563,604	3,443,947

See accompanying schedules and notes to the financial statements.

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

For the Year Ended December 31, 2015

Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation Culture	Other	Total 2015
	\$	\$	\$	\$	\$	\$	\$
REVENUE							
Net municipal taxes	2,471,516	-	-	-	-	-	2,471,516
Well drilling charges	10,874	-	-	-	-	-	10,874
User fees and sales of goods	5,727	24,626	10,499	48,359	-	14,718	103,929
Government transfers for operating	61,937	1,000	182,000	-	3,500	277,246	525,683
Penalties and costs on taxes	35,865	-	-	-	-	-	35,865
Licenses and permits	152	-	-	-	-	5,950	6,102
Investment income	168,272	-	-	313	3,394	-	171,979
Rentals	-	-	10,412	-	1,890	10,863	23,165
Drawn from allowances	-	-	-	-	-	-	-
Gain on disposal of tangible capital assets	-	495	67,851	-	-	-	68,346
Other revenues	5,039	175	112,141	1,146	27,704	-	146,205
	2,759,382	26,296	382,903	49,818	36,488	308,777	3,563,664
EXPENSES							
Salaries, wages and benefits	363,262	14,066	543,501	22,902	37,827	207,060	1,188,618
Contracted and general services	301,112	42,307	283,142	35,362	22,954	129,758	814,635
Purchases from other governments	2,287	-	-	-	-	-	2,287
Materials, goods and utilities	22,690	20,010	372,846	25,307	16,703	90,821	548,377
Provision for allowance	-	-	-	-	-	-	-
Transfers to other governments	25,911	7,200	-	10,567	132,234	53,919	229,831
Transfers to local boards and agencies	-	-	-	-	9,038	36,300	45,338
Transfers to individuals and organizations	22,337	3,000	-	-	3,300	25,857	54,494
Bank charges and short-term interest	717	-	-	-	-	-	717
Other expenditures	10,498	-	-	2,810	-	-	13,308
Loss on disposal of tangible capital assets	-	-	127,839	-	-	-	127,839
	748,814	86,583	1,327,328	96,948	222,056	543,715	3,025,444
Net revenue before amortization and transfers for capital	2,010,568	(60,287)	(944,425)	(47,130)	(185,568)	(234,938)	538,220
Amortization	(25,955)	(32,258)	(399,141)	(29,151)	(22,067)	(29,588)	(538,160)
Contributed assets	67,369	-	65,000	-	-	-	132,369
Government transfers for capital	500,000	-	300,000	-	35,000	-	835,000
NET REVENUE (SHORTFALL)	2,551,982	(92,545)	(978,566)	(76,281)	(172,635)	(264,526)	967,429

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, 2015

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 Chartered Professional Accountants of Canada. 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, 2015

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) 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.

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

For the Year Ended December 31, 2015

k) Government Transfers

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

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

1) 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 on a first-in first-out basis for office supplies, fuel, parts and pesticides. Gravel is costed out using historical cost identified by pit location and stockpile.

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, 2015

2. CASH AND TEMPORARY INVESTMENTS

	2015	2014
	\$	\$
Cash	7,113	9,790
Current bank accounts	2,789,707	3,013,842
Savings - recreation reserve	246,486	213,473
Temporary investments	1,229,700	1,642,314
	4,273,006	4,879,419

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

Included in the above balances is a restricted amount of \$714,071 (2014: \$1,029,008) received from the provincial government and held exclusively for specific projects.

Included in the above balances are \$3,558,935 (2014: \$3,850,411) of funds which are restricted in use, as per reserves (Note 11) of funds. The recreation land reserve of \$246,486 (2014: \$213,473) is externally restricted while the remaining reserves are internal council restrictions.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2015	2014
	\$	\$
Current taxes and grants in place of taxes	684,407	86,152
Non-current taxes and grants in place of taxes	28,629	18,638
	713,036	104,790
Less: Allowance for doubtful accounts	(9,397)	(9,397)
	703,639	95,393

4. LONG-TERM INVESTMENTS

	2015		2014	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Loan to N.P. Housing Foundation	433,333	433,333	466,667	466,667
Equity held in Servus Credit Un.	3	3	3	3
Equity held in A.A.M.D. & C.	-	-	397	397
Equity held in U.F.A.	4,934	4,934	4,911	4,911
Long-term deposits	2,165,824	2,165,824	2,614,274	2,614,274
Investment in marketable bonds	1,449,702	1,480,704	1,438,590	1,481,995
	4,053,796	4,084,798	4,524,842	4,568,247

Long-term deposits have effective interest rates ranging from 1.7% to 2.3% with maturity dates ranging January 22, 2016 to July 22, 2017. Included in the term deposits balance are \$1,057,552 (2014 - \$1,753,062) of funds which are restricted in use as per reserves (Note 11) of funds.

Loan to N.P. Housing has an effective interest rate of 4%. The loan is repayable in quarterly payments of \$8,333.33 of principal plus interest with last payment receivable October 2028.

Investments in marketable bonds have effective interest rates of 1.742% to 6.02% with maturity dates ranging from May 2018 to September 2023.

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

For the Year Ended December 31, 2015

5. OTHER FINANCIAL ASSETS

	2015	2014
	\$	\$
Requisition under-levy - education taxes	-	-

6. DEFERRED REVENUE

	2015	2014
	\$	\$
Provincial government transfers		
Federal Gas Tax Fund	76,000	-
Regional Collaboration Program	18,071	80,008
Municipal Sustainability Initiative	620,000	949,000
		-
		-
Tangible capital assets	-	-
	714,071	1,029,008
Interest earned on deferred provincial transfers	-	-
Prepaid property taxes and utilities	87,343	75,322
Other - hall, tent, trees, reward fund, bulk water deposits	10,650	7,798
	812,064	1,112,128

Funding from the province and interest earned on these conditional transfers in the amount of \$714,071 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 \$714,071 held exclusively for these projects (refer Note 2).

7. EMPLOYEE BENEFIT OBLIGATIONS

	2015	2014
	\$	\$
Sick pay benefits obligation	5,200	3,500
Vacation and overtime	57,828	56,137
	63,028	59,637

The sick pay benefits liability is comprised of sick pay that accumulates but does not vest and is paid only upon an illness or injury-related absence. The extent to which accumulated sick days are expected to be used by the employees has been considered in measuring this obligation.

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.

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

For the Year Ended December 31, 2015

8. 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 eight 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, 2015	10,000

9. TANGIBLE CAPITAL ASSETS

Net Book Value	2015 \$	2014 \$
Land	324,334	256,965
Land improvements	212,703	223,962
Buildings	893,410	591,843
New Office - construction in progress	1,260,323	26,395
McInnis Well Truckfill Station - construction in progress	-	324,868
Lac Cardinal Hall Kitchen - construction in progress	87,106	39,335
Engineered structures		
Roadway system	5,002,753	4,869,375
Road Right of Way - construction in progress	-	33,000
Water and wastewater system	420,624	434,202
Other	339,316	350,210
Machinery, equipment and furnishings	1,665,431	1,475,767
Vehicles	550,588	606,091
	10,756,588	9,232,013

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2015 \$	2014 \$
Tangible Capital Assets (Schedule 2)	16,706,321	15,436,836
Accumulated amortization (Schedule 2)	5,949,733	6,204,823
	10,756,588	9,232,013

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

For the Year Ended December 31, 2015

11. ACCUMULATED SURPLUS

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

	2015	2014
	\$	\$
		Restated
Unrestricted surplus	1,699,935	1,703,095
Restricted surplus		
Tax Rate Stabilization	2,073,000	1,640,000
Administration	446,500	1,175,000
Economic Development	50,000	50,000
Fire Services	475,000	475,000
Public Works	2,191,000	2,370,000
Hamlet of Brownvale	175,000	175,000
Environment	210,000	210,000
A.S.B.	235,000	335,000
Recreation	833,987	813,473
Equity in tangible capital assets	10,756,588	9,232,013
	19,146,010	18,178,581

12. TRUST FUNDS

	2015	2014
	\$	\$
The Municipal District of Peace No. 135 administers the following trusts:		
Tax Sale Surplus		
Balance, beginning of year	36,344	35,569
Add: Deposits	-	-
Interest	-	775
	-	775
Less: Payment to property owner	15,157	-
Appropriated by M.D. of Peace	4,700	-
	19,857	-
Balance, end of year	16,487	36,344

Northern Alberta Elected Leaders (NAEL)

Balance, beginning of year	-	-
Add: Deposits	4,800	-
Transfer from previous administrative authority	25,321	-
	30,121	-
Less: Disbursement for expenditures	100	-
Other	-	-
	100	-
Balance, end of year	30,021	-

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

For the Year Ended December 31, 2015

13. 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)	2015 Total	2014 Total
	\$	\$		\$
Reeve:				
BLISKA, Veronica	\$ 21,275	\$ 20,246	41,521	\$ 51,299
Councillors:				
BETTENSON, Orwell	6,805	9,435	16,240	35,437
BRIGHTWELL, George	11,525	14,209	25,734	25,730
EASTMAN, Sandra	15,715	16,084	31,799	13,133
FRIESEN, Sandra				8,297
WILLING, Robert	12,800	14,248	27,048	23,888
	68,120	74,222	142,342	157,784
Chief Administrative Officer:				
MCKEN, Lyle	101,694	20,636	122,330	116,267
	169,814	94,858	264,672	274,051

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)

Sandra Eastman - North Peace Housing Foundation

2015
\$
2,984

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the Municipal District of Peace No. 135 participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pensions Plans Act. The LAPP serves about 199,000 people and about 418 employers. The LAPP is financed by 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 Peace No. 135 is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the years maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Municipal District of Peace No.135 to the Local Authorities Pension Plan in 2015 were \$73,792 (2014: \$61,740). Total current service contributions by the employees of the Municipal District of Peace No.135 to the Local Authorities Pension Plan in 2015 were \$67,807 (2014: \$56,713).

At December 31, 2014, the Plan disclosed an actuarial deficiency of \$2.454 billion.

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

For the Year Ended December 31, 2015

15. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Regulation 255/00 for the Municipal District of Peace No. 135 be disclosed as follows:

	2015	2014
	\$	\$
Total debt limit	5,345,496	5,259,858
Total debt	-	-
Amount of total debt unused	5,345,496	5,259,858
Debt servicing limit	890,916	876,643
Debt servicing	-	-
Amount of debt servicing limit unused	890,916	876,643

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.

16. COMMITMENTS

The MUNICIPAL DISTRICT OF PEACE NO. 135 signed an inter-municipal cooperation agreement on July 29, 2010 with the Town of Peace River. During 2015, an amount of \$68,715 (2014 - \$66,520) was paid to the Town of Peace River for cost sharing of F.C.S.S. and recreation programs and services per this new agreement. The agreement is effective for 8 years (to July, 2018) with a possible automatic renewal for subsequent 3 year terms. Future payments will be calculated using a formula with an initial cost-sharing base of \$61,823 per year.

17. CONTINGENCIES

The MUNICIPAL DISTRICT OF PEACE NO. 135 is a member of the Genesis Reciprocal Insurance Exchange. Under the terms of the membership, the MUNICIPAL DISTRICT OF PEACE NO. 135 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.

MUNICIPAL DISTRICT OF PEACE NO. 135

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

18. FINANCIAL INSTRUMENTS

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

The municipality 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 municipality provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

19. CONTAMINATED SITES LIABILITY

On January 1, 2015 the Municipality adopted PS3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the Municipality.

20. PRIOR PERIOD ADJUSTMENTS

The MUNICIPALITY has restated its 2014 financial statements to correct an overstatement of gravel inventories due to inaccurate estimate of quantities in various gravel piles over the last several years. These adjustments are as follows:

	2014
Adjustments to opening accumulated surplus:	\$
As previously reported	17,863,123
Decrease to Dec 31, 2013 inventory for consumption	(249,967)
As restated January 1	17,613,156
	2014
Adjustments to excess (shortfall) of revenues over expenses:	\$
As previously reported	593,199
Increase to materials goods and utilities (gravel)	(27,774)
As restated	565,425
	2014
Adjustments to inventory for consumption:	\$
As previously reported	670,337
Decrease in gravel inventory	(277,741)
As restated	392,596

Certain comparative figures have been restated to conform to the current year's presentation.

21. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.