

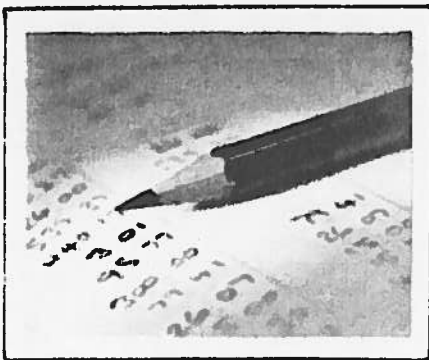
# **SYLVAIN & DORAN**

**Certified General Accountants**

**MUNICIPAL DISTRICT OF PEACE  
NO. 135**

**Financial Statements**

**For the Year Ended December 31, 2013**



*Leaders in Business*

**MUNICIPAL DISTRICT OF PEACE NO. 135**

**CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2013

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# SYLVAIN & DORAN

Certified General Accountants

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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, 2013, 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, 2013 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, 2014

  
CERTIFIED GENERAL ACCOUNTANTS

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

As at December 31, 2013

	2013	2012
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	5,016,702	5,615,152
Receivables		
Taxes and grants in place of taxes (Note 3)	97,337	86,375
From other governments	81,878	43,546
Trade and other receivables	61,611	106,861
Land for resale inventory	22,041	13,020
Long-term investments (Note 4)	4,073,866	3,460,244
Other Financial Assets (Note 5)	2,855	
	<b>9,356,290</b>	<b>9,325,198</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	149,205	33,036
Deferred revenue (Note 6)	1,004,307	822,674
Employee benefit obligations (Note 7)	53,474	52,135
Provision for landfill closure and post-closure costs (Note 8)	5,000	2,500
	<b>1,211,986</b>	<b>910,345</b>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>8,144,304</b>	<b>8,414,853</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 9)	8,899,228	8,686,169
Inventory for consumption	777,959	304,184
Prepaid expenses	45,050	43,873
	<b>9,722,237</b>	<b>9,034,226</b>
<b>ACCUMULATED SURPLUS (Schedule 1, Note 11)</b>	<b>17,866,541</b>	<b>17,449,079</b>

*Commitments and contingencies - (Note 16 and 17)*

See accompanying schedules and notes to the financial statements.

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

For the Year Ended December 31, 2013

	Budget \$ (Unaudited)	2013 \$	2012 \$
<b>REVENUE</b>			
Net municipal taxes (Schedule 3)	2,134,890	2,127,255	2,034,671
Well drilling	10,000	5,882	10,593
Sales and user charges	61,000	80,431	85,102
Penalties and costs on taxes	25,000	23,045	23,780
Licenses and permits	3,100	4,565	3,520
Investment income	153,000	172,431	150,520
Rentals	26,000	37,459	32,446
Government transfers for operating (Schedule 4)	467,795	499,178	471,220
Gain on disposal of capital assets	-	-	36,355
Other revenues	85,850	147,318	143,827
<b>Total Revenue</b>	<b>2,966,635</b>	<b>3,097,564</b>	<b>2,992,034</b>
<b>EXPENDITURES</b>			
Council and other legislative	140,000	125,628	127,793
General administration	665,750	616,118	373,944
Fire fighting and protective services	135,000	142,059	163,412
Bylaws enforcement	12,000	10,165	9,297
Roads, streets, walks, lighting	1,526,600	1,565,862	1,376,950
Airport	30,000	-	-
Water and wastewater	99,000	82,806	91,194
Waste management	32,000	29,288	26,444
Family and community support services	54,810	54,702	54,784
Cemeteries	3,500	1,497	8,850
Land use planning, zoning, development	84,700	73,892	67,038
Agricultural development	370,802	326,651	290,794
Economic development	33,000	33,000	33,000
Subdivision land development	-	4,847	1,380
Parks and recreation	177,500	167,993	168,764
Culture: libraries, museums, halls	15,600	15,523	15,613
<b>Total Expenditures</b>	<b>3,380,262</b>	<b>3,250,031</b>	<b>2,809,257</b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES - BEFORE OTHER</b>	<b>(413,627)</b>	<b>(152,467)</b>	<b>182,777</b>
<b>Other</b>			
Contributed Assets	-	31,335	17,480
Government transfers for capital (Schedule 4)	628,762	538,594	894,570
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>215,135</b>	<b>417,462</b>	<b>1,094,827</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>17,449,079</b>	<b>17,449,079</b>	<b>16,354,252</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>17,664,214</b>	<b>17,866,541</b>	<b>17,449,079</b>

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, 2013

	Budget \$ (Unaudited)	2013 \$	2012 \$
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	215,135	417,462	1,094,827
Acquisition of tangible capital assets	(1,436,540)	(658,181)	(1,079,096)
Contributed tangible capital assets	-	(31,335)	(17,480)
Proceeds on disposal of tangible capital assets	-	-	58,100
Amortization of tangible capital assets	462,300	473,374	459,846
(Gain) loss on sale of tangible capital assets	-	3,083	938
	(974,240)	(213,059)	(577,692)
Acquisition of supplies inventories	(419,000)	(938,529)	(291,342)
Acquisition of prepaid assets	(60,870)	(56,881)	(62,103)
Use of supplies inventories	419,000	464,754	400,550
Use of prepaid assets	60,870	55,704	56,944
	-	(474,952)	104,049
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(759,105)	(270,549)	621,184
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	8,414,853	8,414,853	7,793,669
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	7,655,748	8,144,304	8,414,853

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, 2013

	2013	2012
	\$	\$
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenditures	417,462	1,094,827
Non-cash items included in excess of revenues over expenditures:		
Amortization of tangible capital assets	473,374	459,846
Loss on disposal of tangible capital assets	3,083	938
Tangible capital assets received as contributions	(31,335)	(17,480)
Non-cash charges to operations (net change):		-
Decrease (increase) in taxes and grants in lieu receivable	(10,962)	3,041
Decrease (increase) in receivable from other governments	(38,332)	410,973
Decrease (increase) in trade and other receivables	45,250	26,904
Decrease (increase) in land held for resale	(9,021)	(11,045)
Decrease (increase) in inventory for consumption	(473,775)	109,208
Decrease (increase) in prepaid expenses	(1,177)	(5,159)
Decrease (increase) in other assets	(2,855)	-
Increase (decrease) in accounts payable and accrued liabilities	116,169	(179,238)
Increase (decrease) in employee benefit obligations	1,339	(3,940)
Increase (decrease) in deferred revenue	181,633	(9,306)
Increase (decrease) in provision for landfill closure	2,500	2,500
Cash provided by operating transactions	673,353	1,882,069
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(658,181)	(1,079,096)
Sale of tangible capital assets	-	58,100
Cash applied to capital transactions	(658,181)	(1,020,996)
<b>INVESTING</b>		
Decrease (increase) in restricted cash and temporary investments	(237,073)	16,231
Decrease (increase) in long-term investments	(613,622)	310,841
Cash provided by (applied to) investing transactions	(850,695)	327,072
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>(835,523)</b>	<b>1,188,145</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>4,770,943</b>	<b>3,582,798</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>3,935,420</b>	<b>4,770,943</b>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	5,016,702	5,615,152
Less: restricted portion of cash and temporary investments (Note 2)	(1,081,282)	(844,209)
	<b>3,935,420</b>	<b>4,770,943</b>

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, 2013

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2013	2012
	\$	\$	\$	\$	\$
<b>BALANCE, BEGINNING OF YEAR</b>	<b>1,997,673</b>	<b>6,765,237</b>	<b>8,686,169</b>	<b>17,449,079</b>	<b>16,354,252</b>
Excess (deficiency) of revenues over expenses	417,462	-	-	417,462	1,094,827
Unrestricted funds designated for future use	(215,045)	215,045	-	-	-
Restricted funds used for operations	-	-	-	-	-
Restricted funds used for tangible capital assets	-	-	-	-	-
Current year funds used for tangible capital assets	(658,181)	-	658,181	-	-
Contributed tangible capital assets	(31,335)	-	31,335	-	-
Disposal of tangible capital assets	3,083	-	(3,083)	-	-
Annual amortization expense	473,374	-	(473,374)	-	-
Capital long-term debt repaid	-	-	-	-	-
<b>CHANGE IN ACCUMULATED SURPLUS</b>	<b>(10,642)</b>	<b>215,045</b>	<b>213,059</b>	<b>417,462</b>	<b>1,094,827</b>
<b>BALANCE, END OF YEAR</b>	<b>1,987,031</b>	<b>6,980,282</b>	<b>8,899,228</b>	<b>17,866,541</b>	<b>17,449,079</b>

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, 2013

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2013	2012
							\$	\$
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	198,423	364,893	1,058,461	8,450,371	3,004,116	1,130,831	14,207,095	13,444,833
Acquisition of tangible capital assets	7,200	4,500		165,832	134,950	38,217	350,699	982,063
Construction-in-progress			337,817	1,000			338,817	114,513
Disposal of tangible capital assets				(14,443)	(10,421)		(24,864)	(334,314)
Write-down of tangible capital assets							-	-
<b>BALANCE, END OF YEAR</b>	<b>205,623</b>	<b>369,393</b>	<b>1,396,278</b>	<b>8,602,760</b>	<b>3,128,645</b>	<b>1,169,048</b>	<b>14,871,747</b>	<b>14,207,095</b>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	123,051	435,274	2,690,256	1,745,316	527,029	5,520,926	5,336,356
Annual Amortization	-	11,121	21,094	203,420	181,483	56,256	473,374	459,846
Accumulated amortization on disposals	-			(12,776)	(9,005)		(21,781)	(275,276)
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>134,172</b>	<b>456,368</b>	<b>2,880,900</b>	<b>1,917,794</b>	<b>583,285</b>	<b>5,972,519</b>	<b>5,520,926</b>
<b>NET BOOK VALUE</b>	<b>205,623</b>	<b>235,221</b>	<b>939,910</b>	<b>5,721,860</b>	<b>1,210,851</b>	<b>585,763</b>	<b>8,899,228</b>	<b>8,686,169</b>
<b>TANGIBLE CAPITAL ASSETS</b>								
2012 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	198,423	241,842	623,187	5,760,115	1,258,800	603,802		

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, 2013

	Budget	2013	2012
	\$	\$	\$
	(Unaudited)		
<b>TAXATION</b>			
Real property taxes	1,630,793	1,621,831	1,499,224
Linear property taxes	878,256	878,703	854,108
Government grants in place of property taxes	455,724	456,604	435,541
	<u>2,964,773</u>	<u>2,957,138</u>	<u>2,788,873</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	688,636	686,138	625,074
Holy Family Catholic Regional Division No. 37	78,840	81,338	69,134
North Peace Housing Foundation	62,407	62,407	59,994
	<u>829,883</u>	<u>829,883</u>	<u>754,202</u>
<b>NET MUNICIPAL PROPERTY TAXES</b>	<u>2,134,890</u>	<u>2,127,255</u>	<u>2,034,671</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, 2013

	Budget \$ (Unaudited)	2013 \$	2012 \$
<b>TRANSFERS FOR OPERATING</b>			
Federal Government	-	-	-
Provincial Government - conditional	467,795	499,178	471,220
Provincial Government - unconditional	-	-	-
Other local governments	-	-	-
	<b>467,795</b>	<b>499,178</b>	<b>471,220</b>
<b>TRANSFERS FOR CAPITAL</b>			
Federal Government	-	-	-
Provincial Government	628,762	453,594	861,817
Other local governments	-	85,000	32,753
	<b>628,762</b>	<b>538,594</b>	<b>894,570</b>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<b>1,096,557</b>	<b>1,037,772</b>	<b>1,365,790</b>

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, 2013

	Budget	2013	2012
	\$	\$	\$
	(Unaudited)		
<b>Consolidated Expenditures by Object</b>			
Salaries, wages and benefits	984,601	1,026,251	896,979
Contracted and general services	807,401	643,816	564,382
Purchases from other governments	3,500	2,847	3,003
Materials, goods, supplies and utilities	621,500	648,573	552,434
Transfers to other governments	177,810	144,431	180,146
Transfers to local boards and agencies	41,400	41,400	41,178
Transfers to individuals and organizations	258,000	252,075	60,779
Amortization of tangible capital assets	462,300	473,374	459,846
Loss on disposal of capital assets	-	3,083	37,294
Other expenditures	23,750	14,181	13,216
<b>Total expenditures</b>	<b>3,380,262</b>	<b>3,250,031</b>	<b>2,809,257</b>

See accompanying schedules and notes to the financial statements.

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

For the Year Ended December 31, 2013

**Schedule 6**

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation Culture	Other	Total 2013
	\$	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>							
Net municipal taxes	2,127,255	-	-	-	-	-	2,127,255
Well drilling charges	5,882	-	-	-	-	-	5,882
User fees and sales of goods	3,438	7,200	17,941	33,801	-	18,051	80,431
Government transfers for operating	-	-	189,026	-	10,345	299,807	499,178
Penalties and costs on taxes	23,045	-	-	-	-	-	23,045
Licenses and permits	-	65	-	-	-	4,500	4,565
Investment income	170,249	-	-	395	1,787	-	172,431
Rentals	-	-	23,241	-	1,590	12,628	37,459
Drawn from allowances	-	-	-	-	-	-	-
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-
Other revenues	1,156	1,000	110,520	1,422	33,160	60	147,318
	<b>2,331,025</b>	<b>8,265</b>	<b>340,728</b>	<b>35,618</b>	<b>46,882</b>	<b>335,046</b>	<b>3,097,564</b>
<b>EXPENSES</b>							
Salaries, wages and benefits	267,871	17,227	492,508	35,045	33,659	179,941	1,026,251
Contracted and general services	201,232	68,780	206,430	22,082	24,666	120,626	643,816
Purchases from other governments	2,847	-	-	-	-	-	2,847
Materials, goods and utilities	19,684	26,234	500,418	19,502	13,377	69,358	648,573
Provision for allowance	-	-	-	-	-	-	-
Transfers to other governments	6,683	5,000	-	6,806	76,132	49,810	144,431
Transfers to local boards and agencies	-	-	-	-	8,400	33,000	41,400
Transfers to individuals and organizations	220,183	3,000	-	-	5,800	23,092	252,075
Bank charges and short-term interest	-	-	-	-	-	-	-
Other expenditures	11,043	425	-	2,713	-	-	14,181
Loss on disposal of tangible capital assets	-	1,416	1,667	-	-	-	3,083
	<b>729,543</b>	<b>122,082</b>	<b>1,201,023</b>	<b>86,148</b>	<b>162,034</b>	<b>475,827</b>	<b>2,776,657</b>
<b>Net revenue before amortization and transfers for capital</b>	<b>1,601,482</b>	<b>(113,817)</b>	<b>(860,295)</b>	<b>(50,530)</b>	<b>(115,152)</b>	<b>(140,781)</b>	<b>320,907</b>
Amortization	(12,204)	(30,142)	(364,839)	(25,946)	(21,481)	(18,762)	(473,374)
Contributed assets	31,335	-	-	-	-	-	31,335
Government transfers for capital	72,405	-	138,921	327,268	-	-	538,594
<b>NET REVENUE (SHORTFALL)</b>	<b>1,693,018</b>	<b>(143,959)</b>	<b>(1,086,213)</b>	<b>250,792</b>	<b>(136,633)</b>	<b>(159,543)</b>	<b>417,462</b>

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, 2013

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**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, 2013

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### 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, 2013

### 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:

	<b>YEARS</b>
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, 2013

**2. CASH AND TEMPORARY INVESTMENTS**

	2013	2012
	\$	\$
Cash	29,282	2,014
Current bank accounts	2,799,374	2,928,467
Savings - recreation reserve	150,282	115,478
Temporary investments	2,037,764	2,569,193
	<b>5,016,702</b>	<b>5,615,152</b>

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

Included in the above balances is a restricted amount of \$931,000 (2012: \$728,730) received from the provincial government and held exclusively for specific projects.

Included in the above balances are \$4,085,702 (2012: \$4,886,422) of funds which are restricted in use, as per reserves (Note 11) of funds. The recreation land reserve of \$150,282 (2012: \$115,478) is externally restricted while the remaining reserves are internal council restrictions.

**3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES**

	2013	2012
	\$	\$
Current taxes and grants in place of taxes	78,438	68,015
Non-current taxes and grants in place of taxes	28,296	27,757
	<b>106,734</b>	<b>95,772</b>
Less: Allowance for doubtful accounts	(9,397)	(9,397)
	<b>97,337</b>	<b>86,375</b>

**4. LONG-TERM INVESTMENTS**

	2013		2012	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Loan to N.P. Housing Foundation	500,000	500,000	-	-
Equity held in Servus Credit Un.	2	2	2	2
Equity held in A.A.M.D. & C.	555	555	555	555
Equity held in U.F.A.	4,824	4,824	4,707	4,707
Long-term deposits	2,111,591	2,111,591	1,094,414	1,094,414
Investment in marketable bonds	1,456,894	1,479,552	2,360,566	2,445,571
	<b>4,073,866</b>	<b>4,096,524</b>	<b>3,460,244</b>	<b>3,545,249</b>

Long-term deposits have effective interest rate ranging from 1.65% to 2.12% with maturity dates ranging July 22, 2014 to January 22, 2015. Included in the term deposits balance are \$1,274,580 (2012 - \$264,786) 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 2.948% to 6.02% with maturity dates ranging from May 2015 to June 2021.

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

For the Year Ended December 31, 2013

**5. OTHER FINANCIAL ASSETS**

	2013	2012
	\$	\$
Requisition under-levy - education taxes	2,855	-

**6. DEFERRED REVENUE**

	2013	2012
	\$	\$
Provincial government transfers		
Federal Gas Tax Fund		131,922
Municipal Sponsorship	-	-
Municipal Sustainability Initiative	769,934	378,275
Basic Municipal Transportation Grant	161,066	148,533
Peace Reg. Water Hauling Infrast. Program		70,000
Tangible capital assets	-	-
	<b>931,000</b>	<b>728,730</b>
Interest earned on deferred provincial transfers	-	-
Prepaid property taxes and utilities	67,882	88,069
Other - hall, tent rent, reward fund, bulk water deposits	5,425	5,875
	<b>1,004,307</b>	<b>822,674</b>

Funding from the province and interest earned on these conditional transfers in the amount of \$931,000. 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 \$931,000. held exclusively for these projects (refer Note 2).

**7. EMPLOYEE BENEFIT OBLIGATIONS**

	2013	2012
	\$	\$
Vacation and overtime	53,474	52,135

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, 2013

**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
<b>Estimated total costs</b>	<b>25,000</b>
<hr/>	
Accrued liability portion, December 31, 2013	5,000

**9. TANGIBLE CAPITAL ASSETS**

Net Book Value	2013	2012
	\$	\$
Land	205,623	198,423
Land improvements	235,220	240,842
Gas Line - construction in progress	-	1,000
Buildings	598,344	619,437
Office renovations - construction in progress	18,799	3,750
McInnis Well Truckfill Station - construction in progress	322,768	-
Engineered structures		
Roadway system	4,911,976	4,950,968
Road Right of Way - construction in progress	1,000	-
Water and wastewater system	447,779	437,146
Other	361,105	372,000
Machinery, equipment and furnishings	1,210,851	1,149,038
Cardlock fuel system - construction in progress	-	109,763
Vehicles	585,763	603,802
	<b>8,899,228</b>	<b>8,686,169</b>

**10. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2013	2012
	\$	\$
Tangible Capital Assets (Schedule 2)	14,871,747	14,207,095
Accumulated amortization (Schedule 2)	5,972,519	5,520,926
	<b>8,899,228</b>	<b>8,686,169</b>

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

For the Year Ended December 31, 2013

**11. ACCUMULATED SURPLUS**

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

	2013	2012
	\$	\$
Unrestricted surplus	1,987,031	1,997,673
Restricted surplus		
Tax Rate Stabilization	1,620,000	1,614,029
Administration	1,170,000	1,115,000
Economic Development	50,000	50,000
Fire Services	475,000	475,000
Public Works	2,370,000	2,320,000
Environment	210,000	160,000
A.S.B.	335,000	315,729
Recreation	750,282	715,479
Equity in tangible capital assets	8,899,228	8,686,169
	17,866,541	17,449,079

**12. TRUST FUNDS**

	2013	2012
	\$	\$
The Municipal District of Peace No. 135 administers the following trust:		
<b>Tax Sale Surplus</b>		
Balance, beginning of year	35,343	34,888
Add: Deposits	-	-
Interest	226	455
	226	455
Less: Payment to property owner	-	-
Appropriated by M.D. of Peace	-	-
	-	-
Balance, end of year	35,569	35,343

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

For the Year Ended December 31, 2013

**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)	2013 Total	2012 Total
	\$	\$		\$
Reeve:				
BLISKA, Veronica	\$ 23,005	\$ 18,364	41,369	\$ 40,478
Councillors:				
BETTENSON, Orwell	2,900	2,792	5,692	-
BRIGHTWELL, George	11,020	13,670	24,690	22,477
FRIESEN, Sandra	7,420	6,366	13,786	16,021
KEILLOR, Richard	9,620	6,951	16,571	21,369
WILLING, Robert	11,665	9,393	21,058	22,013
	65,630	57,536	123,166	122,358
Chief Administrative Officer:				
MCKEN, Lyle	93,729	18,107	111,836	108,206
	159,359	75,643	235,002	230,564

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)

	2013
	\$
Sandra Friesen - North Peace Housing Foundation	3,050

**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 10.43% of pensionable earnings up to the years maximum pensionable earnings under the Canada Pension Plan and 14.47% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% 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 2013 were \$64,232 (2012: \$54,197). Total current service contributions by the employees of the Municipal District of Peace No.135 to the Local Authorities Pension Plan in 2013 were \$58,546 (2012: \$49,179).

At December 31, 2012, the Plan disclosed an actuarial deficiency of \$4.635 billion.

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

For the Year Ended December 31, 2013

**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:

	2013	2012
	\$	\$
Total debt limit	4,773,846	4,537,181
Total debt	-	-
Amount of total debt unused	4,773,846	4,537,181
Debt servicing limit	795,641	756,197
Debt servicing	-	-
Amount of debt servicing limit unused	795,641	756,197

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 2013, an amount of \$65,344 (2012 - \$64,442) 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, 2013

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**18. FINANCIAL INSTRUMENTS**

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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. APPROVAL OF FINANCIAL STATEMENTS**

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Council and management have approved these financial statements.