

SYLVAIN & COMPANY
Certified General Accountants

**MUNICIPAL DISTRICT OF PEACE
NO. 135**

Financial Statements

For the Year Ended December 31, 2014



Leaders in Business

MUNICIPAL DISTRICT OF PEACE NO. 135

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014

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SYLVAIN & COMPANY

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, 2014, 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, 2014 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 9, 2015


CERTIFIED GENERAL ACCOUNTANTS

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

As at December 31, 2014

	2014	2013
	\$	\$ Restated
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	4,879,419	5,016,702
Receivables		
Taxes and grants in place of taxes (Note 3)	95,393	97,337
From other governments	65,786	81,878
Trade and other receivables	131,490	61,611
Land for resale inventory	22,041	22,041
Long-term investments (Note 4)	4,524,842	4,073,866
Other Financial Assets (Note 5)	-	2,855
	9,718,971	9,356,290
LIABILITIES		
Accounts payable and accrued liabilities	47,594	149,205
Deferred revenue (Note 6)	1,112,128	1,004,307
Employee benefit obligations (Note 7)	59,637	56,892
Provision for landfill closure and post-closure costs (Note 8)	7,500	5,000
	1,226,859	1,215,404
NET FINANCIAL ASSETS (DEBT)	8,492,112	8,140,886
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	9,232,013	8,899,228
Inventory for consumption	670,337	777,959
Prepaid expenses	61,860	45,050
	9,964,210	9,722,237
ACCUMULATED SURPLUS (Schedule 1, Note 11)	18,456,322	17,863,123

Commitments and contingencies - (Note 17 and 18)

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, 2014

	Budget \$ (Unaudited)	2014 \$	2013 \$ Restated
REVENUE			
Net municipal taxes (Schedule 3)	2,267,430	2,264,927	2,127,255
Well drilling	10,000	9,837	5,882
Sales and user charges	94,000	162,937	80,431
Penalties and costs on taxes	25,000	25,486	23,045
Licenses and permits	3,100	5,505	4,565
Investment income	162,500	155,865	172,431
Rentals	26,000	39,319	37,459
Government transfers for operating (Schedule 4)	715,307	601,921	499,178
Gain on disposal of capital assets	-	39,500	-
Other revenues	90,850	201,275	147,318
Total Revenue	3,394,187	3,506,572	3,097,564
EXPENDITURES			
Council and other legislative	155,000	164,378	125,628
General administration	617,050	569,897	616,118
Fire fighting and protective services	144,000	186,460	142,059
Bylaws enforcement	14,500	9,942	10,165
Roads, streets, walks, lighting	1,555,700	1,570,628	1,565,734
Airport	30,000	-	-
Water and wastewater	106,700	80,937	82,806
Waste management	30,400	28,638	29,288
Family and community support services	54,810	54,702	54,702
Cemeteries	6,000	6,352	1,497
Land use planning, zoning, development	89,700	80,299	73,892
Agricultural development	392,993	401,677	326,651
Economic development	36,500	24,944	33,000
Subdivision land development	9,700	-	4,847
Parks and recreation	195,000	220,328	167,993
Culture: libraries, museums, halls	17,100	16,991	15,523
Total Expenditures	3,455,153	3,416,173	3,249,903
EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES - BEFORE OTHER	(60,966)	90,399	(152,339)
Other			
Contributed Assets	-	31,800	31,335
Government transfers for capital (Schedule 4)	695,000	471,000	538,594
EXCESS OF REVENUE OVER EXPENDITURES	634,034	593,199	417,590
ACCUMULATED SURPLUS, BEGINNING OF YEAR	17,863,123	17,863,123	17,445,533
ACCUMULATED SURPLUS, END OF YEAR	18,497,157	18,456,322	17,863,123

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, 2014

	Budget \$ (Unaudited)	2014 \$	2013 \$ Restated
EXCESS OF REVENUES OVER EXPENDITURES	634,034	593,199	417,590
Acquisition of tangible capital assets	(1,930,000)	(849,562)	(658,181)
Contributed tangible capital assets	-	(31,800)	(31,335)
Proceeds on disposal of tangible capital assets	50,000	68,000	-
Amortization of tangible capital assets	472,800	501,278	473,374
(Gain) loss on sale of tangible capital assets	-	(20,701)	3,083
	(1,407,200)	(332,785)	(213,059)
Acquisition of supplies inventories	(450,600)	(361,228)	(938,529)
Acquisition of prepaid assets	(60,910)	(75,783)	(56,881)
Use of supplies inventories	450,600	468,850	464,754
Use of prepaid assets	60,910	58,973	55,704
	-	90,812	(474,952)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(773,166)	351,226	(270,421)
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	8,140,886	8,140,886	8,411,307
NET FINANCIAL ASSETS (DEBT), END OF YEAR	7,367,720	8,492,112	8,140,886

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, 2014

	2014 \$	2013 \$ Restated
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenditures	593,199	417,590
Non-cash items included in excess of revenues over expenditures:		
Amortization of tangible capital assets	501,278	473,374
Loss (gain) on disposal of tangible capital assets	(20,701)	3,083
Tangible capital assets received as contributions	(31,800)	(31,335)
Non-cash charges to operations (net change):		-
Decrease (increase) in taxes and grants in lieu receivable	1,944	(10,962)
Decrease (increase) in receivable from other governments	16,092	(38,332)
Decrease (increase) in trade and other receivables	(69,879)	45,250
Decrease (increase) in land held for resale	-	(9,021)
Decrease (increase) in inventory for consumption	107,622	(473,775)
Decrease (increase) in prepaid expenses	(16,810)	(1,177)
Decrease (increase) in other assets	2,855	(2,855)
Increase (decrease) in accounts payable and accrued liabilities	(101,611)	116,169
Increase (decrease) in employee benefit obligations	2,745	1,211
Increase (decrease) in deferred revenue	107,821	181,633
Increase (decrease) in provision for landfill closure	2,500	2,500
Cash provided by operating transactions	<u>1,095,255</u>	<u>673,353</u>
CAPITAL		
Acquisition of tangible capital assets	(849,562)	(658,181)
Sale of tangible capital assets	68,000	-
Cash applied to capital transactions	<u>(781,562)</u>	<u>(658,181)</u>
INVESTING		
Decrease (increase) in restricted cash and temporary investments	(161,199)	(237,073)
Decrease (increase) in long-term investments	(450,976)	(613,622)
Cash provided by (applied to) investing transactions	<u>(612,175)</u>	<u>(850,695)</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(298,482)	(835,523)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,935,420	4,770,943
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>3,636,938</u>	<u>3,935,420</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	4,879,419	5,016,702
Less: restricted portion of cash and temporary investments (Note 2)	(1,242,481)	(1,081,282)
	<u>3,636,938</u>	<u>3,935,420</u>

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, 2014

Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2014	2013 Restated
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR (Restated)	1,983,613	6,980,282	8,899,228	17,863,123	17,445,533
Excess (deficiency) of revenues over expenses	593,199	-	-	593,199	417,590
Unrestricted funds designated for future use	(263,191)	263,191	-	-	-
Restricted funds used for operations	-	-	-	-	-
Restricted funds used for tangible capital assets	-	-	-	-	-
Current year funds used for tangible capital assets	(849,562)	-	849,562	-	-
Contributed tangible capital assets	(31,800)	-	31,800	-	-
Disposal of tangible capital assets	47,299	-	(47,299)	-	-
Annual amortization expense	501,278	-	(501,278)	-	-
Capital long-term debt repaid	-	-	-	-	-
CHANGE IN ACCUMULATED SURPLUS	(2,777)	263,191	332,785	593,199	417,590
BALANCE, END OF YEAR	1,980,836	7,243,473	9,232,013	18,456,322	17,863,123

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, 2014

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2014	2013
							\$	\$
COST:								
BALANCE, BEGINNING OF YEAR	205,623	369,393	1,396,278	8,602,760	3,128,645	1,169,048	14,871,747	14,207,095
Acquisition of tangible capital assets	51,342		14,741	140,283	493,290	80,876	780,532	350,699
Construction-in-progress			67,830	33,000			100,830	338,817
Disposal of tangible capital assets			(18,799)		(297,474)		(316,273)	(24,864)
Write-down of tangible capital assets							-	-
BALANCE, END OF YEAR	256,965	369,393	1,460,050	8,776,043	3,324,461	1,249,924	15,436,836	14,871,747
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	134,172	456,368	2,880,900	1,917,794	583,285	5,972,519	5,520,926
Annual Amortization	-	11,259	21,242	208,355	199,874	60,548	501,278	473,374
Accumulated amortization on disposals	-				(268,974)		(268,974)	(21,781)
BALANCE, END OF YEAR	-	145,431	477,610	3,089,255	1,848,694	643,833	6,204,823	5,972,519
NET BOOK VALUE								
TANGIBLE CAPITAL ASSETS	256,965	223,962	982,440	5,686,788	1,475,767	606,091	9,232,013	8,899,228
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	205,623	235,221	939,910	5,721,860	1,210,851	585,763		

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, 2014

	Budget \$ (Unaudited)	2014 \$	2013 \$
TAXATION			
Real property taxes	1,694,801	1,692,298	1,621,831
Linear property taxes	884,306	884,306	878,703
Government grants in place of property taxes	516,168	516,168	456,604
	3,095,275	3,092,772	2,957,138
REQUISITIONS			
Alberta School Foundation Fund	686,719	686,719	686,138
Holy Family Catholic Regional Division No. 37	79,670	79,670	81,338
North Peace Housing Foundation	61,456	61,456	62,407
	827,845	827,845	829,883
NET MUNICIPAL PROPERTY TAXES	2,267,430	2,264,927	2,127,255

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, 2014

	Budget \$ (Unaudited)	2014 \$	2013 \$
TRANSFERS FOR OPERATING			
Federal Government	-	-	-
Provincial Government - conditional	715,307	598,421	499,178
Provincial Government - unconditional	-	-	-
Other local governments	3,500	3,500	-
	718,807	601,921	499,178
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	695,000	471,000	453,594
Other local governments	-	-	85,000
	695,000	471,000	538,594
TOTAL GOVERNMENT TRANSFERS	1,413,807	1,072,921	1,037,772

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, 2014

	Budget \$ (Unaudited)	2014 \$	2013 \$ Restated
Consolidated Expenditures by Object			
Salaries, wages and benefits	1,080,010	1,115,395	1,026,123
Contracted and general services	986,583	856,119	643,315
Purchases from other governments	3,500	3,076	2,847
Materials, goods, supplies and utilities	604,100	574,589	648,573
Transfers to other governments	178,810	151,100	144,431
Transfers to local boards and agencies	45,600	33,981	41,400
Transfers to individuals and organizations	59,500	138,614	252,075
Bank charges and short-term interest	500	171	501
Amortization of tangible capital assets	472,800	501,278	473,374
Loss on disposal of capital assets	-	18,799	3,083
Other expenditures	23,750	23,051	14,181
Total expenditures	3,455,153	3,416,173	3,249,903

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, 2014

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation Culture	Other	Total 2014
	\$	\$	\$	\$	\$	\$	\$
REVENUE							
Net municipal taxes	2,264,927	-	-	-	-	-	2,264,927
Well drilling charges	9,837	-	-	-	-	-	9,837
User fees and sales of goods	2,598	97,384	10,992	32,601	-	19,362	162,937
Government transfers for operating	44,992	-	281,066	-	3,500	272,363	601,921
Penalties and costs on taxes	25,486	-	-	-	-	-	25,486
Licenses and permits	-	105	-	-	-	5,400	5,505
Investment income	152,704	-	-	464	2,697	-	155,865
Rentals	-	-	22,183	-	520	16,616	39,319
Drawn from allowances	-	-	-	-	-	-	-
Gain on disposal of tangible capital assets	-	-	39,500	-	-	-	39,500
Other revenues	13,599	4,800	115,730	1,435	62,266	3,445	201,275
	2,514,143	102,289	469,471	34,500	68,983	317,186	3,506,572
EXPENSES							
Salaries, wages and benefits	293,590	21,257	542,584	30,620	41,151	186,193	1,115,395
Contracted and general services	316,196	114,688	241,653	21,699	29,251	132,632	856,119
Purchases from other governments	3,076	-	-	-	-	-	3,076
Materials, goods and utilities	29,346	20,602	406,405	17,789	15,544	84,903	574,589
Provision for allowance	-	-	-	-	-	-	-
Transfers to other governments	8,668	5,000	-	10,408	77,214	49,810	151,100
Transfers to local boards and agencies	-	-	-	-	9,038	24,943	33,981
Transfers to individuals and organizations	23,130	3,000	-	-	43,800	68,684	138,614
Bank charges and short-term interest	171	-	-	-	-	-	171
Other expenditures	20,274	-	-	2,777	-	-	23,051
Loss on disposal of tangible capital assets	18,799	-	-	-	-	-	18,799
	713,250	164,547	1,190,642	83,293	215,998	547,165	2,914,895
Net revenue before amortization and transfers for capital	1,800,893	(62,258)	(721,171)	(48,793)	(147,015)	(229,979)	591,677
Amortization	(21,023)	(31,856)	(379,986)	(26,283)	(21,321)	(20,809)	(501,278)
Contributed assets	31,800	-	-	-	-	-	31,800
Government transfers for capital	-	-	456,000	-	15,000	-	471,000
NET REVENUE (SHORTFALL)	1,811,670	(94,114)	(645,157)	(75,076)	(153,336)	(250,788)	593,199

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, 2014

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, 2014

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) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

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, 2014

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 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, 2014

2. CASH AND TEMPORARY INVESTMENTS

	2014	2013
	\$	\$
Cash	9,790	29,282
Current bank accounts	3,013,842	2,799,374
Savings - recreation reserve	213,473	150,282
Temporary investments	1,642,314	2,037,764
	4,879,419	5,016,702

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

Included in the above balances is a restricted amount of \$1,029,008 (2013: \$931,000) received from the provincial government and held exclusively for specific projects.

Included in the above balances are \$3,850,411 (2013: \$4,085,702) of funds which are restricted in use, as per reserves (Note 11) of funds. The recreation land reserve of \$213,473 (2013: \$150,282) is externally restricted while the remaining reserves are internal council restrictions.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2014	2013
	\$	\$
Current taxes and grants in place of taxes	86,152	78,438
Non-current taxes and grants in place of taxes	18,638	28,296
	104,790	106,734
Less: Allowance for doubtful accounts	(9,397)	(9,397)
	95,393	97,337

4. LONG-TERM INVESTMENTS

	2014		2013	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Loan to N.P. Housing Foundation	466,667	466,667	500,000	500,000
Equity held in Servus Credit Un.	3	3	2	2
Equity held in A.A.M.D. & C.	397	397	555	555
Equity held in U.F.A.	4,911	4,911	4,824	4,824
Long-term deposits	2,614,274	2,614,274	2,111,591	2,111,591
Investment in marketable bonds	1,438,590	1,481,995	1,456,894	1,479,552
	4,524,842	4,568,247	4,073,866	4,096,524

Long-term deposits have effective interest rates ranging from 1.64% to 2.15% with maturity dates ranging January 20, 2015 to June 22, 2016. Included in the term deposits balance are \$1,753,062 (2013 - \$1,274,580) of funds which are restricted in use as per specific reserves (Note 11) of funds (does not include the mill rate stabilization reserve).

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, 2014

5. OTHER FINANCIAL ASSETS

	2014	2013
	\$	\$
Requisition under-levy - education taxes	-	2,855

6. DEFERRED REVENUE

	2014	2013
	\$	\$
Provincial government transfers		
Federal Gas Tax Fund	-	-
Regional Collaboration Program	80,008	-
Municipal Sustainability Initiative	949,000	769,934
Basic Municipal Transportation Grant	-	161,066
	1,029,008	931,000
Interest earned on deferred provincial transfers	-	-
Prepaid property taxes and utilities	75,322	67,882
Other - hall, tent, trees, reward fund, bulk water deposits	7,798	5,425
	1,112,128	1,004,307

Funding from the province and interest earned on these conditional transfers in the amount of \$1,029,008 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 \$1,029,008 held exclusively for these projects (refer Note 2).

7. EMPLOYEE BENEFIT OBLIGATIONS

	2014	2013
	\$	\$
Sick pay benefits obligation	3,500	3,418
Vacation and overtime	56,137	53,474
	59,637	56,892

Sick pay benefits

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.

Vacation and overtime

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, 2014

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	\$
Estimated post-closure costs	10,000
<u>Estimated total costs</u>	<u>15,000</u>
<u>Accrued liability portion, December 31, 2014</u>	<u>7,500</u>

9. TANGIBLE CAPITAL ASSETS

Net Book Value	2014 \$	2013 \$
Land	256,965	205,623
Land improvements	223,962	235,220
Buildings	591,843	598,344
New Office - construction in progress	26,395	18,799
McInnis Well Truckfill Station - construction in progress	324,868	322,768
Lac Cardinal Hall Kitchen - construction in progress	39,335	-
Engineered structures		
Roadway system	4,869,375	4,911,976
Road Right of Way - construction in progress	33,000	1,000
Water and wastewater system	434,202	447,779
Other	350,210	361,105
Machinery, equipment and furnishings	1,475,767	1,210,851
Vehicles	606,091	585,763
	<u>9,232,013</u>	<u>8,899,228</u>

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2014 \$	2013 \$
Tangible Capital Assets (Schedule 2)	15,436,836	14,871,747
Accumulated amortization (Schedule 2)	6,204,823	5,972,519
	<u>9,232,013</u>	<u>8,899,228</u>

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

For the Year Ended December 31, 2014

11. ACCUMULATED SURPLUS

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

	2014	2013
	\$	\$
		Restated
Unrestricted surplus	1,980,836	1,983,613
Restricted surplus		
Tax Rate Stabilization	1,640,000	1,620,000
Administration	1,175,000	1,170,000
Economic Development	50,000	50,000
Fire Services	475,000	475,000
Public Works	2,370,000	2,370,000
Hamlet of Brownvale	175,000	-
Environment	210,000	210,000
A.S.B.	335,000	335,000
Recreation	813,473	750,282
Equity in tangible capital assets	9,232,013	8,899,228
	18,456,322	17,863,123

12. TRUST FUNDS

	2014	2013
	\$	\$
The Municipal District of Peace No. 135 administers the following trust:		
Tax Sale Surplus		
Balance, beginning of year	35,569	35,343
Add: Deposits	-	-
Interest	775	226
	775	226
Less: Payment to property owner	-	-
Appropriated by M.D. of Peace	-	-
	-	-
Balance, end of year	36,344	35,569

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

For the Year Ended December 31, 2014

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)	2014 Total	2013 Total
	\$	\$		\$
Reeve:				
BLISKA, Veronica	\$ 24,655	\$ 26,644	51,299	\$ 41,369
Councillors:				
BETTENSON, Orwell	15,700	19,737	35,437	5,692
BRIGHTWELL, George	9,665	16,065	25,730	24,690
EASTMAN, Sandra	5,620	7,513	13,133	-
FRIESEN, Sandra	3,890	4,407	8,297	13,786
KEILLOR, Richard	-	-	-	16,571
WILLING, Robert	11,845	12,043	23,888	21,058
	71,375	86,409	157,784	123,166
Chief Administrative Officer:				
MCKEN, Lyle	96,559	19,708	116,267	111,836
	167,934	106,117	274,051	235,002

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)

	2014
	\$
Sandra Friesen - North Peace Housing Foundation	1,954
Sandra Eastman - North Peace Housing Foundation	863

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 2014 were \$61,740 (2013: \$64,232). Total current service contributions by the employees of the Municipal District of Peace No.135 to the Local Authorities Pension Plan in 2014 were \$56,713 (2013: \$58,546).

At December 31, 2013, the Plan disclosed an actuarial deficiency of \$4.862 billion.

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

For the Year Ended December 31, 2014

15. SEGMENTED DISCLOSURE

The Municipality provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (schedule 6)

16. 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:

	2014	2013
	\$	\$
Total debt limit	5,259,858	4,773,846
Total debt	-	-
Amount of total debt unused	5,259,858	4,773,846
Debt servicing limit	876,643	795,641
Debt servicing	-	-
Amount of debt servicing limit unused	876,643	795,641

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.

17. 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 2014, an amount of \$66,520 (2013 - \$65,344) 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.

18. 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, 2014

19. 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.

20. PRIOR PERIOD ADJUSTMENTS

The Municipality has restated its financial statements to comply with the provisions of Section 3255 of the Public Sector Accounting Board Handbook, which requires governments to accrue sick pay benefits which are likely to be utilized in future periods. These adjustments are as follows:

	2013
Adjustments to opening accumulated surplus:	\$
As previously reported	17,449,079
Increase to Dec 31, 2012 employee benefit obligations	(3,546)
As restated January 1	17,445,533

	2013
Adjustments to excess (shortfall) of revenues over expenses:	\$
As previously reported	417,462
Decrease to salaries, wages and benefits	128
As restated	417,590

	2013
Adjustments to employee benefit obligations:	\$
As previously reported	53,474
Increase to employee benefit obligations	3,418
As restated	56,892

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.