

**MUNICIPAL DISTRICT OF PEACE  
NO. 135**

**Financial Statements**

**For the Year Ended December 31, 2017**

**MUNICIPAL DISTRICT OF PEACE NO. 135**

**CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2017

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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, 2017, 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, 2017 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 24, 2018

  
CHARTERED PROFESSIONAL ACCOUNTANTS

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

As at December 31, 2017

	2017	2016
	\$	\$
		Restated
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	4,451,111	4,003,839
Receivables		
Taxes and grants in place of taxes (Note 3)	691,250	215,100
From other governments	28,848	41,963
Trade and other receivables	47,119	83,920
Land for resale inventory	17,194	17,194
Long-term investments (Note 4)	4,329,211	4,035,119
Other financial assets (Note 5)	-	1,426
	<b>9,564,733</b>	<b>8,398,561</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	30,393	24,448
Deposit liabilities	7,950	7,350
Deferred revenue (Note 6)	1,396,775	889,516
Employee benefit obligations (Note 7)	83,907	74,949
Provision for landfill closure and post-closure costs (Note 8)	15,000	12,500
	<b>1,534,025</b>	<b>1,008,763</b>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>8,030,708</b>	<b>7,389,798</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 9)	11,646,970	12,054,670
Inventory for consumption	466,190	409,769
Prepaid expenses	62,564	58,269
	<b>12,175,724</b>	<b>12,522,708</b>
<b>ACCUMULATED SURPLUS (Schedule 1, Note 11)</b>	<b>20,206,432</b>	<b>19,912,506</b>

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, 2017

	Budget \$ (Unaudited)	2017 \$	2016 \$
<b>REVENUE</b>			
Net municipal taxes (Schedule 3)	2,812,000	2,804,385	2,782,074
Well drilling	30,000	126,569	15,028
Sales and user charges	112,000	127,230	169,779
Penalties and costs on taxes	35,000	58,792	36,629
Licenses, permits and fines	4,650	3,045	3,675
Investment income	118,300	129,189	118,907
Rentals	29,500	53,660	47,680
Government transfers for operating (Schedule 4)	650,097	650,884	460,394
Gain on disposal of capital assets	-	2,000	54,560
Other revenues	221,600	254,173	70,042
<b>Total Revenue</b>	<b>4,013,147</b>	<b>4,209,927</b>	<b>3,758,768</b>
<b>EXPENDITURES</b>			
Council and other legislative	192,500	177,128	183,268
General administration	696,200	620,525	624,398
Fire fighting and protective services	208,500	129,143	126,097
Bylaws enforcement	3,500	2,889	1,783
Roads, streets, walks, lighting	1,947,300	1,674,725	1,594,130
Airport	35,000	35,000	35,000
Water and wastewater	97,000	77,878	75,815
Waste management	35,400	27,845	35,828
Family and community support services	65,200	65,065	65,065
Cemeteries	6,000	4,000	3,000
Land use planning, zoning, development	97,200	78,054	151,509
Agricultural development	543,095	477,618	461,098
Economic development	257,300	262,300	36,300
Subdivision land development	-	-	-
Parks and recreation	291,750	272,595	246,319
Culture: libraries, museums, halls	18,180	18,936	17,757
<b>Total Expenditures</b>	<b>4,494,125</b>	<b>3,923,701</b>	<b>3,657,367</b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES - BEFORE OTHER</b>	<b>(480,978)</b>	<b>286,226</b>	<b>101,401</b>
<b>Other</b>			
Contributed Assets	-	-	-
Government transfers for capital (Schedule 4)	600,000	7,700	665,095
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>119,022</b>	<b>293,926</b>	<b>766,496</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>19,912,506</b>	<b>19,912,506</b>	<b>19,146,010</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>20,031,528</b>	<b>20,206,432</b>	<b>19,912,506</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, 2017

	Budget \$ (Unaudited)	2017 \$	2016 \$
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	119,022	<b>293,926</b>	766,496
Acquisition of tangible capital assets	(902,500)	<b>(260,978)</b>	(1,965,004)
Contributed tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	-	<b>2,000</b>	106,845
Amortization of tangible capital assets	655,000	<b>668,678</b>	609,902
(Gain) loss on sale of tangible capital assets	-	<b>(2,000)</b>	(49,825)
	(247,500)	<b>407,700</b>	(1,298,082)
Acquisition of supplies inventories	(521,250)	<b>(491,270)</b>	(532,861)
Acquisition of prepaid assets	(61,100)	<b>(60,701)</b>	(56,398)
Use of supplies inventories	521,250	<b>434,848</b>	417,114
Use of prepaid assets	61,100	<b>56,407</b>	53,150
	-	<b>(60,716)</b>	(118,995)
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(128,478)	<b>640,910</b>	(650,581)
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	7,389,798	<b>7,389,798</b>	8,040,379
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	7,261,320	<b>8,030,708</b>	7,389,798

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, 2017

	2017 \$	2016 \$ Restated
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenditures	293,926	766,496
Non-cash items included in excess of revenues over expenditures:		
Amortization of tangible capital assets	668,678	609,902
Loss on disposal of tangible capital assets	(2,000)	(49,824)
Tangible capital assets received as contributions	-	-
Non-cash charges to operations (net change):		-
Decrease (increase) in taxes and grants in lieu receivable	(476,150)	488,539
Decrease (increase) in receivable from other governments	13,115	14,042
Decrease (increase) in trade and other receivables	36,801	24,397
Decrease (increase) in land held for resale	-	4,847
Decrease (increase) in inventory for consumption	(56,421)	(115,748)
Decrease (increase) in prepaid expenses	(4,295)	(3,248)
Decrease (increase) in other assets	1,426	(1,426)
Increase (decrease) in accounts payable and accrued liabilities	5,945	(266,885)
Increase (decrease) in deposit liabilities	600	350
Increase (decrease) in employee benefit obligations	8,958	11,921
Increase (decrease) in deferred revenue	507,259	84,452
Increase (decrease) in provision for landfill closure	2,500	2,500
Cash provided by operating transactions	1,000,342	1,570,315
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(260,978)	(1,965,004)
Sale of tangible capital assets	2,000	106,845
Cash applied to capital transactions	(258,978)	(1,858,159)
<b>INVESTING</b>		
Decrease (increase) in restricted cash and temporary investments	(525,031)	(94,017)
Decrease (increase) in long-term investments	(294,092)	18,677
Cash provided by (applied to) investing transactions	(819,123)	(75,340)
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>(77,759)</b>	<b>(363,184)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,949,265</b>	<b>3,312,449</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>2,871,506</b>	<b>2,949,265</b>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	4,451,111	4,003,839
Less: restricted portion of cash and temporary investments (Note 2)	(1,579,605)	(1,054,574)
	2,871,506	2,949,265

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, 2017

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2017 \$	2016 \$
<b>BALANCE, BEGINNING OF YEAR</b>	<b>1,707,662</b>	<b>6,150,174</b>	<b>12,054,670</b>	<b>19,912,506</b>	<b>19,146,010</b>
Excess (deficiency) of revenues over expenses	293,926	-	-	<b>293,926</b>	766,496
Unrestricted funds designated for future use	(824,031)	824,031	-	-	-
Restricted funds used for operations	-	-	-	-	-
Restricted funds used for tangible capital assets	-	(128,000)	128,000	-	-
Current year funds used for tangible capital assets	(132,978)	-	132,978	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	-	-	-	-	-
Annual amortization expense	668,678	-	(668,678)	-	-
Capital long-term debt repaid	-	-	-	-	-
<b>CHANGE IN ACCUMULATED SURPLUS</b>	<b>5,595</b>	<b>696,031</b>	<b>(407,700)</b>	<b>293,926</b>	<b>766,496</b>
<b>BALANCE, END OF YEAR</b>	<b>1,713,257</b>	<b>6,846,205</b>	<b>11,646,970</b>	<b>20,206,432</b>	<b>19,912,506</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, 2017

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2017 \$	2016 \$
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	324,334	369,393	3,512,300	8,809,177	3,811,249	1,372,072	18,198,525	16,706,321
Acquisition of tangible capital assets	-	-	40,084	4,838	143,295	65,000	253,217	1,948,875
Construction-in-progress	-	-	-	7,761	-	-	7,761	16,129
Disposal of tangible capital assets	-	-	-	-	(16,990)	-	(16,990)	(472,800)
Write-down of tangible capital assets	-	-	-	-	-	-	-	-
<b>BALANCE, END OF YEAR</b>	<b>324,334</b>	<b>369,393</b>	<b>3,552,384</b>	<b>8,821,776</b>	<b>3,937,554</b>	<b>1,437,072</b>	<b>18,442,513</b>	<b>18,198,525</b>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	167,949	551,649	3,238,778	1,631,445	554,034	6,143,855	5,949,733
Annual Amortization	-	10,949	71,265	210,867	299,149	76,448	668,678	609,902
Accumulated amortization on disposals	-	-	-	-	(16,990)	-	(16,990)	(415,780)
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>178,898</b>	<b>622,914</b>	<b>3,449,645</b>	<b>1,913,604</b>	<b>630,482</b>	<b>6,795,543</b>	<b>6,143,855</b>
<b>NET BOOK VALUE</b>	<b>324,334</b>	<b>190,495</b>	<b>2,929,470</b>	<b>5,372,131</b>	<b>2,023,950</b>	<b>806,590</b>	<b>11,646,970</b>	<b>12,054,670</b>
<b>TANGIBLE CAPITAL ASSETS</b>								
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	324,334	201,444	2,960,651	5,570,399	2,179,804	818,038		

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, 2017

	Budget \$ (Unaudited)	2017 \$	2016 \$
<b>TAXATION</b>			
Real property taxes	2,460,682	<b>2,455,396</b>	2,375,187
Linear property taxes	866,108	<b>864,646</b>	839,237
Government grants in place of property taxes	462,252	<b>461,385</b>	431,214
	<b>3,789,042</b>	<b>3,781,427</b>	<b>3,645,638</b>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	770,873	<b>770,873</b>	682,293
Holy Family Catholic Regional Division No. 37	94,632	<b>94,632</b>	87,312
North Peace Housing Foundation	111,537	<b>111,537</b>	93,959
	<b>977,042</b>	<b>977,042</b>	<b>863,564</b>
<b>NET MUNICIPAL PROPERTY TAXES</b>	<b>2,812,000</b>	<b>2,804,385</b>	<b>2,782,074</b>

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, 2017

	Budget \$ (Unaudited)	2017 \$	2016 \$
<b>TRANSFERS FOR OPERATING</b>			
Federal Government	3,000	3,977	4,480
Provincial Government - conditional	642,597	642,407	451,414
Provincial Government - unconditional	-	-	-
Other local governments	4,500	4,500	4,500
	650,097	650,884	460,394
<b>TRANSFERS FOR CAPITAL</b>			
Federal Government	-	-	30,000
Provincial Government	600,000	7,700	635,095
Other local governments	-	-	-
	600,000	7,700	665,095
<b>TOTAL GOVERNMENT TRANSFERS</b>	1,250,097	658,584	1,125,489

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, 2017

	Budget \$ (Unaudited)	2017 \$	2016 \$
<b>Consolidated Expenditures by Object</b>			
Salaries, wages and benefits	1,324,810	<b>1,261,031</b>	1,207,002
Contracted and general services	1,285,265	<b>962,962</b>	895,183
Purchases from other governments	3,500	<b>456</b>	2,329
Materials, goods, supplies and utilities	753,150	<b>613,912</b>	556,268
Transfers to other governments	295,400	<b>267,610</b>	263,827
Transfers to local boards and agencies	45,700	<b>50,699</b>	45,699
Transfers to individuals and organizations	104,000	<b>81,757</b>	53,702
Bank charges & short term interest	1,000	<b>1,010</b>	891
Amortization of tangible capital assets	655,000	<b>668,678</b>	609,902
Loss on disposal of capital assets	-	-	4,735
Other expenditures	26,300	<b>15,586</b>	17,829
<b>Total expenditures</b>	<b>4,494,125</b>	<b>3,923,701</b>	<b>3,657,367</b>

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, 2017

**Schedule 6**

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation Culture	Other	Total 2017
	\$	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>							
Net municipal taxes	2,804,385	-	-	-	-	-	2,804,385
Well drilling charges	126,569	-	-	-	-	-	126,569
User fees and sales of goods	3,285	37,722	19,269	47,832	-	19,122	127,230
Government transfers for operating	-	1,000	200,000	-	8,047	441,837	650,884
Penalties and costs on taxes	58,792	-	-	-	-	-	58,792
Licenses and permits	-	995	-	-	-	2,050	3,045
Investment income	124,853	-	-	280	4,056	-	129,189
Rentals	18,659	-	29,561	-	4,320	1,120	53,660
Drawn from allowances	-	-	-	-	-	-	-
Gain on disposal of tangible capital assets	-	-	2,000	-	-	-	2,000
Other revenues	103,314	-	81,424	2,663	-	66,772	254,173
	<b>3,239,857</b>	<b>39,717</b>	<b>332,254</b>	<b>50,775</b>	<b>16,423</b>	<b>530,901</b>	<b>4,209,927</b>
<b>EXPENSES</b>							
Salaries, wages and benefits	395,413	4,732	559,489	7,406	43,203	250,788	1,261,031
Contracted and general services	247,062	57,672	226,029	39,498	30,422	362,279	962,962
Purchases from other governments	456	-	-	-	-	-	456
Materials, goods and utilities	34,578	10,877	434,009	15,772	13,986	104,690	613,912
Provision for allowance	-	-	-	-	-	-	-
Transfers to other governments	13,061	7,200	35,000	11,030	139,146	62,173	267,610
Transfers to local boards and agencies	-	-	-	-	9,399	41,300	50,699
Transfers to individuals and organizations	23,565	3,000	-	-	28,300	26,892	81,757
Bank charges and short-term interest	1,010	-	-	-	-	-	1,010
Other expenditures	11,619	-	-	3,967	-	-	15,586
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-
	<b>726,764</b>	<b>83,481</b>	<b>1,254,527</b>	<b>77,673</b>	<b>264,456</b>	<b>848,122</b>	<b>3,255,023</b>
<b>Net revenue before amortization and transfers for capital</b>	<b>2,513,093</b>	<b>(43,764)</b>	<b>(922,273)</b>	<b>(26,898)</b>	<b>(248,033)</b>	<b>(317,221)</b>	<b>954,904</b>
Amortization	(70,889)	(48,551)	(455,198)	(28,050)	(27,075)	(38,915)	(668,678)
Contributed assets	-	-	-	-	-	-	-
Government transfers for capital	-	-	7,700	-	-	-	7,700
<b>NET REVENUE (SHORTFALL)</b>	<b>2,442,204</b>	<b>(92,315)</b>	<b>(1,369,771)</b>	<b>(54,948)</b>	<b>(275,108)</b>	<b>(356,136)</b>	<b>293,926</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, 2017

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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 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, 2017

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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) 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, 2017

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**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.

**l) 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, 2017

**2. CASH AND TEMPORARY INVESTMENTS**

	2017	2016
	\$	\$
Cash	3,575	7,438
Current bank accounts	81,170	2,811,257
Savings - recreation reserve	254,605	250,574
Temporary investments	4,111,761	934,570
	<b>4,451,111</b>	<b>4,003,839</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 \$1,325,000 (2016: \$804,000) received from the provincial government and held exclusively for specific projects.

Included in the above balances are \$3,126,111 (2016: \$3,199,839) of funds which are restricted in use, as per reserves (Note 11) of funds. The recreation land reserve of \$254,605 (2016: \$250,574) is externally restricted while the remaining reserves are internal council restrictions.

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

	2017	2016
	\$	\$
Current taxes and grants in place of taxes	619,720	170,255
Non-current taxes and grants in place of taxes	80,927	54,242
	<b>700,647</b>	<b>224,497</b>
Less: Allowance for doubtful accounts	(9,397)	(9,397)
	<b>691,250</b>	<b>215,100</b>

**4. LONG-TERM INVESTMENTS**

	2017		2016	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Loan to N.P. Housing Foundation	366,667	366,667	400,000	400,000
Equity held in Servus Credit Un.	3	3	3	3
Equity held in A.A.M.D. & C.	-	-	-	-
Equity held in U.F.A.	4,975	4,975	4,955	4,955
Long-term deposits	887,800	887,800	2,196,723	2,196,723
Investment in marketable bonds	3,069,766	3,069,766	1,433,438	1,455,939
	<b>4,329,211</b>	<b>4,329,211</b>	<b>4,035,119</b>	<b>4,057,620</b>

Long-term deposits have effective interest rates ranging from 1.64% to 2.21% with maturity dates ranging July 2018 to October 2019. Included in the term deposits balance are \$1,272,494 (2016 - \$747,835) of funds which are restricted in use as per reserves (Note 11) of funds (excluding the mill rate stabilization reserve).

Loan to N.P. Housing has an effective interest rate of 2.7%. The loan is repayable in quarterly payments of \$8,333 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 2019 to June 2027.

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

For the Year Ended December 31, 2017

**5. OTHER FINANCIAL ASSETS**

	2017	2016
	\$	\$
Requisition under-levy - education taxes	-	1,426

**6. DEFERRED REVENUE**

	2017	2016
	\$	\$
Provincial government transfers		
Federal Gas Tax Fund	228,500	155,500
Regional Collaboration Program	-	-
Municipal Sustainability Initiative	1,096,500	648,500
	<b>1,325,000</b>	<b>804,000</b>
Interest earned on deferred provincial transfers	-	-
Prepaid property taxes and utilities	67,625	71,616
Requisition over levy (North Peace Foundation)	-	10,100
Other - hall, tent, trees, reward fund	4,150	3,800
	<b>1,396,775</b>	<b>889,516</b>

Funding from the province and interest earned on these conditional transfers in the amount of \$1,325,000 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 \$1,325,000 held exclusively for these projects (refer Note 2).

**7. EMPLOYEE BENEFIT OBLIGATIONS**

	2017	2016
	\$	\$
Sick pay benefits obligation	10,485	7,450
Vacation and overtime	73,422	67,499
	<b>83,907</b>	<b>74,949</b>

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, 2017

**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 four 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, 2017	15,000

**9. TANGIBLE CAPITAL ASSETS**

	2017	2016
	\$	\$
Net Book Value		
Land	324,334	324,334
Land improvements	190,495	201,444
Buildings	2,929,470	2,960,651
Engineered structures		
Roadway system	4,630,265	4,816,402
BF71960 - construction in progress	19,900	12,139
Water and wastewater system	398,267	407,047
Other	323,699	334,811
Machinery, equipment and furnishings	2,023,950	2,175,814
Water meter software - construction in progress	-	3,990
Vehicles	806,590	818,038
	<b>11,646,970</b>	<b>12,054,670</b>

**10. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2017	2016
	\$	\$
Tangible Capital Assets (Schedule 2)	18,442,513	18,198,525
Accumulated amortization (Schedule 2)	6,795,543	6,143,855
	<b>11,646,970</b>	<b>12,054,670</b>

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

For the Year Ended December 31, 2017

**11. ACCUMULATED SURPLUS**

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

	2017	2016
	\$	\$
Unrestricted surplus	1,713,257	1,707,662
Restricted surplus		
Tax Rate Stabilization	2,447,600	2,202,500
Administration	100,000	75,000
Fire Services	430,000	430,000
Public Works	2,120,000	1,935,000
Hamlet of Brownvale	204,000	142,100
Environment	250,000	210,000
Garbage	40,000	-
A.S.B.	450,000	335,000
Economic Development	50,000	50,000
Recreation	754,605	770,574
Equity in tangible capital assets	11,646,970	12,054,670
	<b>20,206,432</b>	<b>19,912,506</b>

**12. TRUST FUNDS**

	2017	2016
	\$	\$
The Municipal District of Peace No. 135 administers the following trusts:		
<b>Tax Sale Surplus</b>		
Balance, beginning of year	17,570	16,487
Add: Deposits	10,309	-
Interest	397	1,083
	<b>10,706</b>	<b>1,083</b>
Less: Payment to property owner	-	-
Appropriated by M.D. of Peace	-	-
	<b>-</b>	<b>-</b>
Balance, end of year	<b>28,276</b>	<b>17,570</b>
<b>Northern Alberta Elected Leaders (NAEL)</b>		
Balance, beginning of year	29,226	30,021
Add: Deposits	-	400
Transfer from previous administrative authority	-	-
	<b>-</b>	<b>400</b>
Less: Disbursement for expenditures	857	1,195
Other	-	-
	<b>857</b>	<b>1,195</b>
Balance, end of year	<b>28,369</b>	<b>29,226</b>

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

For the Year Ended December 31, 2017

**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)	2017 Total	2016 Total
	\$	\$		\$
Reeve:				
WILLING, Robert	\$ 28,420	\$ 7,068	<b>35,488</b>	\$ 32,882
Councillors:				
BLISKA, Veronica	27,668	5,890	<b>33,558</b>	40,292
BRIGHTWELL, George	12,167	2,198	<b>14,365</b>	27,281
EASTMAN, Sandra	26,110	9,083	<b>35,193</b>	35,500
HERLINVEAUX, Ken	5,093	1,527	<b>6,620</b>	-
JOHNSON, Theresa	5,472	1,713	<b>7,185</b>	-
REYDA, Janice	23,380	5,981	<b>29,361</b>	26,712
	<u>128,310</u>	<u>33,460</u>	<u><b>161,770</b></u>	<u>162,667</u>
Chief Administrative Officer:				
MCKEN, Lyle	107,536	21,513	<b>129,049</b>	126,137
	<u>235,846</u>	<u>54,973</u>	<u><b>290,819</b></u>	<u>288,804</u>

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.

**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 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 2017 were \$82,317 (2016: \$81,086). Total current service contributions by the employees of the Municipal District of Peace No.135 to the Local Authorities Pension Plan in 2017 were \$75,627 (2016: \$74,475).

At December 31, 2016, the Plan disclosed an actuarial deficiency of \$637 million.

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

**For the Year Ended December 31, 2017**

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**15. DEBT LIMITS**

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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:

	2017	2016
	\$	\$
Total debt limit	6,314,891	5,638,152
Total debt	-	-
Amount of total debt unused	6,314,891	5,638,152
Debt servicing limit	1,052,482	939,692
Debt servicing	-	-
Amount of debt servicing limit unused	1,052,482	939,692

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**

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The MUNICIPAL DISTRICT OF PEACE NO. 135 signed an inter-municipal cooperation agreement on July 29, 2010 with the Town of Peace River. During 2017, an amount of \$70,793 (2016 - \$69,746) was paid to the Town of Peace River for cost sharing of F.C.S.S. and recreation programs and services per this 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.

The MUNICIPAL DISTRICT OF PEACE NO. 135 signed an inter-municipal cooperation agreement on December 18, 2014 with the Town of Grimshaw. During 2017, an amount of \$50,263 (2016 - \$48,216) was paid to the Town of Grimshaw for cost sharing of F.C.S.S., recreation programs and services, cemetery maintenance and water operator costs per this agreement. The agreement is effective to December 31, 2018.

The MUNICIPAL DISTRICT OF PEACE NO. 135 signed an inter-municipal cooperation agreement on December 18, 2014 with the Village of Berwyn. During 2017, an amount of \$48,493 (2016 - \$47,305) was paid to the Village of Berwyn for cost sharing of F.C.S.S., recreation programs and services, fire services and recycling program costs per this agreement. The agreement is effective to December 31, 2018.

# **MUNICIPAL DISTRICT OF PEACE NO. 135**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2017**

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### **17. CONTINGENCIES**

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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.

### **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. PRIOR PERIOD RESTATEMENTS**

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In the current year statement of financial position, deposit liabilities were shown separately from deferred revenue amounts. The December 31, 2016 figures have been restated to conform with the 2017 presentation.

### **20. APPROVAL OF FINANCIAL STATEMENTS**

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Council and management have approved these financial statements.