

SYLVAIN & COMPANY

MUNICIPAL DISTRICT OF PEACE NO. 135

Financial Statements

For the Year Ended December 31, 2018



CPA

CHARTERED
PROFESSIONAL
ACCOUNTANTS

MUNICIPAL DISTRICT OF PEACE NO. 135

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

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SYLVAIN & COMPANY

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of the MUNICIPAL DISTRICT OF PEACE NO. 135 (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2018, and the results of its operations, changes in net financial assets (debt) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the MUNICIPAL DISTRICT OF PEACE NO. 135 as at December 31, 2018, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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.

In preparing the financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the municipality's debt limit can be found in note 15.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 13.

Falher, AB
April 9, 2019


CHARTERED PROFESSIONAL ACCOUNTANTS

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

As at December 31, 2018

	2018	2017
	\$	\$
		Note 19
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	4,916,141	4,197,086
Receivables		
Taxes and grants in place of taxes (Note 3)	383,045	691,250
From other governments	69,051	28,848
Trade and other receivables	87,947	47,119
Land for resale inventory	17,194	17,194
Long-term investments (Note 4)	4,813,673	4,583,236
Other financial assets (Note 5)	-	
	10,287,051	9,564,733
LIABILITIES		
Accounts payable and accrued liabilities	29,051	30,393
Deposit liabilities	8,450	7,950
Deferred revenue (Note 6)	1,608,726	1,396,775
Employee benefit obligations (Note 7)	65,940	83,907
Provision for landfill closure and post-closure costs (Note 8)	17,500	15,000
	1,729,667	1,534,025
NET FINANCIAL ASSETS (DEBT)	8,557,384	8,030,708
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	11,990,547	11,646,970
Inventory for consumption	328,740	466,190
Prepaid expenses	69,132	62,564
	12,388,419	12,175,724
ACCUMULATED SURPLUS (Schedule 1, Note 11)	20,945,803	20,206,432

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, 2018

	Budget \$ (Unaudited)	2018 \$	2017 \$
REVENUE			
Net municipal taxes (Schedule 3)	2,893,031	2,883,990	2,804,385
Well drilling	100,000	112,158	126,569
Sales and user charges	114,000	127,568	127,230
Penalties and costs on taxes	40,000	74,689	58,792
Licenses, permits and fines	4,850	9,881	3,045
Investment income	129,300	149,412	129,189
Rentals	29,500	50,345	53,660
Government transfers for operating (Schedule 4)	491,597	593,516	650,884
Gain on disposal of capital assets	50,000	59,473	2,000
Other revenues	86,450	172,300	254,173
Total Revenue	3,938,728	4,233,332	4,209,927
EXPENDITURES			
Council and other legislative	195,000	197,326	177,128
General administration	805,900	751,826	620,525
Fire fighting and protective services	224,000	157,469	129,143
Bylaws enforcement	3,500	2,540	2,889
Roads, streets, walks, lighting	1,964,000	1,860,823	1,674,725
Airport	35,000	35,000	35,000
Water and wastewater	108,500	82,153	77,878
Waste management	36,000	32,473	27,845
Family and community support services	65,700	64,672	65,065
Cemeteries	7,000	7,263	4,000
Land use planning, zoning, development	102,000	138,052	78,054
Agricultural development	519,000	468,684	477,618
Economic development	36,300	36,300	262,300
Subdivision land development	-	-	-
Parks and recreation	261,000	244,210	272,595
Culture: libraries, museums, halls	25,128	25,234	18,936
Total Expenditures	4,388,028	4,104,025	3,923,701
EXCESS (SHORTFALL) OF REVENUE OVER			
EXPENDITURES - BEFORE OTHER	(449,300)	129,307	286,226
Other			
Contributed Assets	-	5,996	-
Government transfers for capital (Schedule 4)	1,190,000	604,068	7,700
EXCESS OF REVENUE OVER EXPENDITURES	740,700	739,371	293,926
ACCUMULATED SURPLUS, BEGINNING OF YEAR	20,206,432	20,206,432	19,912,506
ACCUMULATED SURPLUS, END OF YEAR	20,947,132	20,945,803	20,206,432

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, 2018

	Budget \$ (Unaudited)	2018 \$	2017 \$
EXCESS OF REVENUES OVER EXPENDITURES	740,700	739,371	293,926
Acquisition of tangible capital assets	(1,812,000)	(1,249,555)	(260,978)
Contributed tangible capital assets	-	(5,996)	-
Proceeds on disposal of tangible capital assets	150,000	275,454	2,000
Amortization of tangible capital assets	675,400	695,992	668,678
(Gain) loss on sale of tangible capital assets	(50,000)	(59,473)	(2,000)
	(1,036,600)	(343,578)	407,700
Acquisition of supplies inventories	(526,000)	(366,874)	(491,270)
Acquisition of prepaid assets	(61,800)	(64,855)	(60,701)
Use of supplies inventories	526,000	504,325	434,848
Use of prepaid assets	61,800	58,287	56,407
	-	130,883	(60,716)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(295,900)	526,676	640,910
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	8,030,708	8,030,708	7,389,798
NET FINANCIAL ASSETS (DEBT), END OF YEAR	7,734,808	8,557,384	8,030,708

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, 2018

	2018	2017
	\$	\$
		Note 19
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenditures	739,371	293,926
Non-cash items included in excess of revenues over expenditures:		
Amortization of tangible capital assets	695,992	668,678
Gain on disposal of tangible capital assets	(59,472)	(2,000)
Tangible capital assets received as contributions	(5,996)	-
Non-cash charges to operations (net change):		-
Decrease (increase) in taxes and grants in lieu receivable	308,205	(476,150)
Decrease (increase) in receivable from other governments	(40,203)	13,115
Decrease (increase) in trade and other receivables	(40,828)	36,801
Decrease (increase) in land held for resale	-	-
Decrease (increase) in inventory for consumption	137,450	(56,421)
Decrease (increase) in prepaid expenses	(6,568)	(4,295)
Decrease (increase) in other assets	-	1,426
Increase (decrease) in accounts payable and accrued liabilities	(1,342)	5,945
Increase (decrease) in deposit liabilities	500	600
Increase (decrease) in employee benefit obligations	(17,967)	8,958
Increase (decrease) in deferred revenue	211,951	507,259
Increase (decrease) in provision for landfill closure	2,500	2,500
Cash provided by operating transactions	<u>1,923,593</u>	<u>1,000,342</u>
CAPITAL		
Acquisition of tangible capital assets	(1,249,555)	(260,978)
Sale of tangible capital assets	275,454	2,000
Cash applied to capital transactions	<u>(974,101)</u>	<u>(258,978)</u>
INVESTING		
Decrease (increase) in restricted cash and temporary investments	(207,973)	(529,056)
Decrease (increase) in long-term investments	(230,437)	(294,092)
Cash provided by (applied to) investing transactions	<u>(438,410)</u>	<u>(823,148)</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	511,082	(81,784)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,617,481	2,699,265
CASH AND CASH EQUIVALENTS, END OF YEAR	3,128,563	2,617,481
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	4,916,141	4,197,086
Less: restricted portion of cash and temporary investments (Note 2)	(1,787,578)	(1,579,605)
	<u>3,128,563</u>	<u>2,617,481</u>

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, 2018

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	1,713,257	6,846,205	11,646,970	20,206,432	19,912,506
Excess (deficiency) of revenues over expenses	739,371	-	-	739,371	293,926
Unrestricted funds designated for future use	(678,451)	678,451	-	-	-
Restricted funds used for operations	-	-	-	-	-
Restricted funds used for tangible capital assets	-	(289,500)	289,500	-	-
Current year funds used for tangible capital assets	(960,055)	-	960,055	-	-
Contributed tangible capital assets	(5,996)	-	5,996	-	-
Disposal of tangible capital assets	215,982	-	(215,982)	-	-
Annual amortization expense	695,992	-	(695,992)	-	-
Capital long-term debt repaid	-	-	-	-	-
CHANGE IN ACCUMULATED SURPLUS	6,843	388,951	343,577	739,371	293,926
BALANCE, END OF YEAR	1,720,100	7,235,156	11,990,547	20,945,803	20,206,432

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, 2018

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2018 \$	2017 \$
COST:								
BALANCE, BEGINNING OF YEAR	324,334	369,393	3,552,384	8,821,776	3,937,554	1,437,072	18,442,513	18,198,525
Acquisition of tangible capital assets	122,276	-	15,352	5,996	922,302	134,087	1,200,013	253,217
Construction-in-progress	-	-	-	55,538	-	-	55,538	7,761
Disposal of tangible capital assets	-	-	-	-	(512,587)	(85,643)	(598,230)	(16,990)
Write-down of tangible capital assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	446,610	369,393	3,567,736	8,883,310	4,347,269	1,485,516	19,099,834	18,442,513
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	178,898	622,914	3,449,645	1,913,604	630,482	6,795,543	6,143,855
Annual Amortization	-	10,638	72,000	210,983	322,267	80,104	695,992	668,678
Accumulated amortization on disposals	-	-	-	-	(339,852)	(42,396)	(382,248)	(16,990)
BALANCE, END OF YEAR	-	189,536	694,914	3,660,628	1,896,019	668,190	7,109,287	6,795,543
NET BOOK VALUE	446,610	179,857	2,872,822	5,222,682	2,451,250	817,326	11,990,547	11,646,970
TANGIBLE CAPITAL ASSETS								
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	324,334	190,495	2,929,470	5,372,131	2,023,950	806,590		

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, 2018

	Budget \$ (Unaudited)	2018 \$	2017 \$
TAXATION			
Real property taxes	2,458,545	2,449,504	2,455,396
Linear property taxes	932,046	932,046	864,646
Government grants in place of property taxes	468,875	468,875	461,385
	3,859,466	3,850,425	3,781,427
REQUISITIONS			
Alberta School Foundation Fund	755,109	755,109	770,873
Holy Family Catholic Regional Division No. 37	83,898	83,898	94,632
Designated Industrial Property	2,066	2,066	
North Peace Housing Foundation	125,362	125,362	111,537
	966,435	966,435	977,042
NET MUNICIPAL PROPERTY TAXES	2,893,031	2,883,990	2,804,385

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, 2018

	Budget \$ (Unaudited)	2018 \$	2017 \$
TRANSFERS FOR OPERATING			
Federal Government	4,000	4,896	3,977
Provincial Government - conditional	483,097	584,120	642,407
Provincial Government - unconditional	-	-	-
Other local governments	4,500	4,500	4,500
	491,597	593,516	650,884
TRANSFERS FOR CAPITAL			
Federal Government	-	-	-
Provincial Government	1,190,000	604,068	7,700
Other local governments	-	-	-
	1,190,000	604,068	7,700
TOTAL GOVERNMENT TRANSFERS	1,681,597	1,197,584	658,584

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, 2018

	Budget	2018	2017
	\$	\$	\$
	(Unaudited)		
Consolidated Expenditures by Object			
Salaries, wages and benefits	1,374,300	1,264,432	1,261,031
Contracted and general services	1,118,628	1,000,691	962,962
Purchases from other governments	3,500	1,021	456
Materials, goods, supplies and utilities	764,200	720,673	613,912
Transfers to other governments	280,900	272,312	267,610
Transfers to local boards and agencies	47,800	47,656	50,699
Transfers to individuals and organizations	94,000	83,791	81,757
Bank charges & short term interest	1,000	1,126	1,010
Amortization of tangible capital assets	675,400	695,992	668,678
Loss on disposal of capital assets	-	-	-
Other expenditures	28,300	16,331	15,586
Total expenditures	4,388,028	4,104,025	3,923,701

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, 2018

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation Culture	Other	Total 2018
	\$	\$	\$	\$	\$	\$	\$
REVENUE							
Net municipal taxes	2,883,990	-	-	-	-	-	2,883,990
Well drilling charges	112,158	-	-	-	-	-	112,158
User fees and sales of goods	5,664	58,660	12,960	48,254	-	2,030	127,568
Government transfers for operating	-	1,000	244,219	-	9,538	338,759	593,516
Penalties and costs on taxes	74,689	-	-	-	-	-	74,689
Licenses and permits	-	255	-	-	-	9,626	9,881
Investment income	144,441	-	-	385	4,586	-	149,412
Rentals	23,225	-	21,495	-	5,100	525	50,345
Drawn from allowances	-	-	-	-	-	-	-
Gain on disposal of tangible capital assets	-	-	50,243	-	-	9,230	59,473
Other revenues	12,221	-	153,092	2,401	2,967	1,619	172,300
	3,256,388	59,915	482,009	51,040	22,191	361,789	4,233,332
EXPENSES							
Salaries, wages and benefits	449,591	10,617	502,079	6,271	47,686	248,188	1,264,432
Contracted and general services	299,079	63,365	341,675	46,683	36,545	213,344	1,000,691
Purchases from other governments	1,021	-	-	-	-	-	1,021
Materials, goods and utilities	32,388	26,030	546,728	18,740	16,518	80,269	720,673
Provision for allowance	-	-	-	-	-	-	-
Transfers to other governments	62,026	7,200	35,000	12,394	93,014	62,678	272,312
Transfers to local boards and agencies	-	-	-	-	11,356	36,300	47,656
Transfers to individuals and organizations	18,997	2,000	-	-	36,800	25,994	83,791
Bank charges and short-term interest	1,126	-	-	-	-	-	1,126
Other expenditures	13,388	-	-	2,943	-	-	16,331
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-
	877,616	109,212	1,425,482	87,031	241,919	666,773	3,408,033
Net revenue before amortization and transfers for capital	2,378,772	(49,297)	(943,473)	(35,991)	(219,728)	(304,984)	825,299
Amortization	(71,534)	(50,797)	(470,342)	(27,596)	(27,525)	(48,198)	(695,992)
Contributed assets	-	-	5,996	-	-	-	5,996
Government transfers for capital	-	-	423,838	-	-	180,230	604,068
NET REVENUE (SHORTFALL)	2,307,238	(100,094)	(983,981)	(63,587)	(247,253)	(172,952)	739,371

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, 2018

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) Cash and Temporary Investments

Cash and cash equivalents consists of cash on hand, balances with banks, deposits and bonds with an original maturity date of three months or less from date of purchase. Because of the short term maturity of these investments, their carrying value approximates fair value.

e) 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, 2018

f) 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.

g) 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.

h) 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.

i) 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.

j) 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.

k) 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, 2018

1) 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.

m) 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, 2018

2. CASH AND TEMPORARY INVESTMENTS

	2018	2017
	\$	\$
		Note 19
Cash	1,848	3,575
Current bank accounts	204,732	81,170
Savings - recreation reserve	1,056	580
Temporary investments	4,708,505	4,111,761
	4,916,141	4,197,086

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

Included in the above balances is a restricted amount of \$1,527,522 (2017: \$1,325,000) received from the provincial government and held exclusively for specific projects (Note 6).

Included in the above balances is an externally restricted amount of \$260,056 (2017: \$254,605) held to fund the public recreation land reserve (intended for capital use) Note 11.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2018	2017
	\$	\$
Current taxes and grants in place of taxes	279,178	619,720
Non-current taxes and grants in place of taxes	113,264	80,927
	392,442	700,647
Less: Allowance for doubtful accounts	(9,397)	(9,397)
	383,045	691,250

4. LONG-TERM INVESTMENTS

	2018		2017	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
			Note 19	Note 19
Loan to N.P. Housing Foundation	325,000	325,000	366,667	366,667
Equity held in Servus Credit Un.	3	3	3	3
Equity held in U.F.A.	5,006	5,006	4,975	4,975
Long-term deposits	2,274,787	2,301,148	1,141,825	1,141,825
Investment in marketable bonds	2,208,877	2,195,924	3,069,766	3,069,766
	4,813,673	4,827,081	4,583,236	4,583,236

Long-term deposits have effective interest rates ranging from 2.21% to 3.22% with maturity dates ranging October 2019 to November 2020.

Loan to N.P. Housing had an effective variable interest rate ranging from 3.2% to 4.0% in 2018. The loan is repayable in quarterly payments of \$8,333 of principal plus variable interest with last payment receivable October 2028.

Investments in marketable bonds have effective interest rates of 1.742% to 4.93% with maturity dates ranging from March 2020 to March 2028.

Council has designated funds of \$4,054,500 (2017: \$4,044,000), included in the above long-term deposits and investment in marketable bonds, amounts for capital asset project (Note 11).

MUNICIPAL DISTRICT OF PEACE NO. 135

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

5. OTHER FINANCIAL ASSETS

	2018	2017
	\$	\$
Requisition under-levy - education taxes	-	-

6. DEFERRED REVENUE

	2018	2017
	\$	\$
Provincial government transfers		
Federal Gas Tax Fund	293,298	228,500
Regional Collaboration Program	-	-
Municipal Sustainability Initiative	1,201,568	1,096,500
	1,494,866	1,325,000
Interest earned on deferred provincial transfers	32,656	-
Prepaid property taxes and utilities	79,154	67,625
Requisition over levy (North Peace Foundation)	-	-
Other - hall, tent, trees, reward fund	2,050	4,150
	1,608,726	1,396,775

Funding from the province and interest earned on these conditional transfers in the amount of \$1,527,522 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 \$1,527,522 held exclusively for these projects (refer Note 2).

7. EMPLOYEE BENEFIT OBLIGATIONS

	2018	2017
	\$	\$
Sick pay benefits obligation	10,903	10,485
Vacation and overtime	55,037	73,422
	65,940	83,907

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, 2018

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:

	2018	2017
	\$	\$
Estimated closure costs	10,000	10,000
Estimated post-closure costs	15,000	15,000
Estimated total costs	25,000	25,000
Accrued liability portion, December 31	17,500	15,000

9. TANGIBLE CAPITAL ASSETS

	2018	2017
	\$	\$
Net Book Value		
Land	446,610	324,334
Land improvements	179,857	190,495
Buildings	2,872,822	2,929,470
Engineered structures		
Roadway system	4,450,046	4,630,265
Bridge files - construction in progress	75,438	19,900
Water and wastewater system	384,609	398,267
Other	312,589	323,699
Machinery, equipment and furnishings	2,451,250	2,023,950
Vehicles	817,326	806,590
	11,990,547	11,646,970

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2018	2017
	\$	\$
Tangible Capital Assets (Schedule 2)	19,099,834	18,442,513
Accumulated amortization (Schedule 2)	7,109,287	6,795,543
	11,990,547	11,646,970

MUNICIPAL DISTRICT OF PEACE NO. 135

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

11. ACCUMULATED SURPLUS

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

	2018	2017
	\$	\$
Unrestricted surplus	1,720,100	1,713,257
Restricted surplus - operating		
Tax Rate Stabilization	2,820,600	2,447,600
Fire Services	50,000	50,000
Economic Development	50,000	50,000
Restricted surplus - capital		
Administration	100,000	100,000
Fire Services	380,000	380,000
Public Works	1,993,000	2,120,000
Hamlet of Brownvale	254,000	204,000
Environment	250,000	250,000
Garbage	80,000	40,000
A.S.B.	510,000	450,000
Recreation - public reserve	487,500	500,000
Recreation - other	260,056	254,605
Equity in tangible capital assets	11,990,547	11,646,970
	20,945,803	20,206,432

12. TRUST FUNDS

	2018	2017
	\$	\$
The Municipal District of Peace No. 135 administers the following trusts:		
Tax Sale Surplus		
Balance, beginning of year	28,276	17,570
Add: Deposits		10,309
Interest	370	397
	370	10,706
Less: Payment to property owner	-	-
Appropriated by M.D. of Peace	-	-
	-	-
Balance, end of year	28,646	28,276
Northern Alberta Elected Leaders (NAEL)		
Balance, beginning of year	28,369	29,226
Add: Deposits	-	-
Transfer from previous administrative authority	-	-
	-	-
Less: Disbursement for expenditures		857
Other	-	-
	-	857
Balance, end of year	28,369	28,369

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

For the Year Ended December 31, 2018

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)	2018 Total	2017 Total
	\$	\$		\$
Reeve:				
WILLING, Robert	\$ 28,620	\$ 11,788	40,408	\$ 35,488
Councillors:				
BLISKA, Veronica	-	-	-	33,558
BRIGHTWELL, George	-	-	-	14,365
EASTMAN, Sandra	29,000	10,866	39,866	35,193
HERLINVEAUX, Ken	23,100	5,503	28,603	6,620
JOHNSON, Theresa	28,150	7,879	36,029	7,185
REYDA, Janice	26,210	6,774	32,984	29,361
	<u>135,080</u>	<u>42,810</u>	177,890	161,770
Chief Administrative Officer:				
MCKEN, Lyle	57,190	12,650	69,840	129,049
JOHNSON, Barbara	86,905	15,065	101,970	-
	<u>279,175</u>	<u>70,525</u>	349,700	290,819

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 10.39% of pensionable earnings up to the years maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% 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 2018 were \$74,792 (2017: \$82,317). Total current service contributions by the employees of the Municipal District of Peace No.135 to the Local Authorities Pension Plan in 2018 were \$68,195 (2017: \$75,627).

At December 31, 2017, the Plan disclosed an actuarial excess of \$4.835 billion.

MUNICIPAL DISTRICT OF PEACE NO. 135

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

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:

	2018	2017
	\$	\$
Total debt limit	6,349,998	6,314,891
Total debt	-	-
Amount of total debt unused	6,349,998	6,314,891
Debt servicing limit	1,058,333	1,052,482
Debt servicing	-	-
Amount of debt servicing limit unused	1,058,333	1,052,482

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 2018, an amount of \$72,280 (2017 - \$70,793) 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, 2018 with the Town of Grimshaw. During 2018, an amount of \$53,706 (2017 - \$50,263) 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 a previous similar agreement. The new agreement is effective to December 31, 2022.

The MUNICIPAL DISTRICT OF PEACE NO. 135 signed an inter-municipal cooperation agreement on March 12, 2019 with the Village of Berwyn. During 2018, an amount of \$49,300 (2017 - \$48,493) 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 a previous similar agreement. The new agreement is effective to December 31, 2022.

MUNICIPAL DISTRICT OF PEACE NO. 135

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

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.

The MUNICIPAL DISTRICT OF PEACE NO. 135 issued Notices of Default and Stop Orders in August 2018 against a developer for failure to complete municipal improvements pursuant to two developer agreements. It is not known at this time as to whether the developer will incur these costs for completing the required municipal improvements (internal roads and drainage). There is a possibility that the municipality may have to incur some costs for infrastructure completion. The outcome of this litigation is not determinable nor quantifiable at this time. Therefore, no provision has been recognized in the consolidated financial statements.

18. FINANCIAL INSTRUMENTS

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

The municipality is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the municipality provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to correspond with the current year presentation.

A prior year term deposit of \$254,025 with a maturity period of 1 year was reclassified from cash and cash equivalents to long-term investments.

All capital grants and capital reserves have been considered as restricted funds as per Note 2 and Note 4.

20. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.