

# SYLVAIN & COMPANY

**MUNICIPAL DISTRICT OF PEACE NO. 135**

**Financial Statements**

**For the Year Ended December 31, 2019**



**CPA**

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

MUNICIPAL DISTRICT OF PEACE NO. 135

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019

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## **MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying consolidated financial statements of the Municipal District of Peace No. 135 are the responsibility of management and have been approved by the Municipal District of Peace No. 135's council. The consolidated financial statements have been prepared in conformity with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada, using management's best estimates and judgments, where appropriate. In the opinion of management, these consolidated financial statements reflect fairly the consolidated financial position, the results of its consolidated financial activities and changes in consolidated financial position of the Municipal District of Peace No. 135 within reasonable limits of materiality.

A system of internal accounting and administrative controls is maintained by management to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that the financial records are properly maintained to provide accurate and reliable consolidated financial statements.

Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. Council carries out this responsibility through regular meetings with management throughout the year to review significant accounting and auditing matters.

These consolidated financial statements have been audited, in accordance with Canadian public sector accounting standards, by SYLVAIN & COMPANY, who were appointed by Council. SYLVAIN & COMPANY have full and unrestricted access to management and Council to discuss their audit and related findings. The Independent Auditor's Report outlining the scope of their examination and their opinion on the consolidated financial statements is presented on the following page.



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**Barbara Johnson, Chief Administrative Officer**

**April 14, 2020**

# SYLVAIN & COMPANY

## Chartered Professional Accountants

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### INDEPENDENT AUDITOR'S REPORT

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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, 2019, 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, 2019, 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.

(Continues)

**Independent Auditor's Report to Members of Council MUNICIPAL DISTRICT OF PEACE NO. 135 (continued)**

**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 14, 2020

  
CHARTERED PROFESSIONAL ACCOUNTANTS

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

As at December 31, 2019

	2019	2018
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	5,001,053	4,916,141
Receivables		
Taxes and grants in place of taxes (Note 3)	539,936	383,045
From other governments	729,507	69,051
Trade and other receivables	64,490	87,947
Land for resale inventory	17,194	17,194
Long-term investments (Note 4)	4,607,604	4,813,673
Other financial assets (Note 5)	-	
	<b>10,959,784</b>	<b>10,287,051</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	312,601	29,051
Deposit liabilities	25,000	8,450
Deferred revenue (Note 6)	1,569,304	1,608,726
Employee benefit obligations (Note 7)	77,698	65,940
Provision for landfill closure and post-closure costs (Note 8)	20,000	17,500
	<b>2,004,603</b>	<b>1,729,667</b>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>8,955,181</b>	<b>8,557,384</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 9)	13,051,229	11,990,547
Inventory for consumption	721,883	328,740
Prepaid expenses	76,163	69,132
	<b>13,849,275</b>	<b>12,388,419</b>
<b>ACCUMULATED SURPLUS (Schedule 1, Note 11)</b>	<b>22,804,456</b>	<b>20,945,803</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, 2019

	Budget \$ (Unaudited)	2019 \$	2018 \$
<b>REVENUE</b>			
Net municipal taxes (Schedule 3)	2,992,231	2,987,393	2,883,990
Well drilling	75,000	32,589	112,158
Sales and user charges	122,800	140,549	127,755
Penalties and costs on taxes	50,000	97,126	74,689
Licenses, permits and fines	4,850	1,965	9,881
Investment income	139,300	211,265	149,412
Rentals	38,500	49,550	50,345
Government transfers for operating (Schedule 4)	486,597	494,805	593,516
Gain on disposal of capital assets	40,000	4,230	59,473
Other revenues	526,150	116,419	172,113
<b>Total Revenue</b>	<b>4,475,428</b>	<b>4,135,891</b>	<b>4,233,332</b>
<b>EXPENDITURES</b>			
Council and other legislative	214,000	186,150	197,326
General administration	856,132	827,946	751,826
Fire fighting and protective services	238,850	198,369	157,469
Bylaws enforcement	3,500	3,536	2,540
Roads, streets, walks, lighting	2,030,100	1,677,344	1,860,823
Airport	43,495	43,495	35,000
Water and wastewater	107,400	81,423	82,153
Waste management	40,575	30,011	32,473
Family and community support services	66,673	65,684	64,672
Cemeteries	7,000	7,025	7,263
Land use planning, zoning, development	88,000	84,906	138,052
Agricultural development	499,480	436,315	468,684
Economic development	41,300	41,300	36,300
Subdivision land development	-	-	-
Parks and recreation	247,750	245,753	244,210
Culture: libraries, museums, halls	22,628	22,484	25,234
<b>Total Expenditures</b>	<b>4,506,883</b>	<b>3,951,741</b>	<b>4,104,025</b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES - BEFORE OTHER</b>	<b>(31,455)</b>	<b>184,150</b>	<b>129,307</b>
<b>Other</b>			
Contributed Assets	-	405,000	5,996
Government transfers for capital (Schedule 4)	5,299,000	1,269,503	604,068
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>5,267,545</b>	<b>1,858,653</b>	<b>739,371</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>20,945,803</b>	<b>20,945,803</b>	<b>20,206,432</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>26,213,348</b>	<b>22,804,456</b>	<b>20,945,803</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, 2019

	Budget \$ (Unaudited)	2019 \$	2018 \$
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	5,267,545	1,858,653	739,371
Acquisition of tangible capital assets	(5,941,688)	(1,408,141)	(1,249,555)
Contributed tangible capital assets	-	(405,000)	(5,996)
Proceeds on disposal of tangible capital assets	-	6,120	275,454
Amortization of tangible capital assets	676,200	717,383	695,992
(Gain) loss on sale of tangible capital assets	(40,000)	28,956	(59,473)
	(5,305,488)	(1,060,682)	(343,578)
Acquisition of supplies inventories	(800,500)	(807,362)	(366,874)
Acquisition of prepaid assets	(62,800)	(68,069)	(64,855)
Use of supplies inventories	530,500	414,219	504,325
Use of prepaid assets	62,800	61,038	58,287
	(270,000)	(400,174)	130,883
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(307,943)	397,797	526,676
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	8,557,384	8,557,384	8,030,708
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	8,249,441	8,955,181	8,557,384

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, 2019

	2019	2018
	\$	\$
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenditures	1,858,653	739,371
Non-cash items included in excess of revenues over expenditures:		
Amortization of tangible capital assets	717,383	695,992
Gain on disposal of tangible capital assets	28,956	(59,472)
Tangible capital assets received as contributions	(405,000)	(5,996)
Non-cash charges to operations (net change):		-
Decrease (increase) in taxes and grants in lieu receivable	(156,891)	308,205
Decrease (increase) in receivable from other governments	(660,456)	(40,203)
Decrease (increase) in trade and other receivables	23,457	(40,828)
Decrease (increase) in land held for resale	-	-
Decrease (increase) in inventory for consumption	(393,143)	137,450
Decrease (increase) in prepaid expenses	(7,031)	(6,568)
Decrease (increase) in other assets	-	-
Increase (decrease) in accounts payable and accrued liabilities	283,550	(1,342)
Increase (decrease) in deposit liabilities	16,550	500
Increase (decrease) in employee benefit obligations	11,758	(17,967)
Increase (decrease) in deferred revenue	(39,422)	211,951
Increase (decrease) in provision for landfill closure	2,500	2,500
Cash provided by operating transactions	1,280,864	1,923,593
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(1,408,141)	(1,249,555)
Sale of tangible capital assets	6,120	275,454
Cash applied to capital transactions	(1,402,021)	(974,101)
<b>INVESTING</b>		
Decrease (increase) in restricted cash and temporary investments	(2,893,228)	(207,973)
Decrease (increase) in long-term investments	206,069	(230,437)
Cash provided by (applied to) investing transactions	(2,687,159)	(438,410)
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>(2,808,316)</b>	<b>511,082</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>3,128,563</b>	<b>2,617,481</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>320,247</b>	<b>3,128,563</b>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	5,001,053	4,916,141
Less: restricted portion of cash and temporary investments (Note 2)	(4,680,806)	(1,787,578)
	320,247	3,128,563

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, 2019

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
	\$	\$	\$	\$	\$
<b>BALANCE, BEGINNING OF YEAR</b>	<b>1,720,100</b>	<b>7,235,156</b>	<b>11,990,547</b>	<b>20,945,803</b>	<b>20,206,432</b>
Excess (deficiency) of revenues over expenses	1,858,653	-	-	<b>1,858,653</b>	739,371
Unrestricted funds designated for future use	(889,201)	889,201	-	-	-
Restricted funds used for operations	-	-	-	-	-
Restricted funds used for tangible capital assets	-	(70,000)	70,000	-	-
Current year funds used for tangible capital assets	(1,338,141)	-	1,338,141	-	-
Contributed tangible capital assets	(405,000)	-	405,000	-	-
Disposal of tangible capital assets	35,076	-	(35,076)	-	-
Annual amortization expense	717,383	-	(717,383)	-	-
Capital long-term debt repaid	-	-	-	-	-
<b>CHANGE IN ACCUMULATED SURPLUS</b>	<b>(21,230)</b>	<b>819,201</b>	<b>1,060,682</b>	<b>1,858,653</b>	<b>739,371</b>
<b>BALANCE, END OF YEAR</b>	<b>1,698,870</b>	<b>8,054,357</b>	<b>13,051,229</b>	<b>22,804,456</b>	<b>20,945,803</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, 2019**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2019 \$	2018 \$
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	446,610	369,393	3,567,736	8,883,310	4,347,269	1,485,516	<b>19,099,834</b>	18,442,513
Acquisition of tangible capital assets		7,799	26,807	1,382,501	92,832	-	<b>1,509,939</b>	1,200,013
Construction-in-progress	-	-		49,106	254,096	-	<b>303,202</b>	55,538
Disposal of tangible capital assets	(2,042)	(5,394)	(66,106)	(51,546)	(40,968)	(47,522)	<b>(213,578)</b>	(598,230)
Write-down of tangible capital assets	-	-	-	-	-	-	<b>-</b>	-
BALANCE, END OF YEAR	<b>444,568</b>	<b>371,798</b>	<b>3,528,437</b>	<b>10,263,371</b>	<b>4,653,229</b>	<b>1,437,994</b>	<b>20,699,397</b>	19,099,834
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	189,536	694,914	3,660,628	1,896,019	668,190	<b>7,109,287</b>	6,795,543
Annual Amortization	-	10,788	71,942	223,700	339,630	71,323	<b>717,383</b>	695,992
Accumulated amortization on disposals	-	(2,786)	(40,890)	(49,534)	(37,770)	(47,522)	<b>(178,502)</b>	(382,248)
BALANCE, END OF YEAR	<b>-</b>	<b>197,538</b>	<b>725,966</b>	<b>3,834,794</b>	<b>2,197,879</b>	<b>691,991</b>	<b>7,648,168</b>	7,109,287
<b>NET BOOK VALUE</b>	<b>444,568</b>	<b>174,260</b>	<b>2,802,471</b>	<b>6,428,577</b>	<b>2,455,350</b>	<b>746,003</b>	<b>13,051,229</b>	11,990,547
<b>TANGIBLE CAPITAL ASSETS</b>								
2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<b>446,610</b>	<b>179,857</b>	<b>2,872,822</b>	<b>5,222,682</b>	<b>2,451,250</b>	<b>817,326</b>		

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, 2019

	Budget \$ (Unaudited)	2019 \$	2018 \$
<b>TAXATION</b>			
Real property taxes	2,391,554	<b>2,388,094</b>	2,449,504
Linear property taxes	1,088,566	<b>1,088,565</b>	932,046
Government grants in place of property taxes	476,320	<b>474,943</b>	468,875
	<b>3,956,440</b>	<b>3,951,602</b>	<b>3,850,425</b>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	752,782	<b>752,782</b>	755,109
Holy Family Catholic Regional Division No. 37	82,005	<b>82,005</b>	83,898
Designated Industrial Property	5,217	<b>5,217</b>	2,066
North Peace Housing Foundation	124,205	<b>124,205</b>	125,362
	<b>964,209</b>	<b>964,209</b>	<b>966,435</b>
<b>NET MUNICIPAL PROPERTY TAXES</b>	<b>2,992,231</b>	<b>2,987,393</b>	<b>2,883,990</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, 2019

	Budget \$ (Unaudited)	2019 \$	2018 \$
<b>TRANSFERS FOR OPERATING</b>			
Federal Government	4,000	4,200	4,896
Provincial Government - conditional	478,097	486,105	584,120
Provincial Government - unconditional	-	-	-
Other local governments	4,500	4,500	4,500
	486,597	494,805	593,516
<b>TRANSFERS FOR CAPITAL</b>			
Federal Government	1,440,000	-	-
Provincial Government	3,859,000	1,269,503	604,068
Other local governments	-	-	-
	5,299,000	1,269,503	604,068
<b>TOTAL GOVERNMENT TRANSFERS</b>	5,785,597	1,764,308	1,197,584

See accompanying schedules and notes to the financial statements.

## SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT

For the Year Ended December 31, 2019

	Budget \$ (Unaudited)	2019 \$	2018 \$
<b>Consolidated Expenditures by Object</b>			
Salaries, wages and benefits	1,414,255	<b>1,277,655</b>	1,264,432
Contracted and general services	1,141,728	<b>817,312</b>	1,000,691
Purchases from other governments	2,000	<b>580</b>	1,021
Materials, goods, supplies and utilities	796,800	<b>609,382</b>	720,673
Provision for allowances	-	<b>45,000</b>	-
Transfers to other governments	316,975	<b>306,732</b>	272,312
Transfers to local boards and agencies	52,800	<b>52,655</b>	47,656
Transfers to individuals and organizations	76,525	<b>70,517</b>	83,791
Bank charges & short term interest	1,200	<b>1,692</b>	1,126
Amortization of tangible capital assets	676,200	<b>717,383</b>	695,992
Loss on disposal of capital assets	-	<b>33,186</b>	-
Other expenditures	28,400	<b>19,647</b>	16,331
<b>Total expenditures</b>	<b>4,506,883</b>	<b>3,951,741</b>	<b>4,104,025</b>

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, 2019

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation Culture	Other	Total 2019
	\$	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>							
Net municipal taxes	2,987,393	-	-	-	-	-	2,987,393
Well drilling charges	32,589	-	-	-	-	-	32,589
User fees and sales of goods	3,840	41,403	21,377	63,674	-	10,255	140,549
Government transfers for operating	-	1,000	201,447	-	3,500	288,858	494,805
Penalties and costs on taxes	97,126	-	-	-	-	-	97,126
Licenses and permits	-	390	-	-	-	1,575	1,965
Investment income	203,384	-	-	515	7,366	-	211,265
Rentals	26,871	-	16,944	-	4,150	1,585	49,550
Drawn from allowances	-	-	-	-	-	-	-
Gain on disposal of tangible capital assets	-	1,890	-	-	2,340	-	4,230
Other revenues	18,981	-	80,358	2,488	14,516	76	116,419
	3,370,184	44,683	320,126	66,677	31,872	302,349	4,135,891
<b>EXPENSES</b>							
Salaries, wages and benefits	464,393	7,881	515,121	7,483	41,164	241,613	1,277,655
Contracted and general services	291,435	70,748	248,949	40,536	48,578	117,066	817,312
Purchases from other governments	580	-	-	-	-	-	580
Materials, goods and utilities	32,840	21,363	432,376	19,095	19,077	84,631	609,382
Provision for allowance	45,000	-	-	-	-	-	45,000
Transfers to other governments	63,469	20,000	43,495	11,369	104,709	63,690	306,732
Transfers to local boards and agencies	-	-	-	-	11,355	41,300	52,655
Transfers to individuals and organizations	27,223	2,000	-	-	10,800	30,494	70,517
Bank charges and short-term interest	1,692	-	-	-	-	-	1,692
Other expenditures	16,852	-	-	2,795	-	-	19,647
Loss on disposal of tangible capital assets	-	27,824	2,012	-	3,350	-	33,186
	943,484	149,816	1,241,953	81,278	239,033	578,794	3,234,358
<b>Net revenue before amortization and transfers for capital</b>	2,426,700	(105,133)	(921,827)	(14,601)	(207,161)	(276,445)	901,533
Amortization	(70,612)	(52,090)	(478,887)	(30,155)	(29,204)	(56,435)	(717,383)
Contributed assets	-	-	405,000	-	-	-	405,000
Government transfers for capital	-	-	1,269,503	-	-	-	1,269,503
<b>NET REVENUE (SHORTFALL)</b>	<b>2,356,088</b>	<b>(157,223)</b>	<b>273,789</b>	<b>(44,756)</b>	<b>(236,365)</b>	<b>(332,880)</b>	<b>1,858,653</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, 2019

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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. There is a high degree of measurement uncertainty in the allowance for uncollectible taxes for the current year. A large amount of current taxes receivable are on linear assessment properties which are much harder to recover than taxes receivable on land and improvements.

#### 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, 2019

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### **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, 2019

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### l) 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:

	<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, 2019

**2. CASH AND TEMPORARY INVESTMENTS**

	2019	2018
	\$	\$
Cash	2,307	1,848
Current bank accounts	118,321	204,732
Savings - recreation reserve	282,190	1,056
Temporary investments	4,598,235	4,708,505
	<b>5,001,053</b>	<b>4,916,141</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 \$1,478,612 (2018: \$1,527,522) received from the provincial government and held exclusively for specific projects (Note 6).

Included in the above balances is an externally restricted amount of \$282,190 (2018: \$260,056) held to fund the public recreation land reserve (intended for capital use) Note 11.

Council has also designated funds \$7,224,500 (2018: \$4,054,500) for capital asset replacement (Note 11). Long-term investments (Note 4) is providing funding of \$4,304,496 (2018: \$4,054,500) for these capital reserves. The remaining balance of \$2,920,004 (2018: \$0) is being funded from temporary investments and savings above.

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

	2019	2018
	\$	\$
Current taxes and grants in place of taxes	309,825	279,178
Non-current taxes and grants in place of taxes	284,508	113,264
	<b>594,333</b>	<b>392,442</b>
Less: Allowance for doubtful accounts	(54,397)	(9,397)
	<b>539,936</b>	<b>383,045</b>

**4. LONG-TERM INVESTMENTS**

	2019		2018	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Loan to N.P. Housing Foundation	300,000	300,000	325,000	325,000
Equity held in Servus Credit Un.	-	-	3	3
Equity held in U.F.A.	5,108	5,108	5,006	5,006
Long-term deposits	2,099,788	2,099,788	2,274,787	2,301,148
Investment in marketable bonds	2,202,708	2,123,313	2,208,877	2,195,924
	<b>4,607,604</b>	<b>4,528,209</b>	<b>4,813,673</b>	<b>4,827,081</b>

Long-term deposits have effective interest rates ranging from 2.05% to 3.22% with maturity dates ranging June 2020 to October 2021.

Loan to N.P. Housing had an effective variable interest rate of 3.95% in 2019. 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 2.04% to 4.93% with maturity dates ranging from June 2021 to March 2028.

Council has designated funds of \$4,304,496 (2018: \$4,054,500), included in the above long-term deposits and investment in marketable bonds, for future capital asset projects (Note 11).

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

For the Year Ended December 31, 2019

**5. OTHER FINANCIAL ASSETS**

	2019	2018
	\$	\$
Requisition under-levy - education taxes	-	-

**6. DEFERRED REVENUE**

	2019	2018
	\$	\$
Provincial government transfers		
Federal Gas Tax Fund	371,913	298,173
Regional Collaboration Program	-	-
Municipal Sustainability Initiative	1,106,699	1,229,349
	<b>1,478,612</b>	<b>1,527,522</b>
Prepaid land leases	3,991	-
Prepaid property taxes and utilities	84,051	79,154
Requisition over levy (North Peace Foundation)	-	-
Other - hall, tent, trees, reward fund	2,650	2,050
	<b>1,569,304</b>	<b>1,608,726</b>

Funding from the province and interest earned on these conditional transfers in the amount of \$1,478,612 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 \$1,478,612 held exclusively for these projects (refer Note 2).

**7. EMPLOYEE BENEFIT OBLIGATIONS**

	2019	2018
	\$	\$
Sick pay benefits obligation	13,936	10,903
Vacation and overtime	63,762	55,037
	<b>77,698</b>	<b>65,940</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, 2019

**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 2022. An annual amount of \$2,500 will be accrued over the expected remaining three 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:

	2019	2018
	\$	\$
Estimated closure costs	10,000	10,000
Estimated post-closure costs	15,000	15,000
<b>Estimated total costs</b>	<b>25,000</b>	<b>25,000</b>
<b>Accrued liability portion, December 31</b>	<b>20,000</b>	<b>17,500</b>

**9. TANGIBLE CAPITAL ASSETS**

	2019	2018
	\$	\$
<b>Net Book Value</b>		
Land	444,568	446,610
Land improvements	174,260	179,857
Buildings	2,802,470	2,872,822
Engineered structures		
Roadway system	5,676,037	4,450,046
Bridge files - construction in progress	69,005	75,438
Water and wastewater system	382,058	384,609
Other	301,477	312,589
Machinery, equipment and furnishings	2,201,254	2,451,250
Kenworth plow truck - on order	254,096	-
Vehicles	746,004	817,326
	<b>13,051,229</b>	<b>11,990,547</b>

**10. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2019	2018
	\$	\$
Tangible Capital Assets (Schedule 2)	20,699,397	19,099,834
Accumulated amortization (Schedule 2)	7,648,168	7,109,287
	<b>13,051,229</b>	<b>11,990,547</b>

**MUNICIPAL DISTRICT OF PEACE NO. 135**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2019

**11. ACCUMULATED SURPLUS**

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

	2019	2018
	\$	\$
Unrestricted surplus	1,698,870	1,720,100
Restricted surplus - operating		
Tax Rate Stabilization	415,600	2,820,600
Fire Services	50,000	50,000
Economic Development	50,000	50,000
Brownvale water & sewer	32,067	-
Restricted surplus - capital		
Administration	80,000	100,000
Fire Services	510,000	380,000
Public Works	4,293,000	1,993,000
Hamlet of Brownvale	774,000	254,000
Environment	250,000	250,000
Garbage	120,000	80,000
A.S.B.	710,000	510,000
Recreation - public reserve	282,190	487,500
Recreation - other	487,500	260,056
Equity in tangible capital assets	13,051,229	11,990,547
	<b>22,804,456</b>	<b>20,945,803</b>

**12. TRUST FUNDS**

	2019	2018
	\$	\$
The Municipal District of Peace No. 135 administers the following trusts:		

**Tax Sale Surplus**

Balance, beginning of year	28,646	28,276
Add: Deposits	-	
Interest	946	370
	946	370
Less: Payment to property owner	1,266	-
Appropriated by M.D. of Peace	10,399	-
	11,665	-
Balance, end of year	17,927	28,646

**Northern Alberta Elected Leaders (NAEL)**

Balance, beginning of year	28,369	28,369
Add: Deposits	-	
Transfer from previous administrative authority		-
	-	-
Less: Disbursement for expenditures		
Other	-	-
	-	-
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, 2019

### 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)	2019 Total	2018 Total
	\$	\$		\$
Reeve:				
WILLING, Robert	\$ 27,297	\$ 6,530	<b>33,827</b>	\$ 40,408
Councillors:				
EASTMAN, Sandra	29,907	9,236	<b>39,143</b>	39,866
HERLINVEAUX, Ken	24,282	5,921	<b>30,203</b>	28,603
JOHNSON, Theresa	30,176	8,081	<b>38,257</b>	36,029
REYDA, Janice	21,194	4,402	<b>25,596</b>	32,984
	<u>132,856</u>	<u>34,170</u>	<u><b>167,026</b></u>	<u>177,890</u>
Chief Administrative Officer:				
MCKEN, Lyle	-	-	-	69,840
JOHNSON, Barbara	112,613	19,324	<b>131,937</b>	101,970
	<u>245,469</u>	<u>53,494</u>	<u><b>298,963</b></u>	<u>349,700</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 term disability plan, tuition, travel and automobile allowances.

3) The designated officer for the position of municipal assessor is KCL Consulting Inc. Contracted services of \$47,082 (2018 - \$45,811) were paid to KCL Consulting Incorporated.

### 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 9.39% of pensionable earnings up to the years maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% 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 2019 were \$74,056 (2018: \$74,792). Total current service contributions by the employees of the Municipal District of Peace No.135 to the Local Authorities Pension Plan in 2019 were \$66,853 (2018: \$68,195).

At December 31, 2018, the Plan disclosed an actuarial surplus of \$3.47 billion.

# MUNICIPAL DISTRICT OF PEACE NO. 135

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

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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:

	2019	2018
	\$	\$
Total debt limit	6,203,837	6,349,998
Total debt	-	-
Amount of total debt unused	6,203,837	6,349,998
Debt servicing limit	1,033,973	1,058,333
Debt servicing	-	-
Amount of debt servicing limit unused	1,033,973	1,058,333

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 2019, an amount of \$74,665 (2018 - \$72,280) 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 2019, an amount of \$57,028 (2018 - \$53,706) was paid to the Town of Grimshaw for cost sharing of F.C.S.S., recreation programs and services, and cemetery maintenance 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 2019, an amount of \$118,075 (2018 - \$49,300) 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, 2019

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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.

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. On October 22, 2019 the MUNICIPAL DISTRICT OF PEACE NO. 135 filed a statement of claim against this developer for \$700,000 plus legal costs. The developer has failed or neglected to complete 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

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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. COMPARATIVE FIGURES

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

### 20. APPROVAL OF FINANCIAL STATEMENTS

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Council and management have approved these financial statements.