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MUNICIPAL DISTRICT OF PEACE NO. 135

Consolidated Financial Statements

Year Ended December 31, 2020

MUNICIPAL DISTRICT OF PEACE NO. 135
Consolidated Financial Statements
Year Ended December 31, 2020

MUNICIPAL DISTRICT OF PEACE NO. 135
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Year Ended December 31, 2020

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Municipal District of Peace No. 135 have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Municipal District of Peace No. 135's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

Council is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council carries out this responsibility principally through its regular meetings. Council meets periodically with management and the Municipal District's auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, Council approves of the financial statements. Management also considers, for review and approval by Council, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited on behalf of the members of council by Sander Rose Bone Grindle LLP, in accordance with Canadian public sector accounting standards.



Barbara Johnson, CAO
Berwyn, AB

Partners

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council of Municipal District of Peace No. 135

Opinion

We have audited the consolidated financial statements of Municipal District of Peace No. 135 (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations and accumulated surplus, changes in net financial assets 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 consolidated financial position of the Municipality as at December 31, 2020, and the consolidated results of its operations and consolidated 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 ethical requirements that are relevant to our audit of the consolidated 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.

Other Matter

The consolidated financial statements for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 14, 2020.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PSAS, 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 consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going

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Independent Auditor's Report to the Members of Council of Municipal District of Peace No. 135
(continued)

concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or 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.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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

1. 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 14.

(continues)

Sander Rose Bone Grindle LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report to the Members of Council of Municipal District of Peace No. 135
(continued)

2. 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 12.

Grande Prairie, AB
April 13, 2021

Sander Rose Bone Grindle CPA
CHARTERED PROFESSIONAL ACCOUNTANTS

MUNICIPAL DISTRICT OF PEACE NO. 135
Consolidated Statement of Financial Position
December 31, 2020

	2020	2019 (Restated - Note 18)
FINANCIAL ASSETS		
Cash and temporary investments (Note 3)	\$ 5,969,100	\$ 5,001,053
Receivables		
Taxes and grants-in-lieu receivable (Note 5)	1,017,855	539,936
Other governments	678,907	806,231
Trade and other receivables	51,600	64,490
Land held for resale	17,194	17,194
Long-term investments (Note 6)	4,643,816	4,607,604
	12,378,472	11,036,508
LIABILITIES		
Accounts payable and accrued liabilities	69,860	312,601
Deposit liabilities	35,000	25,000
Deferred revenue (Note 7)	2,454,369	1,646,028
Employee benefit obligations (Note 8)	106,144	77,698
Provision for landfill closure and post-closure costs (Note 9)	22,500	20,000
	2,687,873	2,081,327
NET FINANCIAL ASSETS	9,690,599	8,955,181
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	13,260,966	13,051,229
Inventory for consumption	549,526	721,883
Prepaid expenses	78,719	76,163
	13,889,211	13,849,275
ACCUMULATED SURPLUS(Schedule 1, Note 10)	\$ 23,579,811	\$ 22,804,456

Commitments and contingencies (Notes 15, 16)

Approved by



Chief Administrative Officer

MUNICIPAL DISTRICT OF PEACE NO. 135
Consolidated Statement of Operations and Accumulated Surplus
Year Ended December 31, 2020

	2020 Budget (Unaudited)	2020 Actual	2019 Actual
REVENUES			
Gains on disposal of assets	\$ 245,000	\$ 98,600	\$ 4,230
Government transfers for operating(Schedule 4)	244,561	287,018	494,805
Investment income	162,825	174,004	211,265
Licenses, permits and fines	3,380	2,710	1,965
Net municipal taxes (Schedule 3)	3,252,178	3,245,987	2,987,393
Other revenues	102,150	153,908	116,419
Penalties and costs on taxes	80,000	109,628	97,126
Rentals	42,500	40,626	49,550
Sales and user charges	124,950	142,765	140,549
Well drilling	10,000	18,816	32,589
	<u>4,267,544</u>	<u>4,274,062</u>	<u>4,135,891</u>
EXPENDITURES			
General Government			
Council and other legislative	187,500	136,842	186,150
General administration	869,519	913,220	827,946
	<u>1,057,019</u>	<u>1,050,062</u>	<u>1,014,096</u>
Protective Services			
Bylaws enforcement	3,900	3,219	3,536
Fire fighting and protective services	273,754	180,350	198,369
	<u>277,654</u>	<u>183,569</u>	<u>201,905</u>
Transportation Services			
Airport	35,000	-	43,495
Roads, streets, walks, lighting	1,997,800	2,046,023	1,677,344
	<u>2,032,800</u>	<u>2,046,023</u>	<u>1,720,839</u>
Environmental Services			
Waste management	42,775	37,189	30,011
Water and wastewater	119,650	124,224	81,423
	<u>162,425</u>	<u>161,413</u>	<u>111,434</u>
Recreation & Culture Services			
Culture: libraries, museums, halls	23,358	23,357	22,484
Parks and recreation	421,930	250,307	245,753
	<u>445,288</u>	<u>273,664</u>	<u>268,237</u>
Other			
Agricultural development	541,450	460,478	436,315
Cemeteries	13,200	12,445	7,025
Economic development	32,670	32,670	41,300
Family and community support services	63,000	63,000	65,684
Land use planning, zoning, development	91,100	88,727	84,906
	<u>741,420</u>	<u>657,320</u>	<u>635,230</u>
	<u>4,716,606</u>	<u>4,372,051</u>	<u>3,951,741</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENDITURES - BEFORE OTHER ITEMS	<u>(449,062)</u>	<u>(97,989)</u>	<u>184,150</u>
OTHER ITEMS			
Contributed assets	-	-	405,000
Government transfers for capital(Schedule 4)	2,083,100	873,344	1,269,503
	<u>2,083,100</u>	<u>873,344</u>	<u>1,674,503</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>1,634,038</u>	<u>775,355</u>	<u>1,858,653</u>
ACCUMULATED SURPLUS - BEGINNING OF YEAR	<u>22,804,456</u>	<u>22,804,456</u>	<u>20,945,803</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 24,438,494</u>	<u>\$ 23,579,811</u>	<u>\$ 22,804,456</u>

See notes to financial statements

MUNICIPAL DISTRICT OF PEACE NO. 135
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2020

	Budget (Unaudited) 2020	2020	2019
EXCESS OF REVENUE OVER EXPENDITURES	\$ 1,634,038	\$ 775,355	\$ 1,858,653
Acquisition of tangible capital assets	(2,489,800)	(1,163,595)	(1,408,141)
Contributed assets	-	-	(405,000)
Proceeds on disposal of tangible capital assets	-	303,600	6,120
Amortization of tangible capital assets	734,500	745,201	717,383
(Gain) loss on sale of tangible capital assets	(245,000)	(94,942)	28,956
	(2,000,300)	(209,736)	(1,060,682)
Acquisition of supplies inventories	-	(549,526)	(807,362)
Acquisition of prepaid assets	-	(78,719)	(68,069)
Use of supplies inventories	-	721,883	414,219
Use of prepaid assets	-	76,161	61,038
	-	169,799	(400,174)
	(2,000,300)	(39,937)	(1,460,856)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(366,262)	735,418	397,797
NET FINANCIAL ASSETS - BEGINNING OF YEAR	8,955,181	8,955,181	8,557,384
NET FINANCIAL ASSETS - END OF YEAR	\$ 8,588,919	\$ 9,690,599	\$ 8,955,181

See notes to financial statements

MUNICIPAL DISTRICT OF PEACE NO. 135
Consolidated Statement of Cash Flows
Year Ended December 31, 2020

	2020	2019 (Restated - Note 18)
OPERATING		
Annual surplus	\$ 775,355	\$ 1,858,653
Items not affecting cash:		
Amortization of tangible capital assets	745,201	717,383
(Gain)/Loss on disposal of tangible capital assets	(94,942)	28,956
Tangible capital assets received as contributions	-	(405,000)
	1,425,614	2,199,992
Changes in non-cash working capital:		
(Increase) in taxes and grants in lieu receivable	(477,919)	(156,891)
Decrease/(Increase) in receivable from other governments	127,325	(737,182)
Decrease in trade and other receivables	12,889	23,457
Decrease/(Increase) in inventory for consumption	172,357	(393,143)
(Increase) in prepaid expenses	(2,558)	(7,031)
(Decrease)/Increase in accounts payable and accrued liabilities	(242,741)	283,550
Increase in employee benefit obligations	28,446	11,758
Increase in deposit liabilities	10,000	16,550
Increase in provision for landfill closure and post-closure costs	2,500	2,500
Increase in deferred revenues	808,341	37,304
	438,640	(919,128)
Cash flow from operating	1,864,254	1,280,864
CAPITAL		
Acquisition of tangible capital assets	(1,163,595)	(1,408,141)
Disposal of tangible capital assets	303,600	6,120
Cash flow used by capital	(859,995)	(1,402,021)
INVESTING		
(Increase) in restricted cash and temporary investments	(1,226,654)	(2,266,746)
(Increase)/Decrease in long-term investments	(36,212)	206,069
Cash flow used by investing	(1,262,866)	(2,060,677)
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(258,607)	(2,181,834)
Cash - beginning of year	946,729	3,128,563
CASH - END OF YEAR	\$ 688,122	\$ 946,729
CASH CONSISTS OF:		
Cash and temporary investments (Note 3)	\$ 5,969,100	\$ 5,001,053
Less: Restricted and designated cash (Note 4)	(5,280,978)	(4,054,324)
	\$ 688,122	\$ 946,729

See notes to financial statements

MUNICIPAL DISTRICT OF PEACE NO. 135
Consolidated Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2020 **(Schedule 1)**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020	2019
BALANCE, BEGINNING OF YEAR	\$ 1,698,870	\$ 8,054,357	\$ 13,051,229	\$ 22,804,456	\$ 20,945,803
Excess (deficiency) of revenue over expenses	775,355	-	-	775,355	1,858,653
Unrestricted funds designated for future use	(584,582)	584,582	-	-	-
Restricted funds used for operations	22,115	(22,115)	-	-	-
Current year funds used for tangible capital assets	(1,163,595)	-	1,163,595	-	-
Disposal of tangible capital assets	208,657	-	(208,657)	-	-
Annual amortization expense	745,201	-	(745,201)	-	-
CHANGE IN ACCUMULATED SURPLUS	3,151	562,467	209,737	775,355	1,858,653
BALANCE, END OF YEAR	\$ 1,702,021	\$ 8,616,824	\$ 13,260,966	\$ 23,579,811	\$ 22,804,456

See notes to financial statements

MUNICIPAL DISTRICT OF PEACE NO. 135
 Consolidated Schedule of Tangible Capital Assets
 Year Ended December 31, 2020

(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Total 2020	Total 2019
COST								
BALANCE, BEGINNING OF YEAR	\$ 444,568	\$ 371,798	\$ 3,528,437	\$ 10,263,371	\$ 4,653,229	\$ 1,437,994	\$ 20,699,397	\$ 19,099,834
Acquisition of tangible capital assets	-	-	9,911	285,063	694,720	39,422	1,029,116	1,509,939
Construction-in-progress	-	32,797	-	101,682	-	-	134,479	303,202
Disposal of tangible capital assets	-	-	-	-	(934,709)	-	(934,709)	(213,578)
BALANCE, END OF YEAR	\$ 444,568	\$ 404,595	\$ 3,538,348	\$ 10,650,116	\$ 4,413,240	\$ 1,477,416	\$ 20,928,283	\$ 20,699,397
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	\$ -	\$ 197,538	\$ 725,966	\$ 3,834,794	\$ 2,197,879	\$ 691,991	\$ 7,648,168	\$ 7,109,287
Annual amortization	-	11,063	71,927	240,078	359,048	63,085	745,201	717,383
Accumulated amortization on disposals	-	-	-	-	(726,052)	-	(726,052)	(178,502)
BALANCE, END OF YEAR	\$ -	\$ 208,601	\$ 797,893	\$ 4,074,872	\$ 1,830,875	\$ 755,076	\$ 7,667,317	\$ 7,648,168
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 444,568	\$ 195,994	\$ 2,740,454	\$ 6,575,244	\$ 2,582,364	\$ 722,342	\$ 13,260,966	\$ 13,051,229
2019 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 444,568	\$ 174,260	\$ 2,802,471	\$ 6,428,577	\$ 2,455,350	\$ 746,003	\$ 13,051,229	

See notes to financial statements

MUNICIPAL DISTRICT OF PEACE NO. 135
Consolidated Schedule of Property Taxes Levied
Year Ended December 31, 2020

(Schedule 3)

	Budget (Unaudited) 2020	Total 2020	Total 2019
TAXATION			
Real Property taxes	\$ 2,569,795	\$ 2,563,601	\$ 2,388,094
Linear property taxes	1,161,001	1,161,004	1,088,565
Government grants in place of property taxes	499,794	499,794	474,943
	4,230,590	4,224,399	3,951,602
REQUISITIONS			
Alberta School Foundation Fund	(759,101)	(759,101)	(752,782)
Holy Family Catholic Regional Division No. 37	(82,132)	(82,132)	(82,005)
Designated Industrial Property	(5,134)	(5,134)	(5,217)
North Peace Housing Foundation	(132,045)	(132,045)	(124,205)
	(978,412)	(978,412)	(964,209)
NET MUNICIPAL PROPERTY TAXES	\$ 3,252,178	\$ 3,245,987	\$ 2,987,393

See notes to financial statements

MUNICIPAL DISTRICT OF PEACE NO. 135
Consolidated Schedule of Government Transfers
Year Ended December 31, 2020

(Schedule 4)

	Budget (Unaudited) 2020	Total 2020	Total 2019
TRANSFERS FOR OPERATIONS			
Federal government	\$ 4,000	\$ 7,620	\$ 4,200
Provincial government - conditional	236,061	274,898	486,105
Local governments	4,500	4,500	4,500
	244,561	287,018	494,805
TRANSFERS FOR CAPITAL			
Provincial government	2,083,100	873,344	1,269,503
TOTAL GOVERNMENT TRANSFERS	\$ 2,327,661	\$ 1,160,362	\$ 1,764,308

See notes to financial statements

MUNICIPAL DISTRICT OF PEACE NO. 135**Consolidated Schedule of Consolidated Expenditures by Object
Year Ended December 31, 2020****(Schedule 5)**

	Budget (Unaudited) 2020	Actual 2020	Actual 2019
Amortization of tangible capital assets	\$ 734,500	\$ 745,201	\$ 717,383
Bank charges and short term interest	800	643	1,692
Contracted and general services	1,192,333	943,546	817,312
Loss on disposal of capital assets	-	3,658	33,186
Materials, goods, supplies and utilities	658,600	683,028	609,382
Other expenditures	20,275	15,127	19,647
Provision for allowances	-	100,000	45,000
Purchases from other governments	1,000	1,232	580
Salaries, wages and benefits	1,483,475	1,457,282	1,277,655
Transfers to individuals and organizations	71,419	66,918	70,517
Transfers to local boards and agencies	44,900	44,899	52,655
Transfers to other governments	509,304	310,517	306,732
	\$ 4,716,606	\$ 4,372,051	\$ 3,951,741

See notes to financial statements

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

1. PURPOSE OF THE ENTITY

The Municipal District of Peace No. 135 was established on November 15, 1916 and is a local government authority providing municipal services to residents within the boundry of the Municipal District. These include administrative, protective, transportation, environmental, recreational, and other services. The entity is empowered through bylaws and policies approved by Council and pursuant to the Municipal Government Act, a statute of the Province of Alberta.

2. SUMMARY OF 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:

Comparative Figures

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

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.

Basis of Presentation

The Municipal District follows the fund basis of accounting. Funds are segregated for the purpose of carrying on specific activities or attaining certin objectives in accordance with special regulations, restrictions, or limitations. Currently in use are:

1. General Revenue Funds - to account for all financial resources except those required to be accounted for in another fund. The General Revenue Fund is the entity's operating fund including collection of taxation, administering operations related to general government, protective, transportation, environmental, recreation, and other services.
2. Capital Funds - to account for all capital assets of the entity and offset by long term debt and investment in capital assets.
3. Reserve Funds - to account for the activities in reserves established for specific purposes by bylaw or the Municipal Government Act.

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MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting

The Municipal District follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. Expenditures are generally recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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.

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.

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.

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.

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.

(continues)

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue.

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.

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.

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.

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.

(continues)

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

Land improvements	20 years
Buildings	50 years
Engineered structures	
Bridges	variable
Water system	60 years
Wastewater system	60 years
Other engineered structures	30 - 40 years
Machinery & equipment	5 - 20 years
Vehicles	10 - 15 years

Assets under construction are not amortized until the asset is available for productive use.

The municipality regularly reviews its tangible capital assets to eliminate obsolete items.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

Works of art for display and historical artifacts are not recorded as tangible capital assets.

Prepaid Expenses

Prepaid expenses consist of amounts paid in the current year for supplies and/or services used in the following year.

Inventory

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.

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

3. CASH AND TEMPORARY INVESTMENTS

	2020	2019
Cash on hand	\$ 600	\$ 2,307
Current bank accounts	172,119	118,321
Savings - recreation reserve	295,172	282,190
Temporary investments	5,501,209	4,598,235
	\$ 5,969,100	\$ 5,001,053

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

4. RESTRICTED AND DESIGNATED CASH

The entity has received cash that is subject to restrictions in accordance with an agreement or statute of the Province of Alberta. The entity also has cash which Council has designated for a specific purpose. A portion of the designated cash has been invested in long-term deposits and marketable bonds.

	2020	2019 (Restated)
Restricted for provincial government projects (Note 7)	\$ 1,570,027	\$ 852,130
Restricted for public recreation land reserve (Note 10)	295,172	282,190
Total restricted cash	1,865,199	1,134,320
Designated for capital asset replacement reserves (Note 10)	7,796,100	7,224,500
Less: Amount provided by long-term investments (Note 6)	(4,380,321)	(4,304,496)
Total designated cash	3,415,779	2,920,004
	\$ 5,280,978	\$ 4,054,324

5. TAXES AND GRANTS-IN-LIEU RECEIVABLE

	2020	2019
Current	\$ 829,830	\$ 309,825
Arrears	342,422	284,508
	1,172,252	594,333
Less: Allowance for doubtful accounts	(154,397)	(54,397)
	\$ 1,017,855	\$ 539,936

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

6. LONG-TERM INVESTMENTS

	2020 Cost	2020 Market value	2019 Cost	2019 Market value
Loan to North Peace Housing Foundation	\$ 258,333	\$ 258,333	\$ 300,000	\$ 300,000
Equity in U.F.A.	5,162	5,162	5,108	5,108
Long-term deposits	2,424,998	2,424,998	2,099,788	2,099,788
Investment in marketable bonds	1,955,323	1,893,400	2,202,708	2,123,313
	\$ 4,643,816	\$ 4,581,893	\$ 4,607,604	\$ 4,528,209

Long-term deposits have effective interest rates ranging from 1.55% to 2.45% with maturity dates ranging from October 2021 to November 2023.

Loan to North Peace Housing Foundation had an effective variable interest rate of 2.95% to 3.95% in 2020. The loan is repayable in quarterly payments of \$8,333 of principal plus variable interest with last payment receivable in October 2028.

Investments in marketable bonds have effective interest rates of 2.45% to 3.23% with maturity dates ranging from July 2024 to March 2028.

Council has designated funds of up to \$4,380,321 (2019 - \$4,304,496), included in the above long-term deposits and investment in marketable bonds, for future capital asset projects (Note 4).

7. DEFERRED REVENUE

	2020	2019 <i>(Restated)</i>
Provincial government transfers		
Federal Gas Tax Fund	\$ 476,218	\$ 371,913
Municipal Sustainability Initiative	999,013	1,183,425
Strategic Transport Infrastructure Program	548,316	-
Municipal Stimulus Program	177,621	-
	2,201,168	1,555,338
Prepaid land leases and grant funding	152,462	3,991
Prepaid property taxes and utilities	98,939	84,051
Other	1,800	2,650
	\$ 2,454,369	\$ 1,646,030

Funding from the province and interest earned on these conditional transfers in the amount of \$2,201,168 (2019 restated - \$1,555,338) 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 receivables from other governments of \$631,141 (2019 restated - \$703,208) and cash and temporary investments of \$1,570,027 (2019 reclassified - \$852,130) held exclusively for these projects (Note 4).

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

8. EMPLOYEE BENEFIT OBLIGATIONS

	2020	2019
Sick pay benefits obligation	\$ 19,057	\$ 13,936
Vacation and overtime	87,087	63,762
	\$ 106,144	\$ 77,698

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.

9. 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 two 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:

	2020	2019
Estimated closure costs	\$ 10,000	\$ 10,000
Estimated post-closure costs	15,000	15,000
Estimated total costs	25,000	25,000
Provision for landfill closure and post-closure costs	22,500	20,000

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

10. ACCUMULATED SURPLUS

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

	2020	2019
Unrestricted surplus	\$ 1,702,021	\$ 1,698,870
Restricted surplus - operating		
Tax Rate Stabilization	415,600	415,600
Fire Services	50,000	50,000
Brownvale water & sewer	9,952	32,067
Economic Development	50,000	50,000
	525,552	547,667
Restricted surplus - Capital		
Administration	80,000	80,000
Fire Services	610,000	510,000
Public Works	4,434,600	4,293,000
Hamlet of Brownvale	874,000	774,000
Environment	250,000	250,000
Garbage	350,000	120,000
Ag. Service Board - Deferred Revenue	710,000	710,000
Recreation - public reserve	295,172	282,190
Recreation - other	487,500	487,500
	8,091,272	7,506,690
Equity in tangible capital assets	13,260,966	13,051,229
	\$ 23,579,811	\$ 22,804,456

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

11. TRUST FUNDS

The Municipal District of Peace No. 135 administers the following trusts:

	2020	2019
Tax Sale Surplus		
Balance, beginning of year	\$ 17,927	\$ 28,646
Add: Interest	378	946
Less: Payments to property owners	-	(1,266)
Less: Appropriated by M.D. of Peace	(7,316)	(10,399)
Balance, end of year	10,989	17,927
Northern Alberta Elected Leaders (NAEL)		
Balance, beginning of year	28,369	28,369
Less: Disbursement for expenditures	(11,324)	-
Balance, end of year	17,045	28,369
	\$ 28,034	\$ 46,296

Tax Sale Surplus

Pursuant to Division 8 of the Municipal Government Act (Alberta), a municipality may attempt to recover taxes owed in arrears by way of sale of landowner property. Funds from the sale of these properties, less any incurred expenses, must be retained and accounted for separately for a period of 10 years from the sale date of each property. The trust balance represents the sale funds awaiting the 10 year maturity date before the funds are transferred to the Municipal District of Peace No. 135.

Northern Alberta Elected Leaders

These are funds held on behalf of the Northern Alberta Elected Leaders, a group of northwestern municipal leaders who gather to share current practices and seek opportunities to collaborate. The Municipal District of Peace No. 135 is a member of this group and administers expenditures of the group to be paid out of membership fees paid previously.

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

12. 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)	2020	2019
Reeve:				
WILLING, Robert	\$ 26,966	\$ 5,891	\$ 32,857	\$ 33,827
Councillors:				
EASTMAN, Sandra	23,988	5,008	28,996	39,143
HERLINVEAUX, Ken	20,149	3,951	24,100	30,203
JOHNSON, Theresa	22,519	5,105	27,624	38,257
REYDA, Janice	20,149	3,107	23,256	25,596
	113,771	23,062	136,833	167,026
Chief Administrative Officer:				
JOHNSON, Barbara	114,026	19,846	133,872	131,937
	\$ 227,797	\$ 42,908	\$ 270,705	\$ 298,963

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 \$47,317 (2019 - \$47,082) were paid to KCL Consulting Incorporated.

13. 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 2020 were \$93,790 (2019 - \$74,056). Total current service contributions by the employees of the Municipal District of Peace No. 135 to the Local Authorities Pension Plan in 2020 were \$84,865 (2019 - \$66,853).

At December 31, 2019, the Plan disclosed an actuarial surplus of \$7.91 billion.

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

14. 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:

	2020	2019
Total debt limit	\$ 6,411,093	\$ 6,203,837
Total debt	-	-
Amount of total debt unused	\$ 6,411,093	\$ 6,203,837
Debt servicing limit	\$ 1,068,516	\$ 1,033,973
Debt servicing	-	-
Amount of debt servicing limit unused	\$ 1,068,516	\$ 1,033,973

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.

15. 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 2020, an amount of \$79,015 (2019 - \$74,665) 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 was 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 renewal of this agreement was ongoing at year-end and management believes that the new agreement for 2021 may have a material increase over the current amount paid.

The Municipal District of Peace No. 135 signed an inter-municipal cooperation agreement on December 18, 2018 with the Town of Grimshaw. During 2020, an amount of \$58,806 (2019 - \$57,028) 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 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 2020, an amount of \$120,073 (2019 - \$118,075) 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 agreement is effective to December 31, 2022.

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

16. CONTINGENT LIABILITY

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.

17. 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, or currency risks arising from these financial instruments.

Credit risk

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. However, the Municipal District has a higher credit risk exposure on the linear assessment properties which are much harder to recover than taxes receivable on land and improvements. Management has established an allowance for doubtful accounts in regards to the estimated uncollectible linear tax assessments, which is reflected in the amount of taxes receivable (Note 5).

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

18. PRIOR PERIOD ADJUSTMENT

In the year, the Alberta government approved additional Strategic Transport Infrastructure Program funds of \$76,726 for a capital project cost over-run in 2019. Funds to cover the cost over-run were originally allocated from Municipal Sustainability Initiative funds. As a result, the 2019 figures have been restated as follows: increase accounts receivable by \$76,726, increase deferred revenues by \$76,726. There is no impact on the 2019 revenues and accumulated surplus.

19. EXCEPTIONAL ITEM

On March 11, 2020 the World Health Organization declared a Global Pademic for the spread of Covid-19. Management continues to assess the actual and potential impact this global event may have on the operations of Municipal District of Peace No. 135.

20. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

21. SEGMENTED INFORMATION (SCHEDULE 6)

Segmented information has been identified based upon lines of services provided by the Municipal District. District services are provided by departments and their activities are reported by functional area in the body of the consolidated financial statements. Certain lines of services that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

- a) **General Government Services**
This category of functions is used to report activities for the overall operations of the Municipal District, which is common to, or affect all of the services provided by the Municipal District, including Council and legalstive, general administration and finance expenses.
- b) **Protective Services**
This category of functions is used to report activities provided of emergency management, fire department, bylaw services, building inspection, and regulatory services.
- c) **Transportation Services**
The category of functions is used to report activities related to the delivery of municipal public works services related to the planning, development, and maintenance of streets and roads, bridges, and drainage systems as well as maintenance of workshops, yards, and other buildings.
- d) **Environmental Services**
This function is used to report activities related to acquiring, supplying, treating, and distributing water to the Municipal District as well as the collection of garbage and other waste material
- e) **Recreation Services**
This function is used to report activities related to providing recreational and cultural opportunities for the community.
- f) **Other**
This function is used to report activities related to the Agricultural Service Board, cemetary operations, economic development, family and community support services, and land use, planning, zoning, and development.

MUNICIPAL DISTRICT OF PEACE NO. 135
Consolidated Schedule of Segmented Disclosure
Year Ended December 31, 2020

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation Services	Other	Total 2020	Total 2019
REVENUE								
Gain on disposal of capital assets	\$ -	\$ -	\$ 98,600	\$ -	\$ -	\$ -	\$ 98,600	\$ 4,230
Government transfers for operating	37,384	1,000	-	-	3,500	245,134	287,018	494,805
Investment income	169,552	-	-	410	4,042	-	174,004	211,265
Licenses and permits	-	50	-	-	-	2,660	2,710	1,965
Net municipal taxes	3,245,987	-	-	-	-	-	3,245,987	2,987,393
Other revenue	10,386	-	125,865	7,090	8,940	-	153,908	116,419
Penalties and costs on taxes	109,628	-	-	-	-	-	109,628	97,126
Rentals	25,319	-	14,157	-	600	550	40,626	49,550
User fees and sales of goods	5,174	19,770	56,873	56,548	-	4,400	142,765	140,549
Well drilling charges	18,816	-	-	-	-	-	18,816	32,589
	3,622,246	20,820	295,495	64,048	17,082	254,371	4,274,062	4,135,891
EXPENSES								
Bank charges and short-term interest	643	-	-	-	-	-	643	1,692
Contracted and general services	254,426	49,526	360,772	85,904	40,010	152,908	943,546	817,312
Loss on disposal of capital assets	-	3,221	-	-	-	437	3,658	33,186
Materials, goods and utilities	31,290	14,519	538,962	16,842	16,571	64,844	683,028	609,382
Other expenditures	12,362	-	-	2,765	-	-	15,127	19,647
Provision for allowance	100,000	-	-	-	-	-	100,000	45,000
Purchases from other governments	1,232	-	-	-	-	-	1,232	580
Salaries, wages and benefits	484,014	6,890	646,791	8,712	54,191	256,684	1,457,282	1,277,655
Transfers to individuals and organizations	29,518	2,000	-	2,000	10,800	22,600	66,918	70,517
Transfers to local boards and agencies	-	-	-	-	12,229	32,670	44,899	52,655
Transfers to other governments	65,819	58,304	-	11,867	109,027	65,500	310,517	306,732
	979,304	131,239	1,549,746	128,090	242,828	595,643	3,626,850	3,234,356
NET REVENUE BEFORE AMORTIZATION AND TRANSFERS FOR CAPITAL	2,642,942	(110,419)	(1,254,251)	(64,042)	(225,746)	(341,272)	647,212	901,533
Amortization	(70,758)	(52,330)	(496,277)	(33,323)	(30,836)	(61,677)	(745,201)	(717,383)
Contributed assets	-	-	-	-	-	-	-	405,000
Government transfers for capital	-	-	724,381	43,666	30,297	75,000	873,344	1,269,503
	(70,758)	(52,330)	228,104	10,343	(539)	13,323	128,143	957,120
GRAND TOTAL	\$ 2,572,184	\$ (162,749)	\$ (1,026,147)	\$ (53,699)	\$ (226,285)	\$ (327,949)	\$ 775,355	\$ 1,858,653

See notes to financial statements