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Town of Peace River
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009



TABLE OF CONTENTS

	<u>Page</u>
Statement of Management's Responsibility	1
Auditors' Report	2
Consolidated Statement of Financial Position	3
Consolidated Statement of Financial Activities	4
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Schedule of Tangible Capital Activities	7
Schedule of Property Taxes Levied	8
Schedule of Government Transfers	9
Schedule of Consolidated Expenditures by Object	10
Notes to the Consolidated Financial Statements	11



TOWN OF PEACE RIVER

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FILE NO. 11/120

June 24, 2010

Mayor and Council
Town of Peace River

Management's Responsibility

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Council is composed entirely of Councillors who are neither management nor employees of the Town. The Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and external auditors. Council is responsible for the appointment of the Town's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

Norma MacQuarrie
Chief Administrative Officer



MEYERS NORRIS PENNY LLP

Auditors' Report

To the Mayor and Members of Council:

We have audited the consolidated statement of financial position of the Town of Peace River as at December 31, 2009 and the consolidated statement of financial activities, the consolidated statement of change in net financial assets and the consolidated statement of cash flows for the year then ended. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

As outlined in Note 16, the Town of Peace River is not reporting their proportionate share of the equity in a business government enterprise they hold. Failure to record this investment using the modified equity method is not in accordance with Canadian generally accepted accounting principles. Due to the dispute with regards to the proportionate shareheld, we are unable to state what the impact would be on the assets and operating fund balance.

In our opinion, except for the effects of the Town's failure to record the investment referred to in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Town of Peace River as at December 31, 2009 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Peace River, Alberta
June 24, 2010

Meiners Norris Penny LLP
Chartered Accountants

TOWN OF PEACE RIVER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009 \$	2008 \$ (Restated) Note 18
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	<u>13,659,133</u>	<u>14,357,998</u>
Receivables		
Taxes and grants in lieu of taxes (Note 3)	385,113	136,515
Receivable from other governments	151,470	225,419
Trade and other receivables	920,856	784,707
Land inventory held for resale	28,881	28,881
Long-term investments	30	30
	<u>15,145,483</u>	<u>15,533,550</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,404,407	1,524,671
Deposit liabilities	85,406	78,788
Deferred revenue (Note 4)	5,701,489	5,754,950
Employee benefit obligations (Note 5)	161,864	119,798
Long term debt (Note 6)	2,554,021	3,054,591
Other Long term Liabilities	13,574	13,574
	<u>9,920,762</u>	<u>10,546,372</u>
NET FINANCIAL ASSETS	<u>5,224,721</u>	<u>4,987,178</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	51,172,485	52,190,336
Prepaid expenses	70,215	10,269
	<u>51,242,700</u>	<u>52,200,605</u>
ACCUMULATED SURPLUS (Note 10)	<u>56,467,421</u>	<u>57,187,783</u>

Commitments and contingencies - See Notes 13 and 14

Approved by

Mayor

Chief Administrative Officer

See accompanying notes to the financial statements

TOWN OF PEACE RIVER
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budget \$ (Unaudited)	2009 \$	2008 \$ (Restated) Note 18
REVENUE			
Net municipal property taxes (Schedule 2)	6,986,240	6,961,631	6,284,206
User fees and sale of goods	3,753,313	3,562,723	3,604,006
Government transfers for operating (Schedule 3)	2,213,207	2,604,592	1,518,785
Investment income	325,000	42,230	218,916
Penalties and costs on taxes	194,760	187,086	187,040
Franchise and concession contracts	576,368	534,244	519,413
Other revenues	460,233	333,068	853,768
Total revenues	14,509,121	14,225,574	13,186,134
EXPENSES			
Operating			
Legislative	325,200	361,355	205,480
Administration	1,692,730	1,703,095	2,132,506
Protective services	3,239,614	3,586,744	3,092,689
Transportation	3,347,667	4,541,067	4,289,873
Water supply and distribution	993,647	1,503,874	1,432,090
Wastewater treatment and disposal	718,736	968,926	1,053,275
Waste management	311,528	301,905	276,615
Public health and economic development	1,000,821	956,445	935,925
Recreation and parks	2,278,607	2,322,625	2,142,750
Gain on disposal of capital assets	-	(42)	(232,575)
Other	-	-	20,470
Total Expenses	13,908,550	16,245,995	15,349,098
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	600,571	(2,020,421)	(2,162,963)
OTHER			
Development Levies and Other Contributions	50,000	138,135	559,649
Government transfers for capital (Schedule 3)	3,247,743	1,161,924	994,248
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	3,898,314	(720,362)	(609,066)
ACCUMULATED SURPLUS, BEGINNING OF YEAR AS PREVIOUSLY STATED	103,287,429	103,287,429	101,024,996
PRIOR PERIOD ADJUSTMENT (Note 18)	(46,099,646)	(46,099,646)	(43,228,147)
ACCUMULATED SURPLUS, BEGINNING OF YEAR AS RESTATED	57,187,783	57,187,783	57,796,849
ACCUMULATED SURPLUS, END OF YEAR	61,086,097	56,467,421	57,187,783

See accompanying notes to the financial statements

**TOWN OF PEACE RIVER
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budget \$ (Unaudited)	2009 \$	2008 \$ (Restated) Note 18
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	<u>3,898,314</u>	<u>(720,362)</u>	<u>(609,066)</u>
Acquisition of tangible capital assets		(1,954,152)	(2,677,164)
Contributed tangible capital assets	-	(46,861)	(52,291)
Proceeds on disposal of tangible capital assets	-	28,865	501,010
Amortization of tangible capital assets	-	2,990,041	2,871,550
Gain on sale of tangible capital assets	-	(42)	(232,575)
	<u>-</u>	<u>1,017,851</u>	<u>410,530</u>
Acquisition of prepaid assets		(70,215)	(10,269)
Use of prepaid assets		10,269	10,269
	<u>-</u>	<u>(59,946)</u>	<u>-</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	3,898,314	237,543	(198,536)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>4,987,178</u>	<u>4,987,178</u>	<u>5,185,714</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>8,885,492</u></u>	<u><u>5,224,721</u></u>	<u><u>4,987,178</u></u>

**TOWN OF PEACE RIVER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	2009 \$	2008 \$ (Restated) Note 18
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Shortfall of revenues over expenses	(720,362)	(609,066)
Non-cash items included in shortfall of revenues over expenses:		
Amortization of tangible capital assets	2,990,041	2,871,550
Gain on disposal of tangible capital assets	(41)	(232,575)
Tangible capital assets received as contributions	(46,861)	(52,291)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(248,568)	371,744
Decrease (increase) in trade and other receivables	(136,149)	2,308,197
Decrease in receivable from other governments	73,949	-
Decrease in land held for resale	-	20,510
Decrease (increase) in prepaid expenses	(59,946)	17
Decrease (increase) in accounts payable and accrued liabilities	(120,265)	317,213
Decrease (increase) in deposit liabilities	6,618	(2,540)
Decrease (increase) in deferred revenue	(53,460)	2,151,271
Increase in employee benefit obligations	42,066	16,903
Cash provided by operating transactions	<u>1,727,022</u>	<u>7,160,932</u>
CAPITAL		
Acquisition of tangible capital assets	(1,954,152)	(2,677,163)
Sale of tangible capital assets	28,836	501,010
Cash applied to capital transactions	<u>(1,925,316)</u>	<u>(2,176,153)</u>
FINANCING		
Long-term debt repaid	(500,570)	(596,064)
Cash applied to financing transactions	<u>(500,570)</u>	<u>(596,064)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(698,865)	4,388,715
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>14,357,998</u>	<u>9,969,283</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)	<u><u>13,659,133</u></u>	<u><u>14,357,998</u></u>

See accompanying notes to the financial statements

TOWN OF PEACE RIVER
SCHEDULE OF TANGIBLE CAPITAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009
SCHEDULE 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2009 \$	2008 \$ (Restated) Note 18
COST:								
BALANCE, BEGINNING OF YEAR	3,791,450	-	22,841,600	55,684,736	7,316,225	2,170,075	91,804,086	89,343,066
Acquisition of tangible capital assets	-	-	469,286	968,027	355,139	208,561	2,001,013	2,729,455
Disposal of tangible capital assets	-	-	-	-	-	(32,026)	(32,026)	(268,435)
BALANCE, END OF YEAR	3,791,450	-	23,310,886	56,652,763	7,671,364	2,346,610	93,773,073	91,804,086
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	-	10,552,722	22,767,206	5,448,401	845,421	39,613,750	36,742,200
Annual amortization	-	-	555,685	1,963,579	314,024	156,753	2,990,041	2,871,550
Accumulated amortization on disposals	-	-	-	-	-	(3,203)	(3,203)	-
BALANCE, END OF YEAR	-	-	11,108,407	24,730,785	5,762,425	998,971	42,600,588	39,613,750
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	3,791,450	-	12,202,479	31,921,978	1,908,939	1,347,639	51,172,485	52,190,336
2008 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS (Restated)	3,791,450	-	12,288,878	32,917,530	1,867,824	1,324,654	52,190,336	



TOWN OF PEACE RIVER
 SCHEDULE OF PROPERTY TAXES LEVIED
 FOR THE YEAR ENDED DECEMBER 31, 2009
 SCHEDULE 2

	Budget \$ (Unaudited)	2009 \$	2008 \$
TAXATION			
Real property taxes	8,040,315	8,063,460	7,263,331
Linear property taxes	262,361	258,655	247,722
Government grants in place of property taxes	405,911	405,911	379,756
Special assessments and local improvement taxes	382,577	342,697	385,086
	<u>9,091,164</u>	<u>9,070,723</u>	<u>8,275,896</u>
REQUISITIONS			
Alberta School Foundation Fund	1,901,120	1,905,333	1,844,455
North Peace Housing Foundation	203,804	203,759	147,235
	<u>2,104,924</u>	<u>2,109,092</u>	<u>1,991,690</u>
NET MUNICIPAL TAXES	<u>6,986,240</u>	<u>6,961,631</u>	<u>6,284,206</u>

TOWN OF PEACE RIVER
 SCHEDULE OF GOVERNMENT TRANSFERS
 FOR THE YEAR ENDED DECEMBER 31, 2009
 SCHEDULE 3

	Budget \$ (Unaudited)	2009 \$	2008 \$
TRANSFERS FOR OPERATING:			
Provincial Government	1,675,957	1,658,467	679,735
Federal Government	7,500	6,841	2,789
Other Local Governments	529,750	939,284	836,261
	<u>2,213,207</u>	<u>2,604,592</u>	<u>1,518,785</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	3,247,743	1,161,924	994,248
	<u>3,247,743</u>	<u>1,161,924</u>	<u>994,248</u>
TOTAL GOVERNMENT TRANSFERS	<u><u>5,460,950</u></u>	<u><u>3,766,516</u></u>	<u><u>2,513,032</u></u>

See accompanying notes to the financial statements

TOWN OF PEACE RIVER
 SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
 FOR THE YEAR ENDED DECEMBER 31, 2009
 SCHEDULE 4

	Budget \$ (Unaudited)	2009 \$	2008 \$ (Restated) Note 18
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	5,683,860	5,554,922	4,357,301
Contracted and general services	4,614,134	4,427,007	5,034,081
Purchases from other governments	18,000	15,000	-
Materials, goods, supplies and utilities	2,628,002	2,286,150	2,427,028
Provision for allowances	123,340	110,413	190,121
Transfers to individuals and organizations	144,130	225,623	64,214
Bank charges and short term interest	4,238	3,217	3,606
Interest on capital long-term debt	244,714	229,269	277,178
Amortization of tangible capital assets	-	2,990,041	2,871,550
Loss on disposal of tangible capital assets	-	(41)	(232,575)
Other expenses	448,132	404,394	356,595
	<u>13,908,550</u>	<u>16,245,995</u>	<u>15,349,098</u>

See accompanying notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Peace River are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the the Town of Peace River are as follows:

a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, changes in fund balances and change in financial position of the entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the town and are, therefore, accountable to the town Council for 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 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.

The statements do not include the Town's proportionate share in East Peace Regional Landfill Authority (see note 16).

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 expense during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

f) Land Inventory Held for Resale

Land inventory 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.

g) 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.

h) 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.

i) Requisition Over-levies and Under-Levies

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.

TOWN OF PEACE RIVER
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) **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, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Land Improvements	15-20
Buildings	25-50
Engineered structures	
Transportation	35-75
Water distribution system	35-75
Wastewater treatment system and other	10-40
Machinery, equipment and furnishings	5-20
Vehicles	3-20

One-half of the annual amortization is charged in the year of acquisition.

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 cost.

v. **Cultural and Historical Tangible Capital Assets**

Works of art for display are not recorded as tangible capital assets but are disclosed.

k) **Pension Expense**

The Town participates in a multi-employer defined benefit pension plan. See Note 12.

TOWN OF PEACE RIVER
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

2. CASH AND TEMPORARY INVESTMENTS

	2009	2008
	\$	\$
Cash	13,720,455	5,374,599
Temporary investments	-	9,054,685
Trust Assets	23,887	13,916
Trust liabilities	(85,209)	(85,202)
	<u>13,659,133</u>	<u>14,357,998</u>

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

Included in the above are \$5,453,583 of funds which are externally restricted in use. (2008 - \$3,792,044)

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2009	2008
	\$	\$
Current taxes and grants in place of taxes	253,775	52,639
Arrears taxes	140,609	93,147
	<u>394,384</u>	<u>145,786</u>
Non-current tax arrears	63,189	63,189
Less: allowance for doubtful accounts	(72,460)	(72,460)
	<u>385,113</u>	<u>136,515</u>

4. DEFERRED REVENUE

	2009	2008
	\$	\$
Prepaid local improvement charges	217,844	261,210
Developers' agreements	30,063	33,078
Municipal Sustainability Initiative	775,526	853,111
Other deferred grants	4,678,056	4,607,551
	<u>5,701,489</u>	<u>5,754,950</u>

Prepaid local improvement charges

Prepaid local improvements charges are being amortized to revenue over the terms of the debenture they relate to. They will expire between 2010 and 2029.

Municipal Sustainability Initiative

Funding in the amount of \$473,200 was received in the current year from the Municipal Sustainability Initiative. The use of these funds is restricted to eligible capital projects, as approved under the funding agreement, which are scheduled for completion in 2010. Unexpended funds related to the advance are supported by restricted cash of \$775,526 held exclusively for these projects (refer Note 2).

TOWN OF PEACE RIVER
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

5. EMPLOYEE BENEFIT OBLIGATIONS

	2009	2008
	\$	\$
Vacation	<u>161,864</u>	<u>119,798</u>

Vacation payable

The vacation liability is comprised of the vacation 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.

6. LONG-TERM DEBT

	2009	2008
	\$	\$
Supported by general tax levies	<u>420,012</u>	642,616
Supported by special levies	<u>1,432,694</u>	1,650,215
Supported by utility rates	<u>701,315</u>	761,760
Total ACFA debentures	<u>2,554,021</u>	<u>3,054,591</u>

The current portion of the long-term debt amounts to \$340,998 (2008 - \$360,528)

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2010	340,998	200,348	541,346
2011	297,666	171,019	468,685
2012	319,217	147,221	466,438
2013	317,770	121,464	439,234
2014	241,763	95,980	337,743
Thereafter	<u>1,036,607</u>	<u>273,721</u>	<u>1,310,328</u>
	<u>2,554,021</u>	<u>1,009,753</u>	<u>3,563,774</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 4.35% to 12% per annum and matures in periods 2010 through 2029. The average annual interest rate is 8.75% for 2009 (8.83% for 2008).

Debenture debt is issued on the credit and security of the town at large.

Interest on long-term debt amounted to \$229,259 (2008 - \$277,178).

The town's total cash payments for interest in 2009 were \$729,850 (2008 - \$873,242).

TOWN OF PEACE RIVER
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

7. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Peace River be disclosed as follows:

	2009	2008
	\$	\$
Total debt limit	<u>21,338,361</u>	21,372,849
Total debt	<u>2,554,021</u>	3,054,590
Amount of debt limit unused	<u>18,784,340</u>	<u>18,318,259</u>
Debt servicing limit	<u>3,556,393</u>	3,562,142
Debt servicing	<u>541,346</u>	743,313
Amount of debt servicing limit unused	<u>3,015,047</u>	<u>2,818,829</u>

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 that 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.

8. TANGIBLE CAPITAL ASSETS

	2009	2008
	\$	\$
Net Book Value		(Restated)
Land	<u>3,791,450</u>	3,791,450
Land Improvements	-	-
Buildings	<u>12,202,479</u>	12,288,878
Engineered Structures		
Transportation	<u>21,050,094</u>	21,647,408
Water distribution system	<u>3,816,335</u>	3,934,640
Wastewater treatment system and other	<u>7,055,549</u>	7,335,482
Machinery, equipment and furnishings	<u>1,908,939</u>	1,867,824
Vehicles	<u>1,347,639</u>	1,324,654
	<u>51,172,485</u>	<u>52,190,336</u>

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	2009	2008
	\$	\$
		(Restated)
Tangible capital assets (Schedule 1)	<u>93,773,073</u>	91,804,086
Accumulated amortization (Schedule 1)	<u>(42,600,588)</u>	(39,613,750)
Long-term debt (Note 6)	<u>(2,554,021)</u>	(3,054,591)
	<u>48,618,464</u>	<u>49,135,745</u>

TOWN OF PEACE RIVER
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

10. ACCUMULATED SURPLUS

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

	2009 \$	2008 \$ (Restated)
Unrestricted surplus (deficit)	1,536,830	1,765,575
Restricted surplus		
Swimming pool	8,000	8,000
FCSS	6,718	6,718
Community Development	78,957	78,957
General operating	2,096,738	1,707,533
Fund 1 - Off-site Levies	580,430	542,846
Fund 2 - Town wide facilities	77,239	154,556
Fund 3 - West Hill maintenance	15,538	15,536
EMS	-	102,000
Fire department	55,189	14,288
Common services	600,409	595,812
Water distribution	225,330	225,330
Wastewater treatment plant	152,048	152,048
Recycling and trenching	303,615	303,615
Airport	329,391	329,391
Parks	30,333	30,333
Public land reserve	130,073	83,212
General capital	1,622,119	1,936,287
Equity in tangible capital assets	48,618,464	49,135,745
	<u>56,467,421</u>	<u>57,187,782</u>

TOWN OF PEACE RIVER
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

11. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	2009		2008	
	\$		\$	
	Salary ¹	Benefits & allowances ²	Total	Total
Councillors				
Mayor Iris Callioux	23,599	2,580	26,179	30,210
Councillor Don Good	7,180	861	8,041	13,508
Councillor Neil Martin	8,609	197	8,806	9,440
Councillor Geoff Milligan	17,742	880	18,622	8,724
Councillor Berry Heinen	13,111	353	13,464	16,738
Councillor Leslie Ayre-Jaschke	14,486	385	14,871	19,424
Councillor Wanda Laurin	9,905	247	10,152	14,023
Chief Administrative Officer ³	135,577	11,103	146,680	267,546

1 Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

2 Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

3 In 2008, this position was held by two individuals. The position at the start of 2008 was on a contract basis. During 2008, a different individual was hired and it became an employee position.

12. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 133,000 people and 389 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Town is required to make current service contributions to the LAPP of 8.46% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.66% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 7.46% of pensionable salary up to the year's maximum pensionable salary and 10.66% on pensionable salary above this amount.

Total current service contributions by the town to the LAPP in 2009 were \$329,143 (2008 - \$226,540). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2009 were \$304,570 (2008 - \$200,705).

At December 31, 2008, the LAPP disclosed an actuarial deficiency of \$1,288.9 million.

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

13. COMMITMENTS

The Town has committed \$100,000 in their 2010 operating budget to the Peace Regional Games Society for the hosting of the 2010 Alberta Summer Games.

14. CONTINGENCIES

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town 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 Town has co-signed loans of the Peace Country Sports Club to an aggregate total of \$129,000. At December 31, 2009, the amounts of the loans were \$3,175 and the Peace Country Sports Club is responsible for making loan payments. The terms of the repayment are authorized under Bylaw No. 1748.

The Town has issued an interest free loan to the Peace River Curling Club in the amount of \$45,000 payable in full by December 31, 2015. The purpose of the loan is to assist in the interim financing of the Curling Club roof repairs. At December 31, 2009, the balance of the loan is \$40,500. These funds are authorized under Bylaw No. 1780.

The Town has been named as defendant in a lawsuit relating to a landslide issue. At December 31, 2009, this case is in preliminary stages and a determination of outcome cannot be made at this time.

15. FINANCIAL INSTRUMENTS

The town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the town is not exposed to significant interest or currency risks arising from these financial instruments.

The town 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 town 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 the financial instrument approximates fair value.

16. INVESTMENT IN EAST PEACE REGIONAL LANDFILL AUTHORITY

These financial statements do not include the Town of Peace River's investment in the East Peace Regional Landfill Authority. The original Memorandum of Agreement dated March 22, 1999 between the Village of Nampa, the Town of Peace River, and the Municipal District of East Peace No. 131 (now Northern Sunrise County) states that the municipalities shall contribute to the deficit cost of operating the landfill on a pro-rated tonnage basis. However, there is a dispute amongst the municipalities as to whether this is an appropriate basis for determining each municipalities' share in the equity of the landfill. In 2010, a new agreement is planned which will more clearly state the proportionate share each municipality has in the equity of the landfill. At such time, the Town will begin reporting their share in the landfill on a modified equity basis as is appropriate for government business enterprise.

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

TOWN OF PEACE RIVER
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

18. PRIOR PERIOD ADJUSTMENTS

The town has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook, which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions has been included in income. These adjustments are as follows:

	2009	2008
	\$	\$
Adjustments to opening accumulated surplus:		
As previously reported	103,287,429	101,024,996
Adjusted to net book value of tangible capital assets	(46,099,646)	(43,228,147)
As restated	57,187,783	57,796,849
		2008
		\$
Adjustments to shortfall of revenues over expenses:		
As previously reported		(178,077)
Tangible capital assets recorded but previously expensed		2,729,466
Proceeds on disposal of capital assets		(501,010)
Gain on disposal of tangible capital assets		232,575
Adjustment for cost of land inventory sold		(20,470)
Annual amortization expense		(2,871,550)
As restated		(609,066)
		2008
		\$
Adjustments to tangible capital assets:		
As previously reported		98,290,033
Adjustment to historical cost of tangible capital assets		(6,485,947)
Accumulated amortization recorded		(39,613,750)
As restated		52,190,336

Certain comparative figures have been restated to conform to the current year's presentation.