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Town of Peace River

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**



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To the Mayor and Council of Town of Peace River:

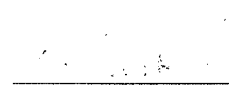
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting 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.

April 26, 2011

  
\_\_\_\_\_  
Chief Administrative Officer



## Auditors' Report

To the Mayor and Council of  
The Town of Peace River

We have audited the accompanying consolidated financial statements of Town of Peace River, which comprise the statement of financial position as at December 31, 2010, and the statements of financial activities, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Basis for Qualified Opinion*

As outlined in Note 15, the Town of Peace River is not reporting their proportionate share of their investment in an Other Government Organization they hold. Failure to record this investment using the consolidation method is not in accordance with Canadian generally accepted accounting principles. Due to the final agreement not being signed by all parties, we are unable to determine the financial statement impact.

### *Qualified Opinion*

In our opinion, except for the effects of the Town's failure to record the investment referred to in the preceding paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Town of Peace River as at December 31, 2010, the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Peace River, Alberta  
April 26, 2011

  
Chartered Accountants

**TOWN OF PEACE RIVER  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 \$	2009 \$
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 2)	<u>15,693,175</u>	<u>13,744,342</u>
Receivables		
Taxes and grants in lieu of taxes (Note 3)	472,020	385,113
Receivable from other governments	8,053	151,470
Trade and other receivables	<u>1,201,596</u>	<u>920,857</u>
Land inventory held for resale	28,881	28,881
Long-term investments	30	30
	<u>17,403,755</u>	<u>15,230,693</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,516,539	1,489,616
Deposit liabilities	91,251	85,406
Deferred revenue (Note 4)	6,610,482	5,701,489
Employee benefit obligations (Note 5)	165,814	161,864
Long term debt (Note 6)	4,278,891	2,554,021
Other Long term Liabilities	-	13,574
	<u>12,662,977</u>	<u>10,005,970</u>
<b>NET FINANCIAL ASSETS</b>	<u>4,740,778</u>	<u>5,224,723</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	51,915,565	51,172,485
Prepaid expenses	20,904	70,244
	<u>51,936,469</u>	<u>51,242,729</u>
<b>ACCUMULATED SURPLUS</b> (Schedule 1 and Note 9)	<u>56,677,247</u>	<u>56,467,452</u>

Commitments and contingencies - See Notes 12 and 13

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, 2010**

	Budget \$ (Unaudited)	2010 \$	2009 \$
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	7,460,550	7,459,979	6,961,631
User fees and sale of goods	3,409,298	3,370,847	3,562,723
Government transfers for operating (Schedule 4)	2,020,110	2,384,844	2,604,592
Investment income	80,000	45,979	42,230
Penalties and costs on taxes	194,571	254,121	187,086
Franchise and concession contracts	568,910	575,193	534,244
Other revenues	155,203	340,545	333,068
<b>Total revenues</b>	<b>13,888,642</b>	<b>14,431,508</b>	<b>14,225,574</b>
<b>EXPENSES</b>			
<b>Operating</b>			
Legislative	380,770	335,757	361,355
Administration	1,384,994	1,638,701	1,703,095
Protective services	2,354,615	2,710,510	3,586,744
Transportation	3,832,232	5,102,542	4,541,067
Water supply and distribution	1,073,167	1,596,262	1,503,874
Wastewater treatment and disposal	676,253	893,792	968,926
Waste management	331,352	285,335	301,905
Public health and economic development	1,187,880	1,322,407	956,445
Recreation and parks	2,311,785	2,652,543	2,322,658
Loss (Gain) on disposal of capital assets	-	137,125	(65)
Other	-	-	(40)
<b>Total Expenses</b>	<b>13,533,048</b>	<b>16,674,974</b>	<b>16,245,964</b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<b>355,594</b>	<b>(2,243,466)</b>	<b>(2,020,390)</b>
<b>OTHER</b>			
Development Levies and Other Contributions	50,000	88,446	138,135
Government transfers for capital (Schedule 4)	12,324,450	2,364,815	1,161,924
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	<b>12,730,044</b>	<b>209,795</b>	<b>(720,331)</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>56,467,452</b>	<b>56,467,452</b>	<b>57,187,783</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>69,197,496</b>	<b>56,677,247</b>	<b>56,467,452</b>

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, 2010

	Budget \$ (Unaudited)	2010 \$	2009 \$
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	12,730,044	<b>209,795</b>	(720,331)
Acquisition of tangible capital assets	(16,778,698)	<b>(3,959,492)</b>	(1,954,152)
Contributed tangible capital assets	-	-	(46,861)
Proceeds on disposal of tangible capital assets	-	<b>80,000</b>	28,865
Amortization of tangible capital assets	-	<b>2,999,287</b>	2,990,041
Loss (Gain) on sale of tangible capital assets	-	<b>137,125</b>	(65)
	<u>(16,778,698)</u>	<u>(743,080)</u>	<u>1,017,828</u>
Acquisition of prepaid assets	-	<b>(20,904)</b>	(70,244)
Use of prepaid assets	-	<b>70,244</b>	10,292
	<u>-</u>	<u><b>49,340</b></u>	<u>(59,952)</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(4,048,654)	<b>(483,945)</b>	237,545
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>5,224,723</u>	<u><b>5,224,723</b></u>	<u>4,987,178</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u><u>1,176,069</u></u>	<u><u><b>4,740,778</b></u></u>	<u><u>5,224,723</u></u>

**TOWN OF PEACE RIVER  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	2010 \$	2009 \$
	<hr/>	<hr/>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Shortfall of revenues over expenses	209,795	(720,331)
Non-cash items included in shortfall of revenues over expenses:		
Amortization of tangible capital assets	2,999,287	2,990,041
Loss (Gain) on disposal of tangible capital assets	137,125	(65)
Tangible capital assets received as contributions	-	(46,861)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(86,907)	(248,568)
Decrease (increase) in trade and other receivables	(280,739)	(136,149)
Decrease in receivable from other governments	143,417	73,949
Decrease in other liabilities	(13,574)	-
Decrease (increase) in prepaid expenses	49,340	(59,946)
Decrease (increase) in accounts payable and accrued liabilities	26,923	(35,028)
Decrease (increase) in deposit liabilities	5,845	6,618
Decrease (increase) in deferred revenue	908,993	(53,460)
Increase in employee benefit obligations	3,950	42,066
Cash provided by operating transactions	<u>4,103,455</u>	<u>1,812,266</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(3,959,492)	(1,954,152)
Sale of tangible capital assets	80,000	28,865
Cash applied to capital transactions	<u>(3,879,492)</u>	<u>(1,925,287)</u>
<b>FINANCING</b>		
New debt issued	2,148,873	-
Long-term debt repaid	(424,003)	(500,635)
Cash applied to financing transactions	<u>1,724,870</u>	<u>(500,635)</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>1,948,833</b>	<b>(613,656)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>13,744,342</u>	<u>14,357,998</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)</b>	<u>15,693,175</u>	<u>13,744,342</u>

See accompanying notes to the financial statements



TOWN OF PEACE RIVER  
 SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS  
 DECEMBER 31, 2010  
 SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2010 \$	2009 \$
<b>BALANCE, BEGINNING OF YEAR</b>	1,536,861	6,312,127	48,618,464	<b>56,467,452</b>	57,187,784
Excess (deficiency) of revenues over expenses	209,795	-	-	<b>209,795</b>	(720,332)
Current year funds used for tangible capital assets	(3,573,328)	-	3,573,328	-	-
Funds transferred to restricted surplus	(675,114)	675,114	-	-	-
Restricted funds used for tangible capital assets	-	(386,164)	386,164	-	-
Restricted funds used for operations	134,569	(134,569)	-	-	-
Current year amortization	2,999,287	-	(2,999,287)	-	-
Disposal of tangible capital assets	217,125	-	(217,125)	-	-
New debt issued	2,148,873	-	(2,148,873)	-	-
Long term debt repaid	(424,003)	-	424,003	-	-
Change in accumulated surplus	1,037,204	154,381	(981,790)	<b>209,795</b>	(720,332)
<b>BALANCE, END OF YEAR</b>	<b>2,574,065</b>	<b>6,466,508</b>	<b>47,636,674</b>	<b>56,677,247</b>	<b>56,467,452</b>



TOWN OF PEACE RIVER  
 SCHEDULE OF TANGIBLE CAPITAL ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2010  
 SCHEDULE 2

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2010 \$	2009 \$
<b>COST:</b>							
<b>BALANCE, BEGINNING OF YEAR</b>	3,791,450	23,310,886	56,652,763	7,671,364	2,346,610	<b>93,773,073</b>	91,804,086
Acquisition of tangible capital assets	-	1,174,436	2,480,750	244,787	59,519	<b>3,959,492</b>	2,001,013
Disposal of tangible capital assets	-	-	-	-	(362,591)	<b>(362,591)</b>	(32,026)
<b>BALANCE, END OF YEAR</b>	3,791,450	24,485,322	59,133,513	7,916,151	2,043,538	<b>97,369,974</b>	93,773,073
<b>ACCUMULATED AMORTIZATION:</b>							
<b>BALANCE, BEGINNING OF YEAR</b>	-	11,108,407	24,730,785	5,762,425	998,971	<b>42,600,588</b>	39,613,750
Annual amortization	-	585,296	1,950,543	337,002	126,446	<b>2,999,287</b>	2,990,041
Accumulated amortization on disposals	-	-	-	-	(145,466)	<b>(145,466)</b>	(3,203)
<b>BALANCE, END OF YEAR</b>	-	11,693,703	26,681,328	6,099,427	979,951	<b>45,454,409</b>	42,600,588
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	3,791,450	12,791,619	32,452,185	1,816,724	1,063,587	<b>51,915,565</b>	51,172,485
2009 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	3,791,450	12,202,479	31,921,978	1,908,939	1,347,639	<b>51,172,485</b>	



TOWN OF PEACE RIVER  
 SCHEDULE OF PROPERTY TAXES LEVIED  
 FOR THE YEAR ENDED DECEMBER 31, 2010  
 SCHEDULE 3

	Budget \$ (Unaudited)	2010 \$	2009 \$
<b>TAXATION</b>			
Real property taxes	8,695,021	<b>8,686,502</b>	8,063,460
Linear property taxes	247,934	<b>247,935</b>	258,655
Government grants in place of property taxes	431,904	<b>435,326</b>	405,910
Special assessments and local improvement taxes	285,575	<b>282,459</b>	342,697
	<u>9,660,434</u>	<u><b>9,652,222</b></u>	<u>9,070,722</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	1,994,717	<b>1,987,073</b>	1,905,332
North Peace Housing Foundation	205,167	<b>205,170</b>	203,759
	<u>2,199,884</u>	<u><b>2,192,243</b></u>	<u>2,109,091</u>
<b>NET MUNICIPAL TAXES</b>	<u>7,460,550</u>	<u><b>7,459,979</b></u>	<u>6,961,631</u>

TOWN OF PEACE RIVER  
 SCHEDULE OF GOVERNMENT TRANSFERS  
 FOR THE YEAR ENDED DECEMBER 31, 2010  
 SCHEDULE 4

	Budget \$ (Unaudited)	2010 \$	2009 \$
<b>TRANSFERS FOR OPERATING:</b>			
Provincial Government	1,051,410	1,284,291	1,658,467
Federal Government	144,950	95,031	6,841
Other Local Governments	823,750	1,005,522	939,284
	<u>2,020,110</u>	<u>2,384,844</u>	<u>2,604,592</u>
<b>TRANSFERS FOR CAPITAL:</b>			
Provincial Government	12,324,450	2,364,815	1,161,924
	<u>12,324,450</u>	<u>2,364,815</u>	<u>1,161,924</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>14,344,560</u>	<u>4,749,659</u>	<u>3,766,516</u>

See accompanying notes to the financial statements

TOWN OF PEACE RIVER  
 SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT  
 FOR THE YEAR ENDED DECEMBER 31, 2010  
 SCHEDULE 5

	Budget \$ (Unaudited)	2010 \$	2009 \$
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	5,506,066	<b>5,618,809</b>	5,554,881
Contracted and general services	4,758,082	<b>4,606,850</b>	4,427,007
Purchases from other governments	-	-	15,000
Materials, goods, supplies and utilities	2,359,823	<b>2,477,186</b>	2,286,150
Provision for allowances	106,290	<b>102,037</b>	110,413
Transfers to individuals and organizations	168,130	<b>167,792</b>	225,623
Bank charges and short term interest	4,250	<b>5,333</b>	3,217
Interest on capital long-term debt	286,658	<b>224,275</b>	229,269
Amortization of tangible capital assets	-	<b>2,999,287</b>	2,990,041
Loss on disposal of tangible capital assets	-	<b>137,125</b>	(65)
Other expenses	343,749	<b>336,280</b>	404,428
	<u>13,533,048</u>	<u><b>16,674,974</b></u>	<u>16,245,964</u>

See accompanying notes to the financial statements

TOWN OF PEACE RIVER  
 SCHEDULE OF SEGMENTED DISCLOSURE  
 DECEMBER 31, 2010  
 SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total \$
<b>REVENUE</b>								
Net municipal taxes	7,459,979	-	-	-	-	-	-	7,459,979
Government transfers	876,610	697,289	2,188,787	156,480	595,766	28,710	206,016	4,749,658
User fees and sales of goods	13,163	227,232	200,444	46,135	479,208	2,394,742	9,923	3,370,847
Investment income	51,900	-	-	-	-	-	-	51,900
Other revenues	918,852	144,362	111,403	15,695	7,274	23,776	31,023	1,252,385
	9,320,504	1,068,883	2,500,634	218,310	1,082,248	2,447,228	246,962	16,884,769
<b>EXPENSES</b>								
Contract & general services	404,632	1,423,210	809,309	661,980	704,840	577,460	25,420	4,606,851
Salaries & wages	1,067,212	892,482	1,668,454	242,598	1,082,367	487,572	178,124	5,618,809
Goods & supplies	77,406	134,013	986,864	28,351	497,394	705,512	47,646	2,477,186
Provision for allowances	95,743	-	-	-	-	6,294	-	102,037
Long term debt interest	-	-	70,181	-	4,517	138,133	11,479	224,310
Other expenses	209,733	150,368	10,578	36,682	175,777	3,644	59,712	646,494
	1,854,726	2,600,073	3,545,386	969,611	2,464,895	1,918,615	322,381	13,675,687
<b>NET REVENUE BEFORE AMORTIZATION</b>								
	7,465,778	(1,531,190)	(1,044,752)	(751,301)	(1,382,647)	528,613	(75,419)	3,209,082
Amortization expense	(92,754)	(247,562)	(1,557,156)	(30,414)	(214,628)	(856,773)	-	(2,999,287)
<b>NET REVENUE</b>	7,373,024	(1,778,752)	(2,601,908)	(781,715)	(1,597,275)	(328,160)	(75,419)	209,795



## 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 15).

### 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.

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.

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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, 2010**

**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:

	<b>YEARS</b>
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 11.

TOWN OF PEACE RIVER  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

**2. CASH AND CASH EQUIVALENTS**

	<u>2010</u>	<u>2009</u>
	\$	\$
Cash	10,672,340	13,720,455
Temporary investments	5,003,116	-
Trust Assets	17,719	23,887
	<u>15,693,175</u>	<u>13,744,342</u>

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

Included in the above are \$6,435,032 of funds which are externally restricted in use. (2009 - \$5,453,583)

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

	<u>2010</u>	<u>2009</u>
	\$	\$
Current taxes and grants in place of taxes	377,717	253,775
Arrears taxes	103,574	140,609
	<u>481,291</u>	<u>394,384</u>
Non-current tax arrears	63,189	63,189
Less: allowance for doubtful accounts	(72,460)	(72,460)
	<u>472,020</u>	<u>385,113</u>

**4. DEFERRED REVENUE**

	<u>2010</u>	<u>2009</u>
	\$	\$
Prepaid local improvement charges	175,450	217,844
Developers' agreements	27,047	30,063
Municipal Sustainability Initiative	1,530,416	775,526
Other deferred grants	4,877,569	4,678,056
	<u>6,610,482</u>	<u>5,701,489</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 2011 and 2029.

**Municipal Sustainability Initiative**

Funding in the amount of \$1,179,806 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 2011. Unexpended funds related to the advance are supported by restricted cash of \$1,530,416 held exclusively for these projects (refer Note 2).

TOWN OF PEACE RIVER  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

**5. EMPLOYEE BENEFIT OBLIGATIONS**

	<u>2010</u>	<u>2009</u>
	\$	\$
Vacation	<u>165,814</u>	<u>161,864</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**

	<u>2010</u>	<u>2009</u>
	\$	\$
Supported by general tax levies	<u>408,948</u>	420,012
Supported by special levies	<u>1,928,805</u>	1,432,694
Supported by utility rates	<u>996,823</u>	701,315
Total ACFA debentures	<u>3,334,576</u>	2,554,021
Bank loans	<u>944,315</u>	-
	<u>4,278,891</u>	<u>2,554,021</u>

The current portion of the long-term debt amounts to \$842,523 (2009 - \$340,998)

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$	\$	\$
2011	842,523	278,397	1,120,920
2012	822,708	205,806	1,028,514
2013	358,882	165,299	524,181
2014	284,642	138,048	422,690
2015	297,689	114,975	412,664
Thereafter	<u>1,672,447</u>	<u>518,249</u>	<u>2,190,696</u>
	<u>4,278,891</u>	<u>1,420,774</u>	<u>5,699,665</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 4.252% to 11.125% per annum and matures in periods 2011 through 2029. The average annual interest rate is 8.22% for 2010 (8.75% for 2009).

Bank debt is repayable to ATB Financial and Horizon Credit Union. The loans bear interest at rates from 3.7% to 4.5% per annum and mature in 2012.

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

Interest on long-term debt amounted to \$224,275 (2009 - \$229,269).

TOWN OF PEACE RIVER  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

**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:

	<u>2010</u>	<u>2009</u>
	\$	\$
Total debt limit	21,647,262	21,338,359
Total debt	<u>4,278,891</u>	<u>2,554,021</u>
Amount of debt limit unused	<u>17,368,371</u>	<u>18,784,338</u>
Debt servicing limit	3,607,877	3,556,393
Debt servicing	<u>1,120,920</u>	541,346
Amount of debt servicing limit unused	<u>2,486,957</u>	<u>3,015,047</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. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<u>2010</u>	<u>2009</u>
	\$	\$
Tangible capital assets (Schedule 2)	97,369,974	93,773,073
Accumulated amortization (Schedule 2)	(45,454,409)	(42,600,588)
Long-term debt (Note 6)	<u>(4,278,891)</u>	<u>(2,554,021)</u>
	<u>47,636,674</u>	<u>48,618,464</u>

TOWN OF PEACE RIVER  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

**9. ACCUMULATED SURPLUS**

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

	2010 \$	2009 \$
Unrestricted surplus (deficit)	<u>2,574,065</u>	<u>1,536,861</u>
Restricted surplus		
Swimming pool	-	8,000
FCSS	-	6,718
Community Development	90,000	78,957
General operating	1,000,000	2,096,738
Fund 1 - Off-site Levies	558,453	580,430
Fund 2 - Town wide facilities	860,336	77,239
Fund 3 - West Hill maintenance	-	15,538
General contingency	100,000	-
Fire department	271,392	55,189
Common services	657,766	600,409
Economic development	100,000	-
Information technology	75,000	-
Joint regional capital	350,387	-
Landfill post closure	201,243	-
Legal contingency	55,276	-
Low flow replacement program	7,300	-
Museum	8,527	-
Recreation	417,393	-
Risk management	50,000	-
Transportation & engineering	544,453	-
Water distribution	100,000	225,330
Wastewater treatment plant	535,621	152,048
Recycling and trenching	125,000	303,615
Airport	226,540	329,391
Parks	-	30,333
Public land reserve	83,729	130,073
General capital	48,092	1,622,119
Equity in tangible capital assets	<u>47,636,674</u>	<u>48,618,464</u>
	<u><u>56,677,247</u></u>	<u><u>56,467,452</u></u>

**TOWN OF PEACE RIVER  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**10. 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:

	2010 \$	Benefits & allowances ²	Total	2009 \$	Total
Councillors					
Mayor Iris Callioux	19,372	2,204	<b>21,576</b>	26,179	
Mayor Lorne Mann	1,650	-	<b>1,650</b>	-	
Councillor Don Good	6,195	744	<b>6,939</b>	8,041	
Councillor Neil Martin	7,288	-	<b>7,288</b>	8,806	
Councillor Geoff Milligan	14,757	2,407	<b>17,164</b>	18,622	
Councillor Berry Heinen	10,435	-	<b>10,435</b>	13,464	
Councillor Leslie Ayre-Jaschke	11,450	-	<b>11,450</b>	14,871	
Councillor North Darling	650	-	<b>650</b>	-	
Councillor Cole George	650	-	<b>650</b>	-	
Councillor Robert LaFontaine	3,332	200	<b>3,532</b>	-	
Councillor Thomas Tarpey	650	-	<b>650</b>	-	
Councillor Colin Needham	3,351	-	<b>3,351</b>	-	
Councillor Wanda Laurin	9,072	-	<b>9,072</b>	10,152	
Chief Administrative Officer <sup>3</sup>	337,537	2,120	<b>339,657</b>	146,680	

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 Amount included in salary for CAO includes accrual for payment of severance package.

**11. 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 9.06% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.53% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 8.06% of pensionable salary up to the year's maximum pensionable salary and 11.53% on pensionable salary above this amount.

Total current service contributions by the town to the LAPP in 2010 were \$339,961 (2009 - \$329,143). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2010 were \$309,270 (2009 - \$304,570).

At December 31, 2009, the LAPP disclosed an actuarial deficiency of \$1,288.9 million.

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**12. COMMITMENTS**

The Town has signed a contract with KCL Consulting Inc for the provision of assessment services to the Town for assessment years 2011 to 2015.

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**13. 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, 2010, the amounts of the loans were \$51,256 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, 2010, the balance of the loan is \$40,500. These funds are authorized under Bylaw No. 1780.

During 2010, the Town received money under the Rural Community Adaptation Fund to be used for the Airport governance review and marketing plan. Part or all of the \$88,900 may have to be repaid due to non-compliance with the conditions of the grant.

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**14. 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.

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**15. 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 was developed which will more clearly state the proportionate share each municipality has in the equity of the landfill. This agreement is still in discussion and has not yet been finalized. At such time as the agreement is signed by all parties, the Town will begin recording its investment on a consolidated basis as is appropriate for Other Government Organizations.

**16. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.

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