

**Town of Peace River**  
**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**



## 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 Changes in Accumulated Surplus	7
Schedule of Tangible Capital Activities	8
Schedule of Property Taxes Levied	9
Schedule of Government Transfers	10
Schedule of Consolidated Expenses by Object	11
Schedule of Segmented Disclosure	12
Notes to the Consolidated Financial Statements	13 - 23

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## Management's Responsibility

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.

MNP 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.

June 9, 2015



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 the Town of Peace River, which comprise the statement of financial position as at December 31, 2014, 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.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Peace River as at December 31, 2014, 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  
June 9, 2015

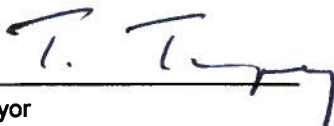
*MNP* LLP  
Chartered Accountants

**TOWN OF PEACE RIVER  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	2014 \$	2013 \$ (Restated) Note 20
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 2)	19,346,041	11,422,652
Receivables		
Taxes and grants in lieu of taxes (Note 3)	3,161,780	3,513,042
Receivable from other governments	805	805
Trade and other receivables	3,324,119	4,706,046
Land inventory held for resale	28,881	28,881
Long-term investments	30	30
	<u>25,861,656</u>	<u>19,671,456</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	2,648,314	1,593,892
Deposit liabilities	426,159	75,115
Deferred revenue (Note 4)	4,416,861	3,838,691
Employee benefit obligations (Note 5)	156,938	152,763
Long term debt (Note 6)	13,214,547	6,757,849
Due to related party (Note 7)	446,250	762,136
Post-closure liability (Note 19)	1,384,527	1,469,704
Other Long term Liabilities	-	-
	<u>22,693,596</u>	<u>14,650,150</u>
<b>NET FINANCIAL ASSETS</b>	<u>3,168,060</u>	<u>5,021,306</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	85,928,841	82,977,619
Tangible capital assets of Peace Regional Waste Management Company (Note 8)	3,397,427	2,829,728
Inventory for consumption	-	-
Prepaid expenses	1,600	1,600
	<u>89,327,868</u>	<u>85,808,947</u>
<b>ACCUMULATED SURPLUS</b> (Schedule 1 and Note 11)	<u>92,495,928</u>	<u>90,830,253</u>

Commitments and contingencies - See Notes 14 and 15

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, 2014**

	Budget \$	2014 \$	2013 \$ (Restated) Note 20
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	9,412,419	8,986,954	7,611,231
User fees and sale of goods	5,042,613	5,089,750	4,531,924
Peace Regional Waste Management Company	3,039,214	3,195,186	2,282,332
Government transfers for operating (Schedule 4)	1,514,204	2,037,975	1,746,832
Investment income	85,000	208,880	210,870
Penalties and costs on taxes	266,800	178,412	263,524
Franchise and concession contracts	854,107	940,927	794,649
Other revenues	187,623	244,902	611,519
<b>Total revenues</b>	<b>20,401,980</b>	<b>20,882,986</b>	<b>18,052,881</b>
<b>EXPENSES</b>			
<b>Operating</b>			
Legislative	433,520	704,978	381,662
Administration	1,627,641	1,729,570	1,545,119
Protective services	2,734,587	3,182,980	3,206,956
Transportation	4,265,123	7,271,305	6,887,316
Water supply and distribution	1,259,907	2,036,611	1,702,505
Wastewater treatment and disposal	714,034	643,095	640,354
Waste management	332,314	340,135	336,170
Peace Regional Waste Management Company	2,320,668	2,951,516	2,448,741
Public health and economic development	1,099,940	985,873	1,296,164
Recreation and parks	3,012,201	3,221,666	3,100,472
Writedown of tangible capital assets	-	372,622	-
<b>Total Expenses</b>	<b>17,799,935</b>	<b>23,440,351</b>	<b>21,545,459</b>
<b>SHORTFALL OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<b>2,602,045</b>	<b>(2,557,365)</b>	<b>(3,492,578)</b>
<b>OTHER</b>			
Development Levies and Other Contributions	-	1,127,729	9,710
Contributed assets	124,100	-	-
Government transfers for capital (Schedule 4)	20,553,243	3,095,311	11,791,947
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>23,279,388</b>	<b>1,665,675</b>	<b>8,309,079</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR AS PREVIOUSLY STATED</b>	<b>87,241,735</b>	<b>87,241,735</b>	<b>78,561,143</b>
<b>PRIOR PERIOD ADJUSTMENT (Note 20)</b>	<b>3,588,518</b>	<b>3,588,518</b>	<b>3,960,031</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR AS RESTATED</b>	<b>90,830,253</b>	<b>90,830,253</b>	<b>82,521,174</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>114,109,641</b>	<b>92,495,928</b>	<b>90,830,253</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, 2014**

	Budget \$	2014 \$	2013 \$ (Restated) Note 20
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>23,279,388</u>	<u>1,665,675</u>	<u>8,309,079</u>
Acquisition of tangible capital assets	(17,618,269)	<b>(7,678,778)</b>	(14,633,095)
Proportionate share of acquisition of tangible capital assets of Peace Regional Waste Management Company	(1,884,000)	<b>(1,405,966)</b>	(416,590)
Amortization of tangible capital assets	-	<b>4,344,775</b>	4,068,325
Proportionate share of amortization of tangible capital assets of Peace Regional Waste Management Company	645,135	<b>838,267</b>	603,543
Writedown of tangible capital assets	-	<b>382,781</b>	-
	<u>(18,857,134)</u>	<u><b>(3,518,921)</b></u>	<u>(10,377,817)</u>
Acquisition of prepaid assets	-	-	(1,600)
	-	-	(1,600)
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	<u>4,422,254</u>	<u><b>(1,853,246)</b></u>	<u>(2,070,338)</u>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR AS PREVIOUSLY STATED</b>	1,432,788	<b>1,432,788</b>	3,131,613
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>3,588,518</u>	<u><b>3,588,518</b></u>	<u>3,960,031</u>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR AS RESTATED</b>	<u>5,021,306</u>	<u><b>5,021,306</b></u>	<u>7,091,644</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u><u>9,443,560</u></u>	<u><u><b>3,168,060</b></u></u>	<u><u>5,021,306</u></u>

**TOWN OF PEACE RIVER  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	2014 \$	2013 \$ (Restated) Note 20
	<u>                    </u>	<u>                    </u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	1,665,675	8,309,079
Non-cash items included in shortfall of revenues over expenses:		
Amortization of tangible capital assets	5,183,042	4,672,003
Write down of tangible capital assets	382,781	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	351,262	604,139
Decrease (increase) in trade and other receivables	1,381,927	(2,074,478)
Decrease (increase) in prepaid expenses	-	(1,600)
Decrease (increase) in accounts payable and accrued liabilities	1,054,422	(2,623,048)
Decrease (increase) in deposit liabilities	351,044	(3,752)
Decrease (increase) in deferred revenue	578,170	(7,414,709)
Increase in post closure liability	(85,177)	328,160
Decrease in inventory for consumption	-	-
Increase in employee benefit obligations	4,175	2,298
Cash provided by operating transactions	<u>10,867,321</u>	<u>1,798,092</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(7,678,778)	(14,633,095)
Proportionate share of acquisition of tangible capital assets by Peace Regional Waste Management Company	(1,405,966)	(416,590)
Cash applied to capital transactions	<u>(9,084,744)</u>	<u>(15,049,685)</u>
<b>FINANCING</b>		
New debt issued	7,147,138	1,186,182
Due to related party	(315,886)	134,450
Long-term debt repaid	(690,440)	(659,194)
Cash applied to financing transactions	<u>6,140,812</u>	<u>661,438</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>7,923,389</b>	<b>(12,590,155)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>11,422,652</u>	<u>24,012,807</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)</b>	<u>19,346,041</u>	<u>11,422,652</u>

See accompanying notes to the financial statements



TOWN OF PEACE RIVER  
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS  
DECEMBER 31, 2014  
SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2014 \$	2013 \$ (Restated) Note 20
<b>BALANCE, BEGINNING OF YEAR AS PREVIOUSLY STATED</b>	(308,322)	8,500,559	79,049,498	<b>87,241,735</b>	78,561,143
<b>PRIOR PERIOD ADJUSTMENT (Note 20)</b>	<b>352,824</b>	<b>3,235,694</b>	-	<b>3,588,518</b>	<b>3,960,031</b>
<b>BALANCE, BEGINNING OF YEAR AS RESTATED</b>	<b>44,502</b>	<b>11,736,253</b>	<b>79,049,498</b>	<b>90,830,253</b>	<b>82,521,174</b>
Excess (deficiency) of revenues over expenses	1,665,675	-	-	<b>1,665,675</b>	8,309,079
Current year funds used for tangible capital assets	(7,714,158)	-	7,714,158	-	-
Funds transferred to restricted surplus	(1,314,494)	1,314,494	-	-	-
Restricted funds used for tangible capital assets	-	(1,370,585)	1,370,585	-	-
Current year amortization	5,183,042	-	(5,183,042)	-	-
Writedown of tangible capital assets	382,781	-	(382,781)	-	-
New debt issued	7,147,138	-	(7,147,138)	-	-
Long term debt repaid	(690,440)	-	690,440	-	-
Change in accumulated surplus	<b>4,659,544</b>	<b>(56,091)</b>	<b>(2,937,778)</b>	<b>1,665,675</b>	<b>8,309,079</b>
<b>BALANCE, END OF YEAR</b>	<b>4,704,046</b>	<b>11,680,162</b>	<b>76,111,720</b>	<b>92,495,928</b>	<b>90,830,253</b>

TOWN OF PEACE RIVER  
 SCHEDULE OF TANGIBLE CAPITAL ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2014  
 SCHEDULE 2

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2014 \$	2013 \$
<b>COST:</b>							
<b>BALANCE, BEGINNING OF YEAR</b>	3,705,395	35,439,405	85,438,202	12,031,203	2,324,944	138,939,149	124,306,056
Acquisition of tangible capital assets	-	1,084,095	5,587,200	493,496	350,000	7,514,791	14,544,347
Work in progress	-	52,162	62,775	49,050	-	163,987	88,746
Writedown of tangible capital assets	-	(764,289)	-	-	(11,533)	(775,822)	-
<b>BALANCE, END OF YEAR</b>	<u>3,705,395</u>	<u>35,811,373</u>	<u>91,088,177</u>	<u>12,573,749</u>	<u>2,663,411</u>	<u>145,842,105</u>	<u>138,939,149</u>
<b>ACCUMULATED AMORTIZATION:</b>							
<b>BALANCE, BEGINNING OF YEAR</b>	-	13,427,385	33,739,188	7,410,628	1,384,329	55,961,530	51,893,205
Annual amortization	-	944,352	2,725,970	516,441	158,012	4,344,775	4,068,325
Accumulated amortization on writedowns	-	(391,667)	-	-	(1,374)	(393,041)	-
<b>BALANCE, END OF YEAR</b>	<u>-</u>	<u>13,980,070</u>	<u>36,465,158</u>	<u>7,927,069</u>	<u>1,540,967</u>	<u>59,913,264</u>	<u>55,961,530</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>3,705,395</u>	<u>21,831,303</u>	<u>54,623,019</u>	<u>4,646,680</u>	<u>1,122,444</u>	<u>85,928,841</u>	<u>82,977,619</u>
<b>2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>3,705,395</u>	<u>22,012,020</u>	<u>51,699,014</u>	<u>4,620,575</u>	<u>940,615</u>	<u>82,977,619</u>	

**TOWN OF PEACE RIVER  
SCHEDULE OF PROPERTY TAXES LEVIED  
FOR THE YEAR ENDED DECEMBER 31, 2014  
SCHEDULE 3**

	Budget \$	2014 \$	2013 \$ (Restated) Note 20
<b>TAXATION</b>			
Real property taxes	11,126,983	<b>11,074,550</b>	9,739,603
Linear property taxes	254,085	<b>254,085</b>	244,267
Government grants in place of property taxes	519,733	<b>519,733</b>	439,418
Special assessments and local improvement taxes	373,031	-	-
	<u>12,273,832</u>	<u><b>11,848,368</b></u>	<u>10,423,288</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	2,646,804	<b>2,646,804</b>	2,598,099
North Peace Housing Foundation	214,610	<b>214,610</b>	213,958
	<u>2,861,414</u>	<u><b>2,861,414</b></u>	<u>2,812,057</u>
<b>NET MUNICIPAL TAXES</b>	<u>9,412,418</u>	<u><b>8,986,954</b></u>	<u>7,611,231</u>

**TOWN OF PEACE RIVER  
SCHEDULE OF GOVERNMENT TRANSFERS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
SCHEDULE 4**

	Budget \$	2014 \$	2013 \$
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TRANSFERS FOR OPERATING:</b>			
Provincial Government	817,929	<b>850,486</b>	820,153
Federal Government	14,000	<b>12,197</b>	12,499
Other Local Governments	<u>682,275</u>	<u><b>1,175,292</b></u>	<u>914,180</u>
	<u>1,514,204</u>	<u><b>2,037,975</b></u>	<u>1,746,832</u>
<b>TRANSFERS FOR CAPITAL:</b>			
Provincial Government	19,963,243	<b>3,095,311</b>	11,791,947
Other Local Governments	<u>590,000</u>	<u>-</u>	<u>-</u>
	<u>20,553,243</u>	<u><b>3,095,311</b></u>	<u>11,791,947</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u><u>22,067,447</u></u>	<u><u><b>5,133,286</b></u></u>	<u><u>13,538,779</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, 2014  
SCHEDULE 5**

	Budget \$	2014 \$	2013 \$ (Restated) Note 20
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	6,568,078	<b>6,489,947</b>	6,083,061
Contracted and general services	5,679,275	<b>5,915,230</b>	5,920,921
Purchases from other governments	-	-	-
Materials, goods, supplies and utilities	3,230,053	<b>3,409,202</b>	3,147,184
Provision for allowances	74,100	<b>124,994</b>	254,064
Provision for reclamation	321,429	<b>558,083</b>	382,013
Transfers to individuals and organizations	92,488	<b>342,684</b>	161,026
Bank charges and short term interest	3,800	<b>8,317</b>	3,815
Interest on capital long-term debt	399,428	<b>321,195</b>	228,792
Amortization of tangible capital assets	645,135	<b>5,183,042</b>	4,672,003
Writedown of tangible capital assets	-	<b>372,622</b>	-
Other expenses	786,149	<b>715,035</b>	692,580
	<u>17,799,935</u>	<u><b>23,440,351</b></u>	<u>21,545,459</u>

See accompanying notes to the financial statements

**TOWN OF PEACE RIVER  
SCHEDULE OF SEGMENTED DISCLOSURE  
DECEMBER 31, 2014  
SCHEDULE 6**

	General Government	Protective Services	Transportation Services	Peace Regional Management Company	Waste Management	Recreation & Culture	Environmental Services	Other	Total \$
<b>REVENUE</b>									
Net municipal taxes	8,986,954	-	-	-	-	-	-	-	8,986,954
Government transfers	838,925	516,415	650,868	-	-	681,908	2,220,122	225,048	5,133,286
User fees and sales of goods	14,475	443,276	456,339	3,146,118	-	501,875	3,538,665	135,120	8,235,868
Investment income	208,880	-	-	36,615	-	-	-	-	245,495
Other revenues	1,008,990	186,094	1,031,078	12,453	12,271	12,271	226,033	27,504	2,504,423
	<u>11,058,224</u>	<u>1,145,785</u>	<u>2,138,285</u>	<u>3,195,186</u>	<u>1,196,054</u>	<u>5,984,820</u>	<u>387,672</u>		<u>25,106,026</u>
<b>EXPENSES</b>									
Contract & general services	733,082	2,055,010	868,405	472,148	662,570	721,895	402,120	5,915,230	6,489,947
Salaries & wages	1,028,813	675,363	2,031,152	801,034	1,190,578	547,675	215,332	86,628	3,409,202
Goods & supplies	82,401	157,544	1,325,229	267,617	537,139	952,644	197	-	124,994
Provision for allowances	110,430	-	-	14,367	-	42,045	176,955	3,536	321,195
Long term debt interest	-	-	98,659	-	832,951	3,925	231,500	-	1,996,741
Other expenses	349,430	18,678	2,174	558,083	-	-	-	-	-
	<u>2,304,156</u>	<u>2,906,595</u>	<u>4,325,619</u>	<u>2,113,249</u>	<u>3,265,283</u>	<u>2,403,291</u>	<u>939,116</u>		<u>18,257,309</u>
<b>NET REVENUE BEFORE AMORTIZATION</b>	8,754,068	(1,760,810)	(2,187,334)	1,081,937	(2,069,229)	3,581,529	(551,444)	6,848,717	(5,183,042)
Amortization expense	(80,365)	(276,382)	(2,945,688)	(838,267)	(379,003)	(616,579)	(46,758)		1,665,675
<b>NET REVENUE</b>	<u>8,673,703</u>	<u>(2,037,192)</u>	<u>(5,133,022)</u>	<u>243,670</u>	<u>(2,448,232)</u>	<u>2,964,950</u>	<u>(598,202)</u>		<u>1,665,675</u>



**TOWN OF PEACE RIVER  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**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 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 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 include the Town's proportionate share in the Peace Regional Waste Management Company (see Note 18).

**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, 2014**

**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) 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.

**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, 2014**

**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
Buildings	40
Engineered structures	
Transportation	15-40
Water distribution system	40
Wastewater treatment system and other	15
Machinery, equipment and furnishings	10
Vehicles	10

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 13.

**TOWN OF PEACE RIVER  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**2. CASH AND CASH EQUIVALENTS**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Cash	13,281,870	4,453,275
Temporary investments	5,221,764	5,142,650
Cash held by Peace Regional Waste Management Company	827,425	1,811,854
Trust Assets	14,982	14,873
	<u>19,346,041</u>	<u>11,422,652</u>

Temporary investments are short-term deposits with original maturities of one year or less.

Included in the above are \$4,416,517 of funds which are externally restricted in use (2013 - \$3,838,691) in the form of deferred grants.

Also included in the above are \$11,454,840 funds internally restricted in use (2013 - \$5,738,925) in the form of restricted surplus.

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
		(Restated)
		Note 20
Current taxes and grants in place of taxes	149,770	127,508
Local improvement taxes	2,976,668	3,254,137
Arrears taxes	107,802	203,857
	<u>3,234,240</u>	<u>3,585,502</u>
Non-current tax arrears	-	-
Less: allowance for doubtful accounts	(72,460)	(72,460)
	<u>3,161,780</u>	<u>3,513,042</u>

**4. DEFERRED REVENUE**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
		(Restated)
		Note 20
Developers' agreements	14,986	18,002
Municipal Sustainability Initiative	2,514,967	2,081,330
Proportionate share of deferred revenue in Peace Regional Waste Management Company	344	344
Other deferred grants	1,886,564	1,739,015
	<u>4,416,861</u>	<u>3,838,691</u>

**Municipal Sustainability Initiative**

Funding in the amount of \$1,729,553 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 2015. Unexpended funds related to the advance are supported by restricted cash of \$2,514,967 held exclusively for these projects (refer to Note 2). In addition, \$62,456 operating funding was received in the current year under the same initiative. All operating funds were used in 2014.

**TOWN OF PEACE RIVER  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**5. EMPLOYEE BENEFIT OBLIGATIONS**

	2014	2013
	\$	\$
Vacation	<u>156,938</u>	<u>152,763</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**

	2014	2013
	\$	\$
Supported by general tax levies	<u>3,075,295</u>	3,373,170
Supported by special levies	<u>1,679,275</u>	2,071,143
Supported by utility rates	<u>7,880,247</u>	717,902
Total ACFA debentures	<u>12,634,817</u>	6,162,215
Bank loans	<u>579,730</u>	595,634
	<u>13,214,547</u>	<u>6,757,849</u>

The current portion of the long-term debt amounts to \$1,012,095 (2013 - \$657,778)

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2015	1,012,095	334,415	1,346,510
2016	995,280	447,959	1,443,239
2017	928,847	363,534	1,292,381
2018	723,336	331,532	1,054,868
2019	738,291	306,193	1,044,484
Thereafter	<u>8,816,698</u>	<u>1,776,850</u>	<u>10,593,548</u>
	<u>13,214,547</u>	<u>3,560,483</u>	<u>16,775,030</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.603% to 11.125% per annum and matures in periods 2015 through 2029. The average annual interest rate is 6.02% for 2012 (6.49% for 2013).

Bank debt is repayable to Horizon Credit Union. The loan bears interest at 4.5% per annum and matures in 2025.

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

Interest on long-term debt amounted to \$321,195 (2013 - \$228,792).

**7. DUE TO RELATED PARTY**

Amounts due to related party are the Town's proportionate share of amounts owed by Peace Regional Waste Management Company to Northern Sunrise County for payments made on their behalf and administration fees for management positions.

**TOWN OF PEACE RIVER  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**8. TANGIBLE CAPITAL ASSETS OF PEACE REGIONAL WASTE MANAGEMENT COMPANY**

	Cost	Accumulated Amortization	Net Book Value 2014	Net Book Value 2013
Land	\$ 27,857	\$ -	\$ 27,857	\$ 27,857
Land Improvements	171,820	79,275	92,545	99,949
Buildings	1,072,126	238,715	833,411	866,365
Engineered Structures	5,492,834	3,796,689	1,696,145	1,032,371
Machinery and Equipment	1,776,561	1,101,094	675,467	726,008
Vehicles	172,631	100,629	72,002	77,178
	<u>\$ 8,713,829</u>	<u>\$ 5,316,402</u>	<u>\$ 3,397,427</u>	<u>\$ 2,829,728</u>

**9. 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:

	2014 \$	2013 \$
Total debt limit	<u>31,324,479</u>	27,079,322
Total debt	<u>13,214,547</u>	6,757,849
Amount of debt limit unused	<u>18,109,932</u>	<u>20,321,473</u>
Debt servicing limit	<u>5,220,747</u>	4,513,220
Debt servicing	<u>1,346,510</u>	937,832
Amount of debt servicing limit unused	<u>3,874,237</u>	<u>3,575,388</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.

**10. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2014 \$	2013 \$
Tangible capital assets (Schedule 2)	<u>145,842,105</u>	138,939,149
Tangible capital assets of Peace Regional Waste Management Company (Note 8)	<u>8,713,828</u>	7,307,864
Accumulated amortization (Schedule 2)	<u>(59,913,264)</u>	(55,961,530)
Accumulated amortization of Peace Regional Waste Management Company (Note 8)	<u>(5,316,402)</u>	(4,478,136)
Long-term debt (Note 6)	<u>(13,214,547)</u>	(6,757,849)
	<u>76,111,720</u>	<u>79,049,498</u>

**TOWN OF PEACE RIVER  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**11. ACCUMULATED SURPLUS**

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

	2014 \$	2013 \$ (Restated) Note 20
Unrestricted surplus (deficit)	<u>4,704,046</u>	<u>44,502</u>
Restricted surplus		
Local improvements	3,235,694	3,235,694
Infrastructure renewal	823,903	-
Community Development	85,950	90,000
General operating	750,000	750,000
Flood prevention	46	46
Fund 1 - Off-site Levies	365,618	587,965
Fund 2 - Town wide facilities	150,597	171,340
Fund 3 - West Hill maintenance	-	-
General contingency	36,832	100,000
Fire department	5,738	307,074
Common services	284,522	497,674
Economic development	47,523	82,755
Information technology	15,106	23,606
Joint regional capital	1,195,138	1,117,980
Landfill post closure	263,300	263,300
Legal contingency	55,276	55,276
Low flow replacement program	7,354	7,354
Museum	11,380	11,380
Peace Regional Waste Management Company	254,213	254,213
Recreation	180,760	219,698
Risk management	50,000	50,000
Transportation & engineering	3,176,516	3,272,803
Water distribution	57,307	65,000
Wastewater treatment plant	200,803	306,513
Recycling and trenching	125,000	125,000
Airport	8,818	8,818
Parks	-	-
Public land reserve	84,345	84,345
General capital	208,423	48,419
	<u>11,680,162</u>	<u>11,736,253</u>
Equity in tangible capital assets	<u>76,111,720</u>	<u>79,049,498</u>
	<u>92,495,928</u>	<u>90,830,253</u>

**TOWN OF PEACE RIVER  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**12. 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:

	2014		2013	
	Salary <sup>1</sup>	Benefits & allowances <sup>2</sup>	Total	Total
<b>Councillors</b>				
Mayor/Councillor Thomas Tarpey	25,503	-	25,503	5,252
Mayor Lorne Mann	-	-	-	8,842
Councillor Geoff Milligan	-	-	-	12,398
Councillor North Darling	-	-	-	9,651
Councillor Cole George	-	-	-	6,547
Councillor Robert LaFontaine	-	-	-	6,643
Councillor Elaine Manzer	31,887	-	31,887	2,608
Councillor Orren Ford	20,253	-	20,253	1,334
Councillor Rod Burr	19,972	-	19,972	1,077
Councillor Tanin Behnke	22,262	-	22,262	2,378
Councillor Terry Sawchuk	24,664	826	25,490	2,986
Councillor Colin Needham	29,308	826	30,134	15,030
<b>Chief Administrative Officer</b>	<b>255,000</b>	<b>11,184</b>	<b>266,184</b>	<b>230,234</b>

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.

**13. 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 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2014 were \$413,706 (2013 - \$354,930). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2014 were \$379,968 (2013 - \$324,915).

At December 31, 2013, the LAPP disclosed an unfunded liability of \$4.86 billion.

**TOWN OF PEACE RIVER  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**14. 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.

Subsequent to year end, this contract was renewed for 5 years at a rate of \$17.50 per parcel adjusted by an annual inflation factor of 1.025.

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**15. 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, 2014, the amounts of the loans were \$24,198 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, 2014, the balance of the loan is \$42,500. These funds are authorized under Bylaw No. 1780.

In 2012, the assets of the Peace River Ski Hill were transferred from the Peace River Ski Club and a discussion entered into for the ongoing operating and maintenance costs, subject to terms such as assurance of liability insurance and provision of an operations plan. A formal operating and maintenance and lease agreement was signed October 10, 2014.

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**16. 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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**17. SEGMENTED DISCLOSURE**

The Town of Peace River provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

**TOWN OF PEACE RIVER  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**18. CONSOLIDATION OF PEACE RIVER REGIONAL WASTE MANAGEMENT COMPANY**

Consolidated into the Town's financial statements are their proportionate share of the assets, liabilities and financial activity of Peace Regional Waste Management Company (formerly the East Peace Regional Landfill Authority). Ownership is determined by the number of shares issued to the Directors of the Company. The Town of Peace River contributes 3 of the 7 Directors to the Board and this is used to determine the Town's proportionate share. The amounts consolidated into the Town's financial statements are as follows:

	2014 \$	2013 \$
Cash and cash equivalents	827,424	1,811,854
Trade and other receivables	1,161,834	856,461
<b>Total Financial Assets</b>	<b>1,989,258</b>	<b>2,668,315</b>
Accounts payable and accrued liabilities	149,234	103,198
Deferred revenue	344	344
Due to Northern Sunrise County	446,250	762,136
Post closure liability	1,384,527	1,469,704
<b>Total liabilities</b>	<b>1,980,355</b>	<b>2,335,382</b>
Tangible capital assets	3,397,427	2,829,728
Inventory for consumption	-	-
<b>Total Non-Financial Assets</b>	<b>3,397,427</b>	<b>2,829,728</b>
Municipal tippage	206,595	194,008
Recycling	19,599	8,282
Industrial tippage	2,919,924	2,024,141
Other	12,453	23,852
Return on investments	36,615	31,914
<b>Total Revenues</b>	<b>3,195,186</b>	<b>2,282,197</b>
Salaries, wages and benefits	801,034	685,974
Contracted services	472,149	560,916
Material, goods and utilities	267,617	216,161
Provision for reclamation	558,083	382,013
Amortization of tangible capital assets	838,267	603,678
<b>Total Expenditures</b>	<b>2,937,150</b>	<b>2,448,742</b>

**19. POST CLOSURE LIABILITY**

Included in the financial statements are the Town's proportionate share of the post-closure liability of the Peace Regional Waste Management Company. For 2014, an amount of \$3.70 per tonne of waste was used as the post-closure liability expense (2013 - \$3.70). In 2014, this rate was applied against 351,944 tonnes of waste (2013 - \$3.70 against 240,909 tonnes), resulting in a current period expense of \$1,302,193 (2013 - \$891,364) in Peace Regional Waste Management Company.



**TOWN OF PEACE RIVER  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**20. PRIOR PERIOD ADJUSTMENT**

The Town has restated its financial statements to reflect local improvement revenues that would have been set up when the bylaw was approved, as per their updated policy. In addition, corrections were made for transfers to reserves and Alberta School Foundation Fund requisitions not appropriately reported in the prior year.

The adjustments to correct these balances are as follows:

	2014 \$	2013 \$
<b>Adjustments to opening accumulated surplus</b>		
As previously reported	87,241,735	78,561,143
Adjustment to set up local improvement levies to be collected	3,254,137	3,596,013
Adjustment to eliminate prepaid local improvements	345,364	364,018
Adjustment to correct transfer to reserves	18,654	-
Adjustment to correct Alberta School Foundation Fund requisition	(29,637)	-
<b>As restated</b>	<b>90,830,253</b>	<b>82,521,174</b>
		2013 \$
<b>Adjustments to taxes and grants in lieu of taxes receivable</b>		
As previously reported		258,905
Adjustment to set up local improvement levies to be collected		3,254,137
<b>As restated</b>		<b>3,513,042</b>
		2013 \$
<b>Adjustments to deferred revenue</b>		
As previously reported		4,202,709
Adjustment to correct reserve transfer		(18,654)
Adjustment to eliminate prepaid local improvements		(345,364)
<b>As restated</b>		<b>3,838,691</b>
		2013 \$
<b>Adjustment to excess of revenues over expenses</b>		
As previously reported		8,680,592
Adjustment to eliminate local improvement tax levy revenues		(373,031)
Adjustment to eliminate interest paid on prepaid local improvements		12,501
Adjustment to correct Alberta School Foundation Fund requisition		(29,637)
Adjustment to correct reserve transfer		18,654
<b>As restated</b>		<b>8,309,079</b>

**21. SUBSEQUENT EVENT**

Subsequent to year end, the appointment of the Chief Administrative Officer was revoked. The original contract stipulated a payout for termination without cause. However, due to legal proceedings, the likelihood and amount of any payments are unknown at this time.

**22. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.