

Town of Peace River

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

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## Management's Responsibility

To the Mayor and Council of Town of Peace River:

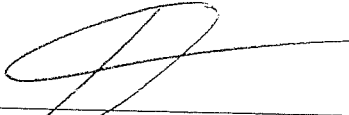
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting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

April 22, 2013



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, 2012, 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, 2012, 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.

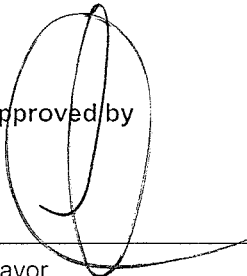
Peace River, Alberta  
April 22, 2013


  
Chartered Accountants

**TOWN OF PEACE RIVER  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	2012 \$	2011 \$ (Restated) Note 18
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 2)	24,012,807	21,271,001
Receivables		
Taxes and grants in lieu of taxes (Note 3)	400,792	366,080
Receivable from other governments	805	805
Trade and other receivables	2,631,568	2,534,341
Land inventory held for resale	28,881	28,881
Long-term investments	30	30
	<u>27,074,883</u>	<u>24,201,138</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	4,216,940	1,953,793
Deposit liabilities	78,867	75,079
Deferred revenue (Note 4)	11,526,944	14,956,331
Employee benefit obligations (Note 5)	150,465	224,693
Long term debt (Note 6)	6,230,961	3,778,043
Due to related party (Note 7)	627,551	419,364
Post-closure liability	1,111,544	933,032
Other Long term Liabilities	-	-
	<u>23,943,272</u>	<u>22,340,335</u>
<b>NET FINANCIAL ASSETS</b>	<u>3,131,611</u>	<u>1,860,803</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	72,412,851	55,835,936
Tangible capital assets of Peace Regional Waste Management Company (Note 8)	3,016,681	1,974,727
Inventory for consumption	-	40,349
Prepaid expenses	-	-
	<u>75,429,532</u>	<u>57,851,012</u>
<b>ACCUMULATED SURPLUS</b> (Schedule 1 and Note 11)	<u>78,561,143</u>	<u>59,711,815</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, 2012**

	Budget \$ (Unaudited)	2012 \$	2011 \$ (Restated) Note 18
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	7,548,098	7,519,585	7,537,635
User fees and sale of goods	4,013,187	4,352,118	3,721,426
Peace Regional Waste Management Company	2,242,179	3,137,072	3,515,415
Government transfers for operating (Schedule 4)	1,579,722	1,536,330	1,790,650
Investment income	50,000	246,264	130,844
Penalties and costs on taxes	250,537	234,754	241,030
Franchise and concession contracts	675,516	721,127	675,154
Gain on disposal of tangible capital assets	2,220,421	2,624,309	-
Other revenues	121,058	220,041	408,088
<b>Total revenues</b>	<b>18,700,718</b>	<b>20,591,600</b>	<b>18,020,242</b>
<b>EXPENSES</b>			
<b>Operating</b>			
Legislative	322,685	498,808	338,668
Administration	1,491,827	1,451,625	1,450,953
Protective services	2,420,740	2,957,882	3,007,325
Transportation	3,469,709	6,269,600	6,275,600
Water supply and distribution	1,074,259	1,628,717	1,185,622
Wastewater treatment and disposal	655,776	660,668	675,699
Waste management	330,758	310,969	301,286
Peace Regional Waste Management Company	1,727,118	2,604,499	3,298,518
Public health and economic development	1,163,057	1,028,945	1,255,922
Recreation and parks	2,664,396	2,866,840	2,566,209
Loss on disposal of capital assets	-	-	-
<b>Total Expenses</b>	<b>15,320,325</b>	<b>20,278,553</b>	<b>20,355,802</b>
<b>SHORTFALL OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<b>3,380,393</b>	<b>313,047</b>	<b>(2,335,560)</b>
<b>OTHER</b>			
Development Levies and Other Contributions	-	253,928	287,357
Contributed assets	19,675	3,740,697	-
Government transfers for capital (Schedule 4)	24,383,860	14,541,656	4,511,992
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>27,783,928</b>	<b>18,849,328</b>	<b>2,463,789</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR AS PREVIOUSLY STATED</b>	<b>59,711,815</b>	<b>57,184,710</b>	<b>54,646,996</b>
<b>PRIOR PERIOD ADJUSTMENT (Note 18)</b>	<b>-</b>	<b>2,527,105</b>	<b>2,601,030</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR AS RESTATED</b>	<b>59,711,815</b>	<b>59,711,815</b>	<b>57,248,026</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>87,495,743</b>	<b>78,561,143</b>	<b>59,711,815</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, 2012

	Budget \$ (Unaudited)	2012 \$	2011 \$ (Restated) Note 18
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>27,783,928</u>	<u>18,849,328</u>	<u>2,463,789</u>
Acquisition of tangible capital assets	(16,778,698)	(18,822,462)	(8,276,415)
Contributed tangible capital assets	-	(3,740,697)	-
Proceeds on disposal of tangible capital assets	-	2,769,293	-
Amortization of tangible capital assets	321,789	4,799,307	4,444,308
Gain on sale of tangible capital assets	-	(2,624,309)	-
	<u>(16,456,909)</u>	<u>(17,618,868)</u>	<u>(3,832,107)</u>
Acquisition of prepaid assets	-	-	-
Use of inventories	-	40,349	-
Use of prepaid assets	-	-	20,904
	<u>-</u>	<u>40,349</u>	<u>20,904</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	<u>11,327,019</u>	<u>1,270,809</u>	<u>(1,347,414)</u>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR AS PREVIOUSLY STATED</b>	1,860,803	1,348,774	2,710,527
<b>PRIOR PERIOD ADJUSTMENT (Note 18)</b>	<u>-</u>	<u>512,028</u>	<u>497,690</u>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR AS RESTATED</b>	<u>1,860,803</u>	<u>1,860,802</u>	<u>3,208,217</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u><u>13,187,822</u></u>	<u><u>3,131,611</u></u>	<u><u>1,860,803</u></u>

**TOWN OF PEACE RIVER  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	2012 \$	2011 \$ (Restated) Note 18
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	18,849,328	2,463,789
Non-cash items included in shortfall of revenues over expenses:		
Amortization of tangible capital assets	4,799,306	4,444,307
Gain on disposal of tangible capital assets	(2,624,309)	-
Contributed assets	(3,740,697)	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(34,712)	105,940
Decrease (increase) in trade and other receivables	(97,227)	(1,050,953)
Decrease in receivable from other governments	-	7,248
Decrease in other liabilities	-	-
Decrease (increase) in prepaid expenses	-	20,904
Decrease (increase) in accounts payable and accrued liabilities	2,263,147	337,432
Decrease (increase) in deposit liabilities	3,788	(16,172)
Decrease (increase) in deferred revenue	(3,429,387)	6,315,254
Increase in post closure liability	178,513	275,443
Decrease in inventory for consumption	40,349	-
Increase in employee benefit obligations	(74,228)	58,879
Cash provided by operating transactions	<u>16,133,871</u>	<u>12,962,071</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(18,822,462)	(8,276,415)
Sale of tangible capital assets	2,769,293	-
Cash applied to capital transactions	<u>(16,053,169)</u>	<u>(8,276,415)</u>
<b>FINANCING</b>		
New debt issued	2,954,128	-
Due to related party	208,186	250,128
Long-term debt repaid	(501,210)	(500,848)
Cash applied to financing transactions	<u>2,661,104</u>	<u>(250,720)</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>2,741,806</b>	<b>4,434,936</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u><b>21,271,001</b></u>	<u><b>16,836,065</b></u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)</b>	<u><u><b>24,012,807</b></u></u>	<u><u><b>21,271,001</b></u></u>

See accompanying notes to the financial statements



TOWN OF PEACE RIVER  
 SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS  
 DECEMBER 31, 2012  
 SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2012 \$	2011 \$ (Restated) Note 18
<b>BALANCE, BEGINNING OF YEAR AS PREVIOUSLY STATED</b>	(1,228,094)	6,354,911	52,057,893	<b>57,184,710</b>	54,646,996
<b>PRIOR PERIOD ADJUSTMENT (Note 19)</b>	19,597	532,783	1,974,725	<b>2,527,105</b>	2,601,030
<b>BALANCE, BEGINNING OF YEAR AS RESTATED</b>	(1,208,497)	6,887,694	54,032,618	<b>59,711,815</b>	57,248,026
Excess (deficiency) of revenues over expenses	18,849,328	-	-	<b>18,849,328</b>	2,463,789
Current year funds used for tangible capital assets	(21,355,829)	-	21,355,829	-	-
Funds transferred to restricted surplus	(3,428,985)	3,428,985	-	-	-
Restricted funds used for tangible capital assets	-	(1,062,348)	1,062,348	-	-
Restricted funds used for operations	180,000	(180,000)	-	-	-
Current year amortization	4,799,306	-	(4,799,306)	-	-
Disposal of tangible capital assets	-	-	-	-	-
New debt issued	2,954,128	-	(2,954,128)	-	-
Long term debt repaid	(501,210)	-	501,210	-	-
Change in accumulated surplus	1,496,738	2,186,637	15,165,953	<b>18,849,328</b>	2,463,789
<b>BALANCE, END OF YEAR</b>	288,241	9,074,331	69,198,571	<b>78,561,143</b>	59,711,815

TOWN OF PEACE RIVER  
 SCHEDULE OF TANGIBLE CAPITAL ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2012  
 SCHEDULE 2

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2012 \$	2011 \$
<b>COST:</b>							
<b>BALANCE, BEGINNING OF YEAR</b>	3,791,450	26,837,248	63,737,692	8,073,716	2,043,538	<b>104,483,644</b>	97,369,974
Acquisition of tangible capital assets	-	2,528,897	12,059,921	2,984,799	239,786	<b>17,813,403</b>	7,113,670
Work in progress	-	-	2,675,522	-	-	<b>2,675,522</b>	-
Disposal of tangible capital assets	(86,055)	(580,458)	-	-	-	<b>(666,513)</b>	-
<b>BALANCE, END OF YEAR</b>	<b>3,705,395</b>	<b>28,785,687</b>	<b>78,473,135</b>	<b>11,058,515</b>	<b>2,283,324</b>	<b>124,306,056</b>	<b>104,483,644</b>
<b>ACCUMULATED AMORTIZATION:</b>							
<b>BALANCE, BEGINNING OF YEAR</b>	-	12,337,797	28,777,538	6,432,966	1,099,407	<b>48,647,708</b>	45,454,409
Annual amortization	-	752,797	2,442,037	490,732	140,389	<b>3,825,955</b>	3,193,299
Accumulated amortization on disposals	-	(580,458)	-	-	-	<b>(580,458)</b>	-
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>12,510,136</b>	<b>31,219,575</b>	<b>6,923,698</b>	<b>1,239,796</b>	<b>51,893,205</b>	<b>48,647,708</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>3,705,395</b>	<b>16,275,551</b>	<b>47,253,560</b>	<b>4,134,817</b>	<b>1,043,528</b>	<b>72,412,851</b>	<b>55,835,936</b>
2011 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	3,791,450	14,499,451	34,960,154	1,640,750	944,131	55,835,936	



**TOWN OF PEACE RIVER  
SCHEDULE OF PROPERTY TAXES LEVIED  
FOR THE YEAR ENDED DECEMBER 31, 2012  
SCHEDULE 3**

	Budget \$ (Unaudited)	2012 \$	2011 \$
<b>TAXATION</b>			
Real property taxes	9,179,591	<b>9,156,032</b>	8,899,746
Linear property taxes	239,628	<b>239,635</b>	243,528
Government grants in place of property taxes	424,248	<b>434,210</b>	434,604
Special assessments and local improvement taxes	332,677	<b>322,488</b>	333,495
	<u>10,176,144</u>	<u><b>10,152,365</b></u>	<u>9,911,373</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	2,406,423	<b>2,411,639</b>	2,152,980
North Peace Housing Foundation	221,623	<b>221,141</b>	220,758
	<u>2,628,046</u>	<u><b>2,632,780</b></u>	<u>2,373,738</u>
<b>NET MUNICIPAL TAXES</b>	<u>7,548,098</u>	<u><b>7,519,585</b></u>	<u>7,537,635</u>

**TOWN OF PEACE RIVER  
SCHEDULE OF GOVERNMENT TRANSFERS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
SCHEDULE 4**

	Budget \$ (Unaudited)	2012 \$	2011 \$ (Restated) Note 18
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TRANSFERS FOR OPERATING:</b>			
Provincial Government	862,997	<b>802,226</b>	961,684
Federal Government	7,450	<b>6,392</b>	21,759
Other Local Governments	709,275	<b>727,712</b>	807,207
	<u>1,579,722</u>	<u>1,536,330</u>	<u>1,790,650</u>
<b>TRANSFERS FOR CAPITAL:</b>			
Provincial Government	24,383,860	<b>14,352,318</b>	1,718,531
Federal Government	-	<b>133,178</b>	2,793,461
Other Local Governments	-	<b>56,160</b>	-
	<u>24,383,860</u>	<u>14,541,656</u>	<u>4,511,992</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>25,963,582</u>	<u>16,077,986</u>	<u>6,302,642</u>

See accompanying notes to the financial statements

**TOWN OF PEACE RIVER  
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT  
FOR THE YEAR ENDED DECEMBER 31, 2012  
SCHEDULE 5**

	Budget \$ (Unaudited)	2012 \$	2011 \$ (Restated) Note 18
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	6,045,852	5,783,343	6,134,784
Contracted and general services	4,945,673	5,366,710	5,532,909
Purchases from other governments	-	-	-
Materials, goods, supplies and utilities	2,738,567	2,975,023	3,027,218
Provision for allowances	40,290	42,895	51,752
Provision for reclamation	107,143	251,623	275,444
Transfers to individuals and organizations	152,930	338,987	206,645
Bank charges and short term interest	3,050	3,790	4,170
Interest on capital long-term debt	296,277	218,877	252,298
Amortization of tangible capital assets	321,789	4,799,307	4,444,308
Loss on disposal of tangible capital assets	-	-	-
Other expenses	668,754	497,998	426,274
	<u>15,320,325</u>	<u>20,278,553</u>	<u>20,355,802</u>

See accompanying notes to the financial statements

TOWN OF PEACE RIVER  
 SCHEDULE OF SEGMENTED DISCLOSURE  
 DECEMBER 31, 2012  
 SCHEDULE 6

	General Government	Protective Services	Transportation Services	Regional Waste Management Company	Recreation & Culture	Environmental Services	Other	Total \$
<b>REVENUE</b>								
Net municipal taxes	7,519,585	-	-	-	-	-	-	7,519,585
Government transfers	486,379	878,441	1,751,642	-	487,750	12,249,510	224,264	16,077,986
User fees and sales of goods	17,642	362,310	316,279	3,030,599	498,228	2,964,349	193,309	7,382,716
Investment income	246,264	-	-	33,362	-	-	-	279,626
Other revenues	911,913	135,260	2,710,699	73,111	3,743,853	237,641	55,491	7,867,968
	9,181,783	1,376,011	4,778,620	3,137,072	4,729,831	15,451,500	473,064	39,127,881
<b>EXPENSES</b>								
Contract & general services	391,765	1,691,707	866,312	549,377	604,012	870,720	392,817	5,366,710
Salaries & wages	975,568	710,697	1,611,775	608,080	1,086,823	466,862	323,538	5,783,343
Goods & supplies	77,024	191,851	1,134,259	222,067	511,342	782,271	56,209	2,975,023
Provision for allowances	42,562	-	-	-	-	333	-	42,895
Long term debt interest	-	-	51,505	-	31,009	129,672	6,691	218,877
Other expenses	358,417	15,566	4,890	251,623	250,425	4,479	206,998	1,092,398
	1,845,336	2,609,821	3,668,741	1,631,147	2,483,611	2,254,337	986,253	15,479,246
<b>NET REVENUE BEFORE AMORTIZATION</b>								
	7,336,447	(1,233,810)	1,109,879	1,505,925	2,246,220	13,197,163	(513,189)	23,648,635
Amortization expense	(105,100)	(348,062)	(2,600,861)	(973,352)	(383,225)	(346,016)	(42,691)	(4,799,307)
<b>NET REVENUE</b>	7,231,347	(1,581,872)	(1,490,982)	532,573	1,862,995	12,851,147	(555,880)	18,849,328



**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 19).

**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, 2012

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, 2012**

**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, 2012

**2. CASH AND CASH EQUIVALENTS**

	2012	2011
	\$	\$
Cash	14,083,293	12,162,534
Temporary investments	8,120,757	8,000,000
Cash held by Peace Regional Waste Management Company	1,794,273	1,094,422
Trust Assets	14,484	14,045
	<u>24,012,807</u>	<u>21,271,001</u>

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

Included in the above are \$11,232,039 of funds which are externally restricted in use (2011 - \$14,465,215) in the form of deferred grants.

Also included in the above are \$9,074,331 funds internally restricted in use (2011 - \$6,887,694) in the form of restricted surplus.

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

	2012	2011
	\$	\$
Current taxes and grants in place of taxes	199,924	193,770
Arrears taxes	273,328	244,770
	<u>473,252</u>	<u>438,540</u>
Non-current tax arrears	-	-
Less: allowance for doubtful accounts	(72,460)	(72,460)
	<u>400,792</u>	<u>366,080</u>

**4. DEFERRED REVENUE**

	2012	2011
	\$	\$
		(Restated) Note 18
Prepaid local improvement charges	273,544	166,076
Developers' agreements	21,017	21,017
Municipal Sustainability Initiative	2,682,010	2,625,244
Proportionate share of deferred revenue in Peace Regional Waste Management Company	344	344
Other deferred grants	8,550,029	12,143,650
	<u>11,526,944</u>	<u>14,956,331</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 2013 and 2029.

**Municipal Sustainability Initiative**

Funding in the amount of \$1,220,306 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 2013. Unexpended funds related to the advance are supported by restricted cash of \$2,682,010 held exclusively for these projects (refer to Note 2).

TOWN OF PEACE RIVER  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

**5. EMPLOYEE BENEFIT OBLIGATIONS**

	2012	2011
	\$	\$
Vacation	150,465	224,693

**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**

	2012	2011
	\$	\$
Supported by general tax levies	2,452,911	300,150
Supported by special levies	2,274,785	1,755,235
Supported by utility rates	835,110	911,928
Total ACFA debentures	5,562,806	2,967,313
Bank loans	668,155	810,730
	<b>6,230,961</b>	<b>3,778,043</b>

The current portion of the long-term debt amounts to \$657,778 (2011 - \$822,708)

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2013	657,778	271,286	929,064
2014	545,441	236,185	781,626
2015	559,517	206,939	766,456
2016	529,029	176,670	705,699
2017	448,506	149,269	597,775
Thereafter	3,490,690	1,094,422	4,585,112
	<b>6,230,961</b>	<b>2,134,771</b>	<b>8,365,732</b>

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 2013 through 2029. The average annual interest rate is 6.64% for 2012 (8.15% for 2011).

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 periods from 2013 through 2015.

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

Interest on long-term debt amounted to \$218,877 (2011 - \$252,298).

**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, 2012

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

	Cost	Accumulated Amortization	Net Book Value 2012	Net Book Value 2011
Land	\$ 27,857	\$ -	\$ 27,857	\$ 27,857
Land Improvements	171,820	64,467	107,353	114,756
Buildings	947,909	156,377	791,532	775,461
Engineered Structures	4,113,184	2,749,314	1,363,870	586,724
Machinery and Equipment	1,524,040	843,043	680,997	430,144
Vehicles	106,457	61,385	45,072	39,785
	<u>\$ 6,891,267</u>	<u>\$ 3,874,586</u>	<u>\$ 3,016,681</u>	<u>\$ 1,974,727</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:

	2012	2011
	\$	\$
Total debt limit	<u>30,887,400</u>	27,030,363
Total debt	<u>6,230,961</u>	3,778,043
Amount of debt limit unused	<u>24,656,439</u>	<u>23,252,320</u>
Debt servicing limit	<u>5,147,900</u>	4,505,061
Debt servicing	<u>929,064</u>	1,101,105
Amount of debt servicing limit unused	<u>4,218,836</u>	<u>3,403,956</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**

	2012	2011
	\$	\$
Tangible capital assets (Schedule 2)	124,306,056	104,483,644
Tangible capital assets of Peace Regional Waste Management Company	<u>6,891,267</u>	4,924,173
Accumulated amortization (Schedule 2)	<u>(51,893,205)</u>	(48,647,708)
Accumulated amortization of Peace Regional Waste Management Company	<u>(3,874,586)</u>	(2,949,448)
Long-term debt (Note 6)	<u>(6,230,961)</u>	(3,778,043)
	<u>69,198,571</u>	<u>54,032,618</u>

TOWN OF PEACE RIVER  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

**11. ACCUMULATED SURPLUS**

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

	2012	2011
	\$	\$
		(Restated)
		Note 18
Unrestricted surplus (deficit)	<u>288,241</u>	<u>(1,208,497)</u>
Restricted surplus		
Swimming pool	-	-
FCSS	-	-
Community Development	90,000	90,000
General operating	1,000,000	1,000,000
Flood prevention	46	46
Fund 1 - Off-site Levies	809,034	562,561
Fund 2 - Town wide facilities	355,336	535,336
Fund 3 - West Hill maintenance	-	-
General contingency	100,000	100,000
Fire department	314,052	263,392
Common services	597,765	657,766
Economic development	100,000	100,000
Information technology	67,095	67,095
Joint regional capital	610,909	603,422
Landfill post closure	263,300	263,300
Legal contingency	55,276	55,276
Low flow replacement program	7,354	7,354
Museum	11,380	8,590
Peace Regional Waste Management Company	254,213	532,783
Recreation	227,393	417,395
Risk management	50,000	50,000
Transportation & engineering	3,279,253	544,453
Water distribution	65,000	65,000
Wastewater treatment plant	475,621	535,621
Recycling and trenching	125,000	125,000
Airport	83,540	170,540
Parks	-	-
Public land reserve	84,345	84,345
General capital	48,419	48,419
Equity in tangible capital assets	<u>69,198,571</u>	<u>54,032,618</u>
	<u>78,561,143</u>	<u>59,711,815</u>

**TOWN OF PEACE RIVER  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**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:

	2012		2011	
	\$		\$	
	Salary <sup>1</sup>	Benefits & allowances <sup>2</sup>	Total	Total
<b>Councillors</b>				
Mayor Lorne Mann	10,403	-	<b>10,403</b>	10,170
Councillor Geoff Milligan	14,593	2,732	<b>17,325</b>	17,489
Councillor North Darling	13,111	-	<b>13,111</b>	4,007
Councillor Cole George	7,048	-	<b>7,048</b>	8,140
Councillor Robert LaFontaine	8,520	2,732	<b>11,252</b>	12,144
Councillor Thomas Tarpey	4,098	-	<b>4,098</b>	4,007
Councillor Colin Needham	14,626	2,049	<b>16,675</b>	12,108
<b>Chief Administrative Officer <sup>3</sup></b>	<b>73,035</b>	<b>-</b>	<b>73,035</b>	<b>122,983</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.

3 Note that amounts for individuals acting as Interim CAO during 2012 only include payments made above their salary for regular duties.

**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 9.91% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.74% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 8.91% of pensionable salary up to the year's maximum pensionable salary and 12.74% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2012 were \$352,302 (2011 - \$353,143). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2012 were \$322,509 (2011 - \$318,409).

At December 31, 2011, the LAPP disclosed an actuarial deficiency of \$4.635 billion.

**TOWN OF PEACE RIVER  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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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.

In addition, the Town has signed a lease agreement for a vehicle. The terms of the lease are payments of \$633 including GST for 48 months. The lease is scheduled to terminate December 2014.

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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, 2012, the amounts of the loans were \$37,449 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, 2012, the balance of the loan is \$40,500. These funds are authorized under Bylaw No. 1780.

During the year, the assets of the Peace River Ski Hill were transferred from the Peace River Ski Club and an agreement entered into for the ongoing operating and maintenance costs, subject to terms such as assurance of liability insurance and provision of an operations plan.

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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, 2012**

**18. PRIOR PERIOD ADJUSTMENT**

The Town has restated its financial statements to reclassify grants previously recognized as revenue to deferred revenue as the approved expenditures related to the grants have not yet been incurred. Also, the financial statements have been restated to include the Town's proportional share of the assets, liabilities, revenues and expenditures of the Peace Regional Waste Management Company. The adjustments to correct these balances are as follows:

	<u>2012</u>	<u>2011</u>
	\$	\$
<b>Adjustments to opening accumulated surplus:</b>		
As previously reported	57,184,710	54,646,996
Adjusted to include Town's proportionate share of accumulated surplus in Peace Regional Waste Management Company	2,830,784	2,601,030
Adjustment for grant revenue previously recognized	<u>(303,679)</u>	
<b>As restated</b>	<u>59,711,815</u>	<u>57,248,026</u>
<b>Adjustments to financial assets</b>		
As previously reported		21,581,219
Adjustment for the Town's proportionate share of the financial assets of Peace Regional Waste Management Company		<u>2,619,919</u>
<b>As restated</b>		<u>24,201,138</u>
<b>Adjustment to liabilities</b>		
As previously reported		20,232,445
Adjustment for grant revenue previously recognized		303,679
Adjustments for the Town's proportionate share of the liabilities of Peace Regional Waste Management Company		<u>1,804,211</u>
<b>As restated</b>		<u>22,340,335</u>
<b>Adjustment to non-financial assets</b>		
As previously reported		51,936,469
Adjustment for the Town's proportionate share of the non-financial assets of Peace Regional Waste Management Company		<u>5,914,543</u>
		<u>57,851,012</u>
<b>Adjustments to excess of revenue over expenses</b>		
As previously reported		2,537,714
Adjustment for grant revenue previously recognized		(303,679)
Adjustment for the Town's proportionate share of the activities of Peace Regional Waste Management Company		<u>229,754</u>
<b>As restated</b>		<u>2,463,789</u>

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



**TOWN OF PEACE RIVER  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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**19. 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 issues 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:

	<u>2012</u>	<u>2011</u>
	\$	\$
Cash and cash equivalents	1,794,273	1,094,422
Trade and other receivables	918,351	1,525,497
<b>Total Financial Assets</b>	<u>2,712,624</u>	<u>2,619,919</u>
Accounts payable and accrued liabilities	660,796	451,471
Deferred revenue	344	344
Due to Northern Sunrise County	627,551	419,364
Post closure liability	1,111,544	933,032
<b>Total liabilities</b>	<u>2,400,235</u>	<u>1,804,211</u>
Tangible capital assets	3,016,681	1,974,727
Inventory for consumption	-	40,349
<b>Total Non-Financial Assets</b>	<u>3,016,681</u>	<u>2,015,076</u>
Municipal tippage	209,906	182,298
Recycling	18,360	31,929
Industrial tippage	2,802,333	3,272,033
Other	73,111	-
Return on investments	33,362	29,155
<b>Total Revenues</b>	<u>3,137,072</u>	<u>3,515,415</u>
Salaries, wages and benefits	608,080	526,654
Contracted services	549,377	1,036,507
Material, goods and utilities	222,067	208,904
Provision for reclamation	251,623	275,443
Amortization of tangible capital assets	973,352	1,251,009
<b>Total Expenditures</b>	<u>2,604,499</u>	<u>3,298,517</u>
Loss on disposal of tangible capital assets (netted against gain for Town of Peace River)	34,286	-

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**19. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.