

Town of Peace River
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

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Management's Responsibility

To the Mayor and Council of Town of Peace River:

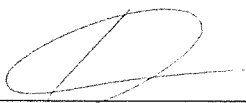
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting 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, 2014



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, 2013, 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, 2013, 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, 2014

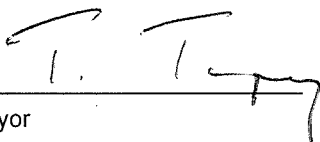
MNP LLP
Chartered Accountants

**TOWN OF PEACE RIVER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013**

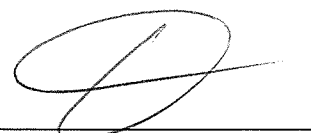
	2013 \$	2012 \$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	<u>11,422,652</u>	<u>24,012,807</u>
Receivables		
Taxes and grants in lieu of taxes (Note 3)	258,905	400,792
Receivable from other governments	805	805
Trade and other receivables	4,706,046	2,631,568
Land inventory held for resale	28,881	28,881
Long-term investments	30	30
	<u>16,417,319</u>	<u>27,074,883</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,564,255	4,216,940
Deposit liabilities	75,115	78,867
Deferred revenue (Note 4)	4,202,709	11,526,944
Employee benefit obligations (Note 5)	152,763	150,465
Long term debt (Note 6)	6,757,849	6,230,961
Due to related party (Note 7)	762,136	627,551
Post-closure liability (Note 19)	1,469,704	1,111,544
Other Long term Liabilities	-	-
	<u>14,984,531</u>	<u>23,943,272</u>
NET FINANCIAL ASSETS	<u>1,432,788</u>	<u>3,131,611</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	82,977,619	72,412,851
Tangible capital assets of Peace Regional Waste Management Company (Note 8)	2,829,728	3,016,681
Inventory for consumption	-	-
Prepaid expenses	1,600	-
	<u>85,808,947</u>	<u>75,429,532</u>
ACCUMULATED SURPLUS (Schedule 1 and Note 11)	<u>87,241,735</u>	<u>78,561,143</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, 2013**

	Budget \$	2013 \$	2012 \$
REVENUE			
Net municipal property taxes (Schedule 3)	7,997,065	8,001,398	7,519,585
User fees and sale of goods	4,684,768	4,531,924	4,352,118
Peace Regional Waste Management Company	2,887,179	2,282,332	3,137,072
Government transfers for operating (Schedule 4)	1,514,204	1,746,832	1,536,330
Investment income	100,000	210,870	246,264
Penalties and costs on taxes	257,455	263,524	234,754
Franchise and concession contracts	763,298	794,649	721,127
Gain on disposal of tangible capital assets	-	-	2,624,309
Other revenues	251,055	611,519	220,041
Total revenues	18,455,024	18,443,048	20,591,600
EXPENSES			
Operating			
Legislative	362,396	381,662	498,808
Administration	1,549,438	1,545,119	1,451,625
Protective services	2,683,688	3,206,956	2,957,882
Transportation	3,976,237	6,905,970	6,269,600
Water supply and distribution	1,029,382	1,702,505	1,628,717
Wastewater treatment and disposal	703,501	640,354	660,668
Waste management	340,050	336,170	310,969
Peace Regional Waste Management Company	2,000,662	2,448,741	2,604,499
Public health and economic development	1,116,701	1,296,164	1,028,945
Recreation and parks	3,094,564	3,100,472	2,866,840
Loss on disposal of capital assets	-	-	-
Total Expenses	16,856,619	21,564,113	20,278,553
SHORTFALL OF REVENUE OVER EXPENSES - BEFORE OTHER	1,598,405	(3,121,065)	313,047
OTHER			
Development Levies and Other Contributions	-	9,710	253,928
Contributed assets	124,100	-	3,740,697
Government transfers for capital (Schedule 4)	20,553,243	11,791,947	14,541,656
EXCESS OF REVENUE OVER EXPENSES	22,275,748	8,680,592	18,849,328
ACCUMULATED SURPLUS, BEGINNING OF YEAR	78,561,143	78,561,143	59,711,815
ACCUMULATED SURPLUS, END OF YEAR	<u>100,836,891</u>	<u>87,241,735</u>	<u>78,561,143</u>

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, 2013**

	Budget \$	2013 \$	2012 \$
EXCESS OF REVENUES OVER EXPENSES	<u>22,275,748</u>	<u>8,680,592</u>	<u>18,849,328</u>
Acquisition of tangible capital assets	(17,618,269)	(14,633,093)	(16,748,227)
Proportionate share of acquisition of tangible capital assets of Peace Regional Waste Management Company		(416,590)	(2,074,235)
Contributed tangible capital assets	-	-	(3,740,697)
Proceeds on disposal of tangible capital assets	-	-	2,769,293
Amortization of tangible capital assets	-	4,068,325	3,825,955
Proportionate share of amortization of tangible capital assets of Peace Regional Waste Management Company	790,698	603,543	973,352
Gain on sale of tangible capital assets	-	-	<u>(2,624,309)</u>
	<u>(16,827,571)</u>	<u>(10,377,815)</u>	<u>(17,618,868)</u>
Acquisition of prepaid assets	-	(1,600)	-
Use of inventories	-	-	40,349
Use of prepaid assets	-	-	-
	<u>-</u>	<u>(1,600)</u>	<u>40,349</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	5,448,177	(1,698,823)	1,270,809
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>3,131,611</u>	<u>3,131,611</u>	<u>1,860,802</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>8,579,788</u></u>	<u><u>1,432,788</u></u>	<u><u>3,131,611</u></u>

**TOWN OF PEACE RIVER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013 \$	2012 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	8,680,592	18,849,328
Non-cash items included in shortfall of revenues over expenses:		
Amortization of tangible capital assets	4,672,003	4,799,306
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	141,887	(34,712)
Decrease (increase) in trade and other receivables	(2,074,478)	(97,227)
Decrease in receivable from other governments	-	-
Decrease in other liabilities	-	-
Decrease (increase) in prepaid expenses	(1,600)	-
Decrease (increase) in accounts payable and accrued liabilities	(2,652,685)	2,263,147
Decrease (increase) in deposit liabilities	(3,752)	3,788
Decrease (increase) in deferred revenue	(7,324,235)	(3,429,387)
Increase in post closure liability	358,160	178,513
Decrease in inventory for consumption	-	40,349
Increase in employee benefit obligations	2,298	(74,228)
Cash provided by operating transactions	<u>1,798,190</u>	<u>16,133,871</u>
CAPITAL		
Acquisition of tangible capital assets	(14,633,093)	(16,748,227)
Proportionate share of acquisition of tangible capital assets by Peace Regional Waste Management Company	(416,590)	(2,074,235)
Sale of tangible capital assets	-	2,769,293
Cash applied to capital transactions	<u>(15,049,683)</u>	<u>(16,053,169)</u>
FINANCING		
New debt issued	1,186,182	2,954,128
Due to related party	134,450	208,186
Long-term debt repaid	(659,294)	(501,210)
Cash applied to financing transactions	<u>661,338</u>	<u>2,661,104</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(12,590,155)	2,741,806
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>24,012,807</u>	<u>21,271,001</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)	<u><u>11,422,652</u></u>	<u><u>24,012,807</u></u>

See accompanying notes to the financial statements

TOWN OF PEACE RIVER
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
DECEMBER 31, 2013
SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2013 \$	2012 \$
BALANCE, BEGINNING OF YEAR	<u>288,241</u>	<u>9,074,331</u>	<u>69,198,571</u>	<u>78,561,143</u>	<u>59,711,815</u>
Excess (deficiency) of revenues over expenses	8,680,592	-	-	8,680,592	18,849,328
Current year funds used for tangible capital assets	(14,005,758)	-	14,005,758	-	-
Funds transferred to restricted surplus	(488,942)	488,942	-	-	-
Restricted funds used for tangible capital assets	-	(1,044,060)	1,044,060	-	-
Restricted funds used for operations	18,654	(18,654)	-	-	-
Current year amortization	4,672,003	-	(4,672,003)	-	-
Disposal of tangible capital assets	-	-	-	-	-
New debt issued	1,186,182	-	(1,186,182)	-	-
Long term debt repaid	(659,294)	-	659,294	-	-
Change in accumulated surplus	<u>(596,563)</u>	<u>(573,772)</u>	<u>9,850,927</u>	<u>8,680,592</u>	<u>18,849,328</u>
BALANCE, END OF YEAR	<u>(308,322)</u>	<u>8,500,559</u>	<u>79,049,498</u>	<u>87,241,735</u>	<u>78,561,143</u>

**TOWN OF PEACE RIVER
SCHEDULE OF TANGIBLE CAPITAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
SCHEDULE 2**

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2013 \$	2012 \$
COST:							
BALANCE, BEGINNING OF YEAR	3,705,395	28,785,687	78,473,135	11,058,515	2,283,324	124,306,056	104,483,644
Acquisition of tangible capital assets	-	6,578,079	6,951,960	972,688	41,620	14,544,347	17,813,403
Work in progress	-	75,639	13,107	-	-	88,746	2,675,522
Disposal of tangible capital assets	-	-	-	-	-	-	(666,513)
BALANCE, END OF YEAR	3,705,395	35,439,405	85,438,202	12,031,203	2,324,944	138,939,149	124,306,056
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	12,510,136	31,219,575	6,923,698	1,239,796	51,893,205	48,647,708
Annual amortization	-	917,249	2,519,613	486,930	144,533	4,068,325	3,825,955
Accumulated amortization on disposals	-	-	-	-	-	-	(580,458)
BALANCE, END OF YEAR	-	13,427,385	33,739,188	7,410,628	1,384,329	55,961,530	51,893,205
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	3,705,395	22,012,020	51,699,014	4,620,575	940,615	82,977,619	72,412,851
2012 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	3,705,395	16,275,551	47,253,560	4,134,817	1,043,528	72,412,851	

**TOWN OF PEACE RIVER
 SCHEDULE OF PROPERTY TAXES LEVIED
 FOR THE YEAR ENDED DECEMBER 31, 2013
 SCHEDULE 3**

	Budget \$	2013 \$	2012 \$
TAXATION			
Real property taxes	9,749,595	9,739,603	9,156,032
Linear property taxes	244,261	244,261	239,635
Government grants in place of property taxes	439,418	439,418	434,210
Special assessments and local improvement taxes	375,844	360,530	322,488
	<u>10,809,118</u>	<u>10,783,812</u>	<u>10,152,365</u>
REQUISITIONS			
Alberta School Foundation Fund	2,598,095	2,568,459	2,411,639
North Peace Housing Foundation	213,958	213,958	221,141
	<u>2,812,053</u>	<u>2,782,417</u>	<u>2,632,780</u>
NET MUNICIPAL TAXES	<u>7,997,065</u>	<u>8,001,395</u>	<u>7,519,585</u>

**TOWN OF PEACE RIVER
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2013
SCHEDULE 4**

	Budget \$	2013 \$	2012 \$
	<u> </u>	<u> </u>	<u> </u>
TRANSFERS FOR OPERATING:			
Provincial Government	817,929	820,153	802,226
Federal Government	14,000	12,499	6,392
Other Local Governments	682,275	914,180	727,712
	<u>1,514,204</u>	<u>1,746,832</u>	<u>1,536,330</u>
 TRANSFERS FOR CAPITAL:			
Provincial Government	19,963,243	11,791,947	14,352,318
Federal Government	-	-	133,178
Other Local Governments	590,000	-	56,160
	<u>20,553,243</u>	<u>11,791,947</u>	<u>14,541,656</u>
 TOTAL GOVERNMENT TRANSFERS	 <u><u>22,067,447</u></u>	 <u><u>13,538,779</u></u>	 <u><u>16,077,986</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, 2013
SCHEDULE 5

	Budget \$	2013 \$	2012 \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	6,123,470	6,083,061	5,783,343
Contracted and general services	5,793,734	5,939,575	5,366,710
Purchases from other governments	-	-	-
Materials, goods, supplies and utilities	3,056,972	3,147,184	2,975,023
Provision for allowances	65,000	254,064	42,895
Provision for reclamation	214,286	382,013	251,623
Transfers to individuals and organizations	129,788	161,026	338,987
Bank charges and short term interest	3,700	3,815	3,790
Interest on capital long-term debt	243,412	228,792	218,877
Amortization of tangible capital assets	468,909	4,672,003	4,799,307
Loss on disposal of tangible capital assets	-	-	-
Other expenses	757,348	692,580	497,998
	<u>16,856,619</u>	<u>21,564,113</u>	<u>20,278,553</u>

See accompanying notes to the financial statements

**TOWN OF PEACE RIVER
SCHEDULE OF SEGMENTED DISCLOSURE
DECEMBER 31, 2013
SCHEDULE 6**

	General Government	Protective Services	Transportation Services	Peace Regional Waste Management Company	Recreation & Culture	Environmental Services	Other	Total \$
REVENUE								
Net municipal taxes	8,001,398	-	-	-	-	-	-	8,001,398
Government transfers	619,513	517,807	1,359,423	-	1,018,432	9,798,998	224,606	13,538,779
User fees and sales of goods	13,963	423,995	365,760	2,226,566	498,176	2,985,892	244,138	6,758,490
Investment income	210,870	-	-	31,914	-	-	-	242,784
Other revenues	1,281,898	158,930	130,947	23,852	32,165	59,172	16,290	1,703,254
	<u>10,127,642</u>	<u>1,100,732</u>	<u>1,856,130</u>	<u>2,282,332</u>	<u>1,548,773</u>	<u>12,844,062</u>	<u>485,034</u>	<u>30,244,705</u>
EXPENSES								
Contract & general services	560,114	1,936,099	1,087,430	560,916	661,394	713,545	420,077	5,939,575
Salaries & wages	867,971	735,707	1,930,514	685,973	1,097,399	470,418	295,079	6,083,061
Goods & supplies	90,690	210,000	1,188,123	216,161	555,122	800,051	87,037	3,147,184
Provision for allowances	165,878	46,482	-	-	6,242	35,462	-	254,064
Long term debt interest	-	-	56,310	-	58,028	111,500	2,954	228,792
Other expenses	168,258	16,133	4,753	382,013	380,110	4,962	283,205	1,239,434
	<u>1,852,911</u>	<u>2,944,421</u>	<u>4,267,130</u>	<u>1,845,063</u>	<u>2,758,295</u>	<u>2,135,938</u>	<u>1,088,352</u>	<u>16,892,110</u>
NET REVENUE BEFORE AMORTIZATION	8,274,731	(1,843,689)	(2,411,000)	437,269	(1,209,522)	10,708,124	(603,318)	13,352,595
Amortization expense	<u>(166,930)</u>	<u>(1,195,144)</u>	<u>(2,088,245)</u>	<u>(603,678)</u>	<u>(315,110)</u>	<u>(277,111)</u>	<u>(25,785)</u>	<u>(4,672,003)</u>
NET REVENUE	<u>8,107,801</u>	<u>(3,038,833)</u>	<u>(4,499,245)</u>	<u>(166,409)</u>	<u>(1,524,632)</u>	<u>10,431,013</u>	<u>(629,103)</u>	<u>8,680,592</u>

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, 2013**

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, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Land Improvements	15
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, 2013**

2. CASH AND CASH EQUIVALENTS

	<u>2013</u>	<u>2012</u>
	\$	\$
Cash	4,453,275	14,083,293
Temporary investments	5,142,650	8,120,757
Cash held by Peace Regional Waste Management Company	1,811,854	1,794,273
Trust Assets	14,873	14,484
	<u>11,422,652</u>	<u>24,012,807</u>

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

Included in the above are \$3,857,000 of funds which are externally restricted in use (2012 - \$11,253,400) in the form of deferred grants.

Also included in the above are \$5,738,925 funds internally restricted in use (2012 - \$9,074,331) in the form of restricted surplus.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2013</u>	<u>2012</u>
	\$	\$
Current taxes and grants in place of taxes	127,508	199,924
Arrears taxes	<u>203,857</u>	<u>273,328</u>
	331,365	473,252
Non-current tax arrears	-	-
Less: allowance for doubtful accounts	<u>(72,460)</u>	<u>(72,460)</u>
	<u>258,905</u>	<u>400,792</u>

4. DEFERRED REVENUE

	<u>2013</u>	<u>2012</u>
	\$	\$
Prepaid local improvement charges	<u>345,364</u>	<u>273,544</u>
Developers' agreements	18,002	21,017
Municipal Sustainability Initiative	2,081,330	2,682,010
Proportionate share of deferred revenue in Peace Regional Waste Management Company	344	344
Other deferred grants	<u>1,757,669</u>	<u>8,550,029</u>
	<u>4,202,709</u>	<u>11,526,944</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 2014 and 2029.

Municipal Sustainability Initiative

Funding in the amount of \$1,260,366 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 2014. Unexpended funds related to the advance are supported by restricted cash of \$2,081,330 held exclusively for these projects (refer to Note 2). In addition, \$104,900 operating funding was received in the current year under the same initiative. All operating funds were used in 2013.

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

5. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2013</u>	<u>2012</u>
	<u>\$</u>	<u>\$</u>
Vacation	<u>152,763</u>	<u>150,465</u>

Vacation payable

The vacation liability is comprised of the vacation that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

6. LONG-TERM DEBT

	<u>2013</u>	<u>2012</u>
	<u>\$</u>	<u>\$</u>
Supported by general tax levies	<u>3,373,170</u>	2,452,911
Supported by special levies	<u>2,071,143</u>	2,274,785
Supported by utility rates	<u>717,902</u>	835,110
Total ACFA debentures	<u>6,162,215</u>	5,562,806
Bank loans	<u>595,634</u>	668,155
	<u>6,757,849</u>	<u>6,230,961</u>

The current portion of the long-term debt amounts to \$657,778 (2012 - \$657,778)

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
2014	634,859	302,973	937,832
2015	647,268	270,251	917,519
2016	620,215	236,591	856,806
2017	543,217	205,564	748,781
2018	325,949	184,419	510,368
Thereafter	<u>3,986,341</u>	<u>1,411,207</u>	<u>5,397,548</u>
	<u>6,757,849</u>	<u>2,611,005</u>	<u>9,368,854</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 2014 through 2029. The average annual interest rate is 6.49% for 2013 (6.64% for 2012).

Bank debt is repayable to ATB Financial and Horizon Credit Union. The loans bear interest at rates from 4.25% to 4.5% per annum and mature in periods from 2014 through 2025.

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

Interest on long-term debt amounted to \$228,792 (2012 - \$218,877).

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, 2013

8. TANGIBLE CAPITAL ASSETS OF PEACE REGIONAL WASTE MANAGEMENT COMPANY

	Cost	Accumulated Amortization	Net Book Value 2013	Net Book Value 2012
Land	\$ 27,857	\$ -	\$ 27,857	\$ 27,857
Land Improvements	171,820	71,871	99,949	107,353
Buildings	1,061,905	195,540	866,365	791,532
Engineered Structures	4,197,745	3,165,374	1,032,371	1,363,870
Machinery and Equipment	1,692,008	966,000	726,008	680,997
Vehicles	156,529	79,351	77,178	45,072
	<u>\$ 7,307,864</u>	<u>\$ 4,478,136</u>	<u>\$ 2,829,728</u>	<u>\$ 3,016,681</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:

	2013	2012
	\$	\$
Total debt limit	<u>27,664,572</u>	30,887,400
Total debt	<u>6,757,849</u>	6,230,961
Amount of debt limit unused	<u>20,906,723</u>	24,656,439
Debt servicing limit	<u>4,610,762</u>	5,147,900
Debt servicing	<u>937,832</u>	929,064
Amount of debt servicing limit unused	<u>3,672,930</u>	4,218,836

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

	2013	2012
	\$	\$
Tangible capital assets (Schedule 2)	<u>138,939,149</u>	124,306,056
Tangible capital assets of Peace Regional Waste Management Company	<u>7,307,864</u>	6,891,267
Accumulated amortization (Schedule 2)	<u>(55,961,530)</u>	(51,893,205)
Accumulated amortization of Peace Regional Waste Management Company	<u>(4,478,136)</u>	(3,874,586)
Long-term debt (Note 6)	<u>(6,757,849)</u>	(6,230,961)
	<u>79,049,498</u>	69,198,571

TOWN OF PEACE RIVER
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013

11. ACCUMULATED SURPLUS

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

	2013 \$	2012 \$
Unrestricted surplus (deficit)	<u>(308,322)</u>	288,241
Restricted surplus		
Swimming pool	-	-
FCSS	-	-
Community Development	90,000	90,000
General operating	750,000	1,000,000
Flood prevention	46	46
Fund 1 - Off-site Levies	587,965	809,034
Fund 2 - Town wide facilities	171,340	355,336
Fund 3 - West Hill maintenance	-	-
General contingency	100,000	100,000
Fire department	307,074	314,052
Common services	497,674	597,765
Economic development	82,755	100,000
Information technology	23,606	67,095
Joint regional capital	1,117,980	610,909
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	219,698	227,393
Risk management	50,000	50,000
Transportation & engineering	3,272,803	3,279,253
Water distribution	65,000	65,000
Wastewater treatment plant	306,513	475,621
Recycling and trenching	125,000	125,000
Airport	8,818	83,540
Parks	-	-
Public land reserve	84,345	84,345
General capital	48,419	48,419
Equity in tangible capital assets	<u>79,049,498</u>	69,198,571
	<u><u>87,241,735</u></u>	<u><u>78,561,143</u></u>

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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:

	2013		2012	
	Salary ¹	Benefits & allowances ²	Total	Total
Councillors				
Mayor/Councillor Thomas Tarpey	5,252	-	5,252	4,098
Mayor Lorne Mann	8,842	-	8,842	10,403
Councillor Geoff Milligan	11,566	832	12,398	17,325
Councillor North Darling	9,651	-	9,651	13,111
Councillor Cole George	6,547	-	6,547	7,048
Councillor Robert LaFontaine	5,811	832	6,643	11,252
Councillor Elaine Manzer	2,608	-	2,608	-
Councillor Orren Ford	1,334	-	1,334	-
Councillor Rod Burr	1,077	-	1,077	-
Councillor Tanin Behnke	2,378	-	2,378	-
Councillor Terry Sawchuk	2,820	166	2,986	-
Councillor Colin Needham	14,032	998	15,030	16,675
Chief Administrative Officer ³	230,234	-	230,234	73,035

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 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.47% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2013 were \$354,930 (2012 - \$352,302). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2013 were \$324,915 (2012 - \$322,509).

At December 31, 2012, the LAPP disclosed an unfunded liability of \$5.415 million.

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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.

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, 2013, the amounts of the loans were \$23,642 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, 2013, the balance of the loan is \$40,500. These funds are authorized under Bylaw No. 1780. Additional funding was provided in 2013 in the amount of \$40,000.

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 agreement has yet to be finalized.

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.

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).

20. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.