

12/12/11

Town of Peace River
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

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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 Professional 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.

September 26, 2016


Chief Administrative Officer

Independent Auditors' Report

To the Mayor and Council of Town Of Peace River:

We have audited the accompanying consolidated financial statements of Town Of Peace River, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of operations and accumulated operating surplus, changes 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 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' judgment, 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 Town Of Peace River as at December 31, 2015 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Peace River, Alberta

September 26, 2016

MNP LLP

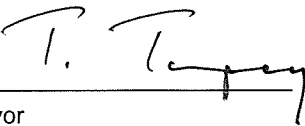
Chartered Professional Accountants

**TOWN OF PEACE RIVER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015 \$	2014 \$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	<u>14,870,880</u>	19,346,041
Receivables		
Taxes and grants in lieu of taxes (Note 3)	2,953,020	3,161,780
Receivable from other governments	3,147,723	805
Trade and other receivables	9,457,251	3,324,119
Land inventory held for resale	28,881	28,881
Long-term investments	30	30
	<u>30,457,785</u>	<u>25,861,656</u>
LIABILITIES		
Accounts payable and accrued liabilities	4,227,922	3,002,959
Deposit liabilities	57,487	71,514
Deferred revenue (Note 4)	7,136,308	4,416,861
Employee benefit obligations (Note 5)	213,126	156,938
Long term debt (Note 6)	13,032,479	13,214,527
Due to related party (Note 7)	857,619	446,250
Post-closure liability (Note 19)	1,652,576	1,384,527
Other Long term Liabilities	-	-
	<u>27,177,517</u>	<u>22,693,576</u>
NET FINANCIAL ASSETS	<u>3,280,268</u>	<u>3,168,080</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	105,087,677	85,928,841
Tangible capital assets of Peace Regional Waste Management Company (Note 8)	2,920,577	3,397,427
Inventory for consumption	-	-
Prepaid expenses	115,286	1,600
	<u>108,123,540</u>	<u>89,327,868</u>
ACCUMULATED SURPLUS (Schedule 1 and Note 11)	<u>111,403,808</u>	<u>92,495,948</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, 2015**

	Budget \$	2015 \$	2014 \$
REVENUE			
Net municipal property taxes (Schedule 3)	10,676,880	10,383,408	8,986,954
User fees and sale of goods	5,741,442	5,597,403	5,089,750
Peace Regional Waste Management Company	3,449,529	1,804,148	3,195,186
Government transfers for operating (Schedule 4)	1,799,905	2,416,509	2,037,975
Investment income	75,000	270,837	208,880
Penalties and costs on taxes	691,952	549,070	178,412
Franchise and concession contracts	1,119,996	1,003,568	940,927
Other revenues	170,289	1,005,367	244,902
Total revenues	<u>23,724,993</u>	<u>23,030,310</u>	<u>20,882,986</u>
EXPENSES			
Operating			
Legislative	438,936	506,230	704,978
Administration	1,766,894	2,024,528	1,729,570
Protective services	3,316,057	3,520,541	3,182,980
Transportation	4,610,599	8,234,302	7,271,305
Water supply and distribution	1,409,037	2,289,859	2,036,611
Wastewater treatment and disposal	1,029,408	710,517	643,095
Waste management	333,545	326,225	340,135
Peace Regional Waste Management Company	2,053,286	2,927,524	2,951,516
Public health and economic development	1,259,297	1,538,005	985,873
Recreation and parks	3,372,672	3,934,773	3,221,666
Writedown of tangible capital assets	-	-	372,622
Total Expenses	<u>19,589,731</u>	<u>26,012,504</u>	<u>23,440,351</u>
SHORTFALL OF REVENUE OVER EXPENSES - BEFORE OTHER	4,135,262	(2,982,194)	(2,557,365)
OTHER			
Development Levies and Other Contributions	5,709,164	15,149,789	1,127,729
Contributed assets	-	-	-
Government transfers for capital (Schedule 4)	20,660,603	6,740,285	3,095,311
EXCESS OF REVENUE OVER EXPENSES	30,505,029	18,907,880	1,665,675
ACCUMULATED SURPLUS, BEGINNING OF YEAR	92,495,948	92,495,948	90,830,273
ACCUMULATED SURPLUS, END OF YEAR	<u>123,000,977</u>	<u>111,403,828</u>	<u>92,495,948</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, 2015**

	Budget \$	2015 \$	2014 \$
	<u> </u>	<u> </u>	<u> </u>
EXCESS OF REVENUES OVER EXPENSES	30,505,029	18,907,880	1,665,675
Acquisition of tangible capital assets	(7,667,244)	(24,545,840)	(7,678,778)
Proportionate share of acquisition of tangible capital assets of Peace Regional Waste Management Company	(967,286)	(653,764)	(1,405,966)
Amortization of tangible capital assets	-	5,387,004	4,344,775
Proportionate share of amortization of tangible capital assets of Peace Regional Waste Management Company	-	1,130,614	838,267
Writedown of tangible capital assets	-	-	382,781
	<u>(8,634,530)</u>	<u>(18,681,986)</u>	<u>(3,518,921)</u>
Use of prepaid assets	-	1,600	-
Acquisition of prepaid assets	-	(115,286)	-
	<u>-</u>	<u>(113,686)</u>	<u>-</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	21,870,499	112,208	(1,853,246)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	3,168,060	3,168,060	5,021,306
NET FINANCIAL ASSETS, END OF YEAR	<u>25,038,559</u>	<u>3,280,268</u>	<u>3,168,060</u>

**TOWN OF PEACE RIVER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015 \$	2014 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	18,907,880	1,665,675
Non-cash items included in shortfall of revenues over expenses:		
Amortization of tangible capital assets	6,517,618	5,183,042
Write down of tangible capital assets	-	382,781
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	208,760	351,262
Decrease (increase) in trade and other receivables	(6,133,132)	1,381,927
Decrease (increase) in receivable from other governments	(3,146,918)	-
Decrease (increase) in prepaid expenses	(113,686)	-
Decrease (increase) in accounts payable and accrued liabilities	1,224,963	1,054,422
Decrease (increase) in deposit liabilities	(14,027)	351,044
Decrease (increase) in deferred revenue	2,719,447	578,170
Increase in post closure liability	268,049	(85,177)
Decrease in inventory for consumption	-	-
Increase in employee benefit obligations	56,188	4,175
Cash provided by operating transactions	<u>20,495,142</u>	<u>10,867,321</u>
CAPITAL		
Acquisition of tangible capital assets	(24,545,840)	(7,678,778)
Proportionate share of acquisition of tangible capital assets by Peace Regional Waste Management Company	(653,764)	(1,405,966)
Cash applied to capital transactions	<u>(25,199,604)</u>	<u>(9,084,744)</u>
FINANCING		
New debt issued	905,000	7,147,138
Due to related party	411,369	(315,886)
Long-term debt repaid	(1,087,068)	(690,440)
Cash applied to financing transactions	<u>229,301</u>	<u>6,140,812</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(4,475,161)	7,923,389
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>19,346,041</u>	<u>11,422,652</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)	<u><u>14,870,880</u></u>	<u><u>19,346,041</u></u>

See accompanying notes to the financial statements

**TOWN OF PEACE RIVER
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
DECEMBER 31, 2015
SCHEDULE 1**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2015 \$	2014 \$
BALANCE, BEGINNING OF YEAR	4,704,066	11,680,162	76,111,720	92,495,948	90,830,273
Excess (deficiency) of revenues over expenses	18,907,880	-	-	18,907,880	1,665,675
Current year funds used for tangible capital assets	(23,462,538)	-	23,462,538	-	-
Funds transferred to restricted surplus	(2,794,558)	2,794,558	-	-	-
Restricted funds used for tangible capital assets	-	(1,737,067)	1,737,067	-	-
Current year amortization	6,517,618	-	(6,517,618)	-	-
New debt issued	905,000	-	(905,000)	-	-
Long term debt repaid	(1,087,068)	-	1,087,068	-	-
Change in accumulated surplus	(1,013,666)	1,057,491	18,864,055	18,907,880	1,665,675
BALANCE, END OF YEAR	3,690,400	12,737,653	94,975,775	111,403,828	92,495,948

**TOWN OF PEACE RIVER
SCHEDULE OF TANGIBLE CAPITAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
SCHEDULE 2**

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2015 \$	2014 \$
COST:							
BALANCE, BEGINNING OF YEAR	3,705,395	35,811,373	91,088,177	12,573,749	2,663,411	145,842,105	138,939,149
Acquisition of tangible capital assets	-	4,645,985	17,021,736	1,000,421	-	22,668,142	7,514,791
Work in progress	-	158,895	1,683,014	35,789	-	1,877,698	163,987
Writedown of tangible capital assets	-	-	-	-	-	-	(775,822)
BALANCE, END OF YEAR	3,705,395	40,616,253	109,792,927	13,609,959	2,663,411	170,387,945	145,842,105
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	13,980,070	36,465,158	7,927,069	1,540,967	59,913,264	55,961,530
Annual amortization	-	1,060,501	3,621,320	552,333	152,850	5,387,004	4,344,775
Accumulated amortization on writedowns	-	-	-	-	-	-	(393,041)
BALANCE, END OF YEAR	-	15,040,571	40,086,478	8,479,402	1,693,817	65,300,268	59,913,264
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	3,705,395	25,575,682	69,706,449	5,130,557	969,594	105,087,677	85,928,841
2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<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>	

**TOWN OF PEACE RIVER
 SCHEDULE OF PROPERTY TAXES LEVIED
 FOR THE YEAR ENDED DECEMBER 31, 2015
 SCHEDULE 3**

	Budget \$	2015 \$	2014 \$
TAXATION			
Real property taxes	12,985,634	12,971,889	11,074,550
Linear property taxes	211,509	209,281	254,085
Government grants in place of property taxes	276,461	276,431	519,733
Special assessments and local improvement taxes	277,469	-	-
	<u>13,751,073</u>	<u>13,457,601</u>	<u>11,848,368</u>
REQUISITIONS			
Alberta School Foundation Fund	2,756,848	2,756,848	2,646,804
North Peace Housing Foundation	317,345	317,345	214,610
	<u>3,074,193</u>	<u>3,074,193</u>	<u>2,861,414</u>
NET MUNICIPAL TAXES	<u>10,676,880</u>	<u>10,383,408</u>	<u>8,986,954</u>

**TOWN OF PEACE RIVER
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2015
SCHEDULE 4**

	Budget \$	2015 \$	2014 \$
	<u> </u>	<u> </u>	<u> </u>
TRANSFERS FOR OPERATING:			
Provincial Government	915,556	1,177,270	850,486
Federal Government	13,500	12,413	12,197
Other Local Governments	870,849	1,226,826	1,175,292
	<u>1,799,905</u>	<u>2,416,509</u>	<u>2,037,975</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	20,660,603	6,740,285	3,095,311
Other Local Governments	-	-	-
	<u>20,660,603</u>	<u>6,740,285</u>	<u>3,095,311</u>
TOTAL GOVERNMENT TRANSFERS	<u>22,460,508</u>	<u>9,156,794</u>	<u>5,133,286</u>

See accompanying notes to the financial statements

**TOWN OF PEACE RIVER
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2015
SCHEDULE 5**

	Budget \$	2015 \$	2014 \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	7,179,191	7,240,530	6,489,947
Contracted and general services	6,929,969	6,643,235	5,915,230
Purchases from other governments	-	-	-
Materials, goods, supplies and utilities	3,514,632	3,653,782	3,409,202
Provision for allowances	100,500	74,656	124,994
Provision for reclamation	471,429	268,050	558,083
Transfers to individuals and organizations	101,988	65,280	342,684
Bank charges and short term interest	3,996	4,409	8,317
Interest on capital long-term debt	466,031	467,544	321,195
Amortization of tangible capital assets	-	6,517,618	5,183,042
Writedown of tangible capital assets	-	-	372,622
Other expenses	821,995	1,077,400	715,035
	<u>19,589,731</u>	<u>26,012,504</u>	<u>23,440,351</u>

See accompanying notes to the financial statements

**TOWN OF PEACE RIVER
SCHEDULE OF SEGMENTED DISCLOSURE
DECEMBER 31, 2015
SCHEDULE 6**

	General Government	Protective Services	Transportation Services	Peace Regional Waste Management Company	Recreation & Culture	Environmental Services	Other	Total \$
REVENUE								
Net municipal taxes	10,383,408	-	-	-	-	-	-	10,383,408
Government transfers	898,139	759,903	2,007,751	1,773,748	1,018,250	3,837,135	635,614	10,930,540
User fees and sales of goods	10,008	574,868	665,414	-	578,401	3,803,857	(35,144)	5,597,404
Investment income	270,837	-	-	25,005	-	-	-	295,842
Other revenues	1,137,673	451,977	14,587,081	5,395	783,083	416,691	331,290	17,713,190
	<u>12,700,065</u>	<u>1,786,748</u>	<u>17,260,246</u>	<u>1,804,148</u>	<u>2,379,734</u>	<u>8,057,683</u>	<u>931,760</u>	<u>44,920,384</u>
EXPENSES								
Contract & general services	908,135	2,351,373	889,236	369,042	842,971	726,063	556,415	6,643,235
Salaries & wages	1,141,612	662,249	2,173,666	838,076	1,294,455	602,019	528,453	7,240,530
Goods & supplies	85,630	208,350	1,340,372	336,213	557,040	976,222	149,955	3,653,782
Provision for allowances	88,997	-	-	(14,471)	-	130	-	74,656
Long term debt interest	-	-	90,908	-	70,569	304,205	1,862	467,544
Other expenses	232,817	17,498	-	268,050	600,398	142	296,234	1,415,139
	<u>2,457,191</u>	<u>3,239,470</u>	<u>4,494,182</u>	<u>1,796,910</u>	<u>3,365,433</u>	<u>2,608,781</u>	<u>1,532,919</u>	<u>19,494,886</u>
NET REVENUE BEFORE AMORTIZATION	10,242,874	(1,452,722)	12,766,064	7,238	(985,699)	5,448,902	(601,159)	25,425,498
Amortization expense	(73,568)	(281,072)	(3,740,118)	(1,130,614)	(569,340)	(717,821)	(5,085)	(6,517,618)
NET REVENUE	<u>10,169,306</u>	<u>(1,733,794)</u>	<u>9,025,946</u>	<u>(1,123,376)</u>	<u>(1,555,039)</u>	<u>4,731,081</u>	<u>(606,244)</u>	<u>18,907,880</u>

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2015**

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, 2015**

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, 2015**

2. CASH AND CASH EQUIVALENTS

	<u>2015</u>	<u>2014</u>
	\$	\$
Cash	8,291,312	13,281,870
Temporary investments	5,324,615	5,221,764
Cash held by Peace Regional Waste Management Company	1,239,945	827,425
Trust Assets	15,008	14,982
	<u>14,870,880</u>	<u>19,346,041</u>

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

Included in the above are \$7,136,308 of funds which are externally restricted in use (2014 - \$4,416,517) in the form of deferred grants.

Also included in the above are \$7,734,228 funds internally restricted in use (2014 - \$11,454,840) in the form of restricted surplus.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2015</u>	<u>2014</u>
	\$	\$
Current taxes and grants in place of taxes	201,128	149,770
Local improvement taxes	2,704,114	2,976,668
Arrears taxes	120,238	107,802
	<u>3,025,480</u>	<u>3,234,240</u>
Non-current tax arrears	-	-
Less: allowance for doubtful accounts	(72,460)	(72,460)
	<u>2,953,020</u>	<u>3,161,780</u>

4. DEFERRED REVENUE

	<u>2015</u>	<u>2014</u>
	\$	\$
Developers' agreements	11,971	14,986
Municipal Sustainability Initiative	3,123,485	2,514,967
Proportionate share of deferred revenue in Peace Regional Waste Management Company	-	344
Other deferred grants	4,000,852	1,886,564
	<u>7,136,308</u>	<u>4,416,861</u>

Municipal Sustainability Initiative

Funding in the amount of \$1,736,254 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 2016. Unexpended funds related to the advance are supported by restricted cash of \$3,123,485 held exclusively for these projects (refer to Note 2). In addition, \$62,085 operating funding was received in the current year under the same initiative. All operating funds were used in 2015.

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

5. EMPLOYEE BENEFIT OBLIGATIONS

	2015	2014
	\$	\$
Vacation	208,363	154,055
Accrued overtime/time off in lieu	4,763	2,883
	<u>213,126</u>	<u>156,938</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

	2015	2014
	\$	\$
Supported by general tax levies	3,615,140	3,075,275
Supported by special levies	1,515,451	1,679,275
Supported by utility rates	7,360,242	7,880,247
Total ACFA debentures	12,490,833	12,634,797
Bank loans	541,646	579,730
	<u>13,032,479</u>	<u>13,214,527</u>

The current portion of the long-term debt amounts to \$1,093,308 (2014 - \$1,012,095)

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2016	1,119,062	416,912	1,535,974
2017	1,054,772	373,254	1,428,026
2018	851,442	339,153	1,190,595
2019	868,615	311,678	1,180,293
2020	873,772	284,596	1,158,368
Thereafter	8,264,816	1,473,113	9,737,929
	<u>13,032,479</u>	<u>3,198,706</u>	<u>16,231,185</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.603% to 10.75% per annum and matures in periods 2016 through 2029. The average annual interest rate is 5.38% for 2015 (6.02% for 2014).

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 \$467,544 (2014 - \$321,195).

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, 2015

8. TANGIBLE CAPITAL ASSETS OF PEACE REGIONAL WASTE MANAGEMENT COMPANY

	Cost	Accumulated Amortization	Net Book Value 2015	Net Book Value 2014
Land	\$ 27,857	\$ -	\$ 27,857	\$ 27,857
Land Improvements	349,896	93,802	256,094	92,545
Buildings	1,164,645	286,287	878,358	833,411
Engineered Structures	5,753,845	4,695,504	1,058,341	1,696,145
Machinery and Equipment	1,875,024	1,250,766	624,258	675,467
Vehicles	196,323	120,654	75,669	72,002
	<u>\$ 9,367,590</u>	<u>\$ 6,447,013</u>	<u>\$ 2,920,577</u>	<u>\$ 3,397,427</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:

	2015	2014
	\$	\$
Total debt limit	<u>34,545,465</u>	31,324,479
Total debt	<u>13,032,479</u>	13,214,527
Amount of debt limit unused	<u>21,512,986</u>	18,109,952
Debt servicing limit	<u>5,757,578</u>	5,220,747
Debt servicing	<u>1,535,974</u>	1,346,510
Amount of debt servicing limit unused	<u>4,221,604</u>	3,874,237

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

	2015	2014
	\$	\$
Tangible capital assets (Schedule 2)	<u>170,387,945</u>	145,842,105
Tangible capital assets of Peace Regional Waste Management Company (Note 8)	<u>9,367,590</u>	8,713,828
Accumulated amortization (Schedule 2)	<u>(65,300,268)</u>	(59,913,264)
Accumulated amortization of Peace Regional Waste Management Company (Note 8)	<u>(6,447,013)</u>	(5,316,402)
Long-term debt (Note 6)	<u>(13,032,479)</u>	(13,214,527)
	<u>94,975,775</u>	76,111,740

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

11. ACCUMULATED SURPLUS

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

	2015 \$	2014 \$
Unrestricted surplus (deficit)	<u>3,690,400</u>	<u>4,704,046</u>
Restricted surplus		
Local improvements	2,939,309	3,235,694
Infrastructure renewal	884,586	823,903
Community Development	73,174	85,950
General operating	250,000	750,000
Flood prevention	46	46
Fund 1 - Off-site Levies	1,019,772	365,618
Fund 2 - Town wide facilities	20,655	150,597
Safe Community	103,522	-
General contingency	36,832	36,832
Fire department	61,898	5,738
Common services	254,873	284,522
Economic development	41,735	47,523
Information technology	15,106	15,106
Joint regional capital	1,121,883	1,195,138
Landfill post closure	263,300	263,300
Legal contingency	55,276	55,276
Low flow replacement program	7,354	7,354
Museum	28,793	11,380
Peace Regional Waste Management Company	254,213	254,213
Recreation	127,887	180,760
Risk management	50,000	50,000
Transportation & engineering	3,433,827	3,176,516
Water distribution	197,307	57,307
Wastewater treatment plant	132,188	200,803
Recycling and trenching	125,000	125,000
Airport	81,305	8,818
Arena replacement	1,025,045	-
Public land reserve	84,345	84,345
General capital	48,422	208,423
	<u>12,737,653</u>	<u>11,680,162</u>
Equity in tangible capital assets	<u>94,975,775</u>	<u>76,111,740</u>
	<u>111,403,828</u>	<u>92,495,948</u>

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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:

	2015			2014
	2015			2014
	\$			\$
	Base Salary ¹	Meeting Fees	Benefits & allowances ²	Total
				Total
Councillors				
Mayor Tarpey	19,872	4,713	-	24,585
Deputy Mayor Manzer	14,904	22,166	130	37,200
Councillor Ford	12,420	8,474	-	20,894
Councillor Burr	12,420	4,961	-	17,381
Councillor Behnke	12,420	4,680	-	17,100
Councillor Sawchuk	12,420	9,067	128	21,615
Councillor Needham	12,420	14,041	128	26,589
Chief Administrative Officer				
C. Parker	32,905	-	4,726	37,631
K. Bunn	87,573	-	-	87,573

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 2015 were \$469,219 (2014 - \$413,706). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2015 were \$430,954 (2014 - \$379,968).

At December 31, 2014, the LAPP disclosed an unfunded liability of \$2.455 billion.

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

14. COMMITMENTS

The Town has signed various contracts in the ordinary course of operations committing them to future cash payments. None of these commitments are expected to impact the Town's risk assessments.

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, 2015, 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 not recorded a liability in relation to this guarantee.

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, 2016. The purpose of the loan is to assist in the interim financing of the Curling Club roof repairs. At December 31, 2015, the balance of the loan is \$42,500. These funds are authorized under Bylaw No. 1780. The loan is included in the Town's trade and other receivables.

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 and expires in December 2016.

The Town is a defendant in various lawsuits as at December 31, 2015. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition, and the amount of loss can be reasonably estimated, amounts have been included within accrued liabilities. Where the resulting loss, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded, and the Town's Administration believes there will be no material adverse effect on the Town's financial position.

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).

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 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>2015</u>	<u>2014</u>
	<u>\$</u>	<u>\$</u>
Cash and cash equivalents	1,239,945	827,424
Trade and other receivables	768,400	1,161,834
Total Financial Assets	<u>2,008,345</u>	<u>1,989,258</u>
Accounts payable and accrued liabilities	147,533	149,234
Deferred revenue	-	344
Due to Northern Sunrise County	857,619	446,250
Post closure liability	1,652,576	1,384,527
Total liabilities	<u>2,657,728</u>	<u>1,980,355</u>
Tangible capital assets	2,920,577	3,397,427
Prepays	11,761	-
Total Non-Financial Assets	<u>2,932,338</u>	<u>3,397,427</u>
Municipal tippage	267,232	206,595
Recycling	26,250	19,599
Industrial tippage	1,480,266	2,919,924
Other	5,395	12,453
Return on investments	25,005	36,615
Total Revenues	<u>1,804,148</u>	<u>3,195,186</u>
Salaries, wages and benefits	838,076	801,034
Contracted services	369,042	472,149
Material, goods and utilities	336,213	267,617
Provision for allowances	(14,471)	14,367
Provision for reclamation	268,050	558,083
Amortization of tangible capital assets	1,130,614	838,267
Total Expenditures	<u>2,927,524</u>	<u>2,951,517</u>

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 2015, an amount of \$3.70 per tonne of waste was used as the post-closure liability expense (2015 - \$3.70). In 2014, this rate was applied against 169,040 tonnes of waste (2014 - \$3.70 against 351,944 tonnes), resulting in a current period expense of \$625,449 (2014 - \$1,302,193) in Peace Regional Waste Management Company.

20. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.