

12/12/11

Town of Peace River
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

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Management's Responsibility

To the Mayor and Council of Town of Peace River:

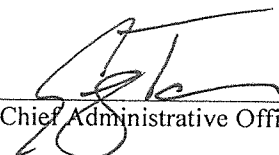
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting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

May 23, 2017



Chief Administrative Officer



Independent Auditors' Report

To the 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, 2016, and the consolidated statements of financial activities, changes in net financial assets (net debt) 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, 2016 and the results of its operations, changes in net financial assets (net debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Peace River, Alberta

May 23, 2017

MNP LLP

Chartered Professional Accountants



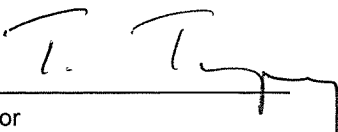
ACCOUNTING > CONSULTING > TAX
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**TOWN OF PEACE RIVER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016**

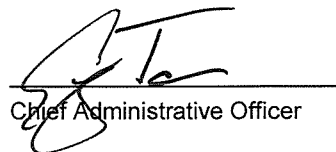
	2016 \$	2015 \$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	<u>18,380,966</u>	<u>14,870,880</u>
Receivables		
Taxes and grants in lieu of taxes (Note 3)	3,007,189	2,953,020
Receivable from other governments	4,807,314	3,147,723
Trade and other receivables	2,436,629	9,457,251
Land inventory held for resale	28,881	28,881
Long-term investments	30	30
	<u>28,661,009</u>	<u>30,457,785</u>
LIABILITIES		
Accounts payable and accrued liabilities	4,075,168	4,227,922
Deposit liabilities	54,851	57,487
Deferred revenue (Note 4)	6,506,707	7,136,308
Employee benefit obligations (Note 5)	186,059	213,126
Long term debt (Note 6)	11,911,117	13,032,479
Due to related party (Note 7)	11,897	857,619
Post-closure liability (Note 19)	1,869,141	1,652,576
Other Long term Liabilities	-	-
	<u>24,614,940</u>	<u>27,177,517</u>
NET FINANCIAL ASSETS	<u>4,046,069</u>	<u>3,280,268</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	108,140,999	105,087,677
Tangible capital assets of Peace Regional Waste Management Company (Note 8)	2,166,849	2,920,577
Inventory for consumption	-	-
Prepaid expenses	291,192	115,286
	<u>110,599,040</u>	<u>108,123,540</u>
ACCUMULATED SURPLUS (Schedule 1 and Note 11)	<u>114,645,109</u>	<u>111,403,808</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, 2016**

	Budget \$	2016 \$	2015 \$
REVENUE			
Net municipal property taxes (Schedule 3)	10,705,975	10,745,535	10,383,408
User fees and sale of goods	5,396,839	4,330,540	5,597,403
Peace Regional Waste Management Company	1,337,185	1,412,157	1,804,128
Government transfers for operating (Schedule 4)	2,291,130	2,785,186	2,416,509
Investment income	200,000	170,379	270,837
Penalties and costs on taxes	659,042	703,820	549,070
Franchise and concession contracts	1,120,702	1,047,790	1,003,568
Other revenues	142,615	1,142,397	1,005,367
Total revenues	21,853,488	22,337,804	23,030,290
EXPENSES			
Operating			
Legislative	296,383	255,255	270,114
Administration	1,950,320	2,142,016	2,260,644
Protective services	3,283,076	3,202,024	3,520,541
Transportation	4,199,443	8,199,657	8,234,302
Water supply and distribution	1,928,462	2,682,592	2,289,859
Wastewater treatment and disposal	1,175,776	835,122	710,517
Waste management	334,500	315,445	326,225
Peace Regional Waste Management Company	2,158,157	2,157,868	2,927,524
Public health and economic development	1,434,172	1,163,869	1,538,005
Recreation and parks	3,142,400	3,465,262	3,934,773
Writedown of tangible capital assets	-	-	-
Total Expenses	19,902,688	24,419,110	26,012,504
SHORTFALL OF REVENUE OVER EXPENSES - BEFORE OTHER	1,950,800	(2,081,306)	(2,982,214)
OTHER			
Development Levies and Other Contributions	-	35,384	15,149,789
Government transfers for capital (Schedule 4)	13,656,427	5,287,223	6,740,285
EXCESS OF REVENUE OVER EXPENSES	15,607,227	3,241,301	18,907,860
ACCUMULATED SURPLUS, BEGINNING OF YEAR	111,403,808	111,403,808	92,495,948
ACCUMULATED SURPLUS, END OF YEAR	127,011,035	114,645,109	111,403,808

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, 2016**

	Budget \$	2016 \$	2015 \$
EXCESS OF REVENUES OVER EXPENSES	<u>15,607,227</u>	<u>3,241,301</u>	<u>18,907,860</u>
Acquisition of tangible capital assets	(7,667,244)	(8,815,303)	(24,545,840)
Proportionate share of acquisition of tangible capital assets of Peace Regional Waste Management Company	(27,857)	(3,700)	(653,764)
Amortization of tangible capital assets	-	5,761,981	5,387,004
Proportionate share of amortization of tangible capital assets of Peace Regional Waste Management Company	857,143	757,429	1,130,614
Writedown of tangible capital assets	-	-	-
	<u>(6,837,958)</u>	<u>(2,299,593)</u>	<u>(18,681,986)</u>
Use of prepaid assets	-	127,047	1,600
Acquisition of prepaid assets	-	(302,954)	(115,266)
	<u>-</u>	<u>(175,907)</u>	<u>(113,666)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	8,769,269	765,801	112,208
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>3,280,268</u>	<u>3,280,268</u>	<u>3,168,060</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>12,049,537</u>	<u>4,046,069</u>	<u>3,280,268</u>

**TOWN OF PEACE RIVER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016 \$	2015 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	3,241,301	18,907,860
Non-cash items included in shortfall of revenues over expenses:		
Amortization of tangible capital assets	6,519,409	6,517,618
Write down of tangible capital assets	-	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(54,169)	208,780
Decrease (increase) in trade and other receivables	7,020,622	(6,133,132)
Decrease (increase) in receivable from other governments	(1,659,591)	(3,146,918)
Decrease (increase) in prepaid expenses	(175,906)	(113,686)
Decrease (increase) in accounts payable and accrued liabilities	(152,754)	1,224,963
Decrease (increase) in deposit liabilities	(2,636)	(14,027)
Decrease (increase) in deferred revenue	(629,601)	2,719,447
Increase in post closure liability	216,565	268,049
Decrease in inventory for consumption	-	-
Increase (decrease) in employee benefit obligations	(27,067)	56,188
Cash provided by operating transactions	<u>14,296,173</u>	<u>20,495,142</u>
CAPITAL		
Acquisition of tangible capital assets	(8,815,303)	(24,545,840)
Proportionate share of acquisition of tangible capital assets by Peace Regional Waste Management Company	(3,700)	(653,764)
Cash applied to capital transactions	<u>(8,819,003)</u>	<u>(25,199,604)</u>
FINANCING		
New debt issued	-	905,000
Due to related party	(845,722)	411,369
Long-term debt repaid	(1,121,362)	(1,087,068)
Cash applied to financing transactions	<u>(1,967,084)</u>	<u>229,301</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	3,510,086	(4,475,161)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>14,870,880</u>	<u>19,346,041</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)	<u><u>18,380,966</u></u>	<u><u>14,870,880</u></u>

See accompanying notes to the financial statements

**TOWN OF PEACE RIVER
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
DECEMBER 31, 2016
SCHEDULE 1**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016 \$	2015 \$
BALANCE, BEGINNING OF YEAR	3,690,380	12,737,653	94,975,775	111,403,808	92,495,948
Excess (deficiency) of revenues over expenses	3,241,301	-	-	3,241,301	18,907,860
Current year funds used for tangible capital assets	(5,068,458)	-	5,068,458	-	-
Funds transferred to restricted surplus	(3,267,914)	3,267,914	-	-	-
Restricted funds used for tangible capital assets	-	(3,750,545)	3,750,545	-	-
Current year amortization	6,519,409	-	(6,519,409)	-	-
Long term debt repaid	(1,121,362)	-	1,121,362	-	-
Change in accumulated surplus	302,976	(482,631)	3,420,956	3,241,301	18,907,860
BALANCE, END OF YEAR	3,993,356	12,255,022	98,396,731	114,645,109	111,403,808

**TOWN OF PEACE RIVER
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016
SCHEDULE 2**

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2016 \$	2015 \$
COST:							
BALANCE, BEGINNING OF YEAR	3,705,395	40,616,253	109,792,927	13,609,959	2,663,411	170,387,945	145,842,105
Acquisition of tangible capital assets	-	3,308,061	3,862,789	209,697	93,347	7,473,894	22,668,142
Work in progress	-	596,445	744,964	-	-	1,341,409	1,877,698
Writedown of tangible capital assets	-	-	-	-	-	-	-
BALANCE, END OF YEAR	3,705,395	44,520,759	114,400,680	13,819,656	2,756,758	179,203,248	170,387,945
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	15,040,571	40,086,478	8,479,402	1,693,817	65,300,268	59,913,264
Annual amortization	-	946,859	4,158,125	336,948	320,049	5,761,981	5,387,004
Accumulated amortization on writedowns	-	-	-	-	-	-	-
BALANCE, END OF YEAR	-	15,987,430	44,244,603	8,816,350	2,013,866	71,062,249	65,300,268
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	3,705,395	28,533,329	70,156,077	5,003,306	742,892	108,140,999	105,087,677
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	3,705,395	25,575,682	69,706,449	5,130,557	969,594	105,087,677	

**TOWN OF PEACE RIVER
SCHEDULE OF PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2016
SCHEDULE 3**

	Budget \$	2016 \$	2015 \$
TAXATION			
Real property taxes	13,458,843	13,574,194	12,971,889
Linear property taxes	281,636	219,773	209,281
Government grants in place of property taxes	284,566	273,875	276,431
Special assessments and local improvement taxes	-	-	-
	<u>14,025,045</u>	<u>14,067,842</u>	<u>13,457,601</u>
REQUISITIONS			
Alberta School Foundation Fund	2,953,960	2,957,401	2,756,848
North Peace Housing Foundation	365,110	364,906	317,345
	<u>3,319,070</u>	<u>3,322,307</u>	<u>3,074,193</u>
NET MUNICIPAL TAXES	<u>10,705,975</u>	<u>10,745,535</u>	<u>10,383,408</u>

**TOWN OF PEACE RIVER
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2016
SCHEDULE 4**

	Budget \$	2016 \$	2015 \$
	<hr/>	<hr/>	<hr/>
TRANSFERS FOR OPERATING:			
Provincial Government	1,219,735	1,166,958	1,155,299
Federal Government	13,500	13,433	12,413
Other Local Governments	<u>1,057,895</u>	<u>1,604,795</u>	<u>1,248,797</u>
	<u>2,291,130</u>	<u>2,785,186</u>	<u>2,416,509</u>
 TRANSFERS FOR CAPITAL:			
Provincial Government	13,656,427	4,234,545	6,740,285
Other Local Governments	-	1,052,678	-
	<u>13,656,427</u>	<u>5,287,223</u>	<u>6,740,285</u>
 TOTAL GOVERNMENT TRANSFERS			
	<u><u>15,947,557</u></u>	<u><u>8,072,409</u></u>	<u><u>9,156,794</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, 2016**

SCHEDULE 5	Budget \$	2016 \$	2015 \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	7,746,666	7,743,192	7,240,530
Contracted and general services	6,311,163	4,597,297	6,643,235
Purchases from other governments	-	-	-
Materials, goods, supplies and utilities	3,438,880	4,058,947	3,653,782
Provision for allowances	90,200	83,946	74,656
Provision for reclamation	158,571	216,565	268,050
Transfers to individuals and organizations	111,056	94,723	65,280
Bank charges and short term interest	3,996	4,676	4,409
Interest on capital long-term debt	417,242	416,381	467,544
Amortization of tangible capital assets	857,143	6,519,411	6,517,618
Writedown of tangible capital assets	-	-	-
Other expenses	767,771	683,972	1,077,400
	<u>19,902,688</u>	<u>24,419,110</u>	<u>26,012,504</u>

See accompanying notes to the financial statements

**TOWN OF PEACE RIVER
SCHEDULE OF SEGMENTED DISCLOSURE
DECEMBER 31, 2016**

SCHEDULE 6	General Government	Protective Services	Transportation Services	Peace Regional Waste Management Company	Recreation & Culture	Environmental Services	Other	Total \$
REVENUE								
Net municipal taxes	10,745,535	-	-	-	-	-	-	10,745,535
Government transfers	743,280	703,500	3,438,488	2,678	2,110,650	356,722	717,091	8,072,409
User fees and sales of goods	10,814	95,810	250,552	1,389,516	531,608	3,402,671	39,085	5,720,056
Investment income	170,379	-	-	16,914	-	-	-	187,293
Other revenues	1,344,105	782,653	601,216	5,727	123,803	23,629	53,985	2,935,118
	13,014,113	1,581,963	4,290,256	1,414,835	2,766,061	3,783,022	810,161	27,660,411
EXPENSES								
Contract & general services	570,081	1,831,312	526,725	333,125	525,098	485,371	325,585	4,597,297
Salaries & wages	1,388,815	857,114	1,884,269	670,308	1,377,815	988,611	576,260	7,743,192
Goods & supplies	161,480	189,755	1,469,062	180,441	704,844	1,197,805	155,560	4,058,947
Provision for allowances	81,235	13,488	-	-	-	-	-	94,723
Long term debt interest	-	-	94,630	-	44,847	276,904	-	416,381
Other expenses	124,890	24,078	171,012	216,565	388,235	-	64,379	989,159
	2,326,501	2,915,747	4,145,698	1,400,439	3,040,839	2,948,691	1,121,784	17,899,699
NET REVENUE BEFORE AMORTIZATION	10,687,612	(1,333,784)	144,558	14,396	(274,778)	834,331	(311,623)	9,760,712
Amortization expense	(97,025)	(212,037)	(3,712,613)	(757,429)	(824,999)	(790,749)	(124,559)	(6,519,411)
NET REVENUE	10,590,587	(1,545,821)	(3,568,055)	(743,033)	(1,099,777)	43,582	(436,182)	3,241,301

**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	-	1,018,250	3,837,135	635,614	9,156,792
User fees and sales of goods	10,008	574,868	665,414	1,773,748	578,401	3,803,857	(35,144)	7,371,152
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
	12,700,065	1,786,748	17,260,246	1,804,148	2,379,734	8,057,683	931,760	44,920,384
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
	2,457,191	3,239,470	4,494,182	1,796,910	3,365,433	2,608,781	1,532,919	19,494,886
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	10,169,306	(1,733,794)	9,025,946	(1,123,376)	(1,555,039)	4,731,081	(606,244)	18,907,880

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016**

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, 2016**

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, 2016**

2. CASH AND CASH EQUIVALENTS

	<u>2016</u>	<u>2015</u>
	\$	\$
Cash	12,103,576	8,291,312
Temporary investments	5,380,177	5,324,615
Cash held by Peace Regional Waste Management Company	882,192	1,239,945
Trust Assets	15,021	15,008
	<u>18,380,966</u>	<u>14,870,880</u>

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

Included in the above are \$6,506,707 of funds which are externally restricted in use (2015 - \$7,136,308) in the form of deferred grants.

Also included in the above are \$11,932,202 funds internally restricted in use (2015 - \$7,734,228) in the form of restricted surplus.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2016</u>	<u>2015</u>
	\$	\$
Current taxes and grants in place of taxes	403,575	201,128
Local improvement taxes	2,433,255	2,704,114
Arrears taxes	242,819	120,238
	<u>3,079,649</u>	<u>3,025,480</u>
Non-current tax arrears	-	-
Less: allowance for doubtful accounts	(72,460)	(72,460)
	<u>3,007,189</u>	<u>2,953,020</u>

4. DEFERRED REVENUE

	<u>2016</u>	<u>2015</u>
	\$	\$
Developers' agreements	8,955	11,971
Municipal Sustainability Initiative	2,146,979	3,123,485
Proportionate share of deferred revenue in Peace Regional Waste Management Company	-	-
Other deferred grants	4,350,773	4,000,852
	<u>6,506,707</u>	<u>7,136,308</u>

Municipal Sustainability Initiative

Funding in the amount of \$1,646,817 was allocated but not 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 2017. Unexpended funds related to prior advance are supported by restricted cash of \$500,162 held exclusively for these projects (refer to Note 2). In addition, \$61,485 operating funding was allocated but not received in the current year under the same initiative.

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

5. EMPLOYEE BENEFIT OBLIGATIONS

	2016	2015
	\$	\$
Vacation	190,891	208,363
Accrued overtime/time off in lieu	(4,832)	4,763
	<u>186,059</u>	<u>213,126</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

	2016	2015
	\$	\$
Supported by general tax levies	3,208,049	3,615,140
Supported by special levies	1,371,893	1,515,451
Supported by utility rates	6,817,203	7,360,242
Total ACFA debentures	11,397,145	12,490,833
Bank loans	513,972	541,646
	<u>11,911,117</u>	<u>13,032,479</u>

The current portion of the long-term debt amounts to \$1,093,308 (2015 - \$1,012,095)

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
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
2021	902,269	254,166	1,156,435
Thereafter	7,360,247	1,218,947	8,579,194
	<u>11,911,117</u>	<u>2,781,794</u>	<u>14,692,911</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.603% to 9.75% per annum and matures in periods 2017 through 2029. The average annual interest rate is 4.64% for 2016 (5.38% for 2015).

Bank debt is repayable to Vision Credit Union. The loan bears interest at 4.2% 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 \$416,381 (2015 - \$467,544).

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, 2016**

8. TANGIBLE CAPITAL ASSETS OF PEACE REGIONAL WASTE MANAGEMENT COMPANY

	Cost	Accumulated Amortization	Net Book Value 2016	Net Book Value 2015
Land	\$ 27,857	\$ -	\$ 27,857	\$ 27,857
Land Improvements	349,896	108,330	241,566	256,094
Buildings	1,164,645	333,862	830,783	878,358
Engineered Structures	5,753,845	5,220,300	533,545	1,058,341
Machinery and Equipment	1,878,725	1,404,111	474,614	624,258
Vehicles	196,323	137,839	58,484	75,669
	<u>\$ 9,371,291</u>	<u>\$ 7,204,442</u>	<u>\$ 2,166,849</u>	<u>\$ 2,920,577</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:

	2016 \$	2015 \$
Total debt limit	<u>33,506,707</u>	34,545,435
Total debt	<u>11,911,117</u>	13,032,479
Amount of debt limit unused	<u>21,595,590</u>	<u>21,512,956</u>
Debt servicing limit	<u>5,584,451</u>	5,757,573
Debt servicing	<u>1,428,026</u>	1,535,974
Amount of debt servicing limit unused	<u>4,156,425</u>	<u>4,221,599</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

	2016 \$	2015 \$
Tangible capital assets (Schedule 2)	<u>179,203,248</u>	170,387,945
Tangible capital assets of Peace Regional Waste Management Company (Note 8)	<u>9,371,291</u>	9,367,590
Accumulated amortization (Schedule 2)	<u>(71,062,249)</u>	(65,300,268)
Accumulated amortization of Peace Regional Waste Management Company (Note 8)	<u>(7,204,442)</u>	(6,447,013)
Long-term debt (Note 6)	<u>(11,911,117)</u>	(13,032,479)
	<u>98,396,731</u>	<u>94,975,775</u>

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

11. ACCUMULATED SURPLUS

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

	2016 \$	2015 \$
Unrestricted surplus (deficit)	<u>3,993,356</u>	<u>3,690,380</u>
Restricted surplus		
Local improvements	2,648,563	2,939,309
Infrastructure renewal	989,393	884,586
Planning and Development - Capital	35,100	-
Mill rate stabilization	550,709	250,000
Flood prevention	-	46
Fund 1 - Off-site Levies	1,019,772	1,019,772
Fund 2 - Town wide facilities	-	20,655
Safe Community	215,579	103,522
General contingency	-	36,832
Fire department	-	61,898
Common services	-	254,873
Economic development	-	41,735
Information technology	-	15,106
Joint regional capital	835,315	1,121,883
Landfill post closure	263,300	263,300
General operating	477,272	128,450
Low flow replacement program	7,360	7,354
Museum	48,213	28,793
Peace Regional Waste Management Company	254,213	254,213
Recreation	127,887	127,887
Risk management	-	50,000
Transportation & engineering	-	3,433,827
Water distribution	189,997	197,307
Wastewater treatment plant	212,188	132,188
Recycling and trenching	-	125,000
Airport	-	81,305
Arena replacement	2,825,045	1,025,045
Public land reserve	84,345	84,345
General capital	1,470,771	48,422
	<u>12,255,022</u>	<u>12,737,653</u>
Equity in tangible capital assets	<u>98,396,731</u>	<u>94,975,775</u>
	<u>114,645,109</u>	<u>111,403,808</u>

During the year, Council approved the consolidation of some reserve accounts into General Operating and General Capital.

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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:

	2016			2015
	\$			\$
	Base Salary ¹	Meeting Fees	Benefits & allowances ²	Total
Councillors				
Mayor Tarpey	19,872	396	-	20,268
Deputy Mayor Manzer	14,904	21,960	133	36,997
Councillor Ford	12,420	6,027	-	18,447
Councillor Burr	12,420	1,382	-	13,802
Councillor Behnke	12,420	6,645	-	19,065
Councillor Sawchuk	12,420	8,908	130	21,458
Councillor Needham	12,420	12,186	129	24,735
Chief Administrative Officer				
C. Parker	171,046	-	31,179	202,225
K. Bunn	-	-	-	-

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 2016 were \$503,313 (2015 - \$469,219). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2016 were \$462,713 (2015 - \$430,954).

At December 31, 2015, the LAPP disclosed an unfunded liability of \$2.18 billion.

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 \$30,000. At December 31, 2016, 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. 1988. 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, 2017. The purpose of the loan is to assist in the interim financing of the Curling Club roof repairs. At December 31, 2016, the balance of the loan is \$36,000. 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, 2015 and renewed in December 2016.

The Town is a defendant in various lawsuits as at December 31, 2016. 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, 2016**

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>2016</u>	<u>2015</u>
	\$	\$
Cash and cash equivalents	882,192	1,239,945
Trade and other receivables	801,141	768,400
Total Financial Assets	<u>1,683,333</u>	<u>2,008,345</u>
Accounts payable and accrued liabilities	446,729	147,533
Deferred revenue	-	-
Due to Northern Sunrise County	11,897	857,619
Post closure liability	1,869,141	1,652,576
Total liabilities	<u>2,327,767</u>	<u>2,657,728</u>
Tangible capital assets	2,166,849	2,920,577
Prepays	17,507	11,761
Total Non-Financial Assets	<u>2,184,356</u>	<u>2,932,338</u>
Municipal tippage	160,738	267,232
Recycling	36,460	26,250
Industrial tippage	1,192,317	1,480,266
Other	5,727	5,395
Return on investments	16,914	25,005
Total Revenues	<u>1,412,156</u>	<u>1,804,148</u>
Salaries, wages and benefits	670,308	838,076
Contracted services	333,125	369,042
Material, goods and utilities	180,441	336,213
Provision for allowances	-	(14,471)
Provision for reclamation	216,565	268,050
Amortization of tangible capital assets	757,430	1,130,614
Total Expenditures	<u>2,157,869</u>	<u>2,927,524</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 2016, an amount of \$3.70 per tonne of waste was used as the post-closure liability expense (2016 - \$3.70). In 2016, this rate was applied against 136,573 tonnes of waste (2015 - \$3.70 against 169,040 tonnes), resulting in a current period expense of \$505,319 (2015 - \$625,449) in Peace Regional Waste Management Company.

20. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.