

Town of Peace River
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

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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 14, 2018


Christophe Joubert
Chief Administrative Officer

Independent Auditors' Report

To the 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, 2017, 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, 2017 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 14, 2018

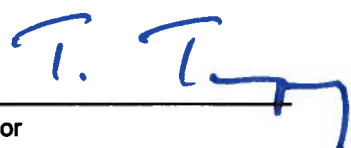


Chartered Professional Accountants

**TOWN OF PEACE RIVER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 \$	2016 \$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	<u>12,407,918</u>	<u>18,380,966</u>
Receivables		
Taxes and grants in lieu of taxes (Note 3)	3,352,634	3,007,189
Receivable from other governments	3,160,497	4,807,314
Trade and other receivables	10,286,692	2,436,629
Land inventory held for resale	28,881	28,881
Long-term investments	<u>30</u>	<u>30</u>
	<u>29,236,652</u>	<u>28,661,009</u>
LIABILITIES		
Accounts payable and accrued liabilities	6,347,393	4,075,168
Deposit liabilities	49,786	54,851
Deferred revenue (Note 4)	5,834,243	6,506,707
Employee benefit obligations (Note 5)	207,018	186,059
Long term debt (Note 6)	10,855,102	11,911,117
Due to related party (Note 7)	4,319	11,897
Post-closure liability (Note 19)	2,095,874	1,869,141
Other Long term Liabilities	-	-
	<u>25,393,735</u>	<u>24,614,940</u>
NET FINANCIAL ASSETS	<u>3,842,917</u>	<u>4,046,069</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	115,557,617	108,140,999
Tangible capital assets of Peace Regional Waste Management Company (Note 8)	3,234,631	2,166,849
Inventory for consumption	-	-
Prepaid expenses	<u>19,520</u>	<u>291,192</u>
	<u>118,811,768</u>	<u>110,599,040</u>
ACCUMULATED SURPLUS (Schedule 1 and Note 11)	<u>122,654,685</u>	<u>114,645,109</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 \$	2017 \$	2016 \$
REVENUE			
Net municipal property taxes (Schedule 3)	10,641,800	10,590,047	10,745,535
User fees and sale of goods	4,576,800	4,637,893	4,330,540
Peace Regional Waste Management Company	1,346,421	1,564,660	1,412,157
Government transfers for operating (Schedule 4)	3,330,400	4,392,185	2,785,186
Investment income	170,000	224,058	170,379
Penalties and costs on taxes	548,400	423,153	703,820
Franchise and concession contracts	1,185,700	1,087,515	1,047,790
Other revenues	431,700	825,896	1,142,397
Total revenues	<u>22,231,221</u>	<u>23,745,407</u>	<u>22,337,804</u>
EXPENSES			
Operating			
Legislative	272,600	255,320	255,255
Administration	2,412,800	2,077,119	2,142,016
Protective services	3,277,000	3,313,772	3,202,024
Transportation	4,156,500	8,541,429	8,199,657
Water supply and distribution	1,863,700	2,515,037	2,682,592
Wastewater treatment and disposal	910,400	853,070	835,122
Waste management	332,600	365,095	315,445
Peace Regional Waste Management Company	2,129,956	2,028,195	2,157,868
Public health and economic development	1,294,200	1,310,075	1,163,869
Recreation and parks	3,360,400	3,700,078	3,465,262
Writedown of tangible capital assets	-	-	-
Total Expenses	<u>20,010,156</u>	<u>24,959,190</u>	<u>24,419,110</u>
SHORTFALL OF REVENUE OVER EXPENSES - BEFORE OTHER	2,221,065	(1,213,783)	(2,081,306)
OTHER			
Development Levies and Other Contributions	-	4,185,735	35,384
Government transfers for capital (Schedule 4)	-	5,037,624	5,287,223
EXCESS OF REVENUE OVER EXPENSES	2,221,065	8,009,576	3,241,301
ACCUMULATED SURPLUS, BEGINNING OF YEAR	114,645,109	114,645,109	111,403,808
ACCUMULATED SURPLUS, END OF YEAR	<u>116,866,174</u>	<u>122,654,685</u>	<u>114,645,109</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, 2017**

	Budget \$	2017 \$	2016 \$
	<u> </u>	<u> </u>	<u> </u>
EXCESS OF REVENUES OVER EXPENSES	<u>2,221,065</u>	<u>8,009,576</u>	<u>3,241,301</u>
Acquisition of tangible capital assets	(8,815,302)	(13,357,599)	(8,815,303)
Proportionate share of acquisition of tangible capital assets of Peace Regional Waste Management Company	(1,480,714)	(1,744,376)	(3,700)
Amortization of tangible capital assets	-	5,940,981	5,761,981
Proportionate share of amortization of tangible capital assets of Peace Regional Waste Management Company	857,143	676,594	757,429
Writedown of tangible capital assets	-	-	-
	<u>(9,438,873)</u>	<u>(8,484,400)</u>	<u>(2,299,593)</u>
Use of prepaid assets	-	291,192	127,047
Acquisition of prepaid assets	-	(19,520)	(302,954)
	<u>-</u>	<u>271,672</u>	<u>(175,907)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(7,217,808)	(203,152)	765,801
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>4,046,069</u>	<u>4,046,069</u>	<u>3,280,268</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>(3,171,739)</u>	<u>3,842,917</u>	<u>4,046,069</u>

**TOWN OF PEACE RIVER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017	2016
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	8,009,576	3,241,301
Non-cash items included in shortfall of revenues over expenses:		
Amortization of tangible capital assets	6,617,575	6,519,411
Write down of tangible capital assets	-	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(345,445)	(54,169)
Decrease (increase) in trade and other receivables	(7,850,080)	7,020,620
Decrease (increase) in receivable from other governments	1,646,817	(1,659,591)
Decrease (increase) in prepaid expenses	271,672	(175,906)
Decrease (increase) in accounts payable and accrued liabilities	2,272,225	(152,754)
Decrease (increase) in deposit liabilities	(5,065)	(2,636)
Decrease (increase) in deferred revenue	(672,464)	(629,601)
Increase in post closure liability	226,733	216,565
Decrease in inventory for consumption	-	-
Increase (decrease) in employee benefit obligations	20,959	(27,067)
Cash provided by operating transactions	<u>10,192,503</u>	<u>14,296,173</u>
CAPITAL		
Acquisition of tangible capital assets	(13,357,599)	(8,815,303)
Proportionate share of acquisition of tangible capital assets by Peace Regional Waste Management Company	(1,744,376)	(3,700)
Cash applied to capital transactions	<u>(15,101,975)</u>	<u>(8,819,003)</u>
FINANCING		
New debt issued	-	-
Due to related party	(7,578)	(845,722)
Long-term debt repaid	(1,056,015)	(1,121,362)
Cash applied to financing transactions	<u>(1,063,593)</u>	<u>(1,967,084)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(5,973,065)	3,510,086
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>18,380,966</u>	<u>14,870,880</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)	<u><u>12,407,901</u></u>	<u><u>18,380,966</u></u>

See accompanying notes to the financial statements

**TOWN OF PEACE RIVER
 SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
 DECEMBER 31, 2017
 SCHEDULE 1**

	2017 \$	2016 \$
BALANCE, BEGINNING OF YEAR	114,645,109	111,403,808
Excess (deficiency) of revenues over expenses	8,009,576	3,241,301
Current year funds used for tangible capital assets	(11,054,891)	-
Funds transferred to restricted surplus	4,949,528	-
Restricted funds used for tangible capital assets	(4,047,084)	-
Current year amortization	6,617,575	-
Long term debt repaid	(1,056,015)	-
Change in accumulated surplus	8,009,576	3,241,301
BALANCE, END OF YEAR	122,654,685	114,645,109

**TOWN OF PEACE RIVER
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017
SCHEDULE 2**

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2017 \$	2016 \$
COST:							
BALANCE, BEGINNING OF YEAR	3,705,395	44,520,759	114,400,680	13,819,656	2,756,758	179,203,248	170,387,945
Acquisition of tangible capital assets	-	107,883	5,586,848	779,687	51,088	6,525,506	7,473,894
Work in progress	-	5,867,918	964,175	-	-	6,832,093	1,341,409
Writedown of tangible capital assets	-	-	-	-	-	-	-
BALANCE, END OF YEAR	3,705,395	50,496,560	120,951,703	14,599,343	2,807,846	192,560,847	179,203,248
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	15,987,430	44,244,603	8,816,350	2,013,866	71,062,249	65,300,268
Annual amortization	-	949,288	4,386,066	314,590	291,037	5,940,981	5,761,981
Accumulated amortization on writedowns	-	-	-	-	-	-	-
BALANCE, END OF YEAR	-	16,936,718	48,630,669	9,130,940	2,304,903	77,003,230	71,062,249
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	3,705,395	33,559,842	72,321,034	5,468,403	502,943	115,557,617	108,140,999
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	3,705,395	28,533,329	70,156,077	5,003,306	742,892	108,140,999	

**TOWN OF PEACE RIVER
 SCHEDULE OF PROPERTY TAXES LEVIED
 FOR THE YEAR ENDED DECEMBER 31, 2017
 SCHEDULE 3**

	Budget \$	2017 \$	2016 \$
TAXATION			
Real property taxes	13,561,700	13,505,164	13,574,194
Linear property taxes	219,800	229,802	219,773
Government grants in place of property taxes	273,900	268,679	273,875
Special assessments and local improvement taxes	-	-	-
	<u>14,055,400</u>	<u>14,003,645</u>	<u>14,067,842</u>
REQUISITIONS			
Alberta School Foundation Fund	3,030,290	3,030,290	2,957,401
North Peace Housing Foundation	383,310	383,308	364,906
	<u>3,413,600</u>	<u>3,413,598</u>	<u>3,322,307</u>
NET MUNICIPAL TAXES	<u>10,641,800</u>	<u>10,590,047</u>	<u>10,745,535</u>

**TOWN OF PEACE RIVER
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2017
SCHEDULE 4**

	Budget \$	2017 \$	2016 \$
	<u> </u>	<u> </u>	<u> </u>
TRANSFERS FOR OPERATING:			
Provincial Government	1,661,700	1,423,946	1,166,958
Federal Government	12,500	32,228	13,433
Other Local Governments	1,656,200	2,936,011	1,604,795
	<u>3,330,400</u>	<u>4,392,185</u>	<u>2,785,186</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	-	5,034,924	4,234,545
Other Local Governments	-	2,700	1,052,678
	<u>-</u>	<u>5,037,624</u>	<u>5,287,223</u>
TOTAL GOVERNMENT TRANSFERS	<u>3,330,400</u>	<u>9,429,809</u>	<u>8,072,409</u>

See accompanying notes to the financial statements

**TOWN OF PEACE RIVER
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2017**

SCHEDULE 5

	Budget \$	2017 \$	2016 \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	7,689,214	7,687,035	7,743,192
Contracted and general services	5,605,143	4,802,085	4,597,297
Purchases from other governments	-	-	-
Materials, goods, supplies and utilities	4,891,985	4,565,668	4,058,947
Provision for allowances	89,500	94,479	83,946
Provision for reclamation	158,571	227,310	216,565
Transfers to individuals and organizations	94,700	91,400	94,723
Bank charges and short term interest	4,000	5,765	4,676
Interest on capital long-term debt	351,200	373,568	416,381
Amortization of tangible capital assets	857,143	6,617,575	6,519,411
Writedown of tangible capital assets	-	-	-
Other expenses	268,700	494,305	683,972
	<u>20,010,156</u>	<u>24,959,190</u>	<u>24,419,110</u>

See accompanying notes to the financial statements

**TOWN OF PEACE RIVER
SCHEDULE OF SEGMENTED DISCLOSURE
DECEMBER 31, 2017**

SCHEDULE 6

	General Government	Protective Services	Transportation Services	Peace Regional Waste Management Company	Recreation & Culture	Environmental Services	Other	Total \$
REVENUE								
Net municipal taxes	10,590,047	-	-	-	-	-	-	10,590,047
Government transfers	1,107,827	744,533	3,391,987	2,700	1,660,785	1,921,613	600,364	9,429,809
User fees and sales of goods	15,242	97,794	270,013	1,551,521	305,091	3,879,788	69,965	6,189,414
Investment income	224,058	-	-	12,744	-	-	-	236,802
Other revenues	1,420,989	407,031	66,372	395	4,471,719	36,700	119,488	6,522,694
	<u>13,358,163</u>	<u>1,249,358</u>	<u>3,728,372</u>	<u>1,567,360</u>	<u>6,437,595</u>	<u>5,838,101</u>	<u>789,817</u>	<u>32,968,766</u>
EXPENSES								
Contract & general services	516,295	1,907,858	485,685	320,157	819,110	462,160	290,820	4,802,085
Salaries & wages	1,349,770	780,346	1,853,964	618,423	1,408,015	910,183	766,334	7,687,035
Goods & supplies	203,289	235,844	1,613,870	185,729	857,657	1,270,016	199,263	4,565,668
Provision for allowances	94,479	-	-	-	-	-	-	94,479
Long term debt interest	-	-	89,063	-	41,310	243,195	-	373,568
Other expenses	104,425	99,066	860	227,310	147,727	189,832	49,560	818,780
	<u>2,268,258</u>	<u>3,023,114</u>	<u>4,043,442</u>	<u>1,351,619</u>	<u>3,273,819</u>	<u>3,075,386</u>	<u>1,305,977</u>	<u>18,341,615</u>
NET REVENUE BEFORE AMORTIZATION	11,089,905	(1,773,756)	(315,070)	215,741	3,163,776	2,762,715	(516,160)	14,627,151
Amortization expense	(64,183)	(290,657)	(4,308,156)	(676,577)	(425,270)	(847,647)	(5,085)	(6,617,575)
NET REVENUE	<u>11,025,722</u>	<u>(2,064,413)</u>	<u>(4,623,226)</u>	<u>(460,836)</u>	<u>2,738,506</u>	<u>1,915,068</u>	<u>(521,245)</u>	<u>8,009,576</u>

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

SCHEDULE 6

	General Government	Protective Services	Transportation Services	Regional Management Company	Waste & Culture	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
	<u>13,014,113</u>	<u>1,581,963</u>	<u>4,290,256</u>	<u>1,414,835</u>	<u>2,766,061</u>	<u>3,783,022</u>	<u>810,161</u>	<u>810,161</u>	<u>27,660,411</u>
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
	<u>2,326,501</u>	<u>2,915,747</u>	<u>4,145,698</u>	<u>1,400,439</u>	<u>3,040,839</u>	<u>2,948,691</u>	<u>1,121,784</u>	<u>1,121,784</u>	<u>17,899,699</u>
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	<u>10,590,587</u>	<u>(1,545,821)</u>	<u>(3,568,055)</u>	<u>(743,033)</u>	<u>(1,099,777)</u>	<u>43,582</u>	<u>(436,182)</u>	<u>(436,182)</u>	<u>3,241,301</u>

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017**

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, 2017**

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, 2017**

2. CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
	\$	\$
Cash	6,465,999	12,103,576
Temporary investments	5,465,872	5,380,177
Cash held by Peace Regional Waste Management Company	461,008	882,192
Trust Assets	15,039	15,021
	<u>12,407,918</u>	<u>18,380,966</u>

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

Included in the above are \$5,834,243 of funds which are externally restricted in use (2016 - \$6,506,707) in the form of deferred grants.

Also included in the above are \$6,573,675 funds internally restricted in use (2016 - \$11,932,202) in the form of restricted surplus.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2017</u>	<u>2016</u>
	\$	\$
Current taxes and grants in place of taxes	885,546	403,575
Local improvement taxes	2,161,248	2,433,255
Arrears taxes	378,300	242,819
	<u>3,425,094</u>	<u>3,079,649</u>
Non-current tax arrears	-	-
Less: allowance for doubtful accounts	(72,460)	(72,460)
	<u>3,352,634</u>	<u>3,007,189</u>

4. DEFERRED REVENUE

	<u>2017</u>	<u>2016</u>
	\$	\$
Developers' agreements	8,955	8,955
Municipal Sustainability Initiative	2,340,941	2,146,979
Proportionate share of deferred revenue in Peace Regional Waste Management Company	-	-
Other deferred grants	3,484,347	4,350,773
	<u>5,834,243</u>	<u>6,506,707</u>

Municipal Sustainability Initiative

Funding in the amount of \$1,646,817 received in the year from prior allocations and \$1,636,853 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 2018. Unexpended funds related to prior advances are supported by restricted cash of \$704,088 held exclusively for these projects (refer to Note 2). In addition, \$61,485 operating funding was received in the year from prior allocations and \$61,378 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, 2017**

5. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Vacation	190,795	190,891
Accrued overtime/time off in lieu	16,223	(4,832)
	<u>207,018</u>	<u>186,059</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>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Supported by general tax levies	2,792,000	3,208,049
Supported by special levies	1,224,292	1,371,893
Supported by utility rates	6,352,745	6,817,203
Total ACFA debentures	10,369,037	11,397,145
Bank loans	486,065	513,972
	<u>10,855,102</u>	<u>11,911,117</u>

The current portion of the long-term debt amounts to \$851,442 (2016 - \$1,093,308)

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
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
2022	860,864	228,415	1,089,279
Thereafter	6,498,140	990,532	7,488,672
	<u>10,855,102</u>	<u>2,408,540</u>	<u>13,263,642</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.724% to 9.75% per annum and matures in periods 2018 through 2029. The average annual interest rate is 4.64% for 2017 (4.64% for 2016).

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 \$373,568 (2016 - \$416,381).

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, 2017**

8. TANGIBLE CAPITAL ASSETS OF PEACE REGIONAL WASTE MANAGEMENT COMPANY

	Cost	Accumulated Amortization	Net Book Value 2017	Net Book Value 2016
Land	\$ 27,857	\$ -	\$ 27,857	\$ 27,857
Land Improvements	359,318	122,856	236,462	241,566
Buildings	1,164,645	381,437	783,208	830,783
Engineered Structures	7,341,632	5,660,120	1,681,512	533,545
Machinery and Equipment	2,025,875	1,601,838	424,037	474,614
Vehicles	196,323	114,768	81,555	58,484
	<u>\$ 11,115,650</u>	<u>\$ 7,881,019</u>	<u>\$ 3,234,631</u>	<u>\$ 2,166,849</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:

	2017	2016
	\$	\$
Total debt limit	<u>35,618,111</u>	33,506,707
Total debt	<u>10,855,102</u>	11,911,117
Amount of debt limit unused	<u>24,763,009</u>	<u>21,595,590</u>
Debt servicing limit	<u>5,936,352</u>	5,584,451
Debt servicing	<u>1,190,595</u>	1,428,026
Amount of debt servicing limit unused	<u>4,745,757</u>	<u>4,156,425</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

	2017	2016
	\$	\$
Tangible capital assets (Schedule 2)	<u>192,560,847</u>	179,203,248
Tangible capital assets of Peace Regional Waste Management Company (Note 8)	<u>11,115,650</u>	9,371,291
Accumulated amortization (Schedule 2)	<u>(77,003,230)</u>	(71,062,249)
Accumulated amortization of Peace Regional Waste Management Company (Note 8)	<u>(7,881,019)</u>	(7,204,442)
Long-term debt (Note 6)	<u>(10,855,102)</u>	(11,911,117)
	<u>107,937,146</u>	<u>98,396,731</u>

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

11. ACCUMULATED SURPLUS

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

	2017 \$	2016 \$
Unrestricted surplus (deficit)	<u>1,560,073</u>	<u>3,993,356</u>
Restricted surplus		
Local improvements	2,356,895	2,648,563
Infrastructure renewal	903,645	989,393
Planning and Development - Capital	35,100	35,100
Mill rate stabilization	947,945	550,709
Flood prevention	-	-
Fund 1 - Off-site Levies	956,936	1,019,772
Fund 2 - Town wide facilities	-	-
Safe Community	186,540	215,579
General contingency	-	-
Fire department	-	-
Common services	-	-
Economic development	-	-
Information technology	-	-
Joint regional capital	1,133,373	835,315
Landfill post closure	263,300	263,300
General operating	521,772	477,272
Low flow replacement program	7,360	7,360
Museum	56,601	48,213
Peace Regional Waste Management Company	254,213	254,213
Recreation	132,419	127,887
Risk management	-	-
Transportation operating	254,654	-
Water distribution	49,997	189,997
Wastewater treatment plant	347,589	212,188
Recycling and trenching	-	-
Transportation capital	18,198	-
Arena replacement	3,222,640	2,825,045
Public land reserve	84,345	84,345
General capital	<u>1,423,944</u>	<u>1,470,771</u>
	<u>13,157,466</u>	<u>12,255,022</u>
Equity in tangible capital assets	<u>107,937,146</u>	<u>98,396,731</u>
	<u>122,654,685</u>	<u>114,645,109</u>

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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:

	2017			2016	
	\$			\$	
	Base Salary ¹	Meeting Fees	Benefits & allowances ²	Total	Total
Councillors					
Mayor Tarpey	20,652	3,226	522	24,400	20,268
Deputy Mayor Manzer	15,492	15,700	393	31,585	36,997
Councillor Ford	12,900	6,915	321	20,136	18,447
Councillor Burr	10,510	-	321	10,831	13,802
Councillor Behnke	10,750	3,067	321	14,138	19,065
Councillor Sawchuk	10,750	4,153	321	15,224	21,458
Councillor Needham	12,900	10,205	321	23,426	24,735
Councillor Schamehorn	2,150	1,378	-	3,528	-
Councillor Good	2,150	-	-	2,150	-
Councillor Downing	2,150	-	-	2,150	-
Chief Administrative Officer					
C. Parker	176,765	-	32,595	209,360	202,225

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 2017 were \$522,995 (2016 - \$503,313). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2016 were \$480,884 (2016 - \$462,713).

At December 31, 2016, the LAPP disclosed an unfunded liability of \$2.259 billion.

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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.

The Town has committed funds for the construction of the Peace Regional Recreation Centre. Marshall Lee Construction was awarded the tender for general contractor. The total project amount for construction is \$21,990,000. Construction is anticipated to take 18 months and be completed mid-2019.

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, 2017, the amounts of the loans were \$21,972 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, 2018. The purpose of the loan is to assist in the interim financing of the Curling Club roof repairs. At December 31, 2017, 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, 2017. 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.

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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).

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:

	2017	2016
	\$	\$
Cash and cash equivalents	461,008	882,192
Trade and other receivables	257,657	801,141
Total Financial Assets	718,665	1,683,333
Accounts payable and accrued liabilities	793,538	446,729
Deferred revenue	-	-
Due to Northern Sunrise County	4,319	11,897
Post closure liability	2,095,874	1,869,141
Total liabilities	2,893,731	2,327,767
Tangible capital assets	3,234,631	2,166,849
Prepays	19,520	17,507
Total Non-Financial Assets	3,254,151	2,184,356
Municipal tippage	189,152	160,738
Recycling	56,865	36,460
Industrial tippage	1,305,504	1,192,317
Other	395	5,727
Return on investments	12,744	16,914
Total Revenues	1,564,660	1,412,156
Salaries, wages and benefits	618,423	670,308
Contracted services	320,157	333,125
Material, goods and utilities	185,729	180,441
Provision for allowances	-	-
Provision for reclamation	227,310	216,565
Amortization of tangible capital assets	676,577	757,430
Total Expenditures	2,028,196	2,157,869

**TOWN OF PEACE RIVER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 2017, an amount of \$3.70 per tonne of waste was used as the post-closure liability expense (2016 - \$3.70). In 2017, this rate was applied against 143,349 tonnes of waste (2016 - \$3.70 against 136,573 tonnes), resulting in a current period expense of \$505,319 (2016 - \$505,319) in Peace Regional Waste Management Company.

20. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.