

TOWN OF PEACE RIVER
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

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Auditors' Report

To the Mayor and Members of Council:

We have audited the consolidated statement of financial position of the Town of Peace River as at December 31, 2007 and the consolidated statement of financial activities with change in fund balances and the consolidated statement of cash flows for the year then ended. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town of Peace River as at December 31, 2007 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Peace River, Alberta
April 16, 2008

Meyer Norris Penny LLP
Chartered Accountants

TOWN OF PEACE RIVER
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Revenues	Budget	2007	2006
Net municipal property taxes (Schedule 4)	\$ 5,851,300	\$ 5,906,402	\$ 5,972,489
Sales of goods and user charges	4,148,970	3,806,080	4,121,800
Development levies	10,000	33,029	185,023
Penalties and costs on taxes	307,849	290,081	318,374
Franchise and concession contracts	457,267	633,404	604,478
Return on investments	262,035	429,242	314,707
Government transfers (Schedule 7)	7,953,230	4,096,322	3,158,894
Other revenues	212,369	287,715	329,416
Total revenues	<u>19,203,020</u>	<u>15,482,275</u>	<u>15,005,181</u>
Expenditures			
Operating			
Legislative	229,692	255,288	194,699
General administration	1,198,132	1,373,150	1,028,994
Protective and transportation services	5,124,901	4,969,942	4,485,710
Water, wastewater and waste management	1,698,752	1,626,489	1,416,407
Public health and economic development	1,261,329	743,688	725,173
Recreation, parks and culture	1,730,744	1,741,825	1,485,705
Total operating expenditures	<u>11,243,550</u>	<u>10,710,382</u>	<u>9,336,688</u>
Capital			
General administration	149,800	81,030	202,404
Fire and bylaw enforcement	168,502	107,480	-
Protective services	389,952	66,384	191,285
Planning and community development	276,000	23,798	14,851
Transportation services	1,246,974	323,824	1,261,512
Water, wastewater and waste management	9,846,896	457,926	1,200,894
Recreation, parks and culture	139,150	667,876	296,666
Total capital expenditures	<u>12,217,274</u>	<u>1,728,318</u>	<u>3,167,612</u>
Total expenditures (Schedule 5)	<u>23,460,824</u>	<u>12,438,700</u>	<u>12,504,300</u>
Excess of revenues over expenditures	(4,257,804)	3,043,575	2,500,881
New debt issued	-	-	10,000
Repayments of capital fund long term debt	(702,469)	(681,375)	(702,659)
Change in fund balances	<u>(4,960,273)</u>	<u>2,362,200</u>	<u>1,808,222</u>
Fund balances at beginning of year	<u>6,434,981</u>	<u>6,434,981</u>	<u>4,626,759</u>
Fund balances at end of year	<u>\$ 1,474,708</u>	<u>\$ 8,797,181</u>	<u>\$ 6,434,981</u>

See accompanying notes to the financial statements

TOWN OF PEACE RIVER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2007

ASSETS

	2007	2006
Financial Assets		
Cash and temporary investments (Note 2)	\$ 9,969,283	\$ 9,444,294
Receivables		
Taxes and grants in lieu of taxes (Note 3)	508,258	578,852
Trade and other receivables	3,318,322	1,095,992
Land held for resale	49,390	224,256
Other current assets	10,285	9,872
	<u>13,855,538</u>	<u>11,353,266</u>
Physical Assets		
Capital assets (Note 4)	95,829,013	94,100,693
Total Assets	<u>109,684,551</u>	<u>105,453,959</u>

LIABILITIES AND MUNICIPAL EQUITY

Liabilities		
Accounts payable and accrued liabilities	1,207,459	959,326
Deposit liabilities	81,328	69,942
Deferred revenue (Note 5)	3,603,678	3,563,067
Employee benefit obligations (Note 6)	102,895	88,118
Long term debt (Note 7)	3,650,588	4,331,964
Other long term liabilities	13,607	13,575
Total Liabilities	<u>8,659,555</u>	<u>9,025,992</u>

Municipal Equity

Fund Balances		
Operating fund (Schedule 2)	553,809	553,809
Capital fund (Schedule 1)	1,081,589	-
Reserves (Schedule 3)	7,161,783	5,881,172
Total fund balances	<u>8,797,181</u>	<u>6,434,981</u>
Equity in physical assets (Schedule 6)	92,178,425	89,768,730
Equity in land held for resale	49,390	224,256
Total Equity	<u>101,024,996</u>	<u>96,427,967</u>
Total Liabilities and Equity	<u>\$ 109,684,551</u>	<u>\$ 105,453,959</u>

See accompanying notes to the financial statements



TOWN OF PEACE RIVER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
Increase (decrease) in cash and investments		
Operating Activities		
Excess of revenues over expenditures	\$ 3,043,575	\$ 2,500,881
Cash provided from (invested in) non cash working capital		
Taxes and grants in lieu receivable	70,594	14,850
Trade and other receivables	(2,222,330)	575,360
Other financial assets	(413)	(6,646)
Accounts payable and accrued liabilities	248,133	(114,447)
Deferred revenue	40,643	2,120,745
Employee benefit obligations	14,777	(17,341)
Deposit liabilities	11,386	10,735
	<u>1,206,365</u>	<u>5,084,137</u>
Financing Activities		
Long term debt issued	-	10,000
Long term debt repayments	<u>(681,376)</u>	<u>(702,659)</u>
	<u>(681,376)</u>	<u>(692,659)</u>
Increase (decrease) in cash and cash equivalents for the year	524,989	4,391,478
Cash and cash equivalents, net of bank indebtedness		
Beginning of year	<u>9,444,294</u>	<u>5,052,816</u>
End of year	\$ <u>9,969,283</u>	\$ <u>9,444,294</u>

See accompanying notes to the financial statements

TOWN OF PEACE RIVER
 SCHEDULE OF CAPITAL ACTIVITIES (Schedule 1)
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget	2007	2006
Revenues			
Government transfers	\$ 6,744,180	\$ 2,273,562	\$ 2,162,193
Investment income	-	-	107,112
Development levies	10,000	33,029	185,023
Other revenues	-	-	66,951
Total revenues	<u>6,754,180</u>	<u>2,306,591</u>	<u>2,521,279</u>
Expenditures			
Administration	149,800	81,030	202,404
Fire and bylaw enforcement	168,502	107,480	-
Protective services	389,952	66,384	191,285
Planning & Community Development	276,000	23,798	14,851
Transportation services	1,246,974	323,824	1,261,512
Water, wastewater and waste management	9,846,896	457,926	1,200,894
Recreation and parks	139,150	667,876	296,666
Total expenditures	<u>12,217,274</u>	<u>1,728,318</u>	<u>3,167,612</u>
Excess (deficiency) of revenues over expenditures	(5,463,094)	578,273	(646,333)
Net interfund transfers			
From (to) reserves	4,361,275	248,484	179,757
From operating	1,101,819	254,832	456,576
Debt issued (Schedule 6)	-	-	10,000
Changes in fund balances	<u>-</u>	<u>1,081,589</u>	<u>-</u>
Opening balance	-	-	-
Closing balance	<u>\$ -</u>	<u>\$ 1,081,589</u>	<u>\$ -</u>

See accompanying notes to the financial statements

TOWN OF PEACE RIVER
 SCHEDULE OF OPERATING ACTIVITIES (Schedule 2)
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget	2007	2006
Revenues			
Net taxes available for municipal purposes (Schedule 4) \$	5,851,300	\$ 5,906,402	\$ 5,972,489
Sales and user charges	4,148,970	3,806,080	4,121,800
Penalties and costs on taxes	307,849	290,081	318,374
Franchise and concession contracts	457,267	633,404	604,478
Return on investments	262,035	429,242	207,595
Government transfers	1,209,050	1,822,760	996,701
Other revenues	212,369	287,715	262,465
Total revenues	<u>12,448,840</u>	<u>13,175,684</u>	<u>12,483,902</u>
Expenditures			
Legislative	229,692	255,288	194,699
General administration	1,198,132	1,373,150	1,028,994
Protective and transportation services	5,124,901	4,969,942	4,485,710
Water, wastewater and waste management	1,698,752	1,626,489	1,416,407
Public health and economic development	1,261,329	743,688	725,173
Recreation, parks and culture	1,730,744	1,741,825	1,485,705
Total expenditures	<u>11,243,550</u>	<u>10,710,382</u>	<u>9,336,688</u>
Excess of revenues over expenditures	1,205,290	2,465,302	3,147,214
Debt repayments (Schedule 6)	(669,589)	(681,375)	(702,659)
Net interfund transfers from (to) reserves	635,313	(1,529,095)	(1,435,029)
Net interfund transfers to capital fund	(1,171,014)	(254,832)	(456,576)
Changes in fund balances	-	-	552,950
Opening balance	-	553,809	859
Closing balance	\$ <u>-</u>	\$ <u>553,809</u>	\$ <u>553,809</u>

See accompanying notes to financial statements

TOWN OF PEACE RIVER
 SCHEDULE OF RESERVES (Schedule 3)
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget	2007	2006
Balance at beginning of year	\$ 5,881,172	\$ 5,881,172	\$ 4,625,900
Add/(deduct):			
Transfers from operating fund	8,000	2,404,843	1,435,029
Transfers to operating fund	<u>(715,813)</u>	<u>(875,748)</u>	<u>-</u>
	<u>(707,813)</u>	<u>1,529,095</u>	<u>1,435,029</u>
Transfers from capital fund	4,361,275	32,521	292,005
Transfers to capital fund	<u>-</u>	<u>(281,005)</u>	<u>(471,762)</u>
	<u>4,361,275</u>	<u>(248,484)</u>	<u>(179,757)</u>
Change in Fund Balance	<u>3,653,462</u>	<u>1,280,611</u>	<u>1,255,272</u>
Balance at end of year (Note 8)	\$ <u>9,534,634</u>	\$ <u>7,161,783</u>	\$ <u>5,881,172</u>

See accompanying notes to the financial statements



TOWN OF PEACE RIVER
 SCHEDULE OF PROPERTY TAXES LEVIED (Schedule 4)
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget	2007	2006
Taxation			
Real property taxes	\$ 6,722,651	\$ 6,759,338	\$ 6,661,010
Linear property taxes	324,430	325,038	336,970
Government grants in lieu of property taxes	370,493	370,498	399,347
Special assessments and local improvement taxes	380,632	398,434	434,709
	<u>7,798,206</u>	<u>7,853,308</u>	<u>7,832,036</u>
Requisitions			
Alberta School Foundation Fund	1,805,654	1,805,654	1,768,097
North Peace Foundation	141,252	141,252	91,450
	<u>1,946,906</u>	<u>1,946,906</u>	<u>1,859,547</u>
Net taxes available for municipal purposes	<u>\$ 5,851,300</u>	<u>\$ 5,906,402</u>	<u>\$ 5,972,489</u>

See accompanying notes to the financial statements

TOWN OF PEACE RIVER
 SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT (Schedule 5)
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget	2007	2006
Expenditures			
Salaries, wages and benefits (Note 9)	\$ 3,809,175	\$ 3,649,456	\$ 3,305,415
Contracted and general services	4,868,742	4,168,755	3,320,165
Materials, goods, supplies and utilities	1,877,673	2,056,323	1,604,192
Provision for allowances	177,762	87,100	471,015
Transfers to individuals and organizations	-	35,000	-
Bank charges and short term interest	620	2,420	2,795
Interest on long term debt	334,137	332,386	398,830
Capital assets acquired	12,217,275	1,728,320	3,167,612
Other expenditures	175,440	378,940	234,276
Total Expenditures	\$ <u>23,460,824</u>	\$ <u>12,438,700</u>	\$ <u>12,504,300</u>

See accompanying notes to the financial statements

TOWN OF PEACE RIVER
 SCHEDULE OF EQUITY IN CAPITAL ASSETS (Schedule 6)
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget	2007	2006
Acquisition of capital assets			
Administration	\$ 138,400	\$ 81,030	\$ 202,404
Fire and bylaw enforcement		107,480	-
Protective services	1,293,095	66,384	191,285
Planning & Community Development	877,545	23,798	14,851
Transportation services	1,021,530	326,946	1,261,512
Water, wastewater and waste management	4,422,460	457,926	1,200,894
Recreation and parks	124,500	667,876	296,666
Total expenditures	<u>7,877,530</u>	<u>1,731,440</u>	<u>3,167,612</u>
Disposal of capital assets (Cost)	-	(3,120)	(3,500)
Capital financing			
Capital debt issued (Schedule 1)	-	-	(10,000)
Capital debt repaid from operating fund (Schedule 2)	702,469	681,375	702,659
Change in equity balance	<u>8,579,999</u>	<u>2,409,695</u>	<u>3,856,771</u>
Equity balance at beginning of year	<u>89,768,730</u>	<u>89,768,730</u>	<u>85,911,959</u>
Equity balance at end of year	<u>\$ 98,348,729</u>	<u>\$ 92,178,425</u>	<u>\$ 89,768,730</u>

See accompanying notes to the financial statements

TOWN OF PEACE RIVER
 SCHEDULE OF GOVERNMENT TRANSFERS (Schedule 7)
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget	2007	2006
Federal transfers			
Shared-cost agreements and grants	\$ 13,300	\$ 4,500	\$ 345,536
Provincial transfers			
Shared-cost agreements and grants	7,581,574	3,330,355	2,507,090
Debt interest rebates	3,062	1,862	4,377
Local government transfers			
Shared-cost agreements and grants	355,294	759,605	301,891
	\$ <u>7,953,230</u>	\$ <u>4,096,322</u>	\$ <u>3,158,894</u>

See accompanying notes to the financial statements



TOWN OF PEACE RIVER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

1. **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 Town of Peace River are as follows:

a) **Financial Statement Presentation**

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of all of the departments owned or controlled by the Town of Peace River.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are part of the municipal reporting entity.

b) **Basis of Accounting**

The basis of accounting followed in the financial statement presentation includes revenues recognized in the period in which the transaction or events occurred that gave rise to the revenues, and expenditures recognized in the period the goods and services are acquired and a liability is incurred or transfers are due, with the exception of pension expenditures as disclosed in Note 1e.

c) **Fund Accounting**

Management funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Proceeds from land sales are recorded as operating fund revenues.

The operating and capital funds are further segregated by functions which relate to specific areas of activity. In the operating fund, the specific functions of water, wastewater and waste management are designed to be self supporting.

d) **Government Transfers**

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

TOWN OF PEACE RIVER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

e) Pension Expense

The Town participates in a multi-employer defined benefit pension plan.

f) Taxes and Grants in Lieu Receivable

Current taxes and grants in lieu receivable consist of current tax levies which remain outstanding at December 31.

g) Investments

Investments are recorded at cost.

h) Inventories

Inventories of materials and supplies are valued at cost and are classified as operating expenditures when purchased.

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and waste-water services, roads, sidewalks and street lighting are recorded as capital property under their respective function. When land is sold the inventory balance is reduced with an offsetting adjustment to equity in land held for resale.

i) Capital Assets

Capital assets are recorded at cost except for donated property, which is recorded at estimated fair value when acquired.

Government contributions for the acquisition of capital property are recorded as capital revenue and do not reduce the related physical asset's costs.

Capital assets for government purposes are not depreciated.

TOWN OF PEACE RIVER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

j) Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings with an increase in the liability for interest earned on the funds.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

k) Allowances for Operating and Capital Assets

Allowances for asset valuations are netted against the related asset and are segregated between operating and capital purposes. Increases in allowances are recorded as an expenditure in the respective operating or capital fund.

l) Reserve for Future Expenditures

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and from reserves are reflected as an adjustment to the respective fund.

m) Equity in Capital Assets

Equity in capital assets represents the Town of Peace River's net investment in its total capital assets, after deducting the portion financed by third parties through debentures, bond and mortgage debts, long term capital borrowing, capitalized leases and other capital liabilities.

TOWN OF PEACE RIVER
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2007

n) Excess Collections and Under-levies

Excess collections and under-levies arise from the difference between the actual 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 taxes.

Requisition tax rates in the subsequent year are adjusted for any excess collections or under-levies of the prior year. Amounts previously accrued for excess collections are included in "other" operating revenue while prior year accruals for under-levies are included in "other" operating expenditures.

o) Tangible capital assets

Effective January 1, 2007, the Town of Peace River adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2007, the Town of Peace River continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2007, the Town of Peace River had made enquiries with software vendors and have ordered a Tangible Capital Assets management software program. They have budgeted an additional \$85,000 in the 2008 operating budget to fund the compliance project. A complete listing of assets and values for engineering structures, buildings, vehicles and equipment is expected to be significantly underway by December 31, 2008.

As of January 1, 2007, capital assets including assets held under capital lease are recorded at cost in the period they are acquired and recorded as an expenditure within the capital fund. Donated assets related to waterworks and wastewater distribution and collection systems are capitalized and are recorded at their estimated fair value upon acquisition. Works of art for display are not included as capital assets. Certain capital assets for which historical cost information is not available have been recorded at current fair market value discounted by a relevant inflation factor.

The Town of Peace River does not capitalize interest as part of the costs of its capital assets.

As of January 1, 2007, amortization has not been presented in the notes to the financial statements. Amortization is not recorded as an expense. Amortization for all asset classes is expected to be presented in the 2009 financial statements and will be calculated on a straight line basis over the assets' useful lives as follows:

	Years
Buildings	25-50
Engineered structures	
Roadway system	10-20
Water system	35-75
Wastewater system	35-75
Machinery and equipment	5-25
Vehicles	5-25



TOWN OF PEACE RIVER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

2. Cash and Temporary Investments	2007	2006
Cash	\$ 3,956,661	\$ 9,455,954
Temporary investments	6,083,921	59,639
Trust assets	13,903	13,903
Trust liabilities	<u>(85,202)</u>	<u>(85,202)</u>
	<u>\$ 9,969,283</u>	<u>\$ 9,444,294</u>

Included in the above are \$2,877,172 of funds which are externally restricted in use. (2006 - \$2,188,712)

3. Taxes and Grants in Lieu Receivable	2007	2006
Current taxes and grants in lieu receivable	\$ <u>28,690</u>	\$ <u>165,229</u>
Non-current tax arrears	651,740	734,423
Less: allowance for doubtful accounts	<u>(172,172)</u>	<u>(320,800)</u>
	<u>479,568</u>	<u>413,623</u>
	<u>\$ 508,258</u>	<u>\$ 578,852</u>

4. Capital Assets	2007	2006
Engineering structures	\$ 69,208,490	\$ 68,147,587
Buildings	15,560,275	15,330,516
Machinery and equipment	4,721,614	4,438,534
Land	3,857,139	3,857,139
Vehicles	<u>2,481,495</u>	<u>2,326,917</u>
	<u>\$ 95,829,013</u>	<u>\$ 94,100,693</u>

5. Deferred Revenue	2007	2006
Prepaid grants	\$ 3,305,912	\$ 3,217,276
Developer and other contributions	36,093	39,018
Prepaid local improvement charges	<u>261,673</u>	<u>306,773</u>
	<u>\$ 3,603,678</u>	<u>\$ 3,563,067</u>

6. Employee Benefit Obligation	2007	2006
Vacation pay outstanding	\$ <u>102,895</u>	\$ <u>88,118</u>



TOWN OF PEACE RIVER
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2007

7. Long Term Debt

2007 2006

Long term debt is comprised of:

Debentures - ACFA	\$ <u>3,650,588</u>	\$ <u>4,331,964</u>
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The current portion of long term debt amounts to \$594,086 (2006 - \$681,375).
 Interest paid on long-term debt in 2007 amounted to \$332,386 (2006 - \$398,830).

Long term debt is supported as follows:

Supported by general tax levies	\$ 872,120	\$ 1,094,339
Supported by special levies	1,886,275	2,118,100
Supported by utility rates	<u>892,193</u>	<u>1,119,525</u>
	\$ <u>3,650,588</u>	\$ <u>4,331,964</u>

Principal and interest repayments due in each of the next five years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	594,086	296,305	890,391
2009	498,573	244,740	743,313
2010	335,666	203,358	539,024
2011	219,934	161,976	381,910
2012	298,859	121,768	420,627
Thereafter	<u>1,703,471</u>	<u>285,600</u>	<u>1,989,071</u>
	\$ <u>3,650,589</u>	\$ <u>1,313,747</u>	\$ <u>4,964,336</u>

Debenture debt repayable to Alberta Capital Finance Authority bears interest at rates ranging from 3.215% to 12.00% before Provincial subsidy, and mature in periods 2007 through 2029. The interest rate on certain debenture debt issued prior to March 31, 1982 has been reduced by interest stabilization subsidies from the Province of Alberta.

Per capita debt on the long term debt supported by general tax levies is as follows:

2003	\$	212
2004	\$	223
2005	\$	175
2006	\$	140
2007	\$	138



TOWN OF PEACE RIVER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

8. Reserves

Reserves for operating and capital functions changed as follows:

	<u>2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>2007</u>
Operating reserves				
General Water	48,471			48,471
General Sewer	76,662	30,000		106,662
Environmental Stewardship	303,614			303,614
Transportation	-	81,160		81,160
Airport	162,250	65,000	162,250	65,000
Swimming pool	-	8,000		8,000
Museum	-	6,500		6,500
FCSS	6,718			6,718
Community Development- Programs	6,537	150,000		156,537
Community Development- Contingency	68,755			68,755
General Operating	<u>1,438,831</u>	<u>1,790,643</u>	<u>713,500</u>	<u>2,515,974</u>
	<u>2,111,838</u>	<u>2,131,303</u>	<u>875,750</u>	<u>3,367,391</u>
Capital reserves				
Fund 1 Off-site Levies	209,743	32,522		242,265
Fund 2 Town Wide Fac.	102,229			102,229
Fund 2 Town Wide Fac.- Curling Club	45,000			45,000
Fund 3 West Hill Mains	15,536			15,536
EMS	68,000	34,000		102,000
Fire	14,287	56,000		70,287
Common services	94,804			94,804
Water and sewer	257,747			257,747
Airport	329,392			329,392
Centennial Legacy	110,984			110,984
Community Development	5,000	25,000		30,000
Public Land Reserve	30,921			30,921
General Capital	<u>2,485,691</u>	<u>158,541</u>	<u>281,005</u>	<u>2,363,227</u>
	<u>3,769,334</u>	<u>306,063</u>	<u>281,005</u>	<u>3,794,392</u>
Total	\$ <u>5,881,172</u>	\$ <u>2,437,366</u>	\$ <u>1,156,755</u>	\$ <u>7,161,783</u>

TOWN OF PEACE RIVER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

9. Salary and Benefits Disclosure

Disclosure of salaries and benefits for elected municipal officials and the chief administrative officer, as required by provincial legislation, is as follows:

			2007	2006
	Salary	Benefits and Allowances	Total	Total
Mayor Lorne Mann	21,466	2,743	24,209	27,858
Mayor/Councillor Iris Callioux	15,282	3,063	18,345	12,778
Councillor Thomas Day	7,316	487	7,803	11,797
Councillor Don Good	7,349	-	7,349	12,346
Councillor Neil Martin	8,460	1,334	9,794	7,852
Councillor Geoff Milligan	11,647	2,217	13,864	18,118
Councillor Gordon Troup	7,098	1,173	8,271	9,627
Councillor Berry Heinen	2,911	198	3,109	-
Councillor Leslie Ayre-Jaschke	2,255	496	2,751	-
Councillor Jim Hancock	2,417	-	2,417	-
Councillor Wanda Laurin	849	-	849	-
	<u>87,050</u>	<u>11,711</u>	<u>98,761</u>	<u>100,376</u>
Chief Administrative Officer contract	<u>237,022</u>	<u>3,470</u>	<u>240,492</u>	<u>147,426</u>
	<u>237,022</u>	<u>3,470</u>	<u>240,492</u>	<u>147,426</u>
Total	\$ <u>324,072</u>	\$ <u>15,181</u>	\$ <u>339,253</u>	\$ <u>247,802</u>

Salary includes regular base pay, gross honoraria and any other cash remuneration.

Employer's share of all employee benefits and contributions or payments made on behalf of employees includes Canada Pension, Employment Insurance, Local Authorities Pension, Alberta Health Care, Dental Coverage, Group Life Insurance, Accidental Death and Dismemberment Insurance and Extended Health Coverage.

Benefits and allowances also includes car allowances.

TOWN OF PEACE RIVER
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2007

10. Debt Limits

Section 271 of the Municipal Government Act requires that debt and debt limits as defined by regulation for the Town of Peace River be disclosed as follows:

	2007	2006
Total debt limit	\$ 19,813,070	\$ 19,039,469
Total debt	<u>3,650,588</u>	<u>4,331,964</u>
Amount that debt limit exceeds debt	<u>\$ 16,162,482</u>	<u>\$ 14,707,505</u>
Percentage of debt limit used	<u>18.43%</u>	<u>22.75%</u>
Total debt servicing limit	\$ 3,302,178	\$ 3,173,245
Total debt servicing	<u>890,391</u>	<u>1,036,654</u>
Amount that debt servicing limit exceeds debt servicing	<u>\$ 2,411,787</u>	<u>\$ 2,136,591</u>
Percentage of debt servicing limit used	<u>26.96%</u>	<u>32.67%</u>

11. Operating Lease

The Town has entered into three operating leases, each for the provision of a piece of heavy equipment. Each lease has a term of 5 years and expires in 2009. Payments due in each of the next 3 years are as follows:

2008	\$ 85,344	excluding GST
2009	\$ 69,565	excluding GST

**TOWN OF PEACE RIVER
NOTES TO THE FINANCIAL STATEMENTS
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12. Contingencies

The Town has co-signed loans of the Peace Country Sports Club to an aggregate total of \$129,000. At December 31, 2007, the amounts of the loans were \$28,102 and the Peace Country Sports Club is responsible for making loan payments. The terms of the repayment are authorized under Bylaw No. 1748.

The Town has issued an interest free loan to the Peace River Curling Club in the amount of \$45,000 payable in full by December 31, 2015. The purpose of this loan is to assist in the interim financing of the Curling Club roof repairs. At December 31, 2007, the balance of the loan is \$36,000. These funds are authorized under Bylaw No. 1780.

The Town is currently in a contract dispute with an engineering firm they had obtained services from. The likelihood of income or loss is undeterminable and a reasonable estimate of outcome can not be made.

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.

13. 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/under levy, and long-term debt. It is management's opinion that the Town is not exposed to significant interest risk arising from these financial instruments.

The Town is subject to credit risk with respect to taxes 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.

14. Tangible capital assets

	Cost - Beg of Year	Additions	Disposals	Write- downs	Cost - End of Year	Amortization in Year	Acc. Amort	NBV
Land	3,857,139	-	-	-	3,857,139	-	-	3,857,139
Buildings	15,330,516	229,759	-	-	15,560,275	-	-	15,560,275
Engineered structures	68,147,587	1,060,903	-	-	69,208,490	-	-	69,208,490
Machinery & equipment	4,438,534	286,200	(3,120)	-	4,721,614	-	-	4,721,614
Vehicles	2,326,917	154,578	-	-	2,481,495	-	-	2,481,495
	<u>94,100,693</u>	<u>1,731,440</u>	<u>(3,120)</u>	<u>-</u>	<u>95,829,013</u>	<u>-</u>	<u>-</u>	<u>95,829,013</u>

15. Approval of Financial Statements

These financial statements were approved by Council and Management.

