



MEYERS NORRIS PENNY LLP

**TOWN OF PEACE RIVER**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

Chartered Accountants and Business Advisors

[www.mnp.ca](http://www.mnp.ca)

**TOWN OF PEACE RIVER**  
**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**



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MEYERS NORRIS PENNY LLP

## 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, 2008 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.

Except as explained in the following paragraph, 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.

As outlined in Note 15, the Town of Peace River is not reporting their proportionate share of the equity in a business government enterprise they hold. Failure to record this investment using the modified equity method is not in accordance with Canadian generally accepted accounting principles. Due to the dispute with regards to the proportionate share held, we are unable to state what the impact would be on the assets and operating fund balance.

In our opinion, except for the effects of the Town's failure to record the investment referred to in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Town of Peace River as at December 31, 2008 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  
May 22, 2009

*Meyers Norris Penny LLP*  
Chartered Accountants

**TOWN OF PEACE RIVER  
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	(Unaudited)		
	Budget	2008	2007
<b>Revenues</b>			
Net municipal property taxes (Schedule 4)	\$ 6,412,671	\$ 6,284,205	\$ 5,906,402
Sales of goods and user charges	3,855,684	3,604,005	3,806,080
Development levies	-	300,580	33,029
Penalties and costs on taxes	279,115	187,040	290,081
Franchise and concession contracts	516,464	519,413	633,404
Return on investments	436,537	218,915	429,242
Government transfers (Schedule 7)	9,627,996	2,511,261	4,096,322
Other revenues	<u>752,891</u>	<u>1,615,620</u>	<u>287,715</u>
<b>Total revenues</b>	<u>21,881,358</u>	<u>15,241,039</u>	<u>15,482,275</u>
<b>Expenditures</b>			
<b>Operating</b>			
Legislative	235,009	205,480	255,288
General administration	1,935,678	2,052,743	1,373,150
Protective and transportation services	5,616,272	5,592,957	4,969,942
Water, wastewater and waste management	1,814,681	1,953,782	1,626,489
Public health and economic development	1,325,927	935,935	743,688
Recreation, parks and culture	<u>1,949,067</u>	<u>1,948,765</u>	<u>1,741,825</u>
<b>Total operating expenditures</b>	<u>12,876,634</u>	<u>12,689,662</u>	<u>10,710,382</u>
<b>Capital</b>			
General administration	163,652	129,238	81,030
Fire and bylaw enforcement	262,500	219,341	107,480
Protective services	422,015	171,154	66,384
Planning and community development	446,515	54,270	23,798
Transportation services	3,225,614	1,325,550	323,824
Water, wastewater and waste management	8,924,450	489,356	457,926
Recreation, parks and culture	<u>777,571</u>	<u>340,545</u>	<u>667,876</u>
<b>Total capital expenditures</b>	<u>14,222,317</u>	<u>2,729,454</u>	<u>1,728,318</u>
<b>Total expenditures (Schedule 5)</b>	<u>27,098,951</u>	<u>15,419,116</u>	<u>12,438,700</u>
<b>Excess of revenues over expenditures</b>	(5,217,593)	(178,077)	3,043,575
New debt issued	-	-	-
Repayments of capital fund long term debt	<u>(702,469)</u>	<u>(595,998)</u>	<u>(681,375)</u>
<b>Change in fund balances</b>	<u>(5,920,062)</u>	<u>(774,075)</u>	<u>2,362,200</u>
<b>Fund balances at beginning of year</b>	<u>8,797,181</u>	<u>8,797,181</u>	<u>6,434,981</u>
<b>Fund balances at end of year</b>	<u>\$ 2,877,119</u>	<u>\$ 8,023,106</u>	<u>\$ 8,797,181</u>

See accompanying notes to the financial statements

**TOWN OF PEACE RIVER  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**ASSETS**

	<b>2008</b>	<b>2007</b>
Financial Assets		
Cash and temporary investments (Note 2)	\$ 14,358,028	\$ 9,969,283
Receivables		
Taxes and grants in lieu of taxes (Note 3)	136,515	508,258
Trade and other receivables	1,010,126	3,318,322
Land held for resale	28,880	49,390
Other current assets	10,269	10,285
	<u>15,543,818</u>	<u>13,855,538</u>
Physical Assets		
Capital assets (Note 4)	98,290,033	95,829,013
<b>Total Assets</b>	<u>113,833,851</u>	<u>109,684,551</u>

**LIABILITIES AND MUNICIPAL EQUITY**

Liabilities		
Accounts payable and accrued liabilities	1,524,671	1,207,459
Deposit liabilities	78,788	81,328
Deferred revenue (Note 5)	5,754,950	3,603,678
Employee benefit obligations (Note 6)	119,798	102,895
Long term debt (Note 7)	3,054,590	3,650,588
Other long term liabilities	13,625	13,607
<b>Total Liabilities</b>	<u>10,546,422</u>	<u>8,659,555</u>
<b>Municipal Equity</b>		
Fund Balances		
Operating fund (Schedule 2)	655,055	553,809
Capital fund (Schedule 1)	1,081,589	1,081,589
Reserves (Schedule 3)	6,286,462	7,161,783
Total fund balances	<u>8,023,106</u>	<u>8,797,181</u>
Equity in physical assets (Schedule 6)	95,235,443	92,178,425
Equity in land held for resale	28,880	49,390
<b>Total Equity</b>	<u>103,287,429</u>	<u>101,024,996</u>
<b>Total Liabilities and Equity</b>	<u>\$ 113,833,851</u>	<u>\$ 109,684,551</u>

See accompanying notes to the financial statements

**TOWN OF PEACE RIVER  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	2008	2007
<b>Increase (decrease) in cash and investments</b>		
<b>Operating Activities</b>		
Excess of revenues over expenditures	\$ (178,077)	\$ 3,043,575
Cash provided from (invested in) non cash working capital		
Taxes and grants in lieu receivable	371,743	70,594
Trade and other receivables	2,308,196	(2,222,330)
Other financial assets	16	(413)
Accounts payable and accrued liabilities	317,230	248,133
Deferred revenue	2,151,272	40,643
Employee benefit obligations	16,903	14,777
Deposit liabilities	(2,540)	11,386
	<u>4,984,743</u>	<u>1,206,365</u>
<b>Financing Activities</b>		
Long term debt repayments	<u>(595,998)</u>	<u>(681,376)</u>
Increase (decrease) in cash and cash equivalents for the year	4,388,745	524,989
Cash and cash equivalents, net of bank indebtedness		
Beginning of year	<u>9,969,283</u>	<u>9,444,294</u>
End of year	\$ <u>14,358,028</u>	\$ <u>9,969,283</u>

See accompanying notes to the financial statements

**TOWN OF PEACE RIVER  
SCHEDULE OF CAPITAL ACTIVITIES (Schedule 1)  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	(Unaudited) Budget	2008	2007
<b>Revenues</b>			
Government transfers	\$ 8,441,616	\$ 992,473	\$ 2,273,562
Investment income	-	-	-
Development levies	-	300,580	33,029
Other revenues	155,935	761,852	-
<b>Total revenues</b>	<u>8,597,551</u>	<u>2,054,905</u>	<u>2,306,591</u>
<b>Expenditures</b>			
Administration	163,652	129,238	81,030
Fire and bylaw enforcement	262,500	219,341	107,480
Protective services	422,015	171,154	66,384
Planning & Community Development	446,515	54,270	23,798
Transportation services	3,225,614	1,325,550	323,824
Water, wastewater and waste management	8,924,450	489,356	457,926
Recreation and parks	777,571	340,545	667,876
<b>Total expenditures</b>	<u>14,222,317</u>	<u>2,729,454</u>	<u>1,728,318</u>
Excess (deficiency) of revenues over expenditures	(5,624,766)	(674,549)	578,273
Net interfund transfers			
From (to) reserves	4,472,609	(308,190)	248,484
From operating	1,152,157	982,739	254,832
Debt issued (Schedule 6)	-	-	-
<b>Changes in fund balances</b>	<u>-</u>	<u>-</u>	<u>1,081,589</u>
<b>Opening balance</b>	<u>1,081,589</u>	<u>1,081,589</u>	<u>-</u>
<b>Closing balance</b>	<u>\$ 1,081,589</u>	<u>\$ 1,081,589</u>	<u>\$ 1,081,589</u>

See accompanying notes to the financial statements



**TOWN OF PEACE RIVER  
SCHEDULE OF OPERATING ACTIVITIES (Schedule 2)  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	(Unaudited) Budget	2008	2007
<b>Revenues</b>			
Net taxes available for municipal purposes (Schedule 4)	\$ 6,412,671	\$ 6,284,205	\$ 5,906,402
Sales and user charges	3,855,684	3,604,005	3,806,080
Penalties and costs on taxes	279,115	187,040	290,081
Franchise and concession contracts	516,464	519,413	633,404
Return on investments	436,537	218,915	429,242
Government transfers	1,186,380	1,518,788	1,822,760
Other revenues	596,956	853,768	287,715
<b>Total revenues</b>	<u>13,283,807</u>	<u>13,186,134</u>	<u>13,175,684</u>
<b>Expenditures</b>			
Legislative	235,009	205,480	255,288
General administration	1,935,678	2,052,743	1,373,150
Protective and transportation services	5,616,272	5,592,957	4,969,942
Water, wastewater and waste management	1,814,681	1,953,782	1,626,489
Public health and economic development	1,325,927	935,935	743,688
Recreation, parks and culture	1,949,067	1,948,765	1,741,825
<b>Total expenditures</b>	<u>12,876,634</u>	<u>12,689,662</u>	<u>10,710,382</u>
<b>Excess of revenues over expenditures</b>	407,173	496,472	2,465,302
Debt repayments (Schedule 6)	(592,194)	(595,998)	(681,375)
Net interfund transfers from (to) reserves	1,337,178	1,183,511	(1,529,095)
Net interfund transfers to capital fund	(1,152,157)	(982,739)	(254,832)
<b>Changes in fund balances</b>	-	101,246	-
<b>Opening balance</b>	-	553,809	553,809
<b>Closing balance</b>	<u>\$ -</u>	<u>\$ 655,055</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, 2008**

	(Unaudited) <b>Budget</b>	<b>2008</b>	<b>2007</b>
<b>Balance at beginnning of year</b>	\$ <u>7,161,783</u>	\$ <u>7,161,783</u>	\$ <u>5,881,172</u>
Add/(deduct):			
Transfers from operating fund	84,000	312,963	2,404,843
Transfers to operating fund	<u>(1,421,178)</u>	<u>(1,496,474)</u>	<u>(875,748)</u>
	<u>(1,337,178)</u>	<u>(1,183,511)</u>	<u>1,529,095</u>
Transfers from capital fund	-	853,880	32,521
Transfers to capital fund	<u>(4,472,609)</u>	<u>(545,690)</u>	<u>(281,005)</u>
	<u>(4,472,609)</u>	<u>308,190</u>	<u>(248,484)</u>
Change in Fund Balance	<u>(5,809,787)</u>	<u>(875,321)</u>	<u>1,280,611</u>
Balance at end of year (Note 8)	\$ <u>1,351,996</u>	\$ <u>6,286,462</u>	\$ <u>7,161,783</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, 2008**

	(Unaudited) Budget	2008	2007
<b>Taxation</b>			
Real property taxes	\$ 7,306,265	\$ 7,263,331	\$ 6,759,338
Linear property taxes	320,066	247,722	325,038
Government grants in lieu of property taxes	379,455	379,756	370,498
Special assessments and local improvement taxes	398,575	385,086	398,434
	<u>8,404,361</u>	<u>8,275,895</u>	<u>7,853,308</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	1,844,455	1,844,455	1,805,654
North Peace Foundation	147,235	147,235	141,252
	<u>1,991,690</u>	<u>1,991,690</u>	<u>1,946,906</u>
<b>Net taxes available for municipal purposes</b>	<b>\$ <u>6,412,671</u></b>	<b>\$ <u>6,284,205</u></b>	<b>\$ <u>5,906,402</u></b>

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, 2008**

	(Unaudited) Budget	2008	2007
<b>Expenditures</b>			
Salaries, wages and benefits (Note 9)	\$ 4,733,050	\$ 4,357,300	\$ 3,649,456
Contracted and general services	5,073,365	5,053,735	4,168,755
Purchases from other governments	15,000	-	-
Materials, goods, supplies and utilities	2,043,152	2,427,030	2,056,323
Provision for allowances	196,016	197,622	87,100
Transfers to individuals and organizations	12,630	16,598	35,000
Bank charges and short term interest	1,400	3,605	2,420
Interest on long term debt	291,025	277,177	332,386
Capital assets acquired	14,222,317	2,729,454	1,728,320
Other expenditures	510,996	356,595	378,940
<b>Total Expenditures</b>	<b>\$ <u>27,098,951</u></b>	<b>\$ <u>15,419,116</u></b>	<b>\$ <u>12,438,700</u></b>

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, 2008**

	(Unaudited) Budget	2008	2007
<b>Acquisition of capital assets</b>			
Administration	\$ 163,652	\$ 129,238	\$ 81,030
Fire and bylaw enforcement	262,500	219,341	107,480
Protective services	422,015	171,154	66,384
Planning & Community Development	446,515	54,270	23,798
Transportation services	3,225,614	1,325,550	326,946
Water, wastewater and waste management	8,924,450	489,356	457,926
Recreation and parks	<u>777,571</u>	<u>340,545</u>	<u>667,876</u>
<b>Total expenditures</b>	<u>14,222,317</u>	<u>2,729,454</u>	<u>1,731,440</u>
<b>Disposal of capital assets (Cost)</b>	-	(268,434)	(3,120)
<b>Capital financing</b>			
Capital debt issued (Schedule 1)	-	-	-
Capital debt repaid from operating fund (Schedule 2)	<u>702,469</u>	<u>595,998</u>	<u>681,375</u>
<b>Change in equity balance</b>	<u>14,924,786</u>	<u>3,057,018</u>	<u>2,409,695</u>
<b>Equity balance at beginning of year</b>	<u>92,178,425</u>	<u>92,178,425</u>	<u>89,768,730</u>
<b>Equity balance at end of year</b>	<u>\$ 107,103,211</u>	<u>\$ 95,235,443</u>	<u>\$ 92,178,425</u>

See accompanying notes to the financial statements

**TOWN OF PEACE RIVER  
SCHEDULE OF GOVERNMENT TRANSFERS (Schedule 7)  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	(Unaudited) Budget	2008	2007
<b>Federal transfers</b>			
Shared-cost agreements and grants	\$ 4,900	\$ 2,789	\$ 4,500
<b>Provincial transfers</b>			
Shared-cost agreements and grants	9,061,730	1,557,406	3,330,355
Debt interest rebates	1,200	450	1,862
<b>Local government transfers</b>			
Shared-cost agreements and grants	560,166	950,616	759,605
	<u>\$ 9,627,996</u>	<u>\$ 2,511,261</u>	<u>\$ 4,096,322</u>

See accompanying notes to the financial statements

**TOWN OF PEACE RIVER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**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, 2008**

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, 2008**

**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, 2008**

**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 2008, the Town of Peace River continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2008, the Town of Peace River continued to work towards compiling a listing of assets and values for engineering structures, buildings, vehicles and equipment.

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:

	<u>Years</u>
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, 2008**

<b>2. Cash and Temporary Investments</b>	<b>2008</b>	<b>2007</b>
Cash	\$ 5,374,599	\$ 3,956,661
Temporary investments	9,054,715	6,083,921
Trust assets	13,916	13,903
Trust liabilities	<u>(85,202)</u>	<u>(85,202)</u>
	<b>\$ 14,358,028</b>	<b>\$ 9,969,283</b>

Included in the above are \$3,792,044 of funds which are externally restricted in use. (2007 - \$2,877,172)

<b>3. Taxes and Grants in Lieu Receivable</b>	<b>2008</b>	<b>2007</b>
Current taxes and grants in lieu receivable	\$ <u>145,786</u>	\$ <u>28,690</u>
Non-current tax arrears	63,189	651,740
Less: allowance for doubtful accounts	<u>(72,460)</u>	<u>(172,172)</u>
	<u>(9,271)</u>	<u>479,568</u>
	<b>\$ 136,515</b>	<b>\$ 508,258</b>

<b>4. Capital Assets</b>	<b>2008</b>	<b>2007</b>
Engineering structures	\$ 70,478,936	\$ 69,208,490
Buildings	16,032,910	15,560,275
Machinery and equipment	5,000,730	4,721,614
Land	3,857,139	3,857,139
Vehicles	<u>2,920,318</u>	<u>2,481,495</u>
	<b>\$ 98,290,033</b>	<b>\$ 95,829,013</b>

<b>5. Deferred Revenue</b>	<b>2008</b>	<b>2007</b>
Prepaid grants	\$ 5,460,661	\$ 3,305,912
Developer and other contributions	33,078	36,093
Prepaid local improvement charges	<u>261,211</u>	<u>261,673</u>
	<b>\$ 5,754,950</b>	<b>\$ 3,603,678</b>

<b>6. Employee Benefit Obligation</b>	<b>2008</b>	<b>2007</b>
Vacation pay outstanding	\$ <u>119,798</u>	\$ <u>102,895</u>

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**7. Long Term Debt**

**2008                      2007**

Long term debt is comprised of:

Debentures - ACFA	\$ 3,054,590	\$ <u>3,650,588</u>
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The current portion of long term debt amounts to \$360,528 (2007 - \$594,086).  
Interest paid on long-term debt in 2008 amounted to \$277,177 (2007 - \$332,386).

Long term debt is supported as follows:

Supported by general tax levies	\$ 642,615	\$ 872,120
Supported by special levies	1,650,215	1,886,275
Supported by utility rates	<u>761,760</u>	<u>892,193</u>
	\$ 3,054,590	\$ <u>3,650,588</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>
2009	360,528	228,709	743,313
2010	340,998	200,348	539,024
2011	297,666	171,019	381,910
2012	319,217	147,221	420,627
2013	317,770	121,464	439,234
Thereafter	<u>1,418,411</u>	<u>369,701</u>	<u>1,788,112</u>
	\$ 3,054,590	\$ 1,238,462	\$ <u>4,312,220</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 2009 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:

2004	\$	223
2005	\$	175
2006	\$	140
2007	\$	138
2008	\$	102

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**8. Reserves**

Reserves for operating and capital functions changed as follows:

	<u>2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>2008</u>
<b>Operating reserves</b>				
Economic Development	150,000		150,000	-
Airport	65,000		65,000	-
Swimming pool	8,000			8,000
Museum	6,500		6,500	-
FCSS	6,718			6,718
Community Development- Programs	6,537			6,537
Community Development- Contingency	68,755			68,755
General Operating	<u>2,559,317</u>	<u>312,961</u>	<u>1,164,745</u>	<u>1,707,533</u>
	<u>2,870,827</u>	<u>312,961</u>	<u>1,386,245</u>	<u>1,797,543</u>
<b>Capital reserves</b>				
Fund 1 Off-site Levies	242,265	300,581		542,846
Fund 2 Town Wide Fac.	154,556			154,556
Fund 3 West Hill Mains	15,536			15,536
EMS	102,000			102,000
Fire department equipment	14,288			14,288
Common services	94,802			94,802
Common services - general	81,160	501,010	81,160	501,010
Water distribution	225,330			225,330
Wastewater treatment plant	187,548		35,500	152,048
Trenching	114,088			114,088
Recycling	189,527			189,527
Airport	329,391			329,391
Centennial Legacy	85,984		85,984	-
Parks	30,333			30,333
Community Development	30,000		26,335	3,665
Public Land Reserve	30,921	52,291		83,212
General Capital	<u>2,363,227</u>		<u>426,940</u>	<u>1,936,287</u>
	<u>4,290,956</u>	<u>853,882</u>	<u>655,919</u>	<u>4,488,919</u>
<b>Total</b>	<b>\$ <u>7,161,783</u></b>	<b>\$ <u>1,166,843</u></b>	<b>\$ <u>2,042,164</u></b>	<b>\$ <u>6,286,462</u></b>

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**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:

			<b>2008</b>	<b>2007</b>
	<u>Salary<sup>1</sup></u>	<u>Benefits and Allowances<sup>2</sup></u>	<u>Total</u>	<u>Total</u>
Mayor Lorne Mann	-	-	-	24,209
Mayor/Councillor Iris Callioux	22,260	7,950	30,210	18,345
Councillor Thomas Day	-	-	-	7,803
Councillor Don Good	12,315	1,193	13,508	7,349
Councillor Neil Martin	8,850	590	9,440	9,794
Councillor Geoff Milligan	6,862	1,862	8,724	13,864
Councillor Gordon Troup	-	-	-	8,271
Councillor Berry Heinen	12,925	3,813	16,738	3,109
Councillor Leslie Ayre-Jaschke	16,754	2,670	19,424	2,751
Councillor Jim Hancock	-	-	-	2,417
Councillor Wanda Laurin	10,613	3,410	14,023	849
	<u>90,579</u>	<u>21,488</u>	<u>112,067</u>	<u>98,761</u>
Chief Administrative Officer (current)	50,357	8,194	58,551	-
Chief Administrative Officer (previous)	111,757	97,238	208,995	240,492
	<u>162,114</u>	<u>105,432</u>	<u>267,546</u>	<u>240,492</u>
<b>Total</b>	<b>\$ 252,693</b>	<b>\$ 126,920</b>	<b>\$ 379,613</b>	<b>\$ 339,253</b>

- 1 Salary includes regular base pay, gross honoraria and any other cash remuneration.
- 2 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.

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**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:

	<b>2008</b>	<b>2007</b>
Total debt limit	\$ 21,372,849	\$ 19,813,070
Total debt	<u>3,054,590</u>	<u>3,650,588</u>
Amount that debt limit exceeds debt	\$ <u>18,318,259</u>	\$ <u>16,162,482</u>
Percentage of debt limit used	<u>14.29%</u>	<u>18.43%</u>
Total debt servicing limit	\$ 3,562,142	\$ 3,302,178
Total debt servicing	<u>743,313</u>	<u>890,391</u>
Amount that debt servicing limit exceeds debt servicing	\$ <u>2,818,829</u>	\$ <u>2,411,787</u>
Percentage of debt servicing limit used	<u>20.87%</u>	<u>26.96%</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 the next year are as follows:

2009 \$ 69,565 excluding GST

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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, 2008, the amounts of the loans were \$16,452 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, 2008, the balance of the loan is \$31,500. These funds are authorized under Bylaw No.1780.

The Town has been named as defendant in a lawsuit relating to an employee dismissal. At December 31, 2008, the Town has filed a statement of defence but determination of outcome cannot be made at this time.

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**

	Land	Buildings	Engineered Structures	Machinery & Vehicles Equipment		Total
Cost, Beginning of Year	3,857,139	15,560,275	69,208,490	4,721,614	2,481,495	95,829,013
Additions	-	472,635	1,538,880	279,116	438,823	2,729,454
Disposals	-	-	(268,434)	-	-	(268,434)
Writedowns	-	-	-	-	-	-
Cost, End of Year	<u>3,857,139</u>	<u>16,032,910</u>	<u>70,478,936</u>	<u>5,000,730</u>	<u>2,920,318</u>	<u>98,290,033</u>
Opening accumulated amort	-	-	-	-	-	-
Amortization in Year	-	-	-	-	-	-
Total accumulated amort.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Value	<u>3,857,139</u>	<u>16,032,910</u>	<u>70,478,936</u>	<u>5,000,730</u>	<u>2,920,318</u>	<u>98,290,033</u>

**15. Investment In East Peace Regional Landfill Authority**

These financial statements do not include the Town of Peace River's investment in the East Peace Regional Landfill Authority. The original Memorandum of Agreement dated March 22, 1999 between the Village of Nampa, the Town of Peace River, and the Municipal District of East Peace No. 131 (now Northern Sunrise County) states that the municipalities shall contribute to the deficit cost of operating the landfill on a pro-rated tonnage basis. However, there is dispute amongst the municipalities as to whether this is an appropriate basis for determining each municipality's share in the equity of the landfill. In 2009, a new agreement is planned which will more clearly state the proportionate share each municipality has in the equity of the landfill. At such time, the Town will begin reporting their share in the landfill on a modified equity basis as is appropriate for government business enterprise.



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**16. Government transfers**

The following government transfers have been included in revenues:

In 2005, the Federal government introduced the New Deal for Cities and Communities to assist in reducing the backlog of necessary sustainable capital municipal infrastructure projects that had been deferred. In 2008, the Town received, and deferred, \$322,129 (2007 - \$1,306) for capital government transfers. The funding was used towards the lift station replacement.

The Provincial government introduced the Alberta Municipal Infrastructure Program in 2005 to assist municipalities in addressing capital infrastructure needs. In 2008, the Town received a per capita grant of \$2,208,946 (2007 - \$0), of which \$84,197 (deferred amounts recognized in 2007 - \$405,016) has been recognized as government transfers. \$2,148,301 (2007 - \$1,125,322), including interest of \$83,369 (2007 - \$55,184), has been deferred to future periods.

The Provincial government has provided grants under the Centennial Legacies Grants Program. In 2008, \$400,000 was received and recorded against the accounts receivable that had been set up to recover the portion of expenditures incurred that were allowable under the grant. The grants and interest have been used for the purposes consistent with clause 1 of the grant agreements.

**17. Budget figures**

Budget figures are included for information purposes only and are not audited.

**18. Approval of financial statements**

Council and management approved these financial statements.