

TOWN OF BISHOP'S FALLS

AUDITORS' REPORT

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2008

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AUDITORS' REPORT

To The Town Council
Town of Bishop's Falls

I have audited the balance sheet of Town of Bishop's Falls as at December 31, 2008 and the statements of revenues and expenditures, equity and cash flows for the year then ended. These financial statements are the responsibility of the Town Council. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 the Town Council, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Town Council as at December 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grand Falls-Windsor, NL
June 15, 2009



LORI K. MERCER
Chartered Accountant

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The Mayor and Councilors
Town of Bishop's Falls

In compliance with the requirements of Section 85 of the Municipalities Act 1999, I report, as follows, on the audit of the account of the Town for the year ended December 31, 2008.

1. EXPENDITURES IN RELATION TO BUDGET

Expenditures of \$3,047,907 exceeded the limits of the adopted budget by \$125,709 accounted for as follows:

	<u>Budget</u>	<u>2008</u>	<u>Difference</u>
EXPENDITURE			
General government	\$ 413,645	\$ 481,427	\$ (67,782)
Protective services	75,300	78,264	(2,964)
Transportation services	682,407	761,456	(79,049)
Environmental health	273,433	248,495	24,938
Planning and development	20,200	-	-
Recreation and cultural services	224,977	187,825	37,152
Public relations	20,200	48,677	(28,477)
Fiscal services	<u>1,232,236</u>	<u>1,241,763</u>	<u>(9,527)</u>
	<u>\$ 2,942,398</u>	<u>\$ 3,047,907</u>	<u>\$ (125,709)</u>

2. ARREARS OF REVENUE:

See Note 3 to the financial statements

3. THE MANNER IN WHICH THE ACCOUNTS HAVE BEEN KEPT AND THE SAFEGUARDS AGAINST FRAUD:

The position in these respects was considered satisfactory.

4. SUFFICIENCY OF BONDS:

Fidelity bond coverage of \$10,000 is carried on employees of the Council who are in position of trust. In our opinion, this coverage is sufficient.

Grand Falls-Windsor
June 15, 2009



LORI K. MERCER
Chartered Accountant

TOWN OF BISHOP'S FALLS
BALANCE SHEET AS AT DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Accounts receivable (Note 3)	\$ 805,080	\$ 716,960
PROPERTY AND EQUIPMENT (NOTE 1 & 4)	<u>21,592,159</u>	<u>22,049,801</u>
INTERFUND ACCOUNT	<u>265,977</u>	<u>265,997</u>
	<u>\$ 22,663,216</u>	<u>\$ 23,032,758</u>
LIABILITIES & EQUITY		
CURRENT LIABILITIES		
Bank indebtedness (Note 2)	\$ 232,232	\$ 338,324
Accounts, payable and accrued (Note 5)	632,887	705,855
Current maturities (Note 6)	<u>556,505</u>	<u>600,618</u>
Total current liabilities	<u>1,421,624</u>	<u>1,644,797</u>
INTERFUND ACCOUNT	<u>265,977</u>	<u>265,997</u>
LONG-TERM DEBT (NOTE 6)	<u>4,651,511</u>	<u>5,016,120</u>
EQUITY, PER ACCOMPANYING STATEMENT	<u>16,324,104</u>	<u>16,105,844</u>
	<u>\$ 22,663,216</u>	<u>\$ 23,032,758</u>

See accompanying notes

Approved:

 , Mayor
 , Town Clerk

TOWN OF BISHOP'S FALLS
STATEMENT OF EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
SURPLUS		
Balance, beginning of year	\$ (639,030)	\$ (529,708)
Excess (deficit) of revenue over expenditure per accompanying statement	<u>302,210</u>	<u>(109,322)</u>
Balance, end of year	<u>(336,820)</u>	<u>(639,030)</u>
 INVESTMENT IN CAPITAL ASSETS		
Balance, beginning of year	15,404,995	14,507,329
Add: Debt retired through revenue	574,081	639,642
Capital grant	237,627	248,542
Capital expenditures out of revenue	<u>63,487</u>	<u>9,482</u>
Balance, end of year	<u>16,280,190</u>	<u>15,404,995</u>
 CONTRIBUTED SURPLUS - ECONOMIC DEVELOPMENT HERITAGE COMMITTEE	 <u>380,734</u>	 <u>1,339,879</u>
 NET EQUITY	 <u><u>\$ 16,324,104</u></u>	 <u><u>\$ 16,105,844</u></u>

See accompanying notes

**TOWN OF BISHOP'S FALLS
STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>2008</u>	<u>2007</u>
REVENUES (SCHEDULE 1)		
Revenue from taxation	\$ 1,998,099	\$ 1,969,501
Sale of goods and services	11,704	40,025
Other revenue from own services	119,028	171,059
Government transfers	<u>643,062</u>	<u>669,624</u>
	<u>2,771,893</u>	<u>2,850,209</u>
 EXPENDITURES (SCHEDULE 2)		
General government	484,827	413,034
Protective services	78,264	66,031
Transportation services	761,456	728,917
Environmental health	248,495	259,421
Recreation and cultural services	187,825	208,329
Fiscal services	1,241,763	1,224,496
Public relations	<u>48,677</u>	<u>48,956</u>
	<u>3,051,307</u>	<u>2,949,184</u>
 EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURE - Town Operations	\$ (279,414)	\$ (98,975)
 EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURE - Economic		
Development Heritage Committee	<u>581,624</u>	<u>(10,347)</u>
 EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURE - NET	\$ <u>302,210</u>	\$ <u>(109,322)</u>

See accompanying notes

TOWN OF BISHOP'S FALLS
AUDITED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Excess (deficit) of revenue over expenditure	\$ 302,210	\$ (109,322)
Appropriations for Revenue fund		
Repayment of long-term debt	574,081	639,642
Capital expenditures out of revenue	63,487	9,482
Capital grants	<u>237,627</u>	<u>248,542</u>
	1,177,405	788,344
Changes in non-cash working capital		
Receivables	(88,120)	(91,631)
Accounts, payable and accrued	<u>(72,968)</u>	<u>137,189</u>
Cash flows from (used in) operating activities	<u>1,016,317</u>	<u>833,902</u>
Cash flows from financing activities		
Repayment of long-term debt		
Decrease in long-term debt	(1,786,279)	(702,252)
Issue of long-term debt	<u>1,377,557</u>	<u>26,334</u>
Cash flows from (used in) financing activities	<u>(408,722)</u>	<u>(675,918)</u>
Cash flows from investing activities		
Purchase of capital assets	<u>(501,503)</u>	<u>(196,024)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	106,092	(38,040)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>(338,324)</u>	<u>(300,284)</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (NOTE 2)	\$ <u>(232,232)</u>	\$ <u>(338,324)</u>

See accompanying notes

TOWN OF BISHOP'S FALLS
REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2008

Schedule 1.

	<u>Budget</u>	<u>2008</u>	<u>2007</u>
REVENUE FROM TAXATION			
- Property tax	\$ 1,056,834	\$ 912,926	\$ 947,870
- Poll tax	105,000	105,000	85,619
- Water and sewer tax	643,125	629,204	602,854
- Grants in lieu of taxes	125,600	228,318	239,091
- Business tax	<u>122,650</u>	<u>122,651</u>	<u>94,067</u>
	<u>\$ 2,053,209</u>	<u>\$ 1,998,099</u>	<u>\$ 1,969,501</u>
SALE OF GOODS AND SERVICES			
- Sale of land and building sites	<u>\$ 35,000</u>	<u>\$ 11,704</u>	<u>\$ 40,025</u>
OTHER REVENUES FROM OWN SERVICES			
- Licences and permits	\$ -	\$ 2,380	\$ 2,540
- Tax certificates	-	2,250	2,200
- Rentals	11,200	12,262	12,000
- Interest collected on overdue accounts	40,000	40,000	58,261
- Other general	<u>69,500</u>	<u>62,136</u>	<u>96,058</u>
	<u>\$ 120,700</u>	<u>\$ 119,028</u>	<u>\$ 171,059</u>
GOVERNMENT TRANSFERS			
- Municipal operating grant	\$ 148,009	\$ 148,008	\$ 148,008
- Province portion of debt charges	466,211	396,143	465,770
- Grants - other	<u>99,069</u>	<u>98,911</u>	<u>55,846</u>
	<u>\$ 713,289</u>	<u>\$ 643,062</u>	<u>\$ 669,624</u>
TOTAL REVENUES	<u>\$ 2,922,198</u>	<u>\$ 2,771,893</u>	<u>\$ 2,850,209</u>

TOWN OF BISHOP'S FALLS
EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008

Schedule 2.

	<u>Budget</u>	<u>2008</u>	<u>2007</u>
GENERAL GOVERNMENT			
Council			
- remuneration for councillors	\$ <u>47,276</u>	\$ <u>47,035</u>	\$ <u>35,238</u>
General Administration			
- wages and benefits	172,167	222,026	178,593
- travel	6,180	1,511	10,287
- supplies	28,750	39,750	26,740
- purchased services	30,000	28,606	31,215
- professional services	15,000	33,546	4,718
- insurance	68,000	65,947	76,470
- Professional development	<u>5,400</u>	<u>4,858</u>	<u>8,302</u>
	<u>325,497</u>	<u>396,244</u>	<u>336,325</u>
Property Assessment Services			
- purchased services	<u>40,872</u>	<u>41,548</u>	<u>41,471</u>
TOTAL GENERAL GOVERNMENT	\$ <u><u>413,645</u></u>	\$ <u><u>484,827</u></u>	\$ <u><u>413,034</u></u>
 PROTECTIVE SERVICES			
Fire Protection			
- Fire protection -supplies & purchased services	\$ 69,700	\$ 74,899	\$ 61,021
- Animal control	<u>5,600</u>	<u>3,365</u>	<u>5,010</u>
	\$ <u><u>75,300</u></u>	\$ <u><u>78,264</u></u>	\$ <u><u>66,031</u></u>

TOWN OF BISHOP'S FALLS
EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008

Schedule 2.

Schedule 2 (Continued)	<u>Budget</u>	<u>2008</u>	<u>2007</u>
TRANSPORTATION SERVICES			
Vehicle and Fleet Operation and Maintenance			
- wages, benefits & supplies	\$ 273,316	\$ 208,023	\$ 212,596
Road Maintenance			
- wages and benefits	231,936	253,582	255,863
- purchased services	-	52,980	17,699
- supplies	-	52,365	62,723
	<u>231,936</u>	<u>358,927</u>	<u>336,285</u>
Snow Removal			
- supplies	40,000	30,179	36,663
- wages and benefits	56,043	94,937	64,663
	<u>96,043</u>	<u>125,116</u>	<u>101,326</u>
Street Lighting			
- purchased services	81,112	69,390	78,710
TOTAL TRANSPORTATION SERVICES	<u>\$ 682,407</u>	<u>\$ 761,456</u>	<u>\$ 728,917</u>
 ENVIRONMENTAL HEALTH			
Water and Sewer			
- wages and benefits	\$ 40,000	\$ 16,084	\$ 37,346
- supplies and travel	25,674	15,297	24,958
- purchased services	116,238	140,896	123,831
	<u>181,912</u>	<u>172,277</u>	<u>186,135</u>
Garbage and Waste Collection and Disposal			
- wages and benefits	25,000	24,207	27,288
- supplies	66,521	52,011	45,998
	<u>91,521</u>	<u>76,218</u>	<u>73,286</u>
TOTAL ENVIRONMENTAL HEALTH	<u>\$ 273,433</u>	<u>\$ 248,495</u>	<u>\$ 259,421</u>

TOWN OF BISHOP'S FALLS
EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008

Schedule 2.

Schedule 2 (Continued)	<u>Budget</u>	<u>2008</u>	<u>2007</u>
PUBLIC RELATIONS			
Community Improvement & Development			
- Grants and subsidies	\$ 5,000	\$ 42,090	\$ 43,061
- Purchased services	<u>15,200</u>	<u>6,587</u>	<u>5,895</u>
TOTAL PLANNING AND DEVELOPMENT	<u>\$ 20,200</u>	<u>\$ 48,677</u>	<u>\$ 48,956</u>
 RECREATION AND CULTURAL SERVICES			
Programs	\$ 6,976	\$ 5,985	\$ 7,724
Administration salaries	50,346	77,918	90,572
Stadium (note 7)	149,904	100,076	98,765
Parks and playgrounds	<u>17,751</u>	<u>3,846</u>	<u>11,268</u>
TOTAL RECREATION AND CULTURAL SERVICES	<u>\$ 224,977</u>	<u>\$ 187,825</u>	<u>\$ 208,329</u>
 FISCAL SERVICES			
Debt Charges from all Sources	\$ 1,076,928	\$ 946,109	\$ 1,135,189
Transfer to Own Reserves and Other Funds			
- provision for uncollectible taxes	6,000	209,940	56,683
- other losses or allowances	39,039	-	-
- capital expenditures out of revenue	94,269	63,487	9,482
- bank service charges	<u>16,000</u>	<u>22,227</u>	<u>23,142</u>
	<u>155,308</u>	<u>295,654</u>	<u>89,307</u>
TOTAL FISCAL SERVICES	<u>\$ 1,232,236</u>	<u>\$ 1,241,763</u>	<u>\$ 1,224,496</u>
 TOTAL EXPENDITURES	<u>\$ 2,922,198</u>	<u>\$ 3,051,307</u>	<u>\$ 2,949,184</u>

TOWN OF BISHOP'S FALLS
NOTES TO THE AUDITED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES

- (a) Revenue is recorded on an accrual basis.
- (b) No provision for depreciation of fixed assets is recorded in the financial statements of the municipality. Fixed assets purchased out of general revenue are fully charged against revenue in the year of acquisition.
- (c) The annual instalments of principal and interest on long-term borrowings obtained to finance the purchase of fixed assets are recorded in the statements as a current expenditure.
- (d) The equity of the municipality in its fixed assets is represented by a credit account "Investment in Capital Assets".
- (e) Government grants received towards the cost of fixed assets are recorded in the "Investment in Capital Assets" account.
- (f) Fixed assets disposed of are deleted from the accounts at their original cost.

2. CASH

	<u>2008</u>	<u>2007</u>
Cash	\$ 410	\$ 410
Capital	54,029	(391)
Bank - economic development	28,411	2,854
Current account	<u>(315,082)</u>	<u>(341,197)</u>
	<u>\$ (232,232)</u>	<u>\$ (338,324)</u>

The bank indebtedness is secured by a general assignment of book debts.

3. RECEIVABLES

	<u>2008</u>	<u>2007</u>
Property tax	\$ 128,827	\$ 150,170
Poll tax	285,283	474,181
Water and sewer tax	91,694	82,400
Business tax	<u>39,597</u>	<u>200,588</u>
	545,401	907,339
Allowance for doubtful receivables	<u>(140,723)</u>	<u>(400,398)</u>
	404,678	506,941
Miscellaneous	158,816	78,148
HST rebate	<u>123,519</u>	<u>67,471</u>
	687,013	652,560
Economic development - net	54,398	31,232
Land rents	1,040	2,033
Gas tax	<u>62,629</u>	<u>31,135</u>
	<u>\$ 805,080</u>	<u>\$ 716,960</u>

TOWN OF BISHOP'S FALLS
NOTES TO THE AUDITED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2008

3. RECEIVABLES (Cont'd)

ARREARS OF REVENUE

Taxes and rates receivable totalled \$545,401 at December 31, 2008. Of this amount \$427,258 has been outstanding for one year or longer, while the balance of \$118,143 represents arrears on account of taxes and rates levied in 2008. Current collections in 2008, on taxes, amounted to 93% of the amounts levied in 2008.

The amount for doubtful accounts amounted to \$140,723 at December 31, 2008 (2007 - \$400,398). In our opinion, this allowance appears reasonable. However, Council should continue efforts to reduce this allowance as much as possible before it gets too difficult to manage.

4. PROPERTY AND EQUIPMENT

	<u>2008</u>	<u>2007</u>
Buildings	\$ 606,400	606,400
Stadium	1,152,683	1,034,164
Recreation park	582,916	582,916
Equipment and furniture	1,297,435	1,297,435
Land	504,069	504,069
Sports complex	633,558	633,558
Works depot	127,739	127,739
Water and sewer utility	7,558,061	7,175,078
Water treatment plant	498,159	498,159
Roads	8,271,144	8,271,144
Property & equipment - economic development - net	<u>359,995</u>	<u>1,319,139</u>
	<u>\$ 21,592,159</u>	<u>\$ 22,049,801</u>

5. ACCOUNTS, PAYABLE AND ACCRUED

	<u>2008</u>	<u>2007</u>
Trade	\$ 287,337	\$ 392,448
Taxes paid in advance	13,796	15,752
Unearned revenue	26,000	14,748
Trade - economic development	15,706	18,140
Accrued interest	47,428	112,415
Accrued severance	<u>146,081</u>	<u>143,313</u>
	536,348	696,816
Capital payable	87,500	-
HST payable to province	<u>9,039</u>	<u>9,039</u>
	<u>\$ 632,887</u>	<u>\$ 705,855</u>

**TOWN OF BISHOP'S FALLS
NOTES TO THE AUDITED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2008**

6. LONG-TERM DEBT

		<u>2008</u>	<u>2007</u>
Newfoundland Municipal Financing Corporation			
8.375% repayable in semi-annual installments of \$3,557 including interest, maturing 2009	Street Improvements	6,691	12,855
7.75% repayable in semi-annual installments of \$6,619 including interest, maturing 2011	Water Supply	34,838	44,794
8.375% repayable in semi-annual installments of \$4,434 including interest, maturing 2009	Street Improvements	8,341	16,025
7.375% repayable in semi-annual installments of \$7,458 including interest, maturing 2012	Water supply	45,285	56,251
6.75% repayable in semi-annual installments of \$9,258 including interest, repaid during year	Water and Sewer	-	8,673
8.375% repayable in semi-annual installments of \$3,130 including interest, maturing 2009	1987 Street Improv.	5,887	11,311
6.375% repayable in semi-annual installments of \$30,077 including interest, maturing Feb 2014	Paving	275,422	316,064
7.25% repayable in semi-annual instalments of \$2,172 maturing 2011		37,317	50,480
6.375% repayable in semi-annual installments of \$2,640 including interest, maturing Feb 2014	Paving	24,178	27,745
9.375% repayable in semi-annual installments of \$4,932 including interest, repaid during year	Water Treatment	-	9,211
Subtotal		<u>\$ 437,959</u>	<u>\$ 553,409</u>

**TOWN OF BISHOP'S FALLS
NOTES TO THE AUDITED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2008**

6. LONG TERM DEBT (CONTINUED)

	<u>2008</u>	<u>2007</u>
Balance forward	\$ <u>437,959</u>	\$ <u>553,409</u>
10.625% repayable in semi-annual installments of \$17,981 including interest, maturing 2009		
Water Treatment	17,074	48,682
9.75% repayable in semi-annual installments of \$18,211 including interest, maturing 2011	79,117	105,854
9.75% repayable in semi-annual installments of \$1,842 including interest, maturing 2011	8,005	10,710
7.375% repayable in semi-annual installments of \$21,312 including interest, repaid during year	-	20,554
7.375% repayable in semi-annual installments of \$21,891 including interest, maturing 2009	21,100	61,039
7.25% repayable in semi-annual installments of \$1,373 including interest, maturing 2016	15,671	17,197
7.25% repayable in semi-annual installments of \$14,658 including interest, maturing 2011	65,948	89,210
7.25% repayable in semi-annual installments of \$2,172 including interest, maturing 2016	24,797	27,211
6.75% repayable in semi-annual installments of \$2,400 including interest, maturing 2013	18,363	21,751
6.75% repayable in semi-annual installments of \$19,457 including interest, maturing 2013	148,878	176,344
6.75% repayable in semi-annual installments of \$9,599 including interest, maturing 2018	133,044	142,768
Canada Mortgage and Housing Corporation		
9.5% repayable in annual installments of \$20,111 including interest, repaid during year	-	491
Subtotal	\$ <u>969,956</u>	\$ <u>1,275,220</u>

TOWN OF BISHOP'S FALLS
NOTES TO THE AUDITED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2008

6. LONG TERM DEBT (CONTINUED)

	<u>2008</u>	<u>2007</u>
Balance forward	\$ <u>969,956</u>	\$ <u>1,275,220</u>
9.5% repayable in annual installments of \$4,122 including interest, repaid during year	-	4,089
Canadian Imperial Bank of Commerce		
NMFC refinancing, repayable in annual instalments of \$122,529 including interest at 5.82%, maturing 2007	1,101,908	1,179,959
NMFC refinancing, repayable in annual instalments of \$71,473 including interest at 6.04%, maturing 2019	581,345	628,544
6.93%, repayable in annual instalments of \$42,420 including interest, repaid during year	-	255,975
7.17%, NMFC refinancing repayable in annual installments of \$45,909 including interest, repaid during year	-	372,378
5.67%, repayable in annual instalments of \$38,986 including interest, repaid during year	-	384,735
5.53% repayable in annual installments of \$53,387 including interest, maturing 2007	<u>529,149</u>	<u>552,603</u>
Subtotal	\$ <u>3,182,358</u>	\$ <u>4,653,503</u>

TOWN OF BISHOP'S FALLS
NOTES TO THE AUDITED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2008

6. LONG TERM DEBT (CONTINUED)

	<u>2008</u>	<u>2007</u>
Balance forward	\$ <u>3,182,358</u>	\$ <u>4,653,503</u>
NMFC refinancing for street reconstruction, repayable in annual instalments of \$154,859, including interest at 5.88% maturing 2013	626,315	737,792
Capital Works for sewer loan, repayable in annual instalments of \$6,484, including interest at 7.35%, maturing May, 2012	21,786	26,334
6.93% loan, repayable in 20 annual instalments of \$42,420, including interest, maturing 2020 repaid during year	-	104,905
Credit Union		
loan repayable in annual instalments of \$11,482, including interest at 5.5%, repayable October, 2008	-	94,204
loan repayable in annual instalments of \$11,482, including interest at 5.5%, repayable October, 2008	<u>1,377,557</u>	<u>-</u>
	5,208,016	5,616,738
Current maturities	<u>(556,505)</u>	<u>(600,618)</u>
	<u>\$ 4,651,511</u>	<u>\$ 5,016,120</u>

The aggregate amount of payments required to meet debt retirement provisions for the next 5 years is as follows:

2009	\$ 556,505
2010	530,297
2011	522,301
2012	490,214
2013	430,213

7. STADIUM

	<u>2008</u>	<u>2007</u>
Income	\$ <u>50,278</u>	\$ <u>35,171</u>
Expenditure		
Salaries	58,399	64,165
Purchased services	65,924	55,376
Supplies	<u>26,031</u>	<u>14,395</u>
	<u>150,354</u>	<u>133,936</u>
Deficit, end of year	<u>\$ (100,076)</u>	<u>\$ (98,765)</u>

**TOWN OF BISHOP'S FALLS
NOTES TO THE AUDITED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2008**

8. CONTRACTUAL COMMITMENTS

The town entered into a lease with Caterpillar Financial Services Limited during the year for the purchase of a Caterpillar Wheel Loader. The lease payments of \$3,690.61 plus HST is being recorded in the financial statements as a rental expense. The term of the lease is 72 months, at the end of which, the town has the option to purchase the equipment for \$1.00.

9. TANGIBLE CAPITAL ASSETS

Effective January 1, 2008, the Town of Bishop's Falls adopted Accounting Guidelines 7 (PSG-7) of the Public Sector Accounting Handbook with respect to the disclosure of the tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section PS 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

Prior to January 1, 2009, the Municipality recorded tangible capital assets including assets held under capital leases at cost in the period they were acquired on the Statement of Financial Position (Balance Sheet) and as an expenditure within the capital fund. The capital assets recorded on the Statement of Financial Position (Balance Sheet) were not amortized.

During 2008, the Municipality continued to work towards compliance with the new recommendations for accounting for tangible capital assets. A complete listing of assets and values has been commenced and is expected to be completed by December 31, 2009 to comply with section PS 3150.

As of January 1, 2008, capital assets including assets held under capital leases are recorded at cost in the period in which they are acquired and recorded as expenditure within the capital funds. Contributed assets related to roads, water distribution and wastewater collection systems are capitalized and are recorded at their estimated fair value acquisition. Works of art for display in Municipal property are not included as capital assets. Certain capital assets for which historical cost information is not available has been recorded at current fair market or replacement value, discounted by the relevant replacement factor.

The municipality has adopted a policy that states it does capitalize interest as part of the cost of its capital assets.

Certain assets such as "list assets" have been recorded at nominal values as the determination of a fair market value for these types of assets is not appropriate.