

TOWN OF LADYSMITH
CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2008

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DECEMBER 31, 2008

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AUDITORS' REPORT

To The Mayor And Councillors Of
The Town of Ladysmith

We have audited the consolidated statement of financial position of the Town of Ladysmith as at December 31, 2008 and the consolidated statements of financial activities, changes in financial position, operating fund activities, capital fund activities, reserve fund activities, and equity in capital assets for the year then ended. These consolidated 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 Ladysmith as at December 31, 2008 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information, including Schedules I to VII, is presented for purposes of additional analysis. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

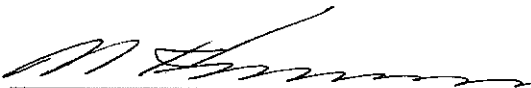
Hayes Stewart Little & Co.

Duncan, BC
March 20, 2009

Chartered Accountants.

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2008

	2008	2007
Financial Assets		
Cash and short term deposits (Note 4)	\$ 11,242,851	\$ 14,186,705
Accounts receivable (Note 5)	<u>4,400,923</u>	<u>1,513,502</u>
	<u>15,643,774</u>	<u>15,700,207</u>
Liabilities		
Accounts payable (Note 6)	2,137,723	1,754,086
Post-employment benefits (Note 3)	153,900	133,200
Deferred revenue	352,583	108,346
Restricted reserves (Note 7)	3,473,177	4,282,038
Refundable deposits and other	693,425	559,695
Long term debt (Note 9 and Schedule I)	<u>3,742,518</u>	<u>3,990,567</u>
	<u>10,553,326</u>	<u>10,827,932</u>
Net Financial Assets	<u>5,090,448</u>	<u>4,872,275</u>
Physical Assets		
Capital Assets (Note 10)	59,786,177	53,080,698
Prepays	19,872	46,706
Inventory	<u>95,416</u>	<u>118,037</u>
	<u>59,901,465</u>	<u>53,245,441</u>
	<u>\$ 64,991,913</u>	<u>\$ 58,117,716</u>
Fund Balances		
Operating funds (Note 2)		
Unappropriated equity	\$ 2,097,066	\$ 2,022,872
Appropriated equity (Schedule IV)	6,078,815	6,092,129
Capital funds (Note 2)	529,541	510,883
Reserve funds (Note 2 and Schedule IV)	<u>242,832</u>	<u>401,701</u>
	8,948,254	9,027,585
Equity in capital assets (Note 11)	<u>56,043,659</u>	<u>49,090,131</u>
	<u>\$ 64,991,913</u>	<u>\$ 58,117,716</u>



Mark Hermanson, B.A., C.A.
Manager of Financial Services

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Actual 2008	(Unaudited) Budget 2008	Actual 2007
Revenue			
Taxes (Schedule II)	\$ 5,953,857	\$ 5,948,221	\$ 5,657,040
Fees and charges			
General (Schedule III)	2,005,805	2,010,360	1,818,753
Sewer (Schedule III)	606,673	580,700	574,231
Water (Schedule III)	630,411	650,500	658,930
MFA refund	33,614	-	367,690
Return on investments	263,566	270,000	334,114
Penalty and interest on tax	76,298	66,600	74,301
Grants	3,046,967	4,990,397	739,716
Donations and contributions	380,082	357,350	110,037
Proceeds from disposal of capital assets	27,645	855,400	790
Development fees and gas tax	2,281,484	2,135,309	950,322
Other income	2,000	-	12,896
Local area improvements	21,857	11,908	11,165
	<u>15,330,259</u>	<u>17,876,745</u>	<u>11,309,985</u>
Expenditures			
General government services	1,816,416	2,008,525	1,555,650
Library	224,542	224,542	210,565
Protective services	1,317,224	1,385,377	1,633,736
Transportation services	4,623,175	5,133,130	1,791,087
Environmental health services	369,125	420,093	407,167
Public health	33,961	35,687	29,977
Development services	647,547	930,019	680,115
Recreation and cultural services	2,305,956	3,785,196	1,867,879
Parks operation services	511,443	545,513	459,549
Sewer	1,288,190	3,943,977	570,618
Water	2,209,961	2,205,118	1,625,816
Reallocation of internal equipment usage	(391,423)	(334,100)	(325,984)
Net change in inventory and prepaids	(49,457)	-	65,178
Interest, net of actuarial adjustment (Note 9)	205,423	256,627	221,310
	<u>15,112,083</u>	<u>20,539,704</u>	<u>10,792,663</u>
Net Operating Revenue	218,176	(2,662,959)	517,322
Proceeds from new debt	-	25,000	62,780
Principal repaid	(248,050)	(197,879)	(225,364)
Net change in inventory and prepaids	(49,457)	-	65,178
Increase (Decrease) in Consolidated Fund Balances	(79,331)	(2,835,838)	419,916
Consolidated Fund Balances - Beginning of Year	<u>9,027,585</u>	<u>9,027,585</u>	<u>8,607,669</u>
Consolidated Fund Balances - End of Year	<u>\$ 8,948,254</u>	<u>\$ 6,191,747</u>	<u>\$ 9,027,585</u>

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
Operations		
Net operating revenue	\$ 218,176	\$ 517,322
Accounts receivable	(2,887,421)	1,274,059
Accounts payable, accrued liabilities and post-employment benefits	404,335	(371,333)
Deferred revenues	244,237	6,893
Restricted reserves	(808,861)	(261,060)
Refundable deposits and other	<u>133,730</u>	<u>50,090</u>
Net increase (decrease) in cash from operations	<u>(2,695,804)</u>	<u>1,215,971</u>
Financing		
Proceeds from borrowing		62,780
Repayment of long-term debt	<u>(248,050)</u>	<u>(225,364)</u>
Net (Decrease) Increase in cash from financing	<u>(248,050)</u>	<u>(162,584)</u>
Increase in Cash and Cash Equivalents	(2,943,854)	1,053,387
Cash and Cash Equivalents - Beginning of Year	<u>14,186,705</u>	<u>13,133,318</u>
Cash and Cash Equivalents - End of Year	<u>\$ 11,242,851</u>	<u>\$ 14,186,705</u>

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF OPERATING FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Actual 2008	(Unaudited) Budget 2008	Actual 2007
Revenue			
Taxes (Schedule II)	\$ 5,953,857	\$ 5,948,221	\$ 5,657,040
Fees and charges General (Schedule III)	2,005,805	2,010,360	1,818,753
Fees and charges Sewer (Schedule III)	606,673	580,700	574,231
Fees and charges Water (Schedule III)	630,411	650,500	658,930
MFA refund	33,614	-	367,690
Return on investment	223,325	270,000	285,746
Penalties and interest on taxes	76,299	66,600	74,301
Grants	628,899	604,525	536,633
Local area improvements	21,857	11,908	-
Development fees	-	-	1,407
	<u>10,180,740</u>	<u>10,142,814</u>	<u>9,974,731</u>
Expenditures			
General government services	1,749,011	1,723,225	1,500,443
Library	224,542	224,542	210,565
Protective services	1,297,861	1,315,377	1,139,354
Transportation services	1,301,116	1,178,340	1,084,864
Environmental health services	369,125	420,093	407,167
Public health	33,961	35,687	29,977
Developmental services	611,460	750,019	359,594
Recreation and cultural services	1,726,591	1,778,796	1,666,160
Parks operational services	511,443	545,513	459,549
Sewer services	288,850	337,845	319,745
Water services	433,431	321,151	291,063
Reallocation of internal equipment usage	(391,423)	(334,100)	(325,984)
Interest, net of actuarial adjustment (Note 9)	205,423	256,627	221,310
	<u>8,361,391</u>	<u>8,553,115</u>	<u>7,363,807</u>
Excess of Revenue Over Expenditures	1,819,349	1,589,699	2,610,924
Transfers to Capital Funds	(1,704,871)	(4,227,658)	(2,014,013)
Transfers from reserves and appropriated equity	207,766	3,102,643	(830,580)
Principal repaid, net of actuarial adjustment	(248,050)	(197,879)	(225,364)
(Decrease) Increase in Operating Fund Balances	<u>74,194</u>	<u>266,805</u>	<u>(459,033)</u>
Operating Fund Balances,			
Unappropriated Equity - Beginning of Year	<u>2,022,872</u>	<u>2,022,872</u>	<u>2,481,905</u>
Operating Fund Balances,			
Unappropriated Equity - End of Year	<u>\$ 2,097,066</u>	<u>\$ 2,289,677</u>	<u>\$ 2,022,872</u>

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF CAPITAL FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Actual 2008	Consolidated (Unaudited) Budget 2008	Actual 2007
Capital Fund Balances - Beginning of Year	<u>\$ 510,883</u>	<u>\$ 510,883</u>	<u>\$ 488,963</u>
Add:			
Revenues allocated to capital funds			
Proceeds from disposal of capital assets	27,644	855,400	790
Proceeds from capital lease	-	25,000	62,780
Development fees and gas tax	2,281,484	2,135,309	948,915
Local area improvements	-	-	11,165
Donations and contributions	366,082	357,350	110,037
Capital grants	2,418,068	4,385,872	203,083
Other income	2,000	-	12,896
Return on Investments	<u>18,659</u>	<u>-</u>	<u>21,919</u>
	5,113,937	7,758,931	1,371,585
Internal Transfers			
Transfer to/from revenue funds	1,704,871	4,227,658	2,014,013
Less:			
Capital expenditures (Schedule V)	<u>(6,800,150)</u>	<u>(11,986,589)</u>	<u>(3,363,678)</u>
Increase in Capital Fund Balances	<u>18,658</u>	<u>-</u>	<u>21,920</u>
Capital Fund Balances - End of Year	<u>\$ 529,541</u>	<u>\$ 510,883</u>	<u>\$ 510,883</u>

TOWN OF LADYSMITH
CONSOLIDATED STATEMENT OF RESERVE FUND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
Reserve Fund Balance - Beginning of Year	\$ 401,701	\$ 602,767
Contributions to reserves	14,000	9,843
Project funding from reserves	(194,451)	(237,358)
Interest allocated to reserves	<u>21,582</u>	<u>26,449</u>
(Decrease) increase in reserve fund balances	<u>(158,869)</u>	<u>(201,066)</u>
Reserve Fund Balance - End of Year	<u>\$ 242,832</u>	<u>\$ 401,701</u>

TOWN OF LADYSMITH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

1. **General**

The Town of Ladysmith was incorporated under the provisions of the British Columbia Municipal Act. Its principal activities are the provision of local government services in the Town, as governed by the Community Charter and the Local Government Act.

The notes to the consolidated financial statements are an integral part of these financial statements. They provide detailed information and explain the significant accounting and reporting policies and principles that form the basis for these statements. They also provide relevant supplementary information and explanations which cannot be expressed in the consolidated financial statements.

2. **Significant Accounting Policies**

(a) **Basis of Presentation**

It is the Town's policy to follow Canadian accounting principles generally accepted principles for local governments and to apply such principles consistently. These consolidated financial statements include the operations of the General, Water, Sewer, Capital and Reserve Funds. They have been prepared using guidelines issued by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. The financial resources and operations of the Town have been consolidated for financial statement purposes and include the accounts of all the funds of the Town.

Operating Funds - These funds include the sewer and water utilities and report the principal operating activities of the Town. As at December 31, 2008, the fund balances were as follows:

	<u>2008</u>	<u>2007</u>
Unappropriated equity:		
General revenue fund	\$ 473,745	\$ 412,637
Sewer revenue fund	511,951	525,391
Water revenue fund	<u>1,111,370</u>	<u>1,084,844</u>
Total unappropriated equity	2,097,066	2,022,872
Appropriated equity (Schedule IV)	<u>6,078,815</u>	<u>6,092,129</u>
	<u>\$ 8,175,881</u>	<u>\$ 8,115,001</u>

TOWN OF LADYSMITH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

Capital Funds - These funds are used to acquire assets. The fund balances represent the differences between capital assets acquired and the funding which has been obtained. As at December 31, 2008, the fund balances were as follows:

	<u>2008</u>	<u>2007</u>
Sewer capital fund	\$ 783	\$ 757
Water capital fund	528,758	510,126
	\$ 529,541	\$ 510,883

Reserve Funds - These funds have been created to hold assets for specific future requirements. They are comprised of the funds shown in Schedule IV.

	<u>2008</u>	<u>2007</u>
Reserve funds	\$ 242,832	\$ 401,701

(b) Accrual Accounting

The accrual method for reporting revenues and expenditures has been used.

(c) Deferred Charges

Payments for operating expenditures pertaining to future years are carried as deferred charges. They are recorded as expenditures when the economic benefits are realized.

(d) Capital Assets

Capital assets purchased or constructed and work in progress are reported as capital expenditures and are classified according to their functional use. Capital assets donated are reported at fair market value at the time of the donation. Amortization is not recorded. The municipality is currently preparing for the new capital asset reporting requirements due to the changes to Public Sector Accounting Board PSAB S3150. Management is currently reviewing and cataloguing its' assets, determining historical cost where possible and classifying each asset by class. Asset thresholds, useful lives and amortization methods will be determined in 2009. It is anticipated that once the inventory and valuation process is complete, a significant write down of capital assets will be required due to the expected adjustment for accumulated amortization.

TOWN OF LADYSMITH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

2. Significant Accounting Policies (continued)

(e) **Restricted Reserves and Deferred Revenues**

Receipts which are restricted by legislation of senior governments or by agreement with external parties are deferred and reported as restricted reserves. When qualifying expenditures are incurred, restricted reserves are brought into revenue at equal amounts. These revenues are comprised of the amounts shown in note 7.

Revenues received in advance of expenditures which will be incurred in a later period are deferred until they are earned by being matched against those expenditures.

(f) **Subdivision Infrastructure**

Subdivision streets, lighting, sidewalks, drainage, and other infrastructure is required to be provided by subdivision developers. Upon completion they are turned over to the Town. The Town is not involved in the construction and does not budget for or recognize either the contribution from the developer nor the capital expenditure in its annual bylaw. In compliance with PSAB S3150, the contribution and asset purchase will be recorded and the assets will be amortized once they are put into use beginning in 2009.

(g) **Local Improvements**

The Town records capital expenditures for capital assets funded by local improvement agreements as they are incurred. Revenues are recognized over the term of the local improvement agreements as they are collected.

(h) **Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles for municipalities requires management to make estimates and assumptions that affect the reported amounts 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 expenditure during the reporting period. Significant areas requiring the use of management estimates relate to the collectibility of accounts receivable, deferred charges, accrued liability, post employment benefits and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

TOWN OF LADYSMITH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

3. Post Employment Benefits

The Town provides compensated absences to its CUPE employees to a maximum of 120 days. The Town also allows employees to defer unused vacation to a maximum of 15 days. Any deferred vacation bank remaining at retirement or termination is paid out at that time. The amount recorded for these benefits is based on an actuarial evaluation done by an independent firm using a projected benefit actuarial valuation method pro-rated on services. The total expenditure recorded in the financial statements in respect of obligations under this plan amounts to \$20,700. (2007 - \$22,700).

The accrued post employment benefits are as follows:

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 133,200	\$ 130,600
Current service cost	22,900	22,200
Benefits paid	(26,700)	(26,900)
Actuarial loss	<u>24,500</u>	<u>7,300</u>
Balance, end of year	\$ <u>153,900</u>	\$ <u>133,200</u>

The significant actuarial assumptions adopted in measuring the Town's post employment benefits are as follows:

	<u>2008</u>	<u>2007</u>
Discount rate	5.25%	4.50%
Expected inflation and wage and salary increases	2.50%	2.50%

TOWN OF LADYSMITH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

4. Cash and Short Term Deposits

Cash and short term deposits were comprised as follows:

	<u>2008</u>	<u>2007</u>
Cash	\$ 9,935,005	\$ 12,924,981
Short term deposits	<u>1,307,846</u>	<u>1,261,724</u>
	<u>\$ 11,242,851</u>	<u>\$ 14,186,705</u>

Short term deposits consist of short term investments in the Municipal Finance Authority of B.C. money market fund and the market value is equal to the carrying value.

Included in cash and short term deposits are the following restricted amounts that can only be expended in accordance with the terms of the restricted reserves.

	<u>2008</u>	<u>2007</u>
Restricted Reserves	\$ 3,473,178	\$ 4,282,038
Less: DCC's Receivable	<u>(269,342)</u>	<u>(55,000)</u>
Total Restricted Cash	<u>\$ 3,203,836</u>	<u>\$ 4,227,038</u>

5. Accounts Receivable

	<u>2008</u>	<u>2007</u>
Property taxes	\$ 906,203	\$ 485,516
Other government	2,414,001	233,360
User fees and other	754,635	535,994
Development cost charges	269,342	55,000
Developer receivables	29,071	182,382
Employee receivables	16,903	10,482
Due from trust funds	<u>10,768</u>	<u>10,768</u>
	<u>\$ 4,400,923</u>	<u>\$ 1,513,502</u>

TOWN OF LADYSMITH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

6. Accounts Payable and Accrued Liabilities

	<u>2008</u>	<u>2007</u>
General	\$ 1,548,134	\$ 1,381,920
Other governments	1,800	9,068
Salaries and wages	253,223	239,296
Contractors holdbacks	281,021	70,171
Accrued Interest	33,631	33,631
Bonds payable	<u>19,914</u>	<u>20,000</u>
	<u>\$ 2,137,723</u>	<u>\$ 1,754,086</u>

7. Restricted Reserves

	<u>Balance</u> <u>Dec 31, 2007</u>	<u>Interest</u> <u>Earned</u>	<u>Collections</u>	<u>Expenditures</u>	<u>Balance</u> <u>Dec 31, 2008</u>
DCC – Water	\$1,067,960	\$48,522	\$347,579	\$(917,089)	\$546,972
DCC – Parks	1,018,299	37,681	220,824	(155,204)	1,121,600
DCC – Roads	701,138	34,382	452,396	(763,413)	424,503
DCC – Sewer	994,244	35,834	64,866	(317,924)	777,020
DCC – Storm	201,256	8,052	57,740	-	267,048
Parking	18,656	814	16,000	-	35,470
Gas Tax	272,169	9,242	137,087	(127,854)	290,644
Green Streets	1,275	52	-	-	1,327
Amphitheatre	7,041	252	1,300	-	8,593
	<u>\$4,282,038</u>	<u>\$174,831</u>	<u>\$1,297,792</u>	<u>\$(2,281,484)</u>	<u>\$3,473,177</u>

8. Federal Gas Tax Funds

Gas Tax funding is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Municipality and the Union of British Columbia Municipalities. Gas Tax funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreements. The attached Schedule VII – Schedule of Receipts and Disbursements of Federal Gas Tax outlines the receipts and disbursements for these funds. The funds are recorded on our financial statements as a restricted reserve as outlined in Note 7

TOWN OF LADYSMITH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

9. Long Term Debt

a) The long term debt issued and outstanding as at December 31, 2008 was \$3,742,518 (\$3,990,567 as at December 31, 2007). The following principal amounts are payable over the next five years.

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013 and beyond</u>
Sewer	\$ 4,333	\$ 4,333	\$ 4,333	\$ 4,333	\$ 34,792
General	214,270	295,785	155,902	138,190	2,886,246
	<u>\$218,603</u>	<u>\$300,118</u>	<u>\$160,235</u>	<u>\$142,523</u>	<u>\$2,921,038</u>

Debt interest, less actuarial adjustments in the consolidated statement of financial activities, is determined as follows:

	<u>Interest</u>	<u>Actuarial Adjustments</u>	<u>2008 Net</u>	<u>2007 Net</u>
Sewer	\$ 6,031	\$ 1,764	\$ 4,267	\$ 4,557
General	230,928	29,772	201,156	216,753
	<u>\$236,959</u>	<u>\$31,536</u>	<u>\$205,423</u>	<u>\$221,310</u>

b) Capital Leases – The town has entered into capital leases for the following purchases.

- 1) A five year capital lease agreement with the Municipal Finance Authority of British Columbia which commenced on September 28, 2005, for the purchase of a fire truck. Under the terms of the agreement the Town has prepaid \$97,000. The remaining obligation will be repaid with monthly lease payments in the amount of \$4,064 including interest at 4.02% per annum. The balance of the capital lease at December 31, 2008, which is included in long-term debt, is \$174,833.
- 2) A five year capital lease agreement with the Municipal Finance Authority of British Columbia which commenced May 2006 for the purchase of Fitness Equipment. The remaining obligation will be repaid with monthly lease payments in the amount of \$625 including interest at 4.75% per annum. The balance of the capital lease at December 31, 2008, which is included in long-term debt, is \$18,331.
- 3) A five year capital lease agreement with the Municipal Finance Authority of British Columbia which commenced on May 2006 for the purchase of Fitness Equipment. The remaining obligation will be repaid with monthly lease payments in the amount of \$957 including interest at 4.75% per annum. The balance of the capital lease at December 31, 2008, which is included in long-term debt, is \$28,036.
- 4) A five year capital lease agreement with the Municipal Finance Authority of British Columbia which commenced on June 2006 for the purchase of Photocopier. The remaining obligation will be repaid with monthly lease payments in the amount of \$270 including interest at 5.0% per annum. The balance of the capital lease at December 31, 2008, which is included in long-term debt, is \$8,099.

TOWN OF LADYSMITH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

9. Long Term Debt (Continued) – Capital Leases

- 5) A five year capital lease agreement with the Municipal Finance Authority of British Columbia which commenced on June 2007 for the purchase of a Fire Command Response Unit crew cab truck. The remaining obligation will be repaid with monthly lease payments in the amount of \$1,175 including interest at 5.2% per annum. The balance of the capital lease at December 31, 2008, which is included in long-term debt, is \$44,156.

10. Capital Assets

	<u>2008</u>	<u>2007</u>
General fund		
Land	\$ 4,392,020	\$ 3,957,020
Land Improvements	198,937	193,328
Total land and land improvements	<u>4,590,957</u>	<u>4,150,348</u>
Buildings:		
Community Centre	5,015,462	5,004,914
Municipal buildings	<u>5,538,633</u>	<u>5,290,384</u>
Total buildings	<u>10,554,095</u>	<u>10,295,298</u>
Machinery and equipment:		
Community Centre	1,060,259	1,060,259
Other machinery and equipment	<u>4,090,627</u>	<u>3,694,522</u>
Total machinery and equipment	<u>5,150,886</u>	<u>4,754,781</u>
Engineering structures:		
Waterfront	658,285	622,198
Infrastructure	<u>13,426,263</u>	<u>10,623,252</u>
Total engineering structures	<u>14,084,548</u>	<u>11,245,450</u>
Total general fund	<u>34,380,486</u>	<u>30,450,877</u>
Water fund		
Land	263,312	263,312
Building	79,336	79,336
Equipment	1,119,078	1,119,078
Engineering structures:		
Water reservoir	3,854,089	2,927,863
Water infrastructure	<u>8,751,565</u>	<u>7,901,260</u>
Total engineering structures	<u>12,605,654</u>	<u>10,829,123</u>
Total water fund	<u>14,067,380</u>	<u>12,290,849</u>
Sewer fund		
Building	640,747	640,747
Equipment	786,832	786,832
Engineering structures	<u>9,910,732</u>	<u>8,911,393</u>
Total sewer fund	<u>11,338,311</u>	<u>10,338,971</u>
Total tangible capital assets	<u>\$ 59,786,177</u>	<u>\$ 53,080,698</u>

TOWN OF LADYSMITH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

11. Equity in Capital Assets

Equity in capital assets represents the total capital assets less long term debt assumed to acquire those assets. The change in equity in capital assets is as follows:

	<u>2008</u>	<u>2007</u>
Equity in Capital Assets – Beginning of Year	\$ 49,090,131	\$ 45,572,070
Add: Capital expenditures	6,800,150	3,363,678
Reduction in long term debt	248,049	225,364
Less: Disposal of capital assets	(94,671)	(8,201)
Proceeds from capital lease	<u>-</u>	<u>(62,780)</u>
Equity in Capital Assets – End of Year	<u>\$ 56,043,659</u>	<u>\$ 49,090,131</u>

12. Commitments and Contingencies

(a) Contingent Liabilities

- i) The Town, as a member of the Cowichan Valley Regional District, is jointly and severally liable for operational deficits or long term debt related to functions in which it participates.
- ii) The loan agreements with the Municipal Finance Authority provide that if the Authority does not have sufficient funds to meet payments on its obligations it shall make payments from the Debt Reserve Fund which in turn is established by a similar Debt Reserve Fund in the Town and all other borrowing participants. If the Debt Reserve Fund is deficient the Authority's obligations become a liability of the regional district and may become a liability of the participating municipalities.

TOWN OF LADYSMITH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

12. Commitments and Contingencies (Continued)

(b) Pension Liability

The municipality and its employees contribute to the Municipal Pension Plan (the plan), a jointly trustees pension plan. The Board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 150,000 active members and approximately 54,000 retired members. Active members include approximately 32,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of the surplus to individual employers. The Town of Ladysmith paid \$239,788 (2007 - \$184,376) for employer contributions to the plan in fiscal 2008

(c) Reciprocal Insurance Exchange Agreement

The Town is a subscribed member of the Municipal Insurance Association of British Columbia (The "Exchange") as provided by Section 3.02 of the Insurance Act of the Province of British Columbia. The main purpose of the Exchange is to pool the risks of liability so as to lessen the impact upon any subscriber. Under the Reciprocal Insurance Exchange Agreement the Town is assessed a premium and specific deductible for its claims based on population. The obligation of the Town with respect to the Exchange and/or contracts and obligations entered into by the Exchange on behalf of its subscribers in connection with the Exchange are in every case several, and not joint and several. The Town irrevocably and unconditionally undertakes and agrees to indemnify and save harmless the other subscribers against liability losses and costs which the other subscriber may suffer.

TOWN OF LADYSMITH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

12. Commitments and Contingencies (Continued)

(d) Debt Reserve Fund

The Municipal Finance Authority of British Columbia provides capital financing for regional districts and their member municipalities. The Authority is required to establish a Debt Reserve Fund. Each regional district through its member municipalities who share in the proceeds of a debt issue is required to pay into the Debt Reserve Fund certain amounts set out in the debt agreements. The Authority pays into the Debt Reserve Fund these monies from which interest earned thereon less administrative expenses becomes an obligation to the regional districts. It must then use this fund, if at any time there are insufficient funds, to meet payments on its obligations. When this occurs the regional districts may be called upon to restore the fund.

Upon maturity of a debt issue the unused portion of the Debt Reserve Fund established for that issue will be discharged to the Town. The proceeds from these discharges will be credited to income in the year they are received. As at December 31, 2008 the total of the Debt Reserve Fund was comprised of:

	Demand Note	Cash	Reserve
General	\$ 134,456	\$ 52,584	\$ 187,040
Sewer	4,270	1,428	5,698
Total MFA Reserve Fund	<u>\$ 138,726</u>	<u>\$ 54,012</u>	<u>\$ 192,738</u>

13. Significant Taxpayers

The Town is reliant upon 10 taxpayers for approximately 20% of the total property tax revenue which includes Western Forest Products at approximately 12.5% of the total property tax revenue.

TOWN OF LADYSMITH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

14. Funds Held in Trust

These funds account for assets which must be administered as directed by agreement or statute for certain beneficiaries, in particular, these funds are for the Cemetery Trust Fund. In accordance with PSAB recommendations on financial statement presentation for local governments, trust funds are not included in the Town's Financial Statements. A summary of trust fund activities by the Town is as follows:

	<u>2008</u>	<u>2007</u>
Assets		
Cash and short term investment	\$ <u>138,068</u>	\$ <u>131,879</u>
Equity		
Opening balance	\$ 131,879	\$ 123,267
Interest	4,439	5,527
Transfer interest to fund cemetery costs	(2300)	(3,000)
Contributions	<u>4,050</u>	<u>6,085</u>
Balance, end of year	\$ <u>138,068</u>	\$ <u>131,879</u>

15. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

TOWN OF LADYSMITH

LONG TERM DEBT

FOR THE YEAR ENDED DECEMBER 31, 2008

SCHEDULE I

Date of Issue Purpose	Issue #	Term	Original Amount	Balance Dec 31, 2007	Principal Payments	Balance Dec 31, 2008	Net Interest	Interest Rate
<u>Sewer Capital Fund</u>								
2000 Sewer Improvements	72	2000-2015	\$ 93,500	\$ 58,220	\$ 6,097	\$ 52,123	\$ 4,267	6.45%
			<u>93,500</u>	<u>58,220</u>	<u>6,097</u>	<u>52,123</u>	<u>4,267</u>	<u>6.45%</u>
<u>General Fund</u>								
2000 First Avenue	73	2000-2015	\$ 1,438,000	\$ 895,415	\$ 93,769	\$ 801,646	\$ 64,184	6.35%
2005 Fire Truck Lease	LS	2005-2010	311,189	220,749	45,916	174,833	6,242	4.02%
2006 RCMP Building	97	2006-2031	2,750,000	2,683,967	68,674	2,615,294	125,509	4.66%
2006 FJCC Fitness EQ	LS	2006-2011	35,929	25,548	7,217	18,331	956	4.75%
2006 FJCC Fitness EQ	LS	2006-2011	54,949	39,074	11,038	28,036	1,462	4.75%
2006 FJCC Photocopier	LS	2006-2011	15,405	11,186	3,087	8,099	445	5.00%
2007 Command Resp. Unit	LS	2007-2012	62,780	56,408	12,252	44,156	2,360	4.88%
			<u>4,668,252</u>	<u>3,932,347</u>	<u>241,953</u>	<u>3,690,395</u>	<u>201,158</u>	
			<u>\$ 4,761,752</u>	<u>\$ 3,990,567</u>	<u>\$ 248,050</u>	<u>\$ 3,742,518</u>	<u>\$ 205,425</u>	

TOWN OF LADYSMITH

TAX REVENUES

FOR THE YEAR ENDED DECEMBER 31, 2008

SCHEDULE II

	2008 Actual	(Unaudited) 2008 Budget	2007 Actual
General Taxes			
General municipal purposes	\$ 5,283,754	\$ 5,285,798	\$ 5,008,899
Grants in lieu and 1% utility tax	136,599	129,323	125,067
Water and sewer parcel tax	<u>532,688</u>	<u>533,100</u>	<u>520,060</u>
	<u>5,953,041</u>	<u>5,948,221</u>	<u>5,654,026</u>
Collections for other governments:			
School district	\$ 2,770,706	\$ 2,805,600	\$ 2,737,132
Regional hospital district	192,657	192,426	233,994
Regional district	584,032	583,427	510,366
BCAA and MFA	<u>77,689</u>	<u>77,500</u>	<u>75,754</u>
	<u>3,625,084</u>	<u>3,658,953</u>	<u>3,557,246</u>
Transmission of taxes levied for other governments:			
School district	\$ 2,770,705	\$ 2,805,600	\$ 2,737,168
Regional hospital district	192,426	192,426	233,073
Regional district	583,427	583,427	508,403
BCAA and MFA	<u>77,710</u>	<u>77,500</u>	<u>75,588</u>
	<u>3,624,268</u>	<u>3,658,953</u>	<u>3,554,232</u>
Net taxation revenue	<u>\$ 5,953,857</u>	<u>\$ 5,948,221</u>	<u>\$ 5,657,040</u>

TOWN OF LADYSMITH
SCHEDULE OF FEES AND CHARGES
FOR THE YEAR ENDED DECEMBER 31, 2008

SCHEDULE III

	2008 Actual	(Unaudited) 2008 Budget	2007 Actual
General Revenue Fund			
Fines and Licence Revenue	\$ 78,463	\$ 79,700	\$ 78,166
Garbage Collection	435,621	444,600	429,135
General Revenue Fund	81,208	79,050	277,735
Cemetery Revenue	30,225	37,000	33,905
Miscellaneous Revenue	105,754	132,550	132,390
Parks, Recreation & Culture Revenue	630,712	657,660	609,298
Permits and Fees (Subdivisions)	303,182	321,000	128,048
Protective Services Revenue	<u>340,640</u>	<u>258,800</u>	<u>130,076</u>
	<u>2,005,805</u>	<u>2,010,360</u>	<u>1,818,753</u>
Waterworks Utility Fund			
User Rates	<u>630,411</u>	<u>650,500</u>	<u>658,930</u>
Sewer Utility Fund			
User Rates	<u>606,673</u>	<u>580,700</u>	<u>574,231</u>
Total Fees and Charges	<u>\$ 3,242,889</u>	<u>\$ 3,241,560</u>	<u>\$ 3,051,914</u>

Town of Ladysmith
Continuity Schedule of Reserves and Appropriated Equity
For the Year Ended December 31st, 2008
Schedule IV
(Unaudited)

RESERVES	Balance Dec. 31, 2007	Interest Allocated	Contributions	Funding	Dec. 31, 2008
Tax Sale	\$ 22,962	\$ 769	\$ -	\$ -	\$ 23,731
Perpetual Safety Fund	11,520	288	-	-	11,808
Safe Real Property	336,399	19,390	-	194,451	161,338
Amenity Funds	30,820	1,135	14,000	-	45,955
TOTAL RESERVES	\$ 401,701	\$ 21,582	\$ 14,000	\$ 194,451	\$ 242,832
APPROPRIATED EQUITY - OPERATIONS					
Development Services					
Future Projects	\$ 38,890	\$ -	\$ 11,156	\$ 18,964	\$ 31,082
Heritage	6,691	-	-	-	6,691
Official Community Plan	10,283	-	-	-	10,283
Waterfront	30,555	-	-	-	30,555
Dunsmuir Dream	4,810	-	-	-	4,810
Archives Building	61,322	-	-	56,590	4,732
Total Development Services	\$ 152,551	\$ -	\$ 11,156	\$ 75,554	\$ 88,153
General Government Services					
Future Projects	\$ 324,137	\$ -	\$ 10,000	\$ 12,833	\$ 321,304
Equipment	59,295	-	-	16,771	42,524
Building	44,262	-	-	-	44,262
Consulting	54,375	-	-	-	54,375
Volunteer Recognition	1,350	-	-	-	1,350
Staff Appreciation	2,800	-	-	-	2,800
Sick/vacation reserve	138,844	-	-	39,911	98,933
Tax contingency	311,266	-	-	-	311,266
Total General Government Services	\$ 936,329	\$ -	\$ 10,000	\$ 69,515	\$ 876,814
Parks, recreation and culture					
Future Projects	\$ 31,683	\$ -	\$ 10,000	\$ 17,277	\$ 24,406
Equipment	1,159	-	-	-	1,159
Parks	99,427	-	-	-	99,427
Total Parks, Recreation and Culture	\$ 132,269	\$ -	\$ 10,000	\$ 17,277	\$ 124,992
Protective Services					
Fire - Equipment	\$ -	\$ -	\$ 40,000	\$ -	\$ 40,000
Police - Equipment	34,606	-	-	10,542	24,064
Total Protective Services	\$ 34,606	\$ -	\$ 40,000	\$ 10,542	\$ 64,064
Transportation					
Future Projects	\$ 130,957	\$ -	\$ -	\$ 38,968	\$ 91,989
Consulting	20,000	-	-	-	20,000
Vehicles	522,559	-	134,025	381,838	274,746
Total Transportation	673,516	-	134,025	420,806	386,735
General Capital Expenditures	117,725	-	-	-	117,725
Total General Fund Appropriated Equity	\$ 2,046,996	\$ -	\$ 205,181	\$ 593,694	\$ 1,658,483
Water Operating Fund					
Capital Expenditures	\$ 226,525	\$ -	\$ -	\$ 58,415	\$ 168,110
MFA Surplus Refunds	567,807	-	7,688	-	575,495
Total Water Operating Fund	\$ 794,332	\$ -	\$ 7,688	\$ 58,415	\$ 743,605
Sewer Operating Fund					
Capital Expenditures	\$ 2,670,374	\$ -	\$ 400,000	\$ -	\$ 3,070,374
MFA Surplus Refunds	580,427	-	25,926	-	606,353
Total Sewer Operating Fund	\$ 3,250,801	\$ -	\$ 425,926	\$ -	\$ 3,676,727
TOTAL APPROPRIATED EQUITY	\$ 6,092,129	\$ -	\$ 638,795	\$ 652,109	\$ 6,078,815
TOTAL RESERVES AND APPROPRIATED EQUITY	\$ 6,493,830	\$ 21,582	\$ 652,795	\$ 846,560	\$ 6,321,647

TOWN OF LADYSMITH
CAPITAL EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2008

SCHEDULE V

	Actual 2008	(Unaudited) Budget 2008	Actual 2007
General			
General government services	\$ 67,405	\$ 285,300	\$ 55,207
Protective services	19,363	70,000	494,382
Parks, recreation and cultural services	579,365	2,006,400	201,719
Transportation services	3,322,060	3,954,790	706,223
Development services	<u>36,087</u>	<u>180,000</u>	<u>320,521</u>
	<u>\$ 4,024,280</u>	<u>\$ 6,496,490</u>	<u>\$ 1,778,052</u>
Sewer	999,340	3,606,132	250,873
Water	<u>1,776,530</u>	<u>1,883,967</u>	<u>1,334,753</u>
	<u>\$ 6,800,150</u>	<u>\$ 11,986,589</u>	<u>\$ 3,363,678</u>

TOWN OF LADYSMITH
EXPENDITURE BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2008

SCHEDULE VI

	Actual 2008	(Unaudited) Budget 2008	Actual 2007
Advertising	\$ 74,362	\$ 82,700	\$ 67,724
Finance Fees	6,240	4,700	4,512
Building Rental	35,471	20,250	25,417
Contract Services	1,068,582	1,226,152	941,581
Grants In Aid	65,226	67,150	59,789
Insurance	113,236	102,900	100,722
Interest	205,423	256,627	244,993
Library	224,542	224,542	210,565
Materials & Supplies	496,989	500,960	471,457
Memberships	16,377	15,900	14,204
Permits and Licenses	13,412	13,485	9,122
Police Contract	830,659	867,787	722,651
Postage	16,649	15,700	13,829
Repairs & Maintenance	122,807	97,015	97,047
Travel & Training	132,945	162,940	157,848
Utilities & Telephone	290,973	288,085	263,106
Wages & Benefits	4,486,714	4,413,784	3,818,114
Rental own equipment	<u>160,784</u>	<u>192,438</u>	<u>141,126</u>
	<u>\$ 8,361,391</u>	<u>\$ 8,553,115</u>	<u>\$ 7,363,807</u>

TOWN OF LADYSMITH
FEDERAL GAS TAX – SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
SCHEDULE VII

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Opening balance of unspent funds	\$ 272,169	\$ 159,527	\$ 79,473
Add: Amount received during the year	137,086	104,590	79,429
Interest earned	9,242	8,052	625
Less: Amount spent on projects	<u>(127,852)</u>	<u>-</u>	<u>-</u>
Closing balance of unspent funds	<u>\$ 290,645</u>	<u>\$ 272,169</u>	<u>\$ 159,527</u>

SUPPORTING STATEMENTS

TOWN OF LADYSMITH

STATEMENT OF FINANCIAL POSITION – GENERAL OPERATING FUND

AS AT DECEMBER 31, 2008

	2008	2007
Financial Assets		
Cash and short term deposits	\$ 7,557,290	\$ 8,508,582
Accounts receivable	<u>1,603,216</u>	<u>1,043,427</u>
	<u>9,160,506</u>	<u>9,552,009</u>
Liabilities		
Accounts payable	2,137,227	1,753,590
Post-employment benefits	153,900	133,200
Deferred revenue	47,905	58,892
Due to other funds	4,109,416	4,751,648
Refundable deposits and other	<u>693,425</u>	<u>558,095</u>
	<u>7,141,873</u>	<u>7,255,425</u>
Net Financial Assets	<u>2,018,633</u>	<u>2,296,584</u>
Physical Assets		
Prepays	18,177	45,011
Inventory	<u>95,416</u>	<u>118,037</u>
	<u>113,593</u>	<u>163,048</u>
	<u>\$ 2,132,226</u>	<u>\$ 2,459,632</u>
Equity		
Unappropriated equity, beginning of year	\$ 412,637	\$ 471,216
Current Year Surplus (Deficit)	<u>61,108</u>	<u>(58,579)</u>
Unappropriated equity, end of year	473,745	412,637
Appropriated equity	<u>1,658,481</u>	<u>2,046,995</u>
	<u>\$ 2,132,226</u>	<u>\$ 2,459,632</u>

TOWN OF LADYSMITH

STATEMENT OF GENERAL OPERATING FUND ACTIVITIES

FOR THE YEAR ENDING DECEMBER 31, 2008

	2008	2007
Revenue		
Taxes	\$ 5,421,169	\$5,136,980
Fees and charges	2,005,805	1,818,753
Return on investment	223,325	285,713
Penalties and interest on taxes	76,298	74,301
Grants	628,899	536,633
Local area improvements	1,500	-
Development fees	-	1,407
	<u>8,356,996</u>	<u>7,853,787</u>
Expenditures		
General government services	1,749,011	1,500,443
Library	224,542	210,565
Protective services	1,297,861	1,139,354
Transportation services	1,301,116	1,084,864
Environmental health services	369,125	407,167
Public health	33,961	29,977
Developmental services	611,460	359,594
Recreation and cultural services	1,726,591	1,666,160
Parks operational services	511,443	459,549
Reallocation of internal equipment usage	(391,423)	(325,984)
Interest, net of actuarial adjustment (Note 9)	201,156	216,753
	<u>7,634,843</u>	<u>6,748,442</u>
Excess of Revenue Over Expenditures	722,153	1,105,345
Transfers to Capital Funds	(1,002,058)	(1,256,035)
Transfers from reserves and appropriated equity	582,965	311,668
Principal repaid, net of actuarial adjustment	(241,952)	(219,557)
(Decrease) Increase in Operating Fund Balances	61,108	(58,579)
Operating Fund Balances,		
Unappropriated Equity - Beginning of Year	<u>412,637</u>	<u>471,216</u>
Operating Fund Balances,		
Unappropriated Equity - End of Year	<u>\$ 473,745</u>	<u>\$ 412,637</u>

TOWN OF LADYSMITH
STATEMENT OF FINANCIAL POSITION – WATER OPERATING FUND
AS AT DECEMBER 31, 2008

	2008	2007
Financial Assets		
Due from other funds	\$ 1,742,039	\$ 1,773,951
Accounts receivable	<u>115,855</u>	<u>137,758</u>
	<u>1,857,894</u>	<u>1,911,709</u>
Liabilities		
Deferred revenue	3,583	32,198
Refundable deposits and other	<u>-</u>	<u>1,000</u>
	<u>3,583</u>	<u>33,198</u>
Net Financial Assets	<u>1,854,311</u>	<u>1,878,511</u>
Physical Assets		
Prepays	<u>665</u>	<u>665</u>
	<u>\$ 1,854,976</u>	<u>\$ 1,879,176</u>
Equity		
Unappropriated equity, beginning of year	\$ 1,084,844	\$ 1,424,423
Current Year Surplus (Deficit)	<u>26,526</u>	<u>(339,579)</u>
Unappropriated equity, end of year	1,111,370	1,084,844
Appropriated equity	<u>743,606</u>	<u>794,332</u>
	<u>\$ 1,854,976</u>	<u>\$ 1,879,176</u>

TOWN OF LADYSMITH
STATEMENT OF WATER OPERATING FUND ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31, 2008

	2008	2007
Revenue		
Taxes	\$ 228,410	\$ 223,020
Fees and charges	630,411	658,930
MFA refund	<u>7,688</u>	<u>44,934</u>
	<u>866,509</u>	<u>926,884</u>
 Expenditures		
Water services	<u>433,431</u>	<u>291,063</u>
 Excess of Revenue Over Expenditures	433,078	635,821
 Transfers to Capital Funds	(457,279)	(699,983)
Transfers from (to) reserves and appropriated equity	<u>50,727</u>	<u>(275,417)</u>
(Decrease) Increase in Operating Fund Balances	<u>26,526</u>	<u>(339,579)</u>
 Operating Fund Balances,		
Unappropriated Equity - Beginning of Year	<u>1,084,844</u>	<u>1,424,423</u>
 Operating Fund Balances,		
Unappropriated Equity - End of Year	<u>\$1,111,370</u>	<u>\$1,084,844</u>

TOWN OF LADYSMITH

STATEMENT OF FINANCIAL POSITION – SEWER OPERATING FUND

AS AT DECEMBER 31, 2008

	2008	2007
Financial Assets		
Cash and short term deposits	\$ -	\$ 11,076
Due from other funds	4,040,261	3,619,929
Accounts receivable	<u>152,342</u>	<u>160,784</u>
	<u>4,192,603</u>	<u>3,791,789</u>
 Liabilities		
Accounts payable	496	496
Deferred revenue	4,459	15,530
Refundable deposits and other	<u>-</u>	<u>600</u>
	<u>4,955</u>	<u>16,626</u>
 Net Financial Assets	<u>4,187,648</u>	<u>3,775,163</u>
 Physical Assets		
Prepays	<u>1,030</u>	<u>1,030</u>
	<u>\$ 4,188,678</u>	<u>\$ 3,776,193</u>
 Equity		
Unappropriated equity, beg. balance	\$ 525,391	\$ 586,266
Current Year Surplus (Deficit)	<u>(13,441)</u>	<u>(60,875)</u>
Unappropriated equity, ending balance	511,950	525,391
 Appropriated equity	<u>3,676,728</u>	<u>3,250,802</u>
	<u>\$ 4,188,678</u>	<u>\$ 3,776,193</u>

TOWN OF LADYSMITH
STATEMENT OF SEWER OPERATING FUND ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31, 2008

	2008	2007
Revenue		
Taxes	\$ 304,278	\$ 297,040
Fees and charges	606,673	574,231
MFA refund	25,926	322,756
Return on investment	-	33
Local area improvements	<u>20,357</u>	<u>-</u>
	<u>\$ 957,234</u>	<u>\$ 1,194,060</u>
Expenditures		
Sewer services	288,850	319,745
Interest, net of actuarial adjustment (Note 9)	<u>4,267</u>	<u>4,557</u>
	<u>293,117</u>	<u>324,302</u>
Excess of Revenue Over Expenditures	664,117	869,758
Transfers to Capital Funds	(245,534)	(57,995)
Transfers to reserves and appropriated equity	(425,926)	(866,831)
Principal repaid, net of actuarial adjustment	<u>(6,097)</u>	<u>(5,807)</u>
(Decrease) Increase in Operating Fund Balances	<u>(13,441)</u>	<u>(60,875)</u>
Operating Fund Balances,		
Unappropriated Equity - Beginning of Year	<u>525,391</u>	<u>586,266</u>
Operating Fund Balances,		
Unappropriated Equity - End of Year	<u>\$ 511,950</u>	<u>\$ 525,391</u>

TOWN OF LADYSMITH
STATEMENT OF GENERAL CAPITAL FUND ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31, 2008

	2008	2007
Capital Fund Balances - Beginning of Year	\$ -	\$ -
Add:		
Revenues allocated to capital funds		
Proceeds from disposal of capital assets	27,644	790
Proceeds from capital lease	-	62,780
Development fees	1,046,470	351,430
Local area improvements	-	1,500
Donations	15,082	63,037
Capital grants	1,580,026	4,584
Other Contributions	<u>353,000</u>	<u>37,896</u>
	3,022,222	522,017
Internal Transfers		
Transfer from revenue funds	1,002,058	1,256,035
Less:		
Capital expenditures (Schedule V)	<u>(4,024,280)</u>	<u>(1,778,052)</u>
Increase in Capital Fund Balances	-	-
Capital Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>

TOWN OF LADYSMITH
STATEMENT OF WATER CAPITAL FUND ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31, 2008

	2008	2007
Capital Fund Balances - Beginning of Year	\$ <u>510,126</u>	\$ <u>488,239</u>
Add:		
Revenues allocated to capital funds		
Development fees	917,090	547,310
Capital grants	402,161	87,461
Return on Investments	<u>18,632</u>	<u>21,886</u>
	1,337,883	656,657
Internal Transfers		
Transfer from revenue funds	457,279	699,983
Less:		
Capital expenditures (Schedule V)	<u>(1,776,530)</u>	<u>(1,334,753)</u>
Increase in Capital Fund Balances	<u>18,632</u>	<u>21,887</u>
Capital Fund Balances - End of Year	<u>\$ 528,758</u>	<u>\$ 510,126</u>

TOWN OF LADYSMITH
STATEMENT OF SEWER CAPITAL FUND ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31, 2008

	2008	2007
Capital Fund Balances - Beginning of Year	\$ <u>757</u>	\$ <u>724</u>
Add:		
Revenues allocated to capital funds		
Development fees	317,924	50,175
Local area improvements	-	9,665
Donations	-	7,000
Capital grants	435,881	111,038
Other Contributions	-	15,000
Return on Investments	<u>27</u>	<u>33</u>
	753,832	192,911
Internal Transfers		
Transfer from revenue funds	245,534	57,995
Less:		
Capital expenditures (Schedule V)	<u>(999,340)</u>	<u>(250,873)</u>
Increase in Capital Fund Balances	<u>26</u>	<u>33</u>
Capital Fund Balances - End of Year	<u>\$ 783</u>	<u>\$ 757</u>

TOWN OF LADYSMITH

SCHEDULE OF RESTRICTED RESERVES, RESERVES AND EQUITY BY FUND

AS AT DECEMBER 31, 2008

	Restricted Reserves	Allocated Reserves	Appropriated Equity	Unappropriated Equity	Capital Funds Equity	Total
General operating fund	\$ -	\$ -	\$ 1,658,481	\$ 473,745	\$ -	\$ 2,132,226
Water operating fund	-	-	743,606	1,111,370	-	1,854,976
Sewer operating fund	-	-	3,676,728	511,951	-	4,188,679
Reserve fund	3,473,177	242,832	-	-	-	3,716,009
Water capital fund	-	-	-	-	528,758	528,758
Sewer capital fund	-	-	-	-	783	783
Total	<u>\$ 3,473,177</u>	<u>\$242,832</u>	<u>\$ 6,078,815</u>	<u>\$ 2,097,066</u>	<u>\$ 529,541</u>	<u>\$12,421,431</u>