

Town of Ladysmith Financial Section 2007



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, 2007 and the consolidated statements of financial activities, changes in financial position, operating fund activities, capital fund activities, and reserve fund activities for the year then ended. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The Town of Ladysmith as at December 31, 2007 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian accounting principles generally accepted for British Columbia Municipalities. As required by the Local Government Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Our audit was made for the purposes of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information included in Schedules I to VI and the supporting statements are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, this supplementary information is presented fairly, in all material respects, in relation to the consolidated financial statements taken as a whole.

Hayes Stewart Little & Co.

Duncan, BC
April 18, 2008

Chartered Accountants.

**Consolidated Statement of Financial Position as at
December 31, 2007**

	2007	2006
Financial Assets		
Cash and short term deposits (Note 3)	\$ 14,186,705	\$ 13,133,318
Accounts receivable (Note 4)	<u>1,513,502</u>	<u>2,787,562</u>
	<u>15,700,207</u>	<u>15,920,880</u>
Liabilities		
Accounts payable (Note 5)	1,754,086	2,128,019
Post-employment benefits (Note 2)	133,200	130,600
Deferred revenue	108,346	101,453
Restricted reserves (Note 6)	4,282,038	4,543,098
Refundable deposits and other	559,695	509,605
Long term debt (Note 8 and Schedule I)	<u>3,990,567</u>	<u>4,153,151</u>
	<u>10,827,932</u>	<u>11,565,926</u>
Net Financial Assets	<u>4,872,275</u>	<u>4,354,954</u>
Physical Assets		
Capital Assets (Note 9)	53,080,698	49,725,220
Prepays	46,706	12,447
Inventory	<u>118,037</u>	<u>87,118</u>
	<u>53,245,441</u>	<u>49,824,785</u>
	<u>\$ 58,117,716</u>	<u>\$ 54,179,739</u>
Fund Balances		
Operating funds (Note 1)		
Unappropriated equity	\$ 2,022,872	\$ 2,481,905
Appropriated equity (Schedule IV)	6,092,129	5,034,034
Capital funds (Note 1)	510,883	488,963
Reserve funds (Note 1 and Schedule IV)	<u>401,701</u>	<u>602,767</u>
	9,027,585	8,607,669
Equity in capital assets (Note 10)	<u>49,090,131</u>	<u>45,572,070</u>
	<u>\$ 58,117,716</u>	<u>\$ 54,179,739</u>



Pat Leitch, CGA
Director of Financial Services

Consolidated Statement of Financial Activities for the Year Ended December 31, 2007

	Actual 2007	(Unaudited) Budget 2007	Actual 2006
Revenue			
Taxes (Schedule II)	\$ 5,657,040	\$ 5,615,595	\$ 5,246,269
Fees and charges			
General (Schedule III)	1,818,753	1,772,076	1,593,371
Sewer (Schedule III)	574,231	540,000	544,549
Water (Schedule III)	658,930	608,184	606,199
MFA refund	367,690	-	67,065
Return on investments	334,114	220,000	320,711
Penalty and interest on tax	74,301	65,000	67,531
Grants	739,716	2,508,870	2,402,228
Donations and contributions	70,037	63,700	364,710
Proceeds from disposal of capital assets	790	-	68,510
Proceeds from land sales	-	-	140,140
Development fees	950,322	2,085,948	1,290,043
Other income	52,896	222,169	-
Local area improvements	11,165	11,908	9,665
	<u>11,309,985</u>	<u>13,713,450</u>	<u>12,720,991</u>
Expenditures			
General government services	1,555,650	1,716,843	1,443,281
Library	210,565	210,565	199,298
Protective services	1,633,736	1,762,726	3,590,969
Transportation services	1,791,087	2,222,515	1,931,070
Environmental health services	407,167	424,116	414,408
Public health	29,977	35,169	32,736
Development services	680,115	682,153	386,097
Recreation and cultural services	1,867,879	2,987,371	3,387,273
Parks operation services	459,549	494,780	483,618
Sewer	570,618	2,083,870	422,151
Water	1,625,816	2,868,262	2,290,503
Reallocation of internal equipment usage	(325,984)	(325,000)	(313,300)
Net change in inventory and prepaids	65,178	-	(11,379)
Interest, net of actuarial adjustment (Note 8)	221,310	240,665	182,783
	<u>10,792,663</u>	<u>15,404,035</u>	<u>14,439,508</u>
Net Operating Revenue	517,322	(1,690,585)	(1,718,517)
Proceeds from new debt	62,780	70,000	2,879,342
Principal repaid	(225,364)	(197,879)	(143,952)
Net change in inventory and prepaids	65,178	-	(11,379)
	<u>419,916</u>	<u>(1,818,464)</u>	<u>1,005,494</u>
Increase (Decrease) in Consolidated Fund Balances	419,916	(1,818,464)	1,005,494
Consolidated Fund Balances - Beginning of Year	8,607,669	8,607,669	7,744,694
Prior Period Restatement	-	-	(142,519)
Consolidated Fund Balances - Beginning of Year, Restated	<u>8,607,669</u>	<u>8,607,669</u>	<u>7,602,175</u>
Consolidated Fund Balances - End of Year	<u>\$ 9,027,585</u>	<u>\$ 6,789,205</u>	<u>\$ 8,607,669</u>

Consolidated Statement of Changes in Financial Position for the Year Ended December 31, 2007

	2007	2006
Operations		
Net operating revenue	\$ 517,322	\$ (1,718,517)
Accounts receivable	1,274,059	(558,109)
Accounts payable, accrued liabilities and post-employment benefits	(371,333)	1,072,499
Deferred revenues	6,893	(26,937)
Restricted reserves	(261,060)	(289,339)
Refundable deposits and other	<u>50,090</u>	<u>115,440</u>
Net increase (decrease) in cash from operations	<u>1,215,971</u>	<u>(1,404,963)</u>
Financing		
Proceeds from borrowing	62,780	2,879,342
Repayment of long-term debt	<u>(225,364)</u>	<u>(143,952)</u>
Net (Decrease) Increase in cash from financing	<u>(162,584)</u>	<u>2,735,390</u>
Increase in Cash and Short Term Deposits	1,053,387	1,330,427
Cash and Short Term Deposits - Beginning of Year	<u>13,133,318</u>	<u>11,802,891</u>
Cash and Short Term Deposits - End of Year	<u>\$ 14,186,705</u>	<u>\$ 13,133,318</u>

Consolidated Statement of Operating Fund Activities for the Year Ended December 31, 2007

	Actual 2007	(Unaudited) Budget 2007	Actual 2006
Revenue			
Taxes (Schedule II)	\$ 5,657,040	\$ 5,615,595	\$ 5,246,269
Fees and charges			
General (Schedule III)	1,818,753	1,772,076	1,593,369
Sewer (Schedule III)	574,231	540,000	544,549
Water (Schedule III)	658,930	608,184	606,199
MFA refund	367,690	-	67,065
Return on investment	285,746	220,000	279,362
Penalties and interest on taxes	74,301	65,000	67,531
Grants	536,633	494,711	449,792
Donations and contributions	-	-	34,000
Development fees	1,407	-	-
	<u>9,974,731</u>	<u>9,315,566</u>	<u>8,888,136</u>
Expenditures			
General government services	1,500,443	1,546,843	1,263,674
Library	210,565	210,565	199,298
Protective services	1,139,354	1,281,826	1,119,231
Transportation services	1,084,864	1,193,033	1,087,358
Environmental health services	407,167	424,116	414,408
Public health	29,977	35,169	32,736
Developmental services	359,594	431,170	386,097
Recreation and cultural services	1,666,160	1,705,671	1,487,724
Parks operational services	459,549	494,780	483,618
Sewer services	319,745	298,870	284,868
Water services	291,063	333,252	245,705
Reallocation of internal equipment usage	(325,984)	(325,000)	(313,300)
Interest, net of actuarial adjustment (Note 8)	221,310	240,665	182,783
	<u>7,363,807</u>	<u>7,870,960</u>	<u>6,874,200</u>
Excess of Revenue Over Expenditures	2,610,924	1,444,606	2,013,936
Transfers to Capital Funds	(2,014,013)	(3,065,191)	(3,785,179)
Transfers from reserves and appropriated equity	(830,580)	1,400,144	37,789
Principal repaid, net of actuarial adjustment	(225,364)	(197,879)	(143,951)
Proceeds from borrowing	-	-	2,879,342
(Decrease) Increase in Operating Fund Balances	<u>(459,033)</u>	<u>(418,320)</u>	<u>1,001,937</u>
Operating Fund Balances,			
Unappropriated Equity - Beginning of Year	2,481,905	2,481,905	1,656,386
Prior period restatement	-	-	(176,418)
Unappropriated Equity - Beginning of Year	<u>2,481,905</u>	<u>2,481,905</u>	<u>1,479,968</u>
Operating Fund Balances,			
Unappropriated Equity - End of Year	<u>\$ 2,022,872</u>	<u>\$ 2,063,585</u>	<u>\$ 2,481,905</u>

Consolidated Statement of Capital Fund Activities for the Year Ended December 31, 2007

	Actual 2007	(Unaudited) Budget 2007	Actual 2006
Capital Fund Balances - Beginning of Year	\$ 488,963	\$ 488,963	\$ 470,303
Add:			
Revenues allocated to capital funds			
Proceeds from disposal of capital assets	790	-	68,510
Proceeds from capital lease	62,780	70,000	-
Development fees	948,915	2,085,948	1,290,044
Local area improvements	11,165	11,908	9,665
Donations	70,037	63,700	330,710
Capital grants	203,083	2,014,159	1,952,436
Other Contributions	52,896	222,169	-
Net proceeds from sale of land	-	-	140,140
Return on Investments	21,919	-	18,661
	1,371,585	4,467,884	3,810,166
Internal Transfers			
Transfer to/from revenue funds	2,014,013	3,065,191	3,785,175
Less:			
Capital expenditures (Schedule V)	(3,363,678)	(7,533,075)	(7,576,681)
Increase in Capital Fund Balances	21,920	-	18,660
Capital Fund Balances - End of Year	\$ 510,883	\$ 488,963	\$ 488,963

**Consolidated Statement of Reserve Fund Activities
for the Year Ended December 31, 2007**

	2007	2006
Reserve Fund Balance - Beginning of Year	<u>\$ 602,767</u>	<u>\$ 448,207</u>
Contributions to reserves	9,843	177,672
Project funding from reserves	(237,358)	(45,800)
Interest allocated to reserves	<u>26,449</u>	<u>22,688</u>
(Decrease) increase in reserve fund balances	<u>(201,066)</u>	<u>154,560</u>
Reserve Fund Balance - End of Year	<u><u>\$ 401,701</u></u>	<u><u>\$ 602,767</u></u>

**Notes to the Consolidated Financial Statements
for the Year Ended December 31, 2007**

1. Significant Accounting Policies

(a) Basis of Presentation

It is the Town's policy to follow Canadian accounting principles generally accepted for British Columbia municipalities 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 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, 2007, the fund balances were as follows:

	2007	2006
Unappropriated equity:		
General revenue fund	\$ 412,637	\$ 471,216
Sewer revenue fund	525,391	586,266
Water revenue fund	<u>1,084,844</u>	<u>1,424,423</u>
Total unappropriated equity	2,022,872	2,481,905
Appropriated equity (Schedule IV)	<u>6,092,129</u>	<u>5,034,034</u>
	<u>\$ 8,115,001</u>	<u>\$ 7,515,939</u>

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, 2007, the fund balances were as follows:

	2007	2006
Sewer revenue fund	\$ 757	\$ 723
Water revenue fund	<u>510,126</u>	<u>488,240</u>
	<u>\$ 510,883</u>	<u>\$ 488,963</u>

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

	2007	2006
Reserve funds	<u>\$ 401,701</u>	<u>\$602,767</u>

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2007

1. Significant Accounting Policies continued

(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 Town is currently preparing for the new capital asset reporting requirements due to the changes to PSAB S3150. Management is currently reviewing and cataloguing our assets, determining historical cost where possible and classifying each asset by class and will be determining the our asset thresholds, useful lives and amortization methods during 2008. Management anticipates that once the inventory and valuation is complete that a significant write down of capital assets will be required.

(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 6.

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 PSAB3150, the contribution and asset purchase will be recorded and the assets will be amortized once they are put into use beginning in 2008.

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2007

1. Significant Accounting Policies continued

(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 and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

2. 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 \$22,700. (2006 - \$23,000).

The accrued post employment benefits are as follows:

	2007	2006
Balance, beginning of year	\$130,600	\$ 144,700
Current service cost	22,200	22,500
Benefits paid	(26,900)	(44,200)
Actuarial loss	7,300	7,600
Balance, end of year	<u>\$ 133,200</u>	<u>\$ 130,600</u>

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

	2007	2006
Discount rate	4.50%	4.50%
Expected inflation and wage & salary increase	2.50%	2.50%

**Notes to the Consolidated Financial Statements
for the Year Ended December 31, 2007**

3. Cash and Short Term Deposits

Cash and short term deposits were comprised as follows:

	2007	2006
Cash	\$12,924,981	\$11,925,728
Short term deposits	<u>1,261,724</u>	<u>1,207,509</u>
	<u>\$14,186,705</u>	<u>\$13,133,318</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.

	2007	2006
Restricted Reserves	\$4,282,038	\$4,824,104
Less: DCC's Receivable	(55,000)	(164,580)
Total Cash for Restricted Reserves	4,227,038	4,659,524
Plus: Funds Held in Trust	-	(313,306)
Total Restricted Cash	<u>\$4,227,038</u>	<u>\$4,346,218</u>

4. Accounts Receivable

	2007	2006
Property taxes	\$ 485,516	\$ 351,119
Other government	233,360	1,560,487
User fees and other	535,994	671,701
Development cost charges	55,000	164,580
Developer receivables	182,382	24,309
Employee receivables	10,482	15,366
Due from trust funds	<u>10,768</u>	<u>7,768</u>
	<u>\$1,513,502</u>	<u>\$2,787,562</u>

5. Accounts Payable and Accrued Liabilities

	2007	2006
General	\$1,381,920	\$1,561,883
Other governments	9,068	8,667
Salaries and wages	239,296	118,811
Contractors holdbacks	70,171	287,027
Accrued Interest	33,631	33,631
Due to RCMP	-	118,000
Bonds payable	<u>20,000</u>	<u>-</u>
	<u>\$1,754,086</u>	<u>\$ 2,128,019</u>

**Notes to the Consolidated Financial Statements
for the Year Ended December 31, 2007**

6. Restricted Reserves

	<u>Balance Dec 31, 2006</u>	<u>Interest Earned</u>	<u>Collections</u>	<u>Expenditures</u>	<u>Balance Dec 31, 2007</u>
DCC - Water	\$1,425,431	\$92,861	\$97,367	\$(547,699)	\$1,067,960
DCC – Parks	905,626	43,376	74,777	(5,480)	1,018,299
DCC - Roads	867,128	51,215	128,745	(389)	701,138
DCC – Sewer	980,316	45,915	18,188	(50,175)	994,244
DCC – Storm	179,254	7,903	14,099	-	201,256
Parking	17,859	797	-	-	18,656
Community Works					
- Gas Tax	159,527	8,052	104,590	-	272,169
Green Streets	2,194	99	-	(1,018)	1,275
Amphitheatre	<u>5,763</u>	<u>278</u>	<u>1,000</u>	<u>-</u>	<u>7,041</u>
	<u>\$4,543,098</u>	<u>\$250,496</u>	<u>\$438,766</u>	<u>\$(950,322)</u>	<u>\$4,282,038</u>

7. 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 the Town's financial statements as a restricted reserve as outlined in Note 6.

8. Long Term Debt

a) The long term debt issued and outstanding as at December 31, 2007 was \$3,990,567 (\$4,153,151 as at December 31, 2006). The following principal amounts are payable over the next five years.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012 and beyond</u>
Sewer	\$ 4,333	\$ 4,333	\$ 4,333	\$ 4,333	\$ 40,888
General	<u>208,026</u>	<u>211,560</u>	<u>300,832</u>	<u>156,880</u>	<u>3,055,049</u>
	<u>\$212,359</u>	<u>\$215,893</u>	<u>\$305,165</u>	<u>\$161,213</u>	<u>\$3,095,937</u>

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2007

8. Long Term Debt continued

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

	<u>Interest</u>	<u>Actuarial Adjustments</u>	<u>2007 Net</u>	<u>2006 Net</u>
Sewer	\$ 6,031	\$ 1,474	\$ 4,557	\$ 2,107
General	<u>236,205</u>	<u>19,452</u>	<u>216,753</u>	<u>180,675</u>
	<u>\$242,236</u>	<u>\$20,926</u>	<u>\$221,310</u>	<u>\$182,782</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, 2007, which is included in long-term debt, is \$220,749.
- 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, 2007, which is included in long-term debt, is \$25,548.
- 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, 2007, which is included in long-term debt, is \$39,074.
- 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, 2007, which is included in long-term debt, is \$11,186.
- 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, 2007, which is included in long-term debt, is \$56,408.

**Notes to the Consolidated Financial Statements
for the Year Ended December 31, 2007**

9. Capital Assets

	2007	2006
General Fund		
Land	\$ 3,957,020	\$ 3,760,159
Land improvements	<u>193,328</u>	<u>37,843</u>
Total land and land improvements	<u>4,150,348</u>	<u>3,798,002</u>
Buildings:		
Community Centre	5,004,914	4,880,605
Municipal buildings	<u>5,290,384</u>	<u>4,984,207</u>
Total buildings	<u>10,295,298</u>	<u>9,864,812</u>
Machinery and equipment:		
Community Centre	1,060,259	1,003,623
Other machinery and equipment	<u>3,694,522</u>	<u>3,416,515</u>
Total machinery and equipment	<u>4,754,781</u>	<u>4,420,138</u>
Engineering structures:		
Waterfront	622,198	619,506
Infrastructure	<u>10,623,252</u>	<u>9,978,567</u>
Total engineering structures	<u>11,245,450</u>	<u>10,598,073</u>
Total general fund	<u>30,450,877</u>	<u>28,684,025</u>
Water fund		
Land	263,312	60,570
Building	79,336	79,336
Equipment	1,119,078	1,119,078
Engineering structures:		
Water reservoir	2,927,863	1,870,834
Water infrastructure	<u>7,901,260</u>	<u>7,826,278</u>
Total engineering structures	<u>10,829,123</u>	<u>9,697,112</u>
Total water fund	<u>12,290,849</u>	<u>10,956,096</u>
Sewer fund		
Building	640,747	640,747
Equipment	786,832	786,832
Engineering structures	<u>8,911,393</u>	<u>8,660,520</u>
Total sewer fund	<u>10,338,971</u>	<u>10,088,099</u>
Total tangible capital assets	\$53,080,698	\$49,725,220

**Notes to the Consolidated Financial Statements
for the Year Ended December 31, 2007**

10. 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:

	2007	2006
Equity in Capital Assets – Beginning of Year	45,572,070	41,004,083
Add: Capital expenditures	3,363,678	7,576,680
Reduction in long term debt	225,364	143,951
Less: Disposal of capital assets	(8,201)	(273,303)
Proceeds from capital lease	(62,780)	(129,342)
Proceeds from long term debt	-	(2,750,000)
Equity in Capital Assets – End of Year	<u>\$49,090,131</u>	<u>\$45,572,070</u>

11. 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.
- iii) There is a claim against the Town as a third party regarding alleged deficiencies in the construction of the Ladysmith Secondary School. The total claim is for \$1,700,000. As of April 18th, 2008, the likeliness of this claim is unknown and therefore, no accrual has been made for any potential liability related to this matter.

(b) Pension Liability

The Town and its employees contribute to the Municipal Pension Plan (the plan), a jointly trustee 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 144,000 active members and approximately 51,000 retired members. Active members include approximately 35,000 contributors from local governments.

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2007

11. Commitments and Contingencies (Continued)

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 \$184,376 (2006 - \$167,803) for employer contributions to the plan in fiscal 2007.

(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.

(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, 2007 the total of the Debt Reserve Fund was comprised of:

	Demand Note	Cash	Reserve
General	\$ 134,456	\$ 50,464	\$ 184,920
Sewer	<u>4,270</u>	<u>1,371</u>	<u>5,641</u>
Total MFA Debt Reserve Fund	<u>\$ 138,726</u>	<u>\$ 51,835</u>	<u>\$ 190,561</u>

**Notes to the Consolidated Financial Statements
for the Year Ended December 31, 2007**

12. **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.

13. **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:

	2007	2006
Assets		
Cash and short term investment	<u>\$131,879</u>	<u>\$123,267</u>
Equity		
Opening balance	\$123,267	\$115,254
Interest	5,527	4,768
Transfer interest to fund cemetery costs	(3,000)	-
Contributions	<u>6,085</u>	<u>3,245</u>
Balance, end of year	<u>\$131,879</u>	<u>\$123,267</u>

14. **Comparative Figures**

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

Long Term Debt for the Year Ended December 31, 2007 - Schedule I

Date of Issue Purpose	Issue#	Term	Original Amount	Balance Dec 31, 2006	Debt Proceeds	Principal Payments	Balance Dec 31, 2007	Net Interest	Interest Rate
<u>Sewer Capital Fund</u>									
2000 Sewer Improvements	72	2000-2015	\$ 93,500	\$ 64,027	\$ -	\$ 5,807	\$ 58,220	\$ 4,557	6.45%
			<u>93,500</u>	<u>64,027</u>	<u>0</u>	<u>5,807</u>	<u>58,220</u>	<u>4,557</u>	<u>6.45%</u>
<u>General Fund</u>									
2000 First Avenue	73	2000-2015	\$ 1,438,000	\$ 984,719	\$ -	\$ 89,304	\$ 895,415	\$ 68,649	6.35%
2005 Fire Truck Lease	LS	2005-2010	311,189	258,921	-	38,172	220,749	14,004	4.02%
2006 RCMP Building	97	2006-2031	2,750,000	2,750,000	-	66,033	2,683,967	128,150	4.66%
2006 FJCC Fitness EQ	LS	2006-2011	35,929	32,197	-	6,649	25,548	1,382	4.75%
2006 FJCC Fitness EQ	LS	2006-2011	54,949	49,242	-	10,168	39,074	2,114	4.75%
2006 FJCC Photocopier	LS	2006-2011	15,405	14,044	-	2,858	11,186	604	5.00%
2007 Command Resp. Unit	LS	2007-2012	62,780	-	62,780	6,372	56,408	1,850	4.88%
			<u>4,668,252</u>	<u>4,089,123</u>	<u>62,780</u>	<u>219,556</u>	<u>3,932,347</u>	<u>216,753</u>	
			<u>\$ 4,761,752</u>	<u>\$ 4,153,150</u>	<u>\$ 62,780</u>	<u>\$ 225,363</u>	<u>\$ 3,980,567</u>	<u>\$ 221,310</u>	

Tax Revenues for the Year Ended December 31, 2007 - Schedule II

Taxation revenue consists of amounts raised less transmission of taxes levied for other governments:

	2007 Actual	(Unaudited) 2007 Budget	2006 Actual
General Taxes			
General municipal purposes	\$ 5,008,899	\$ 4,988,588	\$ 4,643,346
Grants in lieu and 1% utility tax	125,067	126,617	116,179
Water and sewer parcel tax	520,060	500,390	486,189
	<u>5,654,026</u>	<u>5,615,595</u>	<u>5,245,714</u>
Collections for other governments:			
School district	\$ 2,737,132	\$ 2,725,152	\$ 2,543,908
Regional hospital district	233,994	233,073	218,156
Regional district	510,366	508,403	458,835
BCAA and MFA	75,754	75,453	70,571
	<u>3,557,246</u>	<u>3,542,081</u>	<u>3,291,470</u>
Transmission of taxes levied for other governments:			
School district	\$ 2,737,168	\$ 2,725,152	\$ 2,543,907
Regional hospital district	233,073	233,073	218,000
Regional district	508,403	508,403	458,359
BCAA and MFA	75,588	75,453	70,649
	<u>3,554,232</u>	<u>3,542,081</u>	<u>3,290,915</u>
 Net taxation revenue	 <u>\$ 5,657,040</u>	 <u>\$ 5,615,595</u>	 <u>\$ 5,246,269</u>

**Schedule of Fees and Charges
for the Year Ended December 31, 2007 - Schedule III**

	2007 Actual	(Unaudited) 2007 Budget	2006 Actual
General Revenue Fund			
Fines and Licence Revenue	\$ 78,166	\$ 76,500	\$ 75,780
Garbage Collection	429,135	421,200	413,023
General Revenue Fund	277,735	191,946	41,677
Cemetery Revenue	33,905	39,300	28,293
Miscellaneous Revenue	132,390	77,770	162,945
Parks, Recreation & Culture Revenue	609,298	615,760	490,009
Permits and Fees (Subdivisions)	128,048	243,500	249,309
Protective Services Revenue	130,076	106,100	132,333
	<u>1,818,753</u>	<u>1,772,076</u>	<u>1,593,369</u>
Waterworks Utility Fund			
User Rates	658,930	608,184	589,148
Other	-	-	17,050
Water Operating Revenue	<u>658,930</u>	<u>608,184</u>	<u>606,198</u>
Sewer Utility Fund			
User Rates	574,231	540,000	540,824
Other	-	-	3,725
Sewer Operating Revenue	<u>574,231</u>	<u>540,000</u>	<u>544,549</u>
Total Fees and Charges	<u><u>\$ 3,051,914</u></u>	<u><u>\$ 2,920,260</u></u>	<u><u>\$ 2,744,116</u></u>

Continuity Schedule Of Reserves And Appropriated Equity For The Year Ended December 31, 2007 - Schedule IV

RESERVES	Balance Dec. 31, 2006	Interest Allocated	Contributions	Funding	Balance Dec. 31, 2007
Tax Sale	\$ 21,981	\$ 981	\$ -		\$ 22,962
Perpetual Safety Fund	1,231	446	9,843		11,520
Sale Real Property	550,051	23,706	-	237,358	336,399
Amenity Funds	29,504	1,316	-		30,820
TOTAL RESERVES	\$ 602,767	\$ 26,449	\$ 9,843	\$ 237,358	\$ 401,701
APPROPRIATED EQUITY - OPERATIONS					
Development Services					
Future Projects	\$ 61,404	\$ -	\$ -	\$ 22,514	\$ 38,890
Heritage	3,502		3,189		6,691
Official Community Plan	10,283				10,283
General Planning	48,642			48,642	-
Waterfront	555		30,000		30,555
Dunsmuir Dream	4,810				4,810
Archives Building	68,420			7,098	61,322
Total Development Services	197,616	-	33,189	78,254	152,551
General Government Services					
Future Projects	108,145		215,992		324,137
Equipment	59,295				59,295
Building	44,262				44,262
Consulting	-		54,375		54,375
Volunteer Recognition	1,350				1,350
Staff Appreciation	943		1,857		2,800
Sick/vacation reserve	141,444		26,900	29,500	138,844
Tax contingency	270,000		41,266		311,266
Land Acquisition	178,485			178,485	-
Total General Government Services	803,924	-	340,390	207,985	936,329
Parks, recreation and culture					
Future Projects	10,500		31,683	10,500	31,683
Equipment	2,737			1,578	1,159
Building	10,703			10,703	-
Parks	66,131		40,557	7,261	99,427
Job Equity	8,027			8,027	-
Total Parks, Recreation and Culture	98,098	-	72,240	38,069	132,269
Protective Services					
Fire - Equipment	10,768		1,489	12,257	-
Police - Equipment	48,200		34,606	48,200	34,606
Police - Building	330,055			330,055	-
Total Protective Services	389,023	-	36,095	390,512	34,606
Transportation					
Future Projects	125,525		48,318	42,886	130,957
Building	39,742			39,742	-
Consulting	20,000				20,000
Roads	8,277			8,277	-
Vehicles	424,450		98,109		522,559
Total Transportation	617,994	-	146,427	90,905	673,516
General Capital Expenditures	-	-	117,725		117,725
Total General Fund Appropriated Equity	\$ 2,106,655	\$ -	\$ 746,066	\$ 805,725	\$ 2,046,996
Water Operating Fund					
Capital Expenditures	\$ 8,178	\$ -	\$ 218,347	\$ -	\$ 226,525
MFA Surplus Refunds	522,873		44,934		567,807
Total Water Operating Fund	\$ 531,051	\$ -	\$ 263,281	\$ -	\$ 794,332
Sewer Operating Fund					
Capital Expenditures	\$ 2,138,657		\$ 531,717		\$ 2,670,374
MFA Surplus Refunds	257,671		322,756		580,427
Total Sewer Operating Fund	\$ 2,396,328	\$ -	\$ 854,473	\$ -	\$ 3,250,801
TOTAL APPROPRIATED EQUITY	\$ 5,034,034	\$ -	\$ 1,863,820	\$ 805,725	\$ 6,092,129
TOTAL RESERVES AND APPROPRIATED EQUITY	\$ 5,636,801	\$ 26,449	\$ 1,873,663	\$ 1,043,083	\$ 6,493,830

**Capital Expenditures
For The Year Ended December 31, 2007 - Schedule V**

	Actual 2007	(Unaudited) Budget 2007	Actual 2006
General			
General government services	\$ 55,207	\$ 170,000	\$ 179,600
Protective services	494,382	480,900	2,471,738
Parks, recreation and cultural services	201,719	1,281,700	1,899,549
Transportation services	706,223	1,029,482	843,712
Development services	<u>320,521</u>	<u>250,983</u>	<u>-</u>
	1,778,052	3,213,065	5,394,599
Sewer	250,873	1,785,000	137,283
Water	<u>1,334,753</u>	<u>2,535,010</u>	<u>2,044,798</u>
	<u>\$ 3,363,678</u>	<u>\$ 7,533,075</u>	<u>\$ 7,576,681</u>

**Expenditure by Object
for the Year Ended December 31, 2007 - Schedule VI**

	Actual 2007	(Unaudited) Budget 2007	Actual 2006
Advertising	\$ 67,075	\$ 76,500	\$ 64,383
Building rent and repairs	57,894	59,444	33,453
Contract and professional services	1,131,700	1,282,478	1,062,089
Grants in aid	59,789	60,700	49,954
Insurance	107,622	108,866	130,984
Interest	224,067	240,665	182,783
Materials and supplies	528,407	505,848	400,866
Policing contract	722,651	848,933	734,360
Postage	13,829	17,500	13,893
Regional library	210,565	210,565	199,298
Travel and Training	148,009	163,472	147,897
Utilities and telephone	263,118	288,549	271,126
Wages and benefits	<u>3,829,081</u>	<u>4,007,440</u>	<u>3,583,114</u>
	<u>\$ 7,363,807</u>	<u>\$ 7,870,960</u>	<u>\$6,874,200</u>

**Federal Gas Tax – Schedule of Receipts and Disbursements
for the Year Ended December 31, 2007 - Schedule VII**

	2007	2006
Opening balance of unspent funds	\$ 159,527	\$ 79,473
Add: Amount received during the year	104,590	79,429
Interest earned	8,052	625
Less: Amount spent on projects	-	-
Amount spent on administration	-	-
Closing balance of unspent funds	<u>\$ 272,169</u>	<u>\$ 159,527</u>

Statement of Financial Position – General Operating Fund as at December 31, 2007

	2007	2006
Financial Assets		
Cash and short term deposits	\$ 8,508,582	\$ 6,541,081
Accounts receivable	1,043,427	850,086
	9,552,009	7,391,167
Liabilities		
Accounts payable	1,753,590	2,127,523
Post-employment benefits	133,200	130,600
Deferred revenue	58,892	55,954
Due to other funds	4,751,648	2,089,081
Refundable deposits and other	558,095	508,006
	7,255,425	4,911,164
Net Financial Assets	2,296,584	2,480,003
Physical Assets		
Prepays	45,011	10,751
Inventory	118,037	87,117
	163,048	97,868
	\$ 2,459,632	\$ 2,577,871
Equity		
Unappropriated equity, beg. balance	\$ 471,216	\$ 599,908
Prior year, restatement	-	(130,755)
Unappropriated equity, beg. Balance restated	471,216	469,153
Current Year Surplus (Deficit)	(58,579)	2,063
Unappropriated equity, ending balance	412,637	471,216
Appropriated equity	2,046,995	2,106,655
	\$ 2,459,632	\$ 2,577,871

**Statement of General Operating Fund Activities
for the Year Ending December 31, 2007**

	2007	2006
Revenue		
Taxes	\$ 5,136,980	\$ 4,751,915
Fees and charges	1,818,753	1,593,369
General		
MFA refund	-	37
Return on investment	285,713	278,910
Penalties and interest on taxes	74,301	67,531
Grants	536,633	449,792
Donations and contributions	-	34,000
Development fees	1,407	-
	<u>7,853,787</u>	<u>7,175,554</u>
Expenditures		
General government services	1,500,443	1,263,674
Library	210,565	199,298
Protective services	1,139,354	1,119,231
Transportation services	1,084,864	1,087,358
Environmental health services	407,167	414,408
Public health	29,977	32,736
Developmental services	359,594	386,097
Recreation and cultural services	1,666,160	1,487,724
Parks operational services	459,549	483,618
Reallocation of internal equipment usage	(325,984)	(313,300)
Interest, net of actuarial adjustment (Note 8)	216,753	180,676
	<u>6,748,442</u>	<u>6,341,520</u>
Excess of Revenue Over Expenditures	1,105,345	834,034
Transfers to Capital Funds	(1,256,035)	(3,495,735)
Transfers from reserves and appropriated equity	311,668	(77,157)
Principal repaid, net of actuarial adjustment	(219,557)	(138,421)
Proceeds from borrowing	-	2,879,342
(Decrease) Increase in Operating Fund Balances	<u>(58,579)</u>	<u>2,063</u>
Operating Fund Balances,		
Unappropriated Equity - Beginning of Year	471,216	599,908
Prior period restatement	-	(130,755)
Unappropriated Equity - Beginning of Year	<u>471,216</u>	<u>469,153</u>
Operating Fund Balances,		
Unappropriated Equity - End of Year	<u>\$ 412,637</u>	<u>\$ 471,216</u>

**Statement of Financial Position – Water Operating Fund
as at December 31, 2007**

	2007	2006
Financial Assets		
Due from other funds	\$ 1,773,951	\$ 1,774,032
Accounts receivable	137,758	213,376
	<u>1,911,709</u>	<u>1,987,408</u>
Liabilities		
Deferred revenue	32,198	31,599
Refundable deposits and other	1,000	1,000
	<u>33,198</u>	<u>32,599</u>
Net Financial Assets	<u>1,878,511</u>	<u>1,954,809</u>
Physical Assets		
Prepays	665	665
	<u>\$ 1,879,176</u>	<u>\$ 1,955,474</u>
Equity		
Unappropriated equity, beg. balance	\$ 1,424,423	\$ 927,470
Current Year Surplus (Deficit)	<u>(339,579)</u>	<u>496,953</u>
Unappropriated equity, ending balance	1,084,844	1,424,423
Appropriated equity	794,332	531,051
	<u>\$ 1,879,176</u>	<u>\$ 1,955,474</u>

**Statement of Water Operating Fund Activities
for the Year Ending December 31, 2007**

	2007	2006
Revenue		
Taxes	\$ 223,020	\$ 211,696
Fees and charges		
Water	658,930	606,199
MFA refund	44,934	-
	<u>926,884</u>	<u>817,895</u>
Expenditures		
Water services	<u>291,063</u>	<u>245,705</u>
Excess of Revenue Over Expenditures	635,821	572,190
Transfers to Capital Funds	(699,983)	(260,433)
Transfers from reserves and appropriated equity	<u>(275,417)</u>	<u>185,196</u>
(Decrease) Increase in Operating Fund Balances	<u>(339,579)</u>	<u>496,953</u>
Operating Fund Balances,		
Unappropriated Equity - Beginning of Year	<u>1,424,423</u>	<u>927,470</u>
Operating Fund Balances,		
Unappropriated Equity - End of Year	<u><u>\$ 1,084,844</u></u>	<u><u>\$ 1,424,423</u></u>

Statement of Financial Position – Sewer Operating Fund as at December 31, 2007

	2007	2006
Financial Assets		
Cash and short term deposits	\$ 11,076	\$ 11,333
Due from other funds	3,619,929	2,794,769
Accounts receivable	<u>160,784</u>	<u>190,458</u>
	<u>3,791,789</u>	<u>2,996,560</u>
Liabilities		
Accounts payable	496	496
Deferred revenue	15,530	13,900
Refundable deposits and other	<u>600</u>	<u>600</u>
	<u>16,626</u>	<u>14,996</u>
Net Financial Assets	<u>3,775,163</u>	<u>2,981,564</u>
Physical Assets		
Prepays	<u>1,030</u>	<u>1,030</u>
	<u>\$ 3,776,193</u>	<u>\$ 2,982,594</u>
Equity		
Unappropriated equity, beg. balance	\$ 586,266	\$ 129,008
Prior year, restatement	-	(45,663)
Unappropriated equity, beg. Balance restated	<u>586,266</u>	<u>83,345</u>
Current Year Surplus (Deficit)	<u>(60,875)</u>	<u>502,921</u>
Unappropriated equity, ending balance	525,391	586,266
Appropriated equity	3,250,802	2,396,328
	<u>\$ 3,776,193</u>	<u>\$ 2,982,594</u>

**Statement of Sewer Operating Fund Activities
for the Year Ending December 31, 2007**

	2007	2006
Revenue		
Taxes	\$ 297,040	\$ 282,658
Fees and charges		
Sewer	574,231	544,549
MFA refund	322,756	67,028
Return on investment	33	452
	<u>1,194,060</u>	<u>894,687</u>
Expenditures		
Sewer services	319,745	284,868
Interest, net of actuarial adjustment (Note 8)	4,557	2,107
	<u>324,302</u>	<u>286,975</u>
Excess of Revenue Over Expenditures	869,758	607,712
Transfers to Capital Funds	(57,995)	(29,011)
Transfers from reserves and appropriated equity	(866,831)	(70,250)
Principal repaid, net of actuarial adjustment	(5,807)	(5,530)
(Decrease) Increase in Operating Fund Balances	<u>(60,875)</u>	<u>502,921</u>
Operating Fund Balances,		
Unappropriated Equity - Beginning of Year	586,266	129,008
Prior period restatement	-	(45,663)
Unappropriated Equity - Beginning of Year	<u>586,266</u>	<u>83,345</u>
Operating Fund Balances,		
Unappropriated Equity - End of Year	<u>\$ 525,391</u>	<u>\$ 586,266</u>

**Statement of General Capital Fund Activities
for the Year Ending December 31, 2007**

	2007	2006
Capital Fund Balances - Beginning of Year	\$ -	\$ -
Add:		
Revenues allocated to capital funds		
Proceeds from disposal of capital assets	790	68,510
Proceeds from capital lease	62,780	-
Development fees	351,430	407,035
Local area improvements	1,500	-
Donations	63,037	330,710
Capital grants	4,584	889,232
Other Contributions	37,896	-
Net proceeds from sale of land	-	140,140
	<u>522,017</u>	<u>1,835,627</u>
Internal Transfers		
Transfer to/from revenue funds	1,256,035	3,558,972
Less:		
Capital expenditures (Schedule V)	<u>(1,778,052)</u>	<u>(5,394,599)</u>
Increase in Capital Fund Balances	<u>-</u>	<u>-</u>
Capital Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>

**Statement of Water Capital Fund Activities
for the Year Ending December 31, 2007**

	2007	2006
Capital Fund Balances - Beginning of Year	<u>\$ 488,239</u>	<u>\$ 469,606</u>
Add:		
Revenues allocated to capital funds		
Development fees	547,310	824,022
Capital grants	87,461	994,573
Return on Investments	<u>21,886</u>	<u>18,633</u>
	656,657	1,837,228
Internal Transfers		
Transfer to/from revenue funds	699,983	226,203
Less:		
Capital expenditures (Schedule V)	<u>(1,334,753)</u>	<u>(2,044,798)</u>
Increase in Capital Fund Balances	<u>21,887</u>	<u>18,633</u>
Capital Fund Balances - End of Year	<u><u>\$ 510,126</u></u>	<u><u>\$ 488,239</u></u>

**Statement of Sewer Capital Fund Activities
for the Year Ending December 31, 2007**

	2007	2006
Capital Fund Balances - Beginning of Year	<u>\$ 724</u>	<u>\$ 698</u>
Add:		
Revenues allocated to capital funds		
Development fees	50,175	58,987
Local area improvements	9,665	9,665
Donations	7,000	-
Capital grants	111,038	68,631
Other Contributions	15,000	-
Return on Investments	33	26
	<u>192,911</u>	<u>137,309</u>
Internal Transfers		
Transfer to/from revenue funds	57,995	-
Less:		
Capital expenditures (Schedule V)	<u>(250,873)</u>	<u>(137,283)</u>
Increase in Capital Fund Balances	<u>33</u>	<u>26</u>
Capital Fund Balances - End of Year	<u><u>\$ 757</u></u>	<u><u>\$ 724</u></u>

Schedule of Restricted Reserves, Reserves and Equity by Fund as at December 31, 2007

	Restricted Reserves	Allocated Reserves	Appropriated Equity	Unappropriated Equity	Capital Funds Equity	Total
General operating fund	\$ -	\$ -	\$ 2,046,996	\$ 412,637	\$ -	\$ 2,459,633
Water operating fund	-	-	794,332	1,084,844	-	1,879,176
Sewer operating fund	-	-	3,250,801	525,391	-	3,776,192
Reserve fund	4,282,038	401,701	-	-	-	4,683,739
Water capital fund	-	-	-	-	510,126	510,126
Sewer capital fund	-	-	-	-	757	757
Total	<u><u>\$ 4,282,038</u></u>	<u><u>\$ 401,701</u></u>	<u><u>\$ 6,092,129</u></u>	<u><u>\$ 2,022,872</u></u>	<u><u>\$ 510,883</u></u>	<u><u>\$ 13,309,623</u></u>