



Financial Statements

December 31, 2007



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Auditors' report

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His Worship The Mayor and
Members of the City Council

We have audited the consolidated statement of financial position of the City of Summerside as at December 31, 2007 and the related consolidated statement of financial activities and consolidated statement of changes in financial position for the year then ended. These financial statements are the responsibility of 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 financial statements present fairly, in all material respects, the financial position of the City of Summerside as at December 31, 2007 and the results of its operations and changes in financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Summerside, Prince Edward Island

March 10, 2008

Chartered Accountants



Consolidated Statement of Financial Activities

Year Ended December 31

	Page	2007 Budget	2007 Actual	2006 Actual
Revenue				
General Fund	10	\$ 14,061,131	\$ 14,257,266	\$ 13,299,641
Electric Utility	18	14,879,614	15,636,666	13,959,665
Water Utility	23	1,529,766	1,502,715	1,474,420
Sewer Utility	24	696,710	927,167	750,713
Pollution Control Centre	25	1,200,322	792,531	960,022
Summerside Community Network	33	454,368	442,831	337,723
		<u>32,821,911</u>	<u>33,559,176</u>	<u>30,782,184</u>
Expenditures				
General Fund	10	14,395,814	14,337,540	12,104,455
Electric Utility	18	17,251,677	16,612,114	13,682,404
Water Utility	23	1,159,314	1,210,843	1,132,820
Sewer Utility	24	552,210	644,591	569,914
Pollution Control Centre	25	1,171,622	762,989	627,323
Summerside Community Network	33	450,849	477,608	572,004
		<u>34,981,486</u>	<u>34,045,685</u>	<u>28,688,920</u>
Excess of Revenue over Expenditures (Expenditures over Revenue)		<u>(2,159,575)</u>	<u>(486,509)</u>	<u>2,093,264</u>
Financing and Transfers				
Debt Principal Repayments (Net of Proceeds from Debt Issue)		<u>(972,019)</u>	<u>(1,015,160)</u>	(829,387)
Net Transfers from (to) Reserves		<u>759,648</u>	<u>539,695</u>	(1,254,701)
Net Financing and Transfers		<u>(212,371)</u>	<u>(475,465)</u>	<u>(2,084,088)</u>
Change in Consolidated Revenue Fund Balance		\$ <u>(2,371,946)</u>	\$ <u>(961,974)</u>	\$ <u>9,176</u>
Change in Revenue Fund Balance Represented By:				
General Fund	10	\$ 117	\$ 199	\$ 315
Electric Utility	18	(2,372,063)	(975,448)	8,861
Water Utility	23	-	-	-
Sewer Utility	24	-	-	-
Pollution Control Centre	25	-	-	-
Summerside Community Network	33	-	13,275	-
		<u>\$ (2,371,946)</u>	<u>\$ (961,974)</u>	<u>\$ 9,176</u>

See accompanying notes to the consolidated financial statements.



Consolidated Statement of Financial Position

December 31

	2007	2006
Financial Assets		
Receivables	\$ 22,366,196	\$ 21,017,203
Restricted Short Term Investments	1,090,443	314,358
Investment in Summerside Regional Development Corporation, at Cost	375	375
Sinking Fund Investments, at Market Value	<u>2,131,165</u>	<u>2,237,635</u>
	25,588,179	23,569,571
Liabilities		
Bank Indebtedness	6,758,032	3,553,866
Payables and Accruals		
Trade and Customer Deposits	6,275,169	9,706,597
Accrued Interest	610,769	650,321
Long Term Debt	<u>71,376,712</u>	<u>55,403,213</u>
	85,020,682	69,313,997
NET FINANCIAL LIABILITIES	(59,432,503)	(45,744,426)
Non-Financial Assets		
Intangibles, Net of Amortization	27,689	32,532
Tangible Capital Assets	<u>187,519,676</u>	<u>168,367,960</u>
	187,547,365	168,400,492
Inventory of Materials and Supplies, at Cost	<u>1,071,447</u>	<u>1,006,623</u>
	188,618,812	169,407,115
NET ASSETS	\$ <u>129,186,309</u>	\$ <u>123,662,689</u>
Fund Balances		
Revenue Funds	\$ (2,204,997)	\$ (1,243,021)
Reserves and Reserve Funds	27,391,417	25,836,427
Equity in Summerside Raceway Inc.	<u>1,035,629</u>	<u>1,035,629</u>
	26,222,049	25,629,035
Capital Funds – Investment in Tangible Capital Assets	<u>102,964,260</u>	<u>98,033,654</u>
	\$ <u>129,186,309</u>	\$ <u>123,662,689</u>

On Behalf of the Council

On Behalf of Management

See accompanying notes to the consolidated financial statements.



Consolidated Statement of Changes in Financial Position

Year Ended December 31

	2007	2006
Increase (Decrease) in Cash and Cash Equivalents		
Operating		
Net Expenditures	\$ (486,509)	\$ 2,093,264
Reduction of Reserves from Prior Years	51,571	234,281
Depreciation and Amortization	512,843	512,843
Change in Non-Cash Operating Working Capital	<u>(4,884,797)</u>	<u>(12,332,444)</u>
	<u>(4,806,892)</u>	<u>(9,492,056)</u>
Financing		
Change in Long Term Debt and Related Sinking Fund	<u>15,973,499</u>	<u>28,342,430</u>
Investing		
Capital Grants Received	977,489	15,092,758
Purchase of Tangible Capital Assets		
General Fund	(6,219,722)	(17,986,082)
Electric Utility	(1,062,007)	(919,377)
Water Utility	(146,221)	(830,989)
Sewer Utility	(345,560)	(193,461)
Pollution Control Centre	(7,425,992)	(10,617,549)
Summerside Community Network	<u>(148,760)</u>	<u>(27,564)</u>
	<u>(14,370,773)</u>	<u>(15,482,264)</u>
Net Decrease (Increase) in Bank Indebtedness	(3,204,166)	3,368,110
Bank Indebtedness, Beginning of Year	<u>(3,553,866)</u>	<u>(6,921,976)</u>
Bank Indebtedness, End of Year	\$ <u>(6,758,032)</u>	\$ <u>(3,553,866)</u>

See accompanying notes to the consolidated financial statements.



Notes to the Consolidated Financial Statements

December 31, 2007

1. Summary of Significant Accounting Policies

The consolidated financial statements of the City of Summerside are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances and in financial position of the reporting entity. The reporting entity is comprised of all organizations and committees that are accountable to the City for administration of their financial affairs and resources, and which are owned or controlled by the City.

b) Revenue Recognition

The accrual basis of accounting is used for all funds. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of legal obligation to pay.

c) Investments

Short term investments consist of Guaranteed Investment Certificates and are recorded at quoted market value.

Sinking fund investments consist of equity and fixed income investments and are recorded at quoted market value.

d) Tangible Capital Assets

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

During 2007, the City started to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2007, the City has set up a task force to compile a complete listing of tangible assets by category. This task force will also determine the values and estimated net book value of the various asset categories. Their work is expected to be completed by December 31, 2008. At the current time, there is no additional information available for disclosure as the task force is in the preliminary stage of its undertaking.



Notes to the Consolidated Financial Statements

December 31, 2007

1. Summary of Significant Accounting Policies (cont'd)

d) Tangible Capital Assets (cont'd)

Tangible capital assets and projects in progress are recorded at cost. During construction, the City capitalizes interest as part of the costs of its capital assets. Interest capitalized during the year was \$1,107,475.

The City records depreciation on the assets funded through debt issuance at various rates on a straight line basis within the utilities. Capital expenditures funded from current revenues are treated as additions to investment in tangible capital assets in the Capital Fund and are expensed in the Revenue Fund in the year of purchase. The City does not record depreciation on these assets.

e) Management Estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

f) Sick Leave

Accumulated sick leave credits earned up to December 31, 2007 are not recognized in the financial statements except for a reserve of \$1,380,874 at December 31, 2007. The costs will be recognized in the financial statements only when payments are made. The accumulated credits and reserves are allocated as follows:

	Accumulated Credits		
	Early Retirement	Regular Retirement	2007 Reserves
General Fund	\$ 859,553	\$ 1,230,520	\$ 465,045
Electric Fund	209,495	321,129	634,022
Water, Sewer and Pollution Fund	77,498	118,306	281,807
	<u>\$1,146,546</u>	<u>\$ 1,669,955</u>	<u>\$ 1,380,874</u>

	Accumulated Credits		
	Early Retirement	Regular Retirement	2006 Reserves
General Fund	\$ 830,569	\$ 1,184,958	\$ 454,629
Electric Fund	193,246	297,888	619,822
Water, Sewer and Pollution Fund	70,273	107,364	275,496
	<u>\$1,094,088</u>	<u>\$ 1,590,210</u>	<u>\$ 1,349,947</u>

Fair market value of the sinking funds total \$1,380,874 (2006 - \$1,348,892).



Notes to the Consolidated Financial Statements

December 31, 2007

2. Pension Plans

The City maintains a non-contributory defined benefit final average pension plan, which covers employee services prior to November 1966. The plan provides pensions based on length of service and the final five-year average earnings. The most recent actuarial report was completed as of December 31, 1999. Based upon information provided by the actuaries, the actuarial present value of accrued pension benefits as at December 31, 1999 is \$1,471,075. The actuarial unfunded liability as at December 31, 1999 is \$251,681. The net assets available for benefits at December 31, 2007 is \$750,291.

The City maintains a separate contributory defined benefit career average pension plan which covers employee service after November 1966. The plan provides pensions based on a specific percentage of an individual's salary during all years of service. The plan was amended effective October 1, 2003 to increase contributions by both the City and members to 9% of pensionable earnings. The amendment did not directly increase liabilities under the plan. Under the terms of the plan rules, should the required contributions exceed 18%, the City has the right to amend the plan to reduce benefits accordingly for service accruing after the next anniversary date of the plan or to temporarily increase the City's contributions. Total contributions are used to provide basic benefits under the plan, including amortization of any deficits. Any remaining contributions are allocated to members as Member Contribution Credits (MCC's). The MCC's vest with the members. Accumulated MCC's will be used by the member to improve entitlements under the plan in the following order:

1. Increase normal retirement benefits by increasing earnings used in formula to maximum of highest average three-year earnings.
2. Reduce or eliminate early retirement reduction subject to *Income Tax Act* limit.
3. Provide pre- and post-retirement indexation to maximum levels permitted under the *Income Tax Act*.
4. Provide temporary bridge benefit from retirement date to age 65 subject to *Income Tax Act* limits.
5. Improve survivor benefits up to limits specified in *Income Tax Act*.

The superannuation plan is a registered pension plan which allows employee contributions to be tax deductible by the employee and invest earnings in the trust funds to be tax sheltered. In order to maintain their registered status, the pension administrators must agree to administer the plan in accordance with certain rules set forth by Canada Revenue Agency. As at December 31, 2006, the actuary determined that the pension plan's surplus was not in excess of the maximum surplus permitted.



Notes to the Consolidated Financial Statements

December 31, 2007

2. Pension Plans (cont'd)

The most recent actuarial report was completed in August, 2007 for the year ended December 31, 2006 and indicates the present value of the accrued pension benefits and the net assets available to provide for these benefits as shown below. Actuarial reports are prepared annually and the report for the year ended December 31, 2007 is expected to be completed in mid 2008.

	2006
Accrued Benefit Obligations	<u>\$ 16,373,144</u>
Plan Assets	
Fair Value, Beginning of Year	15,397,287
Return on Plan Assets	1,845,418
Administrative and Investment	
Management Fees	(121,417)
Benefits Paid	(469,197)
Employee Contributions	495,008
Employer Contributions	<u>495,008</u>
Fair Value, End of Year	<u>17,642,107</u>
Funded Status – Plan Surplus	1,268,963
Investment Valuation Reserve	<u>975,392</u>
Actuarial Surplus	<u>\$ 293,571</u>

The basis used to determine the present value of accrued pension benefits is the projected unit credit cost method with a 0% salary assumption. The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

Expected long term rate of return on plan assets	7%
Inflation rate	3%



Notes to the Consolidated Financial Statements

December 31, 2007

3. Commitments and Contingencies

\$1,000,000 has been committed for construction of Phase II of the Wellness Centre.

The City has committed a total of \$20,000,000 for the construction of a Wastewater Treatment Plant. \$15,600,000 of this amount has been expended in 2007 with a balance of \$4,400,000 to be expended in 2008.

Two agreements for the purchase of power have been signed. The first agreement, which terminates in October 2028, is with West Cape Wind Energy Inc. for the purchase of wind generation power. The second agreement, which is with NB Power, will terminate on March 31, 2008.

The City has been named as defendant in several legal actions and is subject to various risks and contingencies arising in the normal course of business. The City is defending itself against these legal actions. The likelihood of any liability is not determinable at this time. The City has incurred costs of defending itself and its executives from certain actions. As at December 31, 2007, certain of these costs have been deferred pending the outcome of the related legal actions.

The City has provided a \$250,000 loan guarantee to a lender in support of a loan obtained by Downtown Summerside Inc. The principal balance of the loan at December 31, 2007 was \$175,000.

The City agreed to provide financial support in the form of a loan guarantee and operational funding to the Harbourfront Jubilee Theatre. The City has provided a loan guarantee of \$150,000, which has a principal balance of \$75,000 at December 31, 2007.

4. Financial Instruments

The City's financial instruments consist of cash, receivables, investments, bank indebtedness, payables and accruals, and long-term debt. Unless otherwise noted, it is management's opinion that the City is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

5. Comparative Figures

Certain of the comparative figures for 2006 have been reclassified to conform to the 2007 financial statement presentation.



General Fund
Statement of Financial Activities
Year Ended December 31

	2007 Budget	2007 Actual	2006 Actual
Revenue			
Taxation	\$ 11,596,389	\$ 11,609,000	\$ 11,096,360
Street Assessments	20,000	47,235	11,837
Service Buildings	30,000	30,000	30,000
Licenses and Permits	80,751	60,669	93,234
Rentals	141,300	110,158	140,109
Administration of Justice	95,000	78,285	95,270
Provincial Grants	669,836	669,836	669,836
Other Grants and Revenue	25,000	138,327	264,401
Community Services	1,145,566	1,262,370	695,840
Police Services	10,000	53,603	83,784
Public Works	16,500	24,110	17,211
Economic Development and Heritage	230,789	173,673	101,759
	<u>14,061,131</u>	<u>14,257,266</u>	<u>13,299,641</u>
Expenditures			
General Government	443,814	458,624	457,059
Finance	1,976,670	1,815,033	1,494,671
Human Resources	155,298	187,279	140,664
Economic Development and Heritage	977,753	910,789	902,579
Technical Services	198,044	169,707	163,506
Fire Services	526,538	516,162	533,445
Police Services	2,679,094	2,593,394	2,589,952
Public Works	1,521,798	1,684,271	1,543,950
Community Services	2,410,054	2,939,381	1,970,846
Capital Spending	3,506,751	3,062,900	2,307,783
	<u>14,395,814</u>	<u>14,337,540</u>	<u>12,104,455</u>
Excess of Revenue over Expenditures	<u>(334,683)</u>	<u>(80,274)</u>	<u>1,195,186</u>
Financing and Transfers			
Debt Principal Repayments	(505,200)	(545,527)	(408,871)
Reserve to Future Expenditures	840,000	626,000	(786,000)
Net Financing and Transfers	<u>334,800</u>	<u>80,473</u>	<u>(1,194,871)</u>
Change in General Revenue Fund Balance	117	199	315
Opening Fund Balance	<u>723</u>	<u>723</u>	<u>408</u>
Ending Fund Balance	<u>\$ 840</u>	<u>\$ 922</u>	<u>\$ 723</u>

See accompanying notes to the General Fund.



General Fund
Revenue Fund Statement of Financial Position
December 31

	2007	2006
Financial Assets		
Receivables	\$ 3,002,826	\$ 2,661,060
Restricted Short Term Investments	62,000	59,340
Receivable from Other Funds		
General Capital Fund	1,021,496	5,185,151
Electricity Revenue Fund	2,612,810	2,991,222
Water, Sewer and Pollution Revenue Fund	1,152,993	2,541,888
Summerville Community Network Revenue Fund	-	9,883
Summerville Community Network Capital Fund	148,672	27,512
Electric Utility Equity	461,754	461,754
Sinking Fund Investments, at Market Value	604,585	659,228
	<u>9,067,136</u>	<u>14,597,038</u>
Liabilities		
Bank Indebtedness (Note 2)	3,296,117	3,484,685
Payables and Accruals		
Trade	3,541,535	8,000,922
Accrued Interest	610,769	650,321
Payable to Other Funds		
Summerville Community Network Revenue Fund	13,275	-
	<u>7,461,696</u>	<u>12,135,928</u>
NET FINANCIAL ASSETS	1,605,440	2,461,110
Non-Financial Assets		
Inventory of Materials and Supplies, at Cost	3,511	5,625
NET ASSETS	\$ 1,608,951	\$ 2,466,735
Fund Balances		
Reserves for Future Expenditures (Note 3)	\$ 1,146,275	\$ 2,004,258
Appropriated Surplus for Electric Utility Equity	461,754	461,754
Fund Balance	922	723
	<u>\$ 1,608,951</u>	<u>\$ 2,466,735</u>

See accompanying notes to the General Fund.



**General Fund
Capital Fund Statement of Financial Position
December 31**

	2007	2006
Financial Assets		
Government Grants Receivable	\$ 5,175,000	\$ 6,250,000
Restricted Short Term Investments	1,028,443	255,019
Investment in		
Electric Utility	6,847,867	6,847,867
Water Utility	8,416,312	8,723,662
Sewer Utility	2,848,179	2,915,383
Pollution Control Centre and Plant Upgrade Reserve	13,894,986	12,253,061
Summerside Community Network	6,146,196	6,236,390
Summerside Regional Development Corporation, at Cost	375	375
	<u>44,357,358</u>	<u>43,481,757</u>
Liabilities		
Bank Indebtedness (Note 2)	1,517,500	-
Long Term Debt (Note 4)	44,296,563	36,455,660
Payable to Other Funds		
General Revenue Fund	1,021,496	5,185,151
	<u>46,835,559</u>	<u>41,640,811</u>
NET FINANCIAL (LIABILITIES) ASSETS	(2,478,201)	1,840,946
Non-Financial Assets		
Tangible Capital Assets	<u>106,470,904</u>	<u>96,447,727</u>
NET ASSETS	\$ 103,992,703	\$ 98,288,673
Fund Balances		
Reserves	\$ 1,028,443	\$ 255,019
Investment in Tangible Capital Assets (Page 13)	<u>102,964,260</u>	<u>98,033,654</u>
	<u>\$ 103,992,703</u>	<u>\$ 98,288,673</u>

See accompanying notes to the General Fund.



General Fund
Statement of Investment in Tangible Capital Assets
Year Ended December 31

	2007	2006
Add:		
Long Term Debt Retired	\$ 545,527	\$ 408,871
Increase (Decrease) in Investment in		
Water Utility	(307,350)	(324,591)
Sewer Utility	(67,204)	(43,964)
Pollution Control Centre	1,641,927	8,359,610
Summerside Community Network	(90,194)	(78,092)
Increase in Sinking Funds		
Wellness Centre		
Investment Earnings	-	703
Parkland Dedication	9,318	20,600
Increase in Capital Receivable	-	6,250,000
Capital Expenditures out of Revenue Fund	3,057,900	2,302,783
Reduction of Fire Pumper/Tanker Reserve	-	372,854
ACOA Funding and Contributed Assets	150,000	2,200,000
	<u>\$ 4,939,924</u>	<u>\$ 19,468,774</u>
Deduct:		
Increase in Parkland Dedication Reserve	9,318	20,600
Increase in Fire Rescue Truck Reserve	-	180,000
	<u>9,318</u>	<u>200,600</u>
Change in Investment in Tangible Capital Assets	4,930,606	19,268,174
Balance, Beginning of Year	<u>98,033,654</u>	<u>78,765,480</u>
Balance, End of Year	<u>\$ 102,964,260</u>	<u>\$ 98,033,654</u>

See accompanying notes to the General Fund.



General Fund
Statement of Source and Application of Capital Financing
Year Ended December 31

	2007	2006
Funds Provided by:		
Appropriations from General Revenue Fund		
For Capital Expenditures	\$ 3,057,900	\$ 2,302,783
For Debt Retirement	545,527	408,871
For Increase in Investment in Utilities	<u>1,267,373</u>	<u>7,912,963</u>
	4,870,800	10,624,617
Loan Proceeds	10,978,930	19,848,898
Changes in Sinking Fund	9,318	20,600
Government Funding	150,000	600,000
Decrease in Fire Pumper/Tanker Reserve	-	372,854
Earnings on Wellness Centre Reserve	-	703
	<u>\$ 16,009,048</u>	<u>\$ 31,467,672</u>
Funds Applied to:		
Redemption of Long Term Debt	\$ 545,527	\$ 408,871
Purchase and Construction of Tangible Capital Assets		
Real Estate and Equipment	10,023,177	21,505,488
Decrease in Loans from the Revenue Fund	4,163,653	1,439,749
Increase in Investment in Utilities	1,267,373	7,912,964
Increase in Parkland Dedication Reserve	9,318	20,600
Increase in Fire Rescue Truck Reserve	-	180,000
	<u>\$ 16,009,048</u>	<u>\$ 31,467,672</u>

See accompanying notes to the General Fund.



General Fund
Notes to the General Fund
December 31, 2007

1. Summary of Significant Accounting Policies

Tangible Capital Assets

Tangible capital assets and projects in progress are recorded at cost. The City does not record depreciation on its property and equipment.

Capital expenditures funded from current revenues are treated as additions to investment in tangible capital assets in the Capital Fund and are expensed in the Revenue Fund in the year of purchase.

2. Bank Indebtedness

Bank indebtedness consists of a \$4,433,584 advance on an operating line of credit and \$205,877 of outstanding deposits, transfers and cheques. The City has an authorized operating line of credit of \$6,000,000, of which, \$1,566,416 was unused at December 31, 2007.

The City also has an authorized capital line of credit of \$2,500,000, of which, \$0 was unused at December 31, 2007.



General Fund
Notes to the General Fund
December 31, 2007

3. Reserves for Future Expenditures - General Revenue Fund

	2007	2006
Funded Through Sinking Fund		
Accumulated Sick Leave	\$ 465,044	\$ 454,629
Pensions	<u>139,541</u>	<u>204,599</u>
	<u>604,585</u>	<u>659,228</u>
Funded Through Restricted Short Term Investments		
Accumulated Funds – World Softball	<u>62,000</u>	<u>59,340</u>
Total Funded Reserves	<u>666,585</u>	<u>718,568</u>
Unfunded		
Community Access	13,482	13,482
PeeWee Baseball	17,208	17,208
Venture Center	60,000	60,000
Business Park Fund	120,000	120,000
Attraction Fund	55,000	55,000
Fire Rescue Truck	-	180,000
Future Expenditures	<u>214,000</u>	<u>840,000</u>
Total Unfunded Reserves	<u>479,690</u>	<u>1,285,690</u>
Total Reserves	<u>\$ 1,146,275</u>	<u>\$ 2,004,258</u>



General Fund
Notes to the General Fund
December 31, 2007

4. Long Term Debt

	Interest Rate %	Maturity Date	2007	2006
Loans and Mortgages				
Loans Repaid During the Year			-	\$ 178,750
Bank of Montreal	5.76	2012	\$ 577,145	682,803
Bank of Montreal	5.76	2012	2,456,109	2,582,311
Bank of Montreal	5.69	2013	2,633,165	2,736,301
Pacific & Western	5.73	2013	83,152	94,504
Bank of Montreal	4.99	2014	1,493,288	1,551,021
Bank of Montreal	5.06	2016	1,891,204	2,016,400
C.I.B.C.	Prime - 1.25%	Demand	-	10,150,000
C.I.B.C.	Prime - 1.25%	Demand	-	10,000,000
National Bank	Prime - 1.15%	Demand	5,000,000	6,463,570
C.I.B.C	4.96	2027	30,000,000	-
Royal Bank	4.75	Demand	162,500	-
			<u>\$ 44,296,563</u>	<u>\$ 36,455,660</u>

Prime rate at December 31, 2007 was 6%.

Scheduled principal repayments in each of the next five years are due as follows:
 2008 - \$1,466,237; 2009 - \$1,533,784; 2010 - \$1,604,833; 2011 - \$1,679,566;
 2011 - \$1,712,405.

The above mentioned demand loan with the National Bank is interim financing for the Wellness Centre Phase II construction. This loan will be repaid upon receipt of related funding from other sources.

5. Federal Gas Tax

Under the New Deal Gas Tax Funding for Incorporated Communities, funding will be allocated to incorporated communities for eligible project categories including public transit infrastructure, water infrastructure, wastewater treatment systems, storm sewer drainage systems, energy systems (including wind power), solid waste management and local roads and bridges. During 2006/07, the City received the planned allocation of \$412,702 for 2006/07. Also during 2007, the City received the planned allocation of \$550,270 for 2007/08. These amounts, along with future amounts to be received, have been set aside in a reserve fund. The City plans to use these funds for future expenditures related to wind generation.



Electric Utility
Statement of Financial Activities
Year Ended December 31

	2007 Budget	2007 Actual	2006 Actual
Distribution and Generation Revenue	\$ <u>14,879,614</u>	\$ <u>15,636,666</u>	\$ <u>13,959,665</u>
Expenditures			
Distribution			
Power Purchased	12,606,134	11,925,601	9,199,045
Operations	223,405	212,786	247,694
Substation	67,240	64,294	61,204
Underground Conduit and Cables	3,577	3,126	6,468
Overhead Conductors	63,362	88,057	74,212
Poles and Fixtures	24,727	40,955	29,651
Transformers	10,959	20,504	18,625
Services	23,617	33,122	29,325
Street Lighting	32,022	43,408	38,829
Meters	46,672	42,464	45,103
Customer Service	46,483	50,475	45,893
Administration	705,252	735,235	739,881
Fiscal and Other	2,821,589	2,746,583	2,591,850
	<u>16,675,039</u>	<u>16,006,610</u>	<u>13,127,780</u>
Generation			
Salaries and Benefits	208,738	225,195	203,409
Material and Supplies	119,900	132,309	103,215
Fiscal and Other	248,000	248,000	248,000
	<u>576,638</u>	<u>605,504</u>	<u>554,624</u>
	<u>17,251,677</u>	<u>16,612,114</u>	<u>13,682,404</u>
Excess of Revenue over Expenditures (Expenditures over Revenue)	(2,372,063)	(975,448)	277,261
Reserve for Future Capital Expenditure	-	-	(268,400)
Change in Electric Utility Revenue Fund Balance	<u>(2,372,063)</u>	<u>(975,448)</u>	8,861
Opening Fund Balance	<u>(1,705,501)</u>	<u>(1,705,501)</u>	<u>(1,714,362)</u>
Ending Fund Balance	<u>\$ (4,077,564)</u>	<u>\$ (2,680,949)</u>	<u>\$ (1,705,501)</u>



Electric Utility
Revenue Fund Statement of Financial Position
December 31

	2007	2006
Financial Assets		
Receivables	\$ 1,224,908	\$ 895,660
Receivable from Other Funds		
Electric Utility Capital Fund	1,135,794	1,041,865
Sinking Fund Investments, at Market Value	<u>1,150,478</u>	<u>1,202,255</u>
	<u>3,511,180</u>	<u>3,139,780</u>
Liabilities		
Bank Indebtedness	1,944,415	69,180
Payables and Accruals		
Trade and Customer Deposits	95,435	136,239
Payable to Other Funds		
General Revenue Fund	<u>2,612,810</u>	<u>2,991,222</u>
	<u>4,652,660</u>	<u>3,196,641</u>
NET FINANCIAL LIABILITIES	(1,141,480)	(56,861)
Non-Financial Assets		
Inventories, at Cost	<u>990,813</u>	<u>933,419</u>
NET ASSETS	\$ (150,667)	\$ 876,558
Fund Balances		
Reserve for Deferred Line Maintenance	\$ 53,748	\$ 53,748
Reserve for Deferred Engine Maintenance	50,000	50,000
Reserve for Sick Leave	634,022	619,822
Reserve for Future Pension Payments	516,456	582,433
Reserve for Future Capital Expenditure	814,302	814,302
Equity Investment from General Revenue Fund	461,754	461,754
Fund Balance	<u>(2,680,949)</u>	<u>(1,705,501)</u>
	<u>\$ (150,667)</u>	<u>\$ 876,558</u>



Electric Utility
Capital Fund Statement of Financial Position
December 31

	2007	2006
Liabilities		
Long Term Debt (Note 2)	\$ 4,746,564	\$ 4,286,486
Payable to Other Funds		
Electric Utility Revenue Fund	<u>1,135,794</u>	<u>1,041,865</u>
NET FINANCIAL LIABILITIES	(5,882,358)	(5,328,351)
Non-Financial Assets		
Land	66,613	66,613
Buildings	1,475,543	1,475,543
Generating Equipment	8,204,932	8,095,081
Distribution Equipment	12,152,403	11,224,498
Office Equipment	1,628,657	1,604,406
Transportation Equipment	<u>810,093</u>	<u>810,093</u>
	<u>24,338,241</u>	<u>23,276,234</u>
NET ASSETS	\$ <u>18,455,883</u>	\$ <u>17,947,883</u>
Fund Balances		
Reserve for Depreciation	\$ 11,608,016	\$ 11,100,016
Investment in Tangible Capital Assets	<u>6,847,867</u>	<u>6,847,867</u>
	\$ <u>18,455,883</u>	\$ <u>17,947,883</u>



Electric Utility
Statement of Source and Application of Capital Financing
Year Ended December 31

	2007	2006
Funds Provided by:		
Revenue Fund Appropriations for Depreciation	\$ 508,000	\$ 508,000
Loan Proceeds from Term Loan	919,400	1,931,200
Increase in Loans from the Revenue Fund	<u>93,875</u>	<u>219,936</u>
	<u>\$ 1,521,275</u>	<u>\$ 2,659,136</u>
Funds Applied to:		
Redemption of Long Term Debt	\$ 459,322	\$ 1,739,759
Purchase of Tangible Capital Assets	<u>1,061,953</u>	<u>919,377</u>
	<u>\$ 1,521,275</u>	<u>\$ 2,659,136</u>



Electric Utility
Notes to the Electric Utility
December 31, 2007

1. Summary of Significant Accounting Policies

Tangible Capital Assets

Tangible capital assets and projects in progress are recorded at cost. The City records depreciation on the assets funded through debt issuance at various rates on a straight line basis.

Capital expenditures funded from current revenues are treated as additions to investment in tangible capital assets in the Capital Fund and are expensed in the Revenue Fund in the year of purchase. The City does not record depreciation on these assets.

2. Long Term Debt

	Interest Rate %	Maturity Date	2007	2006
Loans and Mortgages				
Loans Repaid During Year			-	\$ 509,000
Bank of Montreal	4.82	2009	\$ 460,810	479,182
Pacific & Western	4.63	2009	533,008	593,577
Bank of Montreal	3.87	2010	482,130	508,915
Pacific & Western	5.73	2013	232,827	264,612
Bank of Montreal	5.06	2016	1,718,389	1,931,200
Bank of Montreal	4.92	2017	919,400	-
Royal Bank	4.75	Demand	400,000	-
Total payable			\$ 4,746,564	\$ 4,286,486

Scheduled principal repayments in each of the next five years are as follows:
 2008 - \$518,292; 2009 - \$521,112; 2010 - \$524,085; 2011 - \$447,220; 2012 - \$310,524.



Water Utility
Statement of Financial Activities
Year Ended December 31

	2007 Budget	2007 Actual	2006 Actual
Revenue			
Sales to Customers	\$ 1,039,045	\$ 1,007,867	\$ 983,225
Fire Protection	483,000	483,000	483,000
Other	7,721	11,848	8,195
	<u>1,529,766</u>	<u>1,502,715</u>	<u>1,474,420</u>
Expenditures			
Distribution Expenses	389,054	451,090	428,746
Pumping	124,394	135,635	121,418
Administration and Other	43,198	47,223	52,664
Overhead	278,443	272,723	246,970
Interfund Allocations	324,225	304,172	283,022
	<u>1,159,314</u>	<u>1,210,843</u>	<u>1,132,820</u>
Excess of Revenue over Expenditures	<u>370,452</u>	<u>291,872</u>	<u>341,600</u>
Financing and Transfers:			
Debt Principal Repayments	(290,100)	(291,872)	(258,079)
Reserve for Future Capital Expenditure	(80,352)	-	(83,521)
Net Financing and Transfers	<u>(370,452)</u>	<u>(291,872)</u>	<u>(341,600)</u>
Change in Water Utility Revenue Fund Balance	-	-	-
Opening Fund Balance	-	-	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the Water and Sewer Utilities and Pollution Control Centre.



**Sewer Utility
Statement of Financial Activities
Year Ended December 31**

	2007 Budget	2007 Actual	2006 Actual
Revenue	\$ 696,710	\$ 927,167	\$ 750,713
Expenditures			
Distribution Expenses	264,557	315,408	323,495
Administration and Other	34,600	63,863	28,184
Overhead	70,400	62,614	60,234
Interfund Allocations	182,653	202,706	158,001
	<u>552,210</u>	<u>644,591</u>	<u>569,914</u>
Excess of Revenue over Expenditures	<u>144,500</u>	<u>282,576</u>	<u>180,799</u>
Financing and Transfers:			
Debt Principal Repayments	(144,500)	(144,700)	(134,650)
Reserve for Future Capital Expenditure	<u>-</u>	<u>(137,876)</u>	<u>(46,149)</u>
Net Financing and Transfers	<u>(144,500)</u>	<u>(282,576)</u>	<u>(180,799)</u>
Change in Sewer Utility Revenue Fund Balance	-	-	-
Opening Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Closing Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the Water and Sewer Utilities and Pollution Control Centre.



**Pollution Control Centre
Statement of Financial Activities
Year Ended December 31**

	2007 Budget	2007 Actual	2006 Actual
Revenue	\$ <u>1,200,322</u>	\$ <u>792,531</u>	\$ <u>960,022</u>
Expenditures			
Operations	678,760	526,562	462,989
Administration	8,200	7,996	5,511
Overhead	382,700	126,468	73,175
Interfund Allocations	<u>101,962</u>	<u>101,963</u>	<u>85,648</u>
	<u>1,171,622</u>	<u>762,989</u>	<u>627,323</u>
Excess of Revenue over Expenditures	<u>28,700</u>	<u>29,542</u>	<u>332,699</u>
Financing and Transfers			
Debt Principal Repayments	(28,700)	(29,542)	(27,788)
Reserve for Pollution Plant	<u>-</u>	<u>-</u>	<u>(304,911)</u>
	<u>(28,700)</u>	<u>(29,542)</u>	<u>(332,699)</u>
Change in Pollution Control Centre Revenue Fund Balance	-	-	-
Opening Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Closing Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the Water and Sewer Utilities and Pollution Control Centre.



**Water and Sewer Utilities and Pollution Control Centre
 Combined Revenue Fund Statement of Financial Position
 December 31**

	2007	2006
Financial Assets		
Receivables	\$ 863,462	\$ 826,094
Sinking Fund Investments, at Market Value	376,102	376,152
Receivable from Other Funds		
Water Utility Capital Fund	764,237	1,453,859
Sewer Utility Capital Fund	34,424	-
Pollution Control Centre Capital Fund	<u>3,471,508</u>	<u>3,135,566</u>
	<u>5,509,733</u>	<u>5,791,671</u>
Liabilities		
Payables and Accruals		
Trade and Customer Deposits	2,638,199	1,569,440
Payable to Other Funds		
General Revenue Fund	1,152,994	2,541,889
Sewer Utility Capital Fund	<u>-</u>	<u>117,636</u>
	<u>3,791,193</u>	<u>4,228,965</u>
NET FINANCIAL ASSETS	1,718,540	1,562,706
Non-Financial Assets		
Inventories of Materials and Supplies, at Cost	<u>77,123</u>	<u>67,579</u>
NET ASSETS	\$ <u>1,795,663</u>	\$ <u>1,630,285</u>
Fund Balances		
Reserve for Sick Leave	\$ 281,807	\$ 275,496
Reserve for Future Pension Payments	94,295	100,655
Reserve for Future Capital Expenditure	<u>1,419,561</u>	<u>1,254,134</u>
	<u>\$ 1,795,663</u>	<u>\$ 1,630,285</u>

See accompanying notes to the Water and Sewer Utilities and Pollution Control Centre.



Water Utility
Capital Fund Statement of Financial Position
December 31

	2007	2006
Financial Assets		
Receivables	\$ 1,200,000	\$ 1,200,000
Receivable from Other Funds		
Sewer Utility Capital Fund	<u>344,666</u>	<u>344,666</u>
	<u>1,544,666</u>	<u>1,544,666</u>
Liabilities		
Long Term Debt (Note 2)	5,439,920	4,900,792
Payable to Other Funds		
Water and Sewer Utilities and Pollution Control Centre Revenue Funds	<u>764,237</u>	<u>1,453,859</u>
	<u>6,204,157</u>	<u>6,354,651</u>
NET FINANCIAL LIABILITIES	(4,659,491)	(4,809,985)
Non-Financial Assets		
Land	189,095	189,095
Wells and Springs	1,340,984	1,340,984
Pumping Structures	2,850,929	2,850,929
Distribution System	13,928,935	13,794,027
Transportation Equipment	266,247	254,934
Maintenance Equipment	70,673	70,673
Intangible Assets, net of Amortization	<u>27,689</u>	<u>32,532</u>
	<u>18,674,552</u>	<u>18,533,174</u>
NET ASSETS	\$ 14,015,061	\$ 13,723,189
Fund Balances		
Reserve for Depreciation	\$ 5,598,749	\$ 4,999,528
Investment in Tangible Capital Assets		
Contributed	7,475,888	7,475,888
Non-Contributed	<u>940,424</u>	<u>1,247,773</u>
	<u>\$ 14,015,061</u>	<u>\$ 13,723,189</u>



See accompanying notes to the Water and Sewer Utilities and Pollution Control Centre.

Sewer Utility
Capital Fund Statement of Financial Position
December 31

	2007	2006
Financial Assets		
Receivable from Other Funds		
Water and Sewer Utilities and		
Pollution Control Centre Revenue Funds	\$ -	\$ 117,636
	<u>-</u>	<u>117,636</u>
Liabilities		
Long Term Debt (Note 2)	1,250,386	1,201,585
Payable to Other Funds		
Water Utility Capital Fund	344,666	344,666
Water and Sewer Utilities and		
Pollution Control Centre Revenue Funds	<u>34,424</u>	<u>-</u>
	<u>1,629,476</u>	<u>1,546,251</u>
NET FINANCIAL LIABILITIES	(1,629,476)	(1,428,615)
Non-Financial Assets		
Land	5,232	5,232
Structures and Improvements	34,978	34,978
Sewers	5,171,445	5,171,445
Equipment	<u>1,353,261</u>	<u>1,007,701</u>
	<u>6,564,916</u>	<u>6,219,356</u>
NET ASSETS	\$ 4,935,440	\$ 4,790,741
Fund Balances		
Reserve for Depreciation	\$ 2,087,261	\$ 1,875,358
Investment in Tangible Capital Assets		
Non-Contributed	<u>2,848,179</u>	<u>2,915,383</u>
	<u>\$ 4,935,440</u>	<u>\$ 4,790,741</u>

See accompanying notes to the Water and Sewer Utilities and Pollution Control Centre.



**Pollution Control Centre
Capital Fund Statement of Financial Position
December 31**

	2007	2006
Financial Assets		
Receivables	\$ 10,900,000	\$ 8,997,511
	<u>10,900,000</u>	<u>8,997,511</u>
Liabilities		
Long Term Debt (Note 2)	15,548,798	8,488,290
Payable to Other Funds		
Water and Sewer Utilities and Pollution Control Centre Revenue Funds	<u>3,471,508</u>	<u>3,135,566</u>
	<u>19,020,306</u>	<u>11,623,856</u>
NET FINANCIAL LIABILITIES	(8,120,306)	(2,626,345)
Non-Financial Assets		
Land	17,308	17,308
Structure and Improvements	19,630,752	12,204,760
Sewers	2,362,655	2,362,655
Pumping Stations	320,062	320,062
Equipment	1,515,173	1,515,173
Vehicles	<u>56,019</u>	<u>56,019</u>
	<u>23,901,969</u>	<u>16,475,977</u>
NET ASSETS	\$ 15,781,663	\$ 13,849,632
Fund Balances		
Reserve for Depreciation	\$ 1,886,677	\$ 1,596,571
Reserve for Plant Upgrade	<u>1,068,083</u>	<u>1,068,083</u>
	<u>2,954,760</u>	<u>2,664,654</u>
Investment in Tangible Capital Assets		
Contributed	11,976,255	10,073,766
Non-Contributed	<u>850,648</u>	<u>1,111,212</u>
	<u>\$ 15,781,663</u>	<u>\$ 13,849,632</u>

See accompanying notes to the Water and Sewer Utilities and Pollution Control Centre.



**Water and Sewer Utilities and Pollution Control Centre
 Combined Statement of Source and Application of Capital Financing
 Year Ended December 31**

	2007	2006
Funds Provided by:		
Infrastructure Grants	\$ 1,902,489	\$ 8,242,758
Appropriations from Revenue Fund		
For Debt Service	466,113	420,517
For Reserve for Plant Upgrade	-	304,911
For Amortization	4,843	4,843
Loan Proceeds from Term Loan	8,534,550	11,075,907
Increase (Decrease) in Loans from the Revenue Fund	(201,620)	1,138,017
Redemption of Sinking Funds	-	258,820
	<u>\$ 10,706,375</u>	<u>\$ 21,445,773</u>
Funds Applied to:		
Purchase and Construction of Tangible Capital Assets		
Pollution Control Centre Services and Equipment	\$ 7,425,992	\$ 10,617,548
Sewer Utility Services and Equipment	345,560	193,461
Water Utility Services and Equipment	146,221	830,989
Redemption of Long Term Debt	886,113	1,561,017
Increase in Receivables	1,902,489	8,242,758
	<u>\$ 10,706,375</u>	<u>\$ 21,445,773</u>

See accompanying notes to the Water and Sewer Utilities and Pollution Control Centre.



**Notes to the Water and Sewer Utilities and
Pollution Control Centre
December 31, 2007**

1. Summary of Significant Accounting Policies

Tangible Capital Assets

Tangible capital assets and projects in progress are recorded at cost. The City records depreciation through the investment in tangible capital assets account on the assets funded through debt issuance at various rates on a straight line basis.

Capital expenditures funded from current revenues are treated as additions to investment in tangible capital assets in the Capital Fund and are expensed in the Revenue Fund in the year of purchase. The City does not record depreciation on these assets.

2. Long Term Debt

	Interest Rate %	Maturity Date	2007	2006
Water Utility				
Loans and Mortgages				
Loans Repaid During Year			-	\$ 282,900
Bank of Montreal	3.44	2008	\$ 35,400	98,200
Bank of Montreal	4.82	2009	246,048	255,858
Pacific & Western	4.63	2009	82,276	91,626
Consolidated CU	Prime – 1.00	2009	1,200,000	1,200,000
Bank of Montreal	3.87	2010	180,900	190,950
Bank of Montreal	3.85	2010	350,000	400,000
Bank of Montreal	5.69	2013	633,351	658,158
Bank of Montreal	5.06	2016	1,604,945	1,723,100
Bank of Montreal	4.92	2017	831,000	-
Royal Bank	4.75	Demand	276,000	-
			\$ 5,439,920	\$ 4,900,792

Prime rate at December 31, 2007 was 6%.

Scheduled principal repayments in each of the next five years are as follows:
2008 - \$314,272; 2009 - \$280,833; 2010 - \$282,900; 2011 - \$285,082; 2012 - \$287,382.



**Notes to the Water and Sewer Utilities and
Pollution Control Centre
December 31, 2007**

2. Long Term Debt (cont'd)

	Interest Rate %	Maturity Date	2007	2006
Sewer Utility				
Loans and Mortgages				
Loans Repaid During Year			-	\$ 147,600
C.M.H.C.	6.88	2008	\$ 3,564	6,895
Bank of Montreal	3.63	2008	113,600	185,800
Bank of Montreal	4.82	2009	30,564	31,783
Bank of Montreal	5.69	2013	61,978	64,405
Pacific & Western	5.73	2013	99,783	113,405
Pacific & Western	4.63	2014	264,716	294,797
Bank of Montreal	5.06	2016	338,681	356,900
Bank of Montreal	4.92	2017	193,500	-
Royal Bank	4.75	Demand	144,000	-
			<u>\$ 1,250,386</u>	<u>\$ 1,201,585</u>

Scheduled principal repayments in each of the next five years are as follows:
2008 - \$159,122; 2009 - \$125,788; 2010 - \$85,477; 2011 - \$86,626; 2012 - \$87,844.

	Interest Rate %	Maturity Date	2007	2006
Pollution Control Centre				
Loans and Mortgages				
Bank of Montreal	4.82	2009	\$ 46,613	\$ 48,471
Bank of Montreal	3.87	2010	216,450	228,475
Bank of Montreal	5.69	2013	399,778	415,436
Royal Bank	Prime – 1.26	Demand	7,300,000	7,051,708
Consolidated CU	Prime – 1.00	Demand	744,200	744,200
Royal Bank	Prime – 1.26	Demand	6,841,757	-
			<u>\$15,548,798</u>	<u>\$ 8,488,290</u>

Prime rate at December 31, 2007 was 6%.

Scheduled principal repayments in each of the next five years are due as follows:
2008 - \$30,352; 2009 - \$31,379; 2010 - \$32,463; 2011 - \$33,608; 2012 - \$34,817.

The above mentioned demand loans are bridge financing for construction projects in progress. It is management's intention that these loans, with the exception of the Royal Bank Demand loan of \$7,300,000, will be replaced with term debt or paid from contributions by other orders of government.



**Summerville Community Network
Statement of Financial Activities
Year Ended December 31**

	2007 Budget	2007 Actual	2006 Actual
Revenue	\$ 454,368	\$ 442,831	\$ 337,723
Expenditures			
Customer Service Costs	27,040	45,312	69,038
Contracted Services	45,437	44,283	30,895
Bandwidth Costs	96,254	93,557	82,511
Installation and Service	134,424	118,361	156,874
Equipment and System Maintenance	65,401	82,163	66,591
Building Maintenance and Operations	77,012	89,076	112,615
Interfund Allocations	5,281	4,856	53,480
	<u>450,849</u>	<u>477,608</u>	<u>572,004</u>
Reduction of Reserves from Prior Years	-	51,571	234,281
Excess of Revenue over Expenditures	<u>3,519</u>	<u>16,794</u>	-
Financing and Transfers:			
Debt Principal Repayments	(3,519)	(3,519)	-
Reserve for Future Capital Expenditure	-	-	-
Net Financing and Transfers	<u>(3,519)</u>	<u>(3,519)</u>	-
Change in Summerville Community Network Revenue Fund Balance	-	13,275	-
Opening Fund Balance	-	-	-
Closing Fund Balance	<u>\$ -</u>	<u>\$ 13,275</u>	<u>\$ -</u>

See accompanying notes to Summerville Community Network.



**Summerville Community Network
Revenue Fund Statement of Financial Position
December 31**

	2007	2006
Financial Assets		
Holdback Receivable	\$ -	\$ 186,877
Receivable from Other Funds		
General Revenue Fund	<u>13,275</u>	<u>-</u>
	<u>13,275</u>	<u>186,877</u>
Liabilities		
Payable to Other Funds		
General Revenue Fund	<u>-</u>	<u>9,883</u>
NET FINANCIAL ASSETS	13,275	176,994
NET ASSETS	\$ <u>13,275</u>	\$ <u>176,994</u>
Fund Balances		
Reserve for Future Capital Expenditure	\$ -	\$ 176,994
Fund Balance	<u>13,275</u>	<u>-</u>
	\$ <u>13,275</u>	\$ <u>176,994</u>



**Summerside Community Network
Capital Fund Statement of Financial Position
December 31**

	2007	2006
Liabilities		
Long Term Debt (Note 3)	\$ 94,481	\$ 70,400
Payable to Other Funds		
General Revenue Fund	148,672	27,512
NET FINANCIAL LIABILITIES	(243,153)	(97,912)
Non-Financial Assets		
Infrastructure	6,286,643	6,266,527
Vehicles	47,955	47,955
Equipment	226,556	97,912
	6,561,154	6,412,394
NET ASSETS	\$ 6,318,001	\$ 6,314,482
Fund Balances		
Reserve for Depreciation	\$ 171,805	\$ 78,092
Investment in Tangible Capital Assets	6,146,196	6,236,390
	\$ 6,318,001	\$ 6,314,482

See accompanying notes to Summerside Community Network.



Notes to the Summerside Community Network

December 31, 2007

1. Nature of Operations

Summerside Community Network operates a wireless data transmission network and is an internet service provider to residential and business customers in Prince and Queen's Counties in Prince Edward Island. The provision of internet services commenced commercial operations in 2006 under the trade name of Route 2.

2. Summary of Significant Accounting Policies

Tangible Capital Assets

Tangible capital assets and projects in progress are recorded at cost. The City records depreciation on the assets funded through debt issuance at various rates on a straight line basis.

Capital expenditures funded from current revenues are treated as additions to investment in tangible capital assets in the Capital Fund and are expensed in the Revenue Fund in the year of purchase. The City does not record depreciation on these assets.

3. Long Term Debt

	Interest Rate %	Maturity Date	2007	2006
Loans and Mortgages				
Bank of Montreal	5.06	2016	\$ 66,881	\$ 70,400
Bank of Montreal	4.92	2017	<u>27,600</u>	<u>-</u>
			<u>\$ 94,481</u>	<u>\$ 70,400</u>

Scheduled principal repayments in each of the next five years are as follows:
 2008 - \$4,899; 2009 - \$4,899; 2010 - \$4,899; 2011 - \$4,899; 2012 - \$4,899.

4. Comparative Figures

Certain of the comparative figures for 2006 have been reclassified to conform to the 2007 financial statement presentation.
