

**TOWN OF GRANDE CACHE**  
**COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**



**TOWN OF GRANDE CACHE**  
**COMBINED FINANCIAL STATEMENTS**  
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## AUDITORS' REPORT

To the Mayor and Members of Council of the  
**Town of Grande Cache**

We have audited the combined statement of financial position of the **Town of Grande Cache** as at December 31, 2007 and the combined statements of financial activities and change in fund balances and changes in financial position for the year then ended. These combined financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the **Town of Grande Cache** as at December 31, 2007 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Grande Prairie, Alberta  
May 30, 2008

*Fletcher Mudryk & Co.*  
Chartered Accountants

**TOWN OF GRANDE CACHE**  
**COMBINED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2007**

	<u>2007</u>	<u>2006</u>
<b>NET ASSETS</b>		
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments <i>(Note 2)</i>	\$ 10,766,247	\$ 1,264,618
Taxes and grants in place of taxes receivable <i>(Note 3)</i>	241,051	199,881
Trade and other receivables <i>(Note 4)</i>	864,252	2,545,583
Other assets	3,920	3,528
Land held for resale	2,020,327	2,799,192
Investments <i>(Note 5)</i>	<u>10</u>	<u>10</u>
	<u>13,895,807</u>	<u>6,812,812</u>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities <i>(Note 6)</i>	1,450,979	792,641
Deposit liabilities	266,517	392,605
Deferred revenue <i>(Note 7)</i>	1,401,617	1,511,943
Long-term debt <i>(Note 8)</i>	<u>6,106,759</u>	<u>731,353</u>
	<u>9,225,872</u>	<u>3,428,542</u>
<b>NET FINANCIAL ASSETS</b>	<u>4,669,935</u>	<u>3,384,270</u>
<b>PHYSICAL ASSETS</b>		
Capital assets <i>(Note 9)</i>	11,612,493	11,027,718
Inventory of consumable supplies	<u>41,677</u>	<u>46,480</u>
	<u>11,654,170</u>	<u>11,074,198</u>
	<u>\$ 16,324,105</u>	<u>\$ 14,458,468</u>
<b>CONTINGENT LIABILITY <i>(Note 15)</i></b>		
<b>MUNICIPAL EQUITY</b>		
<b>CAPITAL FUND <i>(Schedule 1)</i></b>	\$ -	\$ -
<b>OPERATING FUND <i>(Schedule 2)</i></b>	-	-
<b>RESERVE FUND <i>(Schedule 3)</i></b>	<u>5,416,189</u>	<u>4,162,103</u>
	5,416,189	4,162,103
<b>EQUITY IN CAPITAL ASSETS <i>(Schedule 4)</i></b>	<u>10,907,916</u>	<u>10,296,365</u>
	<u>\$ 16,324,105</u>	<u>\$ 14,458,468</u>



**TOWN OF GRANDE CACHE**  
**COMBINED STATEMENT OF FINANCIAL ACTIVITIES AND**  
**CHANGE IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2007**

	Unaudited <u>Budget</u>	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>			
Net municipal property taxes <i>(Schedule 5)</i>	\$ 3,258,399	\$ 3,305,161	\$ 2,847,979
Government transfers <i>(Schedule 6)</i>	2,427,092	1,848,233	1,641,227
User fees and sale of goods	1,302,950	1,366,372	1,389,264
Interest and investment income	25,500	301,704	185,162
Penalties and costs of taxes	55,000	61,125	50,426
Franchise and concession contracts	310,000	207,012	337,867
Fines, rentals, licenses and permits	532,875	516,151	612,416
Proceeds on land sales	700,000	4,172,163	1,553,373
Proceeds on disposal of capital assets	-	10,869	34,435
Donations	-	263,116	40,707
Other	<u>16,140</u>	<u>40,903</u>	<u>11,094</u>
<b>TOTAL REVENUES</b>	<u>8,627,956</u>	<u>12,092,809</u>	<u>8,703,950</u>
<b>EXPENDITURES</b>			
Council and other legislative services	187,150	199,779	193,401
Administrative services	753,741	883,111	814,130
Protective services	299,799	423,033	296,966
Transportation services	2,267,986	3,411,598	1,975,916
Utilities and disposal services	700,293	617,650	836,840
Public health and welfare services	323,498	412,723	233,190
Planning and development services	1,665,580	725,094	458,435
Recreation and cultural services	2,405,909	2,218,611	2,268,580
Cost of land held for resale sold	<u>-</u>	<u>1,920,349</u>	<u>324,564</u>
<b>TOTAL EXPENDITURES <i>(Schedule 7)</i></b>	<u>8,603,956</u>	<u>10,811,948</u>	<u>7,402,022</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	24,000	1,280,861	1,301,928
Long-term debt repayments	<u>(24,000)</u>	<u>(26,775)</u>	<u>(1,054,692)</u>
<b>CHANGE IN FUND BALANCES</b>	\$ <u>-</u>	1,254,086	247,236
<b>FUND BALANCES - beginning</b>		<u>4,162,103</u>	<u>3,914,867</u>
<b>FUND BALANCES - ending</b>		\$ <u>5,416,189</u>	\$ <u>4,162,103</u>



**TOWN OF GRANDE CACHE**  
**COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**YEAR ENDED DECEMBER 31, 2007**

	<u>2007</u>	<u>2006</u>
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenditures	\$ 1,280,861	\$ 1,301,928
Adjustments for:		
Land held for resale	<u>-</u>	<u>324,564</u>
	<u>1,280,861</u>	<u>1,626,492</u>
Changes in non-cash working capital		
Taxes and grants in place of taxes receivable	(41,170)	(83,645)
Trade and other receivables	1,681,331	(1,807,722)
Other assets	(392)	(1,408)
Inventory of consumable supplies	4,803	2,737
Accounts payable and accrued liabilities	658,339	432,704
Deposit liabilities	(126,088)	70,238
Deferred revenue	<u>(110,326)</u>	<u>516,475</u>
	<u>2,066,497</u>	<u>(870,621)</u>
Cash flow from operating activities	<u>3,347,358</u>	<u>755,871</u>
<b>FINANCING ACTIVITIES</b>		
Long-term debt proceeds	5,621,667	-
Long-term debt repayments	<u>(246,261)</u>	<u>(1,054,692)</u>
Cash flow from financing activities	<u>5,375,406</u>	<u>(1,054,692)</u>
<b>INVESTING ACTIVITIES</b>		
Reduction in agreements receivable	-	46,693
Change in investments	-	304,919
Land held for resale	<u>778,865</u>	<u>(2,695,732)</u>
Cash flow from investing activities	<u>778,865</u>	<u>(2,344,120)</u>
<b>INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS</b>	9,501,629	(2,642,941)
<b>CASH AND TEMPORARY INVESTMENTS - beginning</b>	<u>1,264,618</u>	<u>3,907,559</u>
<b>CASH AND TEMPORARY INVESTMENTS - ending</b>	<u>\$ 10,766,247</u>	<u>\$ 1,264,618</u>



**TOWN OF GRANDE CACHE**  
**SCHEDULE OF CAPITAL FUND FINANCIAL ACTIVITIES AND**  
**CHANGE IN FUND BALANCE**  
**YEAR ENDED DECEMBER 31, 2007**

	Unaudited Budget	2007	2006
<b>REVENUES</b>			
Government transfers	\$ 1,592,696	\$ 1,032,839	\$ 395,808
Proceeds from disposal of capital assets	-	10,869	34,435
Donations	<u>-</u>	<u>263,116</u>	<u>40,707</u>
	<u>1,592,696</u>	<u>1,306,824</u>	<u>470,950</u>
<b>EXPENDITURES</b>			
Administrative services	14,085	20,176	-
Transportation services	820,068	1,311,970	218,960
Utilities and disposal services	-	2,777	130,800
Planning and development services	-	23,882	34,207
Recreation and cultural services	<u>549,855</u>	<u>123,883</u>	<u>986,662</u>
	<u>1,384,008</u>	<u>1,482,688</u>	<u>1,370,629</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>208,688</u>	<u>(175,864)</u>	<u>(899,679)</u>
Net interfund transfers from (to):			
Reserves	-	(1,832,635)	(774,037)
Operating fund	<u>(208,688)</u>	<u>2,008,499</u>	<u>1,673,716</u>
	<u>(208,688)</u>	<u>175,864</u>	<u>899,679</u>
<b>CHANGE IN FUND BALANCE</b>	\$ <u>-</u>	-	-
<b>FUND BALANCE - beginning</b>		<u>-</u>	<u>-</u>
<b>FUND BALANCE - ending</b>		\$ <u>-</u>	\$ <u>-</u>



**TOWN OF GRANDE CACHE**  
**SCHEDULE OF OPERATING FUND FINANCIAL ACTIVITIES AND**  
**CHANGE IN FUND BALANCE**  
**YEAR ENDED DECEMBER 31, 2007**

	Unaudited Budget	2007	2006
<b>REVENUES</b>			
Net municipal property taxes <i>(Schedule 5)</i>	\$ 3,258,399	\$ 3,305,161	\$ 2,847,979
Government transfers	834,396	815,394	1,245,419
User fees and sale of goods	1,302,950	1,366,372	1,389,264
Interest and investment income	25,500	301,704	185,162
Penalties and costs of taxes	55,000	61,125	50,426
Land sales	700,000	4,172,163	1,553,373
Franchise and concession contracts	310,000	207,012	337,867
Fines, rentals, licenses and permits	532,875	516,151	612,416
Other	16,140	40,903	11,094
	<u>7,035,260</u>	<u>10,785,985</u>	<u>8,233,000</u>
<b>EXPENDITURES</b>			
Council and other legislative services	187,150	199,779	193,401
Administrative services	739,656	862,935	814,130
Protective services	299,799	423,033	296,966
Transportation services	1,447,918	2,099,628	1,756,956
Utilities and disposal services	700,293	614,873	706,040
Public health and welfare services	323,498	388,841	198,983
Planning and development services	1,665,580	725,094	458,435
Recreation and cultural services	1,856,054	2,094,728	1,281,918
Cost of land held for resale sold	-	1,920,349	324,564
	<u>7,219,948</u>	<u>9,329,260</u>	<u>6,031,393</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(184,688)</u>	<u>1,456,725</u>	<u>2,201,607</u>
Net interfund transfers from (to):			
Reserves	-	578,549	526,801
Capital	208,688	(2,008,499)	(1,673,716)
Long-term debt repayments	(24,000)	(26,775)	(1,054,692)
	<u>184,688</u>	<u>(1,456,725)</u>	<u>(2,201,607)</u>
<b>CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - beginning</b>		<u>-</u>	<u>-</u>
<b>FUND BALANCE - ending</b>		<u>\$ -</u>	<u>\$ -</u>



**TOWN OF GRANDE CACHE**  
**SCHEDULE OF RESERVE FUND AND CHANGE IN FUND BALANCE**  
**YEAR ENDED DECEMBER 31, 2007**

	<u>2007</u>	<u>2006</u>
<b>FUND BALANCE - beginning</b>	\$ <u>4,162,103</u>	\$ <u>3,914,867</u>
Add (Deduct):		
Transfer from operating fund	-	838,431
Transfer to operating fund	<u>(578,549)</u>	<u>(1,365,232)</u>
	<u>(578,549)</u>	<u>(526,801)</u>
Add (Deduct):		
Transfer from capital fund	1,847,635	1,548,621
Transfer to capital fund	<u>(15,000)</u>	<u>(774,584)</u>
	<u>1,832,635</u>	<u>774,037</u>
<b>FUND BALANCE - ending</b>	\$ <u>5,416,189</u>	\$ <u>4,162,103</u>

## Summary of reserves and reserve fund transfers:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Ending</u>
<b>OPERATING RESERVES</b>				
Streetlights	\$ 21,559	\$ -	\$ -	\$ 21,559
Public works building maintenance	5,000	-	-	5,000
Infrastructure management	40,000	-	-	40,000
Street improvements	37,182	-	-	37,182
Community development	15,259	-	-	15,259
Downtown	578,549	-	578,549	-
Lagoon	40,000	-	-	40,000
Airport building maintenance	4,100	-	-	4,100
Recreation	<u>318,312</u>	<u>-</u>	<u>-</u>	<u>318,312</u>
	<u>1,059,961</u>	<u>-</u>	<u>578,549</u>	<u>481,412</u>
<b>CAPITAL RESERVES</b>				
Recreation Centre Expansion Fund	2,899,867	769,086	-	3,668,953
Computers	9,512	-	-	9,512
Downtown	-	1,078,549	-	1,078,549
Public works equipment	49,569	-	15,000	34,569
Airport equipment	92,789	-	-	92,789
Ball diamonds and campground	15,405	-	-	15,405
Recycling	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
	<u>3,102,142</u>	<u>1,847,635</u>	<u>15,000</u>	<u>4,934,777</u>
	\$ <u>4,162,103</u>	\$ <u>1,847,635</u>	\$ <u>593,549</u>	\$ <u>5,416,189</u>



**TOWN OF GRANDE CACHE**  
**SCHEDULE OF EQUITY IN CAPITAL ASSETS**  
**YEAR ENDED DECEMBER 31, 2007**

	<u>2007</u>	<u>2006</u>
Acquisition of capital assets	\$ 1,482,688	\$ 1,370,629
Disposal of capital assets (net book value)	-	(2,250)
Amortization of capital assets	(897,912)	(878,284)
Capital debt repaid from operating fund	<u>26,775</u>	<u>1,054,692</u>
<b>CHANGE IN EQUITY BALANCE</b>	611,551	1,544,787
<b>EQUITY BALANCE - beginning</b>	<u>10,296,365</u>	<u>8,751,578</u>
<b>EQUITY BALANCE - ending</b>	<u>\$ 10,907,916</u>	<u>\$ 10,296,365</u>



**TOWN OF GRANDE CACHE**  
**SCHEDULE OF PROPERTY TAXES LEVIED**  
**YEAR ENDED DECEMBER 31, 2007**

	Unaudited <u>Budget</u>	<u>2007</u>	<u>2006</u>
<b>TAXATION</b>			
Real property taxes			
Residential	\$ 2,431,209	\$ 2,212,204	\$ 1,999,089
Commercial	735,997	735,997	848,692
Industrial	<u>143,903</u>	<u>143,903</u>	<u>73,790</u>
	3,311,109	3,092,104	2,921,571
Linear property taxes	90,626	116,957	83,033
Government grants in place of property taxes	<u>866,222</u>	<u>1,124,484</u>	<u>815,207</u>
	<u>4,267,957</u>	<u>4,333,545</u>	<u>3,819,811</u>
<b>DEDUCT</b>			
Requisition transfers			
Alberta School Foundation Fund	993,870	993,870	956,144
Senior Foundation	<u>15,688</u>	<u>34,514</u>	<u>15,688</u>
	<u>1,009,558</u>	<u>1,028,384</u>	<u>971,832</u>
<b>NET MUNICIPAL PROPERTY TAXES</b>	<u>\$ 3,258,399</u>	<u>\$ 3,305,161</u>	<u>\$ 2,847,979</u>



**TOWN OF GRANDE CACHE**  
**SCHEDULE OF GOVERNMENT TRANSFERS**  
**YEAR ENDED DECEMBER 31, 2007**

	Unaudited <u>Budget</u>	<u>2007</u>	<u>2006</u>
<b>FEDERAL GOVERNMENT TRANSFERS</b>	\$ <u>42,200</u>	\$ <u>33,616</u>	\$ <u>195,404</u>
<b>PROVINCIAL GOVERNMENT TRANSFERS</b>			
Unconditional			
Municipal assistance	12,266	12,266	165,385
Conditional			
Common services	-	945,793	-
Disaster services	10,000	8,000	13,000
Family and Community Support Service	185,030	252,340	107,721
Transportation services	5,600	(54,749)	468,732
Utilities and disposal services	52,463	50,874	1,554
Planning and development	1,636,456	58,158	-
Recreation, cultural, tourism, employment and other	<u>6,400</u>	<u>87,168</u>	<u>207,664</u>
<b>TOTAL PROVINCIAL TRANSFERS</b>	<u>1,908,215</u>	<u>1,359,850</u>	<u>964,056</u>
<b>LOCAL GOVERNMENT TRANSFERS</b>	<u>476,677</u>	<u>454,767</u>	<u>481,767</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	\$ <u>2,427,092</u>	\$ <u>1,848,233</u>	\$ <u>1,641,227</u>



**TOWN OF GRANDE CACHE**  
**SCHEDULE OF COMBINED EXPENDITURES BY OBJECT**  
**YEAR ENDED DECEMBER 31, 2007**

	Unaudited <u>Budget</u>	<u>2007</u>	<u>2006</u>
Salaries, wages and benefits	\$ 3,118,695	\$ 3,460,361	\$ 2,615,047
Contracted and general services	2,544,515	2,121,443	1,578,302
Materials, goods and utilities	1,307,482	1,357,487	1,188,937
Provision for allowances	-	20,488	1,853
Transfers to local boards and agencies	79,450	115,114	51,969
Transfers to individuals and organizations	102,414	96,690	106,981
Bank charges and short-term interest	8,750	8,012	9,114
Interest on long-term debt	52,142	202,913	144,882
Cost of land held for resale sold	-	1,920,349	324,564
Other expenditures	6,500	26,403	9,744
Capital assets acquired	<u>1,384,008</u>	<u>1,482,688</u>	<u>1,370,629</u>
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 8,603,956</u></b>	<b><u>\$ 10,811,948</u></b>	<b><u>\$ 7,402,022</u></b>



**TOWN OF GRANDE CACHE**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

1. **SIGNIFICANT ACCOUNTING POLICIES**

The combined financial statements of the Town of Grande Cache are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town of Grande Cache are as follows:

a) Reporting entity

The combined financial statements reflect the assets, liabilities, revenues and expenditures and changes in fund balances and cash flows of the reporting entity, which includes all the organizations that are accountable for the administration of their financial affairs and resources to Council and are owned or controlled by the Town.

The schedule of taxes levied includes operating requisitions for education and senior foundations that are not part of the Town's reporting entity.

The combined financial statements also exclude trust assets that are administered for the benefit of external parties.

b) Basis of accounting

The basis of accounting followed in these combined financial statements includes recognizing revenue in the period in which the transactions or events occurred that gave rise to the revenue. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified. Expenditures are recorded in the period the goods and services are acquired and a liability is incurred or transfers are due.

c) Fund accounting

Management funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Proceeds from sales of land held for resale are recorded as operating fund revenue.

d) Government transfers

Government transfers are recognized in the combined financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the eligibility criteria have been met by the Town and reasonable estimates of the amounts can be made.



**TOWN OF GRANDE CACHE**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

1. SIGNIFICANT ACCOUNTING POLICIES - continued

e) Employee future benefits

Selected employees of the Town are members of the Local Authorities Pension Plan (LAPP), a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta Treasurer and the plan is administered by a Board of Trustees. Since the plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the Town does not recognize its share of any plan surplus or deficit.

f) Investments

Portfolio investments are recorded at cost. Interest-bearing investments are recorded at the original cost amount plus interest earned to the year-end.

g) Tangible capital assets

Effective January 1, 2007, the Town 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.

Capital assets are reported as expenditures in the period they are acquired. Capital assets are recorded at cost except for donated assets, which are recorded at estimated fair market value when acquired. When capital assets are sold, the proceeds are recorded as capital revenue.

Government transfers for the acquisition of capital assets are recorded as capital revenue and do not reduce the related capital asset costs.

Capital assets are recorded at cost. Rates of amortization applied on a straight-line basis to write off the cost of capital assets over their estimated useful lives are as follows:

Buildings	40 years
Engineering structures	40 years
Machinery and equipment	10 years
Vehicles	10 years

No amortization is recorded in the year of acquisition.

When capital assets are sold or scrapped, the cost of the capital assets and the related accumulated amortization are removed from the accounts and the related equity in capital assets. No amortization is recorded in the year of disposition.

Inventories of materials and supplies, which consist mainly of central stores and road maintenance materials, are recorded at cost.



**TOWN OF GRANDE CACHE**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

1. SIGNIFICANT ACCOUNTING POLICIES - continued

h) Land held for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing costs and levelling charges. Related development costs incurred to provide infrastructure such as water and waste water services, roads, sidewalks and street lighting are recorded as physical assets under their respective function. The cost of land sold is recorded as an expenditure in the operating fund in the year it is sold.

i) Over-levies and under-levies

Over-levies and under-levies arise from the differences between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

Over-levies are recorded as deferred revenue and property tax revenue is reduced. Under-levies are recorded as an accrued receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

j) Asset retirement obligations

The Town recognizes a liability for the future environmental remediation of certain properties and for future removal and handling costs for contamination. At this time, no asset retirement obligations have been identified by management and, thus, no liability has been recorded.

k) Reserves for future expenditures

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and from reserves are reflected as adjustments to the respective funds.

l) Equity in capital assets

Equity in capital assets represents the Town's net investment in the total capital assets, after deducting the portion financed by third parties through debenture, bond and mortgage debts, long-term capital borrowing, capitalized leases or other capital liabilities which will be repaid by the Town.



**TOWN OF GRANDE CACHE**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

1. SIGNIFICANT ACCOUNTING POLICIES - continued

m) Measurement uncertainty

The preparation of the combined financial statements in conformity with Canadian generally accepted accounting principles 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 combined financial statements and the reported amounts of revenues and expenditures during the reporting period. Significant estimates made by management include amortization and allowance for uncollectible trade and other receivables. By their nature, these estimates are subject to measurement uncertainty and the effect on the combined financial statements of changes in such estimates in future periods could be significant.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2007</u>	<u>2006</u>
Cash on hand	\$ 800	\$ 700
Cash in banks	2,665,675	1,263,918
Temporary investments	<u>8,099,772</u>	<u>-</u>
	<u>\$ 10,766,247</u>	<u>\$ 1,264,618</u>

Cash in banks bears interest at a rate of 2.0%.

Temporary investments are readily convertible to cash, consist of fixed income investments, bear interest at a rate of 4.62% and mature on January 13, 2008.

Included in cash and temporary investments are restricted amounts totalling \$1,392,869 (2006 - \$1,487,003) received from Alberta Infrastructure and Transportation and accumulated interest to be used for specific capital infrastructure projects. In addition, there are restricted amounts totalling \$5,621,667 (2006 - \$NIL) received from Alberta Capital Finance Authority as a debenture to be used for the construction of a new sewer trunk line.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2007</u>	<u>2006</u>
Current taxes and grants in place of taxes	\$ 220,163	\$ 147,287
Tax arrears	<u>20,888</u>	<u>52,594</u>
	<u>\$ 241,051</u>	<u>\$ 199,881</u>



**TOWN OF GRANDE CACHE**  
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4. TRADE AND OTHER RECEIVABLES

	<u>2007</u>	<u>2006</u>
Trade and other receivables	\$ 539,015	\$ 501,264
Receivable from other governments	<u>389,775</u>	<u>2,088,369</u>
	928,790	2,589,633
Less allowance for uncollectible trade and other receivables	<u>(64,538)</u>	<u>(44,050)</u>
	<u>\$ 864,252</u>	<u>\$ 2,545,583</u>

5. INVESTMENTS

	<u>2007</u>	<u>2006</u>
Alberta Association of Municipal Districts and Counties	\$ <u>10</u>	\$ <u>10</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2007</u>	<u>2006</u>
Trade accounts payable	\$ 1,190,252	\$ 630,869
Accrued interest	23,823	12,308
Accrued vacation pay	<u>236,904</u>	<u>149,464</u>
	<u>\$ 1,450,979</u>	<u>\$ 792,641</u>

7. DEFERRED REVENUE

	<u>Current Portion</u>	<u>2007</u>	<u>2006</u>
Deferred grant revenue	\$ 2,338,663	\$ 1,392,870	\$ 1,487,003
Other deferred sales and user charges	<u>8,747</u>	<u>8,747</u>	<u>24,940</u>
	<u>\$ 2,347,410</u>	1,401,617	1,511,943
Less current portion		<u>(1,401,617)</u>	<u>(1,511,943)</u>
		<u>\$ -</u>	<u>\$ -</u>

Deferred grant revenue represents amounts for specific projects not yet completed.

Deferred sales and user charges represent amounts received, which are taken into revenue in the period in which they are earned.



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8. LONG-TERM DEBT

	<u>2007</u>	<u>2006</u>
Debtures		
Alberta Capital Finance Authority	\$ 6,106,759	\$ 731,353
Less current portion	<u>(484,330)</u>	<u>(26,775)</u>
	<u>\$ 5,622,429</u>	<u>\$ 704,578</u>

Debture debt is issued on the credit and security of the Town of Grande Cache at large, bears interest at rates of 5.053% and 6.75% per annum and mature in 2017 and 2022.

The Town's total cash payments for interest in 2007 were \$191,397 (2006 - \$144,882).

Estimated principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 484,330	\$ 314,846	\$ 799,176
2009	509,579	289,597	799,176
2010	536,152	263,024	799,176
2011	564,118	235,058	799,176
2012	593,551	205,625	799,176
Thereafter	<u>3,419,029</u>	<u>596,043</u>	<u>4,015,072</u>
	<u>\$ 6,106,759</u>	<u>\$ 1,904,193</u>	<u>\$ 8,010,952</u>

9. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2007 Net Book Value</u>	<u>2006 Net Book Value</u>
Land	\$ 133,292	\$ -	\$ 133,292	\$ 133,292
Buildings	8,156,270	4,768,582	3,387,688	3,516,465
Engineering structures	16,772,296	10,248,753	6,523,543	5,598,228
Machinery and equipment	4,516,929	3,492,280	1,024,649	1,147,383
Vehicles	<u>1,930,607</u>	<u>1,387,286</u>	<u>543,321</u>	<u>632,350</u>
	<u>\$ 31,509,394</u>	<u>\$ 19,896,901</u>	<u>\$ 11,612,493</u>	<u>\$ 11,027,718</u>



**TOWN OF GRANDE CACHE**  
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10. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/00 is as follows:

	<u>Salary (1)</u>	<u>Benefits and Allowances (2)</u>	<u>2007 Total</u>	<u>2006 Total</u>
<b>Mayor</b>				
L. Krewusik	\$ 24,222	\$ 11,826	\$ 36,048	\$ 39,770
<b>Councillors</b>				
P. Bailey	9,523	4,869	14,392	18,074
V. Beland	14,814	8,556	23,370	18,911
T. Coray	11,287	7,591	18,878	16,239
J. Dube	12,185	5,708	17,893	23,330
G. Frentz	18,105	9,205	27,310	26,880
A. McCormick	10,719	4,695	15,414	15,714
Y. Rempel	2,924	2,537	5,461	-
J. Scott	<u>3,097</u>	<u>1,711</u>	<u>4,808</u>	<u>-</u>
	<u>\$ 106,876</u>	<u>\$ 56,698</u>	<u>\$ 163,574</u>	<u>\$ 158,918</u>
Duane Dukart, CAO	<u>\$ 7,480</u>	<u>\$ 1,359</u>	<u>\$ 8,839</u>	<u>\$ 136,441</u>
Darren Ottaway, CAO	<u>\$ 110,674</u>	<u>\$ 19,295</u>	<u>\$ 129,969</u>	<u>\$ 54,852</u>

- (1) Salary includes regular base pay, bonuses, overtime, lump-sum payments, gross honoraria and any other direct cash remuneration.
- (2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, employment insurance, health care, dental coverage, vision coverage, group life insurance, accident and dismemberment insurance, long and short-term disability plans, professional memberships and tuition. It also includes the employer's share of the cost of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships, if applicable.



**TOWN OF GRANDE CACHE**  
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11. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 180,000 people and 407 employers. It is financed by employer, employee and Government of Alberta contributions and investment earnings of the LAPP fund.

The Town of Grande Cache is required to make current service contributions to the Plan of 7.75% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 10.64% on the excess.

Employees of the Town of Grande Cache are required to make current service contributions to the Plan of 6.75% of pensionable payroll up to the year's maximum pensionable earnings under the Canada Pension Plan and 9.64% on the excess.

Total current service contributions by the Town to the Local Authorities Pension Plan in 2007 were \$136,996 (2006 - \$93,895). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2007 were \$120,553 (2006 - \$82,475).

At December 31, 2007, the Plan disclosed an actuarial deficiency of \$1,183 million (2006 - \$746 million).

12. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town be disclosed as follows:

	<u>2007</u>	<u>2006</u>
Total debt limit available	\$ 16,589,955	\$ 12,462,213
Total debt	<u>(6,106,759)</u>	<u>(731,353)</u>
Total debt limit remaining	<u>\$ 10,483,196</u>	<u>\$ 11,730,860</u>
Debt servicing limit available	\$ 2,764,993	\$ 2,077,036
Debt servicing	<u>(799,176)</u>	<u>(76,141)</u>
Service on debt limit remaining	<u>\$ 1,965,817</u>	<u>\$ 2,000,895</u>

The debt limit is calculated at 1.5 times certain revenue of the Town and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify Municipalities which could be at financial risk if further debt is incurred. The calculation taken alone does not represent the financial stability of the Town. Rather, the combined financial statements must be interpreted as a whole.



**TOWN OF GRANDE CACHE**  
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13. FINANCIAL INSTRUMENTS

a) Credit risk

The Town is exposed to normal credit risk from its customers.

b) Interest rate risk

The Town is not exposed to significant interest rate risk as a result of fixed-rate investments held, as outlined in Note 2 and the issuance of fixed-rate debentures, as outlined in Note 8.

c) Unused lines of credit

The Town has an available bank demand loan in the amount of \$600,000, all of which is unused at December 31, 2007.

d) Fair values of financial instruments

The Town's financial instruments consist of cash and temporary investments, taxes and grants in place of taxes receivable, trade and other receivables, other assets, investments, accounts payable and accrued liabilities and long-term debt. It is management's opinion that the Town is not exposed to significant interest, currency or credit risks arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximate their carrying values.

14. COMMITMENTS

The Town has entered into various leases and other agreements as part of its ongoing operations. It is the opinion of management that there are no commitments that will have a material adverse effect on the financial position of the Town.

15. CONTINGENT LIABILITY

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

16. PRIOR YEAR COMPARATIVE FIGURES

Certain amounts have been regrouped to conform with the presentation adopted for the current year.

