

VILLAGE OF CLYDE
FINANCIAL STATEMENTS
DECEMBER 31, 2006

Clews & Shoemaker

CHARTERED ACCOUNTANTS

Graham Rex Clews Professional Corporation

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John S. Shoemaker Professional Corporation

AUDITORS' REPORT

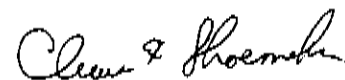
To the Council of the
Village of Clyde

We have audited the consolidated statement of financial position of the Village of Clyde as at December 31, 2006 and the statements of operating fund, equity in capital assets, reserve funds, operating activities and changes in fund balance and cash flow for the year then ended. These financial statements are the responsibility of the Village'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 financial statements present fairly, in all material respects, the financial position of the Village as at December 31, 2006 and the results of its operations and changes in financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Westlock, Alberta
March 30, 2007



CHARTERED ACCOUNTANTS

**VILLAGE OF CLYDE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006**

<u>ASSETS</u>	<u>2006</u>	<u>2005</u> (amended, Note 10)
CURRENT		
Cash and temporary investments	\$ 15,122	\$ 18,547
Cash held for reserves	183,940	213,592
Trade and other receivables (Note 2)	32,255	20,558
Taxes and grants in lieu receivables	42,270	44,023
Inventory of materials and supplies	<u>4,428</u>	<u>2,018</u>
	<u>278,015</u>	<u>298,738</u>
 LAND INVENTORY HELD FOR RESALE	 16,500	 16,500
 CAPITAL PROPERTY (Note 3)	 <u>3,216,879</u>	 <u>3,187,105</u>
	<u>3,233,379</u>	<u>3,203,605</u>
 TOTAL ASSETS	 <u>\$ 3,511,394</u>	 <u>\$ 3,502,343</u>

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	\$ 37,192	\$ 43,491
Deposit liabilities	3,634	8,002
Operating allowance	-	11,600
Current portion of callable debt (Note 4)	<u>12,428</u>	<u>12,426</u>
	53,254	75,519
 Callable Debt (Note 4)	 <u>25,397</u>	 <u>37,284</u>
	<u>78,651</u>	<u>112,803</u>

EQUITY

OPERATING FUND	53,248	22,055
EQUITY IN CAPITAL ASSETS	3,195,555	3,153,893
RESERVE FUNDS	<u>183,940</u>	<u>213,592</u>
	<u>3,432,743</u>	<u>3,389,540</u>
 TOTAL LIABILITIES AND EQUITY	 <u>\$ 3,511,394</u>	 <u>\$ 3,502,343</u>

APPROVED BY COUNCIL:

_____ MAYOR

_____ DEPUTY MAYOR

Clews & Shoemaker

**VILLAGE OF CLYDE
STATEMENT OF OPERATING FUND
YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u>	<u>2005</u> (amended, Note 10)
Balance, beginning of year	\$ 22,055	\$ 12,690
Change in operating fund during the year	<u>31,193</u>	<u>9,365</u>
Balance, end of year	<u>\$ 53,248</u>	<u>\$ 22,055</u>

**VILLAGE OF CLYDE
STATEMENT OF EQUITY IN CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u>	<u>2005</u>
Balance, beginning of year	\$ 3,153,893	\$ 3,178,193
Capital purchases	29,774	-
Cost of land held for resale sold	-	(6,064)
Provincial government transfers	-	10,000
Callable debt issued in the year	-	62,139
Operating fund payments on callable capital debt	11,888	43,904
Proceeds on sale of land held for resale	-	15,000
Transfer to reserves	-	(50,000)
Transfer from (to) operations	-	(37,140)
Unexpended proceeds on callable debt	-	(40,000)
Callable debt relating to prior year purchases	<u>-</u>	<u>(22,139)</u>
Balance, end of year	<u>\$ 3,195,555</u>	<u>\$ 3,153,893</u>

**VILLAGE OF CLYDE
COMBINED STATEMENT OF RESERVE FUNDS
YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u>	<u>2005</u>
Balance, beginning of year	\$ 213,592	\$ 30,592
Transfer from capital fund	-	50,000
Transfer to capital fund	(29,774)	-
Transfer to operating fund	(79,878)	-
Transfer from operating fund	<u>80,000</u>	<u>133,000</u>
Balance, end of year	<u>\$ 183,940</u>	<u>\$ 213,592</u>

VILLAGE OF CLYDE
STATEMENT OF OPERATING ACTIVITIES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2006

	<u>2006</u>	<u>2005</u> (amended, Note 10)
REVENUE		
Net taxes for municipal purposes (Schedule 1)	\$ 224,271	\$ 195,833
Other revenues		
Administration	3,062	2,629
Penalties and costs on taxes	9,290	10,094
Franchise revenue	10,814	9,138
By law	645	1,745
Development	37,928	2,774
Sanitary sewer	14,774	14,970
Roads and streets	235	-
Water supply and distribution	55,436	55,955
Waste management	18,288	16,181
Recreation	750	1,900
Provincial conditional grants	50,000	114,389
Provincial unconditional grants	52,632	-
Other revenues and sundry functions	15,568	2,158
Municipal assistance grant	9,564	39,497
Interest earned	<u>5,882</u>	<u>1,742</u>
	<u>509,139</u>	<u>469,005</u>
EXPENDITURES		
Administration	128,763	125,911
Ambulance services	2,796	3,405
By law	10,204	260
Common services	6,323	12,097
Community services	1,408	-
Council	10,633	11,386
FCSS	-	2,768
Preventative services	13,015	10,038
Recreation and parks	16,593	10,679
Roads, streets, walks, lighting	72,071	46,387
Sanitary sewage	28,332	23,910
Subdivision land and development	34	-
Waste management	26,310	23,874
Water supply and distribution	<u>149,454</u>	<u>49,161</u>
Total expenditures (Schedule 2)	<u>465,936</u>	<u>319,876</u>
EXCESS OF REVENUE OVER EXPENDITURES	43,203	149,129
Repayment of capital fund callable debt	(11,888)	(43,904)
Transferred to reserves	(80,000)	(133,000)
Transferred from reserves	<u>79,878</u>	<u>37,140</u>
CHANGE IN OPERATING FUND BALANCE	<u>\$ 31,193</u>	<u>\$ 9,365</u>

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**VILLAGE OF CLYDE
STATEMENT OF CASH FLOW
YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u>	<u>2005</u> (amended, Note 10)
CASH FLOW FROM OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 43,203	\$ 149,129
Net change in non-cash working capital balances:		
(Increase) decrease in trade and other receivables	(11,692)	(2,321)
(Increase) decrease in taxes and grants in lieu receivables	1,753	23,305
(Increase) decrease in inventory of materials and supplies	(2,410)	-
Increase (decrease) in accounts payable and accrued liabilities	(6,301)	16,065
Increase (decrease) in deposit liabilities	(4,368)	(762)
Increase (decrease) in operating allowance	(11,600)	-
Prior year adjustment (Note 10)	<u>-</u>	<u>(34,315)</u>
	<u>(34,618)</u>	<u>1,972</u>
Net cash from operating activities	<u>8,585</u>	<u>151,101</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Provincial government capital transfers	-	10,000
Proceeds from disposal of land held for resale	-	15,000
Purchase of capital property - equipment	<u>(29,774)</u>	<u>-</u>
Net cash used in investing activities	<u>(29,774)</u>	<u>25,000</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Callable debt issued	-	62,139
Callable debt repaid	<u>(11,888)</u>	<u>(43,904)</u>
Net cash used in financing activities	<u>(11,888)</u>	<u>18,235</u>
INCREASE (DECREASE) IN CASH AND EQUIVALENTS DURING YEAR	(33,077)	194,336
NET CASH AND TEMPORARY INVESTMENTS, BEGINNING	<u>232,139</u>	<u>37,803</u>
NET CASH AND TEMPORARY INVESTMENTS, ENDING	<u>\$ 199,062</u>	<u>\$ 232,139</u>
REPRESENTED BY:		
Cash on hand	\$ 300	\$ 300
Bank - Operating	14,822	18,247
Bank - Reserves	<u>183,940</u>	<u>213,592</u>
	<u>\$ 199,062</u>	<u>\$ 232,139</u>

**VILLAGE OF CLYDE
SCHEDULE OF NET TAXES FOR MUNICIPAL PURPOSES
YEAR ENDED DECEMBER 31, 2006**

SCHEDULE 1

	<u>2006</u>	<u>2005</u> (amended, Note 10)
TAXATION		
Residential	\$ 266,395	\$ 238,503
Commercial	<u>8,475</u>	<u>8,610</u>
	274,870	247,113
 REQUISITIONS		
School foundation program	<u>50,599</u>	<u>51,280</u>
 Net taxes for municipal purposes	<u>\$ 224,271</u>	<u>\$ 195,833</u>

**VILLAGE OF CLYDE
SCHEDULE OF OPERATING EXPENDITURES BY OBJECT
YEAR ENDED DECEMBER 31, 2006**

SCHEDULE 2

	<u>2006</u>	<u>2005</u>
EXPENDITURES		
Salaries, wages and benefits	\$ 121,738	\$ 102,953
Contracted and general services	224,544	99,755
Purchases from other governments	27,000	25,500
Materials, goods, and supplies	75,455	71,081
Transfers to local boards & agencies	13,189	15,010
Bank charges and interest	<u>4,010</u>	<u>5,577</u>
	<u>\$ 465,936</u>	<u>\$ 319,876</u>

VILLAGE OF CLYDE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

1. SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with Canadian accounting principles generally accepted for Alberta municipalities. Significant aspects of these accounting policies are as follows:

(a) Financial Statement Presentation

The combined financial statements consist of tax supported and self-supporting activities or entities whose operations and assets are under the control of the municipal council.

The schedule of taxes levied also includes operating requisitions for many educational, health care, social and other external organizations that are not controlled by the municipal council.

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

(b) Fund Accounting

For reporting purposes, established funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Capital fund debt principal and interest payments are recorded as operating fund expenditures. Proceeds from sales of land held for resale are recorded as operating fund revenues.

The operating and capital funds are further segregated by functions which relate to specific areas of activity.

(c) Government Transfers

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

(d) Taxes and Grants in lieu Receivables

Current taxes and grants in lieu receivables consist of current tax levies which remain outstanding at December 31.

(e) Investments

Investments are recorded at the lower of cost and net realizable value.

VILLAGE OF CLYDE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2006

(f) Inventories

Inventories of materials and supplies are valued at the lower of cost or net realizable value with cost determined by the average cost method.

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks, and street lighting are recorded as fixed assets under their respective function. When land is sold the inventory balance is reduced with an offsetting adjustment to equity in fixed assets.

(g) Capital Property

Capital assets are recorded at cost except for donated assets, which are recorded at estimated fair value when acquired.

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

Capital assets are not depreciated.

(h) Allowances for Operating and Capital Assets

Allowances for asset valuations are netted against the related asset and are segregated between operating and capital purposes. Increases in allowances are recorded as an expenditure while decreases in allowances are recorded as a revenue in the respective operating and capital fund.

(i) 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/or from operating reserves are reflected as an adjustment to the operating fund while transfers to and/or from capital reserves are shown as an adjustment to capital equity.

(j) Equity in Capital Assets

Equity in capital assets represents the Village of Clyde's net investment in its total capital assets, land held for resale and other capital assets, after deducting the portion financed by third parties through debenture, bond, and mortgage debts, long term capital borrowing, capitalized leases, and other capital liabilities. Equity in capital assets also includes any capital revenues received but unexpended at year end, and is reduced by any capital expenditures incurred but not funded at year end.

VILLAGE OF CLYDE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2006

(k) Adjustments to Operating Fund

Council may authorize appropriations from the operating fund to fund current year operating expenditures. Such appropriations are recorded as an adjustment in the Statement of Changes in Fund Balances.

Adjustments related to operations of prior periods are recorded as an "adjustment to prior years" on the Statement of Operating Fund.

(l) Excess Collections and Under-levies

Excess collections and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the excess collected is accrued as a liability and shown as an "other" operating expenditure. In situations where the actual levy is less than the requisition amount, the under-levy is accrued as an "other" asset and reflected as an "other" asset and reflected as "other" operating revenue.

Requisition tax rates in the subsequent year are adjusted for any excess collections or under-levies of the prior year. Amounts previously accrued for excess collections are included in "other" operating revenue while prior year accruals for under-levies are included in "other" operating expenditures for work performed by the village.

(m) Pensions

Employees of the Village participate in a multi-employer pension plan referred to as the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The plan serves 143,113 people and about 401 employers. It is funded by employer and employee contributions and investment earnings within the fund.

The Village is required to make current service contributions to the Plan of 7.75% of pensionable earnings up to the Canada Pension Plan's annual maximum pensionable earnings and 10.64% of the excess.

Total current service contributions made by the Village to the Local Authorities Pension Plan in 2006 were \$5,593. Total current service contributions made by the Village's employees to the Local Authorities Pension Plan in 2006 were \$4,880.

(n) Use of Estimates

The preparation 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 assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

VILLAGE OF CLYDE

NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2006

2. TRADE AND OTHER RECEIVABLES

	<u>2006</u>	<u>2005</u>
GST receivable	\$ 17,378	\$ 7,895
Utilities	<u>14,877</u>	<u>12,663</u>
	<u>\$ 32,255</u>	<u>\$ 20,558</u>

3. CAPITAL PROPERTY

	<u>2006</u>	<u>2005</u>
Land	\$ 25,421	\$ 25,421
Buildings	213,825	213,825
Engineering structures	2,272,811	2,272,811
Machinery, equipment, furnishings	599,469	597,695
Vehicles	<u>105,353</u>	<u>77,353</u>
	<u>\$ 3,216,879</u>	<u>\$ 3,187,105</u>

4. CALLABLE DEBT

	<u>2006</u>	<u>2005</u>
Alberta Treasury Branch loan with interest at prime; annual repayments of \$12,428 plus interest; secured by general security agreement;	\$ 37,825	\$ 49,712
Less: Approximate current portion	<u>12,428</u>	<u>12,428</u>
	<u>\$ 25,397</u>	<u>\$ 37,284</u>

Principal and interest repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 12,428	\$ 1,398	\$ 13,826
2009	12,428	935	13,363
2010	<u>12,969</u>	<u>466</u>	<u>13,435</u>
	<u>\$ 37,825</u>	<u>\$ 2,799</u>	<u>\$ 40,624</u>

**VILLAGE OF CLYDE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2006**

5. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by provincial regulation is as follows:

	<u>2006</u>			<u>2005</u>
	<u>Honorariums</u>	<u>Mileage & Subsistence</u>	<u>Total</u>	<u>Total</u>
Mayor:				
Nyal, Doug	\$ 2,250	\$ -	\$ 2,250	\$ 2,700
Councillors:				
Brietzke, Tex	-	-	-	374
Bottolfs, Sharon	2,200	766	2,966	-
Jamieson, Alastair	800	-	800	1,941
Sieben, Omar	1,750	-	1,750	1,750
Williams, Robert	400	-	400	1,109

(1) Honorariums includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

(2) In 2005, the Village outsourced the Chief Administrative Officer's position to the Town of Westlock as a part of a shared services agreement (Note 9).

6. DEBT LIMITS

Section 271 of the Municipal Government Act requires that debt and debt limits as defined by regulation for the Village of Clyde be disclosed as follows:

	<u>2006</u>
Total debt limit	\$ 763,709
Total debt	<u>37,825</u>
Balance of Total Debt Limit	<u>\$ 725,884</u>
Service on debt limit	\$ 127,285
Service on debt	<u>13,826</u>
Balance of Service on Debt Limit	<u>\$ 113,459</u>

VILLAGE OF CLYDE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2006

7. FINANCIAL INSTRUMENTS

The Village's financial instruments consist of cash and temporary investments, cash held for reserves, trade and other receivables, taxes and grants in lieu of receivables, accounts payable, accrued liabilities, deposit liabilities and callable debt. It is management's opinion that the Village is not exposed to significant interest, currency or credit risk arising from these financial statements. Unless otherwise noted, the fair value of these financial instruments approximates their carrying value.

8. COMMITMENT - OFFICE EQUIPMENT LEASE

In November 2004 the Village entered into a lease agreement for office equipment which includes a photocopier, fax machine, scanner and printer. The lease term is 60 months with a 12 month renewal period, for monthly payments of \$193. The lease has been classified as an operating lease for financial statement purposes.

9. COMMITMENT - SHARED SERVICES AGREEMENT

On December 13, 2004, the Village entered into a shared services agreement with the Town of Westlock which includes corporate and administrative services, community development, environmental services and capital works projects. The term of the agreement is January 1, 2005 until December 31, 2007. Fees relating to the agreement are as follows:

January 1, 2006 to December 31, 2006:	27,000
January 1, 2007 to December 31, 2007:	28,500

Per the agreement, either party may terminate the agreement with or without cause by providing 90 days written notice to the other party.

10. AMENDED PRIOR YEAR BALANCES

The prior year balances have been amended for the following items:

1. Atco Gas is under a franchise agreement where Atco Gas pays the Village a fee based on revenues in lieu of property taxes. Property taxes and penalties were being accrued on Atco properties by the Village in 2005 and prior years despite the existence of this agreement. The net effect is a reduction in property tax revenue of \$4,717 and a reduction in interest and penalties revenue of \$1,274 for the year-ended December 31, 2005.
2. The Village had billed property taxes and penalties, in periods prior to the year-ended December 31, 2005, on property owned by the Village. This net account receivable amounted to \$14,733.

The combined effect of these two items is a reduction in total net accounts receivable and in the ending operating fund balance of \$40,305.

11. CONTINGENT LIABILITY

The Village has access to a bank line of credit of \$120,000.