

Vision: To be a Community of Choice

Mission: To Exceed Expectations in the Value of Our Services

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2007 Outgoing City Council

Served November 2004 thru October 2007



(L to R) **Back Row:** Alderman Harv Speers, Alderman John Hamill, Mayor Garth Vallely, Alderman Graham Kelly, Alderman Bill Cocks.

(L to R) **Front Row:** Alderman Julie Friesen, Alderman Darren Hirsch, Alderman Robert Dumanowski, Alderman Cathy Smith.

City council consists of a Mayor and eight Aldermen. Council is responsible for developing and evaluating the policies and programs of the municipality, and delegating the responsibility for carrying out those policies to Administration. The public is encouraged to attend regular Council meetings, which are held on the first and third Mondays of each month at City Hall.

City Council

Elected October 2007



(L to R) **Back Row:** Alderman Ted Clugston, Alderman Ty Schneider, Mayor Normand Boucher, Alderman Graham Kelly, Alderman Robert Dumanowski, Alderman Jeremy Thompson

(L to R) **Front Row:** Alderman Jamie White, Alderman Julie Friesen, Alderman John Hamill

Standing Committees

Corporate Services Committee

Alderman Robert Dumanowski, Chair

Public Services Committee

Alderman Julie Friesen, Chair

Energy Committee

Alderman Graham Kelly, Chair

Audit Committee

Alderman Ty Schneider, Chair

Development and Infrastructure Committee

Alderman John Hamill, Chair

Board of Commissioners

G. Labas, CAO / Energy Commissioner, Chair

Administrative and Legislative Review Committee

Alderman Julie Friesen, Chair

Administrative Committees

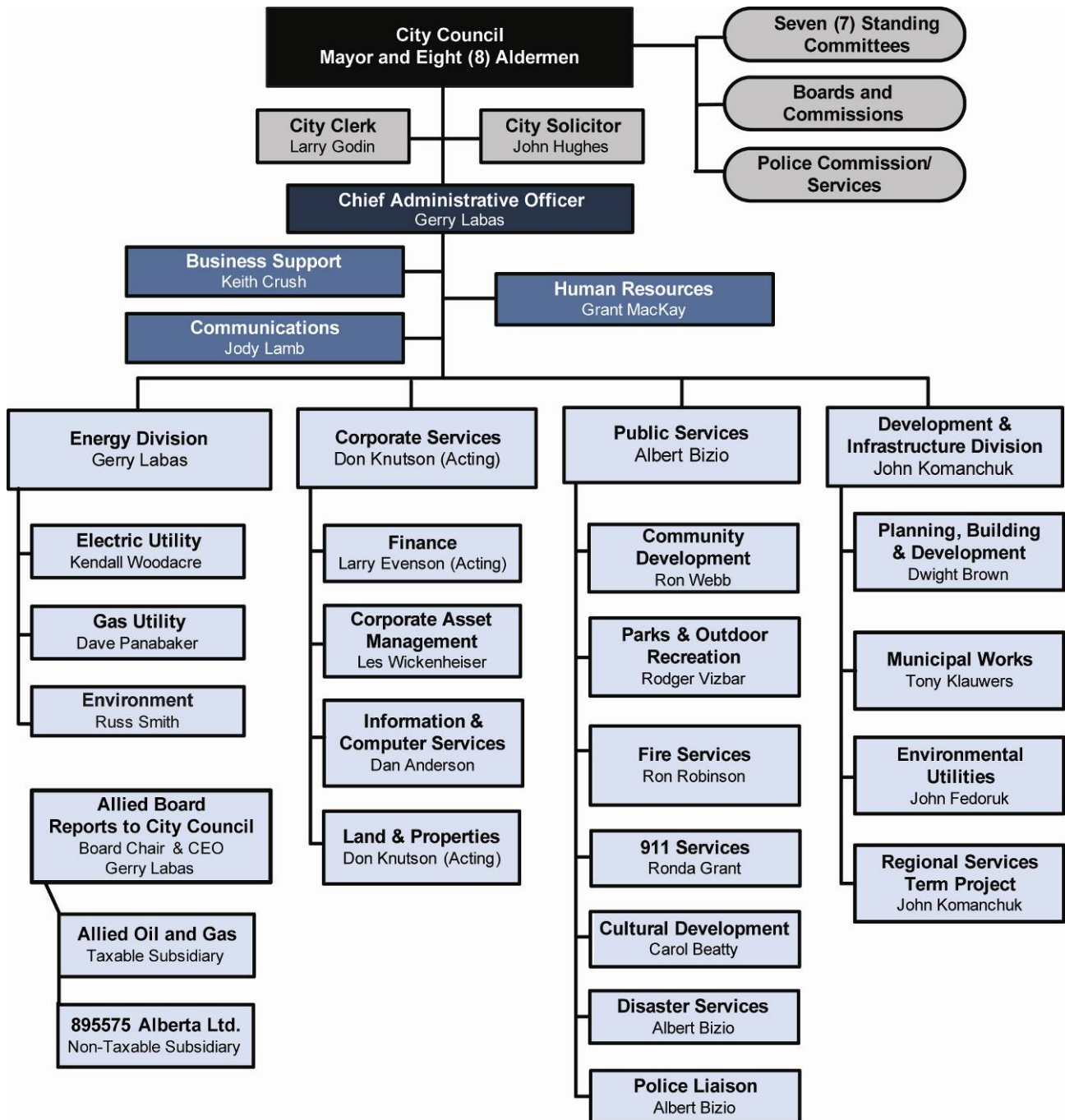
CCDA Downtown Planning Committee

Alderman Jeremy Thompson, Chair

Event Centre Committee

Alderman Jamie White, Chair

Organizational Structure



Treasurer's Report



Treasurer's Report

For the year ending December 31/07

INTRODUCTION

I am pleased to submit our 2007 Consolidated Financial Statements for the fiscal year ended December 31, 2007. KPMG LLP has audited these financial statements and provided an unqualified audit opinion in their report dated March 10, 2008.

The City is responsible for both the accuracy of the data and the completeness, and fairness of the presentation, including all disclosures. This report provides users with an overview of the City of Medicine Hat's financial performance.

The purpose of this Financial Report is to present the users and readers with a clear insight of the financial results for the fiscal year ending December 31, 2007. We strive to ensure that this report presents fairly the financial position of the City of Medicine Hat. The report compares how financial resources were used against budgets and past financial performance. The report is divided into seven sections:

- Introduction - Provides an overview of the Treasurer's Report.
- GFOA Award for Financial Reporting.
- Risk Management - Discussion of Risks and Risk Management Strategies.
- Management Reporting and Control - Provides an explanation of the planning, budgeting, accounting, auditing and reporting process.
- Financial Statement Discussion and Analysis - Presents a review of the City of Medicine Hat's financial activities and position for the fiscal year ended December 31, 2007. It is supplementary information to the financial statements, therefore should be read in conjunction with the consolidated financial statements, accompanying notes and supporting schedules.
- Financial Statements - Presents the consolidated financial statements, supporting statements, notes and schedules and the independent external auditor's report. These statements and schedules contain comparative results for two prior years, current year results and the approved budget for the operating, capital and reserve funds.
- Financial and Statistical Schedules (unaudited) - Presents a variety of statistical and financial information on a multi year comparative basis. Also includes segmented statements by Department (unaudited) which presents segmented financial statements for each department prior to consolidation.

Canadian Award for Financial Reporting

Presented to

City of Medicine Hat
Alberta

For its Annual
Financial Report
for the Year Ended

December 31, 2006

A Canadian Award for Financial Reporting is presented by the Government of Finance Officers Association of the United States and Canada to municipalities whose annual financial reports achieve the high program standards for Canadian Government accounting and financial reporting.



Charles S. Cox
President

Jeffrey L. Esser
Executive Director

Don Knutson

Don Knutson
Acting Corporate
Services Commissioner



GFOA AWARD FOR FINANCIAL REPORTING

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting to the City of Medicine Hat for its Annual Financial Report for the fiscal year ended December 31, 2006, the fifth year in a row. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government entity must publish an easily readable and efficiently organized annual financial report with contents conforming to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments and address user needs.

RISK MANAGEMENT

This section of the report deals with the City's exposure to risk and uncertainty to enable the reader to make informed judgments about the implications of these risks on the City's financial position.

(a) Operational Risk Management

The City's operations are insured under a conventional insurance program, which includes Property, Boiler and Machinery, Liability, Automobile and Oil and Gas Multi-Energy. The insurance program includes a self-retention component for those losses within the various deductible levels.

(b) Public Safety

Medicine Hat Police Services have kept pace with the growth in the community and the demand for services from residents. This has been accomplished through implementation of technology and equipment to more effectively utilize resources while maintaining officer and public safety, as well as continued training and development of the Police Service personnel to maintain a sufficient level of expertise to enhance organizational strength. Funding to Police Services has continued to increase to ensure that the needs of the public are met.

The goal of the Fire and Disaster Services is to provide quality protection to the community through the delivery of disaster services, fire, rescue, community safety and educational programs and to rapidly respond to emergencies. The department continues to monitor City growth patterns and recommend changes or improvements that will provide a balanced measure of protection to new areas.

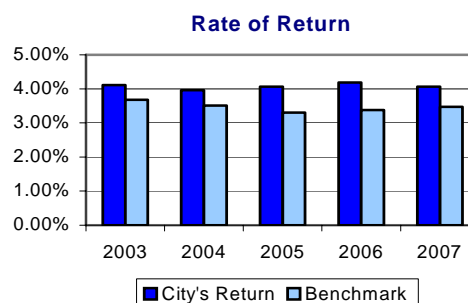
The City operates a 9-1-1 Communication Centre, serving our community as a single point of contact for allocation of emergency and essential services to the residents of Medicine Hat and area. 9-1-1 serves a regional population of approximately 100,000 with immediate contact capability for language interpreters, poison control, disaster services, chemical spill information and call trace. The aim is to maintain a level of service that meets or exceeds industry standards with respect to call answer times and protocol compliance. The 911 Communications

Centre will be the first Tri-Accredited (Fire, Police and Medical) Center of Excellence in the world.

(c) Treasury Management

City funds are invested in accordance with Investment Policy #0110. The goal of this policy is to ensure that the investment of City funds is made in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City, while conforming to all provincial statutes and regulations governing the investment of municipal funds. Investment performance is benchmarked against the Scotia McLeod Universe Bond Index with an overall objective of sustaining a yield that exceeds 80 per cent of the index. The Treasury Team meets to review the investment portfolio and quarterly activity. A Treasury Report, complete with performance indicators, is compiled quarterly and distributed to the Audit Committee and City Council.

In addition, internal control procedures are designed to ensure that the daily handling of cash is managed in a secure methodology.



(d) Environmental

The Environment Management Department serves as the focal point on matters relating to environmental stewardship and compliance. This department supports operating departments in maintaining appropriate levels of environmental due diligence, by providing assistance in interpreting and complying with evolving and emerging environmental regulatory requirements and industry standards. One of the goals is to keep Council informed of the City's progress in striving for continual improvement in management systems that focus on both compliance and proactive excellence in matters of environmental stewardship. Another goal is to support Council's environmental stewardship priority by ensuring that the City is in compliance with relevant laws, regulations and approvals, by informing key stakeholders within the municipality of current and emerging environmental issues that could impact upon the quality of life in Medicine Hat, and by striving to encourage a corporate culture that considers environmental protection during our normal course of business.

MANAGEMENT REPORTING AND CONTROL

The following section deals with the planning, reporting and audit process.

(a) Strategic Planning and Budgeting



City Council develops a Strategic Plan highlighting priorities, strategies and goals for the planning period. Based on the direction set out by the Strategic Plan, three-year Departmental Business Plans are prepared. These Business Plans communicate each department's alignment with the Strategic Plan and identify:

- The core activities of the department and the aim of each activity.
- Departmental customers.
- Opportunities, trends and challenges faced by the department.
- Goals and objectives to be achieved by the department.
- Capital assumptions.

Budget guidelines and high level financial projections are developed. Based on these guidelines and Departmental Business Plans, departments develop their budget requests. Effective for the 2006 - 2010 planning period the City Council has approved the adoption of a three year operating and capital budget with a two year projection.

The Board of Commissioners reviews departmental budgets and when satisfied that budgets are aligned with the Business Plans, the budget recommendation is presented for Council approval.

Medicine Hat's Operating Budget lays out the revenues and expenditures that will be required to deliver City services for the planning periods.

A five-year Capital Improvement Plan is developed for all departments. The Capital Improvement Plans identify proposed capital expenditures and the sources of financing.

Effective for the 2006 - 2008 budget period the City adopted a capital ranking process for Tax Supported departments. This process ensures that capital funding is allocated to the projects that will provide the highest value to the municipality.

(b) Accounting

The City of Medicine Hat is organized in four divisions, Corporate Services, Public Services, Development and

Infrastructure and Energy Division. Each division is responsible for managing the delivery of services in accordance with the resources allocated. All divisions share a common accounting and reporting system, and financial and accounting services are administered under the direction of the Commissioner of Corporate Services and delivered to each division based on their requirements.

(c) Auditing

The Municipal Government Act requires municipal Councils to appoint an independent auditor. In 2003 Medicine Hat City Council appointed KPMG LLP, as the external auditor for a five-year term, ending with the 2008 financial statements.

The role of the external auditor is to present an independent opinion on the fair presentation of the City's financial position and operating results as contained in the Financial Report, and to express an opinion that the financial statements are free from any material misstatements. The auditor advises management and the Audit Committee of any control or operational matters that may have been identified during the audit procedure.

The Audit Committee, comprised of three members of City Council, is a Standing Committee of Council. The Audit Committee is responsible for recommending the appointment of the independent auditor, reviewing the terms of the engagement and overseeing management's responsibilities for financial reporting. The Audit Committee meets with management and the independent auditors to discuss the scope and timing of the audit, to review the auditors' findings and to ensure that management is carrying out its responsibilities.

(d) Financial Report

The financial report contains the audited financial statements consistent with principles and standards for financial reporting established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, as required by the Alberta Municipal Government Act. In addition, it serves as an opportunity to communicate with taxpayers and other members of the public regarding the City's financial performance and significant financial events in 2007.

Financial statements in the public sector serve as a central feature of reporting and assessing the management of public financial affairs. They report the municipality's actual financial activities, in comparison to planned activities and the resulting financial condition of the municipality. They are only one factor in determining the financial condition of a government and do not replace a variety of other reports that are prepared. The financial statements serve as a means by which a municipality provides a report of its administration of public funds and presents information that is useful in evaluating the municipality's financial condition at the end of a year and its financial performance through the year.

The information in this Annual Report is the responsibility of management. KPMG LLP, the City's independent auditors have audited the accompanying statements and their report accompanies the financial statements.

Council carries out its responsibility for the Consolidated Financial Statements through the Audit Committee.

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

(a) Overview

Overall, the financial results for 2007 are favourable as compared to budget and prior years.

- Total Financial Assets decreased \$4.2 Million from \$371.3 Million in 2006 to \$367.1 Million in 2007. This decrease is the result of a decrease of \$18.9 Million in investments primarily related to funding a major acquisition for the Gas Utility.
- Capital Assets increased \$164.2 Million. This increase is primarily related to the Natural Gas & Petroleum Resources (NGPR) and Electric Generation capital programs, including a \$135 Million acquisition of Gas properties.
- Total Liabilities increased \$45.4 Million in 2007. Other Long Term Liabilities increased \$29.3 Million. This increase is due primarily to the increase in the Gas Asset Retirement Obligation due to the acquisition, as well as related increases in cost estimates.
- Long Term Debt increased \$11.3 Million due primarily to borrowing for Water capital programs. During 2007 the City borrowed \$112.0 Million, including \$85.5 million related to the Gas acquisition. \$1.4 Million of this increase relates to tax supported expenditures. Principal in the amount of \$95.8 Million was repaid. Of this repayment, \$2.9 Million relates to tax supported debentures while the balance relates to utilities, including \$80.6 million related to the Gas acquisition.
- Net Consolidated Revenues were \$(49.6) Million compared to a budget of \$17.7 Million. Gas sales were \$56.0 Million over budget as a result of a production volume improvement of 24.6 per cent (29.9 Million Gigajoules (GJ) vs. 24.0 Million GJ budgeted) due to a more gradual decline in production rates than expected, as well as 2.9 Million GJ in production from an acquisition. This was offset by commodity prices for wholesale gas being 8 per cent below expectations at \$6.06 vs. \$6.59 per GJ.
- The City of Medicine Hat's investment return for the year ended December 31, 2007 averaged 4.06 per cent outperforming the Scotia McLeod benchmark index of 3.39 per cent. The City's average portfolio return has outperformed the stated benchmark the last five years.
- Tax Supported debt per capita decreased from \$517 to \$490, Utilities supported debt per capital increased from \$2,711 to \$2,935.

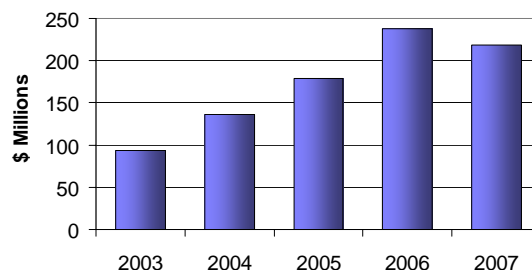
(b) Statement of Consolidated Financial Position

The Statement of Consolidated Financial Position reports the financial and capital assets of the City. The difference between the financial assets and total liabilities are the Net Financial Assets if positive and Net Debt if negative. This figure provides the reader with an indicator of financial flexibility and of the City's future revenue requirements to finance activities and meet financial commitments.

The non-financial assets of the City are assets that are, by nature, normally used in service provision and include purchased, constructed or developed physical assets.

In 2007 the Net Financial Asset position decreased \$49.6 Million from \$58.9 Million in 2006 to \$9.3 Million in 2007. This decrease is primarily the result of funding required and increased asset retirement obligations as a result of the major acquisition in the Gas Utility.

Investment Portfolio

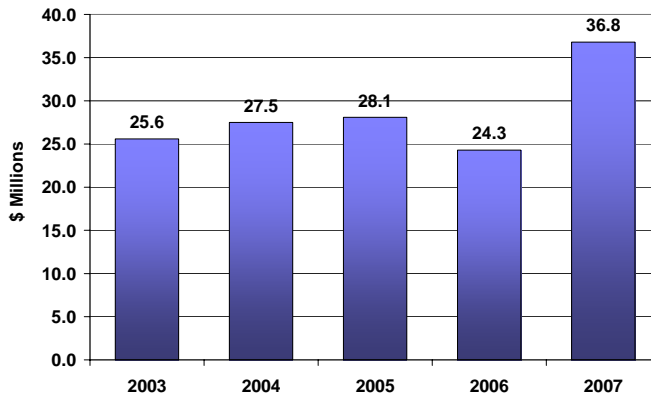


Investments, Loans and Advances decreased \$18.9 Million from 2006 due primarily to cash required to fund the \$135 Million acquisition of properties for the Gas Utility.

Other Long Term Liabilities increased \$29.3 Million. This increase is primarily due to the increase in the Gas Asset Retirement Obligation due to obligations related to the acquisition, as well as related changes in cost estimates. The total liability, for the Gas Asset Retirement Obligations at the end of 2007 is \$71.1 Million. This legal obligation is related to liabilities associated with the future retirement of tangible long-lived petroleum and natural gas assets resulting from the acquisition, construction, development and normal use of petroleum and natural gas assets.

Operating Fund balances increased from \$24.3 Million to \$36.8 Million. City policy directs that, any surplus in Operating Funds not required to maintain the operating fund target balance of 7 per cent of prior years budgeted gross expenditures be transferred to the departmental reserves for Electric, Gas and General Government. In 2007 surplus funds in the amount of \$1.9 Million for General Government, \$7.6 Million in Electric and \$87.0 Million in Gas were transferred to reserves.

Consolidated Year-end Operating Fund Balance



The Capital Fund increased from \$22.2 Million to \$28.3 Million. This change is the result of an increase in the funds set aside for the completion of Electric Generation and various Environment Utility capital projects. If the projects intended for completion by December 31, 2007 would have been completed these projects would have been funded from the Capital Fund and debt. Completion of these projects would have decreased cash and therefore the Net Financial Asset Position would have decreased.

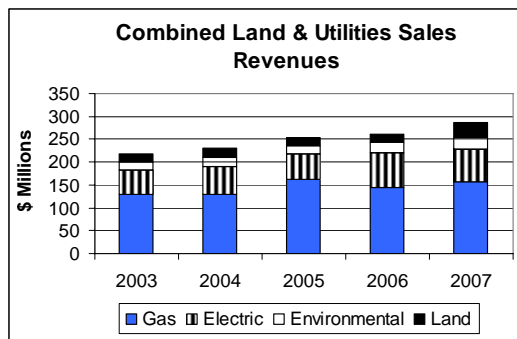
Reserve Fund balances have decreased from \$206.2 Million to \$156.6 Million. Transfers to reserves were \$111.0 Million compared to a budget of \$46.9 Million. Expenditures funded by reserves totaled \$160.7 Million. The Gas Utility capital projects were the major uses of reserves at \$142.9 Million, including \$135 Million related to the acquisition. The notable increase in transfers to reserves relates to the transfer to the Gas Depletion Reserve which was \$87.0 Million (including Equity in Subsidiary).

(c) Consolidated Statement of Financial Activities

The Consolidated Statement of Financial Activities reports the extent to which revenues raised in 2007 were sufficient to meet expenditures. It shows whether the City has met its expenditures with revenues, by incurring liabilities or by drawing on existing financial assets.

The decrease in net financial assets was \$49.6 Million compared to a budget increase in net financial assets of \$17.7 Million.

Of the total consolidated operating revenue of \$398.9 Million, 65 per cent was derived from the sale of goods and services by the Electric, Gas and Land and Subdivision Development. Much of the revenue generated by Gas operations is achieved through sales of natural gas to external markets. Net municipal taxes provided \$34.0 Million.



The Change in Fund Balance on the Consolidated Statement of Financial Activities represents the total change in all fund balances for the City of Medicine Hat. During 2007 the consolidated fund balances decreased by \$31.1 Million. This decrease is primarily as a result of funding the acquisition of the Gas Utility, offset by revenue generated from the sales of natural gas.

(d) Consolidated Statement of Changes in Financial Position

The Consolidated Statement of Changes in Financial Position provides a summary of the sources, allocation and consumption of the resources administered by the City in the period. The statement combines operating, capital and reserve fund changes. This information is useful in gaining an understanding of and assessing the City's resource requirements. The statement informs users about the extent to which resources will be required from future revenues to pay for programs and activities of the period.

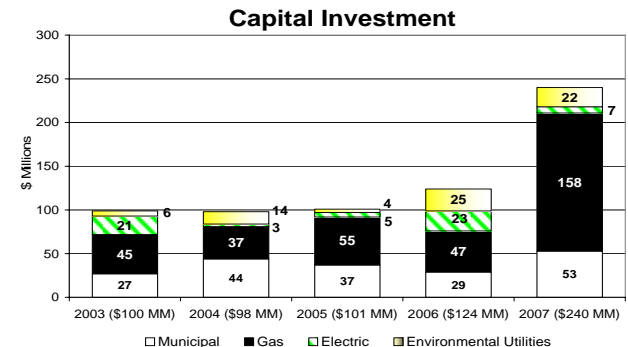
The amount of cash flows arising from operating activities is a key measure of the extent to which the operations of the government have generated sufficient cash flows to maintain the programs and services of the government,

invest in new capital assets, repay loans and make new investments without relying on external debt.

During 2007 net cash from operations was \$(36.0) Million and was funded primarily from investments and debt. Total cash received from investments totaled \$18.2 Million and debt issued exceeded debt repaid by \$11.3 Million.

(e) Consolidated Capital Fund Schedule 1

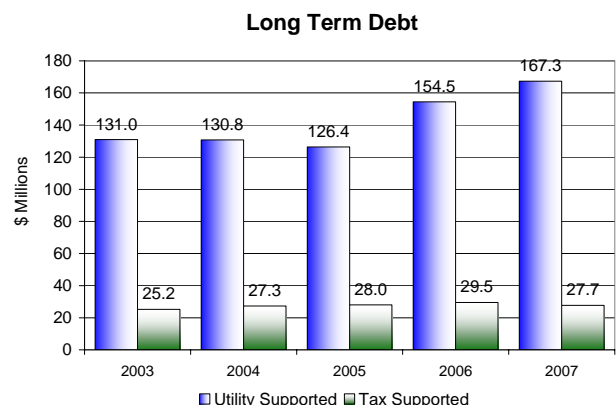
The Consolidated Capital Fund Schedule provides information on the investment in capital assets during the year and how this investment was financed.



Capital investment during 2007 totaled \$239.7 Million. The majority of the funds were spent for gas assets, \$158.1 Million, with the most notable expenditures being \$135 Million for the gas property acquisition. Also significant was \$5.6 Million for Brier Park industrial water system upgrade, \$5.4 Million for Water Plant expansion, and \$2.5 Million for Electric Generation Economizers. Municipal Operations spent \$53.3 Million. Included in this total is \$3.4 Million for mobile equipment, \$1.3 Million for machinery and equipment, \$1.2 Million for buildings, \$3.8 Million for parks in new subdivisions and \$36.1 Million for roads in new subdivisions and upgrades to existing road ways.

Major sources of capital investment financing in 2007 were:

- Debt issues: \$ 112.0 Million
- Transfers from Reserves: \$ 160.7 Million
- Transfers from Operating: \$ 22.8 Million
- Government Grants: \$ 29.1 Million
- Developer Levies: \$ 5.3 Million
- Donations and Other: \$ 1.0 Million
- Sale of Assets: \$ 0.3 Million



Over the next few years, City Council's priorities regarding sustainable utilities and sound infrastructure will require continued investment. The 2006 - 2010 Capital Improvement Plan calls for several major expenditures.

In particular, the sustainability of the Gas Utility depends upon substantial reinvestments. Over \$18 Million is to be invested during 2008 for development of currently owned gas properties with a projected investment of over \$20 Million in the following two years. To meet the demand for residential, commercial and industrial development \$62.6 Million is to be invested in the development of land for resale over the next three years. On the Municipal side budgeted capital expenditures are \$14.5 Million (2008) with \$58.4 Million projected for 2009 and 2010. Highlights of the 2008 expenditures are; Fleet purchases - \$4.7 Million, Building improvements - \$2.4 Million, and Road Upgrades - \$5.0 Million.

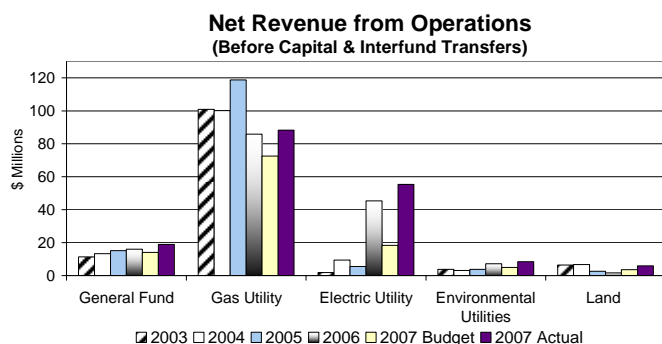
During 2007 the Consolidated Capital Fund Balance increased by \$6.1 Million. This change relates primarily to an increase in the Electric Capital Fund balance of \$12.1 Million. This represents amounts set aside to complete various 2007 and prior capital projects during 2008, including \$11.6 Million for replacement of combustion turbines. The \$28.3 Million balance at the conclusion of the year represents funding for incomplete capital projects funded through operations, reserves or debt which is maintained in the capital fund to cover the costs of projects that are incomplete at year end.

(f) Consolidated Operating Fund Schedule 2

The Consolidated Operating Fund Schedule reports operating revenues for the year segregated by significant types of revenue and also reports on the expenses of the year for Tax Supported, Utilities and Land and Subdivision Development operations.

Operating activities resulted in excess revenues over expenditures totaling \$156.7 Million in 2007. This was the net result of revenues totaling \$363.2 Million (budget comparative was \$290.5 Million) offset by expenditures totaling \$206.5 Million (budget comparative was \$188.1 Million). Note that after a transfer from the Capital Fund totaling \$62.6 Million and to the Reserve Fund totaling \$111.0 Million, the resulting change to the Consolidated Operating Fund balance was an increase of \$12.5 Million. As a result the closing Operating Fund balance or "consolidated surplus" increased from \$24.3 Million in 2006 to \$36.8 Million in 2007.

(i) Revenues



The Gas Utility sales revenue was \$157.9 Million against a budget of \$101.9 Million. Natural gas average sales price was \$6.06 / GJ compared to a budget of \$6.59 / GJ, a

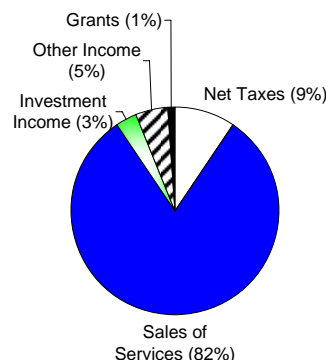
decrease of 8 per cent. Natural gas production volume for the year was 29.9 Million GJ's compared to a budget of 24.0 Million GJ's, an increase of 24.6 per cent due to a more gradual decline in production rates than expected and 2.9 Million GJ's related to the acquisition. \$87.0 Million has been transferred to the Depletion Reserve to finance the future acquisitions and development of natural gas properties required to ensure an ongoing supply of natural gas to the residents of Medicine Hat.

The Electric Utility reported sales of \$69.3 Million, against a budget of \$70.3 Million as volume and prices were similar to expectations.

Environmental Utilities considered as a whole, reported sales revenues of \$25.6 Million against a budget of \$24.6 Million.

Land and Subdivision Development reported \$33.9 Million in sales revenues, or 14 per cent higher than budgeted due to increased residential and commercial lot sales.

2007 Consolidated Operating Fund Revenue \$363.2 Million



Prudent operations of the City's Utilities have allowed the City to maintain attractive rates for its customers. At the same time, the City has been able to direct dividends from the Utilities to offset annual requirements for property taxes. During 2005, City Council approved a plan to have each Utility generate sufficient revenue to cover their cost by 2008, with the exception of the Electric Utility which will cover costs by 2010. This plan will ensure equity will not erode after 2010.

(ii) Expenditures

Expenditures for Tax Supported operations increased by \$3.4 Million over 2006. Wages and Benefits increased due to new positions required to meet growth demands in the community and contract settlements. Inflationary factors have also contributed to increased materials costs to provide municipal services.

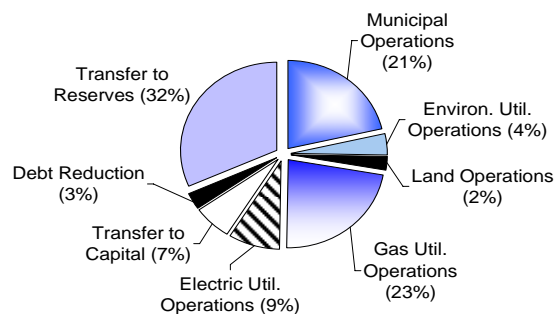
Expenditures for Land and Subdivision Development were higher the budget by \$0.7 Million due to higher than expected costs of goods sold.

Expenditures for the Gas Utility were \$29.3 Million higher than budget. Operations and Maintenance Costs were \$14.4 Million over budget due to higher than budgeted variable costs (due to increased production volume) as well as higher industry costs for trucking, water disposal, lease rentals, and property taxes. Purchased gas was \$3.5 Million over budget due to more 3rd party gas purchase volume than expected. Also, costs related to

asset retirement obligation were \$6.5 Million over budget due to the costs related to the acquisition.

In addition to the \$206.5 Million spent in total on all operations in 2007 another \$111.0 Million was transferred to the reserve fund, \$22.8 Million was transferred to the capital fund, and \$85.5 Million of short term debt was raised which was offset by \$95.8 Million of debt repayment for a total of \$350.7 Million in expenditures and transfers.

Use of Operating Funds 2007 (\$350.7 Million)



Tax Supported Policy directs that special one-time grants and any surplus in the Tax Supported Operating Fund not required to maintain the Operating Fund target balance of 7 per cent of the prior year budgeted gross expenditures be transferred to the Infrastructure Reserve.

The Gas and Electric Utility also follow the policy of maintaining an operating fund of 7 per cent of the prior year budgeted gross expenditures before transferring operating surplus to reserves.

As a result of this policy the Tax Supported Operating Fund increased \$0.2 Million, the Gas Operating Fund increased \$1.2 Million and the Electric Operating Fund increased by \$2.2 Million.

(g) Consolidated Reserve Fund Schedule 3

The Consolidated Reserve Fund Schedule reports the net changes to the reserve fund and the source of increases or decreases to this fund. Reserves are the result of appropriations of surplus and budgeted transfers from operating funds. Reserves are established at the discretion of Council and are set aside to fund future operating and capital expenditures.

There are six major reserves, the Gas Depletion Reserve which is intended for future acquisition, exploration and development of natural gas reserves, the Electric Facility and Equipment Reserve which is to provide funding for replacement of depreciated assets and investment in new Electric Utility assets, the Natures Best Reserve for investment in alternative energy and education, the Community Capital Reserve for funding of tax side expenditures on community facilities and equipment, the Fleet Replacement Reserve, and the Infrastructure Reserve. The last two reserves are used to fund fleet purchases and future municipal infrastructure improvements, thereby reducing debenture-borrowing requirements.

During 2007 \$111.0 Million was transferred from the operating fund to reserves. The Gas Utility budget included a transfer of \$38.2 Million to the Gas Depletion Reserve. The actual transfer was \$87.0 Million (including

Equity in Subsidiary). This increase relates to higher wholesale commodity prices and a production volume increase over budget. Tax Supported operations budgeted a transfer of \$8.7 Million while the actual transfer was \$13.3 Million.

In 2004 a policy was approved that will see all municipal capital expenditures valued at less than \$1 Million financed through the Infrastructure Reserve to a maximum of \$6 Million annually. The goal is to limit external borrowing for capital projects to those projects costing in excess of \$1 Million. In the long term, this policy will have the effect of reducing the amount of municipal debt outstanding. In 2007 \$5.3 Million dollars was borrowed from this reserve for capital expenditures.

(h) Consolidated Schedule of Equity in Capital Assets Schedule 4

The Consolidated Schedule of Equity in Capital Assets reports the changes in equity balances for capital assets. This schedule supports the disclosures in the operating, capital and reserve funds. Overall equity in capital assets increased by \$148.0 Million from 2006.

(i) Consolidated Taxes Levied Schedule 5

The Consolidated Taxes Levied Schedule details total taxes received from all sources and the amount of requisitions collected on behalf of the School Districts, Cypress View Foundation and Business Exchange Levies. Net taxes for 2007 were \$34.0 Million as compared to a budget of \$34.6 Million.

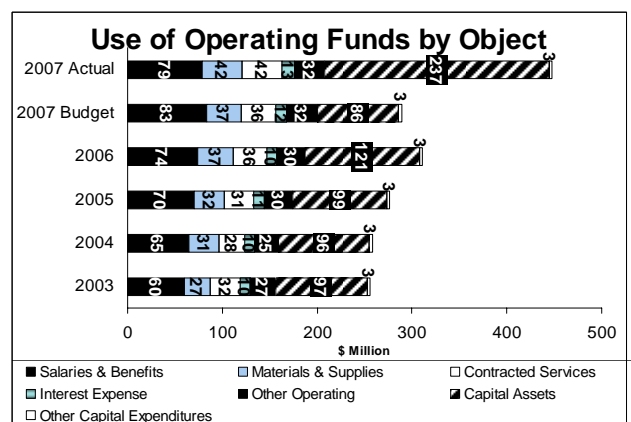
(j) Consolidated Government Transfers Schedule 6

The Consolidated Government Transfers schedule details the total government transfers received for operating and capital activities and the purpose of these transfers.

In 2007 the City received \$33.4 Million in Government Grants. Some of the notable transfers related to conditional transfers are the Alberta Municipal Infrastructure Program \$20.4 Million, the Basic Capital Grant for Transportation and Road and Sidewalk Rehabilitation \$3.4 Million, the Municipal Sustainability Initiative \$3.1 Million, Family and Community Support Services \$1.3 Million, the Municipal Assistance Grant \$0.9 Million, and the Police Enforcement Grant \$0.9 Million.

(k) Consolidated Expenditures by Object Schedule 7

The Consolidated Expenditures by Object schedule details actual and budgeted expenditures by type of expenditure:



Audited Financial Statements



RESPONSIBILITY FOR FINANCIAL REPORTING MANAGEMENT'S REPORT

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of Management.

The consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. They necessarily include some amounts that are based on the best estimates and judgments of Management. Financial data elsewhere in the report is consistent with that in the financial statements.

Management has developed and maintains an extensive system of internal controls that provide reasonable assurance that all transactions are appropriately authorized, that assets are properly accounted for and safeguarded, that all transactions are accurately recorded and that financial records are reliable for preparation of financial statements. As well, it is the policy of the City to maintain the highest standard of ethics in all its activities.

KPMG LLP, our independent auditors have been appointed to express a professional opinion on the consolidated financial statements. Their report follows.

City Council, through its Audit Committee, comprised of three aldermen, oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management and independent auditors to discuss auditing and reporting on financial matters and to assure that management is carrying out its responsibilities. The auditors have full and free access to the Audit Committee and management.



Chief Administrative Officer



Commissioner of Corporate Services



AUDITORS' REPORT

To His Worship The Mayor and Members of Council of the City of Medicine Hat

We have audited the consolidated statement of financial position of the City of Medicine Hat as at December 31, 2007 and the consolidated statements of financial activities and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City of Medicine Hat as at December 31, 2007 and the results of its financial activities and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The KPMG LLP logo, featuring the text "KPMG LLP" in a stylized, handwritten-like font.

Chartered Accountants

Lethbridge, Canada
March 10, 2008

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2007
(In thousands of dollars)

	2007	2006 (restated - Note 26)	2005 (restated - Note 26)
FINANCIAL ASSETS			
Cash and Temporary Investments (Note 2)	\$ 14,588	\$ 17,074	\$ 16,965
Accounts Receivable (Net of Allowances) (Note 3)	47,541	46,308	39,449
Advances to Subsidiary (Note 4)	18,016	17,958	18,978
Inventories for Resale (Note 5)	21,765	27,696	22,177
Investments, Loans and Advances (Note 6)	218,743	237,597	178,850
Deposits and Other Assets (Note 7)	2,951	2,913	4,290
Long Lived Asset - Retirement Obligation	43,522	21,795	19,403
TOTAL FINANCIAL ASSETS	367,126	371,341	300,112
LIABILITIES			
Bank Indebtedness	7,928	2,248	-
Trade Accounts Payable	17,919	20,935	12,998
Accrued Liabilities (Note 10)	45,705	42,474	43,654
Long Term Debt - Alberta Capital Finance Authority (Note 12)	194,982	183,701	154,481
Other Long Term Debt (Note 12,13)	270	270	270
Loss in Subsidiary (Note 8)	6,205	7,310	8,086
Other Long Term Liabilities (Note 14, 21, 26)	84,784	55,507	45,914
TOTAL LIABILITIES	357,793	312,445	265,403
NET FINANCIAL ASSETS	9,333	58,896	34,709
PHYSICAL ASSETS			
Inventories for Consumption	12,145	9,881	8,422
Capital Assets (Note 9)	1,127,516	963,304	904,689
NET ASSETS	\$ 1,148,994	\$ 1,032,081	\$ 947,820
MUNICIPAL POSITION			
FUND BALANCES			
Operating Fund (Schedule 2) (Note 1, 15)	\$ 36,800	\$ 24,315	\$ 28,079
Capital Fund (Schedule 1) (Note 1, 16)	28,314	22,234	12,884
Reserve Fund (Schedule 3) (Note 1, 17)	156,560	206,199	156,919
TOTAL FUND BALANCES	221,674	252,748	197,882
Equity in Capital Assets (Schedule 4)	927,320	779,333	749,938
NET MUNICIPAL POSITION	\$ 1,148,994	\$ 1,032,081	\$ 947,820

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007
(In thousands of dollars)

	2007 BUDGET (Unaudited)	2007	2006 (restated - Note 26)	2005 (restated - Note 26)
REVENUE				
NET TAXES (Schedule 5)	\$ 34,560	\$ 33,965	\$ 29,403	\$ 25,643
SALE OF SERVICES				
General Government	6,276	8,101	6,998	6,029
Gas	101,895	157,875	143,133	161,387
Electric	70,278	69,327	72,057	55,856
Water	10,623	10,820	9,479	7,636
Sewer	8,737	9,260	7,813	6,954
Solid Waste	5,292	5,553	4,970	4,908
Land and Subdivision Development	29,800	33,873	19,184	17,165
OTHER INCOME				
Investment	8,002	12,169	10,286	6,875
Income (Loss) from Subsidiary (Note 8)	(762)	1,105	776	1,712
Licences, Fines and Penalties	5,385	6,146	5,714	5,482
Insurance Recoveries	-	231	184	157
Developers Levies	1,346	5,293	2,525	3,187
Proceeds from Sale of Assets	-	347	4,030	1,227
Other	6,740	11,499	10,166	11,586
GOVERNMENT TRANSFERS (Schedule 6)				
Municipal Assistance Grant	875	875	875	875
Grants - Federal and Provincial	6,177	32,340	6,841	8,315
Debenture Interest Subsidy	2	-	2	19
Flood Recoveries	-	149	2,007	2,110
TOTAL REVENUE	295,226	398,928	336,443	327,123
EXPENDITURES (Schedule 7)				
General Government	90,007	127,983	100,597	104,765
Gas	105,924	237,754	112,242	113,280
Electric	46,501	39,257	55,845	33,641
Water	7,360	20,955	21,359	8,391
Sewer	14,994	10,575	12,229	7,282
Solid Waste	4,868	3,505	3,686	5,254
Land and Subdivision Development	7,899	8,462	6,298	3,948
TOTAL EXPENDITURES	277,553	448,491	312,256	276,561
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	17,673	(49,563)	24,187	50,562
INCREASE (DECREASE) IN INVENTORIES FOR CONSUMPTION	-	2,264	1,461	(853)
FINANCING				
Debt Issued	20,520	112,029	41,802	9,083
Debt Repayment	(15,434)	(95,804)	(12,584)	(12,536)
CHANGE IN FUND BALANCE	22,759	(31,074)	54,866	46,256
FUND BALANCES AT BEGINNING OF YEAR	252,748	252,748	197,882	151,626
FUND BALANCES AT END OF THE YEAR	\$ 275,507	\$ 221,674	\$ 252,748	\$ 197,882

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2007
(In thousands of dollars)

	2007	2006 (restated - Note 26)	2005 (restated - Note 26)
CASH PROVIDED BY (USED IN):			
OPERATIONS			
Net Revenue (Expenditures)	\$ (49,563)	\$ 24,187	\$ 50,562
Deduct Items Not Affecting Cash:			
(Income) Loss From Subsidiary	(1,105)	(776)	(1,712)
Change in Non Cash Items:			
Decrease (Increase) in Accounts Receivable	(1,233)	(6,859)	(6,257)
Decrease (Increase) in Inventory for Resale	5,931	(5,519)	(2,155)
Decrease (Increase) in Inventory for Consumption	2,264	1,461	(853)
Decrease (Increase) in Deposits & Other Assets	(38)	1,377	(1,048)
Decrease (Increase) in Long Lived Assets	(21,727)	(2,392)	425
Increase (Decrease) in Accounts Payable and Accrued Liabilities	215	6,757	11,437
Increase (Decrease) in Other Long Term Liabilities	29,277	9,593	6,629
NET CASH FROM (USED BY) OPERATIONS	(35,979)	27,829	57,028
INVESTING			
Decrease (Increase) in Investments, Loans and Advances	18,854	(58,747)	(42,546)
Decrease (Increase) in Restricted Cash & Temporary Investments	1,697	(733)	(9,478)
Decrease (Increase) in Advances to Subsidiary	(58)	1,020	1,470
Decrease (Increase) in Inventories	(2,264)	(1,459)	853
NET CASH FROM (USED BY) INVESTING	18,229	(59,919)	(49,701)
FINANCING			
Debt Issued	26,527	41,802	9,083
Debt Repayment	(15,246)	(12,584)	(12,536)
NET CASH FROM (USED BY) FINANCING	11,281	29,218	(3,453)
CHANGE IN CASH	(6,469)	(2,872)	3,874
CASH AT BEGINNING OF YEAR	(682)	2,190	(1,684)
CASH AT END OF YEAR	\$ (7,151)	\$ (682)	\$ 2,190
Cash consists of the following:			
Cash and Temporary Investments	\$ 14,588	\$ 17,074	\$ 16,965
Less: Restricted portion of Cash and Temporary Investments	(13,811)	(15,508)	(14,775)
Bank Indebtedness	(7,928)	(2,248)	-
	\$ (7,151)	\$ (682)	\$ 2,190

The accompanying notes are an integral part of these financial statements.

CAPITAL FUND
SCHEDULE 1
FOR THE YEAR ENDED DECEMBER 31, 2007
(In thousands of dollars)

	2007 BUDGET (Unaudited)	2007	2006	2005
REVENUE				
Government Transfers	\$ 3,060	\$ 29,122	\$ 3,465	\$ 5,206
Developers Levies	1,346	5,293	2,525	3,187
Proceeds from Sale of Assets	-	335	1,785	55
Other	340	980	1,723	4,218
TOTAL REVENUE	4,746	35,730	9,498	12,666
EXPENDITURES				
General Government	13,487	53,262	28,960	37,192
Gas	55,812	158,095	46,606	54,715
Electric	10,300	7,209	23,945	4,196
Water	502	15,733	17,453	3,249
Sewer	8,823	5,389	7,166	1,465
Solid Waste	570	61	209	427
Land	-	-	97	172
TOTAL EXPENDITURES	89,494	239,749	124,436	101,416
DEFICIENCY OF REVENUE OVER EXPENDITURES	(84,748)	(204,019)	(114,938)	(88,750)
NET INTERFUND TRANSFERS				
Reserve Fund	46,952	160,679	37,792	47,063
Operating Fund	37,518	22,893	44,694	21,113
DEBT TRANSFERS				
Debt Issued	20,520	26,527	41,802	9,083
CHANGE IN CAPITAL FUND	20,242	6,080	9,350	(11,491)
CAPITAL FUND AT BEGINNING OF YEAR	22,234	22,234	12,884	24,375
CAPITAL FUND AT END OF YEAR	\$ 42,476	\$ 28,314	\$ 22,234	\$ 12,884

The accompanying notes are an integral part of these financial statements.

OPERATING FUND
SCHEDULE 2
FOR THE YEAR ENDED DECEMBER 31, 2007
(In thousands of dollars)

	2007 BUDGET (Unaudited)	2007	2006 (restated - Note 26)	2005 (restated - Note 26)
REVENUE				
NET TAXES (Schedule 5)	\$ 34,560	\$ 33,965	\$ 29,403	\$ 25,643
SALE OF SERVICES				
General Government	6,276	8,101	6,998	6,029
Gas	101,895	157,875	143,133	161,387
Electric	70,278	69,327	72,057	55,856
Water	10,623	10,820	9,479	7,636
Sewer	8,737	9,260	7,813	6,954
Solid Waste	5,292	5,553	4,970	4,908
Land and Subdivision Development	29,800	33,873	19,184	17,165
OTHER INCOME				
Investment Income	8,002	12,169	10,286	6,875
Income (Loss) from Subsidiary (Note 8)	(762)	1,105	776	1,712
Licences, Fines and Penalties	5,385	6,145	5,714	5,482
Insurance Recovery	-	231	184	157
Other	6,400	10,531	10,691	8,538
GOVERNMENT TRANSFERS				
Municipal Assistance Grant	875	875	875	875
Grants - Federal and Provincial	3,117	3,219	3,376	3,112
Debenture Interest Subsidy	2	-	2	19
Flood Assistance	-	149	2,007	2,108
TOTAL REVENUE	290,480	363,198	326,948	314,456
EXPENDITURES				
General Government	76,520	74,571	71,161	67,471
Gas	50,112	79,396	65,356	48,623
Electric	36,201	30,022	31,080	30,089
Water	6,858	5,226	3,921	5,095
Sewer	6,171	5,179	5,055	5,817
Solid Waste	4,298	3,444	3,472	4,827
Land and Subdivision Development	7,899	8,640	6,317	14,075
TOTAL EXPENDITURES	188,059	206,478	186,362	175,997
EXCESS OF REVENUE OVER EXPENDITURES	102,421	156,720	140,586	138,459
NET INTERFUND TRANSFERS				
Capital Fund	(37,518)	(22,893)	(44,694)	(21,113)
Debt Issued	-	85,502	-	-
Debt Repayment	(15,434)	(95,804)	(12,584)	(12,536)
Reserve Fund	(46,869)	(111,040)	(87,072)	(104,181)
TOTAL NET INTERFUND TRANSFERS	(99,821)	(144,235)	(144,350)	(137,830)
CHANGE IN OPERATING FUND	2,600	12,485	(3,764)	629
OPERATING FUND AT BEGINNING OF YEAR	24,315	24,315	28,079	27,450
OPERATING FUND AT END OF YEAR	\$ 26,915	\$ 36,800	\$ 24,315	\$ 28,079

The accompanying notes are an integral part of these financial statements.

RESERVE FUND
SCHEDULE 3
FOR THE YEAR ENDED DECEMBER 31, 2007
(In thousands of dollars)

	2007 BUDGET (Unaudited)	2007	2006	2005
INTERFUND TRANSFERS				
Operating Fund Transfer	\$ 46,869	\$ 111,040	\$ 87,072	\$ 104,181
Capital Fund Transfer	(46,952)	(160,679)	(37,792)	(47,063)
CHANGE IN RESERVE FUND	(83)	(49,639)	49,280	57,118
RESERVE FUND AT BEGINNING OF YEAR	206,199	206,199	156,919	99,801
RESERVE FUND AT END OF YEAR (Note 18)	\$ 206,116	\$ 156,560	\$ 206,199	\$ 156,919

The accompanying notes are an integral part of these financial statements.

SCHEDULE OF EQUITY IN CAPITAL ASSETS
SCHEDULE 4
FOR THE YEAR ENDED DECEMBER 31, 2007
(In thousands of dollars)

	2007 BUDGET (Unaudited)	2007	2006	2005
ACQUISITION OF CAPITAL ASSETS				
General Government	\$ 10,594	\$ 50,380	\$ 25,620	\$ 35,251
Gas	55,769	156,994	45,676	54,505
Electric	10,300	7,208	23,945	4,196
Water	502	15,729	17,461	3,249
Sewer	8,823	5,388	7,162	1,465
Solid Waste	570	61	206	427
Land and Subdivision Development	-	-	97	172
	86,558	235,760	120,167	99,265
DISPOSAL OF CAPITAL ASSETS				
General Government	-	(1,346)	(2,771)	(12,601)
Gas	-	(335)	(1,791)	(60)
Electric	-	(1,809)	(8,735)	(750)
Water	-	(2)	(18)	(1)
	-	(3,492)	(13,315)	(13,412)
DEPRECIATION OF UTILITIES ASSETS (Note 9)				
Gas	(36,688)	(52,422)	(34,071)	(35,720)
Electric	(12,232)	(11,471)	(10,324)	(9,143)
Water	(1,798)	(1,969)	(1,767)	(1,717)
Sewer	(2,139)	(1,888)	(1,777)	(1,783)
Solid Waste	(480)	(304)	(300)	(268)
	(53,337)	(68,054)	(48,239)	(48,631)
CAPITAL FINANCING				
Debt Issued	(12,310)	(112,005)	(41,802)	(9,083)
Debt Repayment	9,859	95,778	12,584	12,534
	(2,451)	(16,227)	(29,218)	3,451
CHANGE IN EQUITY BALANCE	30,770	147,987	29,395	40,673
EQUITY IN CAPITAL ASSETS AT BEGINNING OF YEAR	779,333	779,333	749,938	709,265
EQUITY IN CAPITAL ASSETS AT END OF YEAR	\$ 810,103	\$ 927,320	\$ 779,333	\$ 749,938

The accompanying notes are an integral part of these financial statements.

TAXES LEVIED
SCHEDULE 5
FOR THE YEAR ENDED DECEMBER 31, 2007
(In thousands of dollars)

	2007 BUDGET (Unaudited)	2007	2006	2005
TAXATION				
Real Property Taxes	\$ 54,116	\$ 53,663	\$ 48,704	\$ 44,366
Linear Property Taxes	995	995	494	302
Government Grants in Lieu of Property Taxes	1,251	1,251	1,219	1,187
Special Assessments and Local Improvements	357	348	369	362
	<u>56,719</u>	<u>56,257</u>	<u>50,786</u>	<u>46,217</u>
REQUISITIONS				
Alberta School Foundation	16,795	16,926	16,253	15,491
Catholic Board Of Education	3,193	3,197	3,005	3,029
Cypress View Foundation	415	415	412	398
Medicine Hat Public Library	1,654	1,654	1,613	1,556
Business Exchange Levies	102	100	100	100
	<u>22,159</u>	<u>22,292</u>	<u>21,383</u>	<u>20,574</u>
NET TAXES	\$ 34,560	\$ 33,965	\$ 29,403	\$ 25,643

The accompanying notes are an integral part of these financial statements.

GOVERNMENT TRANSFERS
SCHEDULE 6
FOR THE YEAR ENDED DECEMBER 31, 2007
(In thousands of dollars)

	2007 BUDGET (Unaudited)	2007	2006	2005
FEDERAL TRANSFERS				
Shared-Cost Agreements and Grants	\$ 54	\$ 106	\$ 1,447	\$ 214
	54	106	1,447	214
PROVINCIAL TRANSFERS				
Municipal Assistance Grant	875	875	875	875
Police Enforcement Grant	-	901	961	872
Shared-Cost Agreements and Grants	6,123	31,333	4,433	7,229
Flood Assistance	-	149	2,007	2,110
Debenture Interest Subsidy	2	-	2	19
	7,000	33,258	8,278	11,105
TOTAL GOVERNMENT TRANSFERS	\$ 7,054	\$ 33,364	\$ 9,725	\$ 11,319

The accompanying notes are an integral part of these financial statements.

EXPENDITURES BY OBJECT
SCHEDULE 7
FOR THE YEAR ENDED DECEMBER 31, 2007
(In thousands of dollars)

	2007 BUDGET (Unaudited)	2007	2006 (restated - Note 26)	2005 (restated - Note 26)
EXPENDITURES				
Salaries, Wages and Benefits	\$ 83,375	\$ 79,255	\$ 73,963	\$ 69,906
Contracted and General Services	35,944	41,987	35,769	31,199
Materials, Goods and Utilities	25,344	42,067	37,193	32,370
Provisions for Allowances	243	222	219	23
Bank Charges and Short Term Interest	85	1,577	81	74
Interest on Long Term Debt	11,571	11,149	9,969	10,435
Capital Assets Acquired	86,558	235,760	120,167	99,265
Other Operating Expenditures	30,349	31,662	30,041	30,560
Grants and Other Transfers	1,148	823	585	578
Other Capital Expenditures	2,936	3,989	4,269	2,151
TOTAL EXPENDITURES	\$ 277,553	\$ 448,491	\$ 312,256	\$ 276,561

The accompanying notes are an integral part of these financial statements.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City of Medicine Hat (the "City") are the representations of management prepared in accordance with 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 City of Medicine Hat are as follows:

(A) REPORTING ENTITY

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and changes in financial position of the reporting entity. This entity, except for government business enterprises which are accounted for by the modified equity basis of accounting, includes all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to City Council for the administration of their financial affairs and resources. They include the following:

1. City General - activities associated with the provision of conventional municipal services including General Administrative Services, Corporate Services (Finance, Human Resources, Information and Computer Services, Corporate Asset Management) Public Services (Fire, Police, Disaster Services Community Development Parks and Outdoor Recreation and 911 Communications) and Infrastructure and Development (Municipal Works, Municipal Engineering, Planning & Development and Environmental Utilities). Land and Subdivision Development operations are treated as a utility for financial statement purposes.
2. Energy Division - self supporting activities which provide Electricity Generation, Distribution and Retail and Natural Gas Production, Distribution, and Marketing.

School administration is completely independent of City Council and is subject to control by the Provincial Government pursuant to the provisions of the *School Act*. The only relationship between the School Boards and the City is that the City is obligated to provide funds raised by taxes deemed necessary by the Province.

The schedule of taxes levied includes operating requisitions for the Alberta School Foundation, Catholic Board of Education, Cypress View Foundation, and amounts collected for the City Centre Development Agency that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. A schedule of these trust assets is included in Note 19.

Interdepartmental and organizational transactions and balances are eliminated.

Allied Oil & Gas Corp., a wholly-owned subsidiary of the City, is accounted for using the modified equity basis, consistent with generally accepted accounting principles for government enterprises.

(B) FUND ACCOUNTING

Municipal funds for General, Environmental Utilities, Energy Division and Land and Subdivision Development consist of the operating, capital and reserve funds. Proceeds from sales of land are recorded as operating fund revenues.

(C) BASIS OF ACCOUNTING**1. Revenues**

Sales and user fees are accounted for in the period in which the transactions of events occurred that gave rise to the revenues.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for a specific purpose.

Government transfers are recognized in the financial statements in the period that gives rise to the transfer occurring, providing the transfers are authorized, the City has met any eligible criteria and a reasonable estimate can be made.

2. Expenditures

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due, with the exception of pension expenditures as disclosed in Note 1(H).

(D) GOVERNMENT TRANSFERS

Government transfers are recognized in the consolidated 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, and reasonable estimates of the amounts can be made.

(E) INVESTMENTS

Portfolio investments are comprised of investments in qualifying instruments as defined in the City's Investment Policy #0110. Portfolio investments purchased by the City of Medicine Hat are recorded at cost. The cost of investments includes the applicable amortization of premiums and discounts using the present value amortization method. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Investments in government business enterprises are accounted for using the modified equity basis of accounting. Under this basis, the accounting principles of the government business enterprises are not adjusted to conform to the City's accounting policies and inter-organizational transactions and balances are not eliminated.

(F) INVENTORIES

Inventories of materials and supplies, inventories for resale and gas in storage are valued at the lower of cost or net realizable value with cost determined by the average cost method.

(G) LAND FOR RESALE

Land held for resale is recorded at the lower of cost or net realizable value. The cost of land held for resale includes costs related to land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water, sewer, gas, electric, roads, sidewalks and street lighting are recorded as capital assets under their respective function.

(H) PENSION EXPENDITURE

The City participates in a multi-employer defined benefit pension plan wherein contributions for current and past service pension benefits are recorded as expenditures in the year in which they become due. The plan is accounted for as a defined contribution plan.

(I) CAPITAL ASSETS

1. The City has valued General Fund capital assets purchased prior to December 31, 1978, at the net cost to the City and assets purchased and developed subsequent to that date at full cost.
2. Prior to January 1, 1989, all capital expenditures for major repair and maintenance projects were recorded as increases to capital assets. Since that date, capital expenditures of this nature are expensed in the year the expenditure is incurred. Major repairs and maintenance costs expensed in 2007 - \$2,864 (2006 - \$3,355).

Capital Assets are reported as expenditures in the period they are acquired.

Capital Assets are reported at cost except for donated assets, which are recorded at estimated fair market value.

The City follows the full cost method of accounting for its petroleum and natural gas properties, whereby all costs associated with acquisition and development of petroleum and natural gas reserves are capitalized. Such costs include those related to lease acquisition, geological and geophysical activities, cost of drilling both productive and non-productive wells, equipment cost and technical consulting costs directly related to development. The City does not capitalize interest or administrative costs.

Proceeds from the disposition of petroleum and natural gas properties are accounted for as adjustments to the net book value of resource properties, with no gain or loss recognized, unless the disposition would significantly alter the rate of depletion.

Government contributions for the acquisition of capital assets are recorded as a revenue source in the Consolidated Statement of Financial Activities and Consolidated Capital Fund - Schedule 1, and do not reduce the related capital assets costs.

Capital assets for municipal purposes are not depreciated.

(J) PREPAID LOCAL IMPROVEMENT CHARGES

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

(K) DEPRECIATION

Capital assets in the Electric Utility, Water Utility, Sewer Utility, Solid Waste Utility, Land, and non-resource plant, property and equipment in the Gas Utility are depreciated on a straight line basis over their estimated useful lives. Depreciation is not charged to operations but Plant, Property and Equipment and Equity in Capital Assets have been reduced to reflect the depreciated balance of capital assets. The following rates have been used for this calculation:

Engineering Structures	2.0% to 15.0%
Buildings	2.5% to 3.0%
Machinery, Equipment and Furnishings	5.0% to 20.0%

(L) DEPLETION

Oil and gas properties are depleted following the CICA Accounting Guideline AcG-16 "Oil and Gas Accounting – Full Cost". Capitalized costs are depreciated on the unit-of-production method based on estimated proven reserves as determined by external engineers. For purposes of this calculation, oil is converted to gas on an energy equivalent basis (1 Bbl: 6.29 Mcf). The costs of unproven properties are excluded from this calculation until proven reserves are established or until impairment occurs.

This guideline requires the cost centres be tested for recoverability using discounted future cash flows from proven reserves which are determined by using forward indexed prices. When the carrying amount of a cost centre is not recoverable, the cost centre would be written down to its fair value. Fair values are estimated using accepted present value techniques which incorporate risks and other uncertainties when determining expected cash flows. No write down was required for 2007.

(M) ALLOWANCES

Allowances for financial asset valuations are netted against the related asset. Increases in allowances are recorded as expenditures.

(N) OPERATING FUND

The operating fund represents the amounts available to offset future operational revenue requirements.

(O) CAPITAL FUND

The Capital fund represents amounts available to finance capital projects.

(P) RESERVE FUND

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and/or from reserves related to capital and operating fund activities are reflected on the Consolidated Schedules for the Capital, Operating and Reserve Funds.

(Q) EQUITY IN CAPITAL ASSETS

Equity in Capital Assets represents the net investment in total capital assets, after deducting the portion financed through long-term debt.

(R) JOINT VENTURE ACCOUNTING

Some of the City's production activities related to oil and gas are contracted with other companies. These statements reflect only the City's proportionate interest in such activities.

(S) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants 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 expenditures 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.

Amounts recorded for depletion and amounts used for the ceiling test calculations, are based on estimates of oil and natural gas reserves and future costs required to develop those reserves. The City's reserve estimates are reviewed a minimum of every three years, by independent engineering firms. The last reserve analysis was carried out as of December 31, 2006. By their nature, these estimates of reserves and the related future cash flows are subject to measurement uncertainty, and the impact on the financial statements of future periods may be material.

(T) OVER-LEVIES AND UNDER-LEVIES

Over-levies 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 over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property taxes.

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

(U) ASSET RETIREMENT OBLIGATION

The City records the fair value of its petroleum and natural gas asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived petroleum and natural gas assets that result from the acquisition, construction, development, and normal use of petroleum and natural gas assets. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived assets and depleted and depreciated using the unit of production method over estimated gross proven reserves. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each year to reflect the passage of time and changes in the estimated future cash flows underlying the obligation.

(V) LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Pursuant to the Alberta Environmental Protection and Enhancement Act, the City is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, and landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. This requirement is being provided for over the estimated remaining life of the landfill site based on usage.

(W) 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 continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2007, the City had obtained a complete listing for all land, buildings, engineered structures, machinery and equipment, and vehicles. A complete listing of values is currently underway and expected to be completed by December 31, 2008.

Tangible Capital Assets for Utility Operations are amortized but this practice has not been followed for Municipal Operations. To ensure that the City is able to comply with the Tangible Capital Asset Standards with respect to Municipal Operations the Finance Department has set up a project team which will be responsible for meeting these requirements.

NOTE 2: CASH AND TEMPORARY INVESTMENTS

	2007	2006	2005
Cash	\$ 777	\$ 1,566	\$ 2,190
Temporary Investments	13,811	15,508	14,775
TOTAL CASH & TEMPORARY INVESTMENTS	\$ 14,588	\$ 17,074	\$ 16,965

The temporary investments represent a restricted amount for the Alberta Cities Transportation Program, Alberta Municipal Infrastructure Program and Municipal Sustainability Initiative Program, which are held exclusively for eligible capital projects.

NOTE 3: ACCOUNTS RECEIVABLE
(A) TAXES AND BUSINESS IMPROVEMENTS LEVIES RECEIVABLE

	2007	2006	2005
Current Taxes Receivable	\$ 781	\$ 630	\$ 417
Arrears Taxes Receivable	137	187	152
City Centre Development Agency	7	4	2
Less: Allowance for Tax Adjustments	(2)	(116)	(118)
SUB-TOTAL	\$ 923	\$ 705	\$ 453

NOTES

FOR THE YEAR ENDED DECEMBER 31, 2007
(In Thousands of Dollars)

(B) ACCOUNTS RECEIVABLE

	2007	2006	2005
Trade Accounts Receivable	\$ 46,964	\$ 45,914	\$ 39,274
Less: Allowance for Doubtful Accounts	(346)	(311)	(278)
SUB-TOTAL	\$ 46,618	\$ 45,603	\$ 38,996
TOTAL	\$ 47,541	\$ 46,308	\$ 39,449

NOTE 4: ADVANCES TO SUBSIDIARY

	2007	2006	2005
Unsecured, non-interest bearing advances with no fixed terms of repayment	\$ 169	\$ 111	\$ 131
Unsecured note, bearing interest at prime plus 1% due on demand	17,847	17,847	18,847
TOTAL	\$ 18,016	\$ 17,958	\$ 18,978

NOTE 5: INVENTORIES FOR RESALE

	2007	2006	2005
Concessions	\$ 132	\$ 128	\$ 144
Gas in Storage	2,811	4,565	3,853
Land and Property	18,822	23,003	18,180
TOTAL	\$ 21,765	\$ 27,696	\$ 22,177

NOTE 6: INVESTMENTS, LOANS AND ADVANCES

	2007		2006		2005	
	Cost	Market Value	Cost	Market Value	Cost	Market Value
Federal Government & Agencies	\$ 17,087	\$ 17,811	\$ 15,892	\$ 16,014	\$ 19,948	\$ 20,716
Provincial Government & Agencies	87,636	88,428	70,117	71,149	62,211	63,112
Canadian Banks	60,435	59,800	60,151	60,334	37,968	38,130
Others	53,585	53,196	91,437	91,473	58,723	58,652
TOTAL	\$ 218,743	\$ 219,235	\$ 237,597	\$ 238,970	\$ 178,850	\$ 180,610

These investments yield interest rates from 3.08 per cent to 7.12 per cent and mature in periods 2008 through 2027. The investments have an average expected yield of 4.06 per cent and an average term of 3.42 years to maturity.

NOTES

FOR THE YEAR ENDED DECEMBER 31, 2007
(In Thousands of Dollars)

NOTE 7: DEPOSITS AND OTHER ASSETS

	2007	2006	2005
Tax Requisition Over Levies	\$ 197	\$ 197	\$ 167
Postage	0	2	4
Refundable Containers	48	48	48
Operating Deposits	627	307	2,083
Prepaid Insurance & Other	1,031	1,152	1,068
Electric Reels	202	178	128
Gas Royalty Deposits	846	1,029	792
TOTAL	\$ 2,951	\$ 2,913	\$ 4,290

NOTE 8: SUBSIDIARY OPERATIONS

The following table provides condensed supplementary financial information reported separately by Allied Oil & Gas Corp. at December 31.

	2007	2006	2005
Financial Position			
Current Assets	\$ 8,906	\$ 7,921	\$ 7,304
Future Income Tax Asset	1,022	974	1,404
Resource Properties	6,049	6,059	6,559
Total Assets	15,977	14,954	15,267
Current Liabilities	5,108	5,285	5,407
Advances from City of Medicine Hat	17,847	17,847	18,847
Asset Retirement Obligation	609	514	480
Total Liabilities	23,564	23,646	24,734
Net Assets (Liabilities)	\$ (7,587)	\$ (8,692)	\$ (9,467)

Net Liabilities are comprised of a deficit of \$6,211, share capital of \$6 and deficit on Related Company Transactions of \$1,382 (2006 – a deficit of \$7,316, share capital of \$6 and a deficit on Related Company Transaction of \$1,382).

	2007	2006	2005 Restated
Results of Operations			
Revenues	\$ 7,195	\$ 6,338	\$ 5,631
Operating Expenses	4,507	3,632	3,164
Cash Flow from Operations	2,688	2,706	2,467
Depletions and Accretion	1,530	1,117	1,404
Net Income (Loss) before Income Tax	1,158	1,589	1,063
Income Tax Recovery (Expense)	(53)	(813)	649
Net Income	1,105	776	1,712
Deficit, Beginning of Year	(7,316)	(8,092)	(9,804)
Share Capital	6	6	6
Loss In Subsidiary	\$ (6,205)	\$ (7,310)	\$ (8,086)

The operation of this government business enterprise has been accounted for using the modified equity method of accounting. These financial statements include the net earnings of Allied Oil & Gas Corp. since the acquisition date.

NOTE 9: CAPITAL ASSETS

	2007 Cost	Accumulated Depreciation	2007 Book Value	2006 Book Value	2005 Book Value
Land	\$ 14,874	\$ -	\$ 14,874	\$ 13,878	\$ 13,733
Buildings	151,214	4,810	146,404	144,693	142,707
Engineering Structures	690,071	164,060	526,011	470,736	426,277
Gas and Oil Properties	784,175	410,765	373,410	270,441	261,948
Machinery, Equipment and Furnishings	32,937	11,943	20,994	19,897	17,709
Vehicles	45,823	-	45,823	43,659	42,315
TOTAL	\$ 1,719,094	\$ 591,578	\$ 1,127,516	\$ 963,304	\$ 904,689

During 2007, the City disposed of Gas Properties and recorded proceeds of \$335 for this sale. The Electric Utility disposed of #10 and #14 Economizers and recorded a loss on sale of assets of \$1,807 as the result of this disposal.

Annual depletion and depreciation amounts reflected in Capital Assets and Equity in Capital Assets are as follows:

	2007	2006	2005
Buildings	\$ 306	\$ 304	\$ 289
Engineering Structures	15,425	14,167	12,830
Gas and Oil Properties	51,391	32,827	34,584
Machinery, Equipment and Furnishings	932	941	928
TOTAL DEPRECIATION AND DEPLETION	\$ 68,054	\$ 48,239	\$ 48,631

NOTE 10: ACCRUED LIABILITIES

	2007	2006	2005
Accrued Wages and Salaries	\$ 2,149	\$ 2,088	\$ 3,085
Vacation Pay	3,710	3,239	3,172
Accrued Interest on Long-Term Debt	3,065	3,212	3,282
Deposits	3,028	1,829	890
Deferred Revenue	2,328	3,008	3,898
Deferred Charges	7,752	6,265	3,597
Accrued Royalties	1,880	5,566	8,505
Alberta Municipal Infrastructure Program	4,632	10,768	10,346
Alberta Cities Transportation Program	6,065	4,741	4,428
Municipal Sustainability Initiative	3,112	-	-
Other Payables	7,984	1,758	2,451
TOTAL	\$ 45,705	\$ 42,474	\$ 43,654

NOTE 11: SHORT-TERM DEBT

A Municipal Operating Loan Facility (Revolving) is available to the City up to a maximum of \$100 million, by way of Prime-based loans, Guaranteed Notes, or Letters of Guarantee (in Canadian dollars). This facility is secured by Bylaw No. 3745 for Prime-based loans and Guaranteed Notes. Letters of Guarantee are authorized under Bylaw No. 3415. At December 31, 2007, there were \$5,000 Guaranteed Notes outstanding at an interest rate of 4.83 per cent. These Guaranteed notes were repaid upon maturity on January 14, 2008.

A Variable Rate Line of Credit under this Municipal Operating Loan Facility (Revolving) is available at a rate of Prime less 0.25 per cent. Guaranteed Notes are payable at Base Rate plus 0.25 per cent per 365 day period, and Letters of Guarantee are payable at a fee of 3/8 of 1 per cent per annum.

At December 31, 2007, there were Letters of Guarantee issued in the amount of \$2,527.

NOTE 12: LONG-TERM DEBT
(A)

	2007	2006	2005
Tax Supported	\$ 27,947	\$ 29,450	\$ 28,324
Utilities			
- Electric	76,388	79,533	63,333
- Gas	10,252	13,042	15,530
- Water	47,035	31,547	18,088
- Sewer	32,077	28,704	27,649
- Solid Waste	1,553	1,695	1,827
Total Utilities	167,305	154,521	126,427
TOTAL	\$ 195,252	\$ 183,971	\$ 154,751

	2007	2006	2005
Comprised of:			
- Alberta Capital Finance Authority	\$ 194,982	\$ 183,701	\$ 154,481
- Other Long Term-Debt	270	270	270
TOTAL	\$ 195,252	\$ 183,971	\$ 154,751

(B) DEBT PER CAPITA
(not in thousands of Dollars)

	2007	2006	2005
Tax Supported Debentures	\$ 490	\$ 517	\$ 505
Utilities	2,935	2,711	2,256
TOTAL	\$ 3,425	\$ 3,228	\$ 2,761

Debt per capita is based on the official census of 56,997 by Statistics Canada for 2006.

- (C) Expected future interest and principal payments are as follows:

	Principal	Interest
2008	16,920	11,302
2009	17,141	10,277
2010	13,206	9,227
2011	13,853	8,386
2012-2027	134,132	44,823
TOTAL	\$ 195,252	\$ 84,015

The debentures mature in annual amounts to the year 2027 and interest is payable at rates ranging from 3.405 per cent to 12.0 per cent per annum before Provincial Subsidy, and mature in periods 2007 through 2027. The average annual interest rate is 5.86 per cent for 2007 (6.06 per cent for 2006). For qualifying debentures, the Province of Alberta rebates 60 per cent of interest in excess of 8 per cent, 9 per cent and 11 per cent to a maximum annual rate of 12.5 per cent depending on the date borrowed. Debenture debt is issued on the credit and security of the City of Medicine Hat.

Interest on long-term debt paid in 2007 was \$10,981 (2006 \$10,435).

- (D) The Minister of Municipal Affairs has prescribed total debt and debt servicing limits for municipalities in the province. The debt limit is calculated based upon 2 times revenue, and the debt servicing limit is based upon 0.35 times revenue. Included in the Actual Debt calculation are loans outstanding as well as Loan Guarantees.

	2007	2006	2005
Total Debt Limit	\$ 757,224	\$ 691,629	\$ 659,156
Actual Debt (Long and Short-Term Debt)	202,402	184,819	155,602
AMOUNT UNDER LIMIT	\$ 554,822	\$ 506,810	\$ 503,554
Debt Servicing Limit	\$ 132,514	\$ 121,035	\$ 115,352
Actual Debt Servicing (Long and Short-Term Debt)	28,311	26,259	23,694
AMOUNT UNDER LIMIT	\$ 104,203	\$ 94,776	\$ 91,658

NOTE 13: OTHER LONG-TERM DEBT

The City of Medicine Hat owes Palliser Health Authority \$270 for the construction of ambulance facilities at the Medicine Hat Regional Hospital. The City and Palliser Health Authority are currently negotiating the sale of this asset to the Health Authority.

NOTE 14: OTHER LONG-TERM LIABILITIES
(A)

	2007	2006 (restated - Note 27)	2005 (restated - Note 27)
Offsite Contributions	\$ 8,567	\$ 7,255	\$ 5,175
Asset Retirement Obligation - Gas	70,735	43,316	36,568
Employee Retirement Benefits Liability	3,362	3,132	2,635
Sanitary Landfill - Site Abandonment and Restoration	2,120	1,804	1,536
TOTAL OTHER LONG-TERM LIABILITIES	\$ 84,784	\$ 55,507	\$ 45,914

(B) The accrued liability for closure and post closure costs of the City's Landfill is recognized over the life of the cells, using the net present value of the total estimated costs of closure and post closure care, prorated on the basis of the current air space utilized (in cubic meters), over the total estimated air space of the site. The net present value of the estimated closure and post closure costs was calculated using a rate of return equal to 4.07 per cent assuming inflation of 2.25 per cent.

(C) The following summarizes the total net present value for the estimated costs of Sanitary Landfill closure and post closure care:

	2007	2006 (restated - Note 27)	2005 (restated - Note 27)
Estimated Closure Costs	\$ 5,253	\$ 5,000	\$ 5,000
Estimated Post-Closure Costs	969	750	750
Estimated Total Costs	\$ 6,222	\$ 5,750	\$ 5,750
Estimated Capacity remaining %	56.8%	58.5%	60.0%
Portion of Total Liability remaining to be recognized	\$ 4,102	\$ 3,946	\$ 4,214
Estimated Capacity used %	43.2%	41.5%	40.0%
ACCRUED LIABILITY PORTION	\$ 2,120	\$ 1,804	\$ 1,536

The total capacity of the site is estimated at 4,525,000 cubic meters. The estimated remaining capacity of the landfill site is 2,578,000 (2006 – 2,648,000) cubic meters. The existing landfill site is expected to reach capacity in approximately the year 2029. The City has not designated assets for settling closure or post closure liabilities.

(D) At December 31, 2007 the estimated undiscounted cash flows required to settle the asset retirement obligations with respect to the Gas Utility were \$113,449 (2006 - \$87,859, 2005 - \$84,480), calculated using an inflation rate of 3.15 per cent (2006 – 3.20 per cent) per annum. The estimated fair value of this liability was \$70,735 (2006 – \$43,316) after discounting the estimated cash flows at a rate of 7.21 per cent (2006 – 7.13 per cent). At December 31, 2007, the expected timing of payment for settlement of the obligations ranges from 7 to 30 years.

NOTE 15: OPERATING FUND

The Operating Fund balance as shown on the Consolidated Statement of Financial Position represents accumulated surpluses (deficits) from operations, which have not been designated by City Council for any specific use.

The General Fund policy directs that, special one-time grants and any surplus in the General Operating Fund not required in order to maintain the operating fund target balance of 7 per cent of prior years budgeted gross expenditures be transferred to the Infrastructure Reserve. Included in the 2007 transfer to the Infrastructure Reserve of \$6,101 is \$1,934 in surplus funds, which were in excess of the target balance requirement.

The Electric Operating Fund policy directs that surplus in excess of 7 per cent of prior years budgeted gross expenditures will be transferred to the Electric Facility and Equipment Reserve at the end of the current year. In 2007 the Electric Utility reported an excess surplus of \$7,608, which was transferred to the Electric Facility and Equipment Reserve.

With respect to the Gas Utility, policy directs that surplus in excess of 7 per cent of prior years budgeted gross expenditures be transferred to the Gas Depletion Reserve at the end of the current year. In 2007 the Gas Utility reported an excess surplus of \$87,022, which was transferred to the Gas Depletion Reserve.

OPERATING FUND BALANCES	2007	2006 (restated – Note 27)	2005 (restated – Note 27)
General Government	\$ 6,814	\$ 6,649	\$ 6,301
Gas	6,928	5,756	5,253
Electric	7,243	5,058	4,795
Water	1,472	113	(1,680)
Sewer	63	(1,552)	(1,794)
Solid Waste	(698)	(1,079)	(539)
Land	14,978	9,370	15,743
TOTAL	\$ 36,800	\$ 24,315	\$ 28,079

NOTE 16: CAPITAL FUND

CAPITAL FUND BALANCES	2007	2006	2005
General Government	\$ 807	\$ 1,817	\$ 3,955
Gas	9,314	19,650	7,935
Electric	14,485	2,298	1,579
Water	2,569	(1,112)	(1,067)
Sewer	158	(1,026)	424
Solid Waste	981	607	58
TOTAL	\$ 28,314	\$ 22,234	\$ 12,884

NOTE 17: RESERVES

	Balance 2005	Balance 2006	2007 Additions	2007 Reductions	Balance 2007
Employee Development	\$ 515	\$ 534	\$ 208	\$ -	\$ 742
Victim Assistance	13	17	-	-	17
Second Street Properties	84	84	-	-	84
Fleet Replacement	5,055	4,196	3,265	1,977	5,484
Art Acquisitions	-	33	24	-	57
Infrastructure	8,575	12,894	8,311	5,286	15,919
Esplanade	-	-	-	-	-
Nature's Best Reserve	941	1,402	1,375	14	2,763
Employee Benefits	-	1,561	3,142	-	4,703
Community Capital Reserve	-	-	2,299	1,052	1,247
Electric Facility & Equipment	16,856	16,487	7,608	13,126	10,969
Gas Depletion Reserve	151,848	180,275	85,917	142,897	123,295
SUB TOTAL	183,887	217,483	112,149	164,352	165,280
Equity (Deficit) in Subsidiary	(8,092)	(7,316)	1,105	-	(6,211)
Internal Loan Contra Reserve	(18,876)	(3,968)	27	(1,432)	(2,509)
TOTAL RESERVES	\$ 156,919	\$ 206,199	\$ 113,281	\$ 162,920	\$ 156,560

NOTE 18: TRUST FUNDS

The City of Medicine Hat records as Funds Held in Trust all monies received on behalf of third parties. These monies are controlled, invested and accounted for in accordance with the terms of the trust arrangements. Trust investments are in temporary investments in money market instruments such as term deposits, treasury bills, and commercial paper. Investments are recorded at the lower of original cost or market value. The cost of these investments at December 31, 2007 is \$1,840 (2006 - \$1,800). Trust investments and liabilities are not included in the City's statements.

A summary of Trust fund activities by the City of Medicine Hat are as follows:

	Balance 2005	Balance 2006	Additions	Interest Earnings	Reductions	Balance 2007
Cemetery - Perpetual Care	\$ 1,322	\$ 1,313	\$ 132	\$ 65	\$ 192	\$ 1,318
Seniors Foundation	47	32	31	2	13	52
Police Department Exhibit Recovery	16	17	3	1	3	18
Art Gallery Acquisition	8	9	-	-	-	9
Donna MacLean Museum Trusts	15	2	2	-	-	4
Pitch Trust	2	2	-	-	-	2
Arts & Heritage Centre	-	-	452	9	461	-
Medicine Hat Sport & Culture	1	1	-	-	-	1
Bell West	198	207	-	9	-	216
Saamis Heights Town Ctr Park	94	143	20	6	26	144
Centennial Grant	1	-	10	-	-	10
A B Clark Development Agreement	-	11	-	-	-	11
Veiner Centre Legacy Mural	9	10	-	-	10	-
Northlands Waterline Warranty	50	53	2	2	2	55
TOTAL TRUST FUNDS	\$ 1,763	\$ 1,800	\$ 652	\$ 94	\$ 707	\$ 1,840

NOTE 19: SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by provincial regulation 313/2000 is as follows:

	Salary	Benefits & Allowances	Total 2007	Total 2006
Mayor Valley	\$41	\$27	\$68	\$81
Mayor Boucher	8	4	12	-
Councillors:				
Cocks, W.	16	14	30	50
Clugston, K.	3	5	8	-
Friesen, J.	19	21	40	38
Dumanowski, R.	19	20	39	39
Hamill, J.	19	17	36	40
Hirsch, D.	16	13	29	37
Kelly, G.	19	15	34	37
Schneider, T.	3	4	7	-
Smith, C.	16	15	31	34
Speers, H.	16	14	30	40
Thompson, J.	3	3	6	-
White, J.	3	4	7	-
Chief Administrative Officer	169	43	212	209
Designated Officers	893	168	1,061	974

(1) Salary includes regular base pay.

(2) Benefits and Allowances includes employer's share of all employee benefits and contributions or payments made on behalf of employees (where applicable) including retirement pension, Canada Pension Plan, Employment Insurance, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, expense allowances, car allowances, per diem payments, gross honoraria, travel allowances and professional memberships and tuitions.

NOTE 20: LOCAL AUTHORITIES PENSION PLAN

Employees of the City of Medicine Hat, with the exception of Police Officers, participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the *Public Sector Pension Plans Act*. LAPP serves about 149,000 people and 407 employers. The Police Officers are members of the Special Forces Pension Plan (SFPP). The Plans are financed by employer and employee contributions and investment earnings of the LAPP and SFPP Fund.

The City of Medicine Hat is required to make current service contributions to the Local Authorities Pension Plan of 7.75 per cent of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 10.64 per cent for the excess. With regard to the Special Forces Pension Plan, the City of Medicine Hat is required to make current service contributions of 11.11 per cent.

Total current service contributions by the City of Medicine Hat to LAPP and SFPP in 2007 were \$5,032 (2006 – \$4,806). Total current service contributions by the employees for 2007 were \$4,463 (2006 – \$4,265).

At December 31, 2006 LAPP disclosed an actuarial deficit of \$746.7 million (2005 – \$863.6 million).

At December 31, 2006 SFPP disclosed an actuarial surplus of \$33,274 million (2005–\$67,343 million deficit).

NOTE 21: EMPLOYEE BENEFIT OBLIGATIONS

The City has a defined benefit life insurance plan covering substantially all of its employees. The plan is unfunded. The most recent actuarial accounting valuation for the plan was performed for the year-ended December 31, 2006. Information about the plan is as follows:

	2007	2006	2005
Accrued Benefit Obligation			
Balance, Beginning of Year	\$ 3,132	\$ 2,635	\$ 2,534
Current Service Cost	88	79	75
Interest Cost	177	151	144
Benefits Paid	(135)	(86)	(118)
Unrecognized Actuarial Losses	-	353	-
Balance, End of Year, Benefit Plan Deficit	\$ 3,262	\$ 3,132	\$ 2,635

The significant actuarial assumptions adopted in measuring the City's accrued benefit obligation are as follows:

	2007	2006	2005
Discount Rate	5.75%	5.75%	5.75%
Rate of Compensation Increases	3%	3%	3%
Expected Average Remaining Service Life	8.18 Years	9.3 Years	9.0 Years

NOTE 22: OPERATING COMMITMENTS

The City of Medicine Hat is committed to purchase natural gas and electrical energy under existing purchase contracts. The commitment for 2008 is \$8,369 (Gas) and \$7,379 (Electric).

NOTE 23: CAPITAL COMMITMENTS

(A) 2007 CAPITAL BUDGET

Following guidelines set out by the Public Sector Accounting Board, the budget reported on the Consolidated Statement of Financial Activities and Consolidated Capital Fund is the 2007 approved Capital Budget. The actual expenditures reported include incomplete capital projects in the amount of \$36,402 carried forward from previous budget years, as well as costs related to the 2007 Budget.

(B) INCOMPLETE CAPITAL PROJECTS

As at December 31, 2007 a number of capital projects were in progress and will be completed in 2008 or subsequent years. The unexpended appropriation related to these projects is \$152,252. Projects included in this total are; Gas 2006 Gas Well Drilling \$12,528; Gas 2006 Gas Well Gathering \$5,842; Electric Facility Improvement \$2,950; Electric LM6000 Generation Unit \$36,591; Municipal Works South Boundary Road \$20,000; Municipal Works Parkview Dr \$5,608; Water SW Sector Supply System Upgrade \$12,300; Water Brier Park / NW Industrial System Upgrade \$4,300; Water Construct Reservoir / River Crossing \$5,600; Water Plant Expansion \$3,000; Sewer Lift Station Upgrade \$2,900; Waste Water Treatment Plant Upgrade \$7,000.

(C) CAPITAL IMPROVEMENT PLAN

In December 2005, City Council approved the 2006-2010 Utilities Capital Improvement Plan. Subsequent to December 31, 2005, City Council approved the 2006 - 2010 General Government Capital Improvement Plan. The total for all Projects is as follows:

2008	38,671
2009-2010 Projection	139,910
Total	\$ 266,336

Financing sources identified:

	2008
Government Grants	\$ 3,470
Current Revenues	5,298
Debentures	
Tax Supported	2,086
Utilities	16,648
Reserves	3,393
Direct Charges & Other	7,776
Total	\$ 38,671

NOTE 24: CONTINGENT LIABILITIES

Various claims have been made against the City as at December 31, 2007. If proven, it is possible that these claims may have a materially adverse effect on the financial position of the City. The City is disputing the claims and as the outcome is not determinable at this time, no amount has been accrued in the financial statements.

The City has not recognized a liability for certain legal obligations, primarily environmental liabilities related to facilities, equipment, and land. The liabilities are not recognized as the dates of the remediation are unknown and as such the fair value of these liabilities can not be reasonably determined.

NOTE 25: FINANCIAL INSTRUMENTS

The City as part of its operations carries a number of financial instruments. It is management's opinion the City is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

NOTE 26: RETROSPECTIVE RESTATEMENT OF OTHER LONG TERM LIABILITIES

During the year the City adjusted its liability for closure and post closure care costs related to its landfill, with retroactive effect. Other Long Term Liabilities were understated by \$1,505 (2006); \$1,375 (2005) as a result of the assumptions not being applied correctly in the calculation of the liability. The result of this retrospective restatement is an increase in the expenditures of \$130 (2006) and \$1,375 (2005).

NOTE 27: COMPARATIVE FIGURES

Comparative figures have been restated, where necessary, to conform to the current year presentation.

Financial and Statistical Schedules

(unaudited)



FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007

(In Thousands of Dollars)

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

	2007	2006	2005	2004	2003
REVENUES BY SOURCE					
Taxes	\$ 33,965	\$ 29,403	\$ 25,643	\$ 22,768	\$ 20,272
Sale of Services					
General Government	8,101	6,998	6,029	5,632	5,220
Gas	157,875	143,133	161,387	129,817	129,178
Electric	69,327	72,057	55,856	58,399	53,687
Water	10,820	9,479	7,636	7,540	7,493
Sewer	9,260	7,813	6,954	6,296	5,642
Solid Waste	5,553	4,970	4,908	4,543	5,490
Land & Subdivision Dev	33,873	19,184	17,165	21,948	16,203
Investment Income	12,169	10,286	6,875	5,496	4,655
Income from Subsidiary	1,105	776	1,712	180	-1,886
Licences, Fines & Penalties	6,146	5,714	5,482	4,936	3,712
Insurance Recovery	231	184	157	107	118
Developers Levies	5,293	2,525	3,187	1,932	1,548
Proceeds from Sale of Assets	347	4,030	1,227	1,862	4,851
Other	11,499	10,166	11,586	11,161	5,908
Government Grants	33,364	9,725	11,319	13,115	8,317
TOTAL REVENUES	398,928	336,443	327,123	295,732	270,408
EXPENDITURES BY FUNCTION					
General Government	127,983	100,597	104,765	106,469	84,032
Gas	237,754	112,242	113,280	91,965	96,348
Electric	39,257	55,845	33,641	28,142	50,165
Water	20,955	21,359	8,391	6,880	5,657
Sewer	10,575	12,229	7,282	14,849	8,338
Solid Waste	3,505	3,686	5,254	4,067	3,393
Land	8,462	6,298	3,948	5,229	4,229
TOTAL EXPENDITURES	448,491	312,256	276,561	257,601	252,162
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	-49,563	24,187	50,562	38,131	18,246
INCREASE IN NON-FINANCIAL ASSETS	2,264	1,461	-853	-	-
Debt Issued	112,029	41,802	9,083	13,782	22,488
Debt Repayment	-95,804	-12,584	-12,536	-11,827	-10,732
	16,225	29,218	-3,453	1,955	11,756
CHANGE IN FUND BALANCE	\$ -31,074	\$ 54,866	\$ 46,256	\$ 40,086	\$ 30,002

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

CONSOLIDATED EXPENDITURE BY OBJECT

	2007	2006	2005	2004	2003
Salaries, Wages & Benefits	\$ 79,255	\$ 73,963	\$ 69,906	\$ 64,902	\$ 59,318
Contracted & General Services	41,987	35,769	31,199	27,946	27,428
Materials, Goods & Utilities	42,067	37,193	32,370	30,779	30,011
Provisions for Allowances	222	219	23	232	195
Bank Charges & Short-Term Interest	1,577	81	74	44	98
Interest on Long-Term Debt	11,149	9,969	10,435	10,379	10,110
Physical Assets Acquired	236,865	121,093	99,475	95,484	96,512
Other Operating Expenditures	31,682	30,041	30,561	24,505	25,411
Grants and Other Transfers	823	585	578	603	221
Other Capital Expenditures	2,864	3,343	1,940	2,727	2,858
TOTAL EXPENDITURES	\$ 448,491	\$ 312,256	\$ 276,561	\$ 257,601	\$ 252,162

CONSOLIDATED SCHEDULE OF CAPITAL FINANCING & EXPENDITURES

	2007	2006	2005	2004	2003
REVENUES					
Government Transfers	\$ 29,122	\$ 3,465	\$ 5,206	\$ 9,360	\$ 5,486
Developers Levies	5,293	2,525	3,187	1,932	981
Proceeds from Sale of Assets	335	1,785	55	1,862	4,851
Other	980	1,723	4,218	4,913	1,118
Reserves	160,679	37,792	47,063	52,733	37,259
Operations	-62,609	44,694	21,113	29,762	21,737
Debt	112,029	41,802	9,083	13,782	22,488
TOTAL FINANCING	245,829	133,786	89,925	114,344	93,920
EXPENDITURES					
Engineering Structures	228,084	110,635	74,021	65,794	81,802
Buildings	1,531	2,141	17,970	24,691	9,376
Machinery & Equipment	2,044	3,554	2,122	1,663	1,888
Land	999	149	172	146	311
Mobile Equipment	3,402	3,673	4,984	3,189	2,899
Non - Asset Increasing	3,689	4,284	2,147	2,728	3,094
TOTAL EXPENDITURES	239,749	124,436	101,416	98,211	99,370
SURPLUS/(DEFICIT)	\$ 6,080	\$ 9,350	\$ -11,491	\$ 16,133	\$ -5,450

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007

(In Thousands of Dollars)

LONG TERM DEBT

	2007	2006	2005	2004	2003
LONG TERM DEBT					
Debt Supported by Taxes	\$ 27,947	\$ 29,450	\$ 28,324	\$ 27,388	\$ 25,205
Debt Supported by Utilities	167,305	154,521	126,427	130,815	131,044
TOTAL DEBT	\$ 195,252	183,971	\$ 154,751	\$ 158,203	\$ 156,249

DEBT PER CAPITA

(not in thousands of dollars)

	2007	2006	2005	2004	2003
Tax Supported	\$ 490	517	\$ 505	\$ 534	\$ 492
Utility Supported	2,935	2,711	2,256	2,553	2,557
TOTAL DEBT PER CAPITA	\$ 3,425	3,228	\$ 2,761	\$ 3,087	\$ 3,049

2006-2007 Population 56,997 Statistics Canada Census

2005 Population 56,048 Municipal Census

2003-2004 Population 51,248 Municipal Census

LONG & SHORT-TERM DEBT CHARGES AS A % OF TOTAL EXPENDITURES

	2007	2006	2005	2004	2003
Debt Charges	\$ 28,311	26,259	\$ 23,694	\$ 23,002	\$ 22,603
Total Operating Expenditures	206,478	186,362	175,997	159,393	156,449
PERCENTAGE	13.71%	14.09%	13.46%	14.43%	14.45%

LEGAL DEBT LIMIT

	2007	2006	2005	2004	2003
Total Debt Limit	\$ 757,224	691,629	\$ 659,156	\$ 581,843	\$ 537,272
Actual Debt and Loan Guarantees	202,402	184,819	155,602	159,054	157,099
AMOUNT UNDER LIMIT	\$ 554,822	506,810	\$ 503,554	\$ 422,789	\$ 380,173
Percentage Used	26.73%	26.72%	23.61%	27.34%	29.24%

DEBT SERVICING LIMIT

	2007	2006	2005	2004	2003
Debt Servicing Limit	\$ 132,514	\$ 121,035	\$ 115,352	\$ 101,822	\$ 94,023
Actual Debt Servicing	28,311	26,259	23,694	23,002	22,603
AMOUNT UNDER LIMIT	\$ 104,203	94,776	\$ 91,658	\$ 78,820	\$ 71,420
Percentage Used	21.36%	21.70%	20.54%	22.59%	24.04%

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007

(In Thousands of Dollars)

SUMMARY OF OPERATING AND RESERVE FUND BALANCES

OPERATING FUNDS	2007	2006	2005	2004	2003
General	\$ 6,814	\$ 6,649	\$ 6,301	\$ 5,601	\$ 5,498
Gas	6,928	5,756	5,253	6,433	6,587
Electric	7,243	5,058	4,795	2,833	5,046
Water	1,472	112	-1,680	-1,354	-858
Sewer	63	-3,057	-3,169	-1,760	-958
Solid Waste	-698	426	836	1,227	1,446
Land & Subdivision Development	14,978	9,371	15,743	14,470	8,884
TOTAL OPERATING FUNDS	36,800	24,315	28,079	27,450	25,645
RESERVE FUNDS					
Arts & Heritage / Art Acquisitions	57	33	-	11,172	21,605
Employee Training	742	534	515	409	302
Victim Assistance	17	17	13	12	11
Infrastructure	15,920	12,894	8,575	6,390	4,497
Second Street Properties	84	84	84	84	181
Fleet Replacement	5,484	4,196	5,055	3,944	3,087
Employee Benefits	4,703	1,561	-	-	-
Gas Depletion	123,295	180,275	151,848	96,738	71,943
Community Capital Reserve	1,247	-	-	-	-
Natures Best Reserve	2,763	1,402	941	-	-
Electric Facilities and Equipment	10,969	16,487	16,856	14,210	14,210
Equity in Subsidiary Company	(6,211)	(7,316)	(8,092)	(9,804)	(9,984)
SUB-TOTAL RESERVES	159,070	210,167	175,795	123,155	105,852
Internal Loans Contra	-2,510	-3,968	-18,876	-23,354	-28,302
TOTAL RESERVES	156,560	206,199	156,919	99,801	77,550
TOTAL RESERVES & SURPLUS	\$ 193,360	230,514	\$ 184,998	\$ 127,251	\$ 103,195

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007

TAXATION & ASSESSMENT

MILL RATES

	2007	2006	2005	2004	2003
MUNICIPAL					
Single Family	4.7025	5.1498	5.147	5.102	4.908
Apartments	6.0786	7.3945	6.779	6.286	5.734
Farmland	14.7060	17.8493	14.599	11.834	10.209
Commercial & Industrial	13.9737	14.2262	14.066	13.625	12.765
EDUCATION					
Single Family	3.1289	3.6984	4.063	4.343	4.354
Apartments	3.1289	3.6984	4.063	4.343	4.354
Farmland	3.1289	3.6984	4.063	4.343	4.354
Commercial & Industrial	5.1587	5.8889	5.922	7.383	7.669
OTHER					
Single Family	0.0705	0.085	0.093	0.060	0.066
Apartments	0.0705	0.085	0.093	0.060	0.066
Farmland	0.0705	0.085	0.093	0.060	0.066
Commercial & Industrial	0.0705	0.085	0.093	0.060	0.066

PROPERTY TAXES LEVIED

(In Thousands of Dollars)

PROPERTY TAX LEVY	2007	2006	2005	2004	2003
Municipal	\$ 31,371	\$ 27,321	\$ 23,792	\$ 21,247	\$ 18,741
Education	20,123	19,258	18,520	18,159	16,981
Other	2,069	2,025	1,954	1,714	1,659
TOTAL REAL PROPERTY	53,563	48,604	44,266	41,120	37,381
Business Taxes (BRZ)	100	100	100	100	89
TOTAL TAXES LEVIED	\$ 53,663	\$ 48,704	\$ 44,366	\$ 41,220	\$ 37,470
Current Taxes Collected	53,837	48,377	44,097	40,738	36,917
%of Current Taxes Collected	98.50%	98.33%	98.72%	98.14%	97.79%
OTHER MAJOR TAXES LEVIES	2007	2006	2005	2004	2003
Linear Property Taxes	\$ 995	\$ 494	\$ 302	\$ 291	\$ 280
Government Grants in Lieu of Property Taxes	1,251	1,219	1,187	1,230	1,258
TOTAL MAJOR TAX LEVIES	\$ 2,246	\$ 1,713	\$ 1,489	\$ 1,521	\$ 1,538

ASSESSED VALUE FOR GENERAL MUNICIPAL PURPOSES

	2007	2006	2005	2004	2003
Residential	\$ 4,624,882,819	\$3,711,323,182	\$3,267,598,850	\$2,891,991,033	\$2,682,303,890
Multi-Family	195,412,522	158,534,513	154,684,483	151,539,751	150,436,471
Farmland	2,344,954	4,140,114	5,049,459	5,003,531	5,217,012
Commercial & Industrial	1,098,206,629	951,303,478	860,239,981	780,943,647	723,237,891
TOTAL TAXABLE ASSESSMENT	\$ 5,920,846,924	\$ 4,825,301,287	\$ 4,287,572,773	\$ 3,829,477,962	\$ 3,561,195,264

The accompanying notes are an integral part of these financial statements.

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

GENERAL MUNICIPAL REVENUES

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Other Income						
Investment Income	\$ 856	\$ 1,364	\$ 1,282	\$ 1,460	\$ 868	\$ 1,820
Licences, Fines and Penalties	121	182	129	114	124	121
Other Revenue	462	448	855	613	731	81
Transfer from Reserve	-	18	3	447	343	-
Contributions from Utilities and Land	25,280	27,973	26,010	25,430	24,694	23,980
Government Transfers						
Municipal Assistance Grant	875	875	875	875	875	1,237
TOTAL REVENUE	27,594	30,860	29,154	28,939	27,635	27,239
EXPENDITURES						
Salaries, Wages & Benefits	223	143	178	208	163	81
Contracted & General Services	361	245	177	239	352	294
Materials and Supplies	-	19	25	26	28	29
Other	16	1	2	17	3	5
Contingency	336	-	-	1,169	58	-
Transfer to Reserves	4,224	9,052	6,944	7,368	5,302	4,526
Interdepartmental Charges	-	9	21	-	27	-
TOTAL EXPENDITURES	5,160	9,469	7,347	9,027	5,933	4,935
NET OPERATING COST (REVENUE)	\$ (22,434)	\$ (21,391)	\$ (21,807)	\$ (19,912)	\$ (21,702)	\$ (22,304)

LEGISLATIVE

	2007 Budget	2007 Actual	2006	2005	2004	2003
EXPENDITURES						
Salaries, Wages & Benefits	\$ 346	\$ 353	\$ 328	\$ 323	\$ 315	\$ 307
Other Personnel Costs	77	62	67	51	48	60
Contracted & General Services	48	33	39	50	38	42
Materials and Supplies	5	15	10	11	3	4
Transfer to Reserve	-	(11)	19	(33)	33	-
Interdepartmental Charges	14	8	9	5	5	5
TOTAL EXPENDITURES	490	460	472	407	442	418
NET OPERATING COST (REVENUE)	\$ 490	\$ 460	\$ 472	\$ 407	\$ 442	\$ 418

The accompanying notes are an integral part of these financial statements.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

GENERAL GOVERNMENT

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Other Income						
Internal Recovery	\$ 2,302	\$ 2,030	\$ 1,890	\$ 1,855	\$ 1,992	\$ 1,606
Other Revenue	13	22	159	167	164	51
Transfer from Reserve	226	54	20	52	-	-
Government Transfers						
Grants - Federal and Provincial	-	27	6	-	-	-
TOTAL REVENUE	2,541	2,133	2,075	2,074	2,156	1,657
EXPENDITURES						
Salaries, Wages & Benefits	3,195	2,812	2,537	2,557	2,594	2,258
Other Personnel Costs	91	67	60	71	53	47
Contracted & General Services	1,514	1,380	1,435	1,135	1,003	730
Materials and Supplies	180	112	83	76	79	65
Principal on Long-Term Debt - Internal	26	27	21	20	19	5
Interest on Long-Term Debt - Internal	1	4	2	3	4	2
Transfer to Reserve	5	251	286	(109)	109	-
Transfer to Capital	-	7	-	-	-	-
Interdepartmental Charges	436	179	143	81	110	73
TOTAL EXPENDITURES	5,448	4,839	4,567	3,834	3,971	3,180
NET OPERATING COST (REVENUE)	\$ 2,907	\$ 2,706	\$ 2,492	\$ 1,760	\$ 1,815	\$ 1,523

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

FINANCE

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Other Income						
Internal Recovery	\$ 3,526	\$ 3,468	\$ 3,143	\$ 2,900	\$ 2,716	\$ 2,529
Other Revenue	395	538	490	282	269	223
Transfer from Reserve	23	21	34	-	-	-
Government Transfers						
Grants - Federal and Provincial	-	33	-	32	22	-
Flood Assistance	-	-	52	-	-	-
TOTAL REVENUE	3,944	4,060	3,719	3,214	3,007	2,752
EXPENDITURES						
Salaries, Wages & Benefits	4,420	3,987	3,676	3,349	3,301	3,113
Other Personnel Costs	88	70	71	62	62	53
Contracted & General Services	383	367	393	282	340	292
Materials and Supplies	186	176	187	198	192	191
Provisions for Allowances	21	-	21	20	20	20
Bank Charges	49	57	39	24	19	18
Other Expenditures	1	1	5	-	-	-
Principal on Long-Term Debt - Infrastructure	175	167	185	12	-	-
Interest on Long-Term Debt - Infrastructure	67	65	32	3	-	-
Principal on Long-Term Debt - Internal	373	372	369	350	330	294
Interest on Long-Term Debt - Internal	51	51	71	90	108	121
Transfer to Reserves	2	611	381	(121)	121	-
Interdepartmental Charges	807	793	767	840	810	751
TOTAL EXPENDITURES	6,623	6,717	6,197	5,109	5,303	4,853
NET OPERATING COST (REVENUE)	\$ 2,679	\$ 2,657	\$ 2,478	\$ 1,895	\$ 2,296	\$ 2,101

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

HUMAN RESOURCES

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Other Income						
Internal Recovery	\$ 1,043	\$ 1,115	\$ 1,011	\$ 937	\$ 894	\$ 849
Other Revenue	13	17	18	21	18	14
Transfer from Reserve	59	35	13	-	-	-
Government Transfers						
Grants - Federal and Provincial	-	1	-	(1)	17	25
Flood Assistance	-	-	-	1	-	-
TOTAL REVENUE	1,115	1,168	1,042	958	929	888
EXPENDITURES						
Salaries, Wages & Benefits	1,783	1,728	1,606	1,366	1,338	1,220
Other Personnel Costs	26	26	29	25	24	20
Contracted & General Services	317	250	254	240	243	279
Materials and Supplies	53	55	67	48	45	45
Provisions for Allowances	37	37	-	-	-	-
Interest on Long-Term Debt - ACFA	7	8	-	-	-	-
Principal on Long-Term Debt - Internal	24	20	16	33	33	31
Interest on Long-Term Debt - Internal	-	4	2	3	4	6
Transfer to Reserves	46	242	79	98	115	71
Interdepartmental Charges	197	174	179	223	230	231
TOTAL EXPENDITURES	2,490	2,544	2,232	2,036	2,032	1,903
NET OPERATING COST (REVENUE)	\$ 1,375	\$ 1,376	\$ 1,190	\$ 1,078	\$ 1,103	\$ 1,015

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

INFORMATION & COMPUTER SERVICES

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Other Income						
Internal Recovery	\$ 2,286	\$ 2,210	\$ 2,029	\$ 2,040	\$ 2,081	\$ 2,050
Other Revenue	28	20	28	11	40	31
Transfer from Reserve	13	13	20	-	-	-
TOTAL REVENUE	2,327	2,243	2,077	2,051	2,121	2,081
EXPENDITURES						
Salaries, Wages & Benefits	1,894	1,825	1,626	1,606	1,558	1,484
Other Personnel Costs	73	47	43	52	66	46
Contracted & General Services	433	396	356	423	348	363
Materials and Supplies	71	66	79	51	53	59
Principal on Long-Term Debt - Infrastructure	30	21	-	-	-	-
Interest on Long-Term Debt - Infrastructure	6	6	-	-	-	-
Principal on Long-Term Debt - ACFA	-	-	-	-	19	19
Principal on Long-Term Debt - Internal	25	25	7	22	21	24
Interest on Long-Term Debt - Internal	1	1	-	4	5	6
Transfer to Reserves	-	47	42	(154)	154	-
Interdepartmental Charges	61	67	192	145	44	40
TOTAL EXPENDITURES	2,594	2,501	2,345	2,149	2,268	2,041
NET OPERATING COST (REVENUE)	\$ 267	\$ 258	\$ 268	\$ 98	\$ 147	\$ (40)

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

CORPORATE ASSET MANAGEMENT

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Sale of Services	\$ 130	\$ 92	\$ 90	\$ 129	\$ 167	\$ 154
Other Income						
Internal Recovery	9,299	9,415	8,865	8,270	8,043	7,770
Other Revenue	130	512	307	169	153	150
Government Transfers						
Flood Assistance	-	-	-	67	-	-
TOTAL REVENUE	9,559	10,019	9,262	8,635	8,363	8,074
EXPENDITURES						
Salaries, Wages & Benefits	3,055	2,900	2,735	2,423	2,228	2,210
Other Personnel Costs	39	40	35	34	30	25
Contracted & General Services	2,377	3,046	2,464	2,339	2,049	2,048
Materials and Supplies	411	384	334	397	279	342
Principal on Long-Term Debt - ACFA	548	474	490	465	459	397
Interest on Long-Term Debt - ACFA	146	133	149	174	162	154
Principal on Long-Term Debt - Infrastructure	222	124	25	8	-	-
Interest on Long-Term Debt - Infrastructure	85	29	4	2	-	-
Principal on Long-Term Debt - Internal	244	244	225	199	150	33
Interest on Long-Term Debt - Internal	23	23	29	35	32	10
Transfer to Reserves	3,127	3,160	3,080	2,826	3,195	2,812
Interdepartmental Charges	904	1,076	1,025	815	803	783
TOTAL EXPENDITURES	11,181	11,633	10,595	9,717	9,387	8,814
NET OPERATING COST (REVENUE)	\$ 1,622	\$ 1,614	\$ 1,333	\$ 1,082	\$ 1,024	\$ 740

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

PROTECTIVE AND EMERGENCY SERVICES

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Sale of Services	\$ 258	\$ 309	\$ 293	\$ 173	\$ 348	\$ 255
Other Income						
Internal Recovery	59	67	61	44	(1)	9
Other Revenue	20	49	30	22	23	28
Transfer from reserve	5	5	8	-	613	322
Government Transfers						
Flood Assistance	-	-	-	13	-	-
TOTAL REVENUE	342	430	392	252	983	614
EXPENDITURES						
Salaries, Wages & Benefits	7,750	7,860	7,297	6,638	5,552	5,024
Other Personnel Costs	118	98	112	106	91	126
Contracted & General Services	97	76	82	244	1,556	1,012
Materials and Supplies	234	231	186	296	352	206
Principal on Long-Term Debt - ACFA	185	146	93	88	10	-
Interest on Long-Term Debt - ACFA	148	183	162	156	61	2
Principal on Long-Term Debt - Infrastructure	72	66	37	27	-	-
Interest on Long-Term Debt - Infrastructure	5	12	6	6	-	-
Principal on Long-Term Debt - Internal	5	7	5	6	79	33
Interest on Long-Term Debt - Internal	-	1	1	1	5	7
Transfer to Reserves	-	20	49	(111)	111	-
Interdepartmental Charges	733	715	655	572	439	420
TOTAL EXPENDITURES	9,347	9,415	8,685	8,029	8,256	6,830
NET OPERATING COST (REVENUE)	\$ 9,005	\$ 8,985	\$ 8,293	\$ 7,777	\$ 7,273	\$ 6,216

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

911 COMMUNICATIONS

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Sale of Services	\$ 509	\$ 478	\$ 474	\$ 359	\$ 278	\$ 245
Other Income						
Internal Recovery	81	84	81	77	71	66
Other Revenue	6	11	10	9	8	6
Transfer from Reserve	33	33	50	-	-	-
Government Transfers						
Flood Assistance	-	-	-	7	-	-
TOTAL REVENUE	629	606	615	452	357	317
EXPENDITURES						
Salaries, Wages & Benefits	1,727	1,691	1,561	1,452	1,384	1,299
Other Personnel Costs	19	21	20	9	8	10
Contracted & General Services	112	132	142	80	48	62
Materials and Supplies	62	40	53	32	44	29
Principal on Long-Term Debt - ACFA	21	21	20	19	18	-
Interest on Long-Term Debt - ACFA	2	1	2	3	4	3
Principal on Long-Term Debt - Infrastructure	52	47	9	5	-	-
Interest on Long-Term Debt - Infrastructure	3	11	2	1	-	-
Principal on Long-Term Debt - Internal	15	15	49	47	53	64
Interest on Long-Term Debt - Internal	1	1	3	6	9	11
Transfer to Reserves	-	8	16	39	(39)	-
Interdepartmental Charges	68	74	88	44	39	33
TOTAL EXPENDITURES	2,082	2,062	1,965	1,737	1,568	1,511
NET OPERATING COST (REVENUE)	\$ 1,453	\$ 1,456	\$ 1,350	\$ 1,285	\$ 1,211	\$ 1,194

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

COMMUNITY DEVELOPMENT

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Sale of Services	\$ 4,093	\$ 4,958	\$ 4,093	\$ 3,797	\$ 3,908	\$ 3,569
Other Income						
Internal Recovery	3	9	8	15	84	88
Other Revenue	228	350	270	256	270	247
Transfer from Reserve	154	54	81	-	603	51
Government Transfers						
Grants - Federal and Provincial	1,212	1,278	1,228	1,183	1,136	1,159
Flood Assistance	-	-	121	23	-	-
TOTAL REVENUE	5,690	6,649	5,801	5,274	6,001	5,114
EXPENDITURES						
Salaries, Wages & Benefits	7,203	7,700	7,253	6,741	6,561	6,193
Other Personnel Costs	99	85	84	90	81	78
Contracted & General Services	797	1,130	763	760	641	613
Materials and Supplies	2,431	2,444	2,217	2,932	3,156	2,536
Other Expenditures	7	17	13	-	-	-
Bank Charges	9	19	10	10	14	8
Principal on Long-Term Debt - ACFA	404	380	409	368	380	297
Interest on Long-Term Debt - ACFA	235	227	239	282	302	263
Principal on Long-Term Debt - Infrastructure	259	193	199	137	-	-
Interest on Long-Term Debt - Infrastructure	29	23	34	30	-	-
Principal on Long-Term Debt - Internal	54	54	52	165	472	208
Interest on Long-Term Debt - Internal	4	4	6	72	93	96
Grants and Other Transfers	159	196	176	135	343	201
Transfer to Reserves	9	2	-	(108)	128	-
Interdepartmental Charges	2,803	2,958	2,643	1,606	1,701	1,726
TOTAL EXPENDITURES	14,502	15,432	14,098	13,220	13,872	12,219
NET OPERATING COST (REVENUE)	\$ 8,812	\$ 8,783	\$ 8,297	\$ 7,946	\$ 7,871	\$ 7,105

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

CULTURAL DEVELOPMENT

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Sale of Services	\$ 1,020	\$ 1,236	\$ 932	\$ 522	\$ 24	\$ 31
Other Income						
Other Revenue	203	401	241	115	77	76
Transfer from Reserve	-	1	-	53	-	-
Government Transfers						
Grants - Federal and Provincial	179	141	207	139	131	136
TOTAL REVENUE	1,402	1,779	1,380	829	232	243
EXPENDITURES						
Salaries, Wages & Benefits	1,634	1,503	1,393	1,075	831	713
Other Personnel Costs	20	15	10	11	11	214
Contracted & General Services	1,259	1,506	1,191	696	233	14
Materials and Supplies	296	321	285	295	192	179
Bank Charges	3	32	21	32	2	1
Principal on Long-Term Debt - ACFA	45	25	23	75	75	69
Interest on Long-Term Debt - ACFA	75	44	34	92	92	98
Principal on Long-Term Debt - Infrastructure	10	14	10	-	-	-
Interest on Long-Term Debt - Infrastructure	127	2	2	-	-	-
Principal on Long-Term Debt - Internal	96	110	104	-	-	-
Interest on Long-Term Debt - Internal	63	36	42	-	-	-
Grants and Other Transfers	401	403	401	413	257	216
Transfer to Reserves	24	232	34	-	-	-
Interdepartmental Charges	727	728	671	265	112	107
TOTAL EXPENDITURES	4,780	4,971	4,221	2,954	1,805	1,611
NET OPERATING COST (REVENUE)	\$ 3,378	\$ 3,192	\$ 2,841	\$ 2,125	\$ 1,573	\$ 1,368

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

PARKS & OUTDOOR RECREATION

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Sale of Services	\$ 766	\$ 738	\$ 659	\$ 638	\$ 640	\$ 603
Other Income						
Internal Recovery	1,099	904	912	969	1,178	1,109
Other Revenue	266	418	284	291	298	62
Transfer from Reserve	108	108	5	-	-	-
Government Transfers						
Grants - Federal and Provincial	68	77	165	177	137	108
Debenture Interest Subsidy	-	-	1	1	4	6
Flood Assistance	-	71	1,427	658	-	-
TOTAL REVENUE	2,307	2,316	3,453	2,734	2,257	1,888
EXPENDITURES						
Salaries, Wages & Benefits	3,173	3,230	2,963	3,013	2,903	2,622
Other Personnel Costs	33	35	24	27	27	25
Contracted & General Services	869	897	2,167	1,520	730	649
Materials and Supplies	738	647	736	710	749	624
Bank Charges	8	10	10	8	9	7
Principal on Long-Term Debt - ACFA	174	163	204	196	239	203
Interest on Long-Term Debt - ACFA	152	128	142	133	138	138
Principal on Long-Term Debt - Infrastructure	277	162	38	9	-	-
Interest on Long-Term Debt - Infrastructure	94	38	7	2	-	-
Principal on Long-Term Debt - Internal	111	92	76	141	316	222
Interest on Long-Term Debt - Internal	13	10	10	17	30	41
Grants and Other Transfers	107	220	5	22	2	-
Transfer to Reserves	-	96	61	(63)	63	-
Transfer to Capital	-	-	-	-	-	1
Interdepartmental Charges	2,353	2,352	2,292	2,214	2,218	2,234
TOTAL EXPENDITURES	8,102	8,080	8,735	7,949	7,424	6,766
NET OPERATING COST (REVENUE)	\$ 5,795	\$ 5,764	\$ 5,282	\$ 5,215	\$ 5,167	\$ 4,878

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

POLICE SERVICES

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Sale of Services	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ 116
Other Income						
Licences, Fines and Penalties	3,418	3,708	3,478	3,414	2,627	1,972
Internal Recovery	63	71	65	62	84	52
Other Revenue	682	824	746	374	423	248
Transfer from Reserve	19	19	29	-	-	-
Government Transfers						
Grants - Federal and Provincial	958	982	961	883	855	66
Flood Assistance	-	-	-	2	-	-
TOTAL REVENUE	5,140	5,604	5,279	4,736	3,989	2,454
EXPENDITURES						
Salaries, Wages & Benefits	12,610	12,680	11,709	10,692	9,796	9,344
Other Personnel Costs	494	616	472	387	402	529
Contracted & General Services	965	1,003	1,090	1,178	1,314	1,108
Materials and Supplies	803	933	865	827	733	554
Principal on Long-Term Debt - ACFA	775	766	709	797	712	547
Interest on Long-Term Debt - ACFA	185	164	221	277	335	369
Principal on Long-Term Debt - Infrastructure	29	33	22	13	-	-
Interest on Long-Term Debt - Infrastructure	4	6	4	3	-	-
Principal on Long-Term Debt - Internal	62	63	69	77	93	78
Interest on Long-Term Debt - Internal	6	6	12	19	26	29
Transfer to Reserves	-	10	4	(82)	237	1
Interdepartmental Charges	870	979	900	764	719	655
TOTAL EXPENDITURES	16,803	17,259	16,077	14,952	14,367	13,214
NET OPERATING COST (REVENUE)	\$ 11,663	\$ 11,655	\$ 10,798	\$ 10,216	\$ 10,378	\$ 10,760

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

PLANNING BUILDING & DEVELOPMENT

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Other Income						
Licences, Fines and Penalties	\$ 1,761	\$ 2,177	\$ 1,892	\$ 1,847	\$ 2,052	\$ 1,620
Internal Recovery	335	156	161	146	156	192
Other Revenue	259	333	363	663	296	373
Transfer from Reserve	29	29	41	-	-	-
Government Transfers						
Grants - Federal and Provincial	-	-	6	-	-	1
Flood Assistance	-	-	-	5	-	-
TOTAL REVENUE	2,384	2,695	2,463	2,661	2,504	2,186
EXPENDITURES						
Salaries, Wages & Benefits	3,011	2,686	2,292	2,248	2,047	1,879
Other Personnel Costs	57	66	44	45	30	31
Contracted & General Services	126	101	63	114	74	73
Materials and Supplies	125	160	71	98	60	55
Principal on Long-Term Debt - ACFA	111	111	106	101	97	23
Interest on Long-Term Debt - ACFA	9	6	11	16	21	17
Principal on Long-Term Debt - Infrastructure	71	4	4	4	-	-
Interest on Long-Term Debt - Infrastructure	1	1	1	1	-	-
Principal on Long-Term Debt - Internal	15	15	21	42	24	22
Interest on Long-Term Debt - Internal	1	1	2	6	4	6
Transfer to Reserves	-	230	422	(206)	206	-
Interdepartmental Charges	277	257	236	220	190	186
TOTAL EXPENDITURES	3,804	3,638	3,273	2,689	2,753	2,292
NET OPERATING COST (REVENUE)	\$ 1,420	\$ 943	\$ 810	\$ 28	\$ 249	\$ 106

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

MUNICIPAL WORKS

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Sale of Services	\$ 685	\$ 868	\$ 716	\$ 681	\$ 639	\$ 610
Other Income						
Internal Recovery	1,658	1,859	1,753	1,549	2,060	1,501
Other Revenue	47	96	64	68	54	65
Transfer from Reserve	6	6	11	-	-	-
Government Transfers						
Grants - Federal and Provincial	701	679	749	718	540	601
Debenture Interest Subsidy	-	-	-	-	-	3
Flood Assistance	-	78	384	321	-	-
TOTAL REVENUE	3,097	3,586	3,677	3,337	3,293	2,780
EXPENDITURES						
Salaries, Wages & Benefits	3,438	3,189	2,938	2,854	2,685	2,481
Other Personnel Costs	51	35	48	58	36	32
Contracted & General Services	716	1,050	1,699	1,053	935	771
Materials and Supplies	1,580	1,864	1,695	1,656	1,638	1,474
Principal on Long-Term Debt - ACFA	767	688	695	789	754	1,029
Interest on Long-Term Debt - ACFA	653	646	604	612	611	667
Principal on Long-Term Debt - Infrastructure	374	324	150	46	-	-
Interest on Long-Term Debt - Infrastructure	128	67	28	12	-	-
Principal on Long-Term Debt - Internal	282	284	326	447	420	331
Interest on Long-Term Debt - Internal	37	36	50	76	97	94
Transfer to Reserves	-	30	83	42	(42)	-
Transfer to Capital	-	-	3	24	10	10
Interdepartmental Charges	3,713	3,878	3,455	2,980	2,839	2,687
TOTAL EXPENDITURES	11,739	12,091	11,774	10,649	9,983	9,576
NET OPERATING COST (REVENUE)	\$ 8,642	\$ 8,505	\$ 8,097	\$ 7,312	\$ 6,690	\$ 6,796

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

LAND & SUBDIVISION DEVELOPMENT

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Sale of Services	\$ 29,801	\$ 33,894	\$ 20,035	\$ 17,161	\$ 21,940	\$ 15,166
Other Income						
Investment Income	3	3	3	4	29	106
Licences fines and Penalties	48	33	195	64	63	13
Other Revenue	34	42	16	43	48	918
Government Transfers						
Flood Assistance	-	-	10	116	-	-
TOTAL REVENUE	29,886	33,972	20,259	17,388	22,080	16,203
EXPENDITURES						
Salaries, Wages & Benefits	428	402	410	388	374	351
Other Personnel Costs	9	3	5	7	3	1
Contracted & General Services	105	57	48	164	75	92
Materials and Supplies	25,230	27,149	16,975	13,471	14,598	8,831
Provisions for Allowances	2	2	2	2	2	5
Transfer to General	-	21	852	241	10	12,875
Transfer to Capital	-	-	97	172	5	138
Interdepartmental Charges	541	545	538	456	465	468
TOTAL EXPENDITURES	26,315	28,179	18,927	14,901	15,532	22,761
NET OPERATING COST (REVENUE)	\$ (3,571)	\$ (5,793)	\$ (1,332)	\$ (2,487)	\$ (6,548)	\$ 6,558

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

WATER

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Taxes	\$ 127	\$ 118	\$ 113	\$ 113	\$ 111	\$ 118
Sale of Services	10,623	11,283	9,886	7,968	7,781	7,609
Other Income						
Internal Recovery	861	674	594	576	479	436
Other Revenue	889	962	1,172	965	598	594
Government Transfers						
Debenture Interest Subsidy	1	-	1	7	13	18
Flood Assistance	-	-	-	3	-	-
TOTAL REVENUE	12,501	13,037	11,766	9,632	8,982	8,775
EXPENDITURES						
Salaries, Wages & Benefits	2,799	3,044	2,618	2,295	2,004	1,860
Contracted & General Services	486	418	374	378	372	393
Materials and Supplies	944	1,062	948	960	854	887
Provisions for Allowances	42	42	34	-	54	24
Principal on Long-Term Debt - ACFA	1,759	1,661	1,291	1,444	1,341	1,224
Interest on Long-Term Debt - ACFA	2,554	2,018	1,393	1,433	1,549	1,667
Principal on Long-Term Debt - Internal	116	108	133	92	150	217
Interest on Long-Term Debt - Internal	31	27	37	41	56	53
Transfer to Capital	252	252	329	455	275	372
Interdepartmental Charges	2,610	2,498	2,270	2,314	2,292	2,106
Contribution to General Fund	546	546	546	546	530	398
TOTAL EXPENDITURES	12,139	11,676	9,973	9,958	9,477	9,201
NET OPERATING COST (REVENUE)	\$ (362)	\$ (1,361)	\$ (1,793)	\$ 326	\$ 495	\$ 426

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

SEWER

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Taxes	\$ 127	\$ 118	\$ 113	\$ 113	\$ 111	\$ 143
Sale of Services	8,737	9,623	8,132	7,244	6,507	5,757
Other Income						
Internal Recovery	228	218	211	207	197	164
Other Revenue	202	674	1,055	960	305	290
Government Transfers						
Debenture Interest Subsidy	-	-	1	8	26	40
Flood Assistance	-	-	-	850	-	-
TOTAL REVENUE	9,294	10,633	9,512	9,382	7,146	6,394
EXPENDITURES						
Salaries, Wages & Benefits	2,770	2,646	2,366	2,151	1,852	1,689
Contracted & General Services	343	254	275	1,065	246	272
Materials and Supplies	887	934	1,010	840	850	817
Provisions for Allowances	32	32	27	-	22	11
Principal on Long-Term Debt - ACFA	1,452	1,388	1,253	1,452	1,409	1,185
Interest on Long-Term Debt - ACFA	2,135	1,712	1,698	1,693	1,460	1,429
Principal on Long-Term Debt - Internal	10	21	95	90	96	98
Interest on Long-Term Debt - Internal	4	4	10	15	21	28
Transfer to Capital	123	158	795	310	181	131
Interdepartmental Charges	1,515	1,679	1,552	1,542	1,627	1,471
Contribution to General Fund	190	190	190	190	184	130
TOTAL EXPENDITURES	9,461	9,018	9,271	9,348	7,948	7,261
NET OPERATING COST (REVENUE)	\$ 167	\$ (1,615)	\$ (241)	\$ (34)	\$ 802	\$ 867

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

SOLID WASTE

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Sale of Services	\$ 5,292	\$ 5,805	\$ 5,191	\$ 5,246	\$ 4,693	\$ 5,567
Other Income						
Internal Recovery	260	288	280	84	94	31
Other Revenue	432	545	365	39	-	-
TOTAL REVENUE	5,984	6,638	5,836	5,369	4,787	5,598
EXPENDITURES						
Salaries, Wages & Benefits	2,371	2,276	2,120	1,823	1,616	1,544
Contracted & General Services	959	942	1,074	851	796	1,035
Materials and Supplies	741	595	870	664	519	512
Provisions for Allowances	13	13	11	-	8	7
Principal on Long-Term Debt - ACFA	141	142	133	122	102	96
Interest on Long-Term Debt - ACFA	123	98	105	114	106	111
Principal on Long-Term Debt - Internal	50	56	99	75	87	81
Interest on Long-Term Debt - Internal	11	12	12	10	20	21
Transfer to Capital	514	435	646	663	286	132
Site Abandonment	80	315	268	1,455	80	78
Interdepartmental Charges	1,392	1,293	1,234	1,358	1,388	1,203
Contribution to General Fund	80	80	80	80	78	60
TOTAL EXPENDITURES	6,475	6,257	6,652	7,215	5,086	4,880
NET OPERATING COST (REVENUE)	\$ 491	\$ (381)	\$ 816	\$ 1,846	\$ 299	\$ (718)

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

ELECTRIC

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Sale of Services	\$ 70,278	\$ 72,208	\$ 74,589	\$ 58,263	\$ 56,212	\$ 54,612
Other Income						
Investment Income	988	715	707	597	47	75
Internal Recovery	3,895	3,934	3,700	3,007	2,858	2,742
Transfer from Gas	12,290	3,504	12,101	10,282	6,315	11,465
Transfer from CMH Dividend		8,153				
Other Revenue	6,095	2,271	7,084	9,309	5,202	1,168
Government Transfers						
Grants - Federal and Provincial	-	-	3	-	-	-
Flood Assistance	-	-	66	38	-	-
TOTAL REVENUE	93,546	90,785	98,250	81,496	70,634	70,062
EXPENDITURES						
Salaries, Wages & Benefits	9,264	9,214	8,682	7,851	7,593	7,050
Other Personnel Costs	220	199	151	129	102	133
Contracted & General Services	2,024	4,322	1,927	1,837	1,959	4,365
Materials and Supplies	19,632	11,097	16,213	15,596	12,728	13,556
Provisions for Allowances	86	86	85	-	101	92
Principal on Long-Term Debt - ACFA	4,001	5,312	3,484	3,206	2,959	2,527
Interest on Long-Term Debt - ACFA	4,486	4,854	4,418	4,482	4,660	4,452
Principal on Long-Term Debt - Internal	393	-	13,452	3,182	3,011	2,850
Interest on Long-Term Debt - Internal	605	-	641	976	1,147	1,308
Transfer to Reserves	-	7,608	1,235	2,646	-	4,950
Transfer to (from) Capital	296	661	722	(22)	930	503
Interdepartmental Charges	38,851	39,944	41,635	34,772	32,920	25,846
Contribution to General Fund	4,879	5,303	5,342	4,879	4,737	2,134
TOTAL EXPENDITURES	84,737	88,600	97,988	79,534	72,847	69,767
NET OPERATING COST (REVENUE)	\$ (8,809)	\$ (2,185)	\$ (262)	\$ (1,962)	\$ 2,213	\$ (295)

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF OPERATING REVENUE & EXPENDITURES BY DEPARTMENT

GAS

	2007 Budget	2007 Actual	2006	2005	2004	2003
REVENUE						
Sale of Services	\$ 140,179	\$ 194,009	\$ 177,853	\$ 185,553	\$ 158,288	\$ 154,453
Surplus (Loss) from Subsidiary	(762)	1,105	776	1,712	180	(1,886)
Other Income						
Investment Income	6,158	9,250	9,304	6,140	6,251	4,616
Internal Recovery	375	848	725	1,253	1,139	815
Other Revenue	30	3,186	1,107	1,244	984	505
Government Transfers						
Flood Assistance	-	-	-	6	-	-
TOTAL REVENUE	145,980	208,398	189,765	195,908	166,842	158,503
EXPENDITURES						
Salaries, Wages & Benefits	9,826	9,779	8,532	7,622	7,105	6,363
Other Personnel Costs	225	230	265	255	187	149
Contracted & General Services	19,756	23,109	18,688	15,595	14,738	11,677
Materials and Supplies	4,124	14,880	12,599	8,770	8,339	7,975
Royalties	19,176	13,825	12,292	17,474	14,335	15,777
Provisions for Allowances	46	46	38	-	51	36
Bank Charges	-	1,458	-	1	-	33
Principal on Long-Term Debt - ACFA	3,810	3,810	3,583	3,400	3,227	3,062
Interest on Long-Term Debt - ACFA	555	550	713	887	1,067	1,238
Write off Bad Debts - Electric	12,290	3,504	12,101	10,282	6,316	11,465
Transfer to Reserves	38,208	88,022	73,610	92,265	66,625	57,121
Transfer to Capital	11,320	(2,867)	9,340	4,125	11,446	7,053
Interdepartmental Charges	10,966	13,784	17,916	16,827	14,545	13,663
Contribution to General Fund	19,585	29,955	19,585	19,585	19,015	21,108
TOTAL EXPENDITURES	149,888	200,086	189,262	197,088	166,996	156,720
NET OPERATING COST (REVENUE)	\$ 3,908	\$ (8,312)	\$ (503)	\$ 1,180	\$ 154	\$ (1,783)

The accompanying notes are an integral part of these financial statements.

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF CAPITAL FINANCING & EXPENDITURES BY DEPARTMENT

GENERAL GOVERNMENT

	2007 Budget	2007 Actual	2006	2005	2004	2003
Government Transfers	\$ -	14	\$ 136	\$ 59	\$ -	\$ -
Reserves	-	14	86	244	86	(2)
Debt - Internal	110	-	-	-	-	70
Debt - Infrastructure	-	73	-	-	-	-
TOTAL FINANCING	110	101	222	303	86	68
EXPENDITURES						
Machinery & Equipment	30	-	42	47	-	-
Non - Asset Increasing	80	119	297	298	123	137
TOTAL EXPENDITURES	110	119	339	345	123	137
CHANGE IN CAPITAL FUND	\$ -	\$ (18)	\$ (117)	\$ (42)	\$ (37)	\$ (69)

FINANCE

	2007 Budget	2007 Actual	2006	2005	2004	2003
Government Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54
Other	-	-	-	-	10	-
Reserves	-	-	728	983	86	75
Debt - Internal	364	-	-	-	7	105
Debt - Infrastructure	-	46	-	-	-	-
TOTAL FINANCING	364	46	728	983	103	234
EXPENDITURES						
Machinery & Equipment	-	1	728	917	75	105
Non - Asset Increasing	364	46	12	26	29	102
TOTAL EXPENDITURES	364	47	740	943	104	207
CHANGE IN CAPITAL FUND	\$ -	\$ (1)	\$ (12)	\$ 40	\$ (1)	\$ 27

The accompanying notes are an integral part of these financial statements.

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF CAPITAL FINANCING & EXPENDITURES BY DEPARTMENT

HUMAN RESOURCES

	2007 Budget	2007 Actual	2006	2005	2004	2003
Reserves	\$ -	\$ -	\$ (30)	\$ 19	\$ 7	\$ 96
Debt - ACFA	-	-	200	-	-	-
Debt - Internal	750	-	72	33	-	-
Debt - Infrastructure	-	485	-	-	-	-
TOTAL FINANCING	750	485	242	52	7	96
EXPENDITURES						
Machinery & Equipment	750	608	149	-	-	4
Non - Asset Increasing	-	9	4	72	7	96
TOTAL EXPENDITURES	750	617	153	72	7	100
CHANGE IN CAPITAL FUND	\$ -	\$ (132)	\$ 89	\$ (20)	\$ -	\$ (4)

INFORMATION & COMPUTER SERVICES

	2007 Budget	2007 Actual	2006	2005	2004	2003
Other	\$ -	\$ -	\$ 10	\$ -	\$ -	\$ -
Reserves	-	-	115	547	806	556
Debt - Internal	50	-	-	-	-	-
Debt - Infrastructure	-	50	-	-	-	-
TOTAL FINANCING	50	50	125	547	806	556
EXPENDITURES						
Machinery & Equipment	-	-	-	16	117	10
Non - Asset Increasing	50	283	204	461	296	309
TOTAL EXPENDITURES	50	283	204	477	413	319
CHANGE IN CAPITAL FUND	\$ -	\$ (233)	\$ (79)	\$ 70	\$ 393	\$ 237

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF CAPITAL FINANCING & EXPENDITURES BY DEPARTMENT

CORPORATE ASSET MANAGEMENT

	2007 Budget	2007 Actual	2006	2005	2004	2003
Government Transfers	\$ -	\$ -	\$ -	\$ 1,664	\$ -	\$ -
Proceeds from Sale of Assets	-	-	189	-	-	-
Other	-	-	-	598	179	-
Reserves	-	96	3,991	1,877	2,375	-
Debt - ACFA	380	-	370	-	1,100	-
Debt - Internal	2,171	-	65	180	312	-
Debt - Infrastructure	-	1,192	539	-	-	-
TOTAL FINANCING	2,551	1,288	5,154	4,319	3,966	-
EXPENDITURES						
Engineering Structures	-	-	-	77	-	-
Buildings	550	464	52	26	39	-
Machinery & Equipment	96	82	62	134	-	-
Mobile Equipment	-	-	3,673	4,984	3,189	-
Non - Asset Increasing	1,905	781	975	95	464	-
TOTAL EXPENDITURES	2,551	1,327	4,762	5,316	3,692	-
CHANGE IN CAPITAL FUND	\$ -	\$ (39)	\$ 392	\$ (997)	\$ 274	\$ -

PROTECTIVE / EMERGENCY SERVICES

	2007 Budget	2007 Actual	2006	2005	2004	2003
Government Transfers	\$ -	\$ -	\$ -	\$ 3	\$ 37	\$ 83
Other	-	-	-	-	10	-
Reserves	-	-	(30)	56	158	24
Debt - ACFA	-	-	825	-	2,650	350
Debt - Internal	150	-	11	-	144	-
Debt - Infrastructure	-	169	151	-	-	-
TOTAL FINANCING	150	169	957	59	2,999	457
EXPENDITURES						
Buildings	-	17	37	469	2,609	184
Machinery & Equipment	150	142	556	19	68	89
Non - Asset Increasing	-	64	20	44	247	12
TOTAL EXPENDITURES	150	223	613	532	2,924	285
CHANGE IN CAPITAL FUND	\$ -	\$ (54)	\$ 344	\$ (473)	\$ 75	\$ 172

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF CAPITAL FINANCING & EXPENDITURES BY DEPARTMENT

9-1-1 COMMUNICATIONS

	2007 Budget	2007 Actual	2006	2005	2004	2003
Reserves	\$ -	\$ -	\$ 2	\$ 65	\$ 49	\$ 49
Debt - ACFA	-	-	-	-	-	100
Debt - Internal	-	-	-	-	28	57
Debt - Infrastructure	-	-	208	-	-	-
TOTAL FINANCING	-	-	210	65	77	206
EXPENDITURES						
Buildings	-	-	103	-	-	-
Machinery & Equipment	-	-	13	4	15	163
Non - Asset Increasing	-	-	94	68	79	74
TOTAL EXPENDITURES	-	-	210	72	94	237
CHANGE IN CAPITAL FUND	\$ -	\$ -	\$ -	\$ (7)	\$ (17)	\$ (31)

COMMUNITY DEVELOPMENT

	2007 Budget	2007 Actual	2006	2005	2004	2003
Government Transfers	\$ -	\$ 43	\$ 14	\$ -	\$ -	\$ -
Other	-	35	184	1	2,141	560
Operating Fund	-	43	-	-	-	-
Reserves	-	(3)	-	439	75	154
Debt - ACFA	-	-	-	570	-	2,500
Debt - Internal	312	-	-	-	703	260
Debt - Infrastructure	-	211	(124)	-	-	-
TOTAL FINANCING	312	329	74	1,010	2,919	3,474
EXPENDITURES						
Engineering Structures	-	-	-	-	58	43
Buildings	230	24	354	446	2,856	3,088
Machinery & Equipment	12	86	56	35	14	4
Non - Asset Increasing	70	203	123	111	41	92
TOTAL EXPENDITURES	312	313	533	592	2,969	3,227
CHANGE IN CAPITAL FUND	\$ -	\$ 16	\$ (459)	\$ 418	\$ (50)	\$ 247

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
 (In Thousands of Dollars)

SCHEDULE OF CAPITAL FINANCING & EXPENDITURES BY DEPARTMENT

CULTURAL DEVELOPMENT

	2007 Budget	2007 Actual	2006	2005	2004	2003
Government Transfers	\$ -	\$ 60	\$ 323	\$ 487	\$ 6,385	\$ 750
Land Sales	-	-	258	-	-	-
Other	-	461	313	3,134	1,959	-
Reserves	-	-	144	11,472	10,633	6,188
Debt - ACFA	-	775	-	750	-	-
Debt - Internal	18	-	-	-	38	-
Debt - Infrastructure	-	537	16	-	-	-
TOTAL FINANCING	18	1,833	1,054	15,843	19,015	6,938
EXPENDITURES						
Engineering Structures	-	-	258	-	10	138
Buildings	-	831	1,372	15,467	18,972	5,055
Machinery & Equipment	18	40	16	128	16	-
Non - Asset Increasing	-	750	775	-	11	11
TOTAL EXPENDITURES	18	1,621	2,421	15,595	19,009	5,204
CHANGE IN CAPITAL FUND	\$ -	\$ 212	\$ (1,367)	\$ 248	\$ 6	\$ 1,734

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF CAPITAL FINANCING & EXPENDITURES BY DEPARTMENT

PARKS & OUTDOOR RECREATION

	2007 Budget	2007 Actual	2006	2005	2004	2003
Government Transfers	\$ -	\$ 41	\$ 7	\$ 189	\$ 249	\$ 470
Developers Levies	-	90	65	-	25	-
Land Sales	-	3,791	633	1,370	354	414
Reserves	-	28	(19)	72	52	108
Other	-	-	98	-	-	-
Operations	-	-	-	-	-	1
Debt - ACFA	-	-	-	574	371	472
Debt - Internal	-	2	67	-	-	-
Debt - Infrastructure	250	1,703	678	179	158	68
TOTAL FINANCING	250	5,655	1,529	2,384	1,209	1,533
EXPENDITURES						
Engineering Structures	250	5,886	1,334	1,906	1,101	1,109
Buildings	-	(270)	1	251	58	183
Machinery & Equipment	-	-	-	-	7	21
Non - Asset Increasing	-	19	469	62	23	120
TOTAL EXPENDITURES	250	5,635	1,804	2,219	1,189	1,433
CHANGE IN CAPITAL FUND	\$ -	\$ 20	\$ (275)	\$ 165	\$ 20	\$ 100

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF CAPITAL FINANCING & EXPENDITURES BY DEPARTMENT

POLICE SERVICES

	2007 Budget	2007 Actual	2006	2005	2004	2003
Reserves	\$ -	\$ -	\$ -	\$ 325	\$ 31	\$ 185
Debt - ACFA	-	-	220	200	140	984
Debt - Internal	139	-	-	-	69	72
Debt - Infrastructure	-	69	54	-	-	-
TOTAL FINANCING	139	69	274	525	240	1,241
EXPENDITURES						
Buildings	-	-	-	71	14	45
Machinery & Equipment	-	55	14	178	101	614
Non - Asset Increasing	139	87	190	270	101	80
TOTAL EXPENDITURES	139	142	204	519	216	739
CHANGE IN CAPITAL FUND	\$ -	\$ (73)	\$ 70	\$ 6	\$ 24	\$ 502

PLANNING, BUILDING & DEVELOPMENT

	2007 Budget	2007 Actual	2006	2005	2004	2003
Other	\$ 10	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Fund	-	79	-	-	-	-
Reserves	-	-	(32)	16	64	209
Debt - ACFA	-	-	-	-	-	400
Debt - Internal	275	-	-	-	-	-
Debt - Infrastructure	-	111	-	-	-	-
TOTAL FINANCING	285	190	(32)	16	64	609
EXPENDITURES						
Machinery & Equipment	-	101	-	-	218	275
Non - Asset Increasing	285	106	5	27	154	92
TOTAL EXPENDITURES	285	207	5	27	372	367
CHANGE IN CAPITAL FUND	\$ -	\$ (17)	\$ (37)	\$ (11)	\$ (308)	\$ 242

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF CAPITAL FINANCING & EXPENDITURES BY DEPARTMENT

MUNICIPAL WORKS

	2007 Budget	2007 Actual	2006	2005	2004	2003
Government Transfers	\$ 2,723	\$ 28,964	\$ 2,974	\$ 2,803	\$ 2,678	\$ 3,562
Developers Levies	-	1,540	433	201	55	105
Land Sales	-	8,145	9,607	6,315	7,370	3,134
Reserves	-	(104)	(19)	40	124	3,397
Operations	-	-	-	24	1	-
Debt - ACFA	1,600	-	2,351	1,755	710	1,087
Debt - Internal	-	22	14	-	-	-
Debt - Infrastructure	312	582	928	592	422	1,276
TOTAL FINANCING	4,635	39,149	16,288	11,730	11,360	12,561
EXPENDITURES						
Engineering Structures	4,635	37,583	15,982	10,030	12,159	7,825
Buildings	-	106	2	8	22	6
Machinery & Equipment	-	182	761	34	29	122
Land	-	999	51	-	141	173
Mobile Equipment	-	-	-	-	-	2,899
Non - Asset Increasing	-	396	176	396	293	1,271
TOTAL EXPENDITURES	4,635	39,266	16,972	10,468	12,644	12,296
CHANGE IN CAPITAL FUND	\$ -	\$ (117)	\$ (684)	\$ 1,262	\$ (1,284)	\$ 265

LAND & SUBDIVISION DEVELOPMENT

	2007 Budget	2007 Actual	2006	2005	2004	2003
Operations	\$ -	\$ -	\$ 97	\$ 172	\$ 5	\$ 138
TOTAL FINANCING	-	-	97	172	5	138
EXPENDITURES						
Land	-	-	97	172	5	138
TOTAL EXPENDITURES	-	-	97	172	5	138
CHANGE IN CAPITAL FUND	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF CAPITAL FINANCING & EXPENDITURES BY DEPARTMENT

WATER

	2007 Budget	2007 Actual	2006	2005	2004	2003
Land Sales	\$ -	\$ 2,012	\$ 2,329	\$ 1,228	\$ 1,161	\$ 1,215
Operations	252	252	329	455	275	372
Debt - ACFA	250	17,150	14,750	215	36	375
Debt - Internal	-	-	-	172	-	-
Other	-	-	-	-	-	9
TOTAL FINANCING	502	19,414	17,408	2,070	1,472	1,971
EXPENDITURES						
Engineering Structures	372	15,614	17,332	3,103	1,751	1,328
Buildings	-	-	-	-	-	127
Machinery & Equipment	130	114	112	146	295	61
Non - Asset Increasing	-	5	9	-	-	-
TOTAL EXPENDITURES	502	15,733	17,453	3,249	2,046	1,516
CHANGE IN CAPITAL FUND	\$ -	\$ 3,681	\$ (45)	\$ (1,179)	\$ (574)	\$ 455

SEWER

	2007 Budget	2007 Actual	2006	2005	2004	2003
Land Sales	\$ -	\$ 1,653	\$ 2,615	\$ 667	\$ 1,098	\$ 1,275
Operations	123	158	795	310	181	99
Debt - ACFA	8,650	4,761	2,307	3,500	7,765	2,275
TOTAL FINANCING	8,773	6,572	5,717	4,477	9,044	3,649
EXPENDITURES						
Engineering Structures	8,800	5,389	7,164	1,458	10,577	4,412
Buildings	23	-	-	-	-	-
Machinery & Equipment	-	-	-	7	32	14
Non - Asset Increasing	-	-	3	-	-	-
TOTAL EXPENDITURES	8,823	5,389	7,167	1,465	10,609	4,426
CHANGE IN CAPITAL FUND	\$ (50)	\$ 1,183	\$ (1,450)	\$ 3,012	\$ (1,565)	\$ (777)

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF CAPITAL FINANCING & EXPENDITURES BY DEPARTMENT

SOLID WASTE

	2007 Budget	2007 Actual	2006	2005	2004	2003
Operations	\$ 514	\$ 435	\$ 646	\$ 663	\$ 286	\$ 132
Other	-	-	-	-	400	36
Debt - ACFA	-	-	-	250	110	-
Debt - Internal	-	-	112	124	-	-
TOTAL FINANCING	514	435	758	1,037	796	168
EXPENDITURES						
Engineering Structures	150	8	14	410	390	15
Buildings	115	6	44	-	21	54
Machinery & Equipment	305	47	151	17	56	154
Non - Asset Increasing	-	-	-	-	550	-
TOTAL EXPENDITURES	570	61	209	427	1,017	223
CHANGE IN CAPITAL FUND	\$ (56)	\$ 374	\$ 549	\$ 610	\$ (221)	\$ (55)

ELECTRIC

	2007 Budget	2007 Actual	2006	2005	2004	2003
Developers Levies	\$ 828	\$ 2,900	\$ 1,412	\$ 2,062	\$ 962	\$ 876
Other	640	543	1,243	319	1,112	583
Reserves	326	13,126	1,604	-	-	1,714
Operations	4,690	5,973	17,658	6,366	6,900	5,880
Debt - ACFA	4,209	(3,145)	16,200	(1,936)	(2,060)	11,418
Debt - Internal	(393)	-	(13,453)	(3,182)	(3,011)	(2,850)
TOTAL FINANCING	10,300	19,397	24,664	3,629	3,903	17,621
EXPENDITURES						
Engineering Structures	10,139	6,566	23,456	2,825	3,103	20,168
Buildings	-	352	177	1,229	90	617
Machinery & Equipment	161	291	312	142	229	193
TOTAL EXPENDITURES	10,300	7,209	23,945	4,196	3,422	20,978
CHANGE IN CAPITAL FUND	\$ -	\$ 12,188	\$ 719	\$ (567)	\$ 481	\$ (3,357)

The above represents actual transactions before consolidation eliminations.

FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007
(In Thousands of Dollars)

SCHEDULE OF CAPITAL FINANCING & EXPENDITURES BY DEPARTMENT

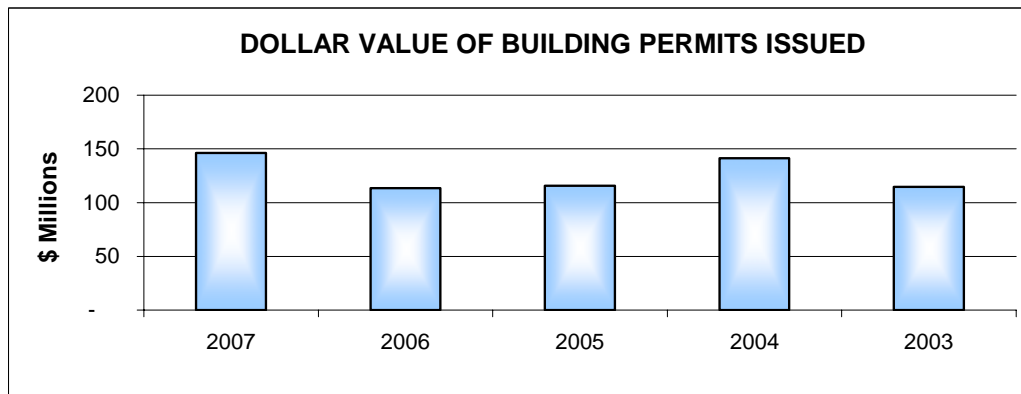
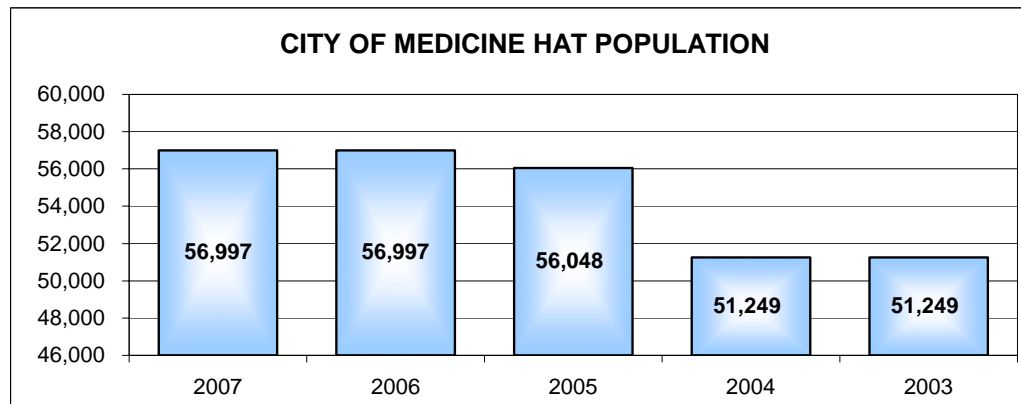
GAS

	2007 Budget	2007 Actual	2006	2005	2004	2003
Developers Levies	\$ 1,011	\$ 1,168	\$ 882	\$ 1,456	\$ 1,004	\$ 734
Proceeds from Sale of Assets	-	335	1,785	55	1,862	4,851
Other	-	262	929	206	308	366
Reserves	42,461	142,897	44,290	34,851	41,651	27,203
Operations	15,130	943	12,923	7,524	14,673	10,115
Debt - ACFA	(2,790)	2,154	(2,488)	(3,400)	(3,227)	(3,062)
TOTAL FINANCING	55,812	147,759	58,321	40,692	56,271	40,207
EXPENDITURES						
Engineering Structures	55,052	157,021	45,095	54,165	36,645	44,574
Buildings	-	-	-	-	10	18
Machinery & Equipment	310	255	582	344	390	292
Non-Asset Increasing	450	819	929	206	308	463
TOTAL EXPENDITURES	55,812	158,095	46,606	54,715	37,353	45,347
CHANGE IN CAPITAL FUND	\$ -	\$ (10,336)	\$ 11,715	\$ (14,023)	\$ 18,918	\$ (5,140)

The above represents actual transactions before consolidation eliminations.

FOR THE YEARS ENDED DECEMBER 31, 2003 - 2007

DEMOGRAPHICS & OTHER INFORMATION



OTHER	2007	2006	2005	2004	2003
Area, Square Kilometers	112	112	112	112	112
Km of Wastewater Mains	386	387	379	371	361
Km of Water Mains	424	417	408	395	389
KM of Storm Drainage Mains	232	225	217	201	194

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FINANCIAL COMPARISON 1999 - 2007 Consolidated Balance Sheet (In Thousands of Dollars)

Assets	2007	2006	2005	2004	2003	2002	2001	2000	1999
Cash and Investments	\$ 233,331	\$ 254,671	\$ 195,815	\$ 141,717	\$ 101,079	\$ 62,909	\$ 81,849	\$ 89,808	\$ 40,355
Investment In Subsidiary	-	-	-	-	-	-	47,360	-	-
Advances to Subsidiary	18,016	17,958	18,978	20,448	21,270	31,009	11,515	-	-
Accounts Receivable (Net of Allowances)	47,541	46,308	39,449	33,192	26,630	31,748	21,536	35,059	19,188
Inventory for Consumption	12,145	9,881	8,422	9,275	8,739	8,889	8,296	10,097	9,533
Inventories for Resale	21,765	27,696	22,177	20,022	17,800	18,545	18,433	14,541	13,845
Deposits and Other Assets	1,920	1,761	3,222	2,308	1,291	1,164	959	538	1,856
Prepaid Expenses	1,031	1,152	1,068	934	615	771	6,688	1,205	-
Long Lived Asset - Retirement Obligation	43,522	21,795	19,403	19,828	13,760	5,875	-	-	-
Capital Assets	1,127,516	963,304	904,689	867,318	820,226	774,640	653,145	629,889	652,048
	\$1,506,787	\$1,344,526	\$1,213,223	\$1,115,042	\$1,011,410	\$935,550	\$849,781	\$781,137	\$736,825

Liabilities	2007	2006	2005	2004	2003	2002	2001	2000	1999
Trade Accounts Payable	\$ 17,919	\$ 20,935	\$ 12,998	\$ 17,908	\$ 11,563	\$ 16,786	\$ 9,981	\$ 12,077	\$ 10,873
Accrued Liabilities	45,705	42,474	43,654	29,108	28,501	25,266	15,024	19,179	14,310
Short-Term Debt	7,928	2,248	-	-	-	9,984	19,809	-	-
Long-Term Debt	195,252	183,971	154,751	158,203	156,249	144,166	136,195	165,469	176,792
Loss In Subsidiary	6,205	7,310	8,086	9,798	9,978	8,092	-	-	-
Other Long-Term Liabilities	84,784	55,507	45,914	39,285	29,604	19,093	15,664	13,657	10,588
	357,793	312,445	265,403	254,302	235,895	223,387	196,673	210,382	212,563

Equity	2007	2006	2005	2004	2003	2002	2001	2000	1999
Equity In Capital Assets	927,320	779,333	749,938	709,114	663,975	630,148	516,950	468,252	478,139
Fund Balances	221,674	252,748	197,882	151,626	111,540	82,015	136,158	102,503	46,123
	1,148,994	1,032,081	947,820	860,740	775,515	712,163	653,108	570,755	524,262
	\$1,506,787	\$1,344,526	\$1,213,223	\$1,115,042	\$1,011,410	\$935,550	\$849,781	\$781,137	\$736,825

NOTES:

- Effective 2004, the City adopted the new Canadian Institute of Chartered Accountant standards and guidelines for Asset Retirement Obligation, the Full Cost Accounting Guideline and Accounting for Future Benefits. These policies were adopted retroactive to 2002 and 2003. Information for 2001, 2000 and 1999 does not reflect these changes.
- Effective 2005, the financial information for the Medicine Hat Public Library was excluded from the Financial Statements, as they are not owned or controlled by the City of Medicine Hat. This change was restated retroactively for 2004, 2003, and 2002. Information for 2001, 2000 and 1999 does not reflect these changes.

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FINANCIAL COMPARISON 1999 - 2007 Operating Revenues and Expenditures (In Thousands of Dollars)

Revenue From:	2007	2006	2005	2004	2003	2002	2001	2000	1999
Taxes	\$ 56,257	\$ 50,786	\$ 46,217	\$ 42,741	\$ 41,270	\$ 38,040	\$ 35,370	\$ 38,088	\$ 35,650
Less - Requisitions	(22,292)	(21,383)	(20,574)	(19,973)	(18,733)	(17,650)	(16,006)	(18,831)	(18,516)
	33,965	29,403	25,643	22,768	22,537	20,390	19,364	19,257	17,134
Sale of Services									
General Government	8,101	6,998	6,029	5,632	5,220	5,177	4,674	4,194	3,576
Gas	157,875	143,133	161,387	129,817	129,178	96,188	112,707	101,268	47,646
Electric	69,327	72,057	55,856	58,399	53,687	47,778	74,475	93,036	66,573
Environmental Utilities	25,633	22,262	19,498	18,379	18,625	16,705	16,351	15,397	13,438
Land	33,873	19,184	17,165	22,081	16,203	15,050	11,183	5,748	8,280
Medicine Hat Public Library	-	-	-	-	-	-	87	94	111
Other Income									
Investment Income	12,169	10,286	6,875	5,496	4,654	5,338	5,292	3,690	2,581
Investment (Loss) in Subsidiary	1,105	776	1,712	180	(1,886)	(8,485)	256	-	-
Licenses, Fines & Penalties	6,145	5,714	5,482	4,804	3,713	3,570	3,186	2,742	2,421
Other	10,762	10,875	8,695	6,357	4,908	4,939	3,503	7,977	4,354
Senior Government Transfers	4,243	6,260	6,114	3,754	3,398	3,194	3,593	3,264	3,140
Surplus	-	3,764	-	-	8,517	-	-	1,991	8,706
	\$ 363,198	\$ 330,712	\$ 314,456	\$ 277,667	\$ 268,754	\$ 209,844	\$ 254,671	\$ 258,658	\$ 177,960

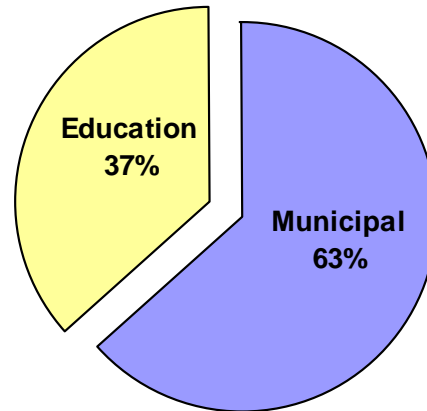
Spent On:	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Government	\$ 74,571	\$ 71,161	\$ 67,471	\$ 62,737	\$ 57,289	\$ 54,182	\$ 50,058	\$ 45,977	\$ 37,385
Gas	79,396	65,356	48,623	52,284	51,691	39,566	49,501	52,159	39,886
Electric	30,022	31,080	30,089	27,051	29,458	22,807	24,734	21,553	18,798
Environmental Utilities	13,849	12,448	15,739	12,124	11,264	10,056	10,270	9,766	10,964
Land	8,640	6,317	14,075	5,197	5,355	3,926	2,758	951	1,827
Medicine Hat Public Library	-	-	-	-	-	-	1,201	1,180	1,120
Capital Purchase & Debt	33,195	57,278	33,649	41,589	32,469	27,208	36,454	51,573	39,438
Transfer To Reserves	111,040	87,072	104,181	74,881	81,228	44,106	73,208	75,499	28,542
Surplus	12,485	-	629	1,804	-	7,993	6,487	-	-
	\$ 363,198	\$ 330,712	\$ 314,456	\$ 277,667	\$ 268,754	\$ 209,844	\$ 254,671	\$ 258,658	\$ 177,960

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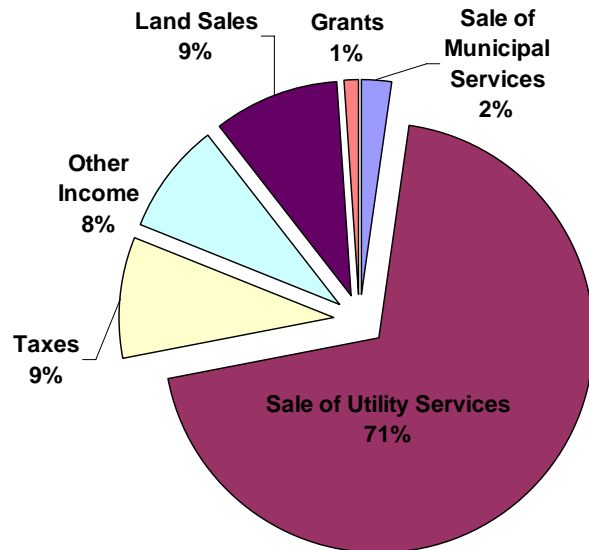
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FINANCIAL SYNOPSIS 2007 **Operating Fund Activities**

Where our Tax Dollars Went in 2007
 Education / Municipal
 Property Tax



Where the Money Comes From
 \$363.2 Million



Where the Money Goes
 \$363.2 Million

