

**The Corporation of
The Township of Lake of the
Woods
Financial Statements
For the year ended December 31, 2006**

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Financial Statements
For the year ended December 31, 2006**

The Corporation of The Township of Lake of the Woods

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BDO Dunwoody LLP
Chartered Accountants and Advisors

375 Scott Street
Fort Frances, Ontario Canada P9A 1H1
Telephone : (807) 274-9848
Telefax : (807) 274-5142

www.bdo.ca

The Corporation of the Township of Lake of the Woods

Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of The Township of Lake of the Woods

We have audited the consolidated statement of financial position of the Corporation of The Township of Lake of the Woods as at December 31, 2006, and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Township'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 Corporation of The Township of Lake of the Woods as at December 31, 2006, and the results of its financial activities and changes in financial position for the year then ended in accordance with the Canadian accounting principles disclosed in the summary of significant accounting policies accompanying the financial statements.

Chartered Accountants
Fort Frances, Ontario
January 25, 2007

The Corporation of The Township of Lake of the Woods Consolidated Statement of Financial Position

December 31	2006	2005
Assets		
Financial assets		
Cash	\$ 248,088	\$ 105,927
Taxes receivable	63,026	62,789
Trade and other receivable	16,566	21,264
Long-term investments (Note 1)	521,666	401,929
	\$ 849,346	\$ 591,909
Liabilities and Municipal Position		
Liabilities		
Accounts payable and accrued liabilities	\$ 28,129	\$ 43,896
Solid waste landfill closure and post-closure liabilities (Note 10)	20,072	36,284
	48,201	80,180
Municipal position		
Current fund (Note 2)	48,085	41,084
Capital fund	86,466	-
Reserves and reserve funds	686,666	506,929
	821,217	548,013
Amounts to be recovered	(20,072)	(36,284)
	801,145	511,729
	\$ 849,346	\$ 591,909

The accompanying summary of significant accounting policies, notes and schedules are an integral part of these financial statements.

The Corporation of The Township of Lake of the Woods Consolidated Statement of Financial Activities

For the year ended December 31	Budget	2006	2005
Revenues			
Taxation	\$ 431,086	\$ 435,104	\$ 398,289
Fees and user charges	6,900	11,115	8,180
Canada grants	150,000	110,616	-
Ontario grants	500,787	452,685	527,130
Municipal grants	13,000	5,763	9,590
Other income (Note 3)	58,358	185,107	68,616
	1,160,131	1,200,390	1,011,805
Expenditures			
Current (Note 4)			
General government	102,355	103,787	95,784
Protection services	92,563	92,778	82,868
Transportation services	211,560	167,493	175,250
Environmental services	62,320	60,395	61,463
Health services	133,867	136,595	131,456
Social and family services	159,010	158,969	152,404
Social housing	50,470	50,485	50,587
Recreation and cultural services	50,988	57,249	51,460
Planning and development	6,334	6,058	6,035
	869,467	833,809	807,307
Capital			
Protection services	-	3,175	122,632
Transportation services	150,000	75,894	46,748
Recreation and cultural services	100,000	-	-
Planning and development	-	14,308	-
	250,000	93,377	169,380
Total expenditures	1,119,467	927,186	976,687
Net revenues for the year	40,664	273,204	35,118
Change in amounts to be recovered	-	16,212	(8,297)
Change in fund balance for the year	\$ 40,664	\$ 289,416	\$ 26,821

The Corporation of The Township of Lake of the Woods Consolidated Statement of Changes in Financial Position

For the year ended December 31	2006	2005
Cash provided by (used in)		
Operating activities		
Net revenues for the year	\$ 273,204	\$ 35,118
(Increase) decrease in taxes receivable	(237)	10,136
(Increase) decrease in accounts receivable	4,699	155,924
Increase (decrease) in accounts payable	(15,768)	(27,867)
	(11,306)	138,193
	261,898	173,311
Investing activities		
(Increase) decrease in long-term investments	(119,737)	(45,814)
Net change in cash and cash equivalents	142,161	127,497
Cash and cash equivalents (bank indebtedness), beginning of year	105,927	(21,570)
Cash and cash equivalents, end of year	\$ 248,088	\$ 105,927

The Corporation of The Township of Lake of the Woods

Summary of Significant Accounting Policies

December 31, 2006

Management Responsibility

The consolidated financial statements of the Corporation of The Township of Lake of the Woods are the representations of management. They have been prepared in accordance with Canadian accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as prescribed by the Ministry of Municipal Affairs and Housing.

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Basis of Consolidation

The consolidated statements reflect the assets, liabilities, revenues and expenditures of the current fund, capital fund, reserves and reserve funds of all municipal organizations, committees, and boards which are owned or controlled by Council. All interfund assets and liabilities and revenues and expenditures have been eliminated on consolidation.

A government partnership exists where the municipality has shared control over the board or entity. The municipality's pro-rata share of the assets, liabilities, revenues and expenditures are reflected in the financial statements using the proportionate consolidation method. No proportionate interest or government partnerships are reflected in the consolidated financial statements.

The following boards are not consolidated:

Northwestern Health Unit
Rainy River District Social Services Administration Board
Rainycrest Home for the Aged

Government business enterprises and partnerships are separate legal entities which do not rely on the municipality for funding. Investments in government business enterprises are accounted for using the modified equity method. No government business enterprises are reflected in the consolidated financial statements.

The Corporation of The Township of Lake of the Woods

Summary of Significant Accounting Policies

December 31, 2006

Basis of Accounting

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

The consolidated statement of financial position reflects all of the financial assets and liabilities of the municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position of the municipality, and is the difference between its assets and liabilities. This provides information about the municipality's overall future revenue requirements and its' ability to finance activities and meet its' obligations.

Long-term Investments

Long-term investments are recorded at the lower of cost and market value.

Capital Assets

The historical cost and accumulated amortization of capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the consolidated statement of financial activities in the period of acquisition.

School Board

The municipality collects taxation revenue on behalf of the school boards. The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in these financial statements.

Trust Funds

Funds held in trust by the municipality, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately on the trust funds statement of continuity and balance sheet.

The Corporation of The Township of Lake of the Woods

Notes to Financial Statements

December 31, 2006

1. Long-term Investments

Investments are made up as follows:

	<u>2006</u>	<u>2005</u>
Restricted investments	\$ 521,666	\$ 401,929

Investments have a market value of \$521,666 (2005 - \$401,929) at the end of the year.

2. Current Fund

	<u>2006</u>	<u>2005</u>
Available to offset future revenue requirements (required to be financed from future revenues):		
General area taxation	\$ 48,085	\$ 41,084

3. Other Income

	<u>2006</u>	<u>2005</u>
Penalties and interest on taxation	\$ 8,267	\$ 9,635
Investment income	30,818	15,182
Rents, concessions and franchises	38,401	26,458
Sale of land and other assets	96,771	-
Provincial offences	10,850	17,341
	\$ 185,107	\$ 68,616

4. Expenditures by Object

Total operating expenditures for the year reported on the consolidated statement of financial activities are as follows:

	<u>2006</u>	<u>2005</u>
Salaries, wages and employee benefits	\$ 129,853	\$ 126,059
Materials	137,876	117,429
Contracted services	154,164	162,059
Rents and financial expenses	68,614	72,931
Contributions to other organizations	343,302	328,829
	\$ 833,809	\$ 807,307

The Corporation of The Township of Lake of the Woods

Notes to Financial Statements

December 31, 2006

5. Public Sector Salary Disclosure

During 2006, no employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by the Corporation of The Township of Lake of the Woods.

6. Budget Amounts

Under Canadian generally accepted accounting principles, budget amounts are to be reported on the consolidated statement of financial activities for comparative purposes. The 2006 budget amounts for the Corporation of The Township of Lake of the Woods approved by Council have been restated to conform to the basis of preparation of the revenues and expenditures on the consolidated statement of financial activities. Budgeted figures are unaudited.

7. Operations of School Boards

During the year, the following taxation revenue was raised and remitted:

	<u>2006</u>	<u>2005</u>
School boards	<u>\$ 205,735</u>	<u>\$ 208,941</u>

8. Trust Funds

The trust funds administered by the municipality amounting to \$56,218 (2005 - \$53,733) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of financial activities.

9. Contributions to Unconsolidated Boards

The following contributions were made by the municipality to these boards.

	<u>2006</u>	<u>2005</u>
Northwestern Health Unit	\$ 19,667	\$ 19,667
Rainy River District Social Services Administration Board	257,270	243,795
Rainycrest Home for the Aged	66,365	66,365
	<u>\$ 343,302</u>	<u>\$ 329,827</u>

The Corporation of The Township of Lake of the Woods

Notes to Financial Statements

December 31, 2006

10. Solid Waste Landfill Closure and Post-Closure Liabilities

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance.

The liability for the landfill site is recorded at \$20,072 and represents the present value of closure and post-closure costs for 100% of the current site's opened cells, using the average long-term borrowing rate of 8.0%. The liability is recorded based on the capacity of the landfill used to date. The total estimated future expenditures for closure and post-closure care are \$570,000 leaving an amount to be recognized of \$549,928. The estimated remaining capacity of the site's opened cells are approximately 22,688 and 15,117 cubic metres, which will be filled in 21 and 57 years. Post-closure care is estimated to continue for a period of 25 years.

The liability is to be funded through budget allocations to a landfill reserve over the remaining life of the landfill.

11. Contingent Liability

A lawsuit has been filed against the Corporation for incidents which arose in the ordinary course of business. In the opinion of management and legal council, the outcome of the lawsuit now pending, is not determinable. Should any loss result from the resolution of this claim, such loss will be charged to the general fund in the year of resolution.

The Corporation of The Township of Lake of the Woods Schedule of Current Fund Operations

For the year ended December 31	Budget	2006	2005
Revenues			
Taxation	\$ 431,086	\$ 435,104	\$ 398,289
Fees and user charges	6,900	11,115	8,180
Ontario grants	450,787	444,551	477,130
Municipal grants	13,000	5,763	9,590
Other	48,310	159,710	59,086
	950,083	1,056,243	952,275
Expenditures			
General government	102,355	103,787	95,784
Protection services	92,563	92,778	82,868
Transportation services	211,560	167,493	175,250
Environmental services	62,320	60,395	61,463
Health services	133,867	136,595	131,456
Social and family services	159,010	158,969	152,404
Social housing	50,470	50,485	50,587
Recreation and cultural services	50,988	57,249	51,460
Planning and development	6,334	6,058	6,035
	869,467	833,809	807,307
Net revenues for the year	80,616	222,434	144,968
Financing and transfers			
Transfers to capital fund operations	(50,000)	(61,093)	(119,380)
Transfers to reserves and reserve funds	(71,700)	(154,340)	(36,284)
	(121,700)	(215,433)	(155,664)
Change in fund balance for the year	(41,084)	7,001	(10,696)
Current fund, beginning of the year	41,084	41,084	51,780
Current fund, end of the year	\$ -	\$ 48,085	\$ 41,084

The Corporation of The Township of Lake of the Woods Schedule of Capital Fund Operations

For the year ended December 31	Budget	2006	2005
Revenues			
Canada grants	\$ 150,000	\$ 110,616	\$ -
Ontario grants	50,000	8,134	50,000
	200,000	118,750	50,000
Expenditures			
Protection services	-	3,175	122,632
Transportation services	150,000	75,894	46,748
Recreation and cultural services	100,000	-	-
Planning and development	-	14,308	-
	250,000	93,377	169,380
Net surplus (deficit) for the year	(50,000)	25,373	(119,380)
Financing and transfers			
Transfers from current fund operations	50,000	61,093	119,380
Change in fund balance for the year	-	86,466	-
Capital fund, beginning of the year	-	-	-
Capital fund, end of the year	\$ -	\$ 86,466	\$ -

**The Corporation of The Township of Lake of the Woods
Schedule of Reserves and Reserve Funds**

For the year ended December 31	Budget	2006	2005
Revenues			
Other revenue	\$ 10,048	\$ 25,397	\$ 9,530
Net transfers from other funds			
Transfer from current fund operations	71,700	154,340	36,284
Change in balance for the year	81,748	179,737	45,814
Reserves and reserve funds, beginning of the year	506,929	506,929	461,115
Reserves and reserve funds, end of the year	\$ 588,677	\$ 686,666	\$ 506,929

Analyzed as follows:

Reserves set aside for specific purpose by Council:			
Working funds		\$ 165,000	\$ 105,000
Reserve funds set aside for specific purpose by Council:			
Capital purposes		521,666	401,929
Reserves and reserve funds, end of the year		\$ 686,666	\$ 506,929



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The Corporation of the Township of Lake of the Woods

Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of The Township of Lake of the Woods

We have audited the balance sheet of the Trust Funds of the Corporation of The Township of Lake of the Woods as at December 31, 2006, and the statement of continuity of the trust funds for the year then ended. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of The Township of Lake of the Woods as at December 31, 2006, and the continuity of the trust funds for the year then ended in accordance with the Canadian accounting principles disclosed in Note 1 to the financial statements.

A handwritten signature in black ink that reads "BDO Dunwoody LLP".

Chartered Accountants
Fort Frances, Ontario
January 25, 2007

**The Corporation of The Township of Lake of the Woods
Trust Funds
Balance Sheet**

December 31	Ontario Home Renewal Program	Cemetery Perpetual Care	2006	2005
Assets				
Investments	\$ -	\$ 52,473	\$ 52,473	\$ 50,626
Loans receivable	3,745	-	3,745	3,745
	\$ 3,745	\$ 52,473	\$ 56,218	\$ 54,371
Liabilities				
Balance - capital	\$ 3,745	\$ 52,473	\$ 56,218	\$ 54,371

Statement of Continuity

December 31	Ontario Home Renewal Program	Cemetery Perpetual Care	2006	2005
Balance, beginning of year	\$ 3,745	\$ 50,626	\$ 54,371	\$ 53,733
Care and maintenance fees	-	1,200	1,200	1,300
Interest earned	200	1,847	2,047	1,468
	200	3,047	3,247	2,768
Expenditures				
Transferred to revenue fund	-	1,200	1,200	1,180
Return to province and administration fee	200	-	200	950
	200	1,200	1,400	2,130
Balance, end of year	\$ 3,745	\$ 52,473	\$ 56,218	\$ 54,371

**The Corporation of The Township of Lake of the Woods
Trust Funds
Notes to Financial Statements**

December 31, 2006

1. Accounting Policies

Basis of Accounting

Capital receipts and income are reported on the cash basis of accounting.

Expenditures are reported on the cash basis of accounting with the exception of administrative expenses which are reported on the accrual basis of accounting, which recognizes expenditures as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

2. Ontario Home Renewal Program

The Ontario Home Renewal Program was cancelled by the Ontario Ministry of Housing on July 16, 1993. Any funds on hand at December 31, 2005, are to be remitted to the Province in 2006. Subsequent collections will be remitted annually.

Ontario Home Renewal Program loans receivable at December 31, 2006, comprise repayable loans of \$3,745 (2005 - \$3,745). Loan forgiveness is earned and recorded at a rate of up to \$600 per year of continued ownership and occupancy. In the event of the sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loan and the unearned forgivable loan immediately become due and payable by the homeowner.