

**The Corporation of
The Township of Lake of the
Woods
Financial Statements
For the year ended December 31, 2005**

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Financial Statements
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The Corporation of The Township of Lake of the Woods

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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 consolidated statement of financial position of the Corporation of The Township of Lake of the Woods as at December 31, 2005, 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, 2005, 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.

BDO Dunwoody LLP

Chartered Accountants
Fort Frances, Ontario
January 19, 2006

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

December 31	2005	2004
Assets		
Financial assets		
Cash	\$ 105,927	\$ -
Taxes receivable	62,789	72,925
Trade and other receivable	21,264	177,188
Long-term investments (Note 1)	401,929	356,115
	\$ 591,909	\$ 606,228
Liabilities and Municipal Position		
Liabilities		
Temporary loan	\$ -	\$ 21,570
Accounts payable and accrued liabilities	43,896	71,763
Solid waste landfill closure and post-closure liabilities (Note 10)	36,284	27,987
	80,180	121,320
Municipal position		
Current fund (Note 2)	41,084	51,780
Reserves and reserve funds	506,929	461,115
	548,013	512,895
Amounts to be recovered	(36,284)	(27,987)
	511,729	484,908
	\$ 591,909	\$ 606,228

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

For the year ended December 31	Budget	2005	2004
Revenues			
Taxation	\$ 400,760	\$ 398,289	\$ 580,312
Fees and user charges	17,018	8,180	8,515
Ontario grants	521,095	527,130	648,912
Municipal grants	9,795	9,590	17,072
Other income (Note 3)	15,255	68,616	48,048
	963,923	1,011,805	1,302,859
Expenditures			
Current (Note 4)			
General government	100,000	95,784	97,790
Protection services	100,394	82,868	87,850
Transportation services	152,000	175,250	123,289
Environmental services	62,320	61,463	55,827
Health services	114,867	131,456	102,517
Social and family services	172,010	152,404	114,144
Social housing	52,470	50,587	52,962
Recreation and cultural services	36,043	51,460	39,061
Planning and development	10,800	6,035	4,680
	800,904	807,307	678,120
Capital			
Protection services	50,000	122,632	1,551
Transportation services	49,000	46,748	104,426
Planning and development	-	-	352,327
	99,000	169,380	458,304
Total expenditures	899,904	976,687	1,136,424
Net revenues for the year	64,019	35,118	166,435
Change in amounts to be recovered	27,987	(8,297)	(2,831)
Change in fund balance for the year	\$ 92,006	\$ 26,821	\$ 163,604

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

<u>For the year ended December 31</u>	<u>2005</u>	<u>2004</u>
Cash provided by (used in)		
Operating activities		
Net revenues for the year	\$ 35,118	\$ 166,435
(Increase) decrease in taxes receivable	10,136	(735)
(Increase) decrease in accounts receivable	155,924	(159,970)
Increase (decrease) in accounts payable	(27,867)	46,488
	<u>138,193</u>	<u>(114,217)</u>
	<u>173,311</u>	<u>52,218</u>
Investing activities		
Increase in long-term investments	(45,814)	(104,618)
Net change in cash and cash equivalents (bank indebtedness)	127,497	(52,400)
Cash and cash equivalents (bank indebtedness), beginning of year	<u>(21,570)</u>	<u>30,830</u>
Cash and cash equivalents (bank indebtedness), end of year	\$ 105,927	\$ (21,570)

The Corporation of The Township of Lake of the Woods

Summary of Significant Accounting Policies

December 31, 2005

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, 2005

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, 2005

1. Long-term Investments

Investments are made up as follows:

	2005	2004
Restricted investments	\$ 401,929	\$ 356,115

Investments have a market value of \$401,929 (2004 - \$356,115) at the end of the year.

2. Current Fund

	2005	2004
Available to offset future revenue requirements (required to be financed from future revenues):		
General area taxation	\$ 41,084	\$ 51,780

3. Other Income

	2005	2004
Penalties and interest on taxation	\$ 9,635	\$ 10,600
Investment income	15,182	14,729
Rents, concessions and franchises	26,458	15,857
Provincial offences	17,341	6,862
	\$ 68,616	\$ 48,048

4. Expenditures by Object

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

	2005	2004
Salaries, wages and employee benefits	\$ 126,059	\$ 121,038
Materials	117,429	75,786
Contracted services	162,059	90,133
Rents and financial expenses	72,931	66,434
Contributions to other organizations	328,829	324,729
	\$ 807,307	\$ 678,120

The Corporation of The Township of Lake of the Woods

Notes to Financial Statements

December 31, 2005

5. Public Sector Salary Disclosure

During 2005, 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 2005 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>2005</u>	<u>2004</u>
School boards	\$ 208,941	\$ 210,070

8. Trust Funds

The trust funds administered by the municipality amounting to \$54,371 (2004 - \$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>2005</u>	<u>2004</u>
Northwestern Health Unit	\$ 19,667	\$ 18,850
Rainy River District Social Services Administration Board	243,795	220,924
Rainycrest Home for the Aged	66,365	27,665
	<u>\$ 329,827</u>	<u>\$ 267,439</u>

The Corporation of The Township of Lake of the Woods Notes to Financial Statements

December 31, 2005

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 \$36,284 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 \$533,716. The estimated remaining capacity of the site's opened cells are approximately 4,188 and 15,917 cubic metres, which will be filled in 22 and 58 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.

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

For the year ended December 31	Budget	2005	2004
Revenues			
Taxation	\$ 400,760	\$ 398,289	\$ 580,312
Fees and user charges	17,018	8,180	8,515
Ontario grants	471,095	477,130	347,648
Municipal grants	9,795	9,590	17,072
Other	15,256	59,086	39,618
	913,924	952,275	993,165
Expenditures			
General government	100,000	95,784	97,790
Protection services	100,394	82,868	87,850
Transportation services	152,000	175,250	123,289
Environmental services	62,320	61,463	55,827
Health services	114,867	131,456	102,517
Social and family services	172,010	152,404	114,144
Social housing	52,470	50,587	52,962
Recreation and cultural services	36,043	51,460	39,061
Planning and development	10,800	6,035	4,680
	800,904	807,307	678,120
Net revenues for the year	113,020	144,968	315,045
Financing and transfers			
Transfers to capital fund operations	(49,000)	(119,380)	(289,570)
Transfers to reserves and reserve funds	(115,800)	(36,284)	(25,000)
	(164,800)	(155,664)	(314,570)
Change in fund balance for the year	(51,780)	(10,696)	475
Current fund, beginning of the year	51,780	51,780	51,305
Current fund, end of the year	\$ -	\$ 41,084	\$ 51,780

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

For the year ended December 31	Budget	2005	2004
Revenues			
Ontario grants	\$ 50,000	\$ 50,000	\$ 301,264
Expenditures			
Protection services	50,000	122,632	1,551
Transportation services	49,000	46,748	104,426
Planning and development	-	-	352,327
	99,000	169,380	458,304
Net deficit for the year	(49,000)	(119,380)	(157,040)
Financing and transfers			
Transfers from current fund operations	49,000	119,380	289,570
Change in fund balance for the year	-	-	132,530
Capital fund, beginning of the year	-	-	(132,530)
Capital fund, end of the year	\$ -	\$ -	\$ -

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

For the year ended December 31	Budget	2005	2004
Revenues			
Other revenue	\$ 8,903	\$ 9,530	\$ 8,430
Net transfers from other funds			
Transfer from current fund operations	115,800	36,284	25,000
Change in balance for the year	124,703	45,814	33,430
Reserves and reserve funds, beginning of the year	461,115	461,115	427,685
Reserves and reserve funds, end of the year	\$ 585,818	\$ 506,929	\$ 461,115

Analyzed as follows:

Reserves set aside for specific purpose by Council:			
Working funds		\$ 105,000	\$ 105,000
Reserve funds set aside for specific purpose by Council:			
Capital purposes		401,929	356,115
Reserves and reserve funds, end of the year		\$ 506,929	\$ 461,115



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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, 2005, 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, 2005, 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.

Chartered Accountants
Fort Frances, Ontario
January 19, 2006

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

December 31	Ontario Home Renewal Program	Cemetery Perpetual Care	2005	2004
Assets				
Investments	\$ -	\$ 50,626	\$ 50,626	\$ 47,411
Loans receivable	3,745	-	3,745	6,322
	\$ 3,745	\$ 50,626	\$ 54,371	\$ 53,733
Liabilities				
Balance - capital	\$ 3,745	\$ 50,626	\$ 54,371	\$ 53,733

Statement of Continuity

December 31	Ontario Home Renewal Program	Cemetery Perpetual Care	2005	2004
Balance, beginning of the year	\$ 4,407	\$ 49,326	\$ 53,733	\$ 52,481
Care and maintenance fees	-	1,300	1,300	1,050
Interest earned	338	1,130	1,468	3,166
	338	2,430	2,768	4,216
Expenditures				
Transferred to revenue fund	50	1,130	1,180	1,764
Return to province and administration fee	950	-	950	1,200
	1,000	1,130	2,130	2,964
Balance, end of year	\$ 3,745	\$ 50,626	\$ 54,371	\$ 53,733

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

December 31, 2005

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, 2005, comprise repayable loans of \$3,745 (2004 - \$4,407). 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.