
**THE CORPORATION OF THE
TOWNSHIP OF LARDER LAKE**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 & 2005

THE CORPORATION OF THE TOWNSHIP OF LARDER LAKE

INDEX TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 & 2005

AUDITORS' REPORT

STATEMENTS

- 1 Consolidated Statement of Financial Position
- 2 Consolidated Statement of Financial Activities
- 3 Consolidated Statement of Changes in Financial Position

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULES

- 1 Consolidated Schedule of Current Fund Operations
- 2 Consolidated Schedule of Capital Fund Operations
- 3 Consolidated Schedule of Reserves and Reserve Funds

AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the Corporation of the Township of Larder Lake 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 Township as at December 31, 2006 and its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Kirkland Lake, Ontario
February 22, 2007

Ross, Pope & Company

ROSS, POPE & COMPANY
CHARTERED ACCOUNTANTS
Licensed Public Accountants

THE CORPORATION OF THE TOWNSHIP OF LARDER LAKE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	2006	2005
FINANCIAL ASSETS		
Cash	\$ 577,723	\$ 369,112
Investments	199,727	192,631
Taxes receivable (Note 2)	117,249	167,569
Accounts receivable (Note 2)	369,752	1,667,698
TOTAL FINANCIAL ASSETS	\$ 1,264,451	\$ 2,397,010
LIABILITIES		
Accounts payable and accrued liabilities	\$ 292,714	\$ 902,972
Temporary loan (Note 8)	1,337,757	1,385,000
Deferred revenue (Note 3)	97,236	77,802
Landfill closure and post-closure liability (Notes 9 and 11)	12,808	11,277
TOTAL LIABILITIES	1,740,515	2,377,051
MUNICIPAL POSITION		
Current fund (Schedule 1)	37,936	53,621
Capital fund (Schedule 2)	(1,110,628)	(601,845)
Reserves (Note 2) (Schedule 3)	583,570	564,768
Reserve funds (Note 2) (Schedule 3)	25,866	14,692
FUND BALANCES	(463,256)	31,236
AMOUNTS TO BE RECOVERED (Note 9)	(12,808)	(11,277)
TOTAL MUNICIPAL POSITION	(476,064)	19,959
TOTAL LIABILITIES AND MUNICIPAL POSITION	\$ 1,264,451	\$ 2,397,010

Approved by:

Reeve

Clerk/Treasurer

See accompanying notes.

THE CORPORATION OF THE TOWNSHIP OF LARDER LAKE

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

YEARS ENDED DECEMBER 31

	-----2006-----		2005
	Actual	Budget (unaudited)	Actual
REVENUES			
Municipal taxation (Note 2)	\$ 637,226	\$ 635,029	\$ 625,788
User charges	217,769	213,995	213,844
Province of Ontario	1,173,257	691,146	2,276,242
Government of Canada	72,841	-	6,848
Other	315,156	231,224	272,469
Deduct amounts received for School Boards (Note 4)	(76,637)	-	(81,026)
TOTAL REVENUES	2,339,612	1,771,394	3,314,165
EXPENDITURES			
CURRENT OPERATIONS			
General government	436,391	378,412	372,905
Protection to persons and property	270,688	226,404	238,043
Transportation services	220,071	232,648	198,753
Environmental services	240,358	298,145	277,024
Health services	101,448	108,104	107,307
Social and family services	189,748	192,205	190,494
Recreation and cultural services	206,951	172,943	203,191
Planning and development	25,378	23,300	23,255
	1,691,033	1,632,161	1,610,972
CAPITAL OPERATIONS (Schedule 2)	1,144,602	67,132	2,061,956
TOTAL EXPENDITURES	2,835,635	1,699,293	3,672,928
CHANGE IN MUNICIPAL POSITION	(496,023)	72,101	(358,763)
Increase in landfill closure and post-closure liability	1,531	-	1,398
Increase (Decrease) in amounts to be recovered	1,531	-	1,398
CHANGE IN FUND BALANCES	\$ (494,492)	\$ 72,101	\$ (357,365)

See accompanying notes.

THE CORPORATION OF THE TOWNSHIP OF LARDER LAKE

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEARS ENDED DECEMBER 31

	2006	2005
OPERATIONS		
CHANGE IN MUNICIPAL POSITION	\$ (496,023)	\$ (358,763)
USES:		
Increase in taxes receivable	-	(3,144)
Increase in short-term investments	(7,096)	(3,495)
Increase in accounts receivable	-	(1,377,762)
Decrease in accounts payable and accrued liabilities	(610,258)	-
Decrease in deferred revenue	-	(168,910)
	(617,354)	(1,553,311)
SOURCES:		
Decrease in taxes receivable	50,320	-
Decrease in accounts receivable	1,297,946	-
Increase in accounts payable and accrued liabilities	-	713,972
Decrease in deferred revenue	19,434	-
	1,367,700	713,972
FINANCING ACTIVITIES		
Temporary borrowings (repaid)	(47,243)	1,385,000
Land fill closure and post-closure costs	1,531	1,398
INCREASE/(DECREASE) IN CASH FROM FINANCING ACTIVITIES	(45,712)	1,386,398
CASH INCREASE (DECREASE)	208,611	188,296
CASH, beginning of year	369,112	180,816
CASH, end of year	\$ 577,723	\$ 369,112

See accompanying notes.

THE CORPORATION OF THE TOWNSHIP OF LARDER LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 & 2005

1. NATURE OF OPERATIONS

The Corporation of the Township of Larder Lake is a single tier municipality situated in Northern Ontario. It is subject to provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Township are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. The more significant of the accounting policies are summarized below.

The focus of PSAB financial statements is on the financial position of the Township and the changes thereto. The Consolidated Statement of Financial Position reports the assets and liabilities of the Township. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position and is the difference between assets and liabilities. This provides information about the Township's overall future revenue requirements and its ability to finance activities and meet its obligations.

(a) BASIS OF CONSOLIDATION

(i) These consolidated financial statements reflect the assets, liabilities, sources of financing and expenditures in the Current Fund, Capital Fund, Reserves and Reserve Funds, and include the activities of all committees of Council and the following board and municipal enterprise which are under the control of the Council:

Public Library Board
Waterworks System

All interfund assets and liabilities and sources of financing and expenditures have been eliminated.

(ii) Non-consolidated Entities

The following joint local boards are not consolidated:

District of Timiskaming Social Services Administration Board
Timiskaming Health Unit

Separate audited financial statements have been prepared for the above boards.

(iii) Accounting for School Board Transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards are not reflected in the municipal position of these financial statements.

(iv) Trust Funds

The trust fund and its related operations administered by the Township is not consolidated.

THE CORPORATION OF THE TOWNSHIP OF LARDER LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2006 & 2005

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) BASIS OF ACCOUNTING

(i) Fund Accounting

In accordance with practices common to Ontario municipalities, the Township follows the fund basis of accounting. The capital fund is used principally to account for assets acquired or obligations incurred which are to be financed from the future revenue of the Township and it is the annual interest cost of this financing that is paid from current operations. Reserve funds are generally created by appropriations from current operations. The uses of these funds are restricted to the purposes for which the reserve funds are created. Within the framework of the fund basis of accounting, these financial statements have been prepared on an accrual basis. The accrual basis of accounting recognizes revenues as they are earned 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.

(ii) Taxes Receivable and Related Revenues

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services, and amounts the Township is required to collect on behalf of the Province of Ontario in respect of education taxes. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes, however, can be subject to appeal. Any tax adjustments that result from appeals are recorded when the result of the appeal process is known.

The Township is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

(iii) Accounts Receivable

Accounts receivable are reported net of any allowance for doubtful accounts.

(iv) Inventories

Inventories held by the Township are not viewed as financial assets and have, therefore, been included as expenditures in the period they are acquired in the Consolidated Statement of Financial Activities.

(v) Capital Assets

The historical cost and accumulated amortization for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the Consolidated Statement of Financial Activities in the year of acquisition. The amount of these expenditures which is financed from long-term liabilities which remains outstanding at year-end is included in the amounts to be recovered in future years in the Consolidated Statement of Financial Position.

(vi) Reserves and Reserve Funds

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future current and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

THE CORPORATION OF THE TOWNSHIP OF LARDER LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2006 & 2005

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) BASIS OF ACCOUNTING (CONT'D)

(vii) Government Transfers

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

(viii) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

3. DEFERRED REVENUE

The deferred revenue balance relates to one-time funding advanced by the Province of Ontario. The amount advanced relates to various capital projects. The amounts will be recognized as revenue when the matching expenditures are incurred.

4. OPERATIONS OF SCHOOL BOARDS

During 2006, the Township collected and remitted property taxes on behalf of the school boards as summarized below:

	2006	2005
	\$ 76,637	\$ 81,026

5. CONTRIBUTIONS TO NON-CONSOLIDATED JOINT LOCAL BOARDS

Further to Note 2(a)(ii), contributions were made by the Township to the non-consolidated joint local boards as follows:

	2006	2005
District of Timiskaming Social Services Administration Board ("DTSSAB")	\$ 225,724	\$ 225,724
Timiskaming Health Unit ("THU")	\$ 34,186	\$ 34,184

The Township is contingently liable for its share, which is approximately 2.3% (2005 - 2.4%) for the DTSSAB and 2.5% (2005 - 2.8%) for the THU, of any deficits at the end of the year for these boards. Neither board incurred a deficit in 2006 or 2005.

No long-term liabilities have been issued by other municipalities for these boards.

THE CORPORATION OF THE TOWNSHIP OF LARDER LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2006 & 2005

6. TRUST FUNDS

The trust fund administered by the Township amounting to \$52,592 (2005 - \$52,592) has not been included in the Consolidated Statement of Financial Position nor has its operations been included in the Consolidated Statement of Financial Activities. The trust fund is reported separately on The Corporation of the Township of Larder Lake's Ontario Home Renewal Program Trust Fund Statement of Continuity and Balance Sheet.

7. PENSION AGREEMENT

The Township makes contributions to the Ontario Municipal Employees Retirement System ("OMERS") which is a multi-employer plan, on behalf of all permanent, full-time members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2006 was \$41,617 (2005 - \$41,617) for current service and is included as an expenditure on the Consolidated Statement of Financial Activities.

8. TEMPORARY LOANS

The Municipality has arranged two demand operating loans. The first loan installment loan bears interest at the bank's prime rate not to exceed \$325,000. The second demand loan is to assist with the water treatment plant construction project. It bears interest at the bank's prime rate less 1/4% per year not to exceed \$3,000,000. As at December 31, 2006 the temporary loan balance is \$1,337,757. Long-term financing for this project has not yet been determined (Note 12).

9. AMOUNTS TO BE RECOVERED

Amounts to be recovered represent liabilities established for accrual accounting purposes. In some cases, reserves and reserve funds have been established to fund these amounts. In other cases, the liabilities are to be funded from future years' budgetary allocations. The balance is comprised of the following items:

	2006	2005
Landfill closure and post-closure liability (Note 11)	12,808	11,277
	\$ 12,808	\$ 11,277

THE CORPORATION OF THE TOWNSHIP OF LARDER LAKE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED DECEMBER 31, 2006 & 2005

10. FINANCIAL INSTRUMENTS

(a) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, investments, accounts receivable, taxes receivable, and accounts payable and accrued liabilities, temporary loans and deferred revenue approximate their fair value due to the short-term maturities of these instruments.

(b) CREDIT RISK

The Township does not have significant exposure to any individual or party due to the fact that municipalities can obtain liens on properties for any unpaid realty taxes. An allowance for doubtful accounts is established based upon factors surrounding the risk related to specific ratepayers, historical trends and other information. The Township has an allowance for doubtful taxes receivable account in the amount of \$200,000 (2005 - \$200,000).

(c) INTEREST RATE RISK

The temporary loan bears interest at a floating rate and as such, is exposed to interest rate risk.

11. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Closure will involve capping of the site with a compacted impermeable clay layer, a layer of topsoil, the re-introduction of a vegetative cover and the construction of surface drainage controls. Post-closure care will involve routine inspections, cap maintenance, groundwater and weir sampling and analysis. The reported liability is based on estimates and assumptions with respect to events extending over a fifty year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at a rate of 6%.

Total landfill closure and post-closure care expenditures are estimated at \$26,476 (2005 - \$24,978). The estimated liability for these expenditures is recognized as the landfill site's capacity is used. To date, approximately 50% (2005 - 45%) of the site's capacity has been used. Therefore, as at December 31, 2006 an amount of \$12,808 (2005 - \$(11,277)) is reported as a liability on the Consolidated Statement of Financial Position.

The estimated remaining capacity of the landfill site is 50% (19,350 cubic metres) (2005 - 55% (21,940 cubic metres)) of its total estimated capacity and its estimated remaining life is 17 years (2005 - 18 years), after which the period for post-closure care is estimated to be 30 years.

12. COMMITMENTS

The Township has outstanding commitments of approximately \$443,000 dollars with respect to the water treatment plant construction project. Current year expenditures have been financed using a temporary demand loan. The Township is responsible for approximately 24% of all expenditures on this project (including a 100% share of cost overruns). The remaining 76% of funding is being obtained from various senior government sources. Total expenditures for the project are expected to be approximately \$3.4 million dollars. The Township has not finalized how the 24% portion of funds will be financed over the long term but expects to recover its portion of the costs through user charges over approximately a five year period.

THE CORPORATION OF THE TOWNSHIP OF LARDER LAKE

CONSOLIDATED SCHEDULE OF CURRENT FUND OPERATIONS

YEARS ENDED DECEMBER 31

	-----2006-----		2005
	Actual	Budget (unaudited)	Actual
REVENUES			
Municipal taxation (Note 2)	\$ 637,226	\$ 635,029	\$ 625,788
User charges	217,769	213,995	213,844
Province of Ontario	665,511	691,146	733,434
Government of Canada	10,185	-	6,848
Other	315,156	231,224	272,468
Deduct amounts received for School Boards (Note 4)	(76,637)	(77,909)	(81,026)
TOTAL REVENUES	1,769,210	1,693,485	1,771,356
EXPENDITURES			
General government	436,391	378,412	372,905
Protection to persons and property	270,688	226,404	238,043
Transportation services	220,071	232,648	198,753
Environmental services	237,296	298,145	274,228
Health services	101,448	108,104	107,307
Social and family services	189,748	192,205	190,494
Recreation and cultural services	206,951	172,943	203,191
Planning and development	25,378	23,300	23,255
TOTAL EXPENDITURES	1,687,971	1,632,161	1,608,176
NET REVENUES	81,239	61,324	163,180
FINANCING AND TRANSFERS			
Increase in landfill closure and post-closure liability	(1,531)	-	(1,398)
Transfers (to) from reserves and reserve funds	(29,976)	-	4,252
Transfers to capital fund	(65,417)	-	(45,994)
NET FINANCING AND TRANSFERS	(96,924)	-	(43,140)
CHANGE IN CURRENT FUND BALANCE	(15,685)	61,324	120,040
CURRENT FUND BALANCE, beginning of year	53,621	-	(66,419)
CURRENT FUND BALANCE, end of year	\$ 37,936	\$ 61,324	\$ 53,621

THE CORPORATION OF THE TOWNSHIP OF LARDER LAKE

CONSOLIDATED SCHEDULE OF CAPITAL FUND OPERATIONS

YEARS ENDED DECEMBER 31

	2006	2005
REVENUES		
Ontario grants	\$ 507,746	\$ 1,542,808
Canada grants	62,656	-
TOTAL REVENUES	570,402	1,542,808
EXPENDITURES		
General government	-	10,794
Protection to persons and property	-	5,475
Transportation services	18,131	-
Environmental services	1,083,492	2,028,372
Recreation and cultural services	42,979	17,315
TOTAL EXPENDITURES	1,144,602	2,061,956
NET EXPENDITURES	(574,200)	(519,148)
FINANCING AND TRANSFERS		
Transfers from current fund	65,417	45,994
Transfers from reserves and reserve funds	-	4,266
NET FINANCING AND TRANSFERS	65,417	50,260
CHANGE IN CAPITAL FUND BALANCE	(508,783)	(468,888)
CAPITAL FUND BALANCE, beginning of year	(601,845)	(132,957)
CAPITAL FUND BALANCE, end of year	\$(1,110,628)	\$ (601,845)

THE CORPORATION OF THE TOWNSHIP OF LARDER LAKE

CONSOLIDATED SCHEDULE OF RESERVES AND RESERVE FUNDS

YEARS ENDED DECEMBER 31

	2006	2005
REVENUES		
Interest income	\$ -	\$ -
NET TRANSFERS TO OTHER FUNDS		
Transfers from (to) current fund	29,976	(4,252)
Transfers to capital fund	-	(4,266)
TOTAL NET TRANSFERS	29,976	(8,518)
CHANGE IN RESERVES AND RESERVE FUNDS BALANCES	29,976	(8,518)
RESERVES AND RESERVE FUNDS BALANCES, beginning of year	579,460	587,978
RESERVES AND RESERVE FUNDS BALANCES, end of year	\$ 609,436	\$ 579,460
ANALYZED AS FOLLOWS:		
RESERVES		
Anniversary committee	\$ 10,551	\$ 2,289
Capital expenditures	89,205	77,233
District court tax sales	16,346	23,004
Fire equipment replacement	7,297	7,297
Fire fighting activities	16,222	16,222
Future planning	6,608	6,608
Recreational activities	4,250	4,115
Retired employee benefits	16,791	25,000
Landfill facility	5,100	-
Sanitary sewer	8,200	-
Working funds	403,000	403,000
TOTAL RESERVES	583,570	564,768
RESERVE FUNDS		
Capital expenditures	38	38
Heritage	2,837	2,762
Library	22,991	11,892
Fuel tax rebate	-	-
TOTAL RESERVE FUNDS	25,866	14,692
TOTAL RESERVES AND RESERVE FUNDS	\$ 609,436	\$ 579,460