

**Corporation of the Township
of East Ferris**

Financial Report

December 31, 2006

Auditors' Report

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Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of East Ferris

We have audited the consolidated statement of financial position of the Corporation of the Township of East Ferris as at December 31, 2006 and the consolidated statements of financial activities and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the township's management. Our responsibility is to express an opinion on these consolidated 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 East Ferris as at December 31, 2006 and the results of its activities for the year then ended in accordance with Canadian generally accepted accounting principles.

Colin Barrow, Sudbury-Nipissing LLP

North Bay, Ontario
February 22, 2007

CHARTERED ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

Corporation of the Township of East Ferris
Consolidated Statement of Financial Position
December 31, 2006

	<u>2006</u>	<u>2005</u>
Financial Assets		
Cash	\$ 2,739,790	\$ 2,504,329
Taxes receivable	260,020	252,866
Accounts receivable	170,427	90,366
Investment (note 2)	<u>500,000</u>	<u>500,000</u>
Total Assets	<u>\$ 3,670,237</u>	<u>\$ 3,347,561</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 120,714	\$ 101,622
Other current liabilities	57,400	52,400
Employee benefits payable (note 4)	196,869	194,335
Landfill closure and post-closure	<u>1,337,635</u>	<u>1,266,537</u>
	<u>1,712,618</u>	<u>1,614,894</u>
Municipal Position		
Current fund (page 4)	270,552	423,101
Reserves (page 6)	<u>3,221,571</u>	<u>2,770,438</u>
Fund balances	3,492,123	3,193,539
Amounts to be recovered from future revenues	<u>(1,534,504)</u>	<u>(1,460,872)</u>
Municipal position	<u>1,957,619</u>	<u>1,732,667</u>
Total Liabilities and Municipal Position	<u>\$ 3,670,237</u>	<u>\$ 3,347,561</u>

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

Corporation of the Township of East Ferris
Consolidated Statement of Financial Activities
For The Year Ended December 31, 2006

	<u>2006</u>		<u>2005</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenues			
Net taxation/user charges	\$ 3,126,410	\$ 3,187,090	\$ 2,925,169
Government transfers (note 5)	1,714,900	1,726,521	1,416,966
Other	<u>192,933</u>	<u>261,103</u>	<u>184,498</u>
Total Revenues	<u>5,034,243</u>	<u>5,174,714</u>	<u>4,526,633</u>
Expenditures			
Current			
General government	467,082	445,813	417,664
Protection services	434,489	426,330	396,592
Transportation services	574,900	533,076	477,715
Environmental services	152,982	238,515	201,397
Health services	167,311	155,886	138,013
Social and family services	1,705,343	1,678,878	1,382,743
Recreation and cultural services	442,107	459,663	357,933
Planning and development	<u>78,346</u>	<u>84,149</u>	<u>130,780</u>
	<u>4,022,560</u>	<u>4,022,310</u>	<u>3,502,837</u>
Capital			
General government	-	-	57,340
Protection services	421,154	296,821	54,790
Transportation services	527,024	500,369	273,334
Recreation and cultural services	<u>138,968</u>	<u>130,262</u>	<u>27,399</u>
	<u>1,087,146</u>	<u>927,452</u>	<u>412,863</u>
Total Expenditures	<u>5,109,706</u>	<u>4,949,762</u>	<u>3,915,700</u>
Net Revenues (Expenditures)	<u>(75,463)</u>	<u>224,952</u>	<u>610,933</u>
Employee benefits	13,411	2,534	(6,705)
Landfill closure and post-closure	<u>-</u>	<u>71,098</u>	<u>63,907</u>
Increase in Amounts to be Recovered	<u>13,411</u>	<u>73,632</u>	<u>57,202</u>
Change in Fund Balances	<u><u>\$ (62,052)</u></u>	<u><u>\$ 298,584</u></u>	<u><u>\$ 668,135</u></u>

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

Corporation of the Township of East Ferris
Consolidated Statement of Changes in Financial Position
For The Year Ended December 31, 2006

	<u>2006</u>	<u>2005</u>
Operations		
Net revenues	<u>\$ 224,952</u>	<u>\$ 610,933</u>
Uses:		
Increase in taxes receivable	(7,154)	-
Increase in accounts receivable	(80,061)	(35,665)
Decrease in other liabilities	-	(14,899)
Decrease in employee benefits	-	(6,705)
Decrease in accounts payable and accrued liabilities	-	(95,592)
	<u>(87,215)</u>	<u>(152,861)</u>
Sources:		
Decrease in taxes receivable	-	27,957
Increase in accounts payable and accrued liabilities	19,092	-
Increase in other liabilities	5,000	-
Increase in employee benefits	2,534	-
Increase in landfill closure and post-closure	71,098	63,907
	<u>97,724</u>	<u>91,864</u>
Net Increase in Cash from Operations	235,461	549,936
Investing		
Purchase of investment	<u>-</u>	<u>(500,000)</u>
Net Change in Cash	235,461	49,936
Cash, Beginning of Year	<u>2,504,329</u>	<u>2,454,393</u>
Cash, End of Year	<u>\$ 2,739,790</u>	<u>\$ 2,504,329</u>

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

Corporation of the Township of East Ferris
Consolidated Schedule of Current Fund Operations
For The Year Ended December 31, 2006

	<u>2006</u>		<u>2005</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenues			
Net municipal taxation and user charges	\$ 3,126,410	\$ 3,187,090	\$ 2,925,169
Government transfers (note 5)	1,205,682	1,216,933	1,366,966
Other	<u>192,933</u>	<u>261,103</u>	<u>184,498</u>
Total Revenues	<u>4,525,025</u>	<u>4,665,126</u>	<u>4,476,633</u>
Expenditures			
General government	467,082	445,813	417,664
Protection services	434,489	426,330	396,592
Transportation services	574,900	533,076	477,715
Environmental services	152,982	238,515	201,397
Health services	167,311	155,886	138,013
Social and family services	1,705,343	1,678,878	1,382,743
Recreation and cultural services	442,107	459,663	357,933
Planning and development	<u>78,346</u>	<u>84,149</u>	<u>130,780</u>
Total Expenditures	<u>4,022,560</u>	<u>4,022,310</u>	<u>3,502,837</u>
Net Revenues	<u>502,465</u>	<u>642,816</u>	<u>973,796</u>
Financing and Transfers			
Employee benefits	13,411	2,534	(6,705)
Landfill closure and post-closure	-	71,098	63,907
Transfers to capital fund operations	(566,433)	(406,369)	(362,863)
Transfers to reserves	<u>(372,543)</u>	<u>(462,628)</u>	<u>(512,735)</u>
Net Financing and Transfers	<u>(925,565)</u>	<u>(795,365)</u>	<u>(818,396)</u>
Change in Current Fund Balance	(423,100)	(152,549)	155,400
Current Fund Balance, Beginning of Year	<u>423,100</u>	<u>423,101</u>	<u>267,701</u>
Current Fund Balance, End of Year (note 7)	<u>\$ -</u>	<u>\$ 270,552</u>	<u>\$ 423,101</u>

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

Corporation of the Township of East Ferris
Consolidated Schedule of Capital Fund Operations
For The Year Ended December 31, 2006

	<u>2006</u>		<u>2005</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenues			
Government transfers (note 5)	<u>\$ 509,218</u>	<u>\$ 509,588</u>	<u>\$ 50,000</u>
Expenditures			
General government	-	-	57,340
Protection services	421,154	296,821	54,790
Transportation services	527,024	500,369	273,334
Recreation and cultural services	138,968	130,262	27,399
Total Expenditures	<u>1,087,146</u>	<u>927,452</u>	<u>412,863</u>
Net Expenditures	<u>(577,928)</u>	<u>(417,864)</u>	<u>(362,863)</u>
Financing and Transfers			
Transfers from current fund	566,433	406,369	362,863
Transfers from reserves	11,495	11,495	-
Net Financing and Transfers	<u>577,928</u>	<u>417,864</u>	<u>362,863</u>
Change in Capital Fund Balance	-	-	-
Capital Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Capital Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

Corporation of the Township of East Ferris
Consolidated Schedule of Reserves
For The Year Ended December 31, 2006

	<u>2006</u>		<u>2005</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Transfers From (To) Other Funds			
Transfers from current fund	\$ 372,543	\$ 462,628	\$ 512,735
Transfers to capital fund	<u>(11,495)</u>	<u>(11,495)</u>	<u>-</u>
Total Net Transfers	361,048	451,133	512,735
Reserves, Beginning of Year	<u>2,770,438</u>	<u>2,770,438</u>	<u>2,257,703</u>
Reserves, End of Year	<u><u>\$ 3,131,486</u></u>	<u><u>\$ 3,221,571</u></u>	<u><u>\$ 2,770,438</u></u>
Analyzed as follows:			
Reserves set aside for specific purposes:			
Working capital		\$ 71,419	\$ 71,419
Vacation pay		23,863	21,329
Retirement allowances		173,006	173,006
Future capital expenditures		2,782,060	2,421,012
Federal gas tax		<u>171,223</u>	<u>83,672</u>
Total Reserves		<u><u>\$ 3,221,571</u></u>	<u><u>\$ 2,770,438</u></u>

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

Corporation of the Township of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2006

1. Accounting Policies

The consolidated financial statements of the township are the representations of management prepared in accordance with accounting policies prescribed for local governments as recommended by the Public Sector Accounting Board and the Canadian Institute of Chartered Accountants. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgements.

(a) Basis of Consolidation

- (i) These consolidated statements reflect the financial assets, liabilities, revenues and expenditures of the current fund, capital fund and reserves, and include the activities of all committees of Council and of the Corporation of the Township of East Ferris Public Library Board.

All interfund assets and liabilities and revenues and expenditures have been eliminated.

- (ii) Non-Consolidated Entities

The following joint local boards are not consolidated:

North Bay and District Health Unit
 District of Nipissing Social Services Administration Board
 East Nipissing District Home for the Aged

- (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 fund balances of these financial statements.

(b) Basis of Accounting

- (i) 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.

- (ii) 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.

Corporation of the Township of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2006

1. Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(iii) Reserves

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

(iv) Amounts to be Recovered from Future Revenues

Amounts to be recovered from future revenues, which are part of the municipal position, include employee benefits payable and landfill closure and post-closure liabilities.

(v) Government Transfers

Government transfers are recognized in the consolidated 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.

2. Investment

	<u>2006</u>	<u>2005</u>
Northern Ontario Grow Bond, bearing interest at 4% annually, and maturing on April 11, 2010	<u>\$ 500,000</u>	<u>\$ 500,000</u>

3. Operations of School Boards

Further to note 1(a)(iii), the taxation, other revenues, expenditures and overlevies of the school boards are comprised of the following:

	<u>2006</u>	<u>2005</u>
Taxation and user charges	\$ 1,014,225	\$ 938,830
Grants	<u>1,600</u>	<u>853</u>
Total amounts received or receivable	1,015,825	939,683
Requisitions	<u>1,015,825</u>	<u>939,683</u>
	<u>\$ -</u>	<u>\$ -</u>

Corporation of the Township of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2006

4. Employee Benefits Payable

The township provides certain employee benefits which will require funding in future periods, as follows:

	<u>2006</u>	<u>2005</u>
Vacation pay	\$ 23,863	\$ 21,329
Retirement allowance	<u>173,006</u>	<u>173,006</u>
	<u>\$ 196,869</u>	<u>\$ 194,335</u>

The vacation pay liability is accrued using the actual rate of pay at year end and the retirement allowance is accrued using a discount rate of 4.68%.

5. Government Transfers

The following government transfers have been included in revenues:

	<u>2006</u>	<u>2005</u>
Current Transfers:		
Federal	\$ 92,386	\$ 107,798
Provincial	<u>1,124,547</u>	<u>1,259,168</u>
	<u>1,216,933</u>	<u>1,366,966</u>
Capital Transfers:		
Provincial	<u>509,588</u>	<u>50,000</u>
	<u>\$ 1,726,521</u>	<u>\$ 1,416,966</u>

Corporation of the Township of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2006

6. Landfill Closure and Post-Closure

The main components of the landfill closure plan are final capping using selected specific layers of earthen materials based on an engineered cap design and implementation of a drainage management plan. The post-closure care requirements will involve cap maintenance, installation of monitoring wells, groundwater monitoring, inspections and annual reports.

The estimated liability for this care is the present value of future cash flows associated with closure and post-closure costs discounted using the township's estimated average borrowing rate of 4.50%. The change in liability is recorded based on the capacity of the landfill used to date. The recorded liability is \$1,337,635 (2005 - \$1,266,537) based on a total estimated liability in the future of \$1,719,816 (2005 - \$1,709,825), leaving an amount of \$382,181 (2005 - \$443,288) to be recognized over the remaining expected life of the landfill site. The liability is currently unfunded and is expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill.

The estimated remaining capacity of the site is approximately 48,526 (2005 - 56,614) tons, which translates to a remaining life of approximately 6 years. Post-closure care is estimated to continue for a period of approximately 25 years.

7. Municipal Fund Balances at the End of the Year

Current Fund:

The current fund balance of \$270,552 (2005 - \$423,101) at the end of the year is comprised of the following:

	<u>2006</u>	<u>2005</u>
• General Government	\$ 269,042	\$ 414,814
• East Ferris Public Library Board	<u>1,510</u>	<u>8,287</u>
	<u>\$ 270,552</u>	<u>\$ 423,101</u>

8. Pension Agreements

The township makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 13 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 \$42,796 (2005 - \$38,386) for current services and is included as an expenditure on the Consolidated Statement of Financial Activities.

Corporation of the Township of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2006

9. Commitment

During 2004, the township passed a resolution committing to pay \$75,000 per year for 10 years for the North Bay Regional Health Centre Hospital capital project. As at February 22, 2007, a formal agreement has not been executed and no payments have yet to be made.

10. Budget Figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by Council. The budget approved by Council is developed in accordance with the provincially mandated funding model for municipalities and is used to manage program spending within the guidelines of the funding model. Given differences between the funding model and generally accepted accounting principles for local governments established by the Public Sector Accounting Board, the budget figures presented have been adjusted to conform with this basis of accounting as it is used to prepare the consolidated financial statements. The budget figures are unaudited.

11. Comparative Figures

The presentation of certain accounts of the previous year has been changed to conform with the presentation adopted for the current year.