

Town of Renfrew

Financial Report

For the year ended 31 December 2006

252 Raglan Street S.  
Renfrew, Ontario

AUDITORS' REPORT

To the Members of Council,  
Inhabitants and Ratepayers of the  
Corporation of the Town of Renfrew.

We have audited the consolidated balance sheet of the Corporation of the Town of Renfrew as at 31 December 2006, and the consolidated statements of operations and cash flows and the schedules of current fund operations, capital fund operations, and reserves and reserve funds for the year then ended. These financial statements are the responsibility of the Town'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 Town of Renfrew as at 31 December 2006, and the results of its operations and cash flows for the year then ended in accordance with the accounting principles disclosed in Note 1 to the financial statements.

*Mackillochan & Associates*

RENFREW, Ontario.

13 March 2007.

Chartered Accountants.

Town of Renfrew

Consolidated Balance Sheet

As at 31 December 2006  
(with 2005 figures for comparison)

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash	\$ 1,720,711	\$ 70,820
Taxes receivable	1,039,030	894,630
User charges receivable	625,550	1,054,882
Accounts receivable	2,452,104	3,886,509
Other current assets	1,203,213	1,202,329
Investment in government business enterprises (Note 6)	<u>9,042,857</u>	<u>8,900,281</u>
	<u>\$ 16,083,465</u>	<u>\$ 16,009,451</u>
<u>LIABILITIES AND MUNICIPAL POSITION</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 2,222,203	\$ 1,877,409
Temporary loans - current purposes	1,371,431	2,071,432
Deferred revenue (Note 8)	1,203,725	777,274
Net long term liabilities (Note 4)	3,603,009	3,677,346
Landfill closure and post closure costs (Note 10)	1,742,000	1,474,000
Post employment benefits	<u>126,540</u>	<u>152,804</u>
	<u>\$ 10,268,908</u>	<u>\$ 10,030,265</u>
Municipal position:		
Capital fund	\$ (2,550,711)	\$ (1,466,752)
Renfrew Downtown Business Association	5,399	(38)
Reserves and reserve funds	4,788,561	3,849,845
Equity in government business enterprises (Note 6)	<u>9,042,857</u>	<u>8,900,281</u>
Fund balances	<u>\$ 11,286,106</u>	<u>\$ 11,283,336</u>
Amounts to be recovered in future years:		
Long term liabilities (Note 4)	\$ (3,603,009)	\$ (3,677,346)
Landfill closure and post closure costs (Note 10)	(1,742,000)	(1,474,000)
Post employment benefits	<u>(126,540)</u>	<u>(152,804)</u>
	<u>\$ (5,471,549)</u>	<u>\$ (5,304,150)</u>
Municipal position	<u>\$ 5,814,557</u>	<u>\$ 5,979,186</u>
	<u>\$ 16,083,465</u>	<u>\$ 16,009,451</u>

(See accompanying notes)

**MACKILLICAN & ASSOCIATES**

CHARTERED ACCOUNTANTS

Town of Renfrew

Consolidated Statement of Operations

For the year ended 31 December 2006  
(with 2006 budget and 2005 actual figures for comparison)

	<u>Budget</u> <u>2006</u>	<u>Actual</u> <u>2006</u>	<u>Actual</u> <u>2005</u>
Revenue:			
Net municipal taxation	\$ 5,302,300	\$ 5,326,922	\$ 5,245,754
Transfer payments:			
Ontario	4,622,871	3,395,002	2,638,578
Canada	3,700	5,703	3,106
Other municipalities	380,730	722,784	565,965
Other	<u>5,760,170</u>	<u>4,975,252</u>	<u>4,531,611</u>
	<u>\$ 16,069,771</u>	<u>\$ 14,425,663</u>	<u>\$ 12,985,014</u>
Expenditure:			
Current:			
General government	\$ 1,165,590	\$ 1,203,356	\$ 1,139,022
Protection to persons and property	2,690,482	2,685,400	2,419,723
Transportation services	1,973,140	1,936,744	1,495,495
Environmental services	3,057,020	2,739,216	2,413,020
Social and family services	501,600	507,093	553,617
Recreation and cultural services	1,728,054	1,681,875	1,567,560
Planning and development	<u>189,114</u>	<u>179,835</u>	<u>166,185</u>
	<u>\$ 11,305,000</u>	<u>\$ 10,933,519</u>	<u>\$ 9,754,622</u>
Capital:			
General government	\$ 105,500	\$ 65,428	\$ 320,364
Protection to persons and property	57,300	46,156	5,005
Transportation services	1,251,000	1,114,530	526,572
Environmental services	4,914,143	2,086,114	1,357,442
Recreation and cultural services	<u>263,500</u>	<u>245,385</u>	<u>301,283</u>
	<u>\$ 6,591,443</u>	<u>\$ 3,557,613</u>	<u>\$ 2,510,666</u>
Total expenditure	<u>\$ 17,896,443</u>	<u>\$ 14,491,132</u>	<u>\$ 12,265,288</u>
Net surplus (deficit) for the year	<u>\$ (1,826,672)</u>	<u>\$ (65,469)</u>	<u>\$ 719,726</u>
Financing and transfers:			
Debt principal repayments (Note 4)	\$ (74,336)	\$ (74,337)	\$ (74,336)
New debt issued during the year (Note 4)	2,739,382		
Change in investment in government business enterprises		<u>142,576</u>	<u>211,540</u>
Total financing and transfers	<u>\$ 2,665,046</u>	<u>\$ 68,239</u>	<u>\$ 137,204</u>
Change in fund balances during the year	<u>\$ 838,374</u>	<u>\$ 2,770</u>	<u>\$ 856,930</u>

(See accompanying notes)

**MACKILLICAN & ASSOCIATES**

CHARTERED ACCOUNTANTS

Town of Renfrew

Schedule of Current Fund Operations

For the year ended 31 December 2006  
(with 2006 budget and 2005 actual figures for comparison)

	Budget <u>2006</u>	Actual <u>2006</u>	Actual <u>2005</u>
Revenue:			
Net municipal taxation	\$ 5,242,300	\$ 5,267,197	\$ 5,186,634
Transfer payments:			
Ontario	2,124,800	1,872,694	1,560,671
Canada	3,700	5,703	1,800
Other municipalities	364,200	546,250	549,431
Other	<u>1,784,700</u>	<u>2,218,535</u>	<u>1,708,267</u>
	<u>\$ 9,519,700</u>	<u>\$ 9,910,379</u>	<u>\$ 9,006,803</u>
Expenditure:			
General government	\$ 1,165,590	\$ 1,203,356	\$ 1,139,023
Protection to persons and property	2,690,482	2,685,400	2,419,723
Transportation services	1,893,940	1,936,744	1,412,786
Environmental services	577,550	616,587	529,514
Social and family services	501,600	507,093	553,617
Recreation and cultural services	1,323,383	1,286,305	1,183,051
Planning and development	<u>143,450</u>	<u>139,884</u>	<u>121,437</u>
	<u>\$ 8,295,995</u>	<u>\$ 8,375,369</u>	<u>\$ 7,359,151</u>
Net surplus for the year	<u>\$ 1,223,705</u>	<u>\$ 1,535,010</u>	<u>\$ 1,647,652</u>
Financing and transfers:			
Debt principal repayments	\$ (60,000)	\$ (60,000)	\$ (60,000)
Transfer to capital fund	(414,300)	(317,005)	(399,889)
Transfer to library board	(381,531)	(356,847)	(352,313)
Transfer to reserves and reserve funds	<u>(367,874)</u>	<u>(801,158)</u>	<u>(941,238)</u>
Total financing and transfers	<u>\$ (1,223,705)</u>	<u>\$ (1,535,010)</u>	<u>\$ (1,753,440)</u>
Change in current fund balance during the year	\$ -	\$ -	\$ (105,788)
Current fund balance at the beginning of the year	<u>-</u>	<u>-</u>	<u>105,788</u>
Current fund balance at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

Town of Renfrew

Schedule of Capital Fund Operations

For the year ended 31 December 2006  
(with 2005 figures for comparison)

	<u>2006</u>	<u>2005</u>
Revenue:		
Transfer payments - Ontario	\$ 1,489,968	\$ 1,054,245
Other revenue	<u>177,390</u>	<u>107,550</u>
	<u>\$ 1,667,358</u>	<u>\$ 1,161,795</u>
Expenditure:		
General government	\$ 65,428	\$ 320,364
Protection to persons and property	46,156	5,005
Transportation services	1,114,530	526,572
Environmental services	2,086,114	1,357,442
Recreation and cultural services	<u>245,385</u>	<u>301,283</u>
	<u>\$ 3,557,613</u>	<u>\$ 2,510,666</u>
Net deficit for the year	<u>\$ (1,890,255)</u>	<u>\$ (1,348,871)</u>
Financing and transfers:		
Transfer from current fund	\$ 317,005	\$ 399,889
Transfer from library board	26,156	35,507
Transfer from waterworks	110,700	175,901
Transfer from sewer system	252,168	305,259
Transfer from reserves and reserve funds	<u>100,267</u>	<u>713,325</u>
Total financing and transfers	<u>\$ 806,296</u>	<u>\$ 1,629,881</u>
Change in capital fund balance during the year	\$ (1,083,959)	\$ 281,010
Capital fund balance at the beginning of the year	<u>(1,466,752)</u>	<u>(1,747,762)</u>
Capital fund balance at the end of the year	<u>\$ (2,550,711)</u>	<u>\$ (1,466,752)</u>

(See accompanying notes)

Town of Renfrew

Schedule of Reserves and Reserve Funds

For the year ended 31 December 2006  
(with 2005 figures for comparison)

	<u>2006</u>	<u>2005</u>
Revenue:		
Net parking fund transactions	\$ <u>-</u>	\$ <u>(1,260)</u>
Transfers from (to) other funds:		
Transfer from operating fund	\$ 801,158	\$ 941,238
Transfer from waterworks	180,873	203,599
Transfer from sewer system	56,952	35,530
Transfer to capital fund	<u>(100,267)</u>	<u>(713,325)</u>
	\$ <u>938,716</u>	\$ <u>467,042</u>
Change in reserves and reserve fund balances during the year	\$ 938,716	\$ 465,782
Reserves and reserve fund balances at the beginning of the year	<u>3,849,845</u>	<u>3,384,063</u>
Reserves and reserve fund balances at the end of the year	\$ <u>4,788,561</u>	\$ <u>3,849,845</u>
Analyzed as follows:		
Reserves and reserve funds set aside for specific purposes:		
Working funds	\$ 200,000	\$ 200,000
Contingencies	2,001,151	1,463,775
Asset acquisition - revenue fund	910,930	747,415
- waterworks fund	1,060,568	879,695
- sewer system fund	615,697	558,745
Parking facilities	<u>215</u>	<u>215</u>
Total reserves and reserve funds	\$ <u>4,788,561</u>	\$ <u>3,849,845</u>

(See accompanying notes)

**MACKILLICAN & ASSOCIATES**

CHARTERED ACCOUNTANTS

Town of Renfrew

Consolidated Statement of Cash Flows

For the year ended 31 December 2006  
(with 2005 figures for comparison)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Net surplus (deficit) for the year	\$ <u>(65,469)</u>	\$ <u>719,726</u>
Net change in non cash working capital balances related to operations:		
- decrease (increase) in taxes receivable	\$ (144,400)	\$ (262,815)
- decrease (increase) in user charges receivable	61,096	(500,638)
- decrease (increase) in accounts receivable	1,802,641	(1,010,623)
- decrease (increase) in other current assets	(884)	(18,275)
- increase (decrease) in accounts payable and accrued liabilities	344,794	(524,602)
- increase in deferred revenue	426,451	277,501
- increase in government business enterprises	<u>142,576</u>	<u>211,540</u>
	\$ <u>2,632,274</u>	\$ <u>(1,827,912)</u>
Cash flows from (used for) operating activities	\$ 2,566,805	\$ (1,108,186)
Cash flows from financing activities:		
Repayment of long term liabilities	(74,337)	(74,336)
Cash flows from investing activities:		
Change in investment in government business enterprises	<u>(142,576)</u>	<u>(211,540)</u>
Net increase (decrease) in cash and cash equivalents during the year	\$ 2,349,892	\$ (1,394,062)
Cash and cash equivalents at the beginning of the year	<u>(2,000,612)</u>	<u>(606,550)</u>
Cash and cash equivalents at the end of the year	\$ <u>349,280</u>	\$ <u>(2,000,612)</u>
Comprised of:		
Cash	\$ 1,720,711	\$ 70,820
Temporary loans - current purposes	<u>(1,371,431)</u>	<u>(2,071,432)</u>
	\$ <u>349,280</u>	\$ <u>(2,000,612)</u>

(See accompanying notes)

Town of Renfrew

Notes to the Financial Statements

For the year ended 31 December 2006

1. ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Town of Renfrew are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing. 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 judgments.

(a) (i) Basis of Consolidation

These consolidated financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund, reserve funds and reserves and include the activities of all committees of Council and the following boards and municipal enterprises which are under the control of Council:

Town of Renfrew Waterworks  
Town of Renfrew Sewer System  
Renfrew Public Library Board  
Renfrew Downtown Business Association

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

(ii) Non-Consolidated Entities

The "Consolidated Balance Sheet" does not reflect the assets or liabilities of Renfrew Hydro Incorporated, Renfrew Power Generation Incorporated or the Renfrew Industrial Commission except to the extent of amounts due to or from these entities. The "Consolidated Statement of Operations" does not reflect the revenues and expenditures of these entities.

(iii) Accounting for County and School Board Transactions

The taxation, other revenues and requisitions with respect to the operations of the school boards and the County of Renfrew are not reflected in the municipal fund balances of these financial statements.

(iv) Trust funds and their related operations administered by the Municipality are not consolidated, but are reported separately on the "Trust Funds Statements of Continuity and Balance Sheet".

(b) Basis of Accounting

(i) Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of interest charges on long term liabilities which are charged against operations in the periods in which they are paid. The interest charges are not accrued for the periods from the dates of the latest installment payments to the end of the financial year.

(ii) 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.

**MACKILLICAN & ASSOCIATES**

CHARTERED ACCOUNTANTS

Town of Renfrew

Notes to the Financial Statements

For the year ended 31 December 2006

(iii) 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 Operations" in the year of acquisition.

(iv) Amounts to be Recovered in Future Years

The "Amounts to be recovered in future years" as reported on the consolidated balance sheet represents the outstanding principal portion of long term liabilities for municipal expenditures, landfill closure and post closure costs and amounts to be paid out for benefits in the future because of early retirements.

2. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF RENFREW

Further to Note 1 (a) (iii), the taxation, other revenues and requisitions of the school boards and the County of Renfrew are comprised of the following:

	<u>School Boards</u>	<u>County</u>
Taxation and user charges	\$ 2,798,303	\$ 2,516,660
Share of payments in lieu of taxes	<u>                    </u>	<u>118,401</u>
Total requisitions	\$ <u>2,798,303</u>	\$ <u>2,635,061</u>

3. TRUST FUNDS

Trust funds administered by the Municipality amounting to \$ 142,991 (2005 - \$ 118,885) have not been included in the "Consolidated Balance Sheet" nor have their operations been included in the "Consolidated Statement of Operations".

4. NET LONG TERM LIABILITIES

	<u>2006</u>	<u>2005</u>
a) The balance of net long term liabilities reported on the "Consolidated Balance Sheet" is made up of the following:		
Town of Renfrew - development and works loan	\$ 60,000	\$ 120,000
- water treatment plant upgrade	3,500,000	3,500,000
Renfrew Downtown Business Association	<u>43,009</u>	<u>57,346</u>
	\$ <u>3,603,009</u>	\$ <u>3,677,346</u>

Town of Renfrew

Notes to the Financial Statements

For the year ended 31 December 2006

b) Of the net long term liabilities reported in (a) of this Note, \$ 1,003,009 in principal payments are payable from 2007 to 2011 and \$ 2,600,000 in years 2012 onwards.

c) Total charges for the year for net long term liabilities which are reported on the "Consolidated Statement of Operations" are as follows:

	<u>2006</u>	<u>2005</u>
Principal payments	\$ 74,337	\$ 74,336
Interest	<u>123,166</u>	<u>92,042</u>
	<u>\$ 197,503</u>	<u>\$ 166,378</u>

d) There was no new debt issued during the year. The \$ 3,500,000 issued prior to 2006 is a portion of the Ontario Strategic Infrastructure Financing Authority (OSIFA) funding from their total committed amount of \$ 6,914,914. The interest rate on this loan is currently 2.6%. This loan was converted into a \$ 4,000,000 serial debenture from the Ontario Infrastructure Projects Corporation in January 2007, repayable over the next twenty years in semi-annual instalments of \$ 100,000 each plus interest at 2.38 % per annum.

## 5. SUBSEQUENT EVENT

In January 2007, the Corporation of the Town of Renfrew borrowed \$ 1,200,000 from the Ontario Infrastructure Projects Corporation to finance the water meter installation project. This debenture is repayable over the next ten years in semi-annual instalments of \$ 60,000 each plus interest at 4.32% per annum.

## 6. GOVERNMENT BUSINESS ENTERPRISES

The Energy Competition Act, 1998, required municipalities choosing to continue providing hydro-electric services beyond 7 November 2000, to do so through an entity incorporated under the Ontario Business Corporations Act. The Renfrew Hydro Electric Commission was divided into two new corporations, Renfrew Hydro Incorporated and Renfrew Power Generation Incorporated. The Town of Renfrew owns one hundred percent of these two Corporations. The breakdown of the Town of Renfrew's investment and equity in these two Corporations consists of the following:

	<u>Renfrew Hydro Incorporated</u>	<u>Renfrew Power Generation Incorporated</u>	<u>Total</u>
Investments:			
Notes receivable	\$ 2,705,168	\$ 925,554	\$ 3,630,722
Shareholder's equity	<u>3,044,051</u>	<u>2,368,084</u>	<u>5,412,135</u>
Equity in government business enterprises	<u>\$ 5,749,219</u>	<u>\$ 3,293,638</u>	<u>\$ 9,042,857</u>

Town of Renfrew

Notes to the Financial Statements

For the year ended 31 December 2006

7. NON ACCRUAL OF INTEREST ON LONG TERM LIABILITIES

No provision has been made in these financial statements for the accrual of interest on the net long term liabilities. Had this provision been made, the municipal fund balances as at 31 December 2006 would have decreased by \$ 11,019 (2005 - \$ 8,809).

8. DEFERRED REVENUE

The balance of deferred revenue on the "Consolidated Balance Sheet" at the end of the year is comprised of the following:

	<u>2006</u>	<u>2005</u>
- lot development charges reserve	\$ 305,264	\$ 228,941
- gas tax rebates reserve - Provincial	209,110	140,542
- gas tax rebates reserves - Federal	159,126	77,432
- current revenue fund expenditures	<u>530,225</u>	<u>330,359</u>
	<u>\$ 1,203,725</u>	<u>\$ 777,274</u>

9. PENSION AGREEMENT

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of sixty 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 \$ 221,187 (2005 - \$ 193,396) for current service.

10. LANDFILL CLOSURE AND POST CLOSURE COSTS

The landfill closure and post closure costs are the Town of Renfrew's estimate of the future costs of closing and monitoring the Town's landfill site.

11. CONTINGENT LIABILITIES

The Town is currently involved in litigation proceedings pertaining to a) the sale of a parcel of land and b) the awarding of a tendered contract. Because the outcome of these matters cannot yet be determined, no amounts have been recorded in the accounts.