

**Corporation of the Municipality
of Sioux Lookout
Consolidated Financial Statements
For the year ended December 31, 2010**

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Independent Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of Corporation of the Municipality of Sioux Lookout

We have audited the accompanying consolidated financial statements of Corporation of the Municipality of Sioux Lookout, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations and accumulated surplus, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Corporation of the Municipality of Sioux Lookout as at December 31, 2010 and the results of its operations, change in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

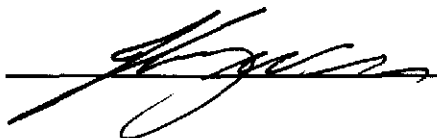
BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Dryden, Ontario
September 14, 2011

Corporation of the Municipality of Sioux Lookout
Consolidated Statement of Financial Position

December 31	2010	2009
Financial assets		
Cash and cash equivalents	\$ 651,894	\$ 701,474
Taxes receivable	1,348,169	798,677
Accounts receivable	1,290,377	1,492,851
Grants receivable	2,172,574	1,810,908
Investment in government business enterprise (Note 1)	2,961,822	2,877,877
Payment in lieu receivable (Note 2)	119,193	60,215
Inventories for resale	230,488	104,138
	8,774,517	7,846,140
Liabilities		
Bank indebtedness (Note 3)	1,921,011	647,427
Accounts payable and accrued liabilities	3,050,434	3,384,260
Employee benefits liability (Note 4)	495,568	576,728
Deferred revenue (Schedule)	544,033	636,793
Net long-term liabilities (Note 5)	12,248,299	11,925,110
Solid waste closure and post closure liabilities (Note 6)	189,733	177,880
	18,449,078	17,348,198
Net debt	(9,674,561)	(9,502,058)
Non-financial assets		
Tangible capital assets (Note 7)	46,575,430	44,071,099
Accumulated surplus (Note 8)	\$ 36,900,869	\$ 34,569,041

 Treasurer

 Mayor

Corporation of the Municipality of Sioux Lookout
Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	Budget 2010	2010	2009
	(Note 18)		
Revenue			
Taxation (Note 17)	\$ 6,983,123	\$ 6,971,172	\$ 6,228,230
Canada grants	7,807,848	1,712,903	771,663
Ontario grants	7,359,052	4,337,401	6,226,531
Fees, rentals and user charges	6,763,453	6,474,415	5,730,348
Income from government business enterprises (Note 1)	-	296,901	93,107
Other (Note 9)	11,682,645	8,608,625	8,198,858
	<u>40,596,121</u>	<u>28,401,417</u>	<u>27,248,737</u>
Expenses (Note 10)			
General government	2,618,354	2,219,345	2,111,070
Protection services	2,981,696	2,672,184	2,766,362
Transportation services	10,934,880	11,975,368	11,627,702
Environmental services	2,617,277	3,516,929	3,330,526
Health services	580,118	761,928	691,923
Social and family services	2,108,811	2,071,863	2,129,518
Social housing	343,971	324,920	324,879
Recreation and cultural services	2,076,398	1,860,255	1,672,499
Planning and development	916,317	666,797	812,811
	<u>25,177,822</u>	<u>26,069,589</u>	<u>25,467,290</u>
Annual surplus	<u>15,418,299</u>	<u>2,331,828</u>	<u>1,781,447</u>
Accumulated surplus, beginning of year, as previously stated	34,569,041	34,569,041	32,710,908
Change in accounting policy (Note 1)	-	-	76,686
Accumulated surplus, beginning of year, restated	<u>34,569,041</u>	<u>34,569,041</u>	<u>32,787,594</u>
Accumulated surplus, end of year	<u>\$49,987,340</u>	<u>\$36,900,869</u>	<u>\$ 34,569,041</u>

Corporation of the Municipality of Sioux Lookout
Consolidated Statement of Change in Net Debt

For the year ended December 31	Budget 2010	2010	2009
	(Note 18)		
Annual surplus	\$ 15,418,299	\$ 2,331,828	\$ 1,781,447
Acquisition of tangible capital assets	(15,586,861)	(4,857,537)	(7,874,187)
Amortization of tangible capital assets	-	2,353,206	2,379,044
Change in accounting policy (Note 1)	-	-	76,686
Net change in net debt	(168,562)	(172,503)	(3,637,010)
Net debt, beginning of year	(9,502,058)	(9,502,058)	(5,865,048)
Net debt, end of year	\$ (9,670,620)	\$ (9,674,561)	\$ (9,502,058)

Corporation of the Municipality of Sioux Lookout
Consolidated Statement of Cash Flows

For the year ended December 31	2010	2009
Operating transactions		
Annual surplus	\$ 2,331,828	\$ 1,781,447
Items not involving cash		
Income from government business enterprise	(296,901)	(93,107)
Amortization	2,353,206	2,379,044
Changes in non-cash operating balances		
Taxes receivable	(549,492)	(34,464)
Accounts receivable	202,474	(557,301)
Inventories for resale	(126,350)	23,651
Grants receivable	(361,666)	472,638
Accounts payable and accrued liabilities	(333,826)	1,218,828
Employee Benefits Plan liability	(81,160)	(87,944)
Payment in lieu receivable	(58,978)	815
Deferred revenue	(92,760)	(1,558,461)
Solid waste closure and post closure liabilities	11,853	(10,987)
	<u>2,998,228</u>	<u>3,534,159</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(4,857,537)</u>	<u>(7,874,187)</u>
Investing transactions		
Dividends from government business enterprise	212,956	239,000
Temporary investments	-	363,011
	<u>212,956</u>	<u>602,011</u>
Financing transactions		
Increase (decrease) in bank indebtedness	1,273,584	(642,622)
Increase in long-term debt	323,189	4,734,226
	<u>1,596,773</u>	<u>4,091,604</u>
Net change in cash and cash equivalents	(49,580)	353,587
Cash and cash equivalents, beginning of year	<u>701,474</u>	<u>347,887</u>
Cash and cash equivalents, end of year	<u>\$ 651,894</u>	<u>\$ 701,474</u>

Corporation of the Municipality of Sioux Lookout

Summary of Significant Accounting Policies

December 31, 2009

**Management's
Responsibility for the
Financial Statements**

The consolidated financial statements of Corporation of the Municipality of Sioux Lookout are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Corporation of the Municipality of Sioux Lookout is a municipality in the Province of Ontario and operates under the provisions of the Community Charter. Corporation of the Municipality of Sioux Lookout provides municipal services such as fire, public works, planning, parks, recreation and other general government services.

Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by Corporation of the Municipality of Sioux Lookout. The following entities have been consolidated:

Corporation of the Municipality of Sioux Lookout Public Library Board
Sioux Lookout Airport Commission

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. The following government business enterprises are reflected in the consolidated financial statements:

Sioux Lookout Hydro Inc.

**Non-consolidated
Entities**

The following joint boards are not consolidated:

District of Kenora Home for the Aged
Kenora District Services Board
Northwestern Health Unit

Basis of Accounting

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

**Cash and Cash
Equivalents**

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

Corporation of the Municipality of Sioux Lookout

Summary of Significant Accounting Policies

December 31, 2010

Temporary Investments

Portfolio investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

Inventory Held for Resale

Inventory held for resale is valued at the lower of cost and net realizable value.

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	10 to 30 years
Buildings	10 to 40 years
Machinery and equipment	10 to 40 years
Linear assets	5 to 50 years
Vehicles	8 to 20 years

Collection of Taxes on Behalf of Other Taxation Authorities

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

Trust Funds

Trust funds held in trust by Corporation of the Municipality of Sioux Lookout, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately.

Government Transfers

Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligible criteria have been met, and reasonable estimates of the amount can be made.

Corporation of the Municipality of Sioux Lookout

Summary of Significant Accounting Policies

December 31, 2010

Tax Revenues	<p>The amount of the total property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council approved policies, in order to raise the revenue required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund the costs of education on a Province wide basis.</p> <p>Property assessments, on which property taxes are based, are established by the Municipal Property Assessment Corporation. The current value assessment of a property represents an estimated market value of a property as of a fixed date. Assessed values for all properties within the municipality are provided to the Township in the form of the returned assessment roll in December of each year.</p> <p>The amount of property tax levied on an individual property is the product of the CVA of the property and the tax rate for the class, together with any adjustments that reflect Council approved mitigation or other tax policy measures.</p>
Fees, Rentals and User Charges	<p>Revenues are recorded in the accounts when title passes to the buyer and/or when services have been rendered and the transaction can be reasonably measured.</p>
Solid Waste Landfills	<p>The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, discounted, adjusted for estimated inflation, and are charged to expense as the landfill site's capacity is used.</p>
Pension and Employee Benefits	<p>The municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The municipality has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.</p>
Use of Estimates	<p>The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.</p>

Corporation of the Municipality of Sioux Lookout
Notes to Consolidated Financial Statements

December 31, 2010

1. Investment in Government Business Enterprise

Sioux Lookout Hydro Inc. is owned and controlled by Corporation of the Municipality of Sioux Lookout and, as a business enterprise of the municipality, is accounted for on a modified equity basis in these financial statements. The following information provides condensed supplementary information for the enterprise for the year ended December 31, 2009.

	2010	2009
Financial position		
Current assets	\$ 2,861,044	\$ 2,693,359
Capital assets	4,528,276	4,575,160
Goodwill/regulatory assets	300,827	746,813
	\$ 7,690,147	\$ 8,015,332
 Current liabilities	 \$ 4,728,325	 \$ 5,137,455
 Net assets, end of year	 <u>2,961,822</u>	 <u>2,877,877</u>
	\$ 7,690,147	\$ 8,015,332

	2010	2009
Results of operations and changes in net assets		
Revenue	\$ 7,065,509	\$ 5,401,050
Expenses	(6,768,608)	(5,307,943)
Net income for the year	296,901	93,107
Net assets, beginning of year	2,877,877	2,947,084
Change in accounting policy	-	76,686
Dividends	(212,956)	(239,000)
Net assets, end of year	\$ 2,961,822	\$ 2,877,877

Change in Accounting Policy

Effective for year ends beginning on or after January 1, 2009 the Canadian Institute of Chartered Accountants ('CICA') amended the CICA Handbook Section 1100, Generally Accepted Accounting Principles, Section 3465, Income Taxes and Accounting Guideline 19 - Disclosures by Entities Subject to Rate-Regulation.

The revision to Section 1100 removed the temporary exemption pertaining to the application of that Section to the recognition and measurement of assets and liabilities arising from rate-regulation. Accounting Guideline 19 amended certain disclosures as a result of the changes to the other Sections. Adoption of these amendments did not affect the company's results of operations and financial position.

Corporation of the Municipality of Sioux Lookout
Notes to Consolidated Financial Statements

December 31, 2010

2. Payment in Lieu Receivable

	2010	2009
Payment in lieu receivable	\$ 694,338	\$ 578,577
Allowance for doubtful accounts	(575,145)	(518,362)
	\$ 119,193	\$ 60,215

3. Bank Indebtedness

	2010	2009
Line of Credit	\$ 1,921,011	\$ 100,188
OSIFA Advance, interest at prime	-	547,239
	\$ 1,921,011	\$ 647,427

The municipality has an operating line of credit of \$4,000,000 that bears an interest rate of prime minus 0.50% and is due on demand. The airport has an operating line of credit of \$500,000 that bears an interest rate of prime and is due on demand. Both operating lines of credit and OSIFA advance are secured by Council By-Laws.

4. Employee Benefits Liability

	2010	2009
Vested and non-vested sick leave payable	\$ 312,906	\$ 423,839
Vacation payable	40,935	25,751
Banked stats and overtime	33,027	27,438
Post employment benefits payable	108,700	99,700
	\$ 495,568	\$ 576,728

The non-vested sick leave payable and the post employment benefits have been calculated by an actuary based on the projected benefit method pro-rated on service. The significant assumptions assume a discount rate of 5.75%, future salary increases on 3%, and a retirement age of 90 points (age plus service).

Corporation of the Municipality of Sioux Lookout
Notes to Consolidated Financial Statements

December 31, 2010

5. Net Long-term Liabilities

Net long-term liabilities reported on the statement of financial position is comprised of the following:

	<u>2010</u>	<u>2009</u>
Bank of Montreal Fixed Term Loan, prime plus 3.86%, blended monthly payments of \$6,336; due 2014	\$ 572,894	\$ 625,728
Bank of Montreal Fixed Term Loan, 3.75%, blended monthly payments of \$4,813; due 2020	429,118	469,087
Bank of Montreal Fixed Term Loan, 4.26%, blended monthly payments of \$6,277; due 2014	990,004	1,022,428
Bank of Montreal Fixed Term Loan, 4.91%, blended monthly payments of \$13,008; due 2015	690,664	809,689
Bank of Montreal Fixed Term Loan, 4.91%, blended monthly payments of \$5,752; due 2016	314,348	366,551
Bank of Montreal Fixed Term Loan, 5.01%, blended monthly payments of \$2,890; due 2016	410,830	424,568
CIBC Demand Installment Loan, 4.01%, blended monthly payments of \$9,370; due 2012	1,405,347	1,385,664
Provincial Infrastructure Financing Authority, 3.05%, blended semi-annual payments of \$26,827; maturing 2012	1,130,609	1,149,351
TD Canada Trust Bank Loan, 3.60%, blended monthly payments of \$7,279; maturing 2027	1,158,446	1,202,557
Bank of Montreal Fixed Term Loan, 3.86%, blended monthly payments of \$45,261; maturing 2014	4,092,104	4,469,487
Ministry of Natural Resources Note Payable, five payments of \$128,600; maturing 2015	514,400	-
Provincial Infrastructure Financing Authority, 2.73%, blended semi-annual payments of \$15,173; maturing 2035	539,535	-
	<u>\$ 12,248,299</u>	<u>\$ 11,925,110</u>

continued ...

Corporation of the Municipality of Sioux Lookout
Notes to Consolidated Financial Statements

December 31, 2010

5. Net Long-term Liabilities (continued)

Principal repayments and interest relating to net long-term debt of \$12,248,299 outstanding are due as follows:

	Principal Repayments	Interest	Total
2011	\$ 832,898	\$ 437,609	\$ 1,270,507
2012	1,020,477	403,385	1,423,862
2013	1,057,910	365,552	1,423,462
2014	4,736,561	294,873	5,031,434
2015	2,575,647	128,682	2,704,329
Thereafter	2,024,806	702,154	2,726,960
	<u>\$ 12,248,299</u>	<u>\$ 2,332,255</u>	<u>\$ 14,580,554</u>

The gross interest paid relating to the above long-term debt was \$ 540,944 (2009 - \$ 446,207).

6. Solid Waste Closure and Post Closure Liabilities

The consolidated statement of financial position reflects liabilities for anticipated future costs related to the closing and monitoring of the existing landfill sites. This liability is recognized over the operating life of the waste disposal sites, in proportion to the site's utilized capacity.

Relevant information regarding the landfill sites are as follows:

	New Landfill Site	Old Landfill Site
Total estimated expenditures for closure and post closure cost	\$ 3,783,809	\$ 250,905
Landfill closure and post closure liability as at December 31, 2010	\$ 62,919	\$ 126,814
Total expenditures remaining to be recognized	\$ 3,720,890	\$ -
Remaining capacity of the site (cubic metres)	353,529	-
Remaining land fill site life (years)	35	-
Number of years required for post closure care	25	23

Corporation of the Municipality of Sioux Lookout
Notes to Consolidated Financial Statements

December 31, 2010

7. Tangible Capital Assets

	2010							
	Land	Land Improvements	Buildings	Machinery and Equipment	Linear Assets	Vehicles	Construction in Process	Total
Cost, beginning of year	\$ 2,255,732	\$ 437,846	\$ 16,434,989	\$ 12,860,353	\$ 35,596,791	\$ 6,121,833	\$ 561,255	\$ 74,268,799
Additions	964,470	-	-	126,281	556,196	41,880	3,168,710	4,857,537
Disposals	-	-	-	-	(61,097)	(186,633)	-	(247,730)
Cost, end of year	\$ 3,220,202	\$ 437,846	\$ 16,434,989	\$ 12,986,634	\$ 36,091,890	\$ 5,977,080	\$ 3,729,965	\$ 78,878,606
Accumulated amortization, beginning of year	\$ -	\$ 330,206	\$ 6,457,825	\$ 7,634,928	\$ 12,418,345	\$ 3,356,396	\$ -	\$ 30,197,700
Amortization	-	26,888	381,610	722,879	972,500	249,329	-	2,353,206
Disposals	-	-	-	-	(61,097)	(186,633)	-	(247,730)
Accumulated amortization, end of year	\$ -	\$ 357,094	\$ 6,839,435	\$ 8,357,807	\$ 13,329,748	\$ 3,419,092	\$ -	\$ 32,303,176
Net carrying amount, end of year	\$ 3,220,202	\$ 80,752	\$ 9,595,554	\$ 4,628,827	\$ 22,762,142	\$ 2,557,988	\$ 3,729,965	\$ 46,575,430

Corporation of the Municipality of Sioux Lookout
Notes to Consolidated Financial Statements

December 31, 2010

7. Tangible Capital Assets (continued)

	2009							
	Land	Land Improvements	Buildings	Machinery and Equipment	Linear Assets	Vehicles	Construction in Process	Total
Cost, beginning of year	\$ 2,102,516	\$ 437,846	\$ 16,311,906	\$ 12,436,897	\$ 29,466,179	\$ 5,654,536	\$ 150,713	\$ 66,560,593
Additions	153,216	-	123,083	423,456	6,296,593	467,297	410,542	7,874,187
Disposals	-	-	-	-	(165,981)	-	-	(165,981)
Cost, end of year	\$ 2,255,732	\$ 437,846	\$ 16,434,989	\$ 12,860,353	\$ 35,596,791	\$ 6,121,833	\$ 561,255	\$ 74,268,799
Accumulated amortization, beginning of year	\$ -	\$ 303,316	\$ 6,078,523	\$ 6,797,987	\$ 11,681,452	\$ 3,123,359	\$ -	\$ 27,984,637
Amortization	-	26,890	379,302	836,941	902,874	233,037	-	2,379,044
Disposals	-	-	-	-	(165,981)	-	-	(165,981)
Accumulated amortization, end of year	\$ -	\$ 330,206	\$ 6,457,825	\$ 7,634,928	\$ 12,418,345	\$ 3,356,396	\$ -	\$ 30,197,700
Net carrying amount, end of year	\$ 2,255,732	\$ 107,640	\$ 9,977,164	\$ 5,225,425	\$ 23,178,446	\$ 2,765,437	\$ 561,255	\$ 44,071,099

The net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from service) is \$3,729,965 (2009 - \$561,255).

Corporation of the Municipality of Sioux Lookout
Notes to Consolidated Financial Statements

December 31, 2010

8. Accumulated Surplus

Corporation of the Municipality of Sioux Lookout segregates its accumulated surplus in the following categories:

	<u>2010</u>	<u>2009</u>
Investment in tangible capital assets	\$ 46,575,430	\$ 44,071,099
Current Funds	(3,126,476)	(2,722,127)
Unfunded liabilities	(13,413,993)	(13,287,975)
Reserves		
for election	-	28,500
for downtown revitalization	49,496	49,496
for general capital expenditures	27,171	47,579
for water collection and treatment	-	10,748
for Policing	104,672	187,191
for water treatment plant debt retirement	173,106	173,106
for Municipal building	50,000	-
for Centennial	20,000	-
for wastewater collection and treatment	249,009	74,204
for boat launch	-	6,117
for landfill	90,997	68,190
for building department	54,880	82,696
for parking lot	18,095	90,450
for roads equipment	261,754	184,981
for roads	487,610	291,000
for fitness centre	155,000	140,000
for development services	602,300	602,300
for cedar bay	1,255	1,255
for parkland	48,781	47,206
Reserve Funds		
for Library acquisition of capital assets	14,829	11,329
for Hydro debt reserve	1,441,718	1,436,667
for Airport capital	53,413	97,152
Net equity in government business enterprises	2,961,822	2,877,877
	<u>\$ 36,900,869</u>	<u>\$ 34,569,041</u>

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserves and reserve funds represent funds set aside by By-Law or Council resolution for specific purposes.

Corporation of the Municipality of Sioux Lookout
Notes to Consolidated Financial Statements

December 31, 2010

9. Other Income

	2010	2009
Penalties and interest on taxation	\$ 154,349	\$ 150,347
Investment	21,556	145,066
Other municipalities (POA)	125,000	91,639
Fund raising and donations from the public	23,884	25,263
Fines	21,533	13,542
Sale of trailers	30,350	-
Licences and permits	112,550	63,898
Airport fuel sales	8,119,403	7,658,718
Sale of land	-	50,385
	\$ 8,608,625	\$ 8,198,858

10. Expenses by Object

	2010	2009
Salaries, wages and employee benefits	\$ 6,851,068	\$ 6,619,522
Materials	11,149,254	10,779,828
Contracted services	3,591,056	3,628,774
Rents and financial expenses	147,852	133,215
Interest on long-term debt	540,944	446,207
Contributions to other organizations	1,436,208	1,480,700
Amortization	2,353,207	2,379,044
	\$ 26,069,589	\$ 25,467,290

11. Public Sector Salary Disclosure

During 2010 three employees were paid a salary as defined in the Public Sector Salary Disclosure Act, 1996 of \$100,000 or more by Corporation of the Municipality of Sioux Lookout.

		Salary Paid	Taxable Benefits
Merlin Dewing	Chief Administrative Officer	\$ 168,257	\$ 9,114
Robert Favot	Emergency Services Manager	107,102	761
Peter Moyer	Development Services Manager	105,505	3,202

Corporation of the Municipality of Sioux Lookout
Notes to Consolidated Financial Statements

December 31, 2010

12. Pension Agreements

OMERS provides pension services to more than 409,746 active and retired members and approximately 931 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2010. The results of this valuation disclosed total actuarial liabilities of \$60,035 million in respect of benefits accrued for service with actuarial assets at that date of \$55,568 million indicating an actuarial deficit of \$4,467 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the municipality to OMERS for 2010 was \$327,435 (2009 - \$327,925).

13. Contributions to Unconsolidated Joint Boards

Further to the significant accounting policies, the following contributions were made by the municipality to these boards:

	2010	2009
District of Kenora Home for the Aged	\$ 349,625	\$ 327,068
Kenora District Services Board	844,771	893,534
Northwestern Health Unit	232,212	234,814
	\$ 1,426,608	\$ 1,455,416

14. Trust Funds

The trust funds administered by the municipality amounting to \$182,615 (2009 - \$179,785) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of operations and accumulated surplus.

At December 31, 2010 the trust funds balances are as follows:

	2010	2009
Cemetery Perpetual Care	\$ 104,052	\$ 100,655
Ontario Home Renewal Plan	2,320	2,320
Elsie Cosco Memorial Scholarship Fund	50,828	51,051
Mayfair Theatre Fund	25,415	25,759
	\$ 182,615	\$ 179,785

Corporation of the Municipality of Sioux Lookout
Notes to Consolidated Financial Statements

December 31, 2010

15. Contingencies

Corporation of the Municipality of Sioux Lookout is presently involved in a number of claims.

1. A claim stemming from a ditching project performed on Sturgeon Meadows Road in 2007. The outcome of this claim is not determinable at this time.
2. There was an action commenced against the Municipality related to a breach of contract relating to the construction of the Hudson Water Treatment Plant. The maximum potential exposure of the Municipality is \$85,765. The outcome of these actions cannot be determined by management at this time.

16. Loan Guarantee

Corporation of the Municipality of Sioux Lookout has guaranteed Sioux Lookout Hydro Inc. loan up to a maximum of \$3,350,000. At year end the loan balance was \$2,830,519 (2009 - \$3,052,492) and the loan was not in default.

17. Taxation

	<u>2010</u>	<u>2009</u>
Property taxes	\$ 7,976,348	\$ 7,631,071
Payments-in-lieu of property	<u>527,256</u>	<u>519,429</u>
	8,503,604	8,150,500
Payments to school boards	<u>(1,532,432)</u>	<u>(1,922,270)</u>
Available for general municipal purposes	<u>\$ 6,971,172</u>	<u>\$ 6,228,230</u>

Corporation of the Municipality of Sioux Lookout
Notes to Consolidated Financial Statements

December 31, 2010

18. Budget

The Financial Plan (Budget) By-Law adopted by Council on May 26, 2010 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to Snil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and accumulated surplus and change in net debt represent the Financial Plan adopted by Council on May 26, 2010 with adjustments as follows:

	<u>2010</u>
Financial Plan (Budget) By-Law surplus for the year	\$ -
Add:	
Capital expenditures	15,586,861
Debt payments	657,179
Less:	
Budgeted transfers from accumulated surplus	<u>(825,741)</u>
Budget surplus per statement of operations and accumulated surplus	<u>\$ 15,418,299</u>

19. Comparative Figures

The comparative figures have been restated to conform to the presentation adopted by the organization in the current year.

Corporation of the Municipality of Sioux Lookout

Notes to Consolidated Financial Statements

December 31, 2010

20. Segmented Information

Corporation of the Municipality of Sioux Lookout is a diversified municipal government institution that provides a wide range of services, both directly and through third parties, to its citizens. The management of the Municipality considers decisions based on separate service areas. These service areas are: general government, protection services, transportation services, environmental services, health services, social and family services, social housing, recreation and cultural services, and planning and development.

Descriptions of the services and funds that management bases their decisions on, are as follows:

General Government

General government consists of governance, corporate management and program support. These categories relate to operations of all of the various programs and services that the Municipality offers to its citizens.

Protection Services

Protection is comprised of police services and fire protection. Police service is contracted out to the Ontario Provincial Police. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education related to prevention, detection or extinguishment of fires.

Transportation Services

The transportation services area provides construction and maintenance of the roadways throughout the Municipality as well as the municipal airport.

Environmental Services

Environmental services consists of the management and maintenance of the sanitary sewer system, waterworks system, and waste disposal facility located within the municipal borders.

Health Services

Health services are comprised of public health services and ambulance service. The Municipality contributes to local boards which provide these services to the citizens of the Municipality.

Social and Family Services

Social and family services are comprised of general assistance, child care, and assistance to the aged. The Municipality contributes to local boards which provide these services to the citizens of the Municipality.

Social Housing

The Municipality contributes to a local board, which provides social housing if the citizens of Corporation of the Municipality of Sioux Lookout require the service.

Recreation and Cultural Services

This service area consists of the operation and maintenance of local parks, recreation facilities, cultural facilities, and the town library.

Planning and Development

These services relate to zoning issues as well as planning of various municipal maintenance projects.

continued ...

Corporation of the Municipality of Sioux Lookout
Notes to Consolidated Financial Statements

December 31, 2010

20. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Eliminations	2010 Total
Revenue											
Taxation	\$ 948,429	\$ 1,141,948	\$ 948,059	\$ 1,502,947	\$ 325,607	\$ 885,403	\$ 138,853	\$ 794,973	\$ 284,953	\$ -	\$ 6,971,172
Government grants - Conditional	-	-	319,089	383,734	-	941,729	-	1,986,674	189,377	-	3,820,603
Government grants - Unconditional	303,351	365,247	303,233	480,711	104,144	283,193	44,412	254,269	91,141	-	2,229,701
Municipal grants	-	125,000	-	-	-	-	-	-	-	-	125,000
User fees and service charges	236,893	14,415	1,921,791	2,828,815	35,567	416,507	-	230,561	162,068	-	5,846,617
Sale of aviation fuel	-	-	8,119,403	-	-	-	-	-	-	-	8,119,403
Other	175,358	211,138	175,290	277,884	60,202	163,705	25,673	146,985	52,686	-	1,288,921
Total revenue	1,664,031	1,857,748	11,786,865	5,474,091	525,520	2,690,537	208,938	3,413,462	780,225	-	28,401,417
Expenses											
Wages and benefits	1,250,431	429,109	1,525,184	710,173	22,107	1,313,036	-	1,061,534	539,494	-	6,851,068
Long-term debt (interest)	40,720	5,051	165,755	186,791	119,421	-	-	23,206	-	-	540,944
Materials	479,420	184,255	9,003,740	834,865	18,068	146,055	-	386,445	96,406	-	11,149,254
Contracted services	367,599	1,977,737	314,285	608,513	18,352	11,943	-	261,798	30,829	-	3,591,056
Rents and financial	23,023	-	15,713	79,384	26,746	-	-	2,918	68	-	147,852
External transfers	-	-	-	-	515,275	596,013	324,920	-	-	-	1,436,208
Amortization	58,152	76,032	950,691	1,097,203	41,959	4,816	-	124,354	-	-	2,353,207
Total expenses	2,219,345	2,672,184	11,975,368	3,516,929	761,928	2,071,863	324,920	1,860,255	666,797	-	26,069,589
Net surplus (deficit)	\$ (555,314)	\$ (814,436)	\$ (188,503)	\$ 1,957,162	\$ (236,408)	\$ 618,674	\$ (115,982)	\$ 1,553,207	\$ 113,428	\$ -	\$ 2,331,828

continued ...

Corporation of the Municipality of Sioux Lookout
Notes to Consolidated Financial Statements

December 31, 2010

20. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social Services and Family Services	Social Housing	Recreational and Cultural Services	Planning and Development	Eliminations	2009 Restated (Note 19) Total
Revenue											
Taxation	\$ 814,512	\$ 1,067,343	\$ 888,513	\$ 1,285,014	\$ 266,964	\$ 821,630	\$ 125,348	\$ 645,299	\$ 313,606	\$ -	\$ 6,228,229
Government grants - Conditional	5,000	-	382,252	180,339	-	1,003,034	-	89,888	1,727,201	-	3,387,714
Government grants - Unconditional	258,887	339,248	282,408	408,433	84,853	261,150	39,841	205,104	99,678	-	1,979,602
Municipal grants	-	91,639	-	-	-	-	-	-	-	-	91,639
User fees and service charges	174,785	22,581	1,719,711	2,473,987	26,780	316,190	-	192,862	144,711	-	5,071,607
Sale of aviation gas	-	-	-	7,658,719	-	-	-	-	-	-	7,658,719
Other	370,261	485,193	403,900	584,141	121,356	373,496	56,981	293,340	142,559	-	2,831,227
Total revenue	1,623,445	2,006,004	3,676,784	12,590,633	499,953	2,775,500	222,170	1,426,493	2,427,755	-	27,248,737
Expenses											
Wages and benefits	1,205,650	439,584	1,412,634	734,899	12,803	1,301,789	-	972,032	540,131	-	6,619,522
Long-term debt (interest)	44,529	6,298	127,065	190,896	74,821	-	-	2,598	-	-	446,207
Materials	527,994	188,051	8,581,428	760,885	15,860	166,391	-	377,228	161,991	-	10,779,828
Contracted services	237,134	2,057,645	550,114	454,418	17,065	8,875	-	192,884	110,639	-	3,628,774
Rents and financial	33,971	-	9,551	60,463	26,420	-	-	2,760	50	-	133,215
External transfers	-	-	-	8,450	502,995	644,376	324,879	-	-	-	1,480,700
Amortization	61,792	74,784	946,910	1,120,515	41,959	8,087	-	124,997	-	-	2,379,044
Total expenses	2,111,070	2,766,362	11,627,702	3,330,526	691,923	2,129,518	324,879	1,672,499	812,811	-	25,467,290
Net surplus (deficit)	\$ (487,625)	\$ (760,358)	\$ (7,950,918)	\$ 9,260,107	\$ (191,970)	\$ 645,982	\$ (102,709)	\$ (246,006)	\$ 1,614,944	\$ -	\$ 1,781,447

Corporation of the Municipality of Sioux Lookout
Schedule of Deferred Revenue

For the year ended December 31, 2010

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds					
Gas tax rebate	\$ -	\$ 319,089	\$ -	\$ (319,089)	\$ -
Other					
Fire equipment grant	367	-	-	-	367
Investing in Ontario	493,154	-	-	-	493,154
Community in Action	38,260	-	-	(38,260)	-
PACE	4,500	-	-	(4,500)	-
KDSB Child Care	100,512	-	-	(50,000)	50,512
	636,793	-	-	(92,760)	544,033
	\$ 636,793	\$ 319,089	\$ -	\$ (411,849)	\$ 544,033

Federal Gas Tax

The Ministry requires the Municipality to put unspent gas tax funding into a reserve. The funding and interest earned in the reserve must be spent on approved projects.

Infrastructure Programs

These programs relate to various capital grants that are required to be spent on infrastructure. Until the funding has been spent on infrastructure, it has not been earned, and therefore has been deferred.



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Independent Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of Corporation of the Municipality of Sioux Lookout

We have audited the accompanying financial statements of Corporation of the Municipality of Sioux Lookout Trust Funds, which comprise the statement of financial position as at December 31, 2010, and the statement of continuity for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of Corporation of the Municipality of Sioux Lookout according to Canadian generally accepted accounting principles.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements of Corporation of the Municipality of Sioux Lookout Trust Funds for the year ended December 31, 2010 are prepared, in all material respects, in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Dryden, Ontario

September 14, 2011

**Corporation of the Municipality of Sioux Lookout
Trust Funds
Statement of Financial Position**

December 31, 2010

	Cemetery Perpetual Care	Ontario Home Renewal Plan	Elsie Cosco Memorial Scholarship Fund	Mayfair Theatre Fund	2010 Total	2009 Total
Assets						
Investments	\$ 110,124	\$ -	\$ 56,828	\$ 27,415	\$ 194,367	\$ 183,670
Loans receivable	-	2,320	-	-	2,320	2,320
	\$ 110,124	\$ 2,320	\$ 56,828	\$ 27,415	\$ 196,687	\$ 185,990
Liabilities and Fund Balance						
Liabilities						
Due to Corporation of the Municipality of Sioux Lookout	\$ 6,072	\$ -	\$ 6,000	\$ 2,000	\$ 14,072	\$ 6,205
Fund Balance						
Capital	104,052	2,320	50,828	25,415	182,615	179,785
	\$ 110,124	\$ 2,320	\$ 56,828	\$ 27,415	\$ 196,687	\$ 185,990

**Corporation of the Municipality of Sioux Lookout
Trust Funds
Statement of Continuity**

For the year ended December 31

	Cemetery Perpetual Care	Ontario Home Renewal Plan	Elsie Cosco Memorial Scholarship Fund	Mayfair Theatre Fund	2010 Total	2009 Total
Balance, beginning of year	\$ 100,655	\$ 2,320	\$ 51,051	\$ 25,759	\$ 179,785	\$ 176,381
Receipts						
Plot sales and marker installation	3,650	-	-	-	3,650	2,998
Interest earned	4,266	-	2,777	656	7,699	8,609
	<u>7,916</u>	<u>-</u>	<u>2,777</u>	<u>656</u>	<u>11,349</u>	<u>11,607</u>
Expenditures	<u>4,519</u>	<u>-</u>	<u>3,000</u>	<u>1,000</u>	<u>8,519</u>	<u>8,203</u>
Balance, end of year	<u>\$ 104,052</u>	<u>\$ 2,320</u>	<u>\$ 50,828</u>	<u>\$ 25,415</u>	<u>\$ 182,615</u>	<u>\$ 179,785</u>

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

Corporation of the Municipality of Sioux Lookout

Trust Funds

Notes to Financial Statements

December 31, 2010

1. Summary of Significant Accounting Policies

Management Responsibility

The financial statements of Trust Funds of Corporation of the Municipality of Sioux Lookout are the representations of management. Precise determination of some assets and liabilities may be dependent upon future events and estimates and approximations. These estimates and approximations have been based upon the available information, using careful judgement and review. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgement within reasonable limits of materiality and within the framework of the Summary of Significant Accounting Policies.

Basis of Accounting

Sources of financing and expenditures are reported on the accrual basis of accounting for Ontario Home Renewal Plan, Elsie Cosco Memorial Scholarship Fund, and Mayfair Theatre Fund.

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 receipts of goods or services and the creation of a legal obligation to pay.

Revenue and expenditures are reported on a cash basis of accounting for Cemetery Perpetual Care Trust Funds.

2. Nature of Trust Funds

The Ontario Home Renewal Program was established by the Ontario Ministry of Housing in 1973 to provide grants for municipalities to make loans to assist owner occupants to repair, rehabilitate and improve their homes to local property standards. Individual loans were limited to \$7,500 of which the maximum forgivable portion was \$4,000.

The Cemetery Perpetual Care Trust Fund was established in accordance with the Cemeteries Act for the care and maintenance of certain cemetery grounds.

The Elsie Cosco Memorial Scholarship Fund and the Mayfair Theatre Fund were established by restricted donations and are used to provide scholarships.

3. Statement of Cash Flows

A statement of cash flows has not been provided since the sources and uses of cash are readily apparent from the information included in the financial statements.



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Independent Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of Corporation of the Municipality of Sioux Lookout

We have audited the accompanying financial statements of Public Library Board of Corporation of the Municipality of Sioux Lookout, which comprise the statement of financial position as at December 31, 2010, and the statements of financial activities and members' equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of Corporation of the Municipality of Sioux Lookout according to Canadian generally accepted accounting principles.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements of Public Library Board of Corporation of the Municipality of Sioux Lookout for the year ended December 31, 2010 are prepared, in all material respects, in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Dryden, Ontario
September 14, 2011

**Corporation of the Municipality of Sioux Lookout
Public Library Board
Statement of Financial Position**

December 31	2010	2009
Assets		
Current		
Cash and bank	\$ 78,502	\$ 55,482
Accounts receivable	4,780	1,435
Prepays	235	235
	<u>\$ 83,517</u>	<u>\$ 57,152</u>
Liabilities and Fund Balance		
Current		
Accounts payable and accrued liabilities (Note 1)	\$ 56,580	\$ 55,794
Fund Balance		
Members' equity (deficit)	12,109	(9,967)
Reserve fund for capital expenditures (Note 2)	14,828	11,325
	<u>26,937</u>	<u>1,358</u>
	<u>\$ 83,517</u>	<u>\$ 57,152</u>

On behalf of the Board:

_____ Director

_____ Director

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

**Corporation of the Municipality of Sioux Lookout
Public Library Board
Statement of Financial Activities and Members' Equity**

For the year ended December 31	Budget		
	2010	2010	2009
Revenue			
Contributions from Corporation of the Municipality of Sioux Lookout	\$ 328,799	\$ 328,799	\$ 319,113
Grants from the Province of Ontario			
Per household grants	11,102	11,102	11,102
Pay equity funding	601	601	601
Other grants	2,017	2,940	5,762
Other	32,100	21,756	30,253
	<u>374,619</u>	<u>365,198</u>	<u>366,831</u>
Expenditures			
Book purchases	30,880	33,806	32,326
Building maintenance	17,425	15,639	17,465
Furniture and equipment	18,300	5,833	13,609
Legal, audit and insurance	2,973	3,099	2,973
Miscellaneous	7,035	7,807	16,549
Periodicals and newspapers	1,515	1,574	1,015
Professional development	2,825	1,719	1,185
Salaries and benefits	267,466	248,924	245,969
Supplies	8,400	7,623	8,572
Utilities	14,300	13,595	13,395
	<u>371,119</u>	<u>339,619</u>	<u>353,058</u>
Excess of revenue over expenditures for the year	3,500	25,579	13,773
Members' deficit, beginning of year	-	(9,967)	(30,720)
Transfer (to) from reserve for capital expenditures (net of interest)	(3,500)	(3,503)	6,980
Members' equity (deficit), end of year	\$ -	\$ 12,109	\$ (9,967)

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

**Corporation of the Municipality of Sioux Lookout
Public Library Board
Statement of Cash Flows**

For the year ended December 31	2010	2009
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	<u>\$ 25,579</u>	<u>\$ 13,773</u>
Changes in non-cash working capital balances		
Accounts receivable	(3,345)	1,938
Accounts payable and accrued liabilities	<u>786</u>	<u>(22,488)</u>
	<u>(2,559)</u>	<u>(20,550)</u>
Increase (decrease) in cash during the year	23,020	(6,777)
Cash and bank, beginning of year	<u>55,482</u>	<u>62,259</u>
Cash and bank, end of year	\$ 78,502	\$ 55,482

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

**Corporation of the Municipality of Sioux Lookout
Public Library Board
Summary of Significant Accounting Policies**

December 31, 2010

Nature of Business Sioux Lookout Public Library Board is responsible for the operation and administration of Sioux Lookout Public Library.

Basis of Accounting These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Pension and Employee Benefits The municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The municipality has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The municipality records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

Management of Capital The organization considers its capital to be its net assets. The organization's objectives when managing its capital are to provide sufficient funds to cover both the annual overhead expenses as well as provide long-term maintenance and replacement for the organization's capital asset needs. Annual budgets are developed and monitored to ensure that the organization's capital is maintained at an appropriate level.

Revenue Recognition The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Sundry revenues are recognized as the services are provided and collection is reasonably assured.

**Corporation of the Municipality of Sioux Lookout
Public Library Board
Summary of Significant Accounting Policies**

December 31, 2010

Financial Instruments

The company utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of the financial instruments approximate their carrying values, unless otherwise noted.

All transactions related to financial instruments are recorded on a trade date basis.

The organization classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The organization's accounting policy for each category is as follows:

Held-for-Trading

This category is comprised of cash and bank. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of financial activities and members' equity. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates or on demand. They arise principally through the provision of goods and services to customers (accounts receivable and unbilled revenue), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other Financial Liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprise accounts payable and accrued liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

**Corporation of the Municipality of Sioux Lookout
Public Library Board
Summary of Significant Accounting Policies**

December 31, 2010

Capital Assets

Capital assets, books, periodicals and magazines are expensed in the year of acquisition.

**New Accounting
Pronouncements**

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the organization, are as follows:

Future for Not-for-Profit Organizations

In October 2009, the Accounting Standards Board (AcSB) tentatively decided that it will propose a choice between the accounting standards for private enterprises plus the current NPO standards appropriately modified to fit with those standards, International Financial Reporting Standards or Public Sector Accounting standards (PSAB) with NPO standards added on to PSAB. The Public Sector Accounting Board agreed that there was sufficient support to develop an NPO series to add onto the PSAB standards similar to the current NPO standards, but appropriately modified to fit with PSAB. The two boards are working together and intend to issue an Exposure Draft for comment in the first half of 2010. Until the Boards make a final decision all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook - Accounting.

Use of Estimates

The financial statements of the municipality have been prepared by management in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgement within reasonable limits of materiality and within the framework of the Summary of Significant Accounting Policies.

**Corporation of the Municipality of Sioux Lookout
Public Library Board
Notes to Financial Statements**

December 31, 2010

1. Accounts Payable and Accrued Liabilities

	2010	2009
Trade accounts payable	\$ 25,901	\$ 16,931
Vested and non-vested sick leave payable	24,206	34,856
Employee deductions	6,473	4,007
	\$ 56,580	\$ 55,794

2. Reserve Fund for Capital Expenditures

A reserve fund in the amount of \$18,305 (2008 - \$36,130) is being held by the library and is for the purpose of financing the board's furniture purchases and other major capital.

	2010	2009
Reserve Fund, beginning of year	\$ 11,325	\$ 18,305
Transfer		
Transfer to library operations	3,500	(7,000)
Interest earned	3	20
	3,503	(6,980)
Reserve Fund, end of year	\$ 14,828	\$ 11,325

3. Bank Indebtedness

The library has an unused credit facility of \$5,000 that bears an interest rate of prime and is due on demand. The operating line of credit is secured by Council By-Laws.

**Corporation of the Municipality of Sioux Lookout
Public Library Board
Notes to Financial Statements**

December 31, 2010

4. Financial Instruments

Unless otherwise noted, it is management's opinion that the commission is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of the financial instruments approximate their carrying values, unless otherwise noted.

5. Comparative Figures

The comparative figures presented in the financial statements have been restated to conform to the current year's presentation.

6. Economic Dependence

Approximately 90% (2009 - 87%) of general fund operating revenue was received from Corporation of the Municipality of Sioux Lookout during the year. The continuance of this Board is dependent on this funding.

7. Pension Plan

OMERS provides pension services to more than 409,746 active and retired members and approximately 931 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2010. The results of this valuation disclosed total actuarial liabilities of \$60,035 million in respect of benefits accrued for service with actuarial assets at that date of \$55,568 million indicating an actuarial deficit of \$4,467 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the municipality to OMERS for 2010 was \$24,884 (2009 - \$23,622).
