

**Corporation of the Municipality
of Sioux Lookout
Consolidated Financial Statements
For the year ended December 31, 2012**

**Corporation of the Municipality of Sioux Lookout
Consolidated Financial Statements
For the year ended December 31, 2012**

Contents

Corporation of the Municipality of Sioux Lookout	
Independent Auditors' Report	2
Consolidated Financial Statements	
Statement of Financial Position	4
Statement of Operations and Accumulated Surplus	5
Statement of Change in Net Debt	6
Statement of Cash Flows	7
Summary of Significant Accounting Policies	8
Notes to the Consolidated Financial Statements	11
Schedule of Deferred Revenue	26
Corporation of the Municipality of Sioux Lookout Trust Funds	
Independent Auditors' Report	27
Statement of Financial Position	28
Statement of Continuity	29
Notes to Financial Statements	30
Corporation of the Municipality of Sioux Lookout Public Library Board	
Independent Auditors' Report	32
Statement of Financial Position	34
Statement of Financial Activities and Members' Equity	35
Statement of Cash Flows	36
Notes to Financial Statements	37



Tel: 807 223 5321
Fax: 807 223 2978
www.bdo.ca

BDO Canada LLP
37 King Street
PO Box 3010
Dryden ON P8N 3G3 Canada

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, 2012, 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 auditors consider 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, 2012 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
July 17, 2013

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

December 31 **2012** **2011**

Financial assets

Cash and cash equivalents	\$ 1,212,191	\$ 691,806
Taxes receivable (Note 1)	1,357,212	1,633,667
Accounts receivable (Note 2)	1,161,846	1,573,853
Grants receivable	2,669,859	4,267,489
Investment in government business enterprise (Note 3)	3,056,504	3,019,991
Payment in lieu receivable (Note 4)	53,014	37,532
Inventories for resale	208,672	184,766
	9,719,298	11,409,104

Liabilities

Bank indebtedness (Note 5)	2,057,340	2,442,186
Accounts payable and accrued liabilities	2,775,297	2,895,594
Employee benefits liability (Note 6)	309,616	392,185
Deferred revenue (Schedule)	113,349	50,512
Net long-term liabilities (Note 7)	15,714,821	14,265,690
Solid waste closure and post closure liabilities (Note 8)	213,975	208,640
	21,184,398	20,254,807

Net debt


(11,465,100) **(8,845,703)**

Non-financial assets

Tangible capital assets (Note 9)	57,689,210	52,533,427
Prepaid expenses and inventories of supplies	11,637	3,871
	57,700,847	52,537,298

Accumulated surplus (Note 10)

\$ 46,235,747 **\$ 43,691,595**

 Treasurer

 Mayor

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

For the year ended December 31	Budget 2012	2012	2011
	(Note 20)		
Revenue			
Taxation (Note 19)	\$ 7,975,527	\$ 7,630,284	\$ 7,242,902
Canada grants	2,267,957	1,719,436	3,702,346
Ontario grants	7,501,948	4,946,431	5,683,097
Fees, rentals and user charges	7,221,036	7,313,605	7,479,895
Income from government business enterprises (Note 3)	-	241,513	308,169
Other (Note 11)	15,327,664	9,320,316	11,082,288
	<u>40,294,132</u>	<u>31,171,585</u>	<u>35,498,697</u>
Expenses (Note 12)			
General government	2,935,162	2,232,405	2,179,638
Protection services	3,150,407	3,002,294	3,453,859
Transportation services	11,856,901	12,956,635	13,709,831
Environmental services	2,720,839	3,325,608	3,393,686
Health services	612,735	1,015,092	841,971
Social and family services	2,250,700	2,168,775	2,116,520
Social housing	348,285	348,288	367,513
Recreation and cultural services	2,293,574	2,202,054	1,979,206
Planning and development	984,636	1,376,282	665,747
	<u>27,153,239</u>	<u>28,627,433</u>	<u>28,707,971</u>
Annual surplus	13,140,893	2,544,152	6,790,726
Accumulated surplus, beginning of year	43,691,595	43,691,595	36,900,869
Accumulated surplus, end of year	<u>\$ 56,832,488</u>	<u>\$ 46,235,747</u>	<u>\$ 43,691,595</u>

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

For the year ended December 31	Budget 2012	2012	2011
	(Note 20)		
Annual surplus	\$ 13,140,893	\$ 2,544,152	\$ 6,790,726
Acquisition of tangible capital assets	(12,489,459)	(7,807,413)	(8,265,109)
Amortization of tangible capital assets	-	2,482,552	2,299,057
Loss on disposal of tangible capital assets	-	182,358	8,055
Transfer from tangible capital assets to inventory	-	(13,280)	-
	651,434	(2,611,631)	832,729
Use/consumption of prepaid expenses and inventory of supplies	-	(7,766)	(3,871)
Net change in net debt	651,434	(2,619,397)	828,858
Net debt, beginning of year	(8,845,703)	(8,845,703)	(9,674,561)
Net debt, end of year	\$ (8,194,269)	\$ (11,465,100)	\$ (8,845,703)

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

For the year ended December 31	2012	2011
Operating transactions		
Annual surplus	\$ 2,544,152	\$ 6,790,726
Items not involving cash		
Income from government business enterprise	(241,513)	(308,169)
Amortization	2,482,552	2,299,057
Loss on disposal of tangible capital assets	182,358	8,055
Transfer from tangible capital assets to inventory	(13,280)	-
Changes in non-cash operating balances		
Taxes receivable	276,455	(285,498)
Accounts receivable	412,007	(283,476)
Inventories for resale	(23,906)	45,722
Grants receivable	1,597,630	(2,094,915)
Accounts payable and accrued liabilities	(120,297)	(154,840)
Employee Benefits Plan liability	(82,569)	(103,383)
Payment in lieu receivable	(15,482)	81,661
Prepays	(7,766)	(3,871)
Deferred revenue	62,837	(493,521)
Solid waste closure and post closure liabilities	5,335	18,907
	<u>7,058,513</u>	<u>5,516,455</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(7,807,413)</u>	<u>(8,265,109)</u>
Investing transactions		
Dividends from government business enterprise	<u>205,000</u>	<u>250,000</u>
Financing transactions		
Increase (decrease) in bank indebtedness	(384,846)	521,175
Increase in net long-term liabilities	<u>1,449,131</u>	<u>2,017,391</u>
	<u>1,064,285</u>	<u>2,538,566</u>
Net change in cash and cash equivalents	520,385	39,912
Cash and cash equivalents, beginning of year	<u>691,806</u>	<u>651,894</u>
Cash and cash equivalents, end of year	<u>\$ 1,212,191</u>	<u>\$ 691,806</u>

Corporation of the Municipality of Sioux Lookout

Summary of Significant Accounting Policies

December 31, 2012

**Management's Responsibility
for the Consolidated
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

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses 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.

The consolidated statement of financial position reflects all of the financial assets and liabilities of the municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position of the municipality and is the difference between its assets and liabilities. This provides information about the municipality's overall future revenue requirements and its ability to finance activities and meet its obligations.

Corporation of the Municipality of Sioux Lookout

Summary of Significant Accounting Policies

December 31, 2012

Cash and Cash Equivalents	Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.										
Deferred Revenue	Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations and accumulated surplus in the year in which it is used for the specified purpose.										
Inventory Held for Resale	Inventory held for resale is valued at the lower of cost and net realizable value.										
Tangible Capital Assets	<p>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:</p> <table><tr><td style="padding-left: 20px;">Land improvements</td><td style="text-align: right;">10 to 30 years</td></tr><tr><td style="padding-left: 20px;">Buildings</td><td style="text-align: right;">10 to 40 years</td></tr><tr><td style="padding-left: 20px;">Machinery and equipment</td><td style="text-align: right;">10 to 40 years</td></tr><tr><td style="padding-left: 20px;">Linear assets</td><td style="text-align: right;">5 to 50 years</td></tr><tr><td style="padding-left: 20px;">Vehicles</td><td style="text-align: right;">8 to 20 years</td></tr></table>	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
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, 2012

Tax Revenues

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.

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.

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.

Fees, Rentals and User Charges

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.

Solid Waste Landfills

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.

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.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards 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 revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

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

December 31, 2012

1. Taxes Receivable

	2012	2011
Taxes receivable	\$ 1,704,997	\$ 1,872,958
Allowance for doubtful accounts	(347,785)	(239,291)
	\$ 1,357,212	\$ 1,633,667

2. Accounts Receivable

	2012	2011
Accounts receivable	\$ 1,188,846	\$ 1,600,853
Allowance for doubtful accounts	(27,000)	(27,000)
	\$ 1,161,846	\$ 1,573,853

3. 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 consolidated financial statements. The following information provides condensed supplementary information for the enterprise for the year ended December 31, 2012.

	2012	2011
Financial position		
Current assets	\$ 2,452,833	\$ 2,979,713
Capital assets	4,955,122	4,467,728
Goodwill/regulatory assets	121,976	234,583
	\$ 7,529,931	\$ 7,682,024
Current liabilities	\$ 4,392,622	\$ 4,662,033
Long-term liabilities	80,805	-
	4,473,427	4,662,033
Net assets, end of year	3,056,504	3,019,991
	\$ 7,529,931	\$ 7,682,024

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

December 31, 2012

3. Investment in Government Business Enterprise (continued)

	2012	2011
Results of operations and changes in net assets		
Revenue	\$ 8,346,499	\$ 8,040,349
Expenses	(8,104,986)	(7,732,180)
Net income for the year	241,513	308,169
Net assets, beginning of year	3,019,991	2,961,822
Dividends	(205,000)	(250,000)
Net assets, end of year	\$ 3,056,504	\$ 3,019,991

There was a dividend declared and payable of \$205,000 (2011 - \$250,000). During the year Sioux Lookout Hydro Inc. billed electricity and services to Corporation of the Municipality of Sioux Lookout in the amount of \$504,345 (2011 - \$707,274).

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for sales of product.

4. Payment in Lieu Receivable

	2012	2011
Payment in lieu receivable	\$ 776,073	\$ 682,969
Allowance for doubtful accounts	(723,059)	(645,437)
	\$ 53,014	\$ 37,532

5. Bank Indebtedness

	2012	2011
Line of Credit utilized - municipal	\$ 2,057,340	\$ 2,442,186

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.

Corporation of the Municipality
Notes to Consolidated Financial Statements

December 31, 2012

6. Employee Benefits Liability

	<u>2012</u>	<u>2011</u>
Vested and non-vested sick leave payable	\$ 127,402	\$ 208,092
Vacation payable	19,140	28,222
Banked stats and overtime	40,874	40,471
Post employment benefits payable	<u>122,200</u>	<u>115,400</u>
	<u>\$ 309,616</u>	<u>\$ 392,185</u>

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, 2012

7. Net Long-term Liabilities

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

	<u>2012</u>	<u>2011</u>
Bank of Montreal Fixed Term Loan, prime plus 3.86%, blended monthly payments of \$6,336; due 2014	\$ 460,926	\$ 517,987
Ontario Infrastructure and Lands Corporation, 1.55%, blended monthly payments to be determined at drawdown; due 2037	858,816	-
Ontario Infrastructure and Lands Corporation, 1.55%, blended monthly payments to be determined at drawdown; due 2037	3,274,642	1,582,575
TD Canada Trust Bank Loan, 3.71%, blended monthly payments to be determined at drawdown; due 2027	1,208,769	1,274,804
Bank of Montreal Fixed Term Loan, 3.75%, blended monthly payments of \$4,813; due 2020	342,682	386,708
Bank of Montreal Fixed Term Loan, 4.26%, blended monthly payments of \$6,277; due 2014	920,877	956,174
Bank of Montreal Fixed Term Loan, 4.91%, blended monthly payments of \$13,008; due 2015	434,389	576,264
Bank of Montreal Fixed Term Loan, 4.91%, blended monthly payments of \$5,752; due 2016	201,949	264,173
Bank of Montreal Fixed Term Loan, 5.01%, blended monthly payments of \$2,890; due 2016	381,208	397,587
Bank of Montreal Fixed Term Loan, 4.01%, blended monthly payments of \$9,370; due 2015	1,288,701	1,348,189
Provincial Infrastructure Financing Authority, 3.05%, blended semi-annual payments of \$26,827; maturing 2044	1,091,382	1,111,292
TD Canada Trust Bank Loan, 3.60%, blended monthly payments of \$7,279; maturing 2027	1,064,097	1,112,034
Bank of Montreal Fixed Term Loan, 3.86%, blended monthly payments of \$45,261; maturing 2014	3,292,326	3,699,908
Ministry of Natural Resources Note Payable, five payments of \$128,600; maturing 2015	386,400	514,400
Provincial Infrastructure Financing Authority, 2.73%, blended semi-annual payments of \$15,173; maturing 2035	507,657	523,595
	<u>\$ 15,714,821</u>	<u>\$ 14,265,690</u>

continued ...

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

December 31, 2012

7. Net Long-term Liabilities (continued)

Principal repayments and interest relating to net long-term debt of \$15,714,821 outstanding, are due as follows:

	Principal Repayments	Interest	Total
2013	\$ 1,207,194	\$ 443,985	\$ 1,651,179
2014	4,919,395	399,538	5,318,933
2015	2,992,217	188,907	3,181,124
2016	601,029	148,283	749,312
2017	265,921	129,881	395,802
Thereafter	5,729,065	1,021,493	6,750,558
	<u>\$ 15,714,821</u>	<u>\$ 2,332,087</u>	<u>\$ 18,046,908</u>

The gross interest paid relating to the above long-term debt was \$444,538 (2011 - \$540,944).

8. 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 expenses for closure and post closure cost	\$ 3,845,076	\$ 235,112
Landfill closure and post closure liability as at December 31, 2012	\$ 101,632	\$ 112,343
Total expenses remaining to be recognized	\$ 3,743,444	\$ -
Remaining capacity of the site (cubic metres)	333,429	-
Remaining land fill site life (years)	33	-
Number of years required for post closure care	25	22

The municipality has set up a reserve (Note 10) to fund closure and post closure costs. Any amounts incurred over this reserve will have to be funded in the year incurred.

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

December 31, 2012

9. Tangible Capital Assets

2012

	Land	Land Improvements	Buildings	Machinery and Equipment	Linear Assets	Vehicles	Construction in Process	Total
Cost, beginning of year	\$ 3,377,158	\$ 1,528,820	\$ 22,255,753	\$ 13,102,898	\$ 36,577,143	\$ 5,831,393	\$ 4,065,178	\$ 86,738,343
Additions	57,492	1,207,746	3,855,140	105,371	6,168,742	216,599	102,933	11,714,023
Disposals	-	-	-	-	(633,964)	(92,670)	-	(726,634)
Adjustments	-	-	-	(208,488)	221,768	-	(3,906,610)	(3,893,330)
Cost, end of year	\$ 3,434,650	\$ 2,736,566	\$ 26,110,893	\$ 12,999,781	\$ 42,333,689	\$ 5,955,322	\$ 261,501	\$ 93,832,402
Accumulated amortization, beginning of year	\$ -	\$ 424,060	\$ 7,206,668	\$ 8,910,354	\$ 14,279,354	\$ 3,384,480	\$ -	\$ 34,204,916
Amortization	-	97,720	578,298	537,226	1,010,977	258,331	-	2,482,552
Disposals	-	-	-	-	(458,214)	(86,062)	-	(544,276)
Accumulated amortization, end of year	\$ -	\$ 521,780	\$ 7,784,966	\$ 9,447,580	\$ 14,832,117	\$ 3,556,749	\$ -	\$ 36,143,192
Net carrying amount, end of year	\$ 3,434,650	\$ 2,214,786	\$ 18,325,927	\$ 3,552,201	\$ 27,501,572	\$ 2,398,573	\$ 261,501	\$ 57,689,210

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

December 31, 2012

9. Tangible Capital Assets (continued)

2011

	Land	Land	Buildings	Machinery and Equipment	Linear Assets	Vehicles	Construction in Process	Total
	Improvements	Improvements						
Cost, beginning 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
Additions	165,011	1,090,974	5,870,846	116,264	493,648	193,153	335,213	8,265,109
Disposals	(8,055)	-	(50,082)	-	(8,395)	(338,840)	-	(405,372)
Cost, end of year	\$ 3,377,158	\$ 1,528,820	\$ 22,255,753	\$ 13,102,898	\$ 36,577,143	\$ 5,831,393	\$ 4,065,178	\$ 86,738,343
Accumulated amortization, beginning of year	\$ -	\$ 357,094	\$ 6,839,435	\$ 8,357,807	\$ 13,329,748	\$ 3,419,092	\$ -	\$ 32,303,176
Amortization	-	66,966	417,315	552,547	958,001	304,228	-	2,299,057
Disposals	-	-	(50,082)	-	(8,395)	(338,840)	-	(397,317)
Accumulated amortization, end of year	\$ -	\$ 424,060	\$ 7,206,668	\$ 8,910,354	\$ 14,279,354	\$ 3,384,480	\$ -	\$ 34,204,916
Net carrying amount, end of year	\$ 3,377,158	\$ 1,104,760	\$ 15,049,085	\$ 4,192,544	\$ 22,297,789	\$ 2,446,913	\$ 4,065,178	\$ 52,533,427

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 \$261,501 (2011 - \$4,065,178).

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

December 31, 2012

10. Accumulated Surplus

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

	<u>2012</u>	<u>2011</u>
Investment in tangible capital assets	\$ 57,689,210	\$ 52,533,427
Current funds	(2,836,205)	(1,402,147)
Unfunded liabilities	(16,527,279)	(15,238,432)
Reserves		
for election	20,500	11,500
for downtown revitalization	47,237	48,580
for general capital expenditures	114,229	47,338
for EMS equipment	54,000	-
for Policing	363,473	282,267
for water treatment plant debt retirement	305,853	184,144
for Land Sales	119,938	-
for Centennial	-	30,924
for wastewater collection and treatment	439,963	264,887
for landfill	136,150	169,907
for building department	25,887	25,887
for parking lot	-	190,095
for roads equipment	42,754	168,752
for roads	713,109	729,611
for fitness centre	180,794	230,000
for development services	-	460,071
for cedar bay	11,255	11,255
for parkland	54,911	52,031
Reserve Funds		
for Library acquisition of capital assets	18,632	15,064
for Hydro debt reserve	1,435,400	1,444,666
for Airport capital	769,432	411,777
Net equity in government business enterprises	3,056,504	3,019,991
	<u>\$ 46,235,747</u>	<u>\$ 43,691,595</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, 2012

11. Other Income

	2012	2011
Penalties and interest on taxation	\$ 259,172	\$ 224,294
Investment	64,911	29,124
Other municipalities (POA)	122,735	174,245
Fund raising and donations from the public	81,460	18,585
Fines	19,439	30,997
Sale of trailers / land	124,938	276,942
Licences and permits	143,382	128,995
Airport fuel sales	8,504,279	9,398,089
Evacuation revenue	-	771,308
Marketing studies	-	29,709
	\$ 9,320,316	\$ 11,082,288

12. Expenses by Object

	2012	2011
Salaries, wages and employee benefits	\$ 7,383,056	\$ 7,064,582
Materials	13,238,836	13,805,683
Contracted services	3,430,491	3,435,548
Rents and financial expenses	173,768	175,080
Interest on long-term debt	444,538	459,324
Contributions to other organizations	1,474,286	1,468,696
Amortization	2,482,458	2,299,058
	\$ 28,627,433	\$ 28,707,971

13. Public Sector Salary Disclosure

During 2012 two 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.

		Total Salary and Taxable Benefits
Heinrich Wall	Treasurer	\$ 103,453
Peter Moyer	Director of Infrastructure Development	112,440

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

December 31, 2012

14. 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, 2012. The results of this valuation disclosed total actuarial liabilities of \$64,642 million in respect of benefits accrued for service with actuarial assets at that date of \$57,352 million indicating an actuarial deficit of \$7,290 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 2012 was \$408,187 (2011 - \$378,256).

15. Contributions to Unconsolidated Joint Boards

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

	2012	2011
District of Kenora Home for the Aged	\$ 417,904	\$ 357,358
Kenora District Services Board	916,186	841,610
Northwestern Health Unit	199,761	209,947
	\$ 1,533,851	\$ 1,408,915

16. Trust Funds

The trust funds administered by the municipality amounting to \$184,536 (2011 - \$184,252) 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, 2012 the trust funds balances are as follows:

	2012	2011
Cemetery Perpetual Care	\$ 106,777	\$ 104,736
Ontario Home Renewal Plan	-	2,320
Elsie Cosco Memorial Scholarship Fund	52,997	52,110
Mayfair Theatre Fund	24,762	25,086
	\$ 184,536	\$ 184,252

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

December 31, 2012

17. 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.

18. 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 \$2,381,308 (2011 - \$2,606,819) and the loan was not in default.

19. Taxation

	<u>2012</u>	<u>2011</u>
Property taxes	\$ 8,524,155	\$ 8,188,303
Payments-in-lieu of property	561,839	548,687
	<u>9,085,994</u>	<u>8,736,990</u>
Payments to school boards	(1,455,710)	(1,494,088)
Available for general municipal purposes	<u>\$ 7,630,284</u>	<u>\$ 7,242,902</u>

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

December 31, 2012

20. Budget

The Financial Plan (Budget) By-Law adopted by Council on March 8, 2012 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 \$nil. 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 March 8, 2012 with adjustments as follows:

	<u>2012</u>
Financial Plan (Budget) By-Law surplus for the year	\$ -
Add:	
Capital expenditures	12,489,459
Debt payments	757,875
Less:	
Budgeted transfers from accumulated surplus	<u>(106,441)</u>
Budget surplus per statement of operations and accumulated surplus	<u>\$ 13,140,893</u>

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

December 31, 2012

21. 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, 2012

21. 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	2012 Total
Revenue											
Taxation	\$ 943,891	\$ 1,269,411	\$ 1,004,458	\$ 1,406,112	\$ 429,195	\$ 916,987	\$ 147,261	\$ 931,058	\$ 581,911	\$ -	\$ 7,630,284
Government grants - Conditional	3	13,676	317,977	41,900	-	1,064,765	-	77,820	2,880,925	-	4,397,066
Government grants - Unconditional	280,658	377,449	298,667	418,096	127,617	272,659	43,787	276,842	173,026	-	2,268,801
Municipal grants	-	122,735	-	-	-	-	-	-	-	-	122,735
User fees and service charges	250,630	25,603	2,648,678	2,984,793	32,056	399,829	-	252,287	53,341	-	6,647,217
Sale of aviation fuel	-	-	8,504,279	-	-	-	-	-	-	-	8,504,279
Other	198,074	266,384	210,784	295,070	90,066	192,428	30,902	195,382	122,113	-	1,601,203
Total revenue	1,673,256	2,075,258	12,984,843	5,145,971	678,934	2,846,668	221,950	1,733,389	3,811,316	-	31,171,585
Expenses											
Wages and benefits	1,296,469	496,902	1,593,471	796,989	156,726	1,371,460	-	1,192,205	478,834	-	7,383,056
Long-term debt (interest)	40,661	-	135,556	185,039	48,456	-	-	34,826	-	-	444,538
Materials	528,246	205,767	10,008,642	910,316	95,816	201,663	-	431,205	857,087	-	13,238,742
Contracted services	257,833	2,205,397	183,487	476,296	88,624	21,244	-	157,249	40,361	-	3,430,491
Rents and financial	61,600	-	13,761	68,603	26,728	-	-	3,076	-	-	173,768
External transfers	-	-	-	-	556,783	569,215	348,288	-	-	-	1,474,286
Amortization	47,596	94,228	1,021,718	888,365	41,959	5,193	-	383,493	-	-	2,482,552
Total expenses	2,232,405	3,002,294	12,956,635	3,325,608	1,015,092	2,168,775	348,288	2,202,054	1,376,282	-	28,627,433
Net surplus (deficit)	\$ (559,149)	\$ (927,036)	\$ 28,208	\$ 1,820,363	\$ (336,158)	\$ 677,893	\$ (126,338)	\$ (468,665)	\$ 2,435,034	\$ -	\$ 2,544,152

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

December 31, 2012

21. 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	2011 Total
Revenue											
Taxation	\$ 859,002	\$ 1,361,177	\$ 1,332,085	\$ 1,337,463	\$ 331,824	\$ 834,128	\$ 144,838	\$ 780,012	\$ 262,373	\$ -	\$ 7,242,902
Government grants - Conditional	-	-	317,977	62,597	-	993,629	-	3,040,298	2,533,341	-	6,947,842
Government grants - Unconditional	289,098	458,105	448,314	450,123	111,675	280,726	48,745	262,513	88,302	-	2,437,601
Municipal grants	-	174,245	-	-	-	-	-	-	-	-	174,245
User fees and service charges	335,314	20,787	2,788,930	2,912,016	25,527	448,469	-	251,285	105,188	-	6,887,516
Sale of aviation gas	-	-	9,398,089	-	-	-	-	-	-	-	9,398,089
Other	285,884	453,012	443,329	445,120	110,434	277,605	48,203	259,595	87,320	-	2,410,502
Total revenue	1,769,298	2,467,326	14,728,724	5,207,319	579,460	2,834,557	241,786	4,593,703	3,076,524	-	35,498,697
Expenses											
Wages and benefits	1,341,769	448,969	1,560,857	672,085	88,209	1,350,563	-	1,157,064	445,066	-	7,064,582
Long-term debt (interest)	41,500	-	150,943	181,184	59,784	-	-	25,913	-	-	459,324
Materials	481,296	862,935	10,794,042	795,790	49,390	156,145	-	475,666	190,419	-	13,805,683
Contracted services	214,249	2,064,969	215,442	720,182	35,080	44,763	-	110,601	30,262	-	3,435,548
Rents and financial	41,083	-	23,652	79,754	26,599	-	-	3,992	-	-	175,080
External transfers	-	-	-	-	540,950	560,233	367,513	-	-	-	1,468,696
Amortization	59,741	76,986	964,895	944,691	41,959	4,816	-	205,970	-	-	2,299,058
Total expenses	2,179,638	3,453,859	13,709,831	3,393,686	841,971	2,116,520	367,513	1,979,206	665,747	-	28,707,971
Net surplus (deficit)	\$ (410,340)	\$ (986,533)	\$ 1,018,893	\$ 1,813,633	\$ (262,511)	\$ 718,037	\$ (125,727)	\$ 2,614,497	\$ 2,410,777	\$ -	\$ 6,790,726

Corporation of the Municipality of Sioux Lookout
Schedule of Deferred Revenue

For the year ended December 31, 2012

	Opening	Contributions Received	Investment Income	Revenue Recognized	Ending
Obligatory Reserve Funds					
Gas tax rebate	\$ -	\$ 317,977	\$ -	\$ (317,977)	\$ -
Other					
Municipal Infrastructure	-	25,000	-	(2,586)	22,414
KDSB Child Care	50,512	40,423	-	-	90,935
	50,512	65,423	-	(2,586)	113,349
	\$ 50,512	\$ 383,400	\$ -	\$ (320,563)	\$ 113,349

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.



Tel: 807 223 5321
Fax: 807 223 2978
www.bdo.ca

BDO Canada LLP
37 King Street
PO Box 3010
Dryden ON P8N 3G3 Canada

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, 2012, 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 in accordance with the basis of accounting as described in Note 1.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting as described in Note 1; this includes determining that the described basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances, 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 auditors consider 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, 2012 are prepared, in all material respects, in accordance with the basis of accounting as described in Note 1.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Dryden, Ontario
July 17, 2013

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

December 31, 2012

	Cemetery Perpetual Care	Ontario Home Renewal Plan	Elsie Cosco Memorial Scholarship Fund	Mayfair Theatre Fund	2012 Total	2011 Total
Assets						
Investments	\$ 119,035	\$ -	\$ 61,996	\$ 28,763	\$ 209,794	\$ 202,160
Loans receivable	-	-	-	-	-	2,320
	\$ 119,035	\$ -	\$ 61,996	\$ 28,763	\$ 209,794	\$ 204,480
Liabilities and Fund Balance						
Liabilities						
Due to Corporation of the Municipality of Sioux Lookout	\$ 12,258	\$ -	\$ 9,000	\$ 4,000	\$ 25,258	\$ 20,228
Fund Balance						
Capital	106,777	-	52,997	24,762	184,536	184,252
	\$ 119,035	\$ -	\$ 61,997	\$ 28,762	\$ 209,794	\$ 204,480

**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	2012 Total	2011 Total
Balance, beginning of year	\$ 104,736	\$ 2,320	\$ 52,110	\$ 25,086	\$ 184,252	\$ 182,615
Receipts						
Plot sales and marker installation	2,250	-	-	-	2,250	950
Interest earned	4,980	-	2,453	693	8,126	8,154
	7,230	-	2,453	693	10,376	9,104
Expenditures	5,189	2,320	1,566	1,017	10,092	7,467
Balance, end of year	\$ 106,777	\$ -	\$ 52,997	\$ 24,762	\$ 184,536	\$ 184,252

**Corporation of the Municipality of Sioux Lookout
Trust Funds
Notes to Financial Statements**

December 31, 2012

1. Significant Accounting Policies

Management Responsibility

The financial statements of Corporation of the Municipality of Sioux Lookout Trust Funds 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.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

**Corporation of the Municipality of Sioux Lookout
Trust Funds
Notes to Financial Statements**

December 31, 2012

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.

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, 2012, December 31, 2011 and January 1, 2011, and the statements of financial activities and members' equity and cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 auditors consider 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Public Library Board of Corporation of the Municipality of Sioux Lookout derives revenue from cash based activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Public Library Board of Corporation of the Municipality of Sioux Lookout. Therefore, we were not able to determine whether any adjustments might be necessary to cash based revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2012 and 2011, current assets as at December 31, 2012 and 2011, and net assets as at January 1 and December 31 for both the 2012 and 2011 years. Our audit opinion on the financial statements for the year ended December 31, 2011 was modified accordingly because of the possible effects of this limitation in scope.



Qualified Opinion.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Public Library Board of Corporation of the Municipality of Sioux Lookout as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "BDO Canada LLP". The signature is written in a cursive, flowing style.

Chartered Accountants, Licensed Public Accountants

Dryden, Ontario
July 17, 2013

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

December 31	December 31 2012	December 31 2011	January 1 2010
Assets			
Current			
Cash and bank	\$ 85,700	\$ 84,887	\$ 78,502
Accounts receivable	19,395	9,046	4,780
Prepays	235	235	235
	<u>\$ 105,330</u>	<u>\$ 94,168</u>	<u>\$ 83,517</u>
Liabilities and Fund Balance			
Current			
Accounts payable and accrued liabilities (Note 3)	\$ 48,955	\$ 57,910	\$ 50,276
Fund Balance			
Members' equity	37,743	21,194	18,413
Reserve fund for capital expenditures (Note 4)	18,632	15,064	14,828
	<u>56,375</u>	<u>36,258</u>	<u>33,241</u>
	<u>\$ 105,330</u>	<u>\$ 94,168</u>	<u>\$ 83,517</u>

On behalf of the Board:

_____ Director

_____ Director

The accompanying 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		
	2012	2012	2011
Revenue			
Contributions from Corporation of the Municipality of Sioux Lookout	\$ 342,400	\$ 342,400	\$ 335,735
Grants from the Province of Ontario			
Per household grants	11,102	11,102	11,102
Pay equity funding	601	601	601
Other grants	2,733	845	5,801
Other	21,700	22,915	21,985
	<u>378,536</u>	<u>377,863</u>	<u>375,224</u>
Expenses			
Book purchases	31,099	33,662	36,184
Building maintenance	17,389	17,752	15,563
Furniture and equipment	5,000	3,082	15,135
Legal, audit and insurance	3,420	3,589	3,424
Miscellaneous	11,450	3,256	10,497
Periodicals and newspapers	2,900	2,650	613
Professional development	4,350	2,957	2,039
Salaries and benefits	275,053	267,987	267,710
Supplies	9,000	8,792	8,466
Utilities	15,375	14,019	12,576
	<u>375,036</u>	<u>357,746</u>	<u>372,207</u>
Excess of revenue over expenses for the year	3,500	20,117	3,017
Members' equity (deficit), beginning of year	-	21,194	18,413
Transfer to reserve for capital expenditures (net of interest)	(3,500)	(3,568)	(236)
Members' equity, end of year	<u>\$ -</u>	<u>\$ 37,743</u>	<u>\$ 21,194</u>

The accompanying 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	2012	2011
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 20,117	\$ 3,017
Changes in non-cash working capital balances		
Accounts receivable	(10,349)	(4,266)
Accounts payable and accrued liabilities	(8,955)	7,634
	(19,304)	3,368
Increase in cash during the year	813	6,385
Cash and bank, beginning of year	84,887	78,502
Cash and bank, end of year	\$ 85,700	\$ 84,887

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

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

December 31, 2012

1. Significant Accounting Policies

Nature of Business	<p>Sioux Lookout Public Library Board is responsible for the operation and administration of Sioux Lookout Public Library.</p> <p>The organization is exempt from tax under section 149(1)(l) of the income tax act</p>
Basis of Accounting	<p>The financial statements have been prepared using Canadian public sector accounting standards for not-for-profit organizations.</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>
Revenue Recognition	<p>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.</p> <p>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.</p> <p>Sundry revenues are recognized as the services are provided and collection is reasonably assured.</p>

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

December 31, 2012

1. Significant Accounting Policies (continued)

Financial Instruments	Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.
Property, Plant and Equipment	Property, plant and equipment are not recorded on the statement of financial position. Expenditures for property, plant and equipment in the year are recorded as expenses and disclosed in the statement of operations.
Use of Estimates	The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations 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 revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

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

December 31, 2012

2. First-time Adoption

Effective January 1, 2012, the organization adopted the requirements of the new accounting framework, Canadian Public Sector Accounting Standards for Not-for-Profit Organizations (PSAB for NPOs). These are the organization's first financial statements prepared in accordance with this framework and the transitional provisions of Section 2125, First-time Adoption by Government Organizations have been applied. Section 2125 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening PSAB for NPOs statement of financial position at the date of transition of January 1, 2011.

The organization issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of PSAB for NPOs resulted in no adjustments to the previously reported assets, liabilities, equity, excess of revenue over expenses and cash flows of the organization.

3. Accounts Payable and Accrued Liabilities

	<u>2012</u>	<u>2011</u>
Trade accounts payable	\$ 21,336	\$ 27,773
Vested and non-vested sick leave payable	24,385	23,894
Employee deductions	<u>3,234</u>	<u>6,243</u>
	<u>\$ 48,955</u>	<u>\$ 57,910</u>

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

December 31, 2012

4. Reserve Fund for Capital Expenditures

A reserve fund in the amount of \$18,632 (2011 - \$15,064) is being held by the library and is for the purpose of financing the board's furniture purchases and other major capital.

	2012	2011
Reserve Fund, beginning of year	\$ 15,064	\$ 14,828
Transfer		
Transfer from library operations	3,568	13,565
Transfer to library operations	-	(13,329)
	3,568	236
Reserve Fund, end of year	\$ 18,632	\$ 15,064

5. 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.

6. Financial Instruments Risks

General Objectives, Policies and Process

The Board of Directors has overall responsibility for the determination of the organization's risk management objectives and policies. The Board has delegated the authority for designing and operation processes that ensure effective implantation of the objectives and policies to management.

The organization's financial instruments are exposed to certain financial risks, including credit risk and liquidity risk.

There have been no significant changes from the previous year in the exposure to risk, policies or procedures used to manage financial instruments risk.

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

December 31, 2012

6. Financial Instruments Risks (continued)

Credit Risk

The organization is exposed to credit risk through the possibility of non-collection of its accounts and contributions receivable. The majority of the organization's receivables are from government entities which minimizes the risk of non-collection. The organization also makes sure it meets all the eligibility criteria for the amounts to ensure they will collect the amounts outstanding. The amounts outstanding at year end, which is the organizations maximum exposure to credit risk related to accounts and contributions receivable, were all current.

Liquidity Risk

Liquidity risk is the risk that the organization will not be able to meet its financial obligations as they fall due. The organization has a planning budgeting process in place to help determine the funds required to support the organization's normal operating requirements on an ongoing basis. The organization ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. To achieve this aim, it seeks to maintain cash balances to meet, at a minimum, expected requirements for a period of at least 90 days. All contractual maturities of financial liabilities are current.

7. Economic Dependence

Approximately 91% (2011 - 89%) 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.

8. 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, 2012. The results of this valuation disclosed total actuarial liabilities of \$64,642 million in respect of benefits accrued for service with actuarial assets at that date of \$57,352 million indicating an actuarial deficit of \$7,290 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 2012 was \$27,130 (2011 - \$26,849).