

The Corporation of the City of Dryden
Consolidated Financial Statements
For the year ended December 31, 2006

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Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the City of Dryden

We have audited the consolidated statement of financial position of The Corporation of the City of Dryden as at December 31, 2006 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the municipality's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the City of Dryden as at December 31, 2006 and the results of its financial activities and changes in financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Dryden, Ontario
September 5, 2007

**The Corporation of the City of Dryden
Consolidated Statement of Financial Position**

December 31	2006	2005
Assets		
Financial assets		
Cash and bank	\$ 605,320	\$ 888,336
Temporary investments (Note 1)	2,382,099	2,328,012
Taxes receivable	753,794	531,433
Accounts receivable (Note 2)	1,047,063	1,278,588
User charges receivable	122,153	126,251
Grants receivable	2,118,334	2,694,295
Investment in government business enterprises (Note 3)	7,103,340	8,107,092
Long-term receivables (Note 4)	7,854,246	7,648,393
	\$ 21,986,349	\$ 23,602,400
Liabilities and Municipal Position		
Liabilities		
Bank indebtedness (Note 5)	\$ 695,150	\$ 6,249,648
Accounts payable and accrued liabilities	5,565,915	4,099,803
Landfill closure and post closure liability (Note 6)	374,022	293,276
Post-retirement benefits liability (Note 7)	641,120	560,907
Deferred revenue/obligatory reserve funds (Note 8)	469,865	274,890
Net long-term liabilities (Note 9)	11,568,647	5,214,948
	19,314,719	16,693,472
Municipal position		
Current fund (deficit) (Note 10)	(732,982)	(790,419)
Capital fund (deficit) (Note 11)	(3,140,052)	-
Reserves	5,867,889	6,444,849
Net equity in government business enterprises (Note 3)	8,338,883	8,731,748
	10,333,738	14,386,178
Amounts to be recovered (Note 12)	(7,662,108)	(7,477,250)
	2,671,630	6,908,928
	\$ 21,986,349	\$ 23,602,400

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

The Corporation of the City of Dryden Consolidated Statement of Financial Activities

For the year ended December 31	2006 Budget	2006 Actual	2005 Actual
Revenue			
Taxation	\$ 9,639,715	\$ 9,563,975	\$ 9,274,148
Payments in lieu of taxation	227,044	216,265	225,138
Fees and user charges	5,379,547	5,213,909	4,887,472
Canada grants	569,418	721,942	3,435,546
Ontario grants	5,536,077	6,349,304	4,930,431
Municipal grants	845	3,559	3,340
Dryden Telephone System share of income (loss) (Note 3)	749,767	(38,008)	68,493
Dryden Mobility share of income (Note 3)	369,123	295,143	425,406
Other income (Note 13)	3,477,191	3,738,084	3,611,848
	<u>25,948,727</u>	<u>26,064,173</u>	<u>26,861,822</u>
Expenditures			
Current Operations (Note 14)			
General government	2,762,196	2,903,051	2,669,810
Protection services	4,419,442	4,680,314	4,106,704
Transportation services	2,740,538	2,726,645	2,927,894
Environmental services	2,601,730	2,883,812	2,924,291
Health services	1,286,775	1,224,988	1,226,080
Social and family services	3,049,688	4,023,201	3,575,370
Social housing	713,289	675,076	665,880
Recreation and cultural services	2,714,594	3,032,812	2,808,181
Planning and development	206,600	198,732	216,766
	<u>20,494,852</u>	<u>22,348,631</u>	<u>21,120,976</u>
Capital			
General government	491,270	556,289	282,599
Protection services	347,993	327,512	1,043,007
Transportation services	1,712,700	2,133,092	3,207,154
Environmental services	4,979,730	3,832,071	568,505
Health services	65,000	84,967	54,563
Social and family services	28,500	51,402	84,340
Recreation and cultural services	684,000	636,961	644,076
Planning and development	801,000	227,564	1,527,120
	<u>9,110,193</u>	<u>7,849,858</u>	<u>7,411,364</u>
Net revenue (expenditures) for the year	<u>(3,656,318)</u>	<u>(4,134,316)</u>	<u>(1,670,518)</u>
Change in amounts to be recovered and adjustments			
Debt proceeds	3,833,333	-	5,080,000
Debt principal repayments	(347,577)	(473,059)	(208,743)
Change in employee benefits payable	-	59,227	157,689
Change in interest payable	-	(7,291)	1,908
Transferred to Deferred Revenue/Obligatory Reserve Funds	-	(102,982)	-
Change in landfill closure and post closure costs	-	80,747	57,394
Change in District of Kenora Home for the Aged	-	525,234	513,106
Dryden Telephone System - correction of a prior period error (Note 3)	-	-	124,029
	<u>3,485,756</u>	<u>81,876</u>	<u>5,725,383</u>
Change in fund balances for the year	<u>\$ (170,562)</u>	<u>\$ (4,052,440)</u>	<u>\$ 4,054,865</u>

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

The Corporation of the City of Dryden Consolidated Statement of Changes in Financial Position

For the year ended December 31	2006	2005
Cash provided by (used in)		
Operating activities		
Net revenue (expenditures) for the year	\$ (4,134,316)	\$ (1,670,518)
Changes in non-cash working capital balances		
Decrease in government business enterprises	1,003,752	172,467
Decrease (increase) in taxes receivable	(222,361)	42,347
Decrease in accounts receivable	231,525	235,452
Decrease (increase) in user charges receivable	4,098	(23,273)
Decrease (increase) in grants receivable	575,961	(1,194,014)
Increase in long-term receivables	(205,853)	(4,110,107)
Increase in accounts payable and accrued liabilities	1,466,112	470,812
Increase in landfill closure and post closure liability	80,746	57,394
Increase in post-retirement benefits liability	80,213	193,609
Increase (decrease) in deferred revenue	194,975	(95,936)
Adjustment - Transfer to Deferred Revenue/Obligatory Reserve Funds	(102,982)	-
	<u>(1,028,130)</u>	<u>(5,921,767)</u>
Financing activities		
Increase in temporary investments	(54,087)	(112,510)
Increase (decrease) in bank indebtedness	(5,554,498)	1,426,812
Increase in long-term liabilities	6,353,699	4,871,256
Prior period adjustment	-	124,033
	<u>745,114</u>	<u>6,309,591</u>
Net change in cash	(283,016)	387,824
Cash and bank, beginning of the year	888,336	500,512
Cash and bank, end of the year	\$ 605,320	\$ 888,336

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

The Corporation of the City of Dryden

Summary of Significant Accounting Policies

December 31, 2006

Management Responsibility

The consolidated financial statements of The Corporation of the City of Dryden are the representations of management. They have been prepared in accordance with accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgement within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Basis of Consolidation

The consolidated statements reflect the assets, liabilities, revenues and expenditures of the current fund, capital fund, reserves and reserve funds of all municipal organizations, committees, and boards which are owned or controlled by Council. All interfund assets and liabilities and revenues and expenditures have been eliminated on consolidation.

The following boards and municipal enterprises owned or controlled by Council have been consolidated:

- Dryden Municipal Airport
- Dryden Public Library Board
- The Dryden Police Services Board
- Waterworks Department
- Dryden Board of Museum Management
- Dryden Cemetery Board
- Dryden Economic Development Board

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:

- Dryden Telephone System
- Dryden Mobility

The Corporation of the City of Dryden

Summary of Significant Accounting Policies

December 31, 2006

Basis of Accounting

Revenues and expenditures are reported on the accrual basis of accounting. 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.

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.

Temporary Investments

Temporary investments are recorded at the lower of cost and market value.

Inventories

Inventories of supplies, including vehicle parts and road maintenance materials, are charged to operations when purchased.

Capital Assets

The historical cost and accumulated amortization of capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the consolidated statement of financial activities in the period of acquisition.

Deferred Revenue

Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the consolidated statement of financial position. The revenue is reported on the consolidated statement of financial activities in the year in which it is used for the specified purpose.

Amounts to be Recovered

Amounts to be recovered are reported in the municipal position on the consolidated statement of financial position. The balance represents the outstanding principal portion of unmatured long-term liabilities, liabilities not yet due, and other future expenditures not yet levied on the ratepayers.

Government Transfers

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

The Corporation of the City of Dryden Summary of Significant Accounting Policies

December 31, 2006

Trust Funds

Funds held in trust by the municipality, and their related operations, are not included in these consolidated financial statements. The financial activity and position of the trust funds are reported separately on the audited financial statements of The Corporation of the City of Dryden Trust Funds.

Post-retirement Benefits

The cost of retirement benefits earned by employees is actuarially determined using the projected cost method prorated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

The Corporation of the City of Dryden Notes to Consolidated Financial Statements

December 31, 2006

1. Temporary Investments

	<u>2006</u>	<u>2005</u>
Unrestricted	<u>\$ 2,382,099</u>	<u>\$ 2,328,012</u>

Temporary investments are recorded at cost and have a market value approximating cost. These investments include a combination of term deposits, money market investments and guaranteed investment certificates. The above investments earn interest at varying rates between 2.3% and 4.0%.

2. Accounts Receivable

	<u>2006</u>	<u>2005</u>
Trade and other	\$ 1,047,063	\$ 1,244,566
Due from School Boards	-	34,022
Provincial Offences Act		
Fines and charges	3,074,115	2,802,649
Allowance for doubtful accounts	<u>(3,074,115)</u>	<u>(2,802,649)</u>
	<u>\$ 1,047,063</u>	<u>\$ 1,278,588</u>

Provincial Offences Act

The majority of the fines and penalties receivable for the Provincial Offences Act have been outstanding for more than one hundred and twenty days. Due to the nature of these fines and penalties, it is difficult for the municipality to actively pursue collection of these outstanding accounts.

The Corporation of the City of Dryden Notes to Consolidated Financial Statements

December 31, 2006

3. Investment in Government Business Enterprises

	2006	2005
Dryden Telephone System		
Net equity in Government Business Investment	\$ 7,017,060	\$ 7,455,068
Due to The Corporation of the City of Dryden	<u>(1,241,075)</u>	<u>(456,553)</u>
	<u>5,775,985</u>	<u>6,998,515</u>
Dryden Mobility		
Net equity in Government Business Investment	1,321,823	1,276,680
Due from (to) The Corporation of the City of Dryden	<u>5,532</u>	<u>(168,103)</u>
	<u>1,327,355</u>	<u>1,108,577</u>
	<u>\$ 7,103,340</u>	<u>\$ 8,107,092</u>

The Dryden Telephone System and Dryden Mobility are owned and controlled by The Corporation of the City of Dryden as business enterprises of the City and are accounted for on a modified equity basis in these consolidated financial statements. The following information provides condensed supplementary information for the enterprises for the year ended December 31, 2006:

Financial Position, Results of Operations and Changes in Net Assets

	Dryden Telephone System	Dryden Mobility	2006 Total	2005 Total
Current assets	\$ 1,796,684	\$ 254,563	\$ 2,051,247	\$ 1,841,984
Long-term investments	14,851	-	14,851	14,413
Capital assets	<u>5,509,210</u>	<u>1,135,124</u>	<u>6,644,334</u>	<u>7,413,874</u>
	<u>\$ 7,320,745</u>	<u>\$ 1,389,687</u>	<u>\$ 8,710,432</u>	<u>\$ 9,270,271</u>
Current liabilities	\$ 161,249	\$ 67,864	\$ 229,113	\$ 340,720
Long-term liabilities	127,585	-	127,585	183,391
Deferred liability	<u>14,851</u>	<u>-</u>	<u>14,851</u>	<u>14,413</u>
	<u>303,685</u>	<u>67,864</u>	<u>371,549</u>	<u>538,524</u>
Net assets, end of year	<u>7,017,060</u>	<u>1,321,823</u>	<u>8,338,883</u>	<u>8,731,747</u>
	<u>\$ 7,320,745</u>	<u>\$ 1,389,687</u>	<u>\$ 8,710,432</u>	<u>\$ 9,270,271</u>

The Corporation of the City of Dryden Notes to Consolidated Financial Statements

December 31, 2006

3. Investment in Government Business Enterprises (continued)

Results of Operations

	Dryden Telephone System	Dryden Mobility	2006 Total	2005 Total
Revenues	\$ 4,264,890	\$ 2,038,869	\$ 6,303,759	\$ 6,151,945
Operating expenses	4,302,898	1,743,726	6,046,624	5,658,046
Net income (loss)	(38,008)	295,143	257,135	493,899
Contribution to The Corporation of the City of Dryden	(400,000)	(250,000)	(650,000)	(650,000)
	(438,008)	45,143	(392,865)	(156,101)
Net equity, beginning of the year	7,455,068	1,276,680	8,731,748	8,763,816
Correction of prior period error - See note below	-	-	-	124,033
Net equity, end of the year	<u>\$ 7,017,060</u>	<u>\$ 1,321,823</u>	<u>\$ 8,338,883</u>	<u>\$ 8,731,748</u>

Correction of a Prior Period Error

In the prior year Dryden Telephone System followed up with Bell Canada/OTA concerning an outstanding payable on its books arising from a Carrier Access Tarriff (CAT) adjustment dating back to 1998. Based on discussions with Bell Canda/OTA it was determined that the amount of \$124,033 was no longer outstanding and was not payable. As a result, Dryden Telephone System has reduced the previous year accounts payable and increased the opening retained earnings by \$124,033.

4. Long-term Receivables

	2006	2005
Loan receivable from Dryden Regional Health Centre, unsecured, repayable in monthly instalments of \$14,380 including interest at 5%; maturing January 2014	\$ 1,027,488	\$ 1,145,452
Loan receivable from District of Kenora Home for the Aged, repayable in monthly instalments of \$76,282 including interest at 5.28%, secured by debenture By-law # 3139-2004; maturing June 2016	<u>6,826,758</u>	<u>6,502,941</u>
	<u>\$ 7,854,246</u>	<u>\$ 7,648,393</u>

The Corporation of the City of Dryden Notes to Consolidated Financial Statements

December 31, 2006

4. Long-term Receivables (continued)

Principal payments required on long-term receivables for the next five years and thereafter are as follows:

Year	Amount
2007	\$ 692,557
2008	729,658
2009	768,748
2010	809,932
2011	853,324
Thereafter	<u>4,000,027</u>
	<u>\$ 7,854,246</u>

5. Bank Indebtedness

	2006	2005
CIBC operating bank overdraft	\$ 695,150	\$ 39,801
BMO Financial Group loan, interest only at prime plus .5% payable on demand	-	<u>6,209,847</u>
	<u>\$ 695,150</u>	<u>\$ 6,249,648</u>

The Corporation of the City of Dryden has a revolving credit facility with the Canadian Imperial Bank of Commerce which provides for maximum aggregate commitments of \$6,000,000. Borrowings are not to exceed the lesser of the credit limit and/or 50% of annual budgeted revenues during the period January 1 to September 30, 25% of annual budgeted revenues during the period October 1 to December 31. Advances under this facility bear interest at prime less 1/4%, which is payable monthly.

The indebtedness under this credit facility is secured by a general security agreement covering all real or personal, movable or immovable property.

The Corporation of the City of Dryden

Notes to Consolidated Financial Statements

December 31, 2006

6. Landfill Closure and Post Closure Liability

Effective January 1, 2003, the municipality adopted accounting recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants with respect to landfill site closing and post closure costs. As a result, the consolidated statement of financial position now reflects liabilities for anticipated future costs related to the closing and monitoring of the existing Dryden and Barclay landfill sites. This liability is recognized over the operating life of the waste disposal sites, in proportion to the sites' utilized capacity.

Relevant information regarding the landfill sites is as follows:

	Dryden Site	Barclay Site
Total estimated expenditures for closure and post closure	\$ 834,721	\$ 354,013
Landfill closure and post closure liability as at December 31, 2006	\$ 190,460	\$ 183,562
Total expenditures remaining to be recognized	\$ 644,261	\$ 170,451
Remaining capacity of the site (cubic metres)	447,660	6,500
Remaining landfill site life (years)	25	5
Number of years required for post closure care	25	25

7. Post-retirement Benefits Liability

The Corporation of the City of Dryden provides the following benefits to employees who have been a member of the benefits plan for at least one year immediately prior to retirement from active service with retirement under the terms of the OMERS pension plan:

- Extended health care drug plan
- Dental benefits
- Semi-private hospital coverage
- Vision care
- Group life insurance

At December 31, 2006, The Corporation of the City of Dryden's accrued benefit obligation relating to post-retirement benefit plans was \$641,120 (2005 - \$560,907) .

The significant actuarial assumptions adopted and estimated for The Corporation of the City of Dryden's accrued benefit obligations are as follows:

Discount Rate	5.25
Health Care Drug Cost Increase	6% decreasing 1% per annum until 4%
General Inflation	3%
Other Benefits Cost Increase	4%

Included in the employee benefits on the schedule of current fund operations is an amount of \$55,451 (net of employer contributions) regarding future benefits.

The Corporation of the City of Dryden Notes to Consolidated Financial Statements

December 31, 2006

8. Deferred Revenue/Obligatory Reserve Funds

	2006	2005
Deferred revenue	\$ 418,188	\$ 225,036
Obligatory Reserve Funds - parkland	51,677	49,854
	\$ 469,865	\$ 274,890

The net change during the year in the deferred revenue/obligatory reserve fund balances is made up as follows:

	2006	2005
Balance, beginning of the year	\$ 274,890	\$ 370,826
Transferred from Reserves - Federal Gas Tax grant	102,982	-
Transfers from revenue in the current year		
Deferred grants	360,250	70,287
Donations	-	91,576
Miscellaneous	299	3,600
Interest income - parkland	1,823	1,319
	362,372	166,782
Transfers to revenue in the current year		
Transfer to grant revenue	138,070	105,283
Transfer to miscellaneous revenue	-	1,899
Transfer to donation revenue	132,309	150,068
	270,379	257,250
Transfer to operating accounts	-	5,468
Balance, end of the year	\$ 469,865	\$ 274,890

The Corporation of the City of Dryden

Notes to Consolidated Financial Statements

December 31, 2006

9. Net Long-term Liabilities

a) The balance of long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2006	2005
Total net long-term liabilities incurred by the municipality, maturing 2017 and outstanding at the end of the year amount to	\$ 11,568,647	\$ 5,214,948

b) Debt charges for the next five fiscal years and thereafter are as follows:

	Principal	Interest	Total
2007	\$ 1,064,414	\$ 553,940	\$ 1,618,354
2008	1,055,770	499,252	1,555,022
2009	1,102,359	445,981	1,548,340
2010	1,158,351	389,989	1,548,340
2011	1,217,202	331,138	1,548,340
Thereafter	5,970,551	680,498	6,651,049
	\$ 11,568,647	\$ 2,900,798	\$ 14,469,445

c) The net long-term liabilities in (a) issued in the name of the municipality have either received approval of the Ontario Municipal Board on or before December 31, 2000, or are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing if issued after January 1, 2006

The above long-term debt has various maturity dates from 2007 to 2016 and interest rates varying from 4.54% and 6.75% respectively.

10. Current Fund (Deficit)

The balance on the consolidated statement of financial position of \$(732,982) [2005 - \$(790,419)] at the end of the year is comprised of the following:

	2006	2005
To be financed by operations of the operating fund for the following year	\$ (27,345)	\$ (131,466)
To be financed by operations of the Waterworks department for the following year	(742,302)	(720,285)
To be applied to operations of the Dryden Public Library for the following year	185	6,550
To be applied to operations of the Dryden Cemetery Board for the following year	36,480	54,782
Current fund (deficit), end of the year	\$ (732,982)	\$ (790,419)

The Corporation of the City of Dryden Notes to Consolidated Financial Statements

December 31, 2006

11. Capital Fund (Deficit)

	2006	2005
Acquisition of capital assets to be financed through:		
Issue of debentures	\$ (3,140,052)	\$ -

12. Amounts to be Recovered

	2006	2005
Accrued interest payable on long-term liabilities	\$ -	\$ 7,291
Capital outlay financed by long-term liabilities and to be recovered in future years	4,741,889	5,214,948
Post-retirement benefits liability	786,042	726,815
Landfill closure and post closure costs	374,023	293,276
District of Kenora Home for the Aged	1,760,154	1,234,920
	\$ 7,662,108	\$ 7,477,250

13. Other Income

	2006	2005
Penalties and interest on taxation	\$ 98,135	\$ 95,898
Investment	589,706	470,424
Building rentals	655,364	746,584
Provincial Offences Act	1,097,812	688,055
Licences and permits	69,864	80,254
Sale of land and other assets	15,000	38,790
Other fines	19,758	14,226
Miscellaneous	982,896	882,975
Donations	209,549	594,642
	\$ 3,738,084	\$ 3,611,848

The Corporation of the City of Dryden Notes to Consolidated Financial Statements

December 31, 2006

14. Expenditures by Object

Total operating expenditures for the year reported on the consolidated statement of financial activities are as follows:

	2006	2005
Salaries, wages and employee benefits	\$ 10,700,099	\$ 9,895,093
Materials	5,746,266	5,978,366
Contracted services	1,199,966	1,178,659
Rents and financial expenses	272,497	339,172
Interest on long-term debt	407,069	26,903
Contributions to other organizations	4,022,734	3,702,783
	\$ 22,348,631	\$ 21,120,976

15. Public Sector Salary Disclosure

As required under the Public Sector Salary Disclosure Act, 1996, the following employees of the City were paid \$100,000 or more in 2006:

		Salary	Taxable
Name	Position	Paid	Benefits
Arie Hoogenboom	City Manager	\$ 113,467	\$781
Shayne MacKinnon	Police Chief	\$ 104,693	\$3,301

16. Pension Agreements

The municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 187 members of its staff. This plan is a defined benefit plan which specifies the amount of the retirement to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS for 2006 was \$572,482 (2005 - \$487,613).

17. Trust Funds

The trust funds administered by the municipality amounting to \$485,892 (2005 - \$456,701) have not been included in the consolidated statement of financial position nor have the operations been included in the consolidated statement of financial activities. At December 31, 2006, the trusts fund balances are as follows:

	2006	2005
Cemetery Perpetual Care	\$ 485,892	\$ 456,701

The Corporation of the City of Dryden Notes to Consolidated Financial Statements

December 31, 2006

18. Contributions to Unconsolidated Joint Boards

The following contributions were made by the municipality to Joint Boards:

	<u>2006</u>	<u>2005</u>
District of Kenora Home for the Aged	\$ 781,712	\$ 820,841
Northwestern Health Unit	388,079	388,079
Kenora District Services Board	<u>1,942,746</u>	<u>1,799,586</u>
	<u>\$ 3,112,537</u>	<u>\$ 3,008,506</u>

19. Operations of School Boards

During the year, taxation revenue of \$5,658,700 (2005 - \$5,882,268) was raised and remitted to the school boards.

20. Physical Assets

The amounts below represent the values as estimated by the municipality's insurer:

Building and structures	\$ 57,954,700
Contents and equipment	25,497,400

21. Budget Amounts

Under Canadian generally accepted accounting principles, budget amounts are to be reported on the consolidated statement of financial activities for comparative purposes. The 2006 budget amounts for The Corporation of the City of Dryden approved by Council have been restated to conform to the basis of preparation of the revenues and expenditures on the consolidated statement of financial activities.

22. Commitments

The Corporation of the City of Dryden leases certain of its premises and equipment under various operating leases. The future minimum lease payments over the next five years are as follows:

Year	Amount
2007	\$ 241,485
2008	118,412
2009	107,151
2010	69,809
2011	35,265

The Corporation of the City of Dryden

Notes to Consolidated Financial Statements

December 31, 2006

23. Contingent Liability

The Corporation of the City of Dryden is disputing a claim filed by Roma Insurance. Management is unable to determine if there will be a liability as a result of this claim. In addition, the City is involved in various lawsuits pertaining to a motor vehicle accident which occurred in 2004 for which the amount of settlement, if any, is not determinable. No opinion is expressed as to whether these claims would have a material effect on the City's current year consolidated financial statements. If any settlements result from the claims, these settlements will be expensed in the Consolidated Statement of Financial Activities in the year in which judgements are rendered. No provision has been made in these consolidated financial statements in respect of the above claims.

24. Financial Instruments

Unless otherwise noted, it is management's opinion that The Corporation of the City of Dryden 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.

25. Provincial Offences Administration (POA)

Effective February 26, 2001, The Corporation of the City of Dryden assumed the administration of Provincial Offences for the Dryden Court Services Area. The transfer of administration from the Ministry of the Attorney General to the City was a result of Provincial Offences Act (POA) 1977, which provides the frame work for the transfer of responsibility and administration of POA courts.

The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Liquor Licence Act, Municipal By-Laws and minor federal offences. The POA governs all aspects of legal process from serving notice to defendant, to conducting trials including sentencing and appeals.

Balances arising from operations of the POA office have been consolidated with these financial statements effective from the January 1, 2003 assumption of the operations by the City. The revenue of the court offices consists of fines levied under Parts 1 & 111 (including delay penalties) for POA charges fined in the Dryden Courts.

Offenders may pay their fines at any court office in Ontario at which time their receipt is recorded in the Integrated Courts Operation Network System (ICON) operated by the Province of Ontario. Revenue is recognized when receipt of funds is recorded by the provincial ICON System regardless of the location where payment is made.

26. Comparative Figures

Certain of the comparative figures have been restated to conform to the presentation adopted in the current year.

The Corporation of the City of Dryden Schedule of Current Fund Operations

For the year ended December 31	2006 Budget	2006 Actual	2005 Actual
Revenue			
Taxation	\$ 9,639,715	\$ 9,563,975	\$ 9,274,148
Payments in lieu of taxation	227,044	216,265	225,138
Fees and user charges	5,379,547	5,213,909	4,887,472
Canada grants	212,062	229,591	260,332
Ontario grants	4,263,047	4,632,230	4,681,014
Municipal grants	845	3,559	3,340
Other	3,240,841	3,940,712	3,520,323
	<u>22,963,101</u>	<u>23,800,241</u>	<u>22,851,767</u>
Expenditures			
General government	2,762,196	2,903,051	2,669,810
Protection services	4,419,442	4,680,314	4,106,704
Transportation services	2,740,538	2,726,645	2,927,894
Environmental services	2,601,730	2,883,812	2,924,291
Health services	1,286,775	1,224,988	1,226,080
Social and family services	3,049,688	4,023,201	3,575,370
Social housing	713,289	675,076	665,880
Recreation and cultural services	2,714,594	3,032,812	2,808,181
Planning and development	206,600	198,732	216,766
	<u>20,494,852</u>	<u>22,348,631</u>	<u>21,120,976</u>
Net revenue (expenditures) for the year	<u>2,468,249</u>	<u>1,451,610</u>	<u>1,730,791</u>
Change in amounts to be recovered and adjustments			
Debt principal repayments	(347,577)	(473,059)	(208,743)
Change in employee benefits payable	-	59,227	157,689
Change in interest payable	-	(7,291)	1,908
Change in landfill closure and post closure costs	-	80,747	57,394
Change in District of Kenora Home for the Aged	-	525,234	513,106
Transfers to capital fund	(1,855,990)	(1,513,296)	(2,377,253)
Transfers to reserves	(149,800)	(65,735)	(179,765)
	<u>(2,353,367)</u>	<u>(1,394,173)</u>	<u>(2,035,664)</u>
Change in fund balances for the year	114,882	57,437	(304,873)
Current fund (deficit), beginning of the year	<u>(114,882)</u>	<u>(790,419)</u>	<u>(485,546)</u>
Current fund (deficit), end of the year	<u>\$ -</u>	<u>\$ (732,982)</u>	<u>\$ (790,419)</u>

The Corporation of the City of Dryden Schedule of Capital Fund Operations

For the year ended December 31	2006 Budget	2006 Actual	2005 Actual
Revenue			
Canada grants	\$ 357,356	\$ 492,351	\$ 3,175,214
Ontario grants	1,273,030	1,717,074	249,417
Other	236,350	206,050	543,847
	<u>1,866,736</u>	<u>2,415,475</u>	<u>3,968,478</u>
Expenditures			
General government	491,270	556,289	282,599
Protection services	347,993	327,512	1,043,007
Transportation services	1,712,700	2,133,092	3,207,154
Environmental services	4,979,730	3,832,071	568,505
Health services	65,000	84,967	54,563
Social and family services	28,500	51,402	84,340
Recreation and cultural services	684,000	636,961	644,076
Planning and development	801,000	227,564	1,527,120
	<u>9,110,193</u>	<u>7,849,858</u>	<u>7,411,364</u>
Net revenue (expenditures) for the year	<u>(7,243,457)</u>	<u>(5,434,383)</u>	<u>(3,442,886)</u>
Financing and transfers			
Debenture proceeds	3,833,333	-	5,080,000
Transfers from revenue fund	1,855,990	1,513,296	2,377,253
Transfers from (to) reserves	1,554,134	781,035	(202,814)
	<u>7,243,457</u>	<u>2,294,331</u>	<u>7,254,439</u>
Change in fund balances for the year	-	(3,140,052)	3,811,553
Capital fund (deficit), beginning of the year	-	-	(3,811,553)
Capital fund (deficit), end of the year	\$ -	\$ (3,140,052)	\$ -

The Corporation of the City of Dryden Schedule of Reserves

For the year ended December 31	2006 Budget	2006 Actual	2005 Actual
Revenue			
Interest	\$ -	\$ 241,322	\$ 197,678
Net transfers from (to) other funds			
Transfers from revenue fund	149,800	65,735	179,765
Transfers from (to) capital fund	(1,554,134)	(781,035)	202,814
Transfer to Deferred Revenue/Obligatory Reserve Funds	-	(102,982)	-
	(1,404,334)	(818,282)	382,579
Change in fund balances for the year	(1,404,334)	(576,960)	580,257
Reserves, beginning of the year	6,444,849	6,444,849	5,864,592
Reserves, end of the year	\$ 5,040,515	\$ 5,867,889	\$ 6,444,849

Analyzed as follows:

Reserves set aside for specific purpose by Council:

Working funds	\$ 1,163,835	\$ 1,027,725
Capital expenditure purposes	4,337,631	4,934,080
Sick leave and WSIB benefits	144,922	165,908
Recreation	38,417	38,040
Personal protection	1,500	1,500
Roads	181,584	277,596
Reserves, end of the year	\$ 5,867,889	\$ 6,444,849