

1174 St. Jerome
Sudbury, Ontario
P3A 2V9
☎ (705) 560-5592
☎ (705) 560-8832
sudbury@collinsbarrow.com

48 Main, C.P. / Box 673
Chelmsford, Ontario
P0M 1L0
☎ (705) 560-5592
☎ (705) 855-3693
chelmsford@collinsbarrow.com

49 Queen, Unité / Unit A
Sturgeon Falls, Ontario
P2B 2C7
☎ (705) 753-1830
☎ (705) 753-2496
sturgeonfalls@collinsbarrow.com

630 Cassells
North Bay, Ontario
P1B 4A2
☎ (705) 494-9336
☎ (705) 494-8783
northbay@collinsbarrow.com

REFERENCE TO - RÉFÉRENCE **Robert D. Blais, C.A.**
Sudbury Office

March 31, 2006

THE MEMBERS OF COUNCIL, INHABITANTS AND RATEPAYERS OF
THE CORPORATION OF THE TOWN OF LATCHFORD
10 MAIN STREET PO BOX 10
LATCHFORD ON P0J 1N0

Dear Members of Council, Inhabitants and Ratepayers:

We have been engaged to audit the financial statements of The Corporation of the Town of Latchford for the year ending December 31, 2005.

Canadian generally accepted auditing standards (GAAS) require that we communicate at least annually with you regarding all relationships between the corporation and us that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the Ontario Institute, covering such matters as:

- (a) holding a financial interest, either directly or indirectly, in a client;
- (b) holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- (c) personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- (d) economic dependence on a client; and
- (e) provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters.

We are not aware of any relationships between the corporation and us that, in our professional judgment, may reasonably be thought to bear on our independence, that have occurred from March 31, 2005 to March 31, 2006.

The total fees charged to the corporation for audit related services were \$21,500 and for non-audit services were \$4,838 during the period from March 31, 2005 to March 31, 2006. The Appendix provides an analysis of these services according to the types of services and dollar ranges agreed with you.

GAAS requires that we confirm our independence to the Members of Council in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. Accordingly, we hereby confirm that we are independent with respect to the corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of March 31, 2006.

We, at Collins Barrow, Sudbury - Nipissing LLP, are a member of the Collins Barrow national association, a group of independent accounting firms in Canada that practice under a common name and that sponsor a number of programs to enhance the ability of the members to be of service to their respective clients nationally and internationally. The national association is not an accounting firm and our practice is not integrated with that of any of the other members. We, at Collins Barrow, Sudbury - Nipissing LLP, are solely responsible for the professional engagement covered by this letter.

Please feel free to communicate with us should you wish to discuss the matters addressed in this letter.

Yours truly,

Collins Barrow, Sudbury - Nipissing LLP

Chartered Accountants
/s/

**The Corporation of the Town
of Latchford**

Financial Report

December 31, 2005

Auditors' Report

Consolidated Statement of Financial Position	1
Consolidated Statement of Financial Activities	2
Consolidated Statement of Changes in Financial Position	3
Consolidated Schedule of Current Fund Operations	4
Consolidated Schedule of Capital Fund Operations	5
Consolidated Schedule of Reserves	6
Notes to the Consolidated Financial Statements	7-12



Collins Barrow

Chartered Accountants / Comptables agréés

1174 St. Jerome
Sudbury, Ontario
P3A 2V9
☎ (705) 560-5592
☎ (705) 560-8832
sudbury@collinsbarrow.com

48 Main, C.P. / Box 673
Chelmsford, Ontario
P0M 1L0
☎ (705) 560-5592
☎ (705) 855-3693
chelmsford@collinsbarrow.com

49 Queen, Unité / Unit A
Sturgeon Falls, Ontario
P2B 2C7
☎ (705) 753-1830
☎ (705) 753-2496
sturgeonfalls@collinsbarrow.com

630 Cassells
North Bay, Ontario
P1B 4A2
☎ (705) 494-9336
☎ (705) 494-8783
northbay@collinsbarrow.com

Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of Latchford

We have audited the consolidated statement of financial position of The Corporation of the Town of Latchford as at December 31, 2005 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 consolidated financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Latchford as at December 31, 2005 and the results of its activities for the year then ended in accordance with Canadian generally accepted accounting principles.

Sudbury, Ontario
April 13, 2006

Collins Barrow, Sudbury - Nipissing LLP

CHARTERED ACCOUNTANTS

Ce cabinet est la propriété et est géré de façon indépendante par Collins Barrow, Sudbury - Nipissing s.r.l. Les marques déposées de Collins Barrow sont utilisées en vertu d'une licence.

This office is independently owned and operated by Collins Barrow, Sudbury - Nipissing LLP. The Collins Barrow trademarks are used under licence.

*"vos associés en affaires
depuis 1951"*

*"your partners in business
since 1951"*



Membre de Moores Rowland International, une association de cabinets d'experts-comptables indépendants à travers le monde.

A member of Moores Rowland International, an association of independent accounting firms throughout the world.

The Corporation of the Town of Latchford
Consolidated Statement of Financial Position
December 31, 2005

	<u>2005</u>	<u>2004</u>
Financial Assets		
Cash	\$ 190,092	\$ 113,713
Taxes receivable	75,972	66,701
Accounts receivable	272,239	94,326
Other current assets	<u>24,735</u>	<u>-</u>
Total Assets	<u>\$ 563,038</u>	<u>\$ 274,740</u>
Liabilities		
Temporary loan, due on demand, interest rate of prime + 0.5%	\$ 250,000	\$ -
Accounts payable and accrued liabilities	163,816	97,259
Deferred revenue	<u>50,596</u>	<u>92,940</u>
	<u>464,412</u>	<u>190,199</u>
Municipal Position		
Current fund (page 4)	1,705	(130,736)
Capital fund (page 5)	(31,511)	(112,038)
Reserves (page 6)	<u>128,432</u>	<u>327,315</u>
	<u>98,626</u>	<u>84,541</u>
Total Liabilities and Municipal Position	<u>\$ 563,038</u>	<u>\$ 274,740</u>
Contingency (note 9)		

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

The Corporation of the Town of Latchford
Consolidated Statement of Financial Activities
For The Year Ended December 31, 2005

	<u>2005</u>		<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenues			
Net taxation/user charges	\$ 440,629	\$ 295,039	\$ 295,124
Transfer payments	1,163,205	561,147	261,295
Sale of land	62,900	30,913	37,725
Other	16,230	45,892	32,678
Total Revenues	<u>1,682,964</u>	<u>932,991</u>	<u>626,822</u>
Expenditures			
Current			
General government	176,689	218,934	254,736
Protection to persons and property	57,037	52,513	48,641
Transportation services	86,100	86,741	89,588
Environmental services	152,536	152,020	154,721
Health services	30,323	30,615	27,182
Social and family services	65,944	66,126	64,386
Recreation and culture	9,200	34,423	21,816
	<u>577,829</u>	<u>641,372</u>	<u>661,070</u>
Capital			
General government	-	26,320	-
Protection to persons and property	-	50,375	1,655
Transportation services	2,000	-	-
Environmental services	817,120	149,512	97,601
Recreation and culture	105,000	51,327	119,490
	<u>924,120</u>	<u>277,534</u>	<u>218,746</u>
Total Expenditures	<u>1,501,949</u>	<u>918,906</u>	<u>879,816</u>
Net Revenues (Expenditures) and Change in Fund Balances	<u>\$ 181,015</u>	<u>\$ 14,085</u>	<u>\$ (252,994)</u>

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

The Corporation of the Town of Latchford
Consolidated Statement of Changes in Financial Position
For The Year Ended December 31, 2005

	<u>2005</u>	<u>2004</u>
Operations		
Net revenues (expenditures)	\$ 14,085	\$ (252,994)
Uses:		
Decrease in other liabilities	(42,344)	-
Decrease in accounts payable	-	(25,117)
Increase in accounts receivable	(177,913)	(42,156)
Increase in taxes receivable	(9,271)	-
Increase in other current assets	<u>(24,735)</u>	<u>-</u>
	<u>(254,263)</u>	<u>(67,273)</u>
Sources:		
Decrease in taxes receivable	-	11,512
Increase in other liabilities	-	33,573
Increase in accounts payable	<u>66,557</u>	<u>-</u>
	<u>66,557</u>	<u>45,085</u>
Net Change in Cash and Cash Equivalents	(173,621)	(275,182)
Cash and Cash Equivalents, Beginning of Year	<u>113,713</u>	<u>388,895</u>
Cash and Cash Equivalents (Deficiency), End of Year	<u>\$ (59,908)</u>	<u>\$ 113,713</u>
Cash and Cash Equivalents (Deficiency) Consists of:		
Cash	\$ 190,092	\$ 113,713
Temporary loan	<u>(250,000)</u>	<u>-</u>
	<u>\$ (59,908)</u>	<u>\$ 113,713</u>

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

The Corporation of the Town of Latchford
Consolidated Schedule of Current Fund Operations
For The Year Ended December 31, 2005

	<u>2005</u>		<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenues			
Net municipal taxation and user charges	\$ 440,629	\$ 295,039	\$ 295,124
Transfer payments (note 4)	205,197	244,940	193,249
Sale of lots and land	62,900	30,913	37,725
Other	10,230	36,968	25,004
Total Revenues	<u>718,956</u>	<u>607,860</u>	<u>551,102</u>
Expenditures			
General government	176,689	218,934	254,736
Protection services	57,037	52,513	48,641
Transportation services	86,100	86,741	89,588
Environmental services	152,536	152,020	154,721
Health services	30,323	30,615	27,182
Social and family services	65,944	66,126	64,386
Recreation and culture	9,200	34,423	21,816
Total Expenditures	<u>577,829</u>	<u>641,372</u>	<u>661,070</u>
Net Expenditures	<u>141,127</u>	<u>(33,512)</u>	<u>(109,968)</u>
Financing and Transfers			
Transfers from (to) reserves	(147,127)	165,953	(26,784)
Transfers to capital operations	-	-	(6,981)
Net Financing and Transfers	<u>(147,127)</u>	<u>165,953</u>	<u>(33,765)</u>
Change in Current Fund Balance	(6,000)	132,441	(143,733)
Current Fund Balance, Beginning of Year	<u>(130,736)</u>	<u>(130,736)</u>	<u>12,997</u>
Current Fund Balance, End of Year (note 5(a))	<u>\$ (136,736)</u>	<u>\$ 1,705</u>	<u>\$ (130,736)</u>

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

The Corporation of the Town of Latchford
Consolidated Schedule of Capital Fund Operations
For The Year Ended December 31, 2005

	<u>2005</u>		<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenues			
Transfer payments (note 4)	\$ 958,008	\$ 316,207	\$ 68,046
Donations	<u>6,000</u>	<u>8,924</u>	<u>7,674</u>
Total Revenues	<u>964,008</u>	<u>325,131</u>	<u>75,720</u>
Expenditures			
General government	-	26,320	-
Protection to persons and property	-	50,375	1,655
Transportation services	2,000	-	-
Environmental services	817,120	149,512	97,601
Recreation and culture	<u>105,000</u>	<u>51,327</u>	<u>119,490</u>
Total Expenditures	<u>924,120</u>	<u>277,534</u>	<u>218,746</u>
Net Revenues (Expenditures)	<u>39,888</u>	<u>47,597</u>	<u>(143,026)</u>
Financing and Transfers			
Transfers from current fund	-	-	6,981
Transfers from reserves	<u>76,150</u>	<u>32,930</u>	<u>53,444</u>
Net Financing and Transfers	<u>76,150</u>	<u>32,930</u>	<u>60,425</u>
Change in Capital Fund Balance	116,038	80,527	(82,601)
Capital Fund Balance, Beginning of Year	<u>(112,038)</u>	<u>(112,038)</u>	<u>(29,437)</u>
Capital Fund Balance, End of Year (note 5(b))	<u>\$ 4,000</u>	<u>\$ (31,511)</u>	<u>\$ (112,038)</u>

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

The Corporation of the Town of Latchford

Consolidated Schedule of Reserves

For The Year Ended December 31, 2005

	<u>2005</u>		<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Net Transfers From (To) Other Funds			
Transfer from (to) current fund	\$ 147,127	\$ (165,953)	\$ 26,784
Transfer to capital fund	<u>(76,150)</u>	<u>(32,930)</u>	<u>(53,444)</u>
Total Net Transfers	<u>70,977</u>	<u>(198,883)</u>	<u>(26,660)</u>
 Change in Reserves	 70,977	 (198,883)	 (26,660)
 Reserves, Beginning of Year	 <u>327,315</u>	 <u>327,315</u>	 <u>353,975</u>
 Reserves, End of Year	 <u><u>\$ 398,292</u></u>	 <u><u>\$ 128,432</u></u>	 <u><u>\$ 327,315</u></u>
 Analyzed as follows:			
 Reserves set aside for specific purposes:			
Hydro		\$ -	\$ 228,887
Water		457	9,500
Working capital		77,815	68,928
Annexation/amalgamation		4,326	20,000
Promotion		10,000	-
Equipment		28,756	-
Gas Tax		<u>7,078</u>	<u>-</u>
 Total Reserves		 <u><u>\$ 128,432</u></u>	 <u><u>\$ 327,315</u></u>

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

The Corporation of the Town of Latchford

Notes to the Consolidated Financial Statements

December 31, 2005

1. Accounting Policies

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

(a) Basis of Consolidation

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

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

- (ii) Non-Consolidated Entities

The following joint local boards are not consolidated:

Timiskaming District Health Unit
District of Timiskaming Social Services Administration Board

- (iii) Accounting for School Board Transactions

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

The Corporation of the Town of Latchford
Notes to the Consolidated Financial Statements
December 31, 2005

1. Accounting Policies (Continued)

(b) Basis of Accounting

(i) The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Capital Assets

The historical cost and accumulated amortization for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the Consolidated Statement of Financial Activities in the year of acquisition.

(iii) Reserves

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

(iv) Government Transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(v) Deferred Revenues

Deferred revenues represent user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

2. Operations of School Boards

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

	<u>2005</u>	<u>2004</u>
Taxation and user charges	\$ 45,020	\$ 43,358
Requisitions	<u>45,020</u>	<u>43,358</u>
Overlevies for the year	<u>\$ -</u>	<u>\$ -</u>

The Corporation of the Town of Latchford

Notes to the Consolidated Financial Statements

December 31, 2005

3. Contributions to Unconsolidated Joint Boards

Further to note 1(a)(ii), the following contributions were made by the municipality to these boards:

	<u>2005</u>	<u>2004</u>
Timiskaming District Health Unit	\$ 15,707	\$ 15,416
District of Timiskaming Social Services Administration Board	<u>81,034</u>	<u>76,152</u>
	<u>\$ 96,741</u>	<u>\$ 91,568</u>

4. Government Transfers

The following government transfers have been included in revenues:

	<u>2005</u>	<u>2004</u>
Operating Transfers:		
Federal	\$ 1,119	\$ 573
Provincial	241,591	191,844
Other	<u>2,230</u>	<u>832</u>
	<u>244,940</u>	<u>193,249</u>
Capital Transfers:		
Federal	92,861	32,673
Provincial	<u>223,346</u>	<u>35,373</u>
	<u>316,207</u>	<u>68,046</u>
	<u>\$ 561,147</u>	<u>\$ 261,295</u>

The Corporation of the Town of Latchford
Notes to the Consolidated Financial Statements
December 31, 2005

5. Municipal Fund Balances at the End of the Year

(a) Current Fund:

The current fund balance (deficit) of \$1,705 (2004 - \$(130,736)) at the end of the year is comprised of the following:

	<u>2005</u>	<u>2004</u>
• Town of Latchford	\$ -	\$ (132,625)
• Town of Latchford Public Library Board	<u>1,705</u>	<u>1,889</u>
	<u>\$ 1,705</u>	<u>\$ (130,736)</u>

(b) Capital Fund:

The unfinanced capital fund balance (deficit) of \$(31,511) (2004 - \$(112,038)) at the end of the year is comprised of the following:

	<u>2005</u>	<u>2004</u>
Unexpended capital financing	\$ 14,042	\$ 5,564
To be recovered		
• from grants and financing	-	(117,602)
• from long-term debt	<u>(45,553)</u>	<u>-</u>
	<u>\$ (31,511)</u>	<u>\$ (112,038)</u>

The Corporation of the Town of Latchford

Notes to the Consolidated Financial Statements

December 31, 2005

6. Contractual Obligation - Long-Term Debt - Water and Sewage Plant Operation

In accordance with a service agreement entered into by the municipality with Ontario Clean Water Agency (OCWA), the operations and maintenance of the sewage and water systems are looked after by OCWA. Included in OCWA's bills are principal and interest charges related to debt of the Ministry of the Environment incurred during the initial set up of these systems. The service agreement and debt charges are as follows (this does not include special charges related to operation of the systems which are outside of the operations and maintenance agreements):

	<u>2005</u>	<u>2004</u>
Charges for maintenance and operations		
- Water Treatment and Distribution	\$ 86,928	\$ 88,639
- Wastewater Treatment	33,587	32,625
Debt servicing charges	<u>4,913</u>	<u>4,913</u>
Total Charges	<u>\$ 125,428</u>	<u>\$ 126,177</u>
Balance remaining on debt (interest 8.63% - due 2015)	<u>\$ 31,666</u>	<u>\$ 33,795</u>

This expenditure is reflected as part of environmental services.

7. Water and Wastewater System

The municipality's operations include the running of a Water and Wastewater facility for some properties in the municipality.

Deficit, beginning of year	<u>\$ (9,043)</u>
Revenue	
Water and Wastewater facility charges to landowners	131,072
Transfer from Water Reserve	9,043
Town's share of water and wastewater costs	<u>15,356</u>
	<u>155,471</u>
Expenses	
Hydro	21,000
Operations contract (OCWA)	<u>125,428</u>
	<u>146,428</u>
Deficit, end of year	<u>\$ -</u>

The Corporation of the Town of Latchford

Notes to the Consolidated Financial Statements

December 31, 2005

8. Commitments

Under the terms of an operating lease for equipment expiring on October 6, 2007, the municipality is committed to make minimum payments totalling \$6,484 as follows:

2006	\$	4,323
2007		<u>2,161</u>
	\$	<u>6,484</u>

9. Contingency

A legal action was filed against the Town, by one of its former employees. It is not possible at this time to determine the amount, if any, of awards that may be made against the Town. Any amount awarded as a result of this action will be recorded when reasonably estimatable.