

2008 Financial Report

**CORPORATION OF THE TOWN  
OF LAURENTIAN HILLS**

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

2008 FINANCIAL REPORT

## INDEX

<b>Auditors' Report</b>	<b>1</b>
<b>Consolidated Statement of Financial Position</b>	<b>2</b>
<b>Consolidated Statement of Financial Activities</b>	<b>3</b>
<b>Consolidated Statement of Changes in Financial Position</b>	<b>5</b>
<b>Notes to the Consolidated Financial Statements</b>	<b>6</b>
<b>Schedule of Current Fund Operations</b>	<b>12</b>
<b>Schedule of Capital Fund Operations</b>	<b>13</b>
<b>Ontario Home Renewal Program Trust Funds</b>	
Auditors' Report	14
Statement of Financial Position	15
Statement of Continuity	16
Notes to the Financial Statements	17
<b>Public Library Board</b>	
Auditors' Report	19
Statement of Financial Position	20
Statement of Financial Activities	21
Statement of Changes in Financial Position	22
Notes to the Financial Statements	23
Schedule of Current Fund Operations	25
Schedule of Capital Fund Operations	26
Schedule of Reserves and Reserve Funds	27
<b>Waterworks System</b>	
Auditors' Report	28
Statement of Financial Position	29
Statement of Financial Activities	30
Statement of Changes in Financial Position	31
Notes to the Financial Statements	32
Schedule of Current Fund Operations	34
Schedule of Capital Fund Operations	35
Schedule of Reserve Fund Operations	36

# SCOTT ROSIEN & DEMPSEY

Chartered Accountants

D.M. Scott, C.A.  
D.W. Rosien, C.A.  
W.T. Dempsey, C.A.

545 Pembroke Street West  
Pembroke, Ontario K8A 5P2

TELEPHONE: 613-735-3981  
FAX: 613-732-3829

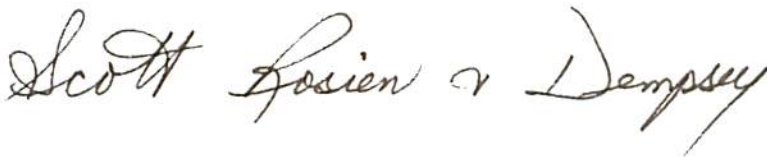
## AUDITORS' REPORT

To the Members of Council,  
Inhabitants and Ratepayers of the Corporation Of  
The Town of Laurentian Hills

We have audited the consolidated statement of financial position of the Corporation Of The Town of Laurentian Hills as at December 31, 2008 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 Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation Of The Town of Laurentian Hills as at December 31, 2008 and the results of its financial activities and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Licensed Public Accountants

Pembroke, Ontario

March 4, 2009

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

## Consolidated Statement of Financial Position

December 31, 2008, with comparative figures for 2007

	2008	2007
<b>Assets</b>		
<b>Financial assets</b>		
Cash	\$ 1,898,564	\$ 1,799,544
Taxes, water, sewer charges and interest receivable	167,094	144,300
Other accounts receivable	138,550	173,322
<b>Total financial assets</b>	<b>2,204,208</b>	<b>2,117,166</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	213,015	243,622
Deferred revenue	906	2,089
Landfill post-closure care (note 9)	176,000	135,500
Long-term liability (note 5)	79,355	641,796
<b>Total liabilities</b>	<b>469,276</b>	<b>1,023,007</b>
<b>Net financial assets</b>	<b>1,734,932</b>	<b>1,094,159</b>
Other asset		
Prepaid expenses	24,025	28,454
<b>Total Net Assets</b>	<b>\$ 1,758,957</b>	<b>\$ 1,122,613</b>

## Municipal Position At The End Of The Year

Fund balances to be used to offset taxation or user charges	\$ 39,995	\$ 39,076
Capital Fund	51,617	(184,720)
Reserves (note 6)	396,002	476,921
Reserve funds (note 6)	1,526,698	1,568,632
<b>Total Fund Balances</b>	<b>2,014,312</b>	<b>1,899,909</b>
Landfill post closure care to be recovered from future operations (note 9)	(176,000)	(135,500)
Amounts to be recovered from future operations (note 11)	(79,355)	(641,796)
<b>Total Municipal Position</b>	<b>\$ 1,758,957</b>	<b>\$ 1,122,613</b>

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

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

## Consolidated Statement of Financial Activities

Year ended December 31, 2008, with comparative figures for 2007

	2008	2008	2007
	Budget	Actual	Actual
<b>Revenues:</b>			
<b>Taxation and user charges</b>			
Residential and farm	\$ 2,164,996	\$ 2,161,496	\$ 2,106,255
Commercial, industrial and business	1,609,009	1,632,821	1,605,829
Taxation from other governments	593,034	616,783	596,891
Sewer and water service charges	511,500	538,486	513,029
User fees and fees to other municipalities	161,605	174,303	171,700
	5,040,144	5,123,889	4,993,704
<b>Grants</b>			
Government of Canada	5,734	3,673	3,254
Province of Ontario	916,995	1,066,868	414,678
	922,729	1,070,541	417,932
<b>Other</b>			
Resident fees	–	–	1,789
Water treatment plant rebate	–	6,158	–
Investment income	14,307	48,253	75,823
Penalties and interest on taxes	17,700	24,506	24,136
Licenses and permits	27,000	39,729	29,687
Fees and service charges	62,360	73,564	30,411
Donations	–	50,000	50,000
	121,367	242,210	211,846
Deduct: Amounts received or receivable for the County and the School Boards (note 2)	2,381,271	2,396,279	2,363,141
<b>Total Revenues</b>	<b>\$ 3,702,969</b>	<b>\$ 4,040,361</b>	<b>\$ 3,260,341</b>

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

	2008	2008	2007
	Budget	Actual	Actual
<b>Expenditures:</b>			
<b>Current operations</b>			
General government	\$ 520,083	\$ 538,206	\$ 467,830
Protection to persons and property	618,536	586,807	634,536
Transportation services	876,686	730,384	584,287
Environmental services	780,554	781,396	727,563
Social and family services	27,085	16,311	19,723
Recreation and cultural services	188,274	174,421	138,614
Planning and development	43,700	53,239	53,268
	3,054,918	2,880,764	2,625,821
<b>Capital</b>			
General government	5,000	6,803	4,778
Protection to persons and property	34,000	39,894	184,523
Transportation services	434,500	412,832	138,661
Environmental services	–	60,653	–
Recreation and cultural services	10,000	3,070	4,813
	483,500	523,252	332,775
<b>Total Expenditures</b>	3,538,418	3,404,016	2,958,596
<b>Excess of revenues over expenditures</b>	164,551	636,345	301,745
<b>Financing and Transfers</b>			
Principal payments on long-term debt	(347,349)	(562,442)	(84,657)
Landfill post-closure care to be recovered from future operations (note 9)	–	40,500	(1,000)
	(347,349)	(521,942)	(85,657)
<b>Municipal Fund Balance, beginning of year</b>	1,899,909	1,899,909	1,683,821
<b>Municipal Fund Balance, end of year</b>	<b>\$ 1,717,111</b>	<b>\$ 2,014,312</b>	<b>\$ 1,899,909</b>

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

## **CORPORATION OF THE TOWN OF LAURENTIAN HILLS**

### Consolidated Statement of Changes in Financial Position

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
<b>Operations:</b>		
Excess of revenues over expenditures	\$ 636,345	\$ 301,745
Changes in non-cash working capital:		
Decrease (increase) in taxes, water, sewer charges and interest receivable	(22,794)	7,203
Decrease (increase) in other accounts receivable	34,772	(34,805)
Increase in other assets	4,429	(4,044)
Increase (decrease) in accounts payable and accrued liabilities	(30,608)	48,664
Increase (decrease) in deferred revenue	(1,183)	4
Increase (decrease) in landfill post-closure care	40,500	(1,000)
Increase in cash from operations	661,461	317,767
Decrease in loan payable	(562,441)	(84,657)
Net change in cash	99,020	233,110
Cash, beginning of year	1,799,544	1,566,434
<b>Cash, end of year</b>	<b>\$ 1,898,564</b>	<b>\$ 1,799,544</b>

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

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Notes to the Consolidated Financial Statements

Year ended December 31, 2008

---

## 1. Accounting Policies

The consolidated financial statements of the Corporation Of The Town of Laurentian Hills are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing and the Public Sector Accounting Board. 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) (i) Basis of Consolidation

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

Laurentian Hills Public Library Board

Waterworks System

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the municipality and the resulting interest income and expenditures.

The following local Boards, joint Boards, municipal enterprises and utilities have been proportionally consolidated:

North Renfrew Landfill Operations Board

Pembroke & Area Airport Commission

### (ii) Accounting for County and School Board Transactions

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

### (iii) Trust Funds

Trust funds and their related operations administered by the Corporation Of The Town of Laurentian Hills are not consolidated, but are reported separately on the Ontario Home Renewal Trust Funds Statement of Financial Position and Statement of Continuity.

## (b) Basis of Accounting

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

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Notes to the Consolidated Financial Statements, continued

Year ended December 31, 2008

## 1. Accounting Policies (continued)

### (b) Basis of Accounting – continued

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

### (iii) Tangible Capital Assets

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

Effective January 1, 2007, the Corporation Of The Town of Laurentian Hills adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 – Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2008, the Corporation Of The Town of Laurentian Hills continued to work towards compliance with the new recommendations for accounting for tangible capital assets.

### (iii) Financial Instruments

Council has classified its cash as financial assets and liabilities held for trading. Accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities, deferred revenue, landfill post-closure care and long-term liability are classified as other liabilities, each of which is measured on an amortized cost basis.

## 2. Operations of School Boards and the County of Renfrew

Further to note 1(a) (ii), the taxation, other revenues and requisitions for the School Boards and the County of Renfrew are comprised of the following:

	School Boards	County	Total
Taxation and user charges received or receivable	\$ 1,197,221	\$ 1,031,711	\$ 2,228,932
Share of payments in lieu of taxes	32,814	134,533	167,347
Amounts requisitioned	\$ 1,230,035	\$ 1,166,244	\$ 2,396,279

## 3. Trust Funds

Trust funds administered by the Corporation of The Town of Laurentian Hills amounting to \$5,326 (2007 - \$5,326) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities".

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Notes to the Consolidated Financial Statements, continued

Year ended December 31, 2008

---

## 4. Pension Agreement

The Municipality, on behalf of its eligible employees, is a participant in the Ontario Municipal Employees Retirement System (OMERS). OMERS is a defined benefit pension plan, fully funded by equal contributions from participating employers and employees, and by the investment earnings of the OMERS Fund. OMERS pensions are calculated using a defined benefit formula, taking into account length of service and average annual wage, that is designed to integrate with the pension payable from the Canada Pension Plan. The amount contributed to OMERS in 2008 was \$39,021 (2007 - \$33,238) for current service and is included as a current expenditure on the Statement of Financial Activities. At December 31, 2008 there is no liability for past service under this agreement.

## 5. Long-Term Liability

Long-term liabilities reported on the Consolidated Statement of Financial Position comprises the following:

- (a) 6.56% Term bank loan, payable \$27,324 quarterly including  
interest, due September 2009 \$ 79,355

The term loan in the amount of \$79,355 will be recovered from the water system users in the Corporation of The Town of Laurentian Hills.

- (a) Principal payments related to long-term liabilities outstanding at December 31, 2008 are due as follows:

2009 \$ 79,355

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Notes to the Consolidated Financial Statements, continued

Year ended December 31, 2008

## 6. Municipal Position at The End of The Year

Continuity of reserves and reserve funds:

Reserves and reserve funds comprise funds set aside for specific purposes by Council.

	Opening Balance January 1 2008	Transfer In	Interest	Sub-Total	Transfers Out	Closing Balance December 31 2008
<b>RESERVES</b>						
Contingencies	\$ 371,878	\$ 128,013	\$ —	\$ 499,891	\$ 226,102	\$ 273,789
Working Capital	89,687	—	—	89,687	—	89,687
Industrial Development	12,227	13,000	—	25,227	—	25,227
Library Copier	313	—	—	313	—	313
Library	2,816	4,170	—	6,986	—	6,986
<b>Total Reserves</b>	<b>\$ 476,921</b>	<b>\$ 145,183</b>	<b>\$ —</b>	<b>\$ 622,104</b>	<b>\$ 226,102</b>	<b>\$ 396,002</b>

## RESERVE FUNDS

Emergency Planning	\$ 73,337	\$ 4,545	\$ 1,481	\$ 79,363	\$ —	\$ 79,363
Highway Entrance Lights	3,807	—	82	3,889	—	3,889
Roads Equipment	177,892	140,769	3,849	322,510	—	322,510
Fire Equipment	191,903	50,000	4,152	246,055	30,000	216,055
F. Harris Fund	5,311	—	171	5,482	—	5,482
Office Equipment	6,370	16,635	138	23,143	—	23,143
Library Special Projects	53,690	—	1,476	55,166	—	55,166
Waterworks Operations	446,719	279,743	9,664	736,126	529,506	206,620
Recreational Land	5,912	—	128	6,040	—	6,040
Chalk River Street Lights	16,938	—	366	17,304	—	17,304
Sewer Capital	358,395	15,000	7,754	381,149	—	381,149
B. Seguin Playground	5,455	—	118	5,573	—	5,573
Physician Search	29,107	5,000	630	34,737	—	34,737
Business Park	35,826	6,000	775	42,601	—	42,601
Software management system	31,872	—	690	32,562	—	32,562
Joint landfill costs	32,103	6,000	694	38,797	—	38,797
Fire extrication	1,135	—	25	1,160	—	1,160
Fuel tax	92,860	44,678	2,009	139,547	85,000	54,547
<b>Total Reserve Funds</b>	<b>\$ 1,568,632</b>	<b>\$ 568,370</b>	<b>\$ 34,202</b>	<b>\$ 2,171,204</b>	<b>\$ 644,506</b>	<b>\$ 1,526,698</b>

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Notes to the Consolidated Financial Statements, continued

Year ended December 31, 2008

---

## 7. Budget figures

The budget process for The Town of Laurentian Hills includes the preparation of an annual current and capital budget. The current budget includes the expenditures and revenues approved by Town Council for the period January 1 to December 31 each year. The current budget appears on the schedule of current fund operations. The capital budget includes the expenditures and financing sources to acquire, construct and maintain Town assets.

## 8. Commitments

The Corporation has a contract to provide waste collection services to the Town, which expires July 3, 2009. The agreement requires payments in the amount of \$31,571 for the period January 1, 2009 until July 3, 2009.

The Corporation has a contract to provide recyclable collection services to the Town, which expires December 31, 2013. The agreement requires payments in the amount of \$265,457 for the period January 1, 2009 until December 31, 2013.

The Corporation has a contract to operate the water and sewer facilities of the Town, which expires March 31, 2017. The agreement requires payments in the amount of \$1,947,422 for the period January 1, 2009 to March 31, 2017.

Similarly, by virtue of its 48% participation in the North Renfrew Landfill Operations Board, the Corporation has a contract to operate the North Renfrew (BAGGS Road) Solid Waste Disposal Site which expires July 31, 2013. The agreement requires payments in the amount of \$881,883 for the period January 1, 2009 to July 31, 2013. Of this amount the Corporation is responsible for \$423,280. Providing certain conditions are met by the contractor the crawler/loader owned by the North Renfrew Landfill Operations Board will be sold to the contractor for a nominal fee at the close of this contract.

By virtue of its 48% participation in the North Renfrew Landfill Operations Board, the Corporation has a contract, based on volume, to provide household hazardous waste collection which expires August 2013.

## 9. Landfill post-closure care

The Ontario Ministry of the Environment sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Each site's requirements are established in the landfill closure plan.

The main components of the landfill closure plan are final capping using selected specific layers of earthen materials based on an engineered cap design and implementation of a drainage management plan and a gas management plan. The post-closure care requirements will involve cap maintenance, ground water monitoring, inspections and reports.

The estimated liability for this care is the present value of future cash flows associated with closure and post-closure costs discounted using the Town's projected long-term borrowing rate of 4.0%.

The recorded liability is \$176,000, based on a total estimated undiscounted outflow in the future of \$13,100 for a period of approximately twenty-one years.

Post-closure monitoring costs will be funded annually from taxation and other revenue.

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Notes to the Consolidated Financial Statements, continued

Year ended December 31, 2008

---

## 10. Financial instruments

The fair value of cash, taxes, water, sewer charges and interest receivable, other accounts receivable and accounts payable is approximately equal to their carrying value due to their short-term nature.

The carrying value of the term bank loan is considered to be its fair value because the interest rate approximates the market rate that would be available to the municipality for the same or similar instruments at December 31, 2008.

## 11. Amounts to be Recovered in Future Years

Amounts to be recovered in future years relate to capital projects financed with the proceeds of long-term loans described in note 5 above. Recovery in 2009 for the Water Treatment Plant will be \$79,355.

## 12. Expenditures by Object

The total expenditures on the consolidated statement of financial activities are summarized by the object as follows:

	2008	2007
Salaries, wages and benefits	\$ 981,856	\$ 890,754
Materials	819,043	736,189
Contracted services	1,040,728	939,243
Interest on long-term debt	25,709	45,601
Transfer payments	4,270	4,199
Rents and financial expense	9,158	9,835
Capital expenditures	523,252	332,775
<b>Total expenditures</b>	<b>\$ 3,404,016</b>	<b>\$ 2,958,596</b>

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

## Schedule of Current Fund Operations

Year ended December 31, 2008, with comparative figures for 2007

	2008 Budget	2008 Actual	2007 Actual
<b>Revenues:</b>			
Taxation and user charges:			
Residential and farm	\$ 2,164,996	\$ 2,161,496	\$ 2,106,255
Commercial, industrial and business	1,609,009	1,632,821	1,605,829
Taxation from other governments	593,034	616,783	596,891
Sewer and water services charges	511,500	538,486	513,029
User fees and fees to other municipalities	161,605	174,303	171,700
	5,040,144	5,123,889	4,993,704
<b>Grants:</b>			
Government of Canada	41,734	3,673	3,254
Province of Ontario	623,995	672,856	414,678
	665,729	676,529	417,932
<b>Other:</b>			
Investment income	14,307	13,928	16,940
Penalties and interest on taxes	17,700	24,506	24,136
Licenses and permits	27,000	39,729	29,687
Fees and service charges	62,360	73,564	30,411
Donations	–	50,000	50,000
	121,367	201,727	151,174
Deduct: Amounts received or receivable for the County and the School Boards	2,381,271	2,396,279	2,363,141
<b>Total Revenues</b>	<b>3,445,969</b>	<b>3,605,866</b>	<b>3,199,669</b>
<b>Expenditures:</b>			
General government	520,083	538,206	467,830
Protection to persons and property	618,536	586,807	634,536
Transportation services	876,686	730,384	584,287
Environmental services	780,554	781,396	727,563
Social and family services	27,085	16,311	19,723
Recreation and cultural services	188,274	174,421	138,614
Planning and development	43,700	53,239	53,268
	3,054,918	2,880,764	2,625,821
<b>Excess of revenue over expenditures</b>	<b>391,051</b>	<b>725,102</b>	<b>573,848</b>
<b>Financing and transfers:</b>			
Landfill post-closing care	–	40,500	(1,000)
Principal payments on debt	(347,349)	(562,442)	(84,657)
Transfer to Capital Fund	(226,500)	(296,330)	(290,951)
Transfer (to) from Reserve	(77,000)	80,919	(47,383)
Transfer (to) from Reserve Fund	218,971	13,170	(112,423)
Change in Fund	(431,878)	(724,183)	(536,414)
To be used to offset taxation, or user charges, beginning of year	39,076	39,076	1,642
To be used to offset (recovered from) taxation or user charges, end of year	\$ (1,751)	\$ 39,995	\$ 39,076

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

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

## Schedule of Capital Fund Operations

Year ended December 31, 2008, with comparative figures for 2007

	2008 Budget	2008 Actual	2007 Actual
<b>Revenues:</b>			
Resident fees	\$ –	\$ –	\$ 1,789
Water treatment plant rebate	–	6,158	–
Interest	–	123	90
	–	6,281	1,879
<b>Grants:</b>			
Province of Ontario	257,000	394,012	–
<b>Total Revenues</b>	<b>257,000</b>	<b>400,293</b>	<b>1,879</b>
<b>Expenditures:</b>			
General government	5,000	6,803	4,778
Protection to persons and property	34,000	39,894	184,523
Transportation services	434,500	412,832	138,661
Environmental services	–	60,653	–
Recreation and cultural services	10,000	3,070	4,813
	483,500	523,252	332,775
<b>Excess of expenditures over revenues</b>	<b>(226,500)</b>	<b>(122,959)</b>	<b>(330,896)</b>
<b>Financing and transfers:</b>			
Transfer from Operating Fund	226,500	296,330	290,951
Transfer from Reserves	–	–	2,697
Transfer from Reserve Fund	–	62,966	39,127
	226,500	359,296	332,775
<b>Change in capital fund</b>	<b>–</b>	<b>236,337</b>	<b>1,879</b>
Capital fund, beginning of year	(184,720)	(184,720)	(186,599)
<b>Capital fund, end of year</b>	<b>\$ (184,720)</b>	<b>\$ 51,617</b>	<b>\$ (184,720)</b>

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

# SCOTT ROSIEN & DEMPSEY

Chartered Accountants

D.M. Scott, C.A.  
D.W. Rosien, C.A.  
W.T. Dempsey, C.A.

545 Pembroke Street West  
Pembroke, Ontario K8A 5P2

TELEPHONE: 613-735-3981

FAX: 613-732-3829

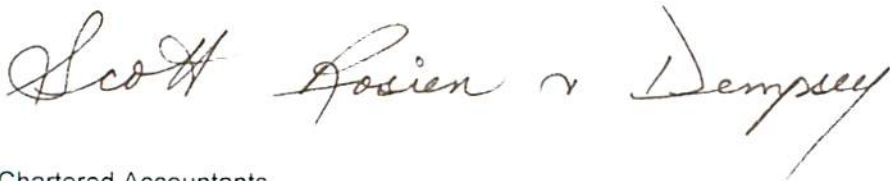
## AUDITORS' REPORT

To the Members of Council, Inhabitants  
and Ratepayers of the Corporation Of The Town of Laurentian Hills

We have audited the statement of financial position of the Corporation Of The Town of Laurentian Hills Ontario Home Renewal Program Trust Funds as at December 31, 2008 and the statement of continuity of trust funds for the year then ended. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation Of The Town of Laurentian Hills Ontario Home Renewal Program Trust Funds as at December 31, 2008 and the continuity of trust funds for the year then ended in accordance with Canadian generally accepted accounting principles disclosed in note 1.



Chartered Accountants  
Licensed Public Accountants

Pembroke, Ontario

March 4, 2009

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Ontario Home Renewal Program Trust Funds

## Statement of Financial Position

December 31, 2008, with comparative figures for 2007

	2008		2007
<b>Financial Assets</b>			
Loans receivable	\$ 5,306	\$	5,306
Due from the Corporation of The Town of Laurentian Hills	20		20
	\$ 5,326	\$	5,326
<b>Balance of Fund</b>			
	\$ 5,326	\$	5,326
	\$ 5,326	\$	5,326

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

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Ontario Home Renewal Program Trust Funds

## Statement of Continuity

Year ended December 31, 2008, with comparative figures for 2007

	2008		2007	
<b>Balance, beginning of year</b>	\$	5,326	\$	5,326
<b>Revenue:</b>				
Investment income		—		—
<b>Expenditures:</b>				
Administration charges		—		—
Province of Ontario		—		—
		—		—
<b>Balance, end of year</b>	\$	5,326	\$	5,326

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

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Ontario Home Renewal Program Trust Funds

Notes to Financial Statements

Year ended December 31, 2008

---

## 1. Accounting policies

The financial statements of the Corporation Of The Town of Laurentian Hills Ontario Home Renewal Program Trust Funds are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing and the Public Sector Accounting Board. 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 accounting

Capital receipts and income are reported on the cash basis of accounting.

Expenditures are reported on the cash basis of accounting with the exception of administrative expenses which are reported on the accrual basis of accounting, which recognizes expenditures as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

### (a) Financial Instruments

The Corporation Of The Town of Laurentian Hills Ontario Home Renewal Program Trust Funds classified its loans receivable and due from the Corporation Of The Town of Laurentian Hills as loans and receivables which are measured on an amortized cost basis.

It is Council's opinion that the facility is not exposed to significant interest, currency or credit risks arising from its financial instruments.

## 2. Ontario Home Renewal Program

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 home to local property standards. Individual loans are limited to \$7,500 of which the maximum forgivable portion is \$4,000.

The Ontario Home Renewal Program was discontinued effective July 16, 1993 and municipalities were prohibited from making new loans beyond that date. The balance of funds held by the municipality as at December 31, 1993 was remitted to the Ontario Ministry of Housing prior to March 1, 1994. The municipality is entitled to retain, as an administration fee, five percent (5%) of all principal and interest repayments and must remit the balance of the annual collections by March 1 of the subsequent year. Any investment income earned on funds temporarily held may be retained by the municipality.

Ontario Home Renewal Program loans receivable at December 31, 2008 comprise repayable loans of \$5,306 (2007 - \$5,306). In the event of sale or lease of the home or in the event of the homeowner ceasing to occupy the home, the balances of the repayable loans and the unearned forgivable loans immediately become due and payable by the homeowner.

# **CORPORATION OF THE TOWN OF LAURENTIAN HILLS**

Ontario Home Renewal Program Trust Funds

Notes to Financial Statements, continued

Year ended December 31, 2008

---

## **2. Financial instruments**

The fair value of loans receivable and receivable from the Corporation of The Town of Laurentian Hills is approximately equal to their carrying value due to their short-term nature.



# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Public Library Board

Statement of Financial Position

December 31, 2008, with comparative figures for 2007

	2008	2007
<b>Assets</b>		
<b>Financial assets</b>		
Cash	\$ 86,169	\$ 83,392
Receivable from the Province of Ontario	755	787
Receivable from Federal Government	819	2,207
Accounts receivable	600	–
<b>Total financial assets</b>	<b>88,343</b>	<b>86,386</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	2,183	8,094
Deferred revenue	–	1,292
Payable to the Corporation of the Town of Laurentian Hills	15,293	12,026
<b>Total liabilities</b>	<b>17,476</b>	<b>21,412</b>
<b>Net financial assets</b>	<b>70,867</b>	<b>64,974</b>
<b>Other Asset</b>		
Prepaid insurance	914	914
<b>Total Net Assets</b>	<b>\$ 71,781</b>	<b>\$ 65,888</b>
<b>Fund balances at end of year:</b>		
To be used to offset taxation or user charges	\$ –	\$ 47
Reserve for photocopier	313	313
Reserve for unusual costs	6,986	2,816
Special purpose reserve fund	41,374	40,289
Reserve fund for library special projects	13,792	13,401
Capital Fund	3,834	3,711
F. Harris reserve fund	5,482	5,311
<b>TOTAL FUND BALANCES</b>	<b>\$ 71,781</b>	<b>\$ 65,888</b>

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

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Public Library Board

## Statement of Financial Activities

Year ended December 31, 2008, with comparative figures for 2007

	2008	2008	2007
	Budget	Actual	Actual
<b>Revenues:</b>			
Municipal grants	\$ 93,600	\$ 83,600	\$ 78,000
Federal grants	2,102	2,108	1,842
Provincial grants	15,345	16,632	35,381
Fees and fines	1,300	902	897
Fund raising activities	300	1,598	3,194
Sale of books	250	276	794
Other revenue	2,880	3,067	2,840
Copier fees	150	144	150
Interest	–	1,770	1,660
<b>Total revenues</b>	<b>115,927</b>	<b>110,097</b>	<b>124,758</b>
<b>Expenditures:</b>			
Salaries and benefits	65,279	64,751	59,139
Purchases of books	22,900	16,811	20,827
Supplies, utilities and services	17,795	19,572	18,734
Capital expenditure	10,000	3,070	4,813
<b>Total expenditures</b>	<b>115,974</b>	<b>104,204</b>	<b>103,513</b>
<b>Excess of revenues over expenditures (expenditures over revenues), being change in fund balances</b>	<b>(47)</b>	<b>5,893</b>	<b>21,245</b>
Fund balance, beginning of year	65,888	65,888	44,643
<b>Fund balance, end of year</b>	<b>\$ 65,841</b>	<b>\$ 71,781</b>	<b>\$ 65,888</b>

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

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Public Library Board

## Statement of Changes in Financial Position

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
<b>Operations:</b>		
Excess of revenues over expenditures	\$ 5,893	\$ 21,245
Sources:		
Decrease (increase) in amounts receivable	820	(1,361)
Increase (decrease) in payable to the Corporation of The Town of Laurentian Hills	3,267	(19,372)
Increase (decrease) in accounts payable and accrued liabilities		(5,911)
Increase (decrease) in deferred revenue	(1,292)	17
Increase in cash from operations	2,777	3,508
Cash, beginning of year	83,392	79,884
<b>Cash, end of year</b>	<b>\$ 86,169</b>	<b>\$ 83,392</b>

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

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Public Library Board

Notes to the Financial Statements

Year ended December 31, 2008

---

## 1. Accounting policies

The financial statements of the Corporation Of The Town of Laurentian Hills Public Library Board are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing and the Public Sector Accounting Board. 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 Accounting

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

### (iii) Tangible Capital Assets

The historical cost and accumulated depreciation for tangible capital assets are not recorded for municipal purposes. Tangible capital assets are reported as an expenditure on the statement of financial activities in the year of acquisition.

Effective January 1, 2007, the Corporation Of The Town of Laurentian Hills Public Library Board adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 – Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2008, the Corporation Of The Town of Laurentian Hills Public Library Board continued to work towards compliance with the new recommendations for accounting for tangible capital assets.

### (iv) Financial Instruments

The Board classified its cash as financial assets and liabilities held for trading. Accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other liabilities, each of which is measured on an amortized cost basis.

It is Council's opinion that the facility is not exposed to significant interest, currency or credit risks arising from its financial instruments.

# **CORPORATION OF THE TOWN OF LAURENTIAN HILLS**

Public Library Board

Notes to the Financial Statements, continued

Year ended December 31, 2008

---

## **2. Budget figures**

Budgets established for Capital Funds, Reserves and Reserve Funds are based on a project-oriented basis, the costs of which may be carried out over one or more years. Although they are not directly comparable with current year actual amounts, they have been reflected on the statement of financial activities.

## **3. Pension Agreement**

The Municipality, on behalf of its eligible employees, is a participant in the Ontario Municipal Employees Retirement System (OMERS). OMERS is a defined benefit pension plan, fully funded by equal contributions from participating employers and employees, and by the investment earnings of the OMERS Fund. OMERS pensions are calculated using a defined benefit formula, taking into account length of service and average annual wage, that is designed to integrate with the pension payable from the Canada Pension Plan. The amount contributed to OMERS in 2008 was \$2,306 (2007 - \$1,987) for current service and is included as an expenditure on the statement of financial activities. At December 31, 2008 there is no liability for past service under this agreement.

## **4. Financial instruments**

The fair value of cash, receivable from the Province of Ontario, receivable from Federal Government, accounts payable, and payable to the Corporation of the Town of Laurentian Hills is approximately equal to their carrying value due to their short-term nature.

## **5. Commitments**

During the year the Board entered into a contract for the construction of an extension to the Point Alexander Library in the amount of \$42,600 and for renovations to the Chalk River Library in the amount of \$1,732. Construction is to occur in 2009 and will be financed in part from the Board's reserve funds.

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Public Library Board

## Schedule of Current Fund Operations

Year ended December 31, 2008, with comparative figures for 2007

	2008 Budget	2008 Actual	2007 Actual
Revenues:			
Municipal grants	\$ 83,600	\$ 83,600	\$ 78,000
Federal grants	2,102	2,108	1,842
Provincial grants	15,345	16,632	35,381
Fees and fines	1,300	902	897
Fund raising activities	300	1,598	3,194
Sale of books	250	276	794
Other revenue	2,880	3,067	2,840
Copier fees	150	144	150
	105,927	108,327	123,098
Expenditures:			
Salaries and benefits	65,279	64,751	59,139
Purchases of books	22,900	16,811	20,827
Supplies, utilities and services	17,795	19,572	18,734
	105,974	101,134	98,700
Excess of revenues over expenditures (expenditures over revenues)	(47)	7,193	24,398
Transfers:			
Transfers to capital fund	–	(3,070)	(4,813)
Transfer to reserves and reserve funds	–	(4,170)	(19,585)
Change in operating fund	(47)	(47)	–
Balance, beginning of year	47	47	47
Balance, end of year	\$ –	\$ –	\$ 47

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

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Public Library Board

## Schedule of Capital Fund Operations

Year ended December 31, 2008, with comparative figures for 2007

	2008 Budget	2008 Actual	2007 Actual
Revenues:			
Municipal grant	\$ 10,000	\$ -	\$ -
Interest	-	123	90
	10,000	123	90
Expenditure:			
Computer and related equipment	10,000	3,070	4,813
Excess of expenditure over revenues	-	(2,947)	(4,723)
Transfer from operating fund	-	3,070	4,813
Change in capital fund balance	-	123	90
Balance, beginning of year	3,711	3,711	3,621
Balance, end of year	\$ 3,711	\$ 3,834	\$ 3,711

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

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Public Library Board

## Schedule of Reserves and Reserve Funds

Year ended December 31, 2008, with comparative figures for 2007

	2008 Actual	2007 Actual
Revenue:		
Interest	\$ 1,647	\$ 1,570
Excess of revenue over expenditure	1,647	1,570
Transfer from operating fund	4,170	19,585
Change in reserve and reserve fund balance	5,817	21,155
Balance, beginning of year	62,130	40,975
Balance, end of year	\$ 67,947	\$ 62,130
Analyzed as follows:		
Reserve set aside for unusual costs	\$ 6,986	\$ 2,816
Reserve set aside for photocopier	313	313
Reserve funds for library special projects	13,792	13,401
Special purpose reserve fund	41,374	40,289
F. Harris reserve fund	5,482	5,311
	\$ 67,947	\$ 62,130

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



# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Waterworks System

## Statement of Financial Position

December 31, 2008, with comparative figures for 2007

	2008	2007
<b>Financial Assets</b>		
Cash	\$ 206,620	\$ 446,718
Accounts receivable	5,935	7,178
Total Financial Assets	212,555	453,896
<b>Liabilities</b>		
Due to the Corporation of the Town of Laurentian Hills	12,320	254,746
Long-term liabilities (note 3)	79,355	641,796
Total liabilities	91,675	896,542
Net Financial Liabilities	\$ 120,880	\$ (442,646)

## Municipal Position At The End of The Year

Fund Balances:		
Current fund	\$ (6,385)	\$ (17,512)
Capital fund	-	(230,056)
Reserve fund	206,620	446,718
	200,235	199,150
Amounts to be recovered from future revenues (note 4)	(79,355)	(641,796)
	\$ 120,880	\$ (442,646)

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

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Waterworks System

## Statement of Financial Activities

Year ended December 31, 2008, with comparative figures for 2007

	2008 Budget	2008 Actual	2007 Actual
<b>Revenues:</b>			
Service charges to users	\$ 335,700	\$ 353,835	\$ 337,410
Resident fees	–	–	1,789
Water treatment plant rebate	–	6,158	–
Frontage and connection charges	200	125	365
Late payment fees	2,200	2,430	2,345
Province of Ontario grant	257,000	257,743	–
Interest on reserve fund	–	9,664	17,535
	<u>595,100</u>	<u>629,955</u>	<u>359,444</u>
<b>Expenditures:</b>			
Operation and maintenance	185,400	178,633	164,221
General administration	20,552	25,333	20,293
Capital loan interest	39,909	25,709	45,601
Rebate to ratepayers	–	60,653	–
	<u>245,861</u>	<u>290,328</u>	<u>230,115</u>
<b>Excess of revenues over expenditures</b>	<u>349,239</u>	<u>339,627</u>	<u>129,329</u>
Contribution from the Corporation of the Town of Laurentian Hills	–	223,899	–
<b>Financing</b>			
Principal payments on long-term liabilities	(347,349)	(562,441)	(84,657)
<b>Balance of funds, beginning of year</b>	199,150	199,150	154,478
<b>Balance of funds, end of year</b>	<u>\$ 201,040</u>	<u>\$ 200,235</u>	<u>\$ 199,150</u>

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

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Waterworks System

## Statement of Changes in Financial Position

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
<b>Operations:</b>		
Excess of expenditures over revenues	\$ 339,627	\$ 129,329
Changes in non-cash working capital:		
Decrease in due to the Corporation of the Town of Laurentian Hills	(242,426)	(14,704)
Decrease (increase) in accounts receivable	1,243	(1,433)
Contribution from Corporation of The Town of Laurentian Hills	223,899	-
Increase in cash from operations	322,343	113,192
Principal payments on long-term liabilities	(562,441)	(84,657)
Cash, beginning of year	446,718	418,183
<b>Cash, end of year</b>	<b>\$ 206,620</b>	<b>\$ 446,718</b>

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

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Waterworks System

Notes to the Financial Statements

Year ended December 31, 2008

---

## 1. Accounting policies

The financial statements of the Corporation Of The Town of Laurentian Hills Waterworks System are the representation of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs and Housing and the Public Sector Accounting Board. 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 Accounting

- (i) Revenues and expenditures are reported on the accrual basis of accounting with the exception of principal and interest charges on long-term liabilities, which are charged against operations in the period in which they are paid.
- (ii) The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

### (iii) Tangible Capital Assets

The historical cost and accumulated depreciation for tangible capital assets are not recorded for municipal purposes. Tangible capital assets are reported as an expenditure on the statement of financial activities in the year of acquisition.

Effective January 1, 2007, the Corporation Of The Town of Laurentian Hills Waterworks System adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 – Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2008, the Corporation Of The Town of Laurentian Hills Waterworks System continued to work towards compliance with the new recommendations for accounting for tangible capital assets.

### (iv) Financial Instruments

The Corporation Of The Town of Laurentian Hills Waterworks System classified its cash as financial assets and liabilities held for trading. Accounts receivable are classified as loans and receivables. Due to the Corporation Of the Town of Laurentian Hills and long-term liabilities are classified as other liabilities, each of which is measured on an amortized cost basis.

It is Council's opinion that the facility is not exposed to significant interest, currency or credit risks arising from its financial instruments.

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Waterworks System

Notes to the Financial Statements, continued

Year ended December 31, 2008

---

## 2. Commitment

The Corporation has agreed to the terms of a ten year operating agreement, expiring March 31, 2017, related to the shared operation of the water treatment and sewer operations. The total agreement requires payments in the amount of \$1,947,422 plus taxes for the period January 1, 2009 until March 31, 2017 and one-half of this is recorded in each of the water and sewer departments.

## 3. Long-term liabilities

Long-term liabilities reported on the Statement of Financial Position comprises the following:

(a) 6.56% Term bank loan, payable \$27,324 quarterly  
including interest, due September 2009 \$ 79,355

(b) Principal payments related to long-term liabilities  
outstanding at December 31, 2008 are due as follows:

2009 \$ 79,355

## 5. Amounts to be Recovered in Future Years

Recoveries with respect to the Water Treatment capital project will be as follows:

2009 \$ 79,355

## 6. Financial instruments

The fair value of cash, accounts receivable and due to the Corporation of the Town of Laurentian Hills is approximately equal to their carrying value due to their short-term nature.

The carrying value of the term bank loan is considered to be its fair value because the interest rate approximates the market rate that would be available to the municipality for the same or similar instruments at December 31, 2008.

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

## Waterworks System

### Schedule of Current Fund Operations

Year ended December 31, 2008, with comparative figures for 2007

	2008 Budget	2008 Actual	2007 Actual
<b>Revenues:</b>			
Service charges to users	\$ 335,700	\$ 353,835	\$ 337,410
Frontage and connection charges	200	125	365
Late payment fees	2,200	2,430	2,345
Total Revenues	338,100	356,390	340,120
<b>Expenditures:</b>			
Operation and maintenance	185,400	178,632	164,221
General administration	20,552	25,333	20,293
Interest on long-term debt	39,909	25,709	45,601
Total Expenditures	245,861	229,674	230,115
<b>Excess of revenues over expenditures</b>	92,239	126,716	110,005
<b>Financing and transfers:</b>			
Transfer (from) to reserve fund	10,000	(446,853)	11,000
Principal payments on long-term liabilities	347,349	562,442	84,657
	357,349	115,589	95,657
Change in current fund	(265,110)	11,127	14,348
Balance, beginning of year	(17,512)	(17,512)	(31,860)
Balance, end of year	\$ (282,622)	\$ (6,385)	\$ (17,512)

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

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

## Waterworks System

### Schedule of Capital Fund Operations

Year ended December 31, 2008, with comparative figures for 2007

	2008 Budget	2008 Actual	2007 Actual
Revenue:			
Resident fees	\$ -	\$ -	\$ 1,789
Water treatment plant rebate	-	6,158	-
Province of Ontario grant	257,000	257,743	-
	257,000	263,901	1,789
Expenditure:			
Rebate to ratepayers	-	60,653	-
Excess of revenue over expenditure	257,000	203,248	1,789
Transfer from reserve fund	-	26,808	-
Deficit, beginning of year	(230,056)	(230,056)	(231,845)
Deficit, end of year	\$ 26,944	\$ -	\$ (230,056)

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

# CORPORATION OF THE TOWN OF LAURENTIAN HILLS

Waterworks System

## Schedule of Reserve Fund Operations

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Interest	\$ 9,664	\$ 17,535
Excess of revenue over expenditure	9,664	17,535
Transfer from (to) operating fund	(446,853)	11,000
Transfer to capital fund	(26,808)	–
Contribution from the Corporation of the Town of Laurentian Hills	223,899	–
Change in reserve fund	(240,098)	11,000
Balance, beginning of year	446,718	418,183
Balance, end of year	\$ 206,620	\$ 446,718

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