

THE CORPORATION OF THE MUNICIPALITY

OF CENTRAL ELGIN

Consolidated Financial Statements

December 31, 2011

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Consolidated Financial Statements

For the Year Ended December 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the Municipality of Central Elgin:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **The Corporation of the Municipality of Central Elgin**, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations and accumulated surplus, changes in net debt, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated statement of financial position of **The Corporation of the Municipality of Central Elgin** as at December 31, 2011, and the consolidated statements of operations and accumulated surplus, changes in net debt, and cash flow for the year then ended in accordance with Canadian accounting standards for public sector entities.

St. Thomas, Ontario

September 24, 2012

Graham Scott Enns LLP
CHARTERED ACCOUNTANTS
Licensed Public Accountants

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Consolidated Statement of Financial Position December 31, 2011

	<u>2011</u>	<u>2010</u>
	<u>\$</u>	<u>\$</u>
ASSETS		
Financial Assets		
Cash	6,356,829	5,487,566
Loan receivable (Note 3)	1,077,000	1,077,000
Taxes receivable (Note 5)	1,999,738	1,895,052
Accounts receivable	2,151,832	2,259,362
Investments (Note 2)	13,380,649	13,005,000
Investment in EARTH Corporation (Note 6)	<u>1,219,758</u>	<u>1,219,678</u>
Total financial assets	<u>26,185,806</u>	<u>24,943,658</u>
LIABILITIES		
Deferred revenue - obligatory reserve funds (Note 4)	15,795,061	15,061,271
Accounts payable and accrued liabilities	2,553,083	1,700,775
Employee post-retirement benefit liabilities (Note 9)	57,266	85,025
Net long-term liabilities (Note 8)	<u>12,725,307</u>	<u>13,460,306</u>
Total financial liabilities	<u>31,130,717</u>	<u>30,307,377</u>
NET FINANCIAL DEBT	<u>(4,944,911)</u>	<u>(5,363,719)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	98,518,062	92,819,144
Inventories	5,692	10,689
Prepaid expenses	<u>164,765</u>	<u>39,124</u>
Total non-financial assets	<u>98,688,519</u>	<u>92,868,957</u>
ACCUMULATED SURPLUS (NOTE 12)	<u>93,743,608</u>	<u>87,505,238</u>

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

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Consolidated Statement of Operations and Accumulated Surplus For the Year Ended December 31, 2011

	Budget (Unaudited) 2011 <u>\$</u>	Actual 2011 <u>\$</u>	Actual 2010 <u>\$</u>
REVENUES			
Property taxation	10,325,200	10,473,714	10,276,639
Taxation from other governments	275,025	318,087	325,485
User charges	3,455,052	3,508,141	3,664,617
Funding transfer- Federal	2,012,842	1,649,293	490,788
- Provincial	1,986,729	1,071,717	2,292,209
- Other Municipalities	795,832	652,477	1,092,158
Contribution from benefiting land owners and developers	-	271,907	393,956
Investment income	100,000	154,409	121,820
Penalties and interest on taxes	230,000	278,574	250,253
Donated capital assets	-	3,380,504	1,235,812
Other	805,450	767,672	828,601
ERTH Corporation income (loss) (Note 6)	-	66,771	(58,897)
	<u>19,986,130</u>	<u>22,593,266</u>	<u>20,913,441</u>
EXPENSES			
General government	1,238,701	1,198,973	1,281,118
Protection to persons and property	3,705,229	3,570,568	3,636,445
Transportation services	3,679,645	4,599,688	4,086,995
Environmental services	4,354,677	4,555,728	4,641,661
Health services	63,962	69,082	74,321
Social housing	197,563	201,493	203,630
Recreation and cultural services	1,500,880	1,608,702	1,738,384
Planning and development	365,100	435,956	438,227
Loss on disposal of tangible capital assets	-	114,706	2,622
	<u>15,105,757</u>	<u>16,354,896</u>	<u>16,103,403</u>
	<u>4,880,373</u>	<u>6,238,370</u>	<u>4,810,038</u>
ANNUAL SURPLUS			
	<u>4,880,373</u>	<u>6,238,370</u>	<u>4,810,038</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>87,505,238</u>	<u>87,505,238</u>	<u>82,695,200</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 12)	<u>92,385,611</u>	<u>93,743,608</u>	<u>87,505,238</u>

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

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

**Consolidated Statement of Change in Net Debt
For the Year Ended December 31, 2011**

	2011	2010
	<u>\$</u>	<u>\$</u>
ANNUAL SURPLUS	6,238,370	4,810,038
Acquisition of tangible capital assets	(8,751,401)	(7,242,095)
Amortization of tangible capital assets	2,930,298	2,775,512
Proceeds on disposal of tangible capital assets	7,480	2,334
Change in inventories and prepaid expenses	(120,645)	(7,350)
Loss on disposal of tangible capital assets	<u>114,706</u>	<u>2,622</u>
INCREASE IN NET FINANCIAL ASSETS	418,808	341,061
NET DEBT, BEGINNING OF YEAR	<u>(5,363,719)</u>	<u>(5,704,780)</u>
NET DEBT, END OF YEAR	<u>(4,944,911)</u>	<u>(5,363,719)</u>

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

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Consolidated Statement of Cash Flows For the Year Ended December 31, 2011

	2011	2010
	<u>\$</u>	<u>\$</u>
OPERATING ACTIVITIES		
Annual surplus	6,238,370	4,810,038
Add (deduct) items not involving cash:		
Amortization of tangible capital assets	2,930,298	2,775,512
Change in employee benefits and other liabilities	(27,759)	(17,351)
Equity in (earnings) loss of government business enterprise	(66,771)	58,897
Contributions of capital assets	(3,380,505)	-
Loss on disposal of tangible capital assets	<u>114,706</u>	<u>2,622</u>
	5,808,339	7,629,718
Change in non-cash assets and liabilities related to operations (Note 16 [b])	<u>1,468,298</u>	<u>11,120,504</u>
Net change in cash from operating activities	7,276,637	18,750,222
INVESTING ACTIVITIES		
Purchase of investments	(375,649)	(13,000,000)
Dividends received from EARTH Corporation	<u>66,691</u>	<u>-</u>
Net change in cash from investing activities	<u>(308,958)</u>	<u>(13,000,000)</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(5,370,897)	(7,242,095)
Proceeds on disposal of tangible capital assets	<u>7,480</u>	<u>2,334</u>
Net change in cash from capital activities	<u>(5,363,417)</u>	<u>(7,239,761)</u>
FINANCING ACTIVITIES		
Long-term debt advances (repayment)	<u>(734,999)</u>	<u>3,994,738</u>
NET CHANGE IN CASH	869,263	2,505,199
CASH, BEGINNING OF YEAR	<u>5,487,566</u>	<u>2,982,367</u>
CASH, END OF YEAR	<u>6,356,829</u>	<u>5,487,566</u>
SUPPLEMENTARY INFORMATION:		
Cash paid for interest on debt	<u>649,121</u>	<u>580,763</u>
Cash received for interest on investments	<u>154,409</u>	<u>121,820</u>

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

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2011

The Corporation of the Municipality of Central Elgin (the "Municipality") is a municipality in the Province of Ontario. It conducts its operations guided by the provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Municipality are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Municipality are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and which are 100% owned or controlled by the Municipality.

Consolidated Entities

The Municipality consolidates the Central Elgin Municipal Non-Profit Housing Corporation. Any interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

Proportionate Consolidation

The Elgin Area Primary Water Board, Port Burwell Water Board, Elgin Area Secondary Water Board, Aylmer Area Water Board and East Elgin Medical Facility have been consolidated on a proportionate basis. The Water Boards are proportionately consolidated based upon the water flow used by the Municipality in proportion to the entire flows provided by the joint boards. Subsequent to the end of the year, the East Elgin Medical Facility was sold. The Municipality expects to receive approximately \$94,000 in proceeds. This sale will cause the Municipality to incur a loss of approximately \$55,000 on its investment in the East Elgin Medical Facility.

Equity Accounting

The investment in EARTH Corporation (a Government Business Enterprise) is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the Municipality, and inter-organizational transactions and balances are not eliminated. The Municipality recognizes its equity interest in the annual income or loss of EARTH Corporation in its consolidated statement of operations with corresponding increase or decrease in its investment asset account. Any dividends that the Municipality may receive from EARTH Corporation will be reflected as a reduction in the investment asset account.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for School Board Transactions

Although the Municipality collects taxation on behalf of the School Boards, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these statements.

Trust Funds

Trust funds and their related operations administered by the Municipality are not included in these consolidated financial statements.

Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

Government Transfers

Government transfers are recognized in the consolidated financial statements as revenues in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined. Any amount received but restricted is recorded as deferred revenue in accordance with Section 3100 of the Public Sector Accounting Handbook and recognized as revenue in the period in which the resources are used for the purpose specified.

In addition, the Municipality periodically receives senior government capital funding in the form of infrastructure grants and receives ongoing funding from both senior levels of government as a result of an allocation of the gas tax funds.

Deferred Revenue

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work. In addition, certain user charges and fees which have been collected but for which the related services have yet to be performed. Revenue is recognized in the period when the related expense are incurred, services preformed.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Income

Investment income is reported as revenue in the period earned. When required by funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

Tax Revenues

In 2011 the Municipality received \$10,791,801 (2010 - \$10,602,124) in property tax revenues for municipal purposes. The authority to levy and collect property taxes is established under the Municipal Act 2001, the Assessment Act, the Education Act, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenue required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund costs of education on a Province-wide basis.

Taxation revenues are recorded at the time billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The Municipality may receive supplementary assessment rolls over the course of the year from MPAC that identify new or omitted assessments. Property taxes for these supplementary/omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced as a result of reductions in assessment value rising from assessment and/or tax appeals. Each year, an amount is identified to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenue (e.g. uncollectible amounts, write-offs, etc.).

Employee Benefit Plans

The Municipality accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by the employees based on the length of service and pay rates. Employee benefits include post employment benefits. Post employment benefits are subject to actuarial valuations and are accrued in accordance with the projected benefit method, prorated on service and management's best estimate of salary escalation and retirement ages of employees. Any actuarial gains and losses related to past service of employees are amortized over the expected average remaining service period.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Building and components	20 to 75 years
Vehicles	7 to 15 years
Machinery and equipment	5 to 30 years
Land improvements	25 years
Plants and facilities	20 to 75 years
Roads	6 to 60 years
Bridges and other structures	40 to 80 years
Underground and other networks	15 to 100 years

No amortization is charged in the year of acquisition and a full year of amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iv) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

v) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

vi) Interest capitalization

Interest costs attributable to financing up-front costs of the acquisition, construction, or development of tangible capital assets will be expensed in the operating budget, and not capitalized.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, allowances for vacancies, rebates and uncollectible property taxes and in performing actuarial valuations of employee future benefits.

In addition, the Municipality's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical costs and useful lives of tangible capital assets.

Actual results could differ from these estimates.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2011

2. HARBOUR TRANSFER

During 2010 the Municipality signed an agreement with the Federal Ministry of Transport to transfer the harbour property in Port Stanley. As part of this transfer the Municipality also entered into an operating agreement and contribution agreement. As part of the contribution agreement the Municipality received \$13,515,900 to be maintained in a separate bank account for the term of the contribution agreement (September 2030). These funds can be used for eligible expenditures as outlined in the contribution agreement and any unexpended funds must be returned to the Ministry of Transport at the end of the contribution agreement. At year end, the Municipality had invested these funds in fixed income and cash equivalents as follows:

	2011		2010	
	Cost \$	Market Value \$	Cost \$	Market Value \$
Provincial bonds	7,737,069	8,162,170	6,457,343	6,460,052
Corporate bonds	5,151,701	5,182,158	6,442,587	6,429,751
Cash and cash equivalents	<u>1,071,288</u>	<u>1,071,288</u>	<u>568,888</u>	<u>568,888</u>
	<u>13,960,058</u>	<u>14,415,616</u>	<u>13,468,818</u>	<u>13,458,691</u>

The provincial bonds mature on dates ranging from 2015-2020 and yielding interest rates from 3.15% to 5.60% and the corporate bonds mature on dates ranging from 2012-2016 and yielding interest rates from 3.13% to 5.29%. Income earned on these funds and included in the obligatory funds was \$380,649 (2010 - nil). The Municipality has \$579,409 (2010 - \$463,818) of cash included in the cash presented on the balance sheet and is included in the cash and cash equivalents above as it is related to the Harbour assets. These assets are reported as an obligatory reserve fund as per the Harbour contribution agreement.

3. LOAN RECEIVABLE

The loan arose on September 1, 2000 as a result of the restructuring of the Hydro-Electric Power Commission of the Corporation of the Municipality of Central Elgin under Bill 35. The loan is receivable from EARTH Corporation with no specific terms of repayment, bearing interest at a rate of 7.25% commencing January 1, 2003. In 2011, \$78,083 (2010 - \$78,083) was charged and received on this loan. The loan is convertible to Class B shares of EARTH Corporation.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2011

4. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Municipality are summarized below:

	2011	2010
	<u>\$</u>	<u>\$</u>
Development charges	1,519,976	1,094,864
Parkland	338,014	320,612
Harbour contribution agreement	13,859,910	13,563,334
Other	<u>77,161</u>	<u>82,461</u>
	<u>15,795,061</u>	<u>15,061,271</u>

5. TAXES RECEIVABLE

Taxes receivable are reported net of allowance for doubtful accounts. Balances as at December 31 were as follows:

	2011	2010
	<u>\$</u>	<u>\$</u>
Taxes receivable	1,896,617	1,771,257
Penalties and interest	237,133	192,807
Allowance for doubtful accounts	<u>(134,012)</u>	<u>(69,012)</u>
	<u>1,999,738</u>	<u>1,895,052</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2011

6. INVESTMENT IN EARTH CORPORATION

The Municipality owns 9% (2010 - 10%) of EARTH Corporation (formally know as Erie Thames Power Corporation) and received \$66,691 (2010 - \$nil) in dividends. As a business enterprise of the Municipality it is accounted for on a modified equity basis in these financial statements. The Corporation is the electricity distribution utility for the Municipality's urban residents. The following table provides condensed supplementary financial information for the Corporation for the year ended December 31:

	2011	2010
	<u>\$</u>	<u>\$</u>
Financial Position:		
Total Net Assets	<u>12,158,606</u>	<u>12,157,697</u>
Results of operations:		
Total revenues from operations	22,669,386	22,273,879
Total operating and other expenses	<u>21,918,478</u>	<u>22,380,018</u>
Total net income (loss)	750,908	(106,139)
Change in accounting policy	-	(480,952)
Dividends issued	<u>750,000</u>	<u>-</u>
Net increase (decrease) in retained earnings	<u>908</u>	<u>(587,091)</u>

7. OPERATION OF SCHOOL BOARDS AND THE COUNTY OF ELGIN

During 2011, requisitions were made by the school boards and the County of Elgin requiring the Municipality to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	School Boards	County
	<u>\$</u>	<u>\$</u>
Taxation and user charges	3,555,665	7,365,302
Share of payments in lieu of taxes	<u>-</u>	<u>18,159</u>
Amounts requisitioned	<u>3,555,665</u>	<u>7,383,461</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2011

8. NET LONG-TERM LIABILITIES

- a) The balance of net long-term liabilities reported on the Consolidated Statement of Financial Position consists of the following:

	<u>2011</u>	<u>2010</u>
	<u>\$</u>	<u>\$</u>
Total long-term liabilities incurred by the municipality and outstanding at the end of the year	12,607,072	13,286,271
Long-term liabilities assumed by the municipality	<u>118,235</u>	<u>174,035</u>
Total long-term liabilities at the end of the year	<u>12,725,307</u>	<u>13,460,306</u>

Principal repayments are summarized as follows:

	2012	2013	2014	2015	2016	Beyond	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Recoverable from:							
General tax revenue	-	-	-	-	-	-	-
User charges	<u>735,758</u>	<u>764,515</u>	<u>796,237</u>	<u>759,903</u>	<u>735,414</u>	<u>8,933,480</u>	<u>12,725,307</u>
	<u>735,758</u>	<u>764,515</u>	<u>796,237</u>	<u>759,903</u>	<u>735,414</u>	<u>8,933,480</u>	<u>12,725,307</u>

- b) All long-term liabilities issued on or before December 31, 1992 have received approval of the Ontario Municipal Board. Long-term liabilities issued after January 31, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing
- c) Interest expense on long-term liabilities in 2011 amounted to \$649,121 (2010 - \$580,763)

9. POST EMPLOYMENT BENEFITS

The Municipality provides some medical and life insurance benefits to certain retirees until the age of 65. None of the active employees are eligible for this benefit and as such no actuarial review has been prepared. Premiums paid for 2011 amounted to \$13,334 (2010 - \$17,351).

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2011

10. TANGIBLE CAPITAL ASSETS

	Net Book Value	
	2011	2010
	<u>\$</u>	<u>\$</u>
General		
Land	2,437,037	2,109,501
Buildings	5,323,473	3,359,625
Vehicles	1,750,709	1,496,778
Machinery and equipment	1,016,669	1,015,388
Land improvements	1,231,477	1,152,453
Infrastructure		
Land	44,610	28,943
Plants and facilities	12,080,997	11,492,678
Machinery and equipment	2,080,179	2,166,002
Roads and related transportation assets	35,940,955	35,553,261
Underground and other networks	<u>32,698,855</u>	<u>29,688,592</u>
	94,604,961	88,063,221
Assets under construction	<u>3,913,101</u>	<u>4,755,923</u>
	<u>98,518,062</u>	<u>92,819,144</u>

For additional information, see the Consolidated Schedule of Tangible Capital Assets.

During the year there were no write-downs of assets (2010 - \$nil). In addition land, buildings, roads and underground networks contributed to the Municipality totalled in 2011 \$3,380,505 (2010 - \$1,418,247) and were capitalized at their fair value at the time of receipt.

11. PENSION AGREEMENTS

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of approximately 50 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2011 was \$217,413 (2010 - \$201,480).

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2011**

12. ACCUMULATED SURPLUS

The accumulated surplus consists of individual fund surplus/(deficit) and reserves/reserve funds as follows:

	2011	2010
	<u>\$</u>	<u>\$</u>
SURPLUS		
General revenue fund	602,696	1,443,157
Sewer operations	(305,357)	(399,732)
Water operations	(638,788)	(536,732)
Benefiting land owners	72,848	72,848
Invested in tangible capital assets	98,518,062	92,819,144
Invested in EARTH Corporation	2,296,758	2,296,678
Capital fund	(432,985)	28,131
Reserves and reserve funds	<u>6,412,947</u>	<u>5,327,075</u>
	106,526,181	101,050,569
AMOUNTS TO BE RECOVERED		
Employee benefits	(57,266)	(85,025)
Net long-term debt	<u>(12,725,307)</u>	<u>(13,460,306)</u>
ACCUMULATED SURPLUS	<u>93,743,608</u>	<u>87,505,238</u>
RESERVES AND RESERVE FUNDS		
Reserves set aside for specific purposes by council:		
- for working capital	1,937,915	1,778,525
- for current purposes	1,461,175	422,562
- for capital purposes	<u>2,361,023</u>	<u>2,426,523</u>
Total reserves	<u>5,760,113</u>	<u>4,627,610</u>
Reserve funds set aside for specific purposes by council:		
- for replacement of equipment	11,718	11,572
- for replacement of sanitary and storm sewers	102,736	101,469
- for replacement of water systems	269,460	289,008
- for sick leave	19,392	19,142
- for social housing capital projects	121,503	152,262
- from lot levies and parking revenues	99,287	97,580
- for capital projects	<u>28,738</u>	<u>28,433</u>
Total reserve funds	<u>652,834</u>	<u>699,466</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2011

13. PUBLIC SECTOR SALARY DISCLOSURE

In 2011 four employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more by Municipality.

14. CONTINGENT LIABILITIES

As at December 31, 2011 certain legal actions are pending against the municipality. An estimate of the contingency cannot be made since the outcome of these matters is indeterminate at this time.

15. BUDGET FIGURES

The operating budget approved by the council of the Municipality for 2011 is reflected on the consolidated statement of operations. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual expenditure amounts. As well, the Municipality does not budget activity within Reserve and Reserve Funds, with the exception being those transactions, which affect either operations or capital investments. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2011

16. SUPPLEMENTARY INFORMATION:

	2011	2010
	<u>\$</u>	<u>\$</u>
[a] Current fund expenditures by object:		
Salaries, wages and employee benefits	4,769,111	4,790,999
Long-term debt interest expense	649,121	587,219
Materials	3,883,695	4,209,285
Contracted services	3,537,334	3,264,729
Rents and financial expenses	182,447	187,259
Amortization and loss on disposal of capital assets	3,045,004	2,778,134
Transfer to others	<u>288,184</u>	<u>285,778</u>
	<u>16,354,896</u>	<u>16,103,403</u>
[b] Change in non-cash assets and liabilities related to operations:		
(Increase) decrease in taxes receivable	(104,686)	(337,675)
(Increase) decrease in accounts receivable	107,530	(797,569)
(Increase) decrease in inventories and prepaid expenses	(120,644)	(7,350)
Decrease in temporary bank advances	-	(2,000,000)
Increase (decrease) in accounts payable and accrued liabilities	852,308	466,948
Increase (decrease) in deferred revenue - obligatory reserve funds	<u>733,790</u>	<u>13,796,150</u>
	<u>1,468,298</u>	<u>11,120,504</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2011

17. SEGMENTED INFORMATION

The Municipality is a diversified municipal government institution that provides a wide range of services to its citizens, including contract police services, fire, roads, community services, water and sewer. For management reporting purposes the Municipality's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

The Municipality services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provided, are as follows:

Protection

Protection is comprised of the Police Services Board and Fire departments. The mandate of the Police Services Board, by way of contact with the Ontario Provincial Police, is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. The Fire department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection or extinguishment of fires.

Community Services

The Parks and Recreation department provides public services that contribute to neighbourhood development and sustainability through the provision of parks, recreation and leisure services. It provides public services that contribute to healthy communities through partnerships, promotion, prevention and protection.

The County of Elgin is contracted to provide the information needs of the Municipality's citizens through the provision of library services.

Planning, By-Law Enforcement and Economic Development

The Planning, Property and Development departments provides a diverse bundle of services. It manages urban development for business interest, environmental concerns, heritage matters, local neighbourhoods and the downtown through city planning, community development, and parks planning. It ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-law for the protection of occupants. It facilitates economic development through its economic development programs.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2011

17. SEGMENTED INFORMATION (CONTINUED)

Public Works

The Physical Services department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of both county and municipal roadway and municipal drainage systems, the maintenance of parking, street lighting and the Port Stanley lift bridge.

The Water and Waste Funds

Water, stormwater and wastewater disposal is provided by the Water and Sewer Department. The department provides drinking water to citizens of Central Elgin, as well as, collection and treatment of stormwater and wastewater.

Social Housing

The Municipal Non-Profit Housing Corporation provides low income housing to the community.

Finance and Administration

This segment includes a number of support functions that are responsible for maintenance of buildings, Mayor and Council, the Clerk's department, Treasury Department and Human Resources Department.

Other funds and Corporation

This segment includes the remaining departments and activities of the Corporation. Some of the larger activities in this segment include Solid Waste collection and disposal, Emergency Measures and Animal Control, Public Health Services, Business Improvement Association, Conservation authorities, and cemetery maintenance.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The General Revenue Fund reports on municipal services that are funded primarily by taxation such as property and business tax revenues. Taxation and payments-in-lieu of taxes are apportioned to General Revenue Fund services based on the Fund's net surplus. Certain government transfers, transfer from other funds, and other revenues have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedule of Segment Disclosure – Current Fund Operations and Schedule of Segment Disclosure – Current Fund Operations.

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

**Consolidated Schedule of Segment Disclosure
For the year ended December 31, 2011**

Social Housing	Planning	Public Works	Finance & Administration	Protection	Water and Waste Funds	Community Services	Other Funds & Corporation	Consolidated
\$	\$	\$	\$	\$	\$	\$	\$	\$
-	152,339	1,748,517	882,701	3,143,863	-	1,464,690	3,890,432	10,791,802
212,397	268,845	83,848	388,801	53,924	2,863,032	541,460	551,684	4,963,991
20,155	-	554,795	-	-	247,029	-	2,551,508	3,373,487
-	-	-	-	-	16,711	-	3,380,504	3,397,215
-	-	-	-	-	-	-	66,771	66,771
<u>232,552</u>	<u>421,184</u>	<u>2,387,160</u>	<u>1,271,502</u>	<u>3,197,787</u>	<u>3,126,772</u>	<u>2,006,150</u>	<u>10,440,899</u>	<u>22,593,266</u>
26,756	201,530	1,533,265	828,176	625,767	759,437	773,195	20,985	4,769,111
507	43,198	-	-	-	605,416	-	-	649,121
164,228	162,262	303,800	287,552	375,701	810,174	618,806	1,161,172	3,883,695
-	159,347	119,954	153,413	1,915,576	589,338	23,353	1,046,984	4,007,965
-	-	65,583	-	(5,683)	54,806	-	-	114,706
<u>10,002</u>	<u>-</u>	<u>1,553,089</u>	<u>84,531</u>	<u>229,236</u>	<u>848,924</u>	<u>193,348</u>	<u>11,168</u>	<u>2,930,298</u>
<u>201,493</u>	<u>566,337</u>	<u>3,575,691</u>	<u>1,353,672</u>	<u>3,140,597</u>	<u>3,668,095</u>	<u>1,608,702</u>	<u>2,240,309</u>	<u>16,354,896</u>
<u>31,059</u>	<u>(145,153)</u>	<u>(1,188,531)</u>	<u>(82,170)</u>	<u>57,190</u>	<u>(541,323)</u>	<u>397,448</u>	<u>8,200,590</u>	<u>6,238,370</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

**Consolidated Schedule of Segment Disclosure
For the Year Ended December 31, 2010**

Social Housing	Planning	Public Works	Finance & Administration	Protection	Water and Waste Funds	Community Services	Other Funds & Corporation	Consolidated
\$	\$	\$	\$	\$	\$	\$	\$	\$
-	227,363	1,675,662	880,794	2,983,952	-	973,950	3,860,403	10,602,124
215,036	191,735	91,781	361,458	36,606	2,850,410	529,728	791,364	5,068,118
91,785	-	587,531	-	-	506,702	-	2,689,137	3,875,155
-	184,669	-	-	-	6,460	-	1,235,812	1,426,941
-	-	-	-	-	-	-	(58,897)	(58,897)
<u>306,821</u>	<u>603,767</u>	<u>2,354,974</u>	<u>1,242,252</u>	<u>3,020,558</u>	<u>3,363,572</u>	<u>1,503,678</u>	<u>8,517,819</u>	<u>20,913,441</u>
25,908	232,313	1,553,614	792,721	620,400	715,520	849,637	886	4,790,999
2,909	46,950	-	-	-	537,360	-	-	587,219
164,948	237,525	527,469	349,928	389,068	1,306,438	663,257	570,652	4,209,285
-	161,309	114,797	162,991	1,912,239	285,296	83,738	1,017,396	3,737,766
-	-	-	-	-	2,622	-	-	2,622
<u>9,865</u>	<u>-</u>	<u>1,496,759</u>	<u>40,219</u>	<u>226,595</u>	<u>834,900</u>	<u>155,927</u>	<u>11,247</u>	<u>2,775,512</u>
<u>203,630</u>	<u>678,097</u>	<u>3,692,639</u>	<u>1,345,859</u>	<u>3,148,302</u>	<u>3,682,136</u>	<u>1,752,559</u>	<u>1,600,181</u>	<u>16,103,403</u>
<u>103,191</u>	<u>(74,330)</u>	<u>(1,337,665)</u>	<u>(103,607)</u>	<u>(127,744)</u>	<u>(318,564)</u>	<u>(248,881)</u>	<u>6,917,638</u>	<u>4,810,038</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

**Schedule of Segment Disclosure - Operating Revenues and Expenses
For the Year Ended December 31, 2011**

	Unaudited Budget	Actual	Actual
	2011	2011	2010
	<u>\$</u>	<u>\$</u>	<u>\$</u>
PROTECTION			
Revenue			
Taxation	3,143,863	3,143,863	2,983,952
Sales of services and regulatory fees	<u>37,389</u>	<u>53,924</u>	<u>36,606</u>
Total Revenues	<u>3,181,252</u>	<u>3,197,787</u>	<u>3,020,558</u>
Expenditures			
Salaries, wages and employees benefits	607,275	625,767	620,400
Materials	392,800	375,701	389,068
Contracted services	2,181,177	1,915,576	1,912,239
Amortization	<u>-</u>	<u>229,236</u>	<u>226,595</u>
Total Expenditures	<u>3,181,252</u>	<u>3,146,280</u>	<u>3,148,302</u>
Net Surplus (Deficit)	<u>-</u>	<u>51,507</u>	<u>(127,744)</u>
COMMUNITY SERVICES			
Revenue			
Taxation	1,464,690	1,464,690	973,950
Sales of services and regulatory fees	<u>477,400</u>	<u>541,460</u>	<u>529,728</u>
Total Revenues	<u>1,942,090</u>	<u>2,006,150</u>	<u>1,503,678</u>
Expenditures			
Salaries, wages and employees benefits	813,743	773,195	849,637
Materials	1,105,347	618,806	663,257
Contracted services	-	-	58,539
Amortization	-	193,348	155,927
Transfer to others	<u>23,000</u>	<u>23,353</u>	<u>25,199</u>
Total Expenditures	<u>1,942,090</u>	<u>1,608,702</u>	<u>1,752,559</u>
Net Surplus (Deficit)	<u>-</u>	<u>397,448</u>	<u>(248,881)</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

Schedule of Segment Disclosure - Operating Revenues and Expenses For the Year Ended December 31, 2011

	Unaudited Budget 2011 \$	Actual 2011 \$	Actual 2010 \$
PLANNING			
Revenue			
Taxation	152,339	152,339	227,363
Sales of services and regulatory fees	446,600	268,845	191,735
Other	-	-	184,669
Total Revenues	<u>598,939</u>	<u>421,184</u>	<u>603,767</u>
Expenditures			
Salaries, wages and employees benefits	237,466	201,530	232,313
Long-term debt interest expense	43,198	43,198	46,950
Materials	149,275	162,262	237,525
Rents and financial expenses	18,000	6,931	10,890
Transfer to others	151,000	152,416	150,419
Total Expenditures	<u>598,939</u>	<u>566,337</u>	<u>678,097</u>
Net Surplus (Deficit)	<u>-</u>	<u>(145,153)</u>	<u>(74,330)</u>
 PUBLIC WORKS			
Revenue			
Taxation	1,748,517	1,748,517	1,675,662
Sales of services and regulatory fees	90,250	83,848	91,781
Government transfers	563,795	554,795	587,531
Total Revenues	<u>2,402,562</u>	<u>2,387,160</u>	<u>2,354,974</u>
Expenditures			
Salaries, wages and employees benefits	1,538,967	1,533,265	1,553,614
Materials	742,595	303,800	527,469
Contracted services	35,000	33,408	29,143
Rents and financial expenses	86,000	86,546	85,654
Amortization	-	1,553,089	1,496,759
Total Expenditures	<u>2,402,562</u>	<u>3,510,108</u>	<u>3,692,639</u>
Net Surplus (Deficit)	<u>-</u>	<u>(1,122,948)</u>	<u>(1,337,665)</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

**Schedule of Segment Disclosure - Operating Revenues and Expenses
For the Year Ended December 31, 2011**

FINANCE AND ADMINISTRATION	Unaudited Budget 2011 \$	Actual 2011 \$	Actual 2010 \$
Revenue			
Taxation	882,701	882,701	880,794
Sales of services and regulatory fees	26,000	44,900	76,885
Interest and penalties	<u>330,000</u>	<u>343,901</u>	<u>284,573</u>
Total Revenues	<u>1,238,701</u>	<u>1,271,502</u>	<u>1,242,252</u>
Expenditures			
Salaries, wages and employees benefits	832,854	828,176	792,721
Materials	254,955	287,552	349,928
Contracted services	60,000	64,443	74,620
Rents and financial expenses	90,892	88,970	88,371
Amortization	<u>-</u>	<u>84,531</u>	<u>40,219</u>
Total Expenditures	<u>1,238,701</u>	<u>1,353,672</u>	<u>1,345,859</u>
Net Surplus (Deficit)	<u>-</u>	<u>(82,170)</u>	<u>(103,607)</u>

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

**Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2011**

Original Cost 2011	2011 Acquisitions	2011 Disposals	2011 Write-Offs	Ending Historical Cost Balance Dec 31/2011	Opening Accumulated Amortization Balance Jan 1/2011	2011 Disposals	2011 Amortization	2011 Write-Offs	Ending Accumulated Amortization Balance Dec 31/2011	Ending Net Book Value Dec 31/2011
943	15,667	-	-	44,610	-	-	-	-	-	44,610
336	954,971	-	-	15,834,307	3,386,658	-	366,652	-	3,753,310	12,080,997
478	295,735	131,054	-	4,640,159	2,309,476	111,685	362,189	-	2,559,980	2,080,179
646	1,657,626	162,108	-	50,635,164	13,586,385	114,098	1,221,922	-	14,694,209	35,940,955
923	3,516,321	76,684	-	39,136,560	6,008,331	21,878	451,252	-	6,437,705	32,698,855
326	6,440,320	369,846	-	110,290,800	25,290,850	247,661	2,402,015	-	27,445,204	82,845,596
501	327,536	-	-	2,437,037	-	-	-	-	-	2,437,037
366	79,657	-	-	1,887,023	654,913	-	633	-	655,546	1,231,477
924	2,242,622	-	-	8,697,546	3,095,299	-	278,774	-	3,374,073	5,323,473
320	85,177	-	-	2,283,497	1,182,932	-	83,896	-	1,266,828	1,016,669
723	418,911	126,292	-	3,116,342	1,326,945	126,292	164,980	-	1,365,633	1,750,709
834	3,153,903	126,292	-	18,421,445	6,260,089	126,292	528,283	-	6,662,080	11,759,365
160	9,594,223	496,138	-	128,712,245	31,550,939	373,953	2,930,298	-	34,107,284	94,604,961
923	2,369,396	3,212,218	-	3,913,101	-	-	-	-	-	3,913,101
083	11,963,619	3,708,356	-	132,625,346	31,550,939	373,953	2,930,298	-	34,107,284	98,518,062

THE CORPORATION OF THE MUNICIPALITY OF CENTRAL ELGIN

**Consolidated Schedule of Tangible Capital Assets
For the year ended December 31, 2010**

Original Historical Cost 2010	2010 Acquisitions	2010 Disposals	2010 Write-Offs	Ending Historical Cost Balance Dec 31/2010	Opening Accumulated Amortization Balance Jan 1/2010	2010 Disposals	2010 Amortization	2010 Write-Offs	Ending Accumulated Amortization Balance Dec 31/2010	Ending Net Book Value Dec 31/2010
28,943	-	-	-	28,943	-	-	-	-	-	28,943
71,226	8,110	-	-	14,879,336	3,018,611	-	368,047	-	3,386,658	11,492,678
33,433	281,149	39,104	-	4,475,478	1,976,798	39,104	371,782	-	2,309,476	2,166,002
24,990	1,227,457	12,801	-	49,139,646	12,433,804	12,801	1,165,382	-	13,586,385	35,553,261
79,498	1,055,099	37,674	-	35,696,923	5,592,529	32,718	448,520	-	6,008,331	29,688,592
38,090	2,571,815	89,579	-	104,220,326	23,021,742	84,623	2,353,731	-	25,290,850	78,929,476
31,131	1,128,370	-	-	2,109,501	-	-	-	-	-	2,109,501
38,410	68,956	-	-	1,807,366	583,510	-	71,403	-	654,913	1,152,453
23,431	131,493	-	-	6,454,924	3,009,865	-	85,434	-	3,095,299	3,359,625
51,728	46,592	-	-	2,198,320	1,060,703	-	122,229	-	1,182,932	1,015,388
26,408	27,315	-	-	2,823,723	1,184,230	-	142,715	-	1,326,945	1,496,778
11,108	1,402,726	-	-	15,393,834	5,838,308	-	421,781	-	6,260,089	9,133,745
29,198	3,974,541	89,579	-	119,614,160	28,860,050	84,623	2,775,512	-	31,550,939	88,063,221
8,369	3,267,554	-	-	4,755,923	-	-	-	-	-	4,755,923
17,567	7,242,095	89,579	-	124,370,083	28,860,050	84,623	2,775,512	-	31,550,939	92,819,144

