

# Consolidated Financial Statements

The Corporation of the Town of New Tecumseth

December 31, 2011

# Contents

	<b>Page</b>
Management's Report	1
Independent Auditor's Report	2
Consolidated Statement of Financial Position	3
Consolidated Statements of Operations and Accumulated Surplus	4
Consolidated Statement of Changes in Net Financial Liabilities	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7-21
Schedule 1 – Consolidated Schedule of Accumulated Surplus	22
Schedule 2 – Consolidated Schedule of Tangible Capital Assets	23

# **The Corporation of the Town of New Tecumseth**

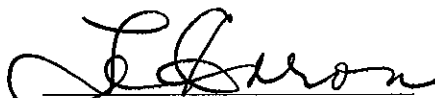
## Management's Report


### Management's Responsibility for the Financial Statements

The accompanying financial statements of The Corporation of the Town of New Tecumseth ("Town") are the responsibility of the Town management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. A summary of the significant accounting policies is described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Town management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by Town management.

The financial statements have been audited by Grant Thornton LLP Chartered Accountants, independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's financial statements.

  
Chief Administrative Officer

  
Treasurer / Manager of Finance

July 9, 2012

## Independent Auditor's Report

To the Mayor, Members of Council, Inhabitants and Ratepayers of  
The Corporation of the Town of New Tecumseth

We have audited the accompanying consolidated financial statements of The Corporation of the Town of New Tecumseth, 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 financial liabilities and cash flow for the year then ended, and notes, comprising 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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the Town of New Tecumseth as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### **Other matter**

Without modifying our report we draw attention to the budget figures which are provided for comparative purposes only. They have not been subject to audit procedures. Accordingly, we do not express an opinion on the budget figures.



**The Corporation of the Town of New Tecumseth**  
**Consolidated Statement of Financial Position**

December 31

2011

2010

**Financial assets**

Cash and cash equivalents (Note 3)	\$ 21,259,440	\$ 16,632,206
Taxes receivable	4,581,884	4,603,369
Water and wastewater billings receivable	1,368,550	1,295,607
Receivables	<u>3,275,147</u>	<u>3,897,726</u>
	<u>30,485,021</u>	<u>26,428,908</u>

**Financial liabilities**

Payables and accruals	6,573,177	7,763,329
Employee future benefits and other liabilities (Note 4)	2,428,813	1,802,181
Developer deposits	724,454	740,104
Deferred revenue - obligatory reserve funds (Note 5)	11,438,480	5,015,575
Deferred revenue - other	179,024	74,439
Short-term construction loans (Note 6)	-	32,700,000
Capital lease obligations (Note 7)	21,203	15,152
Long-term liabilities (Note 8)	<u>53,132,293</u>	<u>20,513,760</u>
	<u>74,497,444</u>	<u>68,624,540</u>

**Net financial liabilities (Page 5)** (44,012,423) (42,195,632)

**Non-financial assets**

Tangible capital assets (Schedule 2)	236,559,816	227,634,725
Prepays	<u>130,178</u>	<u>382,155</u>
	<u>236,689,994</u>	<u>228,016,880</u>

**Accumulated Surplus (Schedule 1)** \$ 192,677,571 \$ 185,821,248

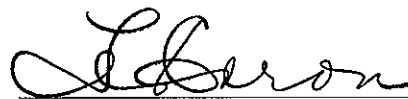
Commitments and Contingencies (Notes 10 and 11)

See accompanying notes to the consolidated financial statements

On Behalf of the Town



Mayor



CAO

**The Corporation of the Town of New Tecumseth**  
**Consolidated Statements of Operations and Accumulated Surplus**

Year Ended December 31

2011

2010

	<u>Budget (Note 2(o))</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenue</b>			
Taxation (Note 9)	\$ 19,761,534	\$ 19,657,786	\$ 18,900,611
User charges	11,401,164	11,989,136	10,393,991
Government grants	2,776,429	1,717,366	3,807,242
Contributions from developers	19,391,340	3,324,845	5,908,689
Investment income	134,227	176,167	146,262
Penalties and interest on taxes	560,000	657,697	591,696
Rentals	70,600	64,913	98,942
Donations and contributed assets	60,889	10,824,297	1,388,613
Gain (loss) on sale of tangible capital assets	8,000	20,432	(25,294)
Other	345,950	325,766	369,215
	<u>54,510,133</u>	<u>48,758,405</u>	<u>41,579,967</u>
<b>Expenditures</b>			
General government	4,184,650	4,797,162	4,447,639
Protection to persons and property	8,200,039	7,854,236	7,518,831
Transportation services	7,633,112	7,220,794	7,040,733
Environmental services	14,300,891	13,090,760	11,757,273
Health services	10,000	10,000	18,000
Recreation and cultural services	7,499,504	7,661,072	6,999,885
Planning and development	1,581,097	1,268,058	1,114,222
	<u>43,409,293</u>	<u>41,902,082</u>	<u>38,896,583</u>
<b>Annual surplus</b>	\$ 11,100,840	\$ 6,856,323	\$ 2,683,384
<b>Accumulated surplus, beginning of year</b>	185,821,248	185,821,248	183,136,093
Correction of prior period (note 15)	-	-	1,771
<b>Accumulated surplus, beginning of year, as restated</b>	<u>185,821,248</u>	<u>185,821,248</u>	<u>183,137,864</u>
<b>Accumulated surplus, end of year</b>	\$ <u>196,922,088</u>	\$ <u>192,677,571</u>	\$ <u>185,821,248</u>

See accompanying notes to the consolidated financial statements.

---

**The Corporation of the Town of New Tecumseth**  
**Consolidated Statement of Changes in Net Financial Liabilities**

Year Ended December 31

2011

2010

---

<b>Annual surplus</b>	\$ <u>6,856,323</u>	\$ <u>2,683,384</u>
Acquisition of tangible capital assets	(6,526,971)	(15,748,374)
Contributed tangible capital assets	(10,711,147)	(1,038,033)
Amortization of tangible capital assets	8,213,731	7,760,766
Proceeds on sale of tangible capital assets	119,728	33,201
(Gain) loss on sale of tangible capital assets	<u>(20,432)</u>	<u>25,294</u>
	<u>(8,925,091)</u>	<u>(8,967,146)</u>
 Change in prepaids	 <u>251,977</u>	 <u>(325,482)</u>
 <b>Change in net financial liabilities</b>	 <b>(1,816,791)</b>	 <b>(6,609,244)</b>
 <b>Net financial liabilities, beginning of year</b>	 <b><u>(42,195,632)</u></b>	 <b><u>(35,586,388)</u></b>
 <b>Net financial liabilities, end of year</b>	 <b>\$ <u>(44,012,423)</u></b>	 <b>\$ <u>(42,195,632)</u></b>

---

See accompanying notes to the consolidated financial statements.

# The Corporation of the Town of New Tecumseth

## Consolidated Statement of Cash Flows

Year Ended December 31

2011

2010

Increase (decrease) in cash and cash equivalents

### Operating activities

Annual surplus	\$ 6,856,323	\$ 2,683,384
Increase in employee benefits and other liabilities	626,632	177,220
Amortization	8,213,731	7,760,766
Contributed tangible capital assets	(10,711,147)	(1,038,033)
(Gain) loss on sale of tangible capital assets	(20,432)	25,294
Change in non-operating working capital		
Decrease (increase) in taxes receivable	21,485	(647,020)
Increase in water and sewer billings receivable	(72,943)	(70,272)
Decrease (increase) in receivables	622,579	(1,966,612)
Decrease in mortgage receivable	-	400,000
Decrease in payables and accruals	(1,190,152)	(4,195,104)
Increase (decrease) in capital lease obligations	6,051	(5,583)
(Decrease) increase in developer deposits	(15,650)	100,700
Increase (decrease) in deferred revenue-obligatory reserve funds	6,422,905	(2,183,062)
Increase in deferred revenue – other	104,585	145
Decrease (increase) in prepaids	251,977	(325,482)
Cash provided by operating activities	<u>11,115,944</u>	<u>716,341</u>

### Investing activities

Acquisition of tangible capital assets	(6,526,971)	(15,748,374)
Proceeds from sale of tangible capital assets	119,728	33,201
Cash used by investing activities	<u>(6,407,243)</u>	<u>(15,715,173)</u>

### Financing activities

Debt principal repayments	(1,231,467)	(894,150)
Mortgage principal repayments	-	(200,000)
Short-term construction loan proceeds	-	2,200,000
Short-term principal repayments	(32,700,000)	(1,560,000)
Debenture proceeds	33,850,000	3,510,500
Cash provided by financing activities	<u>(81,467)</u>	<u>3,056,350</u>

Net increase (decrease) in cash and cash equivalents 4,627,234 (11,942,482)

Cash and cash equivalents, beginning of year 16,632,206 28,574,688

Cash and cash equivalents, end of year \$ 21,259,440 \$ 16,632,206

Interest paid \$ 2,070,095 \$ 987,170

Interest received \$ 176,167 \$ 145,312

See accompanying notes to the consolidated financial statements.



---

# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2011

---

### 1. Nature of Operations

The Town of New Tecumseth (the "Town") is a lower-tier municipality located in the County of Simcoe, Province of Ontario, Canada. It conducts its operations guided by the provisions of provincial statutes, such as the Municipal Act, Municipal Affairs Act and related legislation.

---

### 2. Summary of significant accounting policies

#### Basis of presentation

The consolidated financial statements of The Corporation of the Town of New Tecumseth are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

Significant aspects of the accounting policies adopted by the Town are as follows:

#### (a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenditures, surplus and financial position of the Town including all organizations, committees and local boards accountable for the administration of their affairs and resources of the Town and which are owned or controlled by the Town. The financial statements include:

Town of New Tecumseth Library Board  
Alliston Business Improvement Association  
Beeton Tottenham Business Improvement Association

Inter-departmental and organizational transactions and balances are eliminated.

#### (b) Accounting for County and School Board transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the School boards and the County of Simcoe are not reflected in these financial statements.

#### (c) Accrual accounting

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

#### (d) 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 revenue over expenditures, provides the change in net financial liabilities for the year.

---

# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2011

---

### 2. Summary of significant accounting policies (continued)

#### (d) Non-financial assets (continued)

##### 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:

Land Improvements	15 to 25 years
Buildings	10 to 80 years
Roads, bridges, underground and other networks	7 to 80 years
Machinery and equipment	5 to 25 years
Vehicles	5 to 25 years
Library collection and materials	4 to 7 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

The Town has capitalization thresholds so that individual tangible capital assets of lesser value are expensed. Where individual assets are below the threshold value, but their total group value is material, these assets are pooled together and included as tangible capital assets. The capitalization thresholds are as follows:

Land	Capitalize all
Land Improvements	\$ 5,000 to \$50,000
Buildings	\$ 5,000 to \$25,000
Roads, bridges, underground and other networks	\$10,000 to \$50,000
Machinery and Equipment	\$ 5,000 to \$20,000
Vehicles	\$ 5,000
Library collection and materials	\$20,000

Betterment is the spending on an asset after its initial acquisition that either increases or improves service capacity, extends the useful life of the asset or lowers the associated operating costs. The capitalization threshold for betterments is the lower of \$10,000 or 10% of the historical cost of the related asset.

#### 1. Capitalization of interest

The Town has a policy of capitalizing borrowing costs incurred when financing the acquisition of a tangible capital asset up to the date the asset goes into use, per Public Sector Accounting Board 3150.17. The total amount of interest capitalized in 2011 was \$131,555 (2010 – \$589,226).

#### 2. Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue. Typical examples are roadway, water and wastewater lines installed by a developer as part of a sub-division agreement. The fair value of the tangible capital assets contributed in 2011 was \$10,711,147 (2010 - \$1,038,033).

---

# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2011

---

### 2. Summary of significant accounting policies (continued)

#### (d) Non-financial assets (continued)

##### 3. Leases

Leases are classified as capital or operating leases. Leases that transfer substantially the entire 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 expenditures as incurred.

##### 4. Write-down of tangible capital assets

The value of a tangible capital asset will be written down, or reduced, when there has been a decline in the asset's value. This can arise for a variety of reasons including significant technological developments, physical damage to the asset or removal of the asset from service.

##### 5. Works of art

The Town owns various works of art and historic artifacts displayed at various locations. The historic cost of these items is not included in tangible capital assets.

#### (e) Reserves and Reserve Funds

Certain amounts, as approved by Town Council, are set aside in reserves and reserve funds for future operating and capital purposes. Further disclosure of the amounts as part of accumulated surplus is included in Schedule 1 of the financial statements.

#### (f) Government transfers

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

#### (g) Deferred revenue -- obligatory reserve funds

The Town receives development charge contributions, conditional grants and payments in lieu of parkland under the authority of provincial legislation and Town by-laws. These funds, by their nature, are restricted in their use and, until applied to applicable expenditures, are recorded as deferred revenue. Amounts applied to qualifying expenditures are recorded as revenue in the fiscal year they are expended.

#### (h) Deferred revenue - other

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

---

# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2011

---

### 2. Summary of significant accounting policies (continued)

#### (i) Taxation and related revenues

Property tax billings are prepared by the Town based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council, incorporating amounts to be raised for local services, the requisition made by the County of Simcoe in respect of County services and amounts the Town is required to collect on behalf of the Province of Ontario in respect of education taxes. The legislation limits assessment-related increases in property tax bills to 5% annually for commercial, industrial and multi-residential classes of property until the affected properties are taxed at a level equivalent to the tax otherwise calculated based on their current value assessment. A normal part of the assessment process is the issue of supplementary assessment rolls that update information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Town determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known. The Town is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the year the interest and penalties are levied.

#### (j) Government grants

Grants are recognized as revenue when approved to the extent the related expenditures have been incurred and collection can be reasonably assured.

#### (k) Investment income

Investment income earned on surplus funds (other than obligatory reserve funds) is reported as revenue in the year earned. Investment income earned on development charges, conditional grants and parkland obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue obligatory reserve fund balances.

#### (l) User charges, rentals, donations and other revenue

User charges, rentals, donations and other revenue are recognized as revenue when the services are provided and there is reasonable assurance of collection.

#### (m) Employee future benefits

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care and dental costs. Vacation entitlements are accrued as entitlements are earned. The Town also estimates future benefits relating to accumulated sick credits for Library staff as they are earned.

---

**The Corporation of the Town of New Tecumseth**  
**Notes to the Consolidated Financial Statements**  
December 31, 2011

---

**2. Summary of significant accounting policies (continued)**

**(n) 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Municipality may undertake in the future. Significant accounting estimates include allowance for doubtful accounts, estimated useful lives of tangible capital assets and the liability for employee future benefits. Actual results could differ from those estimates.

**(o) Budget figures**

Town Council approves its operating budget annually. The budget figures shown on the consolidated statement of operations represent the aggregated operating budgets established by the Town, its Library Board, the Alliston Business Improvement Association and the Beeton Tottenham Business Improvement Association. The budget established for capital investment in tangible capital assets is established for individual projects, the costs of which may be incurred over a number of years and therefore may not be comparable with the current year's actual expenditures. The Town does not budget activity within reserves and reserve funds with the exception being those transactions that affect either operations or capital investments. Budget figures are unaudited.

Adjustments to the budget approved by Council are reflected to adjust the basis of presentation to the accounting principles applied in preparing the financial statements. Budget figures have been restated to be comparable with the PSAB reporting reflected in the actual results.

	(Unaudited) <u>Revenues</u>	(Unaudited) <u>Expenditures</u>
Town Council's approved budgets	\$ 54,510,133	\$ 58,691,755
Less: Tangible capital assets capitalization	-	(23,496,193)
Add: Amortization expense	-	<u>8,213,731</u>
Adjusted budget per consolidated statement of operations	<u>\$ 54,510,133</u>	<u>\$ 43,409,293</u>

**(p) Future accounting pronouncements**

The CICA amended Section 3410 "Government Transfers" to provide guidance for accounting and reporting of government transfers from both a transferring government and a recipient government perspective. It clarifies the difference between eligibility criteria and stipulations and their roles in the recognition of government transfers by both government parties. It explains how the definition of liabilities in Public Sector Accounting Board Section 3200, Liabilities, should apply to the recognition of government transfers by a recipient government. It addresses what evidence would be required to support the authorization of a government transfer from the perspective of the transferring government. These amendments are effective for fiscal periods beginning on or after April 1, 2012. Retroactive or prospective application is permitted.

# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2011

### 2. Summary of significant accounting policies (continued)

#### (p) Future accounting pronouncements (continued)

The CICA Section 3510 "Tax Revenue" establishes standards for the recognition, measurement and disclosure of tax revenue in government financial statements. This section applies to fiscal periods beginning on or after April 1, 2012. Retroactive or prospective application is permitted.

The Town has not yet assessed the impact of these standards on its financial statements.

### 3. Cash and cash equivalents 2011 2010

Cash and cash equivalents are comprised of:

Unrestricted cash, held at the bank and on hand	\$ 9,820,960	\$ 11,616,631
Restricted cash, held at the bank	<u>11,438,480</u>	<u>5,015,575</u>
	<u>\$ 21,259,440</u>	<u>\$ 16,632,206</u>

### 4. Employee future benefits and other liabilities 2011 2010

The Town provides certain employee benefits that will require funding in future periods:

Workplace safety and insurance	\$ 2,396,312	\$ 1,752,161
Vacation accrual	829,303	778,465
Retirement accrual	638,006	563,805
Sick day entitlements	19,819	11,099
Dental and health future benefits	449,066	390,120
Less: WSIB receivable	<u>(1,903,693)</u>	<u>(1,693,469)</u>
	<u>\$ 2,428,813</u>	<u>\$ 1,802,181</u>

The Town pays certain health and dental benefits on behalf of its retired employees to age 65. The Town recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit liability of \$449,066 has been determined by an actuary using a discount rate of 4.75%.

Information about the Town's defined benefit plan is as follows:

	<u>2011</u>	<u>2010</u>
Accrued benefit liability, beginning of year	\$ 390,120	\$ 349,100
Expense for the period	65,546	58,782
Benefits paid by employer	<u>(6,600)</u>	<u>(17,762)</u>
Accrued benefit liability, end of year	<u>\$ 449,066</u>	<u>\$ 390,120</u>

---

**The Corporation of the Town of New Tecumseth**  
**Notes to the Consolidated Financial Statements**  
December 31, 2011

---

**4. Employee future benefits and other liabilities (continued)**

The main assumptions employed for the valuations are as follows:

(a) Retirement age

All active employees were assumed to retire at age 61.

(b) Medical and dental costs

Medical costs were assumed to increase as follows while dental costs were assumed to increase by 5% per year.

2011	10%
2012	9%
2013	8%
2014	7%
2015	6%
2016 and thereafter	5%

**Workplace safety and insurance**

The Town has elected to self-insure the risks of workplace safety and insurance costs. To protect itself against catastrophic losses, it carries insurance with a deductible of \$500,000 per occurrence. The financial statements include a provision in the amount of \$2,396,312 (2010 – \$1,752,161) based on the amount reported by the Workplace Safety and Insurance Board (“WSIB”) to the Town as at December 31, 2011. A receivable of \$1,903,693 (2010 – \$1,693,469) has been established to offset this provision, which represents the position insured by the Town.

A reserve totalling \$30,256 (2010 – \$30,256) is available for the deductible portion of any future claims.

---

**5. Deferred revenue – obligatory reserve funds**

A requirement of the accounting recommendations of the Public Sector Accounting Board of the CICA 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 what certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Town are summarized below:

	<u>2011</u>	<u>2010</u>
Development charges	\$ 9,216,662	\$ 2,698,704
Developer contributions	8,653	344,945
Parkland	1,136,821	571,755
Gas tax	<u>1,076,344</u>	<u>1,400,171</u>
	<u>\$ 11,438,480</u>	<u>\$ 5,015,575</u>

---

**The Corporation of the Town of New Tecumseth**  
**Notes to the Consolidated Financial Statements**  
December 31, 2011

---

**6. Short-term construction loans**

In 2008, the Town entered into a revolving demand credit facility agreement with a Canadian chartered bank to temporarily finance the remediation and expansion of the Regional Wastewater treatment plant. The agreement was approved by by-law. The agreement was extended in 2009 and was also approved by by-law.

The Town could borrow up to \$36,000,000 with interest calculated at the bank's prime rate or by Bankers Acceptance (BA) borrowing at the bank's stamping fee plus 1% per annum. At December 31, 2011, the Town owed \$0 (2010 - \$32,700,000 at 2.23%) to the bank.

The loan was repaid by the issuance of long-term indebtedness. The principal and interest payments required to service this liability will be repaid by Development Charges, and are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

---

**7. Capital lease obligations**

The Library Board leases its photocopiers under long term capital leases. Future minimum payments under the capital leases are as follows:

	<u>2011</u>	<u>2010</u>
2011	-	8,237
2012	7,962	8,237
2013	7,599	5,879
2014	4,995	-
2015	4,995	-
2016	<u>4,597</u>	<u>-</u>
Total minimum lease payments	30,148	22,353
Less: imputed interest at rates ranging from 16% to 20%	<u>8,945</u>	<u>7,201</u>
	\$ <u>21,203</u>	\$ <u>15,152</u>



# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2011

8. Long-term liabilities	<u>2011</u>	<u>2010</u>
Debentures, payable in annual instalments, interest ranging from 8.5% to 9.5% per annum, maturing 2013	\$ 1,020,000	\$ 1,460,000
Debentures, payable in annual instalments, interest ranging from 3.55% to 4.50% per annum, maturing 2015	333,000	408,000
Debentures, bearing interest at 5.542% per annum, interest only for first five years, payable in semi-annual blended instalments over the remaining term, maturing 2036	11,591,000	11,591,000
Debentures, payable in semi-annual instalments, interest ranging from 4.10% to 4.80% per annum, maturing 2016	446,000	524,000
Debentures, payable in semi-annual instalments, bearing interest at 4.56%, maturing 2018	1,526,000	1,744,000
Debentures, payable in semi-annual instalments, bearing interest at 3.66%, maturing 2019	1,125,965	1,245,105
Debentures, payable in semi-annual instalments, bearing interest at 3.91%, maturing 2020	1,888,466	2,060,500
Debentures, payable in semi-annual instalments, interest ranging from 1.50% to 4.15% per annum, maturing 2020	1,326,000	1,450,000
Debentures, payable in semi-annual instalments, interest ranging from 1.65% to 4.90% per annum, maturing 2028	32,800,000	-
Debentures, payable in semi-annual instalments, bearing interest at 2.73%, maturing 2021	1,050,000	-
Other long-term obligations, maturing 2010-2015	<u>25,862</u>	<u>31,155</u>
	<u>\$ 53,132,293</u>	<u>\$ 20,513,760</u>

Annual principal payments over the next five years and thereafter are as follows:

2012	\$ 3,096,962
2013	3,200,575
2014	2,743,378
2015	2,825,430
2016	2,817,956
2017 – 2036	<u>38,447,992</u>
	<u>\$ 53,132,293</u>

The long-term liabilities have received approval of the Ontario Municipal Board (or approval by private legislation for those approved on or before December 31, 1996). Those approved after January 1997 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.

---

## The Corporation of the Town of New Tecumseth

### Notes to the Consolidated Financial Statements

December 31, 2011

---

9. Taxation	<u>2011</u>	<u>2010</u>
Real property	\$ 46,663,063	\$ 46,252,595
Payments in lieu of taxes	<u>164,795</u>	<u>169,556</u>
	<b>46,827,858</b>	<b>46,422,151</b>
Less: taxes collected on behalf of School Boards and the County of Simcoe	<u>27,170,072</u>	<u>27,521,540</u>
Net taxes available for Town purposes	<u>\$ 19,657,786</u>	<u>\$ 18,900,611</u>

---

#### 10. Commitments

##### (a) Policing services

The Town, along with two neighbouring townships, in November 2007 negotiated a five-year early renewal of a joint policing contract with the Minister of Community Safety and Correctional Services of Ontario for the provision of police services by the Ontario Provincial Police (OPP). The term of this contract runs from April 1, 2008 until March 31, 2013 with the cost determined annually through a budget process. The new contract includes provision for an annual increase in the complement of the Nottawasaga OPP for each year of the contract. Either party to the agreement may terminate the contract upon one year's written notice. During the year ended December 31, 2011, the Town's total expenditure under the existing OPP contract was \$4,283,214 (2010 - \$4,088,148).

##### (b) Water supply and related agreements

The Town has entered into a water supply agreement with the Public Utilities Commission of the Town of Collingwood for a portion of its fresh water supply. The agreement requires the Town to purchase specified minimum levels of water in each year of the agreement, which extends to the year 2019 with renewal options. Under an agreement with a private sector contractor expiring in 2014, the Town is provided with services required for the operation and maintenance of the pipeline constructed to transport the water. The pipeline is owned by the New Tecumseth Improvement Society, a corporation without share capital organized to benefit the residents of the Town of New Tecumseth. The Town has provided the New Tecumseth Improvement Society with a 99-year lease covering the easements necessary for the pipeline.

##### (c) Other

During the year, the Town entered into contracts for capital projects. Approximately \$627,000 has not been expended as at December 31, 2011.

---

# The Corporation of the Town of New Tecumseth

## Notes to the Consolidated Financial Statements

December 31, 2011

---

### 11. Contingencies

The Town, in the course of its operations, is subject to claims, lawsuits and contingencies. For claims that remain unsettled at December 31, 2011, the Town has made provision in its accounts for actions that are likely to succeed and for which the loss can be estimated.

---

### 12. Pension agreement

The Town makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 172 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.

Contribution rates range from 7.4% to 14.1% (2010 – 6.4% to 13.1%) depending on the proposed retirement age and the level of earnings. As a result, \$828,230 (2010- \$688,029) was contributed to OMERS during the year.

---

### 13. Financial Instruments

The Town's financial instruments consist of cash and cash equivalents, taxes receivable, water and wastewater billings receivable, receivables, payables and accruals, developer deposits and long-term liabilities. Unless otherwise noted, it is management's opinion that the Town is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair market values of these financial instruments approximate their carrying values, unless otherwise noted.

---

### 14. Segmented reporting

In accordance with Section 2700 of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants, the Town has prepared segmented financial information.

The Town is a diversified municipal government entity that provides a wide range of services to its citizens, including General Government, Protection, Transportation, Environmental, Health, Recreation and Cultural, Planning and Development.

The revenues and expenditures for each service area have been separately disclosed in the segmented information, and include the following activities:

General Government – Finance, Administration, Council and Human Resources  
Protection – Police, Fire, Building Construction, By-law Enforcement and Conservation Authorities  
Transportation – Roadways, Winter Control, Street-lighting, Parking and Transit  
Environmental – Water, Wastewater, Storm Sewer and Environmental Programs  
Health – Physician Recruitment  
Recreation and Cultural – Arenas, Libraries, Parks, Recreation Programs and Museum  
Planning and Development – Planning and Zoning, Economic Development and Business Improvement Areas

---

**The Corporation of the Town of New Tecumseth**  
**Notes to the Consolidated Financial Statements**

December 31, 2011

---

**14. Segmented reporting (continued)**

In the preparation of segmented financial information, it is necessary to use reasonable allocation methods. For each reported segment, revenues represent both amounts that are directly attributable to the segment and amounts that are allocated. Property taxation and other revenue are apportioned based on percentage of operating expenditures (excluding Environmental). The remaining revenue sources and all expenditures are directly attributable to each segment.

All Environmental revenues and expenses are directly attributable to the segment. The majority of Environmental service expenses are Water and Wastewater, which are funded primarily by user fees.

**The Corporation of the Town of New Tecumseth**  
**Notes to the Consolidated Financial Statements**

December 31, 2011

14. Segmented reporting December 31, 2011

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Consolidated
<b>Revenue</b>								
Property taxation	\$ 3,273,242	\$ 5,359,173	\$ 4,926,958	\$ -	\$ 5,811	\$ 5,227,371	\$ 865,231	\$ 19,657,786
User charges	35,857	1,410,685	353,010	7,980,868	-	2,089,930	118,786	11,989,136
Government grants	167,800	55,839	418,924	788,316	-	286,235	252	1,717,366
Contribution from developers	16,245	-	911,512	1,646,668	-	600,795	149,625	3,324,845
Other revenue	2,009,566	3,290,196	3,024,843	-	4,189	3,209,278	531,200	12,069,272
<b>Total revenue</b>	<b>5,502,710</b>	<b>10,115,893</b>	<b>9,635,247</b>	<b>10,415,852</b>	<b>10,000</b>	<b>11,413,609</b>	<b>1,665,094</b>	<b>48,758,405</b>
<b>Expenditures</b>								
Salaries and benefits	3,345,935	2,268,649	1,884,623	3,459,281	-	3,772,649	873,037	15,604,174
Interest	-	26,923	179,848	1,142,050	-	721,273	-	2,070,094
Materials	955,986	784,223	2,035,822	3,802,334	10,000	1,830,609	344,725	9,763,699
Contracted services	296,440	4,464,886	771,631	564,810	-	44,139	25,137	6,167,043
Rents	-	-	33,867	-	-	49,474	-	83,341
Amortization	198,801	309,555	2,315,003	4,122,285	-	1,242,928	25,159	8,213,731
<b>Total expenditures</b>	<b>4,797,162</b>	<b>7,854,236</b>	<b>7,220,794</b>	<b>13,090,760</b>	<b>10,000</b>	<b>7,661,072</b>	<b>1,268,058</b>	<b>41,902,082</b>
<b>Net revenue (expenditures)</b>	<b>\$ 705,548</b>	<b>\$ 2,261,657</b>	<b>\$ 2,414,453</b>	<b>\$ (2,674,908)</b>	<b>\$ -</b>	<b>\$ 3,752,537</b>	<b>\$ 397,036</b>	<b>\$ 6,856,323</b>

**The Corporation of the Town of New Tecumseth**  
**Notes to the Consolidated Financial Statements**

December 31, 2011

14. Segmented reporting December 31, 2010

	General Government	Protection	Transportation	Environmental	Health	Recreation and Cultural	Planning and Development	Consolidated
<b>Revenue</b>								
Property taxation	\$ 3,096,850	\$ 5,235,291	\$ 4,902,397	\$ -	\$ 16,296	\$ 4,873,955	\$ 775,822	\$ 18,900,611
User charges	34,570	757,739	98,115	7,558,724	-	1,839,839	105,004	10,393,991
Government grants	186,400	55,812	12,051	239,535	-	3,313,228	216	3,807,242
Contribution from developers	-	17,033	3,226,465	1,476,530	-	1,121,311	67,350	5,908,689
Other revenue	421,083	711,851	666,587	-	1,704	662,718	105,491	2,569,434
<b>Total revenue</b>	<b>3,738,903</b>	<b>6,777,726</b>	<b>8,905,615</b>	<b>9,274,789</b>	<b>18,000</b>	<b>11,811,051</b>	<b>1,053,883</b>	<b>41,579,967</b>
<b>Expenditures</b>								
Salaries and benefits	3,101,694	2,138,167	1,862,933	3,015,737	-	3,328,508	776,184	14,223,223
Interest	-	15,319	168,752	160,724	-	642,373	-	987,168
Materials	898,846	791,873	2,054,530	3,773,070	18,000	1,846,444	269,366	9,652,129
Contracted services	259,772	4,277,740	692,273	798,335	-	164,655	45,836	6,238,611
Rents	-	-	33,334	-	-	1,352	-	34,686
Amortization	187,327	295,732	2,228,911	4,009,407	-	1,016,553	22,836	7,760,766
<b>Total expenditures</b>	<b>4,447,639</b>	<b>7,518,831</b>	<b>7,040,733</b>	<b>11,757,273</b>	<b>18,000</b>	<b>6,999,885</b>	<b>1,114,222</b>	<b>38,896,583</b>
<b>Net revenue (expenditures)</b>	<b>(708,736)</b>	<b>\$ (741,105)</b>	<b>\$ 1,864,882</b>	<b>\$ (2,482,484)</b>	<b>\$ -</b>	<b>\$ 4,811,166</b>	<b>\$ (60,339)</b>	<b>\$ 2,683,384</b>

---

**The Corporation of the Town of New Tecumseth**  
**Notes to the Consolidated Financial Statements**  
December 31, 2011

---

**15. Correction of prior period**

From 2006 to the current fiscal period, the Library Board has been incorrectly recording unspent contributions between deferred revenue and reserve funds.

As a result, the December 31, 2010 figures presented for comparative purposes have been restated, from those previously reported, in order to properly record the deferred revenue and reserve funds as follows:

	<u>Increase</u>	<u>Decrease</u>
Deferred revenue - other		\$1,771
Reserve funds set aside by Council - Library (Page 22)	\$1,771	

---

**16. Subsequent event**

In February 2012, the Town sold an unopened road allowance. The net proceeds of approximately \$140,000 will be transferred to a reserve fund set aside by Council.

**The Corporation of the Town of New Tecumseth**  
**Schedule 1 - Consolidated Schedule of Accumulated Surplus**

December 31	2011	2010
<b>Reserve funds set aside by Council</b>		
General administration	\$ 4,879,418	\$ 5,187,344
Roads	31,745	31,336
Sanitary and storm sewers	9,696	10,836
Recreation and cultural services	163,477	233,364
Planning and development	<u>53,358</u>	<u>64,247</u>
Total Reserve funds	<u>5,137,694</u>	<u>5,527,127</u>
<b>Reserves set aside by Council</b>		
Working capital	-	529,275
Tax rate stabilization	1,822,355	1,329,923
WSIB reserve	30,256	30,256
General administration	142,220	111,381
Protective services	215,893	669,385
Roads	2,349,606	2,339,014
Sanitary and storm sewers	258,819	305,754
Water	807,896	1,039,221
Library	404,927	404,537
Recreation and cultural services	353,444	413,557
Planning and development	<u>247,371</u>	<u>210,639</u>
Total reserves	<u>6,632,787</u>	<u>7,382,942</u>
<b>Total Reserve Funds and Reserves</b>	<u><b>11,770,481</b></u>	<u><b>12,910,069</b></u>
<b>Surpluses (Deficits)</b>		
Invested in tangible capital assets	236,559,816	227,634,725
Operations surplus	300,000	300,000
Library Board	-	-
Alliston Business Improvement Area	147,942	135,225
Beeton Tottenham Business Improvement Area	15,313	13,941
Applicable to area rates		
Water	120,588	164,531
Wastewater	-	-
Unfunded		
Employee benefits and post-employment liabilities	(2,428,813)	(1,802,181)
Debt associated with tangible capital assets	(53,153,496)	(53,227,018)
Debenture Interest accrual	<u>(654,260)</u>	<u>(308,044)</u>
Total Surpluses	<u>180,907,090</u>	<u>172,911,179</u>
<b>Accumulated Surplus</b>	<u><b>\$ 192,677,571</b></u>	<u><b>\$ 185,821,248</b></u>

See accompanying notes to the consolidated financial statements



**The Corporation of the Town of New Tecumseth**  
**Schedule 2 - Consolidated Schedule of Tangible Capital Assets**

December 31, 2011

Cost	2010	Additions	Disposals	2011
Land	\$ 35,820,910	\$ 6,121,170	\$ (54,602)	\$ 41,887,478
Land improvements	8,459,425	3,063,911	(324,926)	11,198,410
Buildings	117,625,457	1,987,601	(9,591)	119,603,467
Machinery and equipment	5,577,380	428,628	(28,769)	5,977,239
Vehicles	10,502,256	643,706	(83,463)	11,062,499
Library collection and materials	605,122	104,220	-	709,342
Roads, bridges, underground and other networks	<u>115,107,750</u>	<u>7,129,517</u>	<u>(79,775)</u>	<u>122,157,492</u>
	293,698,300	19,478,753	(581,126)	312,595,927
Assets under construction	<u>3,498,555</u>	<u>1,603,256</u>	<u>(3,843,889)</u>	<u>1,257,922</u>
	<u>\$ 297,196,855</u>	<u>\$ 21,082,009</u>	<u>\$ (4,425,015)</u>	<u>\$ 313,853,849</u>

Accumulated amortization	2010	Amortization	Disposals	2011
Land improvements	\$ 1,723,741	\$ 375,699	\$ (287,423)	\$ 1,812,017
Buildings	26,794,807	3,880,259	(2,398)	30,672,668
Machinery and equipment	2,226,101	453,798	(28,769)	2,651,130
Vehicles	4,852,660	788,765	(83,463)	5,557,962
Library collection and materials	365,702	101,285	-	466,987
Roads, bridges, underground and other networks	<u>33,599,119</u>	<u>2,613,925</u>	<u>(79,775)</u>	<u>36,133,269</u>
	<u>\$ 69,562,130</u>	<u>\$ 8,213,731</u>	<u>\$ (481,828)</u>	<u>\$ 77,294,033</u>

**Net book value**

	Cost	Accumulated Amortization	2011	2010
Land	\$ 41,887,478	\$ -	\$ 41,887,478	\$ 35,820,910
Land improvements	11,198,410	1,812,017	9,386,393	6,735,684
Buildings	119,603,467	30,672,668	88,930,799	90,830,650
Machinery and equipment	5,977,239	2,651,130	3,326,109	3,351,279
Vehicles	11,062,499	5,557,962	5,504,537	5,649,596
Library collection and materials	709,342	466,987	242,355	239,420
Roads, bridges, underground and other networks	<u>122,157,492</u>	<u>36,133,269</u>	<u>86,024,223</u>	<u>81,508,631</u>
	312,595,927	77,294,033	235,301,894	224,136,170
Assets under construction	<u>1,257,922</u>	<u>-</u>	<u>1,257,922</u>	<u>3,498,555</u>
	<u>\$ 313,853,849</u>	<u>\$ 77,294,033</u>	<u>\$ 236,559,816</u>	<u>\$ 227,634,725</u>