

# Report to Finance and Corporate Services Committee

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TO: FINANCE AND CORPORATE SERVICES COMMITTEE

SUBJECT: 2012 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

WARD: ALL

PREPARED BY AND KEY CONTACT: L. JERMEY, CA, SENIOR FINANCIAL ANALYST *L. Jeremy*  
C. MILLAR, MBA, CGA, DEPUTY TREASURER *Craig Miller*

SUBMITTED BY: D.MCKINNON, CGA, DIRECTOR OF FINANCE *Craig Miller on behalf*

GENERAL MANAGER APPROVAL: E. ARCHER, CMA, GENERAL MANAGER OF CORPORATE SERVICES *Ed Archer*

CHIEF ADMINISTRATIVE OFFICER APPROVAL: C. LADD, CHIEF ADMINISTRATIVE OFFICER

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## RECOMMENDED MOTION

1. That the 2012 Audited Consolidated Financial Statements be approved, and delegated authority be given to the Treasurer or designate to approve any minor presentation changes as requested by the City's external auditor, Deloitte LLP.

## PURPOSE & BACKGROUND

2. The purpose of this report is to present the 2012 Consolidated Audited Financial Statements ("the financial statements"). The financial statements are a key accountability tool and provide valuable information about the corporation's financial condition in the following format:
  - a) Consolidated Statement of Financial Position
  - b) Consolidated Statement of Operations and Accumulated Surplus
  - c) Consolidated Statement of Change in Net Financial Assets (Debt)
  - d) Consolidated Statement of Cash Flows
  - e) Notes to the Financial Statements

These statements have been prepared by staff in accordance with generally accepted accounting principles (GAAP) as established by the Public Sector Accounting Board (PSAB) and have been audited by Deloitte LLP, as required by section 296.(1) of the *Municipal Act, 2001*, S.O. 2001, c. 25. This report provides highlights of the 2012 financial statements. The statements are provided in Appendix "A".

3. The consolidated financial statements provide Council, the public, the City's debenture holders and other interested stakeholders an overview of the City's finances at the end of the year and indicate revenues, expenses and funding sources and uses. Staff are responsible for preparing the statements; Deloitte's role, as the City's external auditor, is to express an opinion on the fair presentation of the City's financial position and operating results and to confirm that the statements are free from material misstatements.

## Consolidated Financial Statements

# Report to Finance and Corporate Services Committee

4. The consolidated financial statements include the following individual statements:

**TABLE 1: Consolidated Financial Statements**

Name	Purpose	Comments
Consolidated Statement of Financial Position	Provides a summary of the city's consolidated financial assets and liabilities (the financial resources available to provide future services and the future revenues required to pay for past transactions)	<ul style="list-style-type: none"> <li>Includes tangible capital assets</li> <li>Reserves and Reserve Funds are reported as part of "Accumulated Surplus"</li> </ul>
Consolidated Statement of Operations and Accumulated Surplus	Summarizes revenues, expenses for the year and accumulated surplus at year end. This statement reflects the combined operations of the operating, capital (revenue portion only), reserve and reserve funds for the City of Barrie and its consolidated entities and provides the calculation of the City's year-end accumulated surplus.	<ul style="list-style-type: none"> <li>Includes amortization charge – capital spending is not shown as expenditures</li> <li>Only reflects interest payments on debt (debt principal repayments reflected in balances shown on Statement of Financial Position)</li> <li>Assumed assets reflected as revenue</li> </ul>
Consolidated Statement of Change in Net Financial Assets (Debt)	Summarizes the change in net assets (debt) as a result of annual operations, tangible capital asset transactions and changes in other non-financial assets	<ul style="list-style-type: none"> <li>This is a newer statement unique to governments which assists users in understanding whether enough net revenue was generated during the year to cover capital and other non-financial assets</li> </ul>
Consolidated Statement of Cash Flows	Summarizes the City's cash position and changes during the year by describing the sources and uses of cash categorized by operating, capital, investing and financing transactions	<ul style="list-style-type: none"> <li>No change</li> </ul>

5. The consolidated financial statements combine the financial results of the city's divisions with the financial results of the agencies, boards, commissions and government business enterprise that the city effectively controls or significantly influences. The entities consolidated in the financial statements as described in the Summary of Significant Accounting Policies accompanying the statements include:

- Allandale Community Development Corporation (included directly in the City's operations after December 31, 2011)
- Barrie Police Services Board
- Barrie Public Library Board
- Downtown Barrie Business Improvement Area
- Barrie Hydro Holdings Inc.
- Lake Simcoe Regional Airport Inc.

# Report to Finance and Corporate Services Committee

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## ANALYSIS

### **2012 Consolidated Financial Statements**

6. The financial statements present five key indicators about a government's finances:
  - a. Net debt
  - b. Accumulated surplus (deficit)
  - c. Annual surplus (deficit)
  - d. Annual change in net debt
  - e. Cash flows

### **Consolidated Statement of Financial Position and Consolidated Statement of Change in Net Financial Assets (Debt)**

7. The Consolidated Statement of Financial Position is the municipal equivalent of the private sector's Balance Sheet. Among other details, it reports two of the five key indicators – net debt and accumulated surplus (deficit).
8. Net debt is the difference between financial assets and liabilities and represents the amount that must be financed from future budgets to pay for prior period decisions. Net debt results from cumulative spending that exceeds cumulative revenues raised. As shown, the City of Barrie's net debt position increased in 2012 by \$17.3 million to a total of \$222.1 million. This is generally attributable to a reliance on debt financing for the acquisition of tangible capital assets.
9. The Consolidated Statement of Change in Net Financial Assets (Debt) describes the factors making up the annual change in net assets (debt) and the difference between the annual surplus and net debt. The inclusion of budget figures allows for an assessment of plan versus actual results.
10. Accumulated Surplus is the amount by which all assets, including tangible capital assets, exceed liabilities. A surplus indicates a government has net resources (financial and physical) to provide services in the future, while a deficit indicates liabilities are greater than assets and the government has been financing annual operating deficits by borrowing.
11. The City of Barrie's accumulated surplus grew by \$2.9 million in 2012. This is attributable to an increase in the number and value of tangible capital assets. Although tangible capital assets are a considerable share of accumulated surplus, they do not provide liquidity and are not typically available for sale. So, although the existence of a growing accumulated surplus balance is positive, it is tempered by the increase in net debt.
12. Historically, the emphasis on net debt facilitated a short term perspective about the implications of investing and financing decisions. By reporting accumulated surplus, there is a more complete picture of the corporation's financial position that makes it easier to understand the importance of maintaining sufficient reserve balances, prudently using debt and protecting the investment in tangible capital assets with asset management plans and sufficient expenditures on asset maintenance.

### **Consolidated Statement of Operations and Accumulated Surplus**

13. The Consolidated Statement of Operations and Accumulated Surplus is the municipal equivalent of the private sector's Statement of Income and Retained Earnings. It shows whether revenues raised in the year were sufficient to cover costs. Supplementary information included in Appendix B of this Staff Report reconciles the consolidated operating surplus with the budget surplus reported to Council in Staff Report FIN006-13.

# **Report to Finance and Corporate Services Committee**

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14. It is important to note that a surplus does not indicate that there are "profits" or extra cash to spend. A surplus indicates whether a government maintained its net assets in the reporting period. However, judgments about the meaning and significance of a reported annual surplus need to consider the sources and uses of cash and the change in gross/net debt during the reporting period.
15. To illustrate, although net long term liabilities increased by \$61.5 million, the City of Barrie invested in \$65.5 million of new tangible capital assets (excluding assumed assets) and also incurred \$50.9M of amortization expense which represents the allocation of historical (original purchase) cost of existing assets used to deliver programs and services over their estimated useful lives.
16. As described in note 12 of the financial statements, the accumulated surplus is segregated into different categories largely driven by the City's Investment in Capital Assets. Also contained in the total are consolidated Reserves, including \$1.5 million associated with Library as presented in the Library's 2012 Financial Statements.

## **Consolidated Statement of Cash Flows**

17. The Consolidated Statement of Cash Flows describes how activities were financed during the reporting period and the effect of activities on cash balances. As the statement shows, the most significant use and source of cash respectively were the investment in tangible capital assets and the issuance of long term debt to finance that investment.
18. The Consolidated Statement of Cash Flows helps inform readers about whether future cash resources are sufficient for sustaining the corporation's activities. We must also consider the corporation's Financial Policies Framework, capital plan and expected service levels. While the financial statements provide an opportunity to consider these policies and plans, they will also be considered during Council's review of the annual business plan.

## **ENVIRONMENTAL MATTERS**

19. There are no environmental matters related to the recommendation.

## **ALTERNATIVES**

20. As this report is provided for information and compliance with provincial legislation, there are no alternatives.

## **FINANCIAL**

21. While this report has no direct financial implications, indirectly, PSAB standards reflected in these financial statements emphasize the significance of incorporating amortization, post-employment and landfill liabilities into the corporation's budget through adequate reserve transfers, and improving its financial condition.

## **LINKAGE TO COUNCIL STRATEGIC PRIORITIES**

22. This report is directly linked to Council's strategic priority to strengthen Barrie's financial condition through the ability of the financial statements to indicate the balance of the cost of service demands with financial resources.

# **Report to Finance and Corporate Services Committee**

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## **APPENDIX "A"**

### **2012 Consolidated Financial Statements**

Consolidated financial statements of

**The Corporation of the  
City of Barrie**

December 31, 2012

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# The Corporation of the City of Barrie

December 31, 2012

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## Independent Auditor's Report

To the Mayor and Councillors of  
The Corporation of the City of Barrie

We have audited the accompanying consolidated financial statements of The Corporation of the City of Barrie, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated 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 consolidated 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 consolidated financial statements are free from 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 consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the City of Barrie as at December 31, 2012 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

The Consolidated financial statements of the prior period, which are included for comparative purposes, were audited by a predecessor auditor who issued an unmodified opinion dated June 27, 2012.

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants  
(Date of the Auditors' Report)

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# The Corporation of the City of Barrie

## Consolidated statement of operations and accumulated surplus year ended December 31, 2012

	2012 Budget (Note 20)	2012 Actual	2011 (Restated - Notes 2 and 6)
	\$	\$	\$
<b>Revenue</b>			
Property taxation (Note 14)	177,077,117	176,283,375	167,245,622
User fees and service charges	64,888,807	65,126,478	59,366,281
Government transfers and grants	5,115,355	8,202,991	25,594,349
Provincial Offences Act (Note 19)	7,782,355	8,068,442	7,798,301
Licences, permit fees	3,348,654	3,920,168	3,675,391
Investment income	1,924,220	1,575,606	1,518,021
Other	6,813,615	8,766,223	9,954,101
Contributed tangible capital assets		12,185,615	9,224,855
Equity earnings of government business enterprise (Note 6)		7,217,363	5,253,552
Municipal contributions	1,124,269	714,724	892,618
Utilization of obligatory reserve funds (Note 7)	18,238,913	28,203,578	26,400,022
	<b>286,313,305</b>	<b>320,264,563</b>	<b>316,923,113</b>
<b>Expenses (Note 15)</b>			
General government	31,799,903	31,965,461	34,767,679
Protection services	84,099,906	86,206,931	78,415,497
Transportation services	47,351,525	49,259,134	47,785,837
Environmental services	73,594,467	74,255,732	58,582,311
Health services	23,326,670	18,218,590	36,383,070
Social and family services	11,403,457	10,733,496	10,831,589
Social housing	4,995,241	4,725,704	4,689,099
Recreation and cultural service	34,734,068	37,343,715	33,199,203
Planning and development	3,278,662	4,681,978	4,682,716
	<b>314,583,899</b>	<b>317,390,741</b>	<b>309,337,001</b>
Annual (deficit) surplus	(28,270,594)	2,873,822	7,586,112
Accumulated surplus, beginning of year, as previously stated	1,432,985,087	1,432,985,087	1,416,192,885
Prior period restatements (Notes 2 and 6)	-	-	9,206,090
Accumulated surplus, beginning of year, as restated	1,432,985,087	1,432,985,087	1,425,398,975
<b>Accumulated surplus, end of year</b>	<b>1,404,714,493</b>	<b>1,435,858,909</b>	<b>1,432,985,087</b>

The accompanying notes to the consolidated financial statements are an integral part of this financial statement.

# The Corporation of the City of Barrie

## Consolidated statement of change in net debt year ended December 31, 2012

	2012 Budget (Note 20)	2012 Actual	2011 (Restated - Notes 2 and 6)
	\$	\$	\$
Annual (deficit) surplus	(28,270,594)	2,873,822	7,586,112
Acquisition of tangible capital assets	(51,216,661)	(59,392,895)	(353,568,041)
Contributed tangible capital assets	-	(12,185,615)	(9,224,855)
Amortization of tangible capital assets	50,900,750	50,900,750	38,504,050
Loss on disposal of tangible capital assets	-	6,456,571	2,893,332
Land transferred to inventories for resale	-	-	949,595
(Acquisition) transfer of tangible capital assets under construction	-	(6,075,837)	276,224,504
Write down of tangible capital assets	-	8,014	-
Proceeds on disposition of tangible capital assets	-	120,559	141,434
	(28,586,505)	(17,294,631)	(36,493,869)
Decrease in inventories of supplies	-	9,529	122,479
Decrease in prepaid expenses	-	10,416	11,888
	-	19,945	134,367
Net change in net debt	(28,586,505)	(17,274,686)	(36,359,502)
Net debt, beginning of year	(204,874,552)	(204,874,552)	(177,721,140)
Prior period restatements (Notes 2 and 6)	-	-	9,206,090
<b>Net debt, end of year</b>	<b>(233,461,057)</b>	<b>(222,149,238)</b>	<b>(204,874,552)</b>

The accompanying notes to the consolidated financial statements are an integral part of this financial statement.

# The Corporation of the City of Barrie

## Consolidated statement of financial position as at December 31, 2012

	2012	2011 (Restated - Notes 2 and 6)
	\$	\$
<b>Assets</b>		
Cash and cash equivalents (Notes 3 and 7)	60,524,169	82,815,047
Taxes receivable	15,179,926	16,216,593
Accounts receivable	25,482,356	21,388,027
Inventories of land for resale	4,418,215	4,880,353
Long-term receivables (Note 5)	4,374,353	1,178,840
Investment in government business enterprise (Note 6)	99,442,337	92,224,974
	<b>209,421,356</b>	<b>218,703,834</b>
<b>Liabilities</b>		
Short-term construction advances (Note 4)	20,000,000	60,000,000
Accounts payable and accrued liabilities	60,289,930	72,831,011
Deferred revenue - general	7,931,936	7,994,631
Deferred revenue - obligatory reserve funds (Note 7)	49,361,697	55,275,042
Post employment benefits liability (Note 8)	30,108,548	26,180,579
Landfill closure and post-closure liabilities (Note 9)	20,417,230	19,332,195
Net long-term liabilities (Note 10)	243,461,253	181,964,928
	<b>431,570,594</b>	<b>423,578,386</b>
<b>Net debt</b>	<b>(222,149,238)</b>	<b>(204,874,552)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 11)	1,611,473,196	1,597,380,580
Tangible capital assets under construction	44,989,094	38,913,257
Inventories of supplies	1,427,296	1,436,825
Prepaid expenses	118,561	128,977
	<b>1,658,008,147</b>	<b>1,637,859,639</b>
<b>Accumulated surplus (Note 12)</b>	<b>1,435,858,909</b>	<b>1,432,985,087</b>

Commitments (Note 16) and contingent liabilities (Note 17)

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
General Manager, Community and Corporate Services  
and Municipal Treasurer

The accompanying notes to the consolidated financial statements are an integral part of this financial statement.

# The Corporation of the City of Barrie

## Consolidated statement of cash flows year ended December 31, 2012

	2012	2011 (Restated - Notes 2 and 6)
	\$	\$
<b>Operating activities</b>		
Annual surplus	2,873,822	7,586,112
Items not involving cash		
Equity earnings of government business enterprise	(7,217,363)	(5,253,552)
Amortization of tangible capital assets	50,900,750	38,504,050
Loss on disposal of tangible capital assets	6,456,571	2,893,332
Write down of tangible capital assets	8,014	-
Land transferred to inventories for resale	-	949,595
Contributed tangible capital assets	(12,185,615)	(9,224,855)
	40,836,179	35,454,682
Change in non-cash operating balances		
Decrease in taxes receivable	1,036,667	1,956,689
(Increase) decrease in accounts receivable	(4,094,329)	1,319,691
Decrease (increase) in inventories of land for resale	462,138	(314,567)
(Increase) decrease in long-term receivables	(3,195,513)	3,831,052
Decrease in accounts payable and accrued liabilities	(12,541,081)	(14,793,446)
(Decrease) increase in deferred revenue - general	(62,695)	328,004
(Decrease) increase in deferred revenue - obligatory reserve funds	(5,913,345)	1,159,597
Increase in post employment benefits liability	3,927,969	1,639,225
Increase in landfill closure and post-closure liabilities	1,085,035	829,652
Decrease in prepaid expenses	10,416	11,888
Decrease in inventories of supplies	9,529	122,479
	21,560,970	31,544,946
<b>Capital activities</b>		
Acquisition of tangible capital assets	(59,392,895)	(353,568,041)
(Acquisition) transfer of tangible capital assets under construction	(6,075,837)	276,224,504
Proceeds on disposition of tangible capital assets	120,559	141,434
	(65,348,173)	(77,202,103)
<b>Investing activity</b>		
Cash dividend received from government business enterprise	-	4,500,000
<b>Financing activities</b>		
(Decrease) increase in short-term construction advances	(40,000,000)	10,000,000
Proceeds from issuance of long-term debt	69,554,000	75,000,000
Repayment of net long-term liabilities	(8,057,675)	(7,056,648)
	21,496,325	77,943,352
Net change in cash and cash equivalents	(22,290,878)	36,786,195
Cash and cash equivalents, beginning of year	82,815,047	46,028,852
<b>Cash and cash equivalents, end of year</b>	<b>60,524,169</b>	<b>82,815,047</b>

The accompanying notes to the consolidated financial statements are an integral part of this financial statement.

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2012

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### 1. Summary of significant accounting policies

#### *Management's responsibility*

The consolidated financial statements of The Corporation of the City of Barrie (the "City") are the responsibility of management. They have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

#### *Reporting entity*

##### Consolidated entities

These consolidated financial statements reflect the assets, liabilities, revenues and 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 City and which are owned or controlled by the City. These boards and entities include:

Allandale Community Development Corporation  
Barrie Police Services Board  
Barrie Public Library Board  
Downtown Barrie Business Improvement Area

All inter-entity transactions and balances have been eliminated.

##### Modified equity accounting

Government business enterprises are accounted for by the modified equity method. Under this method the business enterprises' accounting principles are not adjusted to conform with those of the City and inter-entity transactions and balances are not eliminated. The government business enterprise included during the year and summarized in Note 6 is Barrie Hydro Holdings Inc.

##### Proportionately consolidated entity

These consolidated financial statements reflect the proportional assets, liabilities, revenues and expenses of the following entity:

Lake Simcoe Regional Airport Inc. 80%

All proportional inter-entity transactions and balances have been eliminated.

#### *Cash and cash equivalents*

Cash consists of balances held at financial institutions and all cash equivalents consist of highly liquid financial instruments with maturity of three months or less at acquisition.

#### *Inventories*

Inventories of land held for resale are valued at the lower of cost and net realizable value.

Inventories of supplies are priced at average cost on a first-in, first-out basis.

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2012

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

#### *Tangible capital assets*

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including, but not limited to: transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue when fair value can be reasonably estimated. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing in the year following that in which the asset is available for productive use as follows:

Buildings	15 to 60 years
Machinery and equipment	5 to 30 years
Fleet	3 to 16 years
Other	3 to 20 years
Plant and facilities	5 to 60 years
Underground and other networks	15 to 100 years
Bridges	15 to 100 years
Road and sidewalks	15 to 100 years

#### *Tangible capital assets under construction*

Tangible capital assets under construction are recorded at cost. When construction is completed the tangible capital assets under construction will be transferred to tangible capital assets and amortized based on their classification.

#### *Long-term receivables*

Long-term receivables include the outstanding principal portion of expenses incurred to benefit land owners and other various organizations. These are reported on the statement of financial position. The City records allowances for impairment when it is determined that the company will be unable to collect all amounts due according to the terms of the underlying agreement. Interest earned in relation to the receivables is recorded as revenue when received.

#### *Taxation and related revenues*

Property tax billings are prepared by the City based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established by City Council, incorporating amounts to be raised for local services and amounts the City 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 a minimum of 5 per cent 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 rolls which provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the City determines the taxes applicable and renders supplementary tax billings. Taxation revenues are recorded at the time the taxes are levied. Assessments and 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 City is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are earned.

#### *User fees and other revenues*

User fees and other revenues are reported on an accrual basis.

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2012

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

#### *Investment income*

Investment income earned on surplus funds is reported as revenue in the period earned. Investment income earned on obligatory funds such as development charges and parkland allowances is added to the associated funds and forms part of respective deferred revenue balances.

#### *Development charges*

Subdivider contributions and fees for services are recognized over the period of service or when required expenses occur if applicable.

#### *Government grants*

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.

#### *Transfer payments*

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

#### *Pension plan*

The City is an employer member of the Ontario Municipal Employee Retirement System ("OMERS"), which is a multi-employer, defined benefit pension plan (the "Plan"). The OMERS Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of assets and administration of the benefits. The City uses defined contribution plan accounting principles for this Plan. The City records as pension expense the amount paid to OMERS during the year plus any amounts owing to OMERS for the year ended.

#### *Non-pension post-retirement benefits, compensated absences and termination benefits*

The City accrues its obligations under employee benefit plans as the employees render the services necessary to earn employee future benefits. The City has adopted the following valuation methods and assumptions:

#### Actuarial cost method

Accrued benefit obligations are computed using the projected benefit method prorated on service, as defined in PSAB 3250 and PSAB 3255. The objective under this method is to expense each member's benefit under the plan taking into consideration projections of benefit costs to and during retirement. Under this method an equal portion of total estimated future benefit is attributed to each year of service.

#### Workplace Safety and Insurance (WSIB) obligation

The costs of WSIB obligations are actuarially determined and the cost is recognized immediately in the period the event occurred.

#### Funding policy

The non-pension post retirement and post-employment benefits are funded on a pay-as-you-go basis. The City funds on a cash basis as benefits are paid. No assets have been formally segregated and restricted to provide the non-pension retirement and post-employment benefits.



# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2012

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

*Non-pension post-retirement benefits, compensated absences and termination benefits (continued)*

#### Accounting policies

Actuarial gains and losses are amortized on a linear basis over the expected average remaining service life ("EARS") (expected remaining payment period in respect of the retiring allowance) of members expected to receive benefits under the plan, with amortization commencing in the period following the determination of the gain or loss. Obligations are attributed to the period beginning on the member's date of hire and ending on the expected date of termination, death or retirement, depending on the benefit value. The City's fiscal year-end is December 31 and the measurement date of the City's obligation is as such.

#### Deferred revenue

#### Obligatory Reserve Funds

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

#### General

Funds received from residents and contractors in security for the completion of specified development projects are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

#### Landfill closure and post-closure liabilities

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, discounted, adjusted for estimated inflation, and are charged to expense as the landfill site's capacity is used.

#### Use of estimates

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these consolidated financial statements are landfill closure and post-closure liabilities, post-employment benefits liability, Provincial Offences Act receivables, allowances for doubtful accounts, the estimated useful lives of tangible capital assets and other accrued liabilities and/or obligations. Actual results could differ from management's best estimates as additional information becomes available in the future.

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2012

### 2. Restatement of comparative figures

The 2011 comparative figures have been restated as a result of the following items:

#### a) *Correction of prior years' error*

During the year, it was discovered that expenses and accounts payable were understated and accumulated surplus was overstated in both 2011 and 2010 as a result of an error in recording transportation services expenses.

#### b) *Adoption of IFRS by PowerStream Inc.*

During the year, Powerstream Inc., adopted International Financial Reporting Standards (IFRS) resulting in a retroactive adjustment to the City's investment in Barrie Hydro Holdings Inc., which holds the shares of Powerstream Inc. See further details in Note 6.

The impact of the above noted restatements on the 2011 comparative figures is as follows:

	As previously reported	Adjustments		As restated
	\$	(a)	(b)	\$
Investment in government business enterprise	83,412,844	-	8,812,130	92,224,974
Accounts payable and accrued liabilities	64,923,785	942,175	-	65,865,960
Equity earnings of government business enterprise	6,367,112	-	1,113,560	5,253,552
Transportation services expense	47,563,262	222,575	-	47,785,837
Accumulated surplus, beginning of year	1,416,192,885	(719,600)	9,925,690	1,425,398,975
Accumulated surplus, end of year	1,425,115,132	(942,175)	8,812,130	1,432,985,087

In addition to the above noted restatements, certain comparative figures were reclassified to conform to the current year's presentation. An amount of \$6,722,350 relating to vacation pay payable was reclassified from post-employment benefits liability to accounts payable and accrued liabilities and an amount of \$242,701 was reclassified between accounts receivable and accounts payable and accrued liabilities.

### 3. Cash and cash equivalents

The City's bank accounts are held at one chartered bank. The bank accounts earn interest at a variable rate calculated on the daily balances.

The City has a credit facility agreement with the bank. Under this agreement the City has an operating line of credit to be used to finance the day-to-day operations, in the amount of \$25,000,000 at an interest rate of the bank's stated prime rate. The carrying balance of this operating line of credit at year end was \$Nil (2011 - \$Nil).

### 4. Short-term construction advances

The City has a financing agreement in place with Ontario Infrastructure Projects Corporation (OIPC) whereby OIPC made financing available up to a maximum of \$266,000,000 for the acquisition of tangible capital assets related to specific infrastructure projects.

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2012

### 4. Short-term construction advances (continued)

Each advance shall be due and payable in full on the earlier of the facility termination date (defined as the earlier of June 9, 2014 and the date on which the obligations of OIPC have been terminated) or the debenture purchase date for the project(s) for which the advance was made. The advance will be repaid by a) using immediately available funds; b) converting the advance into long term financing by issuing to OIPC one or more debentures in a principal amount at least equal to the advance to be repaid; or c) any combination of (a) and (b).

Interest is calculated at a floating rate per annum based on OIPCs cost of funds plus their prevailing spread assigned to the borrower section for the program delivery costs and risks.

During the year, the City utilized \$80,000,000 (2011 - \$135,000,000) of construction advances with \$60,000,000 (2011 - \$75,000,000) converted to debentures during the year resulting in \$20,000,000 (2011 - \$60,000,000) left in short- term advances at year end.

### 5. Long-term receivables

	2012	2011
	\$	\$
Loan receivable from MacLaren Art Centre, this loan is non-interest bearing and is the result of a court approved re-organization plan based on the City's loan balance as at March 16, 2006. The re-organization plan runs until December 16, 2016. The loan is secured by a general security agreement.	3,941,141	3,941,141
Other notes receivable from various organizations. These have various maturity dates, from 2014 to 2031 and are non-interest bearing.	836,341	951,628
Note receivable from Barrie Hydro Holdings Inc. (Note 6), which is non-interest bearing and repayable on demand.	3,310,800	-
Long-term receivables from benefiting land owners, which have various maturity dates and interest rates ranging from 2013 to 2020 and 3.3% to 5.3% respectively.	227,212	227,212
	8,315,494	5,119,981
Allowance for doubtful accounts	(3,941,141)	(3,941,141)
	4,374,353	1,178,840

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2012

### 6. Investment in government business enterprise

The following summarizes the financial position and operations of the government business enterprise which has been reported in these consolidated financial statements using the modified equity method:

#### (a) Barrie Hydro Holdings Inc.

The City holds 100% of the shares of Barrie Hydro Holdings Inc. ("Holdings"). Holdings holds 100% of the shares in Barrie Hydro Energy Services Inc. ("Services"), and 20.5% of the shares of PowerStream Inc. ("PowerStream"), which provides hydro electricity to residents.

#### First time adoption of International Financial Reporting Standards (IFRS)

PowerStream adopted IFRS on January 1, 2012. The adoption of IFRS requires retroactive application of the new accounting framework as at the date of transition which was January 1, 2011. As a result, the consolidated Holdings amounts for the December 31, 2011 year end have been restated resulting in adjustments to the amounts that were reported previously in the City's consolidated financial statements. The transition to IFRS resulted in the following adjustments to the City's 2011 comparative financial statements:

- an increase in the investment in government business partnership of \$8,812,130
- a decrease in equity earnings of government business partnership of \$1,113,560.
- an increase to opening accumulated surplus of \$9,925,690 and;
- an increase in closing accumulated surplus of \$8,812,130.

The following provides condensed combined financial information for Barrie Hydro Holdings Inc.

	2012	2011 as restated
	\$	\$
Financial position		
Current assets	44,445,587	38,920,067
Capital assets	168,289,215	147,434,770
Other assets	20,031,985	19,096,570
Total assets	232,766,787	205,451,407
Current liabilities	53,726,020	41,225,918
Long-term liabilities	99,598,430	92,000,515
Total liabilities	153,324,450	133,226,433
Total net assets	79,442,337	72,224,974
Results of operations		
Revenues	202,874,286	190,980,151
Operating expenses	(194,172,122)	(183,471,717)
Taxes	(1,484,801)	(2,103,387)
Net income for the year	7,217,363	5,405,047
Other comprehensive income	-	(151,495)
Total comprehensive income for the year	7,217,363	5,253,552

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2012

### 6. Investment in government business enterprise (continued)

#### (b) Promissory note receivable

An unsecured promissory note receivable from PowerStream Inc. as at December 31, 2012 amounted to \$20,000,000 (2011 - \$20,000,000) bearing interest at 5.58% (2011 - 5.58%) and payable on December 31 of each year. The promissory note receivable matures on May 31, 2024. Interest received in the year and included in other income is \$1,119,058 (2011 - \$1,116,000).

#### (c) Barrie Hydro Holdings Inc.

	2012	2011
	\$	\$
Investment	79,442,337	72,224,974
Promissory note receivable	20,000,000	20,000,000
	<u>99,442,337</u>	<u>92,224,974</u>

#### (d) Related party transactions and balances

Realty taxes and facilities rental received from PowerStream Inc. were \$283,000 (2011 - \$331,000) for the year.

Energy and distribution services purchased from PowerStream Inc. were \$6,757,594 (2011 - \$6,316,000) for the year.

Shared services purchased from PowerStream Inc. were \$16,934 (2011 - \$652,000) for the year.

On November 23, 2010 a Subscription Agreement was signed between PowerStream Inc. and its Shareholders for Class A common shares for the purposes of Shareholders providing equity for the Corporation's generation business. In 2012, 9,684 (2011 - 800) Class A common shares were purchased by Holdings. Holdings' relative share of ownership of common shares remains unchanged.

Dividend income from Barrie Hydro Holdings Inc. was \$Nil (2011 - \$4,500,000).

Note receivable of \$3,310,800 due from Barrie Hydro Holdings Inc. (Note 5) were outstanding as of December 31, 2012 (2011 - \$Nil).

Net balance payable to PowerStream Inc. as at December 31, 2012 was \$577,300 (2011 - \$455,000).

The amounts due to/from related parties are unsecured, non-interest bearing with no fixed terms of repayment.

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2012

### 7. Deferred revenue - obligatory reserve funds

The balances in the obligatory reserve funds of the City are summarized below:

	2012	2011
	\$	\$
Balance, beginning of year	55,275,042	54,115,445
Federal gas tax contributions	7,879,181	7,879,181
Development contributions	11,823,298	17,063,245
Provincial gas tax contributions	1,888,654	1,896,999
Investment income	699,100	720,194
Utilization of funds	(28,203,578)	(26,400,022)
Deferred revenue - obligatory funds, end of year	49,361,697	55,275,042
Analysed as follows		
Development charges	33,368,567	40,876,768
Federal gas tax	8,029,330	5,773,111
Provincial gas tax	4,789,330	5,554,823
Cash in lieu of parkland	3,159,911	3,055,396
Federal transit tax	14,559	14,944
Deferred revenue - obligatory funds, end of year	49,361,697	55,275,042

There is provincial and municipal legislation which restricts how these funds may be used. Cash needed to fund these reserves is \$49,361,697 (2011 - \$55,275,042) with respect to the above obligatory reserve funds. Actual cash and cash equivalents on hand was \$60,524,169 (2011 - \$82,815,047) at year end.

### 8. Post-employment benefits liability

	2012	2011
	\$	\$
Accumulated post-retirement benefits - accrued obligation	28,515,986	25,943,988
Unamortized net actuarial loss	(8,562,133)	(9,182,882)
Post-retirement benefits - accrued benefit liability	19,953,853	16,761,106
Accumulated sick leave benefits - accrued obligation	8,808,899	8,465,497
Unamortized net actuarial loss	(1,449,887)	(1,558,856)
Sick leave benefits - accrued benefit liability	7,359,012	6,906,641
WSIB obligation - accrued benefit liability	2,795,683	2,512,832
	30,108,548	26,180,579

Information about post-retirement benefits is as follows:

	2012	2011
	\$	\$
Current year benefit cost	1,866,853	634,219
Interest on accrued benefit obligation	1,067,842	533,026
Amortization of actuarial loss	620,748	69,187
Expense	3,555,443	1,236,432

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2012

### 8. Post-employment benefits liability (continued)

Information about compensated absences is as follows:

	2012	2011
	\$	\$
Current year benefit cost	1,076,788	1,106,870
Amortization of actuarial loss	338,713	-
Interest on accrued benefit obligation	108,969	308,009
Expense	1,524,470	1,414,879

The amount of benefits paid during the year was \$314,792 (2011 - \$145,271) for post-retirement benefits and \$602,276 (2011 - \$406,650) for compensated absence benefits.

#### *Retirement benefits*

##### Retirement life insurance and health care benefits

The City provides life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age and to Barrie Police Services Board employees after retirement until the members reach 75 years of age. The benefit costs and liabilities related to this plan are based on an actuarial valuation prepared by an independent firm. The date of the last actuarial valuation was as of December 31, 2011.

#### *Post-employment benefits, compensated absences and termination benefits*

##### Workplace Safety and Insurance Board

The City is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for financing its workplace safety insurance costs. The accrued obligation represents the actuarial valuation of claims to be insured based on the history of claims with City employees. A Workers' Compensation Reserve is established to help reduce the future impact of these obligations. As at December 31, 2012, the balance in the Workers' Compensation Reserve is \$4,181,007 (2011 - \$4,302,831) and is included as part of the Reserve Funds (Note 12).

##### Sick leave benefits

The City provides paid sick leave that can be carried forward up to a maximum defined by the employee group. The benefit costs and liabilities recorded for this benefit in 2012 are based on an actuarial valuation prepared by an independent firm. The date of the last actuarial valuation was as of December 31, 2011.

The accrued benefit obligations for the City's post-employment benefits liability as at December 31, 2012 are based on an extrapolation of an actuarial valuations for accounting purposes as at December 31, 2011. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are management's best estimates of expected rates of:

	2012	2011
	%	%
Expected future inflation rates	2.0	2.0
Expected wage and salary increases	3.0	3.0
Discount on accrued benefit obligations	4.0	4.0
Health care costs escalation	4.0 to 12.0	4.0 to 12.0
Dental costs escalation	3.5 to 8.0	3.5 to 8.0

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2012

### 9. Landfill closure and post-closure liabilities

Solid waste closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance. The present value of the City's estimated future liability for this expense is recognized as the landfill site's capacity is used. The liability and annual expense is calculated based on the ratio of utilization to total capacity of the landfill site and the discounted estimated cash flows associated with closure and post-closure activities. The reported liability as at year end was \$20,417,230 (2011 - \$19,332,195) and reflects a discount rate of 4.0% (2011 - 4.0%).

The liability is based on estimates and assumptions related to events extending over the remaining life of the landfill. The landfill is expected to reach its capacity in 13 years and the estimated remaining capacity is 593,641 (2011 - 644,500) cubic meters which is 15% (2011 - 16%) of the site's total capacity. The total estimated future expenses for closure and post-closure care are \$24,055,814 (2011 - \$23,130,590) leaving an amount to be recognized of \$3,638,584 (2011 - \$3,798,395) when the landfill reaches full capacity. The estimated length of time needed for post-closure care is 50 years.

### 10. Net long-term liabilities

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

	2012	2011
	\$	\$
Total long-term liabilities, bearing interest at rates ranging from 2.84% to 5.13%, incurred by the City	243,461,253	181,964,928

The aggregate maturities of the net long-term liabilities are as follows:

	Principal repayments
	\$
2013	8,811,283
2014	9,236,823
2015	7,415,263
2016	7,762,309
2017	8,125,702
Thereafter	202,109,873
	243,461,253

The gross interest expense relating to the above long-term debt was \$10,534,126 (2011 - \$8,379,236).

The long-term liabilities reported above, issued in the name of the City, have been approved by municipal 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 City of Barrie

Notes to the consolidated financial statements

December 31, 2012

## 11. Tangible capital assets

	2012					2012				
	Land	Buildings	Machinery and equipment	Fleet	Other	Plant and facilities	Underground and other networks	Bridges	Roads and sidewalks	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost, beginning of year	236,763,988	165,643,897	37,031,628	42,072,224	136,839,003	476,135,511	590,089,146	8,847,936	345,906,644	2,039,329,977
Additions	7,594,363	6,183,443	1,776,237	6,750,869	12,844,332	1,054,090	14,173,627	5,916,252	15,285,297	71,578,510
Disposals	(713)	(1,671,450)	(705,715)	(1,479,108)	(6,917,943)	(475,864)	(311,604)	-	(7,367,270)	(18,928,767)
Cost, end of year	244,357,638	170,155,890	38,102,150	47,343,985	142,766,292	476,713,737	603,951,169	14,764,188	353,824,671	2,091,979,720
Accumulated amortization, beginning of year	-	51,516,130	11,246,975	24,661,171	46,250,362	110,385,624	84,941,302	1,297,144	111,650,809	441,949,397
Amortization	-	5,263,727	2,219,994	3,392,395	6,963,034	16,377,727	7,582,079	127,929	8,973,865	50,900,750
Disposals	-	(1,141,341)	(660,907)	(1,473,208)	(5,066,745)	(186,282)	(106,837)	-	(3,768,303)	(12,343,623)
Accumulated amortization, end of year	-	55,638,516	12,806,062	26,640,298	48,146,591	126,577,069	92,416,544	1,425,073	116,856,371	480,506,524
Net carrying amount end of year	244,357,638	114,517,374	25,296,088	20,703,687	94,619,701	350,136,668	511,534,625	13,339,115	236,968,300	1,611,473,196

# The Corporation of the City of Barrie

Notes to the consolidated financial statements

December 31, 2012

## 11. Tangible capital assets (continued)

	2012					2011				
	Land	Buildings	Machinery and equipment	Fleet	Other	Plant and facilities	Underground and other networks	Bridges	Roads and sidewalks	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost, beginning of year	232,437,663	143,822,133	29,022,212	42,388,325	103,897,250	248,776,838	561,440,054	8,879,363	323,592,491	1,694,256,929
Additions	5,393,550	22,566,621	11,373,457	1,600,339	40,313,721	227,805,437	31,156,598	-	22,583,173	362,792,896
Disposals	(1,067,225)	(744,857)	(3,364,041)	(1,916,440)	(7,371,968)	(446,764)	(2,507,506)	(32,027)	(269,020)	(17,719,848)
Cost, end of year	236,763,988	165,643,897	37,031,628	42,072,224	136,839,003	476,135,511	590,089,146	8,847,336	345,906,644	2,039,329,977
Accumulated amortization										
beginning of year	-	47,251,368	12,947,313	23,054,716	48,013,350	102,826,616	78,588,659	1,164,309	103,334,503	417,180,834
Amortization	-	4,358,949	1,658,203	3,522,835	5,510,322	7,813,706	7,034,398	132,835	8,472,802	38,504,050
Disposals	-	(94,187)	(3,358,541)	(1,916,440)	(7,273,370)	(254,698)	(681,755)	-	(156,496)	(13,735,487)
Accumulated amortization, end of year	-	51,516,130	11,246,975	24,661,111	46,250,302	110,385,624	84,941,302	1,297,144	111,650,809	441,949,397
Net carrying amount end of year	236,763,988	114,127,767	25,784,653	17,411,113	90,588,701	365,749,887	505,147,844	7,550,792	234,255,835	1,597,380,580

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2012

### 12. Accumulated surplus

The City segregates its accumulated surplus in the following categories:

	2012	2011
		(Restated - Note 2)
	\$	\$
Investment in tangible capital assets	1,656,462,290	1,636,293,837
Revenue fund	(93,706,202)	(168,222,973)
Reserves	74,526,400	106,939,301
Equity in government business enterprise	99,442,337	92,224,974
Amounts to be recovered		
Vacation payable liability	(6,878,886)	(6,772,350)
Post employment benefits and other liabilities	(30,108,548)	(26,180,579)
Landfill closure and post-closure liabilities	(20,417,230)	(19,332,195)
Municipal debt	(243,461,253)	(181,964,928)
	<b>1,435,858,908</b>	<b>1,432,985,087</b>

### 13. Pension agreement

OMERS provides pension services to over 428,000 active and retired members and about 970 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2012. The results of this valuation disclosed total actuarial liabilities of \$69,122 million in respect of benefits accrued for service with actuarial assets at that date of \$59,198 million indicating an actuarial deficit of \$9,924 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the City does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the City to OMERS for 2012 were \$8,807,230 (2011 - \$7,860,851).

### 14. Property taxation

	2012	2011
	\$	\$
Property taxes and payments-in-lieu	176,283,375	167,245,622
Collections for other governments		
Province of Ontario - school tax	60,929,059	62,353,872
	<b>237,212,434</b>	<b>229,599,494</b>
Transfers		
Province of Ontario - school tax	(60,929,059)	(62,353,872)
Available for general municipal purposes	<b>176,283,375</b>	<b>167,245,622</b>

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2012

### 15. Expenses by object

	2012	2011
		(Restated - Note 2)
	\$	\$
Salaries, wages and employee benefits	126,806,847	115,922,423
Materials	41,421,074	45,959,981
Contracted services	42,876,710	39,399,771
Rents and financial expenses	3,138,929	2,526,988
Transfer payments	36,055,734	55,751,220
Interest on long-term debt	10,534,126	8,379,236
Amortization	50,900,750	38,504,050
Loss on disposal of tangible capital assets	6,456,571	2,893,332
	<b>317,390,741</b>	<b>309,337,001</b>

### 16. Commitments

By Motion #05-A-431, the City committed to contribute a total of \$52,500,000 in funding to the Royal Victoria Regional Health Centre (RVH) for the construction of a Cancer Care Centre. The construction of the Cancer Care Centre and Phase I commenced in 2008. The contributions are for a 5 year term commencing December 2009 and being paid no later than June 30 and December 31. Installments are not required to be paid until all conditions have been fulfilled to the City's satisfaction and if the cost of the expansion is less than \$415 million then the amount of the contribution will be reduced. Total payments made as of December 31, 2012 were \$42,000,000 (2011 - \$34,000,000).

By Motion #10-G-345 the City provided a loan guarantee with the Toronto-Dominion Bank for Victoria Village Projects in the amount of \$16,875,000 for a term ending September 30, 2015. The guarantee and amount were required to provide long-term financing for the capital construction costs and financial payment requirements of Victoria Village Projects, a long-term care and supportive housing complex located at 76 Ross Street (site of the old RVH).

The City also has numerous contracts with a variety of suppliers for future capital projects that are budgeted in the next fiscal year.

### 17. Contingent liabilities

Legal actions and claims have been instituted against the City. However, after reviewing the merits of these actions and claims with counsel and the insurers, it is management's opinion that there will be no significant uninsured liability arising from these claims. Accordingly, no provision has been made in the accounts for any amount claimed.

### 18. Funds held in trust

At the year end, the City held \$949 (2011 - \$949) in trust for the Ontario Home Renewal Program. These funds are not included in these consolidated financial statements.

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2012

### 19. Provincial Offences Administration (POA)

The Ministry of the Attorney General requires all municipal partners administering Provincial Offences Administration to disclose in the year end audited consolidated financial statements a note on the gross and net provincial offences revenues earned. The following table provides condensed financial information required by the terms in the Memorandum of Understanding (MOU) for its 2012 fiscal year with comparative figures for the year 2011.

	2012 \$	2011 \$
<b><u>Barrie POA office</u></b>		
Revenues (net of refunds)	6,290,412	6,311,713
Expenses		
Provincial charges	398,843	388,341
City operating expenses	3,302,557	3,132,165
	3,701,400	3,520,506
Net revenue	2,589,012	2,791,207
Other		
Participating partners shares	1,764,057	1,969,269
City of Barrie's share	824,955	821,938
<b><u>Orillia POA office</u></b>		
Revenues (net of refunds)	1,778,030	1,486,588
Expenses		
Provincial charges	102,363	98,623
City operating expenses	946,217	821,939
	1,048,580	920,562
Net revenue	729,450	566,026
Other		
Participating partners share	729,450	566,026
City of Barrie's share	-	-

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2012

### 20. Budget

The Budget By-Law adopted by Council on January 30, 2012 and the consolidated entities' Board's budgets were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budgets were prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis of accounting. In addition, the budgets include tangible capital expenditures rather than including amortization expense. Also, the 2012 Council-Approved Capital Budget includes revenues that will be recognized in the consolidated statement of operations and accumulated surplus when the related expenditures occur. Since capital projects are usually multi-year in nature, the timing of the recognition of these revenues is frequently different than the year in which they are budgeted. The budget figures presented, and approved by Council and the consolidated entities' Boards, were adjusted to reflect amortization expense which was not included in the approved budgets as follows:

	Per 2012 Approved Operating Budget	Per 2012 Council- Approved Capital Budget	2012 Actual Amortization Adjustment	2012 Budget as Presented
	\$	\$	\$	\$
<b>Revenue:</b>				
Taxation	177,077,117	-	-	177,077,117
Fees and service charges	64,888,807	-	-	64,888,807
Government grants and transfers	2,776,770	2,338,585	-	5,115,355
POA	7,782,355	-	-	7,782,355
Utilization of obligatory reserve funds	9,023,204	9,215,709	-	18,238,913
Other	12,710,431	500,327	-	13,210,758
	<u>274,258,684</u>	<u>12,054,621</u>	<u>-</u>	<u>286,313,305</u>
<b>Expenses:</b>				
General government	29,202,486	-	2,597,417	31,799,903
Protection services	80,323,964	-	3,775,942	84,099,906
Transportation services	34,215,437	-	13,136,088	47,351,525
Environmental services	48,448,148	-	25,146,319	73,594,467
Health services	23,300,765	-	25,905	23,326,670
Social and family services	11,403,457	-	-	11,403,457
Social housing	4,995,241	-	-	4,995,241
Recreation and culture services	28,519,440	-	6,214,628	34,734,068
Planning and development	3,274,211	-	4,451	3,278,662
	<u>263,683,149</u>	<u>-</u>	<u>50,900,750</u>	<u>314,583,899</u>
Budgeted debt principal repayment	9,416,291			
Budgeted interfund transfers	843,992	(28,715,472)		
Budgets from other Boards net of transfers	315,252			
Budgeted capital expenditures		51,216,661		
Budgeted debenture funding		(10,446,568)		
	<u>-</u>	<u>-</u>		

# The Corporation of the City of Barrie

## Notes to the consolidated financial statements

December 31, 2012

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### 21. Segmented information

The City is a diversified municipal government that provides a wide range of services to its citizens such as transit, police, fire and water. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

#### *General government*

This item encompasses the revenues and expenses related to administrative departments and activities including Council, Chief Administrative Officer Division, Finance, Human Resources, Clerk's Office, Information & Communications Technology and Corporate facilities.

#### *Protection services*

This section represents Policing activities, Fire and Emergency Services, Building Code administration and enforcement, Municipal By-law enforcement including animal control and Provincial Offences administration including Court services.

#### *Transportation services*

This section represents the activities for all roads maintenance and administration including winter control and response, transit services, sidewalks, traffic signals and systems, parking and street lighting. Additionally the consolidated results include the proportionate share of revenues and expenses related to a regional airport and in 2011, the activities of a community development corporation that operates a rail line.

#### *Environmental services*

Activities of this segment represent the property tax funded aspects of the environmental services, which are garbage collection, disposal and recycling and storm water management and control. User rate funded activities for Water and Wastewater are mandated by the Province to be self-funding and are included in this segment.

#### *Health and social services*

The expenses grouped in this segment relate primarily to services provided by the County of Simcoe as the Consolidated Service Manager which includes Ontario Works, Land Ambulance, Social Housing, Homes for the Aged, ODSP and Childcare. District Health Unit costs and contributions to the Royal Victoria Regional Health Centre, Cancer Care and expansion project are also included.

#### *Recreation and cultural services*

All recreation facilities, program costs, parks maintenance and related direct administration revenues and expenses are included in this section. Library services are also included as well as all costs related to cultural initiatives.

#### *Planning and development*

The Planning Department and Economic Development Department activities are represented in this segment along with the revenues and expenses related to the Business Improvement Area in the downtown core.

#### *Other*

This segment captures the equity earnings from the City's Government Business Enterprise (Note 6) and contributed tangible capital assets.

# The Corporation of the City of Barrie

Notes to the consolidated financial statements

December 31, 2012

## 22. Segmented information (continued)

	General government	Protection services	Transportation services	Environmental services	Health and social services	Recreation and cultural services	Planning and development	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>									
Taxation	176,283,375	-	-	-	-	-	-	-	176,283,375
Fees and service charges	352,061	968,342	7,385,927	47,962,860	-	8,066,663	390,625	-	65,126,478
Government grants and transfers	-	1,851,861	3,358,707	2,081,124	23,501	530,857	356,941	-	8,202,991
POA	-	8,068,442	-	-	-	-	-	-	8,068,442
Utilization of obligatory reserves funds	56,880	525,507	10,358,830	15,610,481	-	1,651,880	-	-	28,203,578
Other	4,930,418	4,507,978	1,822,821	833,409	17,212	2,833,266	30,617	19,402,978	34,379,699
	181,622,734	15,922,130	22,926,285	66,388,874	40,713	13,082,666	778,183	19,402,978	320,264,563
<b>Expenses</b>									
Salaries and benefits	15,235,211	69,038,819	7,620,632	14,117,522	138,905	17,467,509	2,388,249	-	126,006,847
Goods and services	13,936,335	9,616,461	24,466,196	23,926,251	166,218	9,970,342	2,215,981	-	84,297,784
Interest on long term debt	34,857	-	646,990	9,099,679	-	752,600	-	-	10,534,126
Transfer (external)	-	2,493,508	242,464	-	33,346,762	-	-	-	36,085,734
Amortization	2,597,417	3,775,942	12,407,481	25,874,926	25,905	6,214,628	4,451	-	50,900,750
Other	161,641	1,282,201	3,902,371	1,237,354	-	2,938,636	73,297	-	9,595,500
	31,965,461	86,206,931	49,259,134	74,255,732	33,677,790	37,343,715	4,681,978	-	317,390,741
<b>Net surplus (deficit)</b>	149,657,273	(70,284,801)	(26,332,849)	(7,766,858)	(33,637,077)	(24,261,049)	(3,903,795)	19,402,978	2,873,822



Notes to the consolidated financial statements  
December 31, 2012

2011  
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Appendix "B"

Reconciliation of Consolidated Operating Surplus

	2012
	\$
Surplus reported to Council	
Tax rate supported deficit	2,276,459
Water rate surplus	2,804,896
Waste water surplus	2,216,697
	<u>7,298,052</u>
Add	
Building code surplus	371,627
Parking rate surplus	597,119
Revenue from assumed assets	12,185,615
Revenue recognized in capital fund	24,402,693
Equity income of government business enterprise	7,217,363
Other consolidated entities' surplus	2,428,426
Net transfers from reserves	4,150,396
Long-term debt principal payments	8,057,674
Less	
Amortization of tangible capital assets	(50,900,750)
Other accounting adjustments	(1,292,947)
Increase in landfill closure and post-closure liabilities	(1,085,035)
Increase in post employment benefits liabilities	(3,927,969)
Increase in vacation payable liability	(156,535)
Loss on disposal of tangible capital assets	(6,471,907)
<u>Consolidated surplus per statement of operations</u>	<u>2,873,822</u>