

Report to Finance and Corporate Services Committee

TO: FINANCE AND CORPORATE SERVICES COMMITTEE

SUBJECT: 2011 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

PREPARED BY AND KEY CONTACT: L. JERMEY, CA, SENIOR FINANCIAL ANALYST 

SUBMITTED BY: C. MILLAR, MBA, CGA, ACTING DIRECTOR OF FINANCE 

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

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

RECOMMENDED MOTION

1. That the 2011 Audited Consolidated Financial Statements be approved.
2. That the expense resulting from setting up an allowance in relation to the MacLaren Art Centre notes receivable of \$3,941,141 be funded as follows:
 - a.) \$1,970,571 from the Tax Capital Reserve (13-04-0440)
 - b.) \$1,970,570 from the Tax Rate Stabilization Reserve (13-04-0461)
3. That in the event any future funds are recovered related to the allowance for the MacLaren Art Centre notes receivable, be allocated to the Tax Capital Reserve (13-04-0440) and the Tax Rate Stabilization Reserve (13-04-0461)

PURPOSE & BACKGROUND

4. The purpose of this report is to present the 2011 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 BDO Canada LLP, as required by section 296.(1) of the *Municipal Act, 2001*, S.O. 2001, c. 25. This report provides highlights of the 2011 financial statements. The statements are provided in Appendix "A".

5. 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; BDO's role, as the City's external auditor, is to express an opinion on the fair

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presentation of the City's financial position and operating results and to confirm that the statements are free from material misstatements.

6. Another purpose of this report is to recommend funding related to the accounting adjustment for the allowance for doubtful accounts expense required by the City's external auditor, BDO Canada LLP, in relation to the MacLaren Art Centre ("the MacLaren").

Consolidated Financial Statements

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

TABLE 1: Consolidated Financial Statements

Name	Purpose	Recent PSAB Reporting Standard Changes
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)	- Includes tangible capital assets - Reserves and Reserve Funds are reported as part of "Accumulated Surplus"
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.	- Includes amortization charge – capital spending is not shown as expenditures - Only reflects interest payments on debt (debt principal repayments reflected in balances shown on Statement of Financial Position) - Developer accelerated assets reflected as revenue; debenture financing reflected as revenue prior to 2009 but now shown on Stmt of Financial Position
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	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
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	No change

8. 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

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statements as described in the Summary of Significant Accounting Policies accompanying the statements include:

- Allandale Community Development Corporation
- Barrie Police Services Board
- Barrie Public Library Board
- Downtown Barrie Business Improvement Area
- Barrie Hydro Holdings Inc.
- Lake Simcoe Regional Airport Inc.

ANALYSIS

2011 Consolidated Financial Statements

9. 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

10. 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).
11. 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 2011 by \$35.0 million to a total of \$212.7 million. This is generally attributable to a reliance on debt financing for the acquisition of tangible capital assets (such as the recently completed Surface Water Treatment Plant).
12. 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.
13. The City of Barrie has an accumulated surplus that grew by \$8.9M in 2011. 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 existence of net debt.
14. Reporting accumulated surplus was a new and positive change for municipal financial reporting effective in 2009. 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.

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Long-term Receivables

15. As identified in Note 4 of Appendix A, an allowance for doubtful accounts has been established in the amount of \$3.9M related to an outstanding loan receivable from the MacLaren Art Centre. The financial history of the loan has been summarized in Appendix B.
16. Recent correspondence from Paddon & Yorke Inc, in their capacity as Trustee for the MacLaren Art Centre, indicated it is unlikely any funds will be collected on behalf of creditors. As a result, the City's auditors BDO Canada LLP in consultation with City staff determined the need to set up an allowance for doubtful accounts for the full amount of the existing loan.
17. An allowance for doubtful accounts is used to reflect the estimated collectability and risk of loss associated with a loan or group of loans. In other words, the original amount of a loan (or loans) is offset by its allowance to present an estimate of the recoverable balance. In this case, the \$3.9M loan to the MacLaren is completely offset by the allowance of \$3.9M for an estimated recoverable balance of \$nil (see note 4 of the financial statements in Appendix A). The allowance can be reversed in future periods if the likelihood of collectability of the loan in question improves.
18. The loan to the MacLaren Art Centre was borrowed from the City's reserves with the expectation the funds would be replenished in the future. As a result of the allowance, an accounting adjustment is required to recognize the expense and reflect the reduction in the City's reserves. Staff are recommending that the reduction in reserves be split equally between the Tax Capital Reserve and the Tax Rate Stabilization reserve because of committed pressures on each reserve for 2012.
19. Moving forward, staff will work with the MacLaren Art Centre with the objective of monitoring for possible future recoveries related to the Note Receivable allowance.

Consolidated Statement of Operations and Accumulated Surplus

20. 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 with the financial statements reconciles the consolidated operating surplus with the budget deficit reported to Council in Staff Report FIN001-12.
21. 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.
22. To illustrate, although net long term liabilities increased by \$67.9M, the City of Barrie invested in \$77.3M of new tangible capital assets (excluding annexed assets) and also incurred \$38.5M 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.

Consolidated Statement of Change in Net Financial Assets (Debt)

23. 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.

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24. The City of Barrie's 2011 increase in net debt is almost entirely the result of investments in tangible capital assets ("capital assets"). Capital asset spending levels were lower than planned when the net acquisition of capital assets including those under construction is considered. When net acquisitions of capital assets (increase of \$362.8M) and capital assets under construction (decrease of \$276.2M) are considered, \$86.6M of capital spending occurred in 2011, as compared to a budget of \$96.1M. This difference is a result of timing in spending and the multi-year nature of capital budgeting/spending.
25. The acquisition of tangible capital assets of \$362.8M is a gross amount which indicates the value of assets which were put into service in 2011. This amount includes costs that were incurred in previous years when the assets were under construction (tangible capital assets under construction).

Consolidated Statement of Cash Flows

26. 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.
27. The Consolidated Statement of Cash Flows helps inform judgments about whether future cash resources are sufficient for sustaining the corporation's activities. Such judgments 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

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

ALTERNATIVES

41. The alternatives available for consideration by General Committee in relation to funding the allowance for doubtful accounts:

Alternative #1

General Committee could approve a motion to fund the loan allowance 100% from the Tax Rate Stabilization Reserve.

This alternative is not recommended because it is not consistent with Council's Financial Policy Framework, as the projected Dec 31, 2012 ending balance in the Tax Rate Stabilization Reserve including the recommended motion in this staff report is \$3.6M. This balance is below the minimum balance of 5% of gross operating revenues, which is \$11.2M based on the 2012 operating budget.

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FINANCIAL

29. The chart below from the 2011 Business Plan – Year End Report (Staff Report FIN001-12), has been updated to reflect the MacLaren Loan allowance adjustment on reserve balances.

Reserve	Balance at Dec 31, 2011	Committed at Dec 31, 2011	2011 MacLaren Loan Allowance	Non – Committed Balance at Dec 31, 2011
Tax Rate Stabilization Reserve	\$6,439,726	\$178,490*	(\$1,970,570)	\$4,290,666*
Tax Capital Reserve	\$45,791,915	\$26,117,454*	(\$1,970,571)	\$17,703,890*

*Balances do not reflect any 2012 in-year changes

30. While the first recommendation of 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

31. 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

APPENDIX "A"

2011 Consolidated Financial Statements

**The Corporation of the
City of Barrie**
Consolidated Financial Statements
For the year ended December 31, 2011

DRAFT SUBJECT TO CHANGE

**The Corporation of
the City of Barrie**
Consolidated Financial Statements
For the year ended December 31, 2011

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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, 2011, 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 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 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 controls 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, these consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the City of Barrie 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.

Chartered Accountants, Licensed Public Accountants

Barrie, Ontario
June 27, 2012

The Corporation of the City of Barrie
Consolidated Statement of Financial Position

December 31 **2011** **2010**

Restated
(See Note 1)

Financial assets

Cash and cash equivalents (Notes 2 and 7)	82,815,047	46,028,852
Taxes receivable	16,216,593	18,173,282
Accounts receivable	21,145,326	22,707,718
Inventories of land for resale	4,880,353	4,565,786
Long-term receivables (Note 4)	1,178,840	5,009,892
Investment in government business partnership (Note 6)	83,412,844	81,545,732
	<u>209,649,003</u>	<u>178,031,262</u>

Liabilities

Short-term construction advances (Note 3)	60,000,000	50,000,000
Accounts payable and accrued liabilities	64,923,785	80,784,818
Deferred revenue - general	7,994,631	7,666,627
Deferred revenue - obligatory reserve funds (Note 7)	55,275,042	54,115,445
Post employment benefits liability (Note 8)	32,902,929	30,661,393
Landfill closure and post-closure liabilities (Note 9)	19,332,195	18,502,543
Net long-term liabilities (Note 10)	181,964,928	114,021,576
	<u>422,393,510</u>	<u>355,752,402</u>

Net debt

(212,744,507) (177,721,140)

Non-financial assets

Tangible capital assets (Note 11)	1,597,380,580	1,277,076,095
Tangible capital assets under construction (Note 11)	38,913,257	315,137,761
Inventories of supplies	1,436,825	1,559,304
Prepaid expenses	128,977	140,865
	<u>1,637,859,639</u>	<u>1,593,914,025</u>

Accumulated surplus (Note 12) **\$1,425,115,132** **\$1,416,192,885**

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

Mayor

Chief Administrative Officer

The Corporation of the City of Barrie
Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31	Budget 2011	2011	2010
	(Note 20)		Restated (See Note 1)
Revenue			
Property taxation (Note 14)	\$ 167,829,379	\$ 167,245,622	\$ 160,200,707
User fees and service charges	58,064,008	59,366,281	52,961,387
Government transfers and grants	2,678,827	25,594,349	16,384,310
Provincial Offences Act (Note 19)	7,781,918	7,798,301	7,624,289
Licences, permit fees	3,686,205	3,675,391	4,455,672
Investment income	5,166,000	1,518,021	2,171,900
Other	6,256,963	9,954,101	7,477,254
Annexed assets (Note 5)	-	-	26,998,289
Assumed assets	-	9,224,855	7,952,411
Equity earnings of government business partnership (Note 6)		6,367,112	5,435,677
Municipal contributions	749,092	892,618	577,809
Utilization of obligatory reserve funds (Note 7)	9,050,651	26,400,022	26,999,336
	<u>261,263,043</u>	<u>318,036,673</u>	<u>319,239,041</u>
Expenses (Note 15)			
General government	34,886,841	34,767,679	28,787,758
Protection services	69,845,575	78,415,497	78,674,133
Transportation services	32,150,650	47,563,262	44,609,206
Environmental services	43,294,578	58,582,311	47,847,704
Health services	22,975,912	36,383,070	3,650,399
Social and family services	11,566,993	10,831,589	14,343,420
Social housing	5,067,000	4,689,099	4,617,029
Recreation and cultural services	25,701,917	33,199,203	32,449,795
Planning and development	3,505,346	4,682,716	3,260,519
	<u>248,994,812</u>	<u>309,114,426</u>	<u>258,239,963</u>
Annual surplus (Note 22)	<u>12,268,231</u>	<u>8,922,247</u>	<u>60,999,078</u>
Accumulated surplus, beginning of year, as previously stated	-	-	1,352,341,337
Prior period adjustment (Note 1)	-	-	2,852,470
Accumulated surplus, beginning of year, as restated	<u>1,416,192,885</u>	<u>1,416,192,885</u>	<u>1,355,193,807</u>
Accumulated surplus, end of year	<u>\$1,428,461,116</u>	<u>\$1,425,115,132</u>	<u>\$ 1,416,192,885</u>

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements

The Corporation of the City of Barrie
Consolidated Statement of Change in Net Debt

For the year ended December 31	Budget 2011	2011	2010
	(Note 20)		Restated (See Note 1)
Annual surplus	\$ 12,268,231	\$ 8,922,247	\$ 60,999,078
Acquisition of tangible capital assets	(96,128,851)	(362,792,896)	(125,271,816)
Amortization of tangible capital assets	-	38,504,050	37,260,838
Loss on disposal of tangible capital assets	-	2,893,332	1,530,111
Land transferred to inventories for resale	-	949,595	-
Disposal (acquisition) of tangible capital assets under construction	-	276,224,504	(39,838,726)
Proceeds on disposition of tangible capital assets	-	141,434	-
	<u>(83,860,620)</u>	<u>(35,157,734)</u>	<u>(65,320,515)</u>
Decrease (increase) in inventories of supplies	-	122,479	(512,985)
Decrease (increase) in prepaid expenses	-	11,888	(19,439)
	<u>-</u>	<u>134,367</u>	<u>(532,424)</u>
Net change in net debt	(83,860,620)	(35,023,367)	(65,852,939)
Net debt, beginning of year	(177,721,140)	(177,721,140)	(114,720,671)
Prior Period Adjustment (Note 1)	-	-	2,852,470
Net debt, end of year	<u>\$(261,581,760)</u>	<u>\$(212,744,507)</u>	<u>\$ (177,721,140)</u>

The Corporation of the City of Barrie

Consolidated Statement of Cash Flows

For the year ended December 31

2011

2010

		Restated (See Note 1)
Operating transactions		
Annual surplus	\$ 8,922,247	\$ 60,999,078
Items not involving cash		
Equity earnings of government business partnership	(6,367,112)	(5,425,677)
Amortization of tangible capital assets	38,504,050	37,280,838
Loss on disposal of tangible capital assets	2,893,332	1,530,111
Land transferred to inventories for resale	949,595	-
Changes in non-cash operating balances		
Decrease (increase) in taxes receivable	1,956,689	(604,563)
Decrease (increase) in accounts receivable	1,562,392	(9,244,986)
(Increase) decrease in inventories of land for resale	(814,567)	118,926
Decrease in long-term receivables	3,831,052	388,749
(Decrease) increase in accounts payable	(15,861,033)	9,165,351
(Decrease) increase in deferred revenue - general	328,004	692,577
Increase (decrease) in deferred revenue - obligatory reserve funds	1,159,597	(1,044,583)
Increase in post employment benefits liability	2,241,536	7,171,229
Increase in landfill closure and post-closure liabilities	829,652	1,732,899
Decrease (increase) in prepaid expenses	11,888	(19,439)
Decrease (increase) in inventories of supplies	122,479	(512,985)
	<u>40,769,801</u>	<u>102,197,525</u>
Capital transactions		
Acquisition of tangible capital assets	(362,792,896)	(125,271,816)
Disposal (acquisition) of tangible capital assets under construction	276,224,504	(39,838,726)
Proceeds of tangible capital assets	141,434	-
	<u>(86,426,958)</u>	<u>(165,110,542)</u>
Investing transactions		
Cash dividend received from government business partnership	4,500,000	-
Financing transactions		
Increase in short-term construction advances	10,000,000	-
Proceeds from issuance of long-term debt	75,000,000	75,000,000
Repayment of net long-term liabilities	(7,056,648)	(8,890,437)
	<u>77,943,352</u>	<u>66,109,563</u>
Net change in cash and cash equivalents	36,786,195	3,196,546
Cash and cash equivalents, beginning of year	46,028,852	42,832,306
Cash and cash equivalents, end of year	\$ 82,815,047	\$ 46,028,852

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements

The Corporation of the City of Barrie

Summary of Significant Accounting Policies

December 31, 2011

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

i) 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.

ii) Modified equity accounting:

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

Barrie Hydro Holdings Inc.

iii) Proportionately consolidated entities:

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.

The Corporation of the City of Barrie

Summary of Significant Accounting Policies

December 31, 2011

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

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

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 18 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
Roads 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.

The Corporation of the City of Barrie

Summary of Significant Accounting Policies

December 31, 2011

Taxation & 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 & Other Revenues

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

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.

The Corporation of the City of Barrie

Summary of Significant Accounting Policies

December 31, 2011

Pension Plan

The City is an employer member of the Ontario Municipal Employee Retirement Fund (OMERS), which is a multi-employer, defined benefit pension plan. The 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 & 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:

- a) 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.
- b) 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.
- c) 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.
- d) Accounting policies:
Actuarial gains and losses are amortized on a linear basis over the expected average remaining service life ('EARSL') (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.

The Corporation of the City of Barrie

Summary of Significant Accounting Policies

December 31, 2011

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.

Solid Waste Landfills

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 solid waste landfill closure and post-closure liabilities, post employment benefits liability, Provincial Offenses 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 Consolidated Financial Statements

December 31, 2011

1. Restatement of Prior Period

During the year, it was discovered that post employment benefits liabilities, accounts receivable and accounts payable were understated and deferred revenue - general was overstated as at December 31, 2010.

The 2010 post employment benefits liabilities were understated by \$7,302,908 due to an amendment in the union agreement for Police Services, a change in method for evaluating the WSIB obligation for all organizations and additional retirement gratuities for the Barrie Public Library Staff. The 2009 post employment benefits liabilities were understated by \$1,314,068 due to the change in method for evaluating the WSIB obligation for all organizations and additional retirement gratuities for the Barrie Public Library Staff.

The accounts receivable was understated in 2010 by \$4,202,216 due to a timing difference related to the water and sewer billings. The 2009 accounts receivable balance was also understated by \$3,718,659 due to this timing difference.

The accounts payable was understated in 2010 by \$2,878,397 due to infrastructure stimulus funding owed from the City to Lake Simcoe Regional Airport Inc. not recorded.

In addition deferred revenue - general was overstated in 2010 by \$447,879 and opening surplus was understated by \$447,879.

The Corporation of the City of Barrie
Notes to Consolidated Financial Statements

December 31, 2011

1. Restatement of Prior Period (continued)

Prior period adjustments have been recorded. The impact of the above noted prior period adjustments is as follows:

	2010
<u>Statement of Financial Position</u>	
Increase in 2010 opening accumulated surplus	<u>\$ 2,852,470</u>
<u>2010 Statement of Operations</u>	
(Increase) decrease in revenue	
User fees and service charges	\$ (483,557)
Government transfers and grants	<u>2,878,397</u>
Total decrease in revenue	<u>2,394,840</u>
Increase in expenses	
General government	\$ 26,378
Protection services	5,901,223
Transportation services	11,978
Environmental services	18,965
Social and family services	158
Recreational and cultural services	26,772
Planning and development	<u>3,366</u>
Total increase in expenses	<u>5,988,840</u>
Decrease in 2010 annual surplus	<u>\$ 8,383,680</u>
Decrease in 2010 closing accumulated surplus	<u>\$ 5,531,210</u>
Increase in 2010 accounts payable	<u>\$ 2,878,397</u>
Decrease in 2010 deferred revenue - general	<u>\$ 447,879</u>
Increase in 2010 post employment benefits liability	<u>\$ 7,302,908</u>
Increase in 2010 accounts receivable	<u>\$ 4,202,216</u>

The Corporation of the City of Barrie

Notes to Consolidated Financial Statements

December 31, 2011

2. 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, (2010 - \$NIL).

3. Short-term 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.

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 OIPC's 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 \$135,000,000 (2010 - \$125,000,000) of construction advances with \$75,000,000 (2010 - \$75,000,000) converted to debentures during the year resulting in \$60,000,000 (2010 - \$50,000,000) left in short-term advances at year end.

The Corporation of the City of Barrie
Notes to Consolidated Financial Statements

December 31, 2011

4. Long-term Receivables

Long-term receivables consist of:

	<u>2011</u>	<u>2010</u>
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.	951,628	788,034
Long-term receivables from benefiting land owners, which have various maturity dates and interest rates ranging from 2011 to 2020 and 3.3% to 5.3% respectively.	227,212	280,717
	5,119,981	5,009,892
Allowance for doubtful accounts	(3,941,141)	-
	<u>\$ 1,178,840</u>	<u>\$ 5,009,892</u>

5. Annexed Assets

On December 15, 2009, Bill 196, Barrie-Innisfil Boundary Adjustment Act, 2009 received Royal Assent. This act adjusted the geographical boundary between the City and the Town of Innisfil effective January 1, 2010. As a result of this annexation, tangible capital assets including land, roads and sidewalks with a fair market value of \$26,998,289 were assumed by the City.

The Corporation of the City of Barrie

Notes to Consolidated Financial Statements

December 31, 2011

6. Investment in Government Business Partnership

The following summarizes the financial position and operations of the government business partnership 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'), which provides hot water tank rentals to residents, and 20.5% of the shares of PowerStream Inc. ('PowerStream'), which provides hydro electricity to residents. The following provides condensed combined financial information for Barrie Hydro Holdings Inc.

	2011	2010
Financial position		
Current assets	\$ 38,551,887	\$ 38,315,914
Capital assets	144,449,560	138,789,131
Other assets	20,280,728	21,671,305
Total assets	203,282,175	198,776,350
Current liabilities	38,272,766	35,897,273
Regulatory liabilities	12,145,430	14,255,700
Long-term liabilities	89,451,135	87,077,645
Total liabilities	139,869,331	137,230,618
Total net assets	\$ 63,412,844	\$ 61,545,732
Results of operations		
Revenues	\$ 189,461,159	\$ 175,967,657
Gain on sale of assets	155,947	-
Operating expenses	(182,157,462)	(168,342,681)
Taxes	(1,092,532)	(2,189,299)
Net income for the year	\$ 6,367,112	\$ 5,435,677

b. Promissory Note Receivable

An unsecured promissory note receivable from PowerStream Inc. as at December 31, 2011 amounted to \$20,000,000 (2010 - \$20,000,000) bearing interest at 5.58% (2010 - 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 \$1,116,000 (2010 - \$1,116,000).

The Corporation of the City of Barrie
Notes to Consolidated Financial Statements

December 31, 2011

6. Investment in Government Business Partnership (continued)

c. Barrie Hydro Holdings Inc.

	2011	2010
Investment and dividend receivable	\$ 63,412,844	\$ 61,545,732
Promissory note receivable	20,000,000	20,000,000
	<u>\$ 83,412,844</u>	<u>\$ 81,545,732</u>

d. Related Party Transactions

	2011	2010
Net balance receivable (payable) to/from PowerStream Inc.	\$ (455,000)	\$ 1,721,000

Realty taxes and facilities rental received from PowerStream Inc. was \$331,000 (2010 - \$299,000) for the year.

Energy and distribution services purchased from PowerStream Inc. was \$6,316,000 (2010 - \$5,509,000) for the year.

Shared services purchased from PowerStream Inc. was \$652,000 (2010 - \$1,000,000) for the year.

Dividend income from Barrie Hydro Holdings Inc. was \$4,500,000 (2010 - \$NIL).

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

The Corporation of the City of Barrie
Notes to Consolidated Financial Statements

December 31, 2011

7. Deferred Revenue - Obligatory Reserve Funds

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

	2011	2010
Balance, beginning of year	\$ 54,115,445	\$ 55,160,028
Federal gas tax contributions	7,879,181	7,900,800
Development contributions	17,063,245	15,217,141
Provincial gas tax contributions	1,896,999	2,524,147
Investment income	720,194	312,665
Utilization of funds	(26,400,022)	(26,999,336)
Deferred Revenue - Obligatory Funds, end of year	\$ 55,275,042	\$ 54,115,445
Analysed as follows:		
Development charges	\$ 40,876,768	\$ 42,349,090
Federal gas tax	5,773,111	4,115,524
Provincial gas tax	5,554,823	4,965,596
Cash in lieu of parkland	3,055,396	2,670,291
Federal transit tax	14,944	14,944
Deferred Revenue - Obligatory Funds, end of year	\$ 55,275,042	\$ 54,115,445

There is provincial and municipal legislation which restricts how these funds may be used. Cash needed to fund these reserves is \$55,275,042 (2010 - \$54,115,445) with respect to the above obligatory reserve funds. Actual cash and cash equivalents on hand was \$82,815,047 (2010 - \$46,028,852) at year end.

The Corporation of the City of Barrie
Notes to Consolidated Financial Statements

December 31, 2011

8. Post Employment Benefits Liability

	2011	2010
		Restated (See Note 1)
Accumulated post retirement benefits - accrued obligation	\$ 25,943,988	\$ 16,707,793
Unamortized net actuarial loss	(9,182,882)	(630,632)
Post retirement benefits - accrued benefit liability	<u>16,761,106</u>	<u>16,077,161</u>
Accumulated sick leave benefits - accrued obligation	8,465,497	6,543,994
Unamortized net actuarial loss	(1,558,856)	(101,033)
Sick leave benefits - accrued benefit liability	<u>6,906,641</u>	<u>6,442,961</u>
WSIB obligation - accrued benefit liability	<u>2,512,832</u>	<u>2,021,232</u>
Vacation and lieu time payable	<u>6,722,350</u>	<u>6,120,039</u>
	<u>\$ 32,902,929</u>	<u>\$ 30,661,393</u>

Information about post retirement benefits is as follows:

Current year benefit cost	\$ 634,219	\$ 277,922
Interest on accrued benefit obligation	533,026	437,471
Amortization of actuarial loss	<u>69,187</u>	<u>-</u>
Expense	<u>\$ 1,236,432</u>	<u>\$ 715,393</u>

Information about compensated absences is as follows:

Current year benefit cost	\$ 1,758,812	\$ 1,740,167
Interest on accrued benefit obligation	<u>308,009</u>	<u>257,093</u>
Expense	<u>\$ 2,066,821</u>	<u>\$ 1,997,260</u>

The amount of benefits paid during the year was \$266,313 (2010 - \$104,353) for post retirement benefits and \$618,569 (2010 - \$1,215,326) for compensated absence benefits.

The Corporation of the City of Barrie

Notes to Consolidated Financial Statements

December 31, 2011

8. Post Employment Benefits Liability (continued)

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 other employee groups 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, 2011, the balance in the Workers' Compensation Reserve is \$4,302,831 (2010 - \$4,539,060) 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 2011 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, 2011 are based on 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:

	2011	2010
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 Consolidated Financial Statements

December 31, 2011

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 \$19,332,195 (2010 - \$18,502,543) and reflects a discount rate of 4.0% (2010 - 4.6%).

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 644,500 (2010 - 236,700) cubic metres which is 16% (2010 - 6%) of the site's total capacity. The total estimated future expenses for closure and post-closure care are \$23,130,590 (2010 - \$19,699,042) leaving an amount to be recognized of \$3,798,395 (2010 - \$1,187,499) when the landfill reaches full capacity. The estimated length of time needed for post-closure care is 50 years.

The Corporation of the City of Barrie
Notes to Consolidated Financial Statements

December 31, 2011

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:

	<u>2011</u>	<u>2010</u>
Total long-term liabilities, bearing interest at rates ranging from 4.29% to 5.13%, incurred by the City	<u>\$181,964,928</u>	<u>\$114,021,576</u>

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

	<u>Principal Repayments</u>
2012	\$ 7,701,340
2013	8,076,928
2014	8,472,574
2015	6,619,905
2016	6,934,576
Thereafter	<u>144,159,605</u>
	<u>\$181,964,928</u>

The gross interest expense relating to the above long-term debt was \$8,379,236 (2010 - \$4,471,880).

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 Consolidated Financial Statements

December 31, 2011

11. Tangible Capital Assets

	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	\$ 248,576,838	\$ 561,440,054	\$ 8,879,963	\$ 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)	(7,871,968)	(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	136,819,003	476,135,511	590,089,146	8,847,936	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

December 31, 2011

2010

The amount of tangible capital assets under construction is \$38,913,257 (2010 - \$315,137,761). These items will be transferred to their relevant tangible capital asset categories when construction is completed. Amortization will commence in the year following that in which the asset is available for productive use.

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The Corporation of the City of Barrie

Notes to Consolidated Financial Statements

December 31, 2011

12. Accumulated Surplus

The City segregates its accumulated surplus in the following categories:

	2011	2010
		Restated (see Note 1)
Investment in tangible capital assets	\$ 1,636,293,837	\$ 1,592,213,856
Revenue fund	(186,655,011)	(241,271,507)
Reserves	126,268,514	146,890,316
Equity in government business partnership	83,412,844	81,545,732
Amounts to be recovered		
Post employment benefits and other liabilities	(32,902,929)	(30,661,393)
Landfill closure and post-closure liabilities	(19,332,195)	(18,502,543)
Municipal debt	(181,964,928)	(114,021,576)
	<u>\$ 1,425,115,132</u>	<u>\$ 1,416,192,885</u>

13. Pension Agreement

OMERS provides pension services to 419,007 active and retired members and 947 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, 2011. The results of this valuation disclosed total actuarial liabilities of \$64,548 million in respect of benefits accrued for service with actuarial assets at that date of \$57,258 million indicating an actuarial deficit of \$7,290 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 2011 were \$7,860,851 (2010 - \$6,399,998).

The Corporation of the City of Barrie
Notes to Consolidated Financial Statements

December 31, 2011

14. Property Taxation

	2011	2010
Property taxes and payments-in-lieu	\$ 167,245,622	\$ 160,200,707
Collections for other governments		
Province of Ontario - school tax	62,353,872	59,628,568
	229,599,494	219,829,275
Transfers		
Province of Ontario - school tax	(62,353,872)	(59,628,568)
Available for general municipal purposes	<u>\$ 167,245,622</u>	<u>\$ 160,200,707</u>

15. Expenses by Object

	2011	2010
		Restated (See Note 1)
Salaries, wages and employee benefits	\$ 115,922,423	\$ 112,591,682
Materials	45,737,406	38,090,830
Contracted services	39,399,771	36,653,703
Rents and financial expenses	2,526,988	2,402,739
Transfer payments	55,751,220	25,238,180
Interest on long-term debt	8,379,236	4,471,880
Amortization	38,504,050	37,260,838
Loss on disposal of tangible capital assets	2,893,332	1,530,111
	<u>\$ 309,114,426</u>	<u>\$ 258,239,963</u>

The Corporation of the City of Barrie

Notes to Consolidated Financial Statements

December 31, 2011

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, 2011 were \$34,000,000 (2010 - \$4,528,253).

By Motion #05-G-446 the City provided a loan guarantee with the Toronto-Dominion Bank for Victoria Village Projects in the amount of \$19,300,000 for a term ending September 30, 2015, with an option to be released after four years. 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 amounting to approximately \$52,173,255 plus other claims in which no amount has yet been determined, 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 (2010 - \$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 Consolidated Financial Statements

December 31, 2011

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 2011 fiscal year with comparative figures for the year 2010:

	2011	2010
Barrie POA Office:		
Revenues (net of refunds)	\$ 6,311,713	\$ 6,015,234
Expenses		
Provincial charges	388,341	380,746
City operating expenses	3,132,165	2,696,272
Total Expenses	3,520,506	3,077,018
Net Revenue	2,791,207	2,938,216
Other		
Participating partners share	1,969,269	2,003,121
City of Barrie's share	\$ 821,938	\$ 935,095
 Orillia POA Office:		
Revenues (net of refunds)	\$ 1,486,588	\$ 1,609,055
Expenses		
Provincial charges	98,623	113,719
City operating expenses	821,939	747,746
Total Expenses	920,562	861,465
Net Revenue	566,026	747,590
Other		
Participating partners share	566,026	747,590
City of Barrie's share	\$ -	\$ -

The Corporation of the City of Barrie
Notes to Consolidated Financial Statements

December 31, 2011

20. Budget

The Budget By-Law adopted by Council on April 30, 2011 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the consolidated statements of operations and change in net debt represent the Budget adopted by Council on April 30, 2011 with adjustments as follows:

	<u>2011</u>
Financial Plan Bylaw deficit for the year	\$ -
Add:	
Budgeted surplus (deficit) - other entities	521,555
Budgeted interfund transfers	(91,438,823)
Capital expenditures	96,128,851
Principal repayments	<u>7,056,648</u>
Budget surplus per consolidated statement of operations	<u>\$ 12,268,231</u>

The Corporation of the City of Barrie

Notes to Consolidated Financial Statements

December 31, 2011

21. Segmented Information

The City is a diversified municipal government institution 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 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 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 stormwater 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.

The Corporation of the City of Barrie
Notes to Consolidated Financial Statements

December 31, 2011

21. Segmented Information (continued)

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 Funds and Corporations

This captures the activities for reserve and reserve funds that are not attributable to a specific segment as well as the equity earnings (losses) from activities of the hydro business partnership in which the City holds shares. Activity within the Capital fund is also included in this segment.

DRAFT SUBJECT TO CHANGE

The Corporation of the City of Barrie

Notes to Consolidated Financial Statements

December 31, 2011

21. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health and Social Services	Recreation and Cultural Services	Planning and Development	Other Funds and Corporations	2011 Total
Revenue									
Taxation	\$ 167,245,622	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,245,622
Fees and service charges	301,888	1,037,552	6,818,355	42,961,406	-	7,897,710	349,370	-	59,366,281
Government grants & transfers	722,395	7,345,815	4,151,369	9,060,338	-	3,680,226	634,206	-	25,594,349
POA	-	7,798,301	-	-	-	-	-	-	7,798,301
Utilization of obligatory reserves	-	-	-	-	-	-	-	-	-
funds	-	250,562	9,776,926	13,437,329	-	2,911,234	23,971	-	26,400,022
Other	5,141,493	4,027,104	2,241,374	607,966	22,111	3,116,838	883,245	15,591,967	31,632,098
	173,411,398	20,459,334	22,988,024	66,067,039	22,111	17,606,008	1,890,792	15,591,967	318,036,673
Expenses									
Salaries and benefits	14,670,202	62,235,433	7,692,276	13,174,175	98,112	15,942,779	2,109,446	-	115,922,423
Goods and services	18,080,241	9,403,137	24,060,811	21,509,574	147,531	9,400,155	2,535,728	-	85,137,177
Interest	41,063	-	693,033	6,766,597	-	878,543	-	-	8,379,236
Transfer (External)	-	2,535,295	1,585,638	-	51,630,287	-	-	-	55,751,220
Amortization	1,846,243	3,030,194	19,446,634	15,469,418	27,828	5,683,733	-	-	38,504,050
Other	129,930	1,211,438	1,084,870	1,662,547	-	1,293,993	37,542	-	5,420,320
	34,767,679	78,415,199	47,563,262	58,582,311	51,903,758	33,199,203	4,682,716	-	309,114,426
Net surplus (deficit)	\$ 138,643,719	\$ (87,956,163)	\$ (24,575,238)	\$ 7,484,728	\$ (51,881,647)	\$ (15,593,195)	\$ (2,791,924)	\$ 15,591,967	\$ 8,922,247

The Corporation of the City of Barrie
Notes to Consolidated Financial Statements

December 31, 2011

21. Segmented Information (continued)

For the year ended December 31	General Government	Protection Services	Transportation Services	Environmental Services	Health and Social Services	Recreation and Cultural Services	Planning and Development	Other Funds and Corporations	2010 Total
Revenue									
Taxation	\$ 160,200,707	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,200,707
Fees and service charges	431,653	1,093,915	6,594,796	36,089,298	-	8,475,708	276,017	-	52,961,387
Government grants & transfers	386,188	3,506,999	7,693,353	3,610,366	-	1,035,327	152,057	-	16,384,310
POA	-	7,624,289	-	-	-	-	-	-	7,624,289
Contribution of obligatory reserve funds	-	572,589	13,357,475	31,847,663	-	1,221,609	-	-	26,999,336
Other	6,073,196	446,946	1,865,109	936,268	-	2,132,028	3,229,093	40,386,372	55,069,012
	167,091,744	13,244,738	29,510,733	52,483,815	-	12,864,672	3,657,167	40,386,372	319,239,041
Expenses									
Salaries and benefits	13,912,972	63,801,448	6,822,882	10,629,699	86,705	15,292,999	2,044,977	-	112,591,682
Goods and services	12,349,010	8,558,223	23,786,837	19,426,844	129,362	9,340,351	1,154,906	-	74,744,533
Interest	121,198	-	773,494	2,577,070	-	1,000,118	-	-	4,471,880
Transfer (External)	-	2,750,711	120,517	-	22,366,952	-	-	-	25,238,180
Amortization	2,019,258	2,736,110	12,535,038	14,278,005	27,829	5,664,605	-	-	37,260,838
Other	385,320	827,641	571,445	936,086	-	1,151,722	60,636	-	3,932,850
	28,787,758	78,674,138	14,809,206	47,847,704	22,610,848	32,449,795	3,260,519	-	258,239,963
Net surplus (deficit)	\$ 138,303,986	\$ (65,429,405)	\$ (15,098,473)	\$ 4,635,911	\$ (22,610,848)	\$ (19,585,123)	\$ 396,648	\$ 40,386,372	\$ 60,999,078

The Corporation of the City of Barrie
Notes to Consolidated Financial Statements

December 31, 2011

22. Reconciliation of Consolidated Operating Surplus

	<u>2011</u>
Surplus reported to Council:	
Tax rate supported deficit	\$ (320,996)
Water rate surplus	6,179,186
Waste water surplus	<u>4,595,287</u>
	10,453,477
Add:	
Building code surplus	172,168
Revenue from assumed assets	9,224,855
Revenue recognized to tangible capital assets	42,274,178
Equity income of government business enterprise	1,867,112
Other consolidated entities' surplus	5,801,402
Long-term debt principal payments	7,056,648
Less:	
Parking rate deficit	(2,106)
Amortization of tangible capital assets	(38,504,050)
Allowance for doubtful accounts (Note 4)	(3,941,141)
Other accounting adjustments	(1,544,070)
Net transfers from reserve funds	(13,769,490)
Increase in landfill closure and post-closure liabilities	(829,652)
Increase in post employment benefits liabilities	(2,241,536)
Loss on disposal of tangible capital assets	(2,893,332)
Adjustment to prior year (Note 1)	<u>(4,202,216)</u>
Consolidated surplus per statement of operations	<u>\$ 8,922,247</u>

23. Comparative Figures

The comparative figures presented are for the year ended December 31, 2010. Certain of the 2010 comparative figures have been reclassified to conform with the financial presentation adopted in 2011.

Appendix "B"

History of Loan Receivable from the MacLaren Arts Centre

Amount	Year	Description
2,920,645	1996	Unsecured loan receivable on or before Dec 31, 2005 (96-G-558)
750,000	2004	Secured loan receivable (under general security of MacLaren assets), of which \$500,000 was due Apr 20, 2004, and the remainder due Sep 1, 2004. Interest payable at prime bank rate; the unpaid \$2.9M loan above was also be subject to interest after Dec 31, 2005 (04-G-178 / 04-G-202)
100,000	2005	Amendment to loan agreement Jun 27, 2005, increasing the amount of the loan and maturity date extended to Jun 28/06
(6,413)	2005	Payments received
355,013	2005-2007	Interest accumulated on loans
(178,104)	2006-2007	Reversals of interest recorded and adjustments on re-organization - The MacLaren's adopted a court-approved re-organization plan under the Bankruptcy Act which runs until 2016.
3,941,141	2011	Net amount of loan as at Dec 31, 2011
(3,941,141)	2011	Proposed loan impairment provision - In 2012, the City received notification that the trustees of the re-organization plan that they do not anticipate any additional funds will be recovered.
-		Amount receivable by the City net of impairment.