

# COMMITTEE AGENDA

TO **Audit Committee**

DATE June 12, 2013

LOCATION Council Chambers, Guelph City Hall, 1 Carden Street

TIME 5:00 p.m.

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## DISCLOSURE OF PECUNIARY INTEREST AND GENERAL NATURE THEREOF

**CONFIRMATION OF MINUTES** – April 17, 2013 Open Meeting Minutes

### PRESENTATIONS (Items with no accompanying report)

a) None.

### CONSENT AGENDA

*The following resolutions have been prepared to facilitate the Committee's consideration of the various matters and are suggested for consideration. If the Committee wishes to address a specific report in isolation of the Consent Agenda, please identify the item. The item will be extracted and dealt with separately. The balance of the Audit Committee Consent Agenda will be approved in one resolution.*

ITEM	CITY PRESENTATION	DELEGATIONS	TO BE EXTRACTED
AUD-2013.7 2012 Draft Audited Consolidated Financial Statements and External Post-Audit Report	<ul style="list-style-type: none"><li>Evan McDade, Partner, Deloitte</li><li>Jennifer Gruber, Manager, Deloitte</li></ul>		✓
AUD-2013.8 2012 Unconsolidated Financial Statements and City Financial Highlights	<ul style="list-style-type: none"><li>Tara Johnston, Manager, Financial Reporting &amp; Accounting</li></ul>		✓

Resolution to adopt the balance of the Audit Committee Consent Agenda.

### ITEMS EXTRACTED FROM CONSENT AGENDA

Once extracted items are identified, they will be dealt with in the following order:

- 1) delegations (may include presentations)
- 2) staff presentations only
- 3) all others.

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## **CLOSED MEETING**

THAT the Audit Committee now hold a meeting that is closed to the public with respect to:

1.     **2012 Draft Audited Consolidated Financial Statements and External Post-Audit Report**  
S. 239 (2) (a) *of the Municipal Act* - security of the property of the municipality
2.     **Letter of Recommendation - 2012 Audit Results**  
S. 239 (2) (a) *of the Municipal Act* - security of the property of the municipality

## **ADJOURNMENT**

**NEXT MEETING** – September 18, 2013

**Minutes of the Audit Committee  
Held in the Council Chambers, Guelph City Hall on  
Wednesday, April 17, 2013 at 5:00 p.m.**

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**Attendance**

Members: Chair Guthrie, Councillors Furfaro and Wettstein

Absent: Mayor Farbridge and Councillor Kovach

Councillors: Councillors Bell, Findlay, Hofland and Van Hellemond

Staff: Ms. A. Pappert, Chief Administrative Officer; Mr. A. Horsman, Executive Director, Finance & Enterprise/Chief Financial Officer; Ms. L. Alonzo, Internal Auditor; Mr. D. McCaughan, Executive Director, Operations, Transit and Emergency Services; Mr. M. Amorosi, Executive Director, Corporate & Human Resources; Mr. B. Labelle, City Clerk; and Ms. D. Black, Council Committee Coordinator

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**Call to Order (5:00 p.m.)**

Chair Guthrie called the meeting to order.

**Disclosure of Pecuniary Interest and General Nature Thereof**

There were no disclosures.

**Confirmation of Minutes**

1. Moved by Councillor Furfaro  
Seconded by Councillor Wettstein

That the open meeting and closed meeting minutes, as amended, of the Audit Committee held on February 13, 2013 be confirmed as recorded.

*VOTING IN FAVOUR: Councillors Guthrie, Furfaro and Wettstein (3)*

*VOTING AGAINST: (0)*

CARRIED

**Consent Agenda**

The following items were extracted:

<b>AUD-2013.5</b>	<b>Additional Value For Money Audits 2013</b>
<b>AUD-2013.6</b>	<b>Internal Auditor Report – Commercial Vehicle Operator’s Registration (CVOR) Fleet Audit</b>

## **Extracted Consent Items**

### **AUD-2013.5 Additional Value For Money Audits 2013**

The Internal Auditor clarified that the Value for Money Audits are a comprehensive process to find efficiencies, increase transparencies and/or validate current processes for benchmarking savings, and not just addressing the potential of saving money.

2. Moved by Councillor Wettstein  
Seconded by Councillor Furfaro
  1. That the recommendations in report CAO-A-1304 dated April 17, 2013 and entitled "Additional Value-For-Money Audits 2013" be approved.

*Chair Guthrie stepped down and Councillor Wettstein assumed the Chair (5:50 p.m.)*

*Councillor Guthrie reassumed the Chair (5:53 p.m.)*

*VOTING IN FAVOUR: Councillors Guthrie, Furfaro and Wettstein (3)*

*VOTING AGAINST: (0)*

CARRIED

### **AUD-2013.6 Internal Auditor Report – Commercial Vehicle Operator's Registration (CVOR) Fleet Audit**

There was discussion with respect to the Auditor's recommendations and the staff response. The Internal Auditor noted that an annual follow-up on completed audits would be undertaken unless it was deemed prudent to do review the area sooner. The Internal Auditor indicated that there were no concerns in relation to the staff response and that staff was working to resolve the outstanding issues which had been identified.

3. Moved by Councillor Furfaro  
Seconded by Councillor Wettstein
  1. That the Internal Auditor Report – Commercial Vehicle Operator's Registration (CVOR) Fleet Audit report dated April 17, 2013 be received.

*VOTING IN FAVOUR: Councillors Guthrie, Furfaro and Wettstein (3)*

*VOTING AGAINST: (0)*

CARRIED

## **Review of Draft Meeting Flow Guide**

The Committee reviewed and provided feedback on a draft meeting flow guide developed in accordance with the Standing Committee Terms of Reference.

## **Adjournment (6:06 p.m.)**

7. Moved by Councillor Furfaro  
Seconded by Councillor Wettstein

That the April 17, 2013 meeting of the Audit Committee be adjourned.

CARRIED

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Blair Labelle – City Clerk

**AUDIT COMMITTEE  
CONSENT AGENDA**

**June 12, 2013**

Members of the Audit Committee.

**SUMMARY OF REPORTS:**

The following resolutions have been prepared to facilitate the Committee's consideration of the various matters and are suggested for consideration. If the Committee wishes to address a specific report in isolation of the Consent Agenda, please identify the item. The item will be extracted and dealt with immediately. The balance of the Audit Committee Consent Agenda will be approved in one resolution.

**A Reports from Administrative Staff**

<b>REPORT</b>	<b>DIRECTION</b>
<b>AUD-2013.7 2012 DRAFT AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND EXTERNAL POST-AUDIT REPORT</b>  1. That Report FIN-13-23 entitled "2012 Draft Audited Consolidated Financial Statements and External Post-Audit Report" be received.  2. THAT the 2012 Draft Audited Consolidated Financial Statements be approved	Approve
<b>AUD-2013.8 2012 UNCONSOLIDATED FINANCIAL STATEMENTS AND CITY FINANCIAL HIGHLIGHTS</b>  1. THAT the Report FIN-13-25 entitled "2012 Unconsolidated Financial Statement and City financial highlights" be received.	Approve

attach.



City of Guelph  
Year-end communication  
for the year ending December 31, 2012

June 12, 2013



# Agenda

- Executive summary
- Audit risks and conclusions
- Communication requirements

# Audit scope and findings

## Audit scope matters

### Audit strategy and scope

The audit planning and the preliminary risk assessment activities we conduct enable us to set the scope of our audit and to design procedures tailored to that scope. Refer to our audit plan communicated on November 14, 2012.

### Materiality

Materiality is the magnitude of misstatements, including omissions, in the consolidated financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the financial statement users. Judgments about materiality are made in the light of surrounding circumstances, and are affected by our perception of the information needs of the financial statement users, and by the size or nature of a misstatement, or a combination of both. We are responsible for providing reasonable assurance that your consolidated financial statements as a whole are free from material misstatement.

Canadian GAAS require that we determine performance materiality for purposes of assessing the risks of material misstatement of the consolidated financial statements and determining the nature, timing, and extent of our audit procedures. Planning the audit solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the consolidated financial statements to be materially misstated, and leaves no margin for possible undetected misstatements. Performance materiality is set at a lower level than materiality, so that if misstatements are detected, we may nevertheless be able to conclude with reasonable assurance that the uncorrected misstatements both in individually and in aggregate does not exceed materiality.

Materiality levels are determined on the basis of consolidated results of operations. Our materiality for the year ending December 31, 2012 was \$6,000,000 (2011 - \$6,000,000).

### Audit risks

In accordance with our audit plan, our procedures focused on the following significant risks:

- Accounts payable and accrued liabilities;
- Actuarially determined liabilities;
- Contingences;
- Council and Senior Management expenses;
- Estimates;
- Payroll;
- Reserves and reserve funds;
- Revenue/deferred revenue;
- Taxation revenue; and
- Tangible capital asset disposals.

We have summarized the results of our audit procedures for each of these risk areas in the following pages of this report.

# Audit scope and findings (continued)

Audit scope matters							
<b>Group audit</b>	We are auditors of all entities within the group, with the exception of The Elliott and Guelph Hydro Inc. which are audited by KPMG. No restrictions have been placed on the scope of our audit. In performing the audit, we were given full and complete access to the accounting records, supporting documentation and other information requested.						
<b>Use of the work of experts</b>	As planned, Deloitte and external experts assisted in the audit to the extent we considered necessary: <table border="1"> <tr> <td><b>IT specialists</b></td><td>Participated in evaluating internal controls and in using our computerized audit applications.</td></tr> <tr> <td><b>Commodity Tax experts</b></td><td>Helped assess the adequacy of the City's accounting for commodity taxes and related balance sheet accounts.</td></tr> <tr> <td><b>Actuarial experts</b></td><td>Helped assess the adequacy of the employee future benefit liability.</td></tr> </table>	<b>IT specialists</b>	Participated in evaluating internal controls and in using our computerized audit applications.	<b>Commodity Tax experts</b>	Helped assess the adequacy of the City's accounting for commodity taxes and related balance sheet accounts.	<b>Actuarial experts</b>	Helped assess the adequacy of the employee future benefit liability.
<b>IT specialists</b>	Participated in evaluating internal controls and in using our computerized audit applications.						
<b>Commodity Tax experts</b>	Helped assess the adequacy of the City's accounting for commodity taxes and related balance sheet accounts.						
<b>Actuarial experts</b>	Helped assess the adequacy of the employee future benefit liability.						
<b>Significant difficulties encountered in performing the audit</b>	None noted.						
<b>Audit results</b>	In accordance with Canadian GAAS, our audit is designed to enable us to express an opinion on the fairness of the presentation of the City of Guelph's annual financial statements prepared in accordance with Canadian public sector accounting standards.						
<b>Status of our audit</b>	<p>We expect to be in a position to render our audit opinion dated June 24, 2013 on the consolidated financial statements of the City of Guelph following approval of the consolidated financial statements by Council and the completion of the following outstanding procedures:</p> <ul style="list-style-type: none"> <li>• Receipt of documentation from KPMG relating to the audit of Guelph Hydro Inc.;</li> <li>• Receipt of minor file documentation items;</li> <li>• Receipt of signed management representations letter;</li> <li>• Receipt of legal update to audit report date; and</li> <li>• Completion of the Engagement Quality Control review.</li> </ul>						
<b>Fraud and illegal acts</b>	Based on the procedures we performed as recommended by CAS 240, <i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i> , we are not aware of any illegal acts or fraudulent events with respect to City of Guelph during the year.						

## Audit scope and findings (continued)

Audit scope matters	
Significant events	As part of our audit process, we did not identify any significant events that were not in the normal course of operations.
Significant accounting policies	<p>We believe management's selection of accounting policies to be appropriate under Canadian public sector accounting standards.</p> <p>City of Guelph's significant accounting policies are set forth in Note 1 to December 31, 2012 consolidated financial statements.</p>
Management judgment and accounting estimates	Significant accounting estimates are disclosed in Note 1 to the consolidated financial statements.
Audit adjustments and uncorrected misstatements	<p>In accordance with Canadian GAAS, we request that all misstatements be corrected.</p> <p>There were no audit adjustments and uncorrected misstatements noted in the current year.</p>
Adjusted and unadjusted disclosure deficiencies	<p>In accordance with Canadian GAAS, we request that all disclosure deficiencies be corrected.</p> <p>There were no disclosure deficiencies aggregated by us during the current engagement and pertaining to the latest period presented, as all disclosure deficiencies detected in our audit have been corrected by management.</p>
Disagreements with management	No disagreements with management.
Consultation with other accountants	There were no consultations with other accountants relating to accounting to auditing matters that relate to the December 31, 2012 consolidated financial statements.
Legal and regulatory compliance	Our limited procedures did not identify any areas of material non-compliance with the laws and regulations by the City of Guelph.
Representations letter	A draft version of the representations letter to be signed by management is included in Appendix 3.
Conclusion	<p>No restrictions have been placed on the scope of our audit. In performing the audit, we were given full and complete access to the accounting records, supporting documentation and other information requested.</p> <p>We intend to issue an unmodified audit report on the consolidated financial statements of the City of Guelph for the year ended December 31, 2012 once the outstanding items referred to above are satisfactorily completed and the consolidated financial statements are approved by Council.</p> <p>A draft version of our Independent Auditor's report is included in Appendix 1.</p>

## Audit scope and findings (continued)

Other matters	
Independence	<p>We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.</p> <p>As required under GAAS, we have reported all relationships and other relevant matters that, in our professional judgment, may reasonably be thought to bear on our independence and confirmed our independence to the Audit Committee for the year ended December 31, 2012 in Appendix 2.</p>
Independence	<p>We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.</p> <p>As required under GAAS, we have reported all relationships and other relevant matters that, in our professional judgment, may reasonably be thought to bear on our independence and confirmed our independence to the Audit Committee for the year ended December 31, 2012 in Appendix 2.</p>
Independence	<p>We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.</p> <p>As required under GAAS, we have reported all relationships and other relevant matters that, in our professional judgment, may reasonably be thought to bear on our independence and confirmed our independence to the Audit Committee for the year ended December 31, 2012 in Appendix 2.</p>

# Audit risks

Our audit plan identified certain areas that we refer to as significant audit risks. There have been no changes to these risks nor have any additional risks been identified since our previous communication. The results of our audit work on these risks are set out below:

Areas of risk	Our audit response	Our conclusion
<b>Accounts payable and accrued liabilities</b>	<ul style="list-style-type: none"> <li>• Tested disbursements subsequent to year-end to determine the reasonableness of accounts payable and accrued liabilities.</li> <li>• Tested the supporting assumptions for accruals.</li> <li>• Reviewed the outcome of prior year estimates and accruals.</li> </ul>	<ul style="list-style-type: none"> <li>• Accounts payable and accrued liabilities are reasonable as at December 31, 2012 and are properly reported in the financial statements.</li> </ul>
<b>Actuarially determined liabilities</b>	<ul style="list-style-type: none"> <li>• Reviewed actuary report, including related assumptions.</li> <li>• Ensured appropriate accounting treatment has been applied.</li> <li>• Reviewed related financial statement note disclosure for accuracy and completeness.</li> <li>• Communicated with actuary regarding our reliance on their report for audit purposes.</li> </ul>	<ul style="list-style-type: none"> <li>• Actuarially determined liabilities are reasonable as at December 31, 2012 and are properly reported in the financial statements.</li> </ul>
<b>Contingencies</b>	<ul style="list-style-type: none"> <li>• We were in contact with the City's external law firms to obtain the status of any outstanding claims and we reviewed the evaluation of claims to ensure proper recognition.</li> </ul>	<ul style="list-style-type: none"> <li>• Disclosure is complete and accurate and properly reported in the financial statements.</li> </ul>
<b>Council and senior management expenses</b>	<ul style="list-style-type: none"> <li>• Reviewed a sample of expense reports and VISA statements for validity and proper approval.</li> </ul>	<ul style="list-style-type: none"> <li>• Expenses tested were in line with the City's expense policies.</li> </ul>
<b>Estimates</b>	<ul style="list-style-type: none"> <li>• Tested the supporting assumptions for estimates.</li> <li>• Reviewed the outcome of prior year estimates and accruals.</li> </ul>	<ul style="list-style-type: none"> <li>• Management estimates were determined to be reasonable for the year ending December 31, 2012.</li> </ul>
<b>Payroll</b>	<ul style="list-style-type: none"> <li>• Focused detail testing on payroll expenditures and accruals.</li> <li>• Substantive testing performed on variances.</li> </ul>	<ul style="list-style-type: none"> <li>• Payroll expense is reasonable for the year ending December 31, 2012.</li> </ul>

## Audit risks (continued)

Areas of risk	Our audit response	Our conclusion
<b>Reserves and reserve funds</b>	<ul style="list-style-type: none"> <li>Performed substantive testing on the continuity and material transactions to determine if transfers were in accordance with Council approvals and applicable legislative requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Reserve and Reserve Funds balances are reasonable as at December 31, 2012 and are properly reported in the financial statements.</li> </ul>
<b>Revenue/deferred revenue</b>	<ul style="list-style-type: none"> <li>Reviewed grants charges, contributions or other monies received during the year to determine if the amount should have been recorded as revenue or as deferred revenue.</li> </ul>	<ul style="list-style-type: none"> <li>Revenue and deferred revenue recorded in the consolidated financial statements is reasonable for the year ending December 31, 2012 and are properly reported in the financial statements.</li> </ul>
<b>Taxation revenue</b>	<ul style="list-style-type: none"> <li>Reviewed the City's calculation of taxation for municipal purposes. Received confirmation of assessment roll from the Municipal Property Assessment Corporation (MPAC).</li> <li>Ensured that Management's estimate of allowance for doubtful accounts is reasonable.</li> </ul>	<ul style="list-style-type: none"> <li>Taxation revenue is reasonable for the year ending December 31, 2012 and is properly reported in the financial statements.</li> </ul>
<b>Tangible capital asset disposals</b>	<ul style="list-style-type: none"> <li>Reviewed disposal schedule prepared by management for reasonability and tested selected transactions.</li> </ul>	<ul style="list-style-type: none"> <li>Reporting on tangible capital asset disposals is properly reported for the year ending December 31, 2012.</li> </ul>

# Communication requirements

Required communication	Comments
1. Our responsibilities under GAAS.	See our audit plan which was communicated on November 14, 2012.
2. Our audit strategy and scope, including our approach to auditing financial information of components of the group audit and our planned involvement in work performed by component auditors.	See our audit plan which was communicated on November 14, 2012.
3. Management judgment and accounting estimates.	Management judgments and accounting estimates are reasonable – see comments on page 2.
4. Financial statement adjustments.	There were no audit adjustments and no uncorrected misstatements.
5. Uncorrected misstatements and disclosure deficiencies.	There were no audit adjustments and no uncorrected misstatements.
6. Significant accounting policies.	See Note 1 to the 2012 consolidated financial statements.
7. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period.	No alternative significant accounting policies were noted.
8. Our views about significant qualitative aspects of City of Guelph's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.	Significant accounting practices – see page 2 of this report.
9. Our responsibility for other information in documents containing audited financial statements (e.g., MD&A), any procedures performed, and the results.	We will review the annual report when provided by management.
10. Disagreements with management.	None.
11. Our views about significant matters that were the subject of consultation with other accountants.	There were no consultations with other accountants relating to accounting or auditing matters affecting the December 31, 2012 consolidated financial statements.

# Communication requirements

Required communication	Comments
12. Major issues discussed with management prior to our retention.	None.
13. Significant difficulties, if any, encountered during the audit.	None.
14. Material written communications between management and us.	Engagement letter dated November 14, 2012.
15. All relationships between City of Guelph and us that, in our professional judgment, may reasonably be thought to bear on independence.	See Independence letter – Appendix 2.
16. A statement that, in our judgment, our engagement team and others in our firm as appropriate, our firm itself and, when applicable, network firms have complied with relevant ethical requirements regarding independence.	See Independence letter – Appendix 2.
17. Illegal or possibly illegal acts.	No fraud, errors or illegal acts noted.
18. Fraud or possible fraud identified through the audit process.	None noted.
19. Significant transactions inconsistent with normal course of business, including related party transactions.	None noted.
20. Non-compliance with laws and regulations that come to the auditor's attention.	None noted.
21. Limitations placed on our scope.	None.
22. Written representations the auditor is requesting.	Draft management's representations letter – Appendix 3.

# STAFF REPORT



TO Audit Committee

SERVICE AREA Finance & Enterprise

DATE June 12, 2013

**SUBJECT 2012 Draft Audited Consolidated Financial Statements  
and External Post-Audit Report**

REPORT NUMBER FIN-13-23

## EXECUTIVE SUMMARY

### PURPOSE OF REPORT

The purpose of this report is to:

- a) To present and review the City's 2012 Draft Audited Consolidated Financial Statements including the related entity statements;
- b) To provide Council with the City's external audit results as reported in Deloitte's 2012 Post-Audit Report; and
- c) To present and review the 2012 Corporate Financial Dashboard

### KEY FINDINGS

The City is proud to present the unqualified opinion from the external audit of the 2012 consolidated financial statements.

The City's corporate financial performance measures continue to be in a strong position compared to industry benchmarks and averages. The City will look to consider the two reserve and reserve fund indicators that have fallen below target in the 2014 budget process.

### FINANCIAL IMPLICATIONS

An unqualified opinion on the City's Consolidated Financial Statements will assist the City in obtaining a fair credit rating, as well as supporting grant funding requests from certain organizations. Additionally, monitoring financial performance measure trends enables the City to identify concerns early and address them before there is any significant impact.

### ACTION REQUIRED

That Report FIN-13-23 entitled "2012 Draft Audited Consolidated Financial Statements and External Post-Audit Report" be received; and

THAT the 2012 Draft Audited Consolidated Financial Statements be approved

## RECOMMENDATION

# STAFF REPORT



That Report FIN-13-23 entitled "2012 Draft Audited Consolidated Financial Statements and External Post-Audit Report" be received; and

THAT the 2012 Draft Audited Consolidated Financial Statements be approved

## **BACKGROUND**

Annually, City Council is required to review and approve the City of Guelph Audited Consolidated Financial Statements as required by the Municipal Act. The Consolidated Financial Statements include the results of the following entities:

- Guelph Police Services Board
- Guelph Public Library Board
- Investment in Guelph Junction Railway
- Investment in Guelph Municipal Holdings Inc. (includes Guelph Hydro Inc.)
- The Elliott
- The Downtown Guelph Business Association
- 45.2% (2011 - 46.2%) of Wellington-Dufferin-Guelph Public Health

Although not specifically required by the Municipal Act, Audit Committee has also requested City staff present unconsolidated financial statements as it would provide more transparent and relevant information for Council members. The unconsolidated financial statements with financial analysis and highlights are included in FIN-13-25 – 2012 unconsolidated financial statements and financial review.

The review and approval of the audited 2012 Consolidated Financial Statements and the review of Deloitte's Post-Audit Report satisfies the following Audit Committee responsibilities as found in the 2013 Work Plan:

- Understand the scope of the external auditor's review of internal financial control over financial reporting and obtain reports on significant findings and recommendations, together with management's responses and the timing of the disposition of significant findings
- After consultation with the Chief Financial Officer/Treasurer and the external auditors, gain a reasonable assurance, at least annually, of the quality and sufficiency of the City's accounting and financial personnel and other resources
- Review with staff and the external auditors the result of the audit including any difficulties encountered and all other matters required to be communicated to the Committee under Generally Accepted Auditing standards
- At the conclusion of the audit, consult with the external auditors, without the presence of staff, regarding internal financial controls, compliance and the fullness and accuracy of the City's consolidated financial statements

# STAFF REPORT

- Ensure the timely presentation of the external auditor's annual audit report to Council
- Review significant accounting and reporting issues, including complex or unusual transactions, highly judgmental areas and recent professional and regulatory pronouncements and understand their impact on the financial statements
- Review the representation letter provided by staff to the external auditors
- Prior to the presentation of the annual financial statements to Council, review the financial statements and consider whether they are complete, consistent with information known to committee members and reflect appropriate accounting principles
- Recommend to Council the approval and distribution of the annual consolidated financial statements

## REPORT

Throughout this report, please refer to **Appendix A** for references to the Draft Consolidated Financial Statements. These are the statements that are required to be approved by Council in accordance with the Municipal Act.

Overview of the City Reporting Entity – These Consolidated Statements have been prepared in accordance with the Public Sector Accounting Board (PSAB) Standards. This reporting basis requires that in addition to the City's departments, the following entities are also included:

- a) Guelph Police Services Board – fully consolidated
- b) Guelph Public Library Board – fully consolidated
- c) The Elliott – fully consolidated
- d) The Downtown Guelph Business Association ("The BIA") - fully consolidated
- e) Wellington-Dufferin-Guelph Public Health Unit ("Public Health")– 45.2% (2011 - 46.2%) - proportionate consolidation
- f) Guelph Municipal Holdings Inc. ("GMHI") (which wholly owns Guelph Hydro Inc.) – modified equity basis
- g) Guelph Junction Railway Company ("GJR")– modified equity basis

Fully consolidated means that the full financial statements of those entities have been combined into the City's statements and all inter-organizational transactions have been eliminated. Proportionate consolidation means that only the City's share (45.2%) of Public Health's results have been combined into the City's statements and all inter-organization transactions have been eliminated. Modified equity basis means that the carrying value of the net assets of the investees are shown on the face of the City's Statement of Financial Position as an investment and any gain or loss is shown on the Statement of Operations. There are no inter-organizational eliminations.

# STAFF REPORT

Review of the Consolidated Entities' Financial Statements – In the preparation of the Consolidated Financial Statements, staff have reviewed each of the financial statements of the consolidated entities. The following is a summary of financial highlights of these entities and any relevant information that resulted from each of their entity's audits. Although this report includes analysis of the GJR and GMHI results, the financial statements have not been attached in an appendix as Council will receive these financial statements at the Annual General Meetings of each company.

- a) The Elliott - **Appendix C** - The Elliott is required to be consolidated into the City of Guelph financial statements due to their financial reliance on the City. The Elliott's financial statements are audited by KPMG LLP and have a year end date of March 31 (rather than the City's reporting date of December 31).
- The City has a loan receivable outstanding from the The Elliott of \$18.8M relating to debentures issued on behalf of this organization by the City.
  - The City also guarantees the Elliott's term loan and line of credit of \$1.4M
  - In addition to these debts, The Elliott also carries a bankers acceptance SWAP type loan of \$2.45M and has an obligation under a capital lease of \$162K.
  - The Elliott had a net deficit of \$1.03M (2011 – deficit of \$1.2M) and a net surplus excluding amortization of \$704K (2011 surplus of \$485K)
  - Upon review of the Elliott's external audit findings report also included in Appendix C, it was noted that KPMG continues to monitor Going Concern as a potential risk due to the net liability position and the increased deficit year over year. Management have concluded that based on the net positive increased cash position of \$353K there is no risk of Going Concern in the next fiscal year.
  - The City and The Elliott have restructured the promissory note agreement in early 2013 that will also help to address this going concern risk in future years.
- b) Public Health - **Appendix D** – Public Health is audited by Deloitte and Touche and the City consolidates 45.2% (2011 - 46.2%) of its operations as the City's proportionate share of this entity. In 2012, the proportionate share of Public Health was realigned to the 2009 census to ensure each obligated municipality's results are reflective of current population. Please refer to Note 18 of the City's consolidated financial statements for a summary of Public Health's financial results. Highlights from these statements include:
- Public Health has reported a net surplus of \$3.6M (2011 - \$1.5M) which is reasonable given the level of capital investment that occurred in 2012 (Public Health had capital revenues received from the Ministry and the obligated municipalities which are included in income but the expense has been capitalized).

- During 2012, Public Health spent \$2.97M on capital which is an increase over 2011 of \$691K. This high level of capital spending is related to the two new facilities being built in Guelph and Orangeville.
  - In 2012, Public Health successfully applied for and was approved to received \$1.28M of funding towards these new facilities that will directly reduce the obligated municipalities cost. These funds are in addition to \$87K received in 2011. Public Health will continue to apply for additional funding from the Ministry through project completion.
  - In December 2012, the three obligated municipalities and Public Health signed a financing agreement to fund the capital cost of building the two new facilities. Note disclosure has been included in both the Public Health statements and the City's financial statements. This financing agreement will protect the City's investment over the 10 year financing period in case of any unexpected changes in legislation.
- c) The BIA - **Appendix E** – The Downtown Guelph Business Association is a “business improvement area” of the City and is consolidated because it is financially dependent on the City for funding its operations. City staff have identified concerns with the 2012 financial results and are scheduled to meet with BIA management to further discuss these statements and their financial position. Highlights from these financial statements include:
- The BIA has reported a 2012 deficit of \$54K (2011 –deficit of \$3.5K) which is the 3<sup>rd</sup> consecutive year of deficits.
  - The BIA used the majority of their reserves to fund the 2012 deficit and as a result liquidated their investments and much of their surplus cash. Total cash and investment position went from \$149.6K in 2011 to \$22.7K in 2012.
  - The BIA has unbudgeted revenues and expenses related to an advertising campaign in 2012 but these do not impact the net deficit. The BIA deficit is driven mostly by overspending compared to budget on consulting and member communication expenses.
- d) GMHI and GJR – both of these entities have a formal process for reporting their financial statements to Council in accordance with each Corporation's shareholder declaration. For this reason, their financial statements have not been included in the attached appendices. A summary of each of these entity's financial results can however be found in Notes 5 and 6 to the consolidated financial statements. GJR's financial statements are audited by Deloitte and Touche and Guelph Hydro Inc.'s statements (100% owned by GMHI) are audited by KPMG LLP. Highlights relating to these two entities include:
- GJR realized a net income of \$275K (2011 - \$228K) which represents the increase in the City's investment in this company. GJR took on debt in 2011 and 2012 totaling \$1.6M in order to expand trackage for new business. This capital work has been completed and GJR is now repaying this debt over the next 5 – 7 years.

- GJR continued to repay the loan payable to the City on schedule with an outstanding balance of \$94K at December 31, 2012.
- GMHI consolidated net income totaled \$1.06M (2011 - \$1.89M) less the dividend payment of \$2.95M to the City in 2012 represents a decrease in the City's investment in GMHI of \$1.89M. Due to a change in timing of the dividend payment in 2012, the City received a dividend for both the 2011 and 2012 fiscal years.

External Auditor Report - Appendix B – The external audit results as prepared by Deloitte and Touche are included in Appendix B. In addition to this report, specific audit findings related to the City's financial reporting controls and processes along with recommended solutions have been included in a closed meeting report FIN-13-24 as these are limited by the Municipal Act Section 239(a) – "Protection of City Property".

The external audit is substantially complete except for the items as listed in on page 2 of Appendix B "Status of our audit". Given the timing that is required by the Generally Accepted Auditing Standards, some of these items are required to be completed after the financial statements have been approved, which is the date Council approves the statements (expected to be June 24, 2013). These outstanding items include obtaining an update on the legal status of outstanding claims as disclosed in Note 20 to the financial statements, obtaining management's representation with respect to the financial statements, as well as receiving back certain confirmations from the City's actuary and KPMG LLP.

Reserve and Reserve Fund Transfers – Included in these consolidated financial statements are a number of reserve and reserve fund transfers related to the allocation of the year end operating surplus that have yet to be approved by Council. If Council does not approve these transfers as recommended in reports FIN-13-26, the City of Guelph consolidated financial statements will change from the current presentation.

2012 Corporate Performance Measures Dashboard -Appendix F – The City's corporate performance measure dashboard shows that the City continues to show strong ratings in debt, tax collections and capital reserves. There is however caution raised once again that the city's tax-supported contingency reserves are underfunded and need to be replenished. Using reserves to balance any given year's budget is not a sustainable practice.

## **CORPORATE STRATEGIC PLAN**

2.1 – Build an adaptive environment for government innovation to ensure fiscal and service sustainability.

# STAFF REPORT



2.3 – Ensure accountability, transparency and engagement.

## **DEPARTMENTAL CONSULTATION**

None noted

## **COMMUNICATIONS**

Staff have met with the Communications department to coordinate a communication plan.

## **ATTACHMENTS**

Appendix A: 2012 Draft City of Guelph Consolidated Financial Statements

Appendix B: 2012 External Audit Findings Report

Appendix C: The Elliot 2012 Audited Financial Statements & External Audit Finding Report

Appendix D: Wellington-Dufferin-Guelph Public Health Unit 2012 Audited Financial Statements

Appendix E: The Downtown Guelph Business Association 2012 Audited Financial Statements

Appendix F: 2012 Corporate Financial Performance Measures Dashboard

# STAFF REPORT

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Original Signed by:

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**Report Author:**

Tara Johnston  
Manager, Financial Reporting &  
Accounting

Original Signed by:

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**Reviewed By:**

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Consolidated financial statements of

**City of Guelph**

December 31, 2012

DRAFT

# City of Guelph

December 31, 2012

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## **Independent Auditor's Report**

To the Members of Council, Inhabitants and Ratepayers of the  
City of Guelph

We have audited the accompanying consolidated financial statements of the Corporation of the City of Guelph, 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 financial assets 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 Guelph as at December 31, 2012 and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants  
June 24, 2013  
Kitchener, Ontario

DRAFT

# City of Guelph

## Consolidated statement of financial position as at December 31, 2012 ('000's)

	2012	2011
	\$	\$
<b>Financial assets</b>		
Cash	47,953	33,096
Investments (Note 4)	116,006	115,234
Taxes receivable	5,353	7,940
Accounts receivable	28,604	34,505
Loans and notes receivable	900	1,315
Investment in Guelph Junction Railway Inc. (Note 5)	6,225	5,950
Investment in Guelph Municipal Holdings Inc. (Note 6)	76,367	78,260
	<b>281,408</b>	<b>276,300</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	29,037	41,543
Accrued interest payable	742	794
Vacation and other employee benefits payable	5,668	5,575
Developer agreement deferred revenue (receivable)	1,911	(88)
Other deferred revenue	12,574	11,069
Deferred contributions (Note 7)	40,454	25,785
Employee future benefits (Note 9)	26,568	27,546
Net debt (Note 10)	112,012	121,355
Obligation under capital lease (Note 11)	162	134
Landfill post-closure liability (Note 12)	5,050	5,700
Other long-term liabilities (Note 13)	396	-
	<b>234,574</b>	<b>239,413</b>
<b>Net financial assets</b>	<b>46,834</b>	<b>36,887</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 14)	966,325	937,545
Inventory	1,967	2,162
Prepaid expenses	1,672	565
	<b>969,964</b>	<b>940,272</b>
Contingencies (Note 20)		
Commitments and guarantees (Note 21)		
<b>Accumulated surplus (Note 15)</b>	<b>1,016,798</b>	<b>977,159</b>

The accompanying notes are an integral part of this financial statement.

# City of Guelph

## Consolidated statement of operations and accumulated surplus year ended December 31, 2012 ('000's)

	2012 Budget (Note 23)	2012 Actual	2011 Actual
	\$	\$	\$
<b>Revenues</b>			
Taxation			
Property taxation (Note 3)	185,110	184,138	174,260
Property taxation - Downtown Guelph Business Association	424	424	412
Penalties and interest on taxes	1,413	1,319	1,590
	<b>186,947</b>	<b>185,881</b>	<b>176,262</b>
User charges	77,856	79,609	74,339
Contributed subdivision assets	-	20,744	9,901
Contributions			
Government of Canada	6,199	4,115	13,540
Province of Ontario	44,359	48,572	54,816
Municipal	2,745	3,054	3,346
Developers	16,760	9,930	16,556
Other	1,855	834	1,871
	<b>149,774</b>	<b>166,858</b>	<b>174,369</b>
Other			
Investment income	2,103	4,170	2,567
Donations	328	600	578
Sales of equipment, publications	3,926	4,955	5,210
Recoveries	2,918	11,011	6,954
Licences and permits	2,736	2,811	2,742
Provincial Offenses Act revenues	3,580	3,813	3,652
Other fines	960	874	745
Gain on disposal of tangible capital assets	4,193	642	5,853
Income (loss) from Government Business Enterprises	-	(1,618)	617
	<b>20,744</b>	<b>27,258</b>	<b>28,918</b>
<b>Total revenues</b>	<b>357,465</b>	<b>379,997</b>	<b>379,549</b>
<b>Expenses</b>			
General government	23,847	22,040	18,954
Protection services	68,999	68,977	64,871
Transportation services	49,443	58,074	52,096
Environmental services	63,861	65,971	63,202
Health services	22,054	22,411	21,458
Social and family services	43,373	43,773	41,091
Social housing	18,457	17,200	17,291
Recreation and cultural services	35,678	36,651	33,143
Planning and development	5,732	7,097	5,592
<b>Total expenses</b>	<b>331,444</b>	<b>342,194</b>	<b>317,698</b>
<b>Excess of revenues over expenses for the year</b>	<b>26,021</b>	<b>37,803</b>	<b>61,851</b>
<b>Accumulated surplus, beginning of year</b>	<b>977,159</b>	<b>977,159</b>	<b>914,075</b>
Adjustments (Note 2)	-	-	(978)
Adjustment: Interest earned on reserves and reserve funds	1,340	1,836	2,493
Less: Minority interest in Health Unit tangible capital assets	-	-	(282)
<b>Accumulated surplus, end of year</b>	<b>1,004,520</b>	<b>1,016,798</b>	<b>977,159</b>

The accompanying notes are an integral part of this financial statement.

# City of Guelph

## Consolidated statement of change in net financial assets year ended December 31, 2012 ('000's)

	2012 Budget (Note 23)	2012 Actual	2011 Actual
		\$	\$
<b>Excess of revenue over expenses for the year</b>	<b>26,021</b>	<b>37,803</b>	<b>61,851</b>
Amortization of tangible capital assets	44,000	41,192	37,467
Acquisition of tangible capital assets	(93,542)	(49,797)	(95,905)
Contributed subdivision assets	-	(20,744)	(9,901)
Gain on disposal of tangible capital assets	(4,193)	(642)	(5,853)
Proceeds on disposal of tangible capital assets	-	1,211	10,066
Minority interest in Health Unit tangible capital assets		-	(282)
Adjustment in accumulated surplus (Note 2)		-	(978)
Interest earned on reserves and reserve funds	1,340	1,836	2,493
Change in inventory	-	195	290
Change in prepaid expenses	-	(1,107)	(84)
Increase (decrease) in net financial assets for the year	(26,374)	9,947	(836)
Net financial assets, beginning of year	36,887	36,887	37,723
<b>Net financial assets, end of year</b>	<b>10,513</b>	<b>46,834</b>	<b>36,887</b>

The accompanying notes are an integral part of this financial statement.

# City of Guelph

## Consolidated statement of cash flows year ended December 31, 2012 ('000's)

	2012	2011
	\$	\$
<b>Operating activities</b>		
Excess of revenues over expenses for the year	37,803	61,851
Items not affecting cash:		
Amortization of tangible capital assets	41,192	37,467
Gain on disposal of tangible capital assets	(642)	(5,853)
Contributed subdivision assets	(20,744)	(9,901)
Allowance on asset backed investment	(369)	(155)
Unrealized loss (gain) on interest rate swap contracts	(129)	414
Loss (income) from Government Business Enterprises	1,618	(617)
Employee future benefit expenses	(978)	1,690
Landfill post-closure recovery	(650)	(300)
Interest earned on reserves and reserve funds	1,836	2,493
Changes in non-cash working capital:		
Taxes receivable	2,587	(459)
Accounts receivable	5,901	5,436
Developer agreement receivable/deferred revenue	1,999	916
Inventory	195	290
Prepaid expenses	(1,107)	(84)
Accounts payable and accrued liabilities	(12,377)	(2,378)
Accrued interest payable	(52)	17
Vacation and other employee benefits payable	93	154
Other deferred revenue	1,505	733
Other long-term liabilities	396	-
Cash provided by operating	58,077	91,714
<b>Capital and investing activities</b>		
Acquisition of tangible capital assets	(49,797)	(95,905)
Minority interest in Health Unit tangible capital assets	-	(282)
Proceeds from disposal of tangible capital assets	1,211	10,066
Change in loans and notes receivable	415	(3)
Net investment acquisitions	(403)	(41,944)
Cash used by capital and investing	(48,574)	(128,068)
<b>Financing activities</b>		
Proceeds from debt issuance	10,220	47,500
Repayment of debt principal	(19,563)	(23,424)
Net change in obligation under capital lease	28	134
Net change in deferred contributions	14,669	1,513
Cash provided by financing	5,354	25,723
Increase (decrease) in cash for the year	14,857	(10,631)
Cash, beginning of year	33,096	43,727
<b>Cash, end of year</b>	<b>47,953</b>	<b>33,096</b>

The accompanying notes are an integral part of this financial statement.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

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### 1. Significant accounting policies

The consolidated financial statements of the Corporation of the City of Guelph (the "City") have been prepared by management in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the City are as follows:

#### *Reporting entity*

The consolidated financial statements reflect the financial assets, liabilities, operating revenues and expenses and changes in investment in tangible capital assets of the reporting entity. The reporting entity is comprised of those City functions or entities which have been determined to comprise a part of the aggregate City operations based upon control exercised by the City, except for the City's government businesses which are accounted for on the modified equity basis of accounting.

#### Consolidated entities

In addition to the City departments, the reporting entity includes the following:

Guelph Public Library Board  
Guelph Police Services Board  
Downtown Guelph Business Association  
The Elliott

All interfund assets, liabilities, revenues and expenses have been eliminated. The Elliott's fiscal year ends March 31, which does not coincide with the City's fiscal year end. The Elliott has been consolidated using the fiscal year ending March 31, 2012.

#### Proportionately consolidated entities

The City reports only its share of assets, liabilities and results of operations of any government partnerships in which it participates. The City participates in the Wellington-Dufferin-Guelph Public Health Unit to the extent of 45.2% (2011 – 46.2%) based on population, as stated in agreement with the other participants. In 2012, the proportionate share of each obligated municipality was realigned to the 2009 census.

#### Modified equity basis entities

The investments in Guelph Municipal Holdings Inc. and Guelph Junction Railway Company are accounted for on a modified equity basis, consistent with the public sector accounting standards for the treatment of government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated. Under the modified equity basis of accounting, the carrying value of the investment in subsidiaries is adjusted to reflect the City's share of the net asset change of the investee.

#### *Basis of accounting*

#### Accrual basis of accounting

Revenue and expenses are reported on the accrual basis of accounting except for revenues generated under the Provincial Offences Act which are accounted for on the cash basis. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that gave rise to the revenues; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services or the creation of an obligation to pay.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

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### 1. Significant accounting policies (continued)

#### *Basis of accounting (continued)*

##### Taxes receivable 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 annually by the 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. A normal part of the assessment process is the issuance of supplementary assessment 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 tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded as a reduction of tax revenue when the result of the appeal process is reasonably certain. The City is entitled to collect interest and penalties on overdue taxes and these revenues are recorded in the period the interest and penalties are levied. Tax revenue is recorded net of reductions including rebates. Taxes receivable are reported net of any expense or allowance for doubtful accounts.

##### Reserves and reserve funds

Certain amounts, as approved by City Council, are set aside in reserves and reserves funds for future operating and capital purposes. Reserve Funds are interest bearing and the current year earned interest is accounted for as an adjustment within accumulated surplus.

##### Deferred revenue and deferred contributions

Deferred revenues and deferred contributions represent property taxes, user charges and fees, developer contributions and other grant revenues which have been collected but for which the related services or expenditures have yet to be performed. These revenues have certain restrictions and will be recognized in the fiscal year the services or expenditures are performed.

##### Tangible capital assets

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

Land improvements	- 20 to 75 years
Buildings	- 10 to 75 years
Machinery and equipment	- 3 to 25 years
Vehicles	- 5 to 15 years
Sanitary sewers infrastructure	- 50 to 80 years
Storm sewer infrastructure	- 15 to 80 years
Transportation infrastructure	- 20 to 80 years
Waterworks infrastructure	- 5 to 80 years

The City has various capitalization thresholds, so that individual tangible capital assets of lesser value are expensed, unless the assets have significant value collectively (pooled assets). Examples of pools are desktop and laptop computers, police equipment, traffic signals, streetlights, and fire equipment.

- (ii) Land purchased for service delivery purposes is recorded as a tangible capital asset at cost. Any land cost premium incurred or discount received related to expropriation will be included as part of the asset to be constructed and amortized over its' useful life.
- (iii) Tangible capital assets received as contributions are recognized at their fair value at the date of receipt, and correspondingly recognized as revenue in that period. Similarly, contributions of assets to a third party are recorded as an expense equal to the net book value of the tangible capital asset as of the date of transfer.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

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### 1. Significant accounting policies (continued)

#### *Basis of accounting (continued)*

#### Tangible capital assets (continued)

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

#### Employee future benefit obligations

The cost of future benefits earned by employees is actuarially determined using the projected benefit method prorated on service and assumptions of mortality and termination rates, retirement age and expected inflation rates.

Past service costs from plan amendments, if any, are deferred and amortized on a straight-line basis over the average remaining service life of active employees at the date of the amendment. Actuarial gains and losses on the accrued benefit obligation arise from differences between the actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net actuarial gains or losses over 10% of the benefit obligation is amortized over the average remaining service life of active employees.

#### Government transfers

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing that the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

#### Investment income

Investment income earned on available funds and loans receivable are reported as revenue in the period earned. Investment income earned on deferred contributions is recorded as an increase to deferred contributions.

#### Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include valuation allowance for asset backed investments, valuation allowances for receivables, certain accrued liabilities and obligations related to employee future benefits and the carrying value of tangible capital assets. Actual results could differ from these estimates.

#### Future accounting changes

Effective for fiscal periods beginning on or after April 1, 2012, all governments will be required to adopt Public Sector Accounting Board Handbook ("PSAB") Section 3410 Government Transfers. This standard provides guidance to governments for the accounting and reporting of government transfers from both the transferring government and the recipient government in the financial statements.

Effective for fiscal periods beginning on or after April 1, 2014, all governments will be required to adopt PSAB Section 3260, Liability for Contaminated Sites. This standard provides guidance on how to account for and report a liability associated with the remediation of contaminated sites, defines which activities would be included in the liability for remediation, establishes when to recognize and how to measure a liability for remediation and provides guidance on financial statement presentation and disclosure.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

### 1. Significant accounting policies (continued)

#### Future accounting changes (continued)

Effective for fiscal periods beginning on or after April 1, 2015, all governments will be required to adopt PSAB Section 2601, Foreign Currency Translation, PSAB Section 3450 Financial Instruments and PSAB Section 1201 Financial Statement Presentation. This standard provides guidance on how to account for and report on financial instruments and related revenue and expenditures and also provides guidance on financial statement presentation and disclosure.

The City is currently in the process of evaluating the potential impact of adopting these standards.

### 2. Restatement of 2011 comparative figures

During the 2012 year, it was determined that a certain reserve fund has external restrictions and should be recorded as deferred contributions.

The total impact of correcting this item in the 2011 comparative figures is as follows:

	As previously reported	Adjustment	2011 As restated
	\$	\$	\$
Deferred contributions	(24,500)	(1,285)	(25,785)
Licences and permits revenue	(3,049)	307	(2,742)
Accumulated surplus, beginning of year	(914,075)	978	(913,097)
Accumulated surplus, end of year	(978,444)	1,285	(977,159)

### 3. Taxation revenue

#### a) Taxation collected on behalf of school boards

The net taxation levies collected on behalf of the school boards are comprised of the following:

	2012	2011
	\$	\$
Taxation	60,879	61,644
Payments in lieu	2	2
	60,881	61,646
Requisitions	(60,881)	(61,646)
Net levy for the year	-	-

Included in accounts receivable are levies owed from the school boards totaling \$316 (2011 - accounts payable and accrued liabilities - \$307).

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

### 3. Taxation revenue (continued)

#### b) Taxation revenue by major tax class

2012	Taxes - own purpose	Payments in lieu	Supplementary taxes	Rebates & Write-offs	2012 Total
	\$	\$	\$	\$	\$
Residential	113,358	13	2,858	(122)	116,107
Mult-Residential	12,933	-	-	(163)	12,770
Commercial	30,202	4,279	1,423	(948)	34,956
Industrial	19,030	131	256	(1,342)	18,075
Pipelines	500	-	16	-	516
Farmlands	12	-	-	10	22
Managed Forests	2	-	-	-	2
Other	24	1,666	-	-	1,690
<b>Total tax revenue</b>	<b>176,061</b>	<b>6,089</b>	<b>4,553</b>	<b>(2,565)</b>	<b>184,138</b>

	Taxes - own purpose	Payments in lieu	Supplementary taxes	Rebates & Write-offs	2011 Total
	\$	\$	\$	\$	\$
Residential	106,635	12	2,729	(276)	109,100
Mult-Residential	13,465	-	343	(294)	13,514
Commercial	27,727	4,007	1,069	(343)	32,460
Industrial	17,964	129	316	(1,319)	17,090
Pipelines	486	-	3	-	489
Farmlands	11	-	1	-	12
Managed Forests	2	-	-	-	2
Other	-	1,606	-	(13)	1,593
<b>Total tax revenue</b>	<b>166,290</b>	<b>5,754</b>	<b>4,461</b>	<b>(2,245)</b>	<b>174,260</b>

### 4. Investments

Investments are recorded at cost. The cost and market values are as follows:

	2012		2011	
	Market	Cost	Market	Cost
	\$	\$	\$	\$
Short-term investments	58,061	57,755	67,029	66,933
Long-term investments	59,482	58,251	48,735	48,301
	<b>117,543</b>	<b>116,006</b>	<b>115,764</b>	<b>115,234</b>

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

### 4. Investments (continued)

In 2009, a restructuring plan was implemented to convert frozen short-term asset-backed commercial paper to long-term notes of various classes with terms matching the maturity of the underlying assets. As a result of the exchange, the City recorded the new carrying value (increase of \$64) but recognized the highly speculative nature of any ultimate payment of principal at maturity by booking a provision for impairment. The impairment is recorded net of the cost of the long-term investments and is estimated to be 18% of the investment cost or \$373 (2011 - 18% or \$743).

### 5. Investment in Guelph Junction Railway Company

The following table provides condensed supplementary financial information for the Guelph Junction Railway Company (the "Railway") for the year ended December 31:

Financial position		
Current assets	1,028	1,591
Property, plant and equipment	8,166	6,855
Total assets	9,194	8,446
Current liabilities	759	843
Long-term debt	1,274	678
Deferred capital contributions	936	975
Total liabilities	2,969	2,496
Net assets	6,225	5,950
Results of operations		
Revenues	2,087	1,699
Operating expenses	1,812	1,471
Net income	275	228
Retained earnings, beginning of year	5,950	5,722
Retained earnings, end of year	6,225	5,950

#### *Related party transactions*

The City pays certain expenses and receives certain revenues on behalf of the Railway for which the Railway reimburses the City periodically through the year. During the year, these net expenses reimbursed to the City amounted to \$1,483 (2011 - \$339). Included in accounts receivable is an amount owing from the Railway of \$343 (2011 - \$287) related to the reimbursement of these current year net expenditures. Additional payments in 2012 of \$50 (2011 - \$50) were made to the City to repay the amount owing from prior years. The total amount owing to the City at year end is \$95 (2011 - \$145) and is included as part of loans and notes receivable.

The Railway also paid the City \$23 (2011 - \$22) in office rent and administration fees. These transactions were made in the normal course of business and have been recorded at the exchange amounts.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

### 6. Investment in Guelph Municipal Holding Inc.

The City of Guelph owns 100% of Guelph Municipal Holdings Inc. ("GMHI") which owns 100% of the shares of Guelph Hydro Inc. ("GHI"), which in turn owns 100% of Guelph Hydro Electric Systems Inc. and 100% of Envida Community Energy Inc.. The following table provides condensed supplementary financial information for GMHI for the year ended December 31:

	2012	2011
	\$	\$
Financial position		
Current assets	50,057	61,966
Property, plant and equipment	130,798	125,185
Intangible assets	314	275
Deferred charges	40	40
Future income taxes	6,885	5,993
Total assets	188,094	193,459
Current liabilities	24,933	28,516
Customer deposits and deferred revenue	13,509	13,723
Long-term debt	65,237	65,350
Employee future benefits	8,048	7,610
Total liabilities	111,727	115,199
Total shareholder's equity	48,576	48,576
Net assets	27,791	29,684
Total investment	76,367	78,260
Results of operations		
Revenues	147,542	155,917
Cost of sales	119,872	127,385
Operating expenses	26,738	25,631
Income taxes	(125)	1,012
Total expenses	146,485	154,028
Net income	1,057	1,889
Retained earnings, beginning of year	29,684	29,295
Dividends	(2,950)	(1,500)
Retained earnings, end of year	27,791	29,684

#### Related party transactions

GHI pays certain expenses and receives certain revenues on behalf of the City related to customer water billings for which GHI remits to the City bi-monthly. During the year, these net revenues received amounted to \$44,478 (2011 - \$41,417). Amounts owing to the City related to these transactions total \$8,613 (2011 - \$8,106) and are included in accounts receivable.

Dividend income was received from the Company of \$2,950 (2011 - \$1,500) and is also reported as part of investment income. These transactions were made in the normal course of business and have been recorded at the exchange amounts.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

### 7. Deferred contributions

The following funds have statutory restrictions and as such are classified as deferred contributions:

	Beginning balance 2012	2012 Inflows	2012 Outflows	Ending balance 2012
	\$	\$	\$	\$
Development charges	17,008	19,619	9,070	27,557
Grants	6,961	10,107	6,413	10,655
Other	1,816	435	9	2,242
	25,785	30,161	15,492	40,454

The development charges are restricted for use to fund growth related capital expenditures in accordance with the Development Charges Act. The deferred grants include federal gas tax funds, provincial gas tax funds, infrastructure stimulus funds, federal public transit funds and Ontario bus replacement funds. Each of the grants has a specified set of restrictions that outlines how the funds can be utilized. The other deferred contributions include funds received for parkland dedication as restricted under the Planning Act and funds received in relation to the Ontario Building Code Act.

### 8. Pension agreement

The City makes contributions to the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer plan, on behalf of the 1,848 (2011 – 1,818) members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The multi-employer plan is valued on a current market basis for all plan assets.

The amount contributed to OMERS for 2012 is \$11,111 (2011 - \$9,427) for current service and is reported as an expense on the consolidated statement of operations and accumulated surplus.

As at December 31, 2012, the City has no obligation under the past service provisions of the OMERS agreement.

As at December 31, 2012 the OMERS plan is in a deficit position of \$9.9 billion (2011 - \$7.3 billion), which will be addressed through temporary contribution rate increases, benefit reductions, and investment returns.

### 9. Employee future benefits

Employee future benefits are current costs of the City to its employees and retirees for benefits earned but not taken as at December 31, and consist of the following:

	2012	2011
	\$	\$
Workplace Safety and Insurance ("WSIB")	3,867	3,549
Sick leave	8,288	10,222
Post retirement benefits	14,413	13,775
	26,568	27,546

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

### 9. Employee future benefits and other liabilities (continued)

#### a) Liability for Workplace Safety & Insurance ("WSIB")

The City is a Schedule II employer under the Workplace Safety and Insurance Act. As a Schedule II employer, the City assumes the liability for any award made under the Act. A comprehensive actuarial valuation of the future liability for WSIB benefits was conducted as at December 31, 2009 and has been extrapolated to estimate the liability for the 2010 through 2012 period. The next required valuation will be as of December 31, 2012.

The significant actuarial assumptions adopted in estimating the City's WSIB liabilities are as follows:

- Discount rate 5% (2009 - 5%)
- Expected future WSIB payments per lost time injury 52% (2009 - 61%)
- Health care inflation CPI plus 4% (2009 - CPI plus 4%)
- WSIB Administration Rate 22% (2009 - 25%)
- Lost time injury count 46 (2009 - 36)

Information about the City's WSIB liability is as follows:

	2012	2011
	\$	\$
Accrued benefit obligation, beginning of year	4,153	3,949
Current service cost	735	712
Interest	208	198
Benefits paid	(737)	(706)
Accrued benefit obligation, end of year	4,359	4,153
Unamortized net actuarial loss	(492)	(604)
	3,867	3,549

Information about the City's WSIB expenses recognized in the period are as follows:

	2012	2011
	\$	\$
Current period benefit cost	735	712
Amortization of net actuarial loss from December 31, 2009	15	15
Amortization of net actuarial loss from December 31, 2006	97	97
Interest expense	208	198
	1,055	1,022

A reserve in the amount of \$2,246 (2011 - \$2,203) has been accumulated to fund this liability.

#### b) Liability for sick leave

Under the sick leave benefit plan, unused sick leave can accumulate for certain employees and these employees may become entitled to a cash payment when they leave the City's employment.

A comprehensive actuarial valuation was completed as of December 31, 2010 and the next required valuation will be as of December 31, 2013.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

### 9. Employee future benefits and other liabilities (continued)

#### b) Liability for sick leave (continued)

The significant actuarial assumptions adopted in estimating the City's sick leave liabilities are as follows:

- Discount rate 4.75% (2009 - 5%)
- Inflation rate 2% (2009 - 2%)
- Future salaries 3.5% per year (2009 – 3.5%)

Information about the City's sick leave liability is as follows:

	2012	2011
	\$	\$
Accrued benefit obligation, beginning of year	12,401	9,353
Current service cost	982	919
Interest	591	561
Plan amendment	(2,777)	-
Net actuarial loss	-	2,403
Benefits paid	(894)	(835)
Accrued benefit obligation, end of year	10,303	12,401
Unamortized net actuarial loss	(2,015)	(2,179)
	8,288	10,222

During 2012, the CUPE 241 and 1946 collective bargaining unions ratified a new contract that eliminated the accumulated sick leave benefit. As a result, the City obtained an updated actuarial valuation for sick leave for these two plans as of December 31, 2012. This plan amendment resulted in a reduction to the sick leave obligation of \$2,777 in 2012.

Information about the City's sick leave expenditures recognized in the period are as follows:

	2012	2011
	\$	\$
Current period benefit cost	982	919
Amortization of net actuarial (gain) loss	164	168
Plan amendment	(2,777)	-
Interest expense	591	561
	(1,040)	1,648

There are currently reserves totaling \$7,701 (2011 - \$10,446) available to fund this liability.

#### c) Post retirement benefits

The City provides dental and health care benefits between the time an employee retires under OMERS, or retires at a normal retirement age, up to the age of 65.

The significant actuarial assumptions adopted in estimating the City's liabilities are as follows:

- Discount rate 4.75% (2009 – 5.0%)
- Consumer price index 2.0% (2009 - 2.0%)
- Prescription Drugs Trend Rate 7.67% reducing 4.0% per year to reach 4.0% per year starting in 2019 (2009 – no change)
- Dental and other Medical Trend Rates 4.0% (2009 – 4.0%)

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

### 9. Employee future benefits and other liabilities (continued)

#### c) Post retirement benefits (continued)

Information about the City's employee post retirement benefits are as follows:

	2012	2011
	\$	\$
Accrued benefit obligation, beginning of year	15,250	14,812
Current service cost	670	627
Interest	720	697
Benefits paid	(875)	(886)
Accrued benefit obligation, end of year	15,765	15,250
Unamortized net actuarial loss	(1,352)	(1,475)
	14,413	13,775

Information about the City's employee future benefit expenses recognized in the period are as follows:

	2012	2011
	\$	\$
Current period benefit cost	670	627
Amortization of net actuarial loss	123	123
Interest expense	720	697
	1,513	1,447

A comprehensive actuarial valuation was completed as of December 31, 2010 and the next required valuation will be as of December 31, 2013.

There are currently reserves totaling \$1,624 (2011 – \$1,945) available to fund this liability.

### 10. Net debt

- a) The balance of the net debt reported on the consolidated statement of financial position is comprised of the following:

	2012	2011
	\$	\$
Total debt incurred by the City including those incurred on behalf of related organizations and outstanding at the end of the year amount to	112,012	122,035
Less: debt recoverable from school boards	-	(680)
Net debt at the end of the year	112,012	121,355

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

### 10. Net debt (continued)

b) The net debt is comprised of the following components:

	2012	2011
	\$	\$
Operating line of credit - bearing interest at prime	800	580
Demand loan - interest only at 3.7%, maturing in 2012	-	10,000
Debentures - repayable at rates ranging from 0.095% to 5.237% and maturing from 2014 through 2031	89,151	97,601
Long-term loans - repayable at rates ranging from prime to 6.38% and maturing from 2015 through 2025	19,607	10,601
Banker's acceptance, interest at 4.83% fixed through a swap transaction, plus a stamping fee of 1.25% for a total of 6.08% repayable quarterly, maturing 2015 with option to refinance for an additional ten years, net of transaction costs	2,454	2,573
	<b>112,012</b>	<b>121,355</b>

During 2012, the City repaid the maturing demand loan of \$10,000 and concurrently entered into a floating rate five-year term facility of the same value which is fixed at 2.105% via an interest rate SWAP. The City also renegotiated a term loan that matured in 2012 for an additional 5 years at a rate of 3.04%.

During 2011, the City issued a \$46,750 debenture, repayable over 10 years at a coupon rate of 3.12%. This debenture was issued to fund \$33,700 of capital projects as well as to refinance a \$13,050 debenture that matured in 2011.

Included in accounts payable and accrued liabilities is \$1,818 (2011 - \$1,947) representing the fair market value of the interest rate swap facilities.

All net debt is payable in Canadian dollars. Refer to schedule 3 for further details.

c) The net debt is repayable in the following periods and will be funded through the following revenue sources:

	General taxation	User pay and other	Developer contributions	Total
	\$	\$	\$	\$
2013	6,342	2,724	1,708	10,774
2014	6,501	1,961	1,781	10,243
2015	6,711	3,937	1,817	12,465
2016	6,924	1,460	1,854	10,238
2017	16,540	1,483	1,926	19,949
Thereafter	34,799	9,474	4,070	48,343
	<b>77,817</b>	<b>21,039</b>	<b>13,156</b>	<b>112,012</b>

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

### 10. Net debt (continued)

d) Total charges during the year for net debt are as follows:

	2012	2011
	\$	\$
Principal repayments	19,563	23,424
Interest	4,552	4,599
	24,115	28,023

### 11. Obligation under capital lease:

A consolidated entity of the City has financed certain equipment through a capital lease arrangement as follows:

	2012	2011
	\$	\$
2012	-	40
2013	55	40
2014	55	39
2015	55	39
2016	55	-
2017	5	-
Total minimum lease payments	225	158
Less amount representing interest at 8.5%	(63)	(24)
Present value of net minimum capital lease payments	162	134

Interest of \$13 (2011 - \$11) relating to capital lease obligations has been included in interest expense.

### 12. Landfill post-closure liability

The City owns one landfill site. This landfill site was closed in 2003. The liability for post-closure costs has been reported on the consolidated statement of financial position. The liability was calculated based upon the present value of estimated post-closure costs discounted to December 31, 2012 at a factor of 3.5% (2011 - 5.0%) per annum. Post-closure care is estimated to be required for 35 years from the date of site closure.

The estimated expenditures for post-closure care as at December 31, 2012 is \$5,050 (2011 - \$5,700).

There are no reserve funds established to fund this liability as at December 31, 2012, as the City is funding this cost annually through the budget process.

### 13. Other long-term liabilities

The City offers three tax-increment based grant ("TIBG") programs in the areas of Heritage Redevelopment, Brownfield Redevelopment and Downtown Development.

The tax-increment based grants are approved individually by Council and require annual reporting and property tax payment by the applicant in order for the City to pay a grant installment. The agreements have two identifiable phases: i) grant pre-approval and construction phase; ii) grant approval and payment phase.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

### 13. Other long-term liabilities

The City has two TIBG agreements that are in the grant payment phase:

a) TIBG Agreements

	<b>2012</b>
	<b>\$</b>
Heritage Redevelopment	<b>396</b>

b) The TIBG's are repayable in the following periods:

	<b>\$</b>
2013	<b>98</b>
2014	<b>98</b>
2015	<b>98</b>
2016	<b>98</b>
2017	<b>2</b>
Thereafter	<b>2</b>
	<b>396</b>

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

### 14. Tangible capital assets

				2012
Cost	Balance, beginning of year	Additions	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	68,363	4,756	(10)	73,109
Buildings	256,853	11,672	(491)	268,034
Machinery and equipment	109,992	18,553	41	128,586
Assets under capital lease	162	65	-	227
Vehicles	56,291	7,640	(1,289)	62,642
Infrastructure				
Sanitary sewers & waste water	250,937	10,053	(2)	260,988
Storm water	169,823	11,175	-	180,998
Transportation	341,805	31,686	-	373,491
Waterworks	195,512	25,147	-	220,659
Assets under construction	79,542	(50,206)	-	29,336
	1,529,280	70,541	(1,751)	1,598,070
Accumulated amortization	Balance, beginning of year	Amortization	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	3,568	649	-	4,217
Buildings	61,298	10,133	(290)	71,141
Machinery and equipment	75,953	7,226	185	83,364
Assets under capital lease	32	36	-	68
Vehicles	29,048	5,157	(1,075)	33,130
Infrastructure				
Sanitary sewers & waste water	120,396	4,196	(2)	124,590
Storm water	42,146	2,944	-	45,090
Transportation	179,459	6,819	-	186,278
Waterworks	79,835	4,032	-	83,867
	591,735	41,192	(1,182)	631,745
Net book value	Balance, beginning of year			Balance, end of year
	\$			\$
Land and land improvements	64,795			68,892
Buildings	195,555			196,893
Machinery and equipment	34,039			45,222
Assets under capital lease	130			159
Vehicles	27,243			29,512
Infrastructure				
Sanitary sewers & waste water	130,541			136,398
Storm water	127,677			135,908
Transportation	162,346			187,213
Waterworks	115,677			136,792
Assets under construction	79,542			29,336
	937,545			966,325

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

### 14. Tangible capital assets (continued)

Cost				2011
	Balance, beginning of year	Additions	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	38,915	33,015	(3,567)	68,363
Buildings	192,993	63,894	(34)	256,853
Machinery and equipment	106,534	3,472	(14)	109,992
Assets under capital lease	-	162	-	162
Vehicles	60,462	2,502	(6,673)	56,291
Infrastructure				
Sanitary sewers & waste water	246,378	4,559	-	250,937
Storm water	163,535	6,288	-	169,823
Transportation	312,695	29,110	-	341,805
Waterworks	183,466	12,046	-	195,512
Assets under construction	128,784	(49,242)	-	79,542
	1,433,762	105,806	(10,288)	1,529,280
Accumulated amortization				2011
	Balance, beginning of year	Amortization	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	3,287	283	(2)	3,568
Buildings	54,761	6,567	(30)	61,298
Machinery and equipment	69,055	6,906	(8)	75,953
Assets under capital lease	-	32	-	32
Vehicles	29,601	5,482	(6,035)	29,048
Infrastructure				
Sanitary sewers & waste water	115,905	4,491		120,396
Storm water	39,519	2,627		42,146
Transportation	173,284	6,175		179,459
Waterworks	74,931	4,904		79,835
	560,343	37,467	(6,075)	591,735
Net book value				2011
	Balance, beginning of year			Balance, end of year
	\$			\$
Land and land improvements	35,628			64,795
Buildings	138,232			195,555
Machinery and equipment	37,479			34,039
Assets under capital lease	-			130
Vehicles	30,861			27,243
Infrastructure				
Sanitary sewers & waste water	130,473			130,541
Storm water	124,016			127,677
Transportation	139,411			162,346
Waterworks	108,535			115,677
Assets under construction	128,784			79,542
	873,419			937,545

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

### 15. Accumulated surplus

The accumulated surplus is comprised of the following components:

	2012	2011
	\$	\$
Reserves set aside for specific purpose by Council:		
for employee future benefits	11,571	14,594
for stabilization and contingency	11,395	10,522
for program related purposes	10,883	10,324
Reserves set aside by Downtown Guelph Business Association		
for contingency	17	66
Reserves set aside by Wellington-Dufferin-Guelph Public Health		
for contingency	185	187
<b>Total reserves - Schedule 4</b>	<b>34,051</b>	<b>35,693</b>
Reserve funds set aside for specific purpose by Council:		
for capital financing purposes	113,660	105,697
Reserves set aside by Wellington-Dufferin-Guelph Public Health		
for capital financing purposes	1,165	572
<b>Total reserve funds - Schedule 4</b>	<b>114,825</b>	<b>106,269</b>
<b>Total reserves and reserve funds</b>	<b>148,876</b>	<b>141,962</b>
Invested in tangible capital assets	966,325	937,545
Investment in Guelph Municipal Holdings Inc.	76,367	78,260
Investment in Guelph Junction Railway Company	6,225	5,950
Operating fund	(31,535)	(26,248)
Unfunded liabilities		
Net debt & obligation under capital lease	(112,174)	(121,489)
Employee future benefits and related liabilities	(32,236)	(33,121)
Landfill post closure liability	(5,050)	(5,700)
<b>Total</b>	<b>867,922</b>	<b>835,197</b>
<b>Accumulated surplus</b>	<b>1,016,798</b>	<b>977,159</b>

In accordance with the City's policy for reserve funds, interest is earned on the average reserve fund balance for the year at the average internal rate of return earned during the year. In 2012, \$1,836 (2011 - \$2,493) of interest was earned by the reserve funds and is recorded as a decrease in investment income and an adjustment to accumulated surplus.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

### 16. Contributions to other entities

Contributions made to other entities during the year greater than \$100 are as follows:

	2012	2011
	\$	\$
Grand River Conservation Authority	1,429	1,395
Hospice Wellington	200	200
Guelph General Hospital	200	200
MacDonald Stewart Art Centre	160	175
Humane Society	611	459
Municipal Property Assessment Corporation	1,579	1,529
	<u>4,179</u>	<u>3,958</u>

### 17. Expenditures by type

The following is a summary of the current expenditures reported on the consolidated statement of operations and accumulated surplus by the type of expenditures:

	2012	2011
	\$	\$
Salaries, wages and employee benefits	163,609	155,216
Interest on net debt	4,565	4,610
Materials	43,063	36,665
Purchased services	28,569	24,261
Rents and financial expenses	9,698	10,323
External transfers	51,498	49,156
Amortization of tangible capital assets	41,192	37,467
	<u>342,194</u>	<u>317,698</u>

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

### 18. Government partnerships

The City's share of 45.2% (2011 - 46.2%) the results of the Wellington-Dufferin-Guelph Public Health's financial activities for the year and its financial position at December 31 are included in the consolidated financial statements using proportionate consolidation and include the amounts as follows:

	2012	2011
	\$	\$
Assets	2,784	2,105
Liabilities	1,567	1,389
Net financial assets	1,217	716
Tangible capital assets	2,303	834
Prepaid expenses	133	43
Balance	2,436	877
Accumulated surplus	3,653	1,593
Revenues	10,092	9,018
Expenditures	8,041	8,101
Excess of revenue over expenses	2,051	917
Accumulated surplus, beginning of year	1,593	949
Transfer to reserves	9	9
Minority interest in tangible capital assets	-	(282)
Accumulated surplus, end of year	3,653	1,593

During the year, the City contributed \$3,066 (2011 - \$2,591) towards its share of the costs of the partnership.

#### *Financing Agreement:*

On December 19, 2012, the City, the County of Wellington and the County of Dufferin (the "obligated municipalities") entered into a Financing Agreement with the Wellington-Dufferin-Guelph Public Health ("Public Health") to finance the cost of building two new Public Health facilities at Chancellors Way, Guelph, and Broadway, Orangeville.

The Financing Agreement allows for quarterly advances of capital by the obligated municipalities to Public Health beginning in January 2013, until the completion of the new facilities. The total amount of the advances will not exceed \$24,400. Interest will be calculated annually, commencing on the 1st day of the month following the date of substantial completion of both facilities. The interest rate will be 3.34% per annum, and the term and amortization of the loan will be twenty years. Repayment to the obligated municipalities will commence thirty days following certification by the project's architect of substantial completion of both facilities. The whole or any part of the capital financing under this agreement may be prepaid at any time or times without penalty or bonus.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

### 19. Shared service agreements

Certain programs as mandated by provincial legislation are managed by neighboring municipalities on behalf of the City and certain programs are also managed by the City on behalf of other municipalities.

The City's share of revenues and expenditures from social service programs managed by Wellington County are as follows:

	2012	2011
	\$	\$
Revenues		
Social housing	2,905	3,001
Child care	7,483	7,254
Social services	13,179	12,774
	<b>23,567</b>	<b>23,029</b>
Expenditures		
Social housing	16,207	16,817
Child care	9,934	9,371
Social services	17,661	17,219
	<b>43,802</b>	<b>43,407</b>
Net expenditures	<b>(20,235)</b>	<b>(20,378)</b>

The City's share of net expenditures for social housing is 83% (2011 - 86%), child care 76% (2011 - 78%) and social services 70% (2011 - 74%).

Additionally, the City paid the County \$1,164 (2011 - \$1,112) for the City's share of expenditures for the operation of Wellington Terrace, a long-term care facility.

The City's share of revenues and expenditures from programs managed by the City are as follows:

	2012	2011
	\$	\$
Revenues		
Land Ambulance	4,059	3,504
Provincial Offences Act	1,942	1,878
	<b>6,001</b>	<b>5,382</b>
Expenditures		
Land Ambulance	8,362	7,813
Provincial Offences Act	1,203	1,048
	<b>9,565</b>	<b>8,861</b>
Net expenditures	<b>(3,564)</b>	<b>(3,479)</b>

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

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### 19. Shared service agreements (continued)

The City's share of net expenditures for land ambulance is 61% (2011 - 61%) and Provincial Offences Act is 53% (2011 - 53%).

The Provincial Offences Act revenues are recorded on a cash basis due to regulatory restrictions. As at December 31, 2012 there are \$6,661 (2011 - \$6,872) of over-due fines receivable and of this amount \$324 (2011 - \$734) is considered uncollectable.

The City's share of the net expenditures for all the above programs, are included in the consolidated statement of operations and accumulated surplus.

### 20. Contingencies

- a) In 2008, Urbacon Buildings Group Corp. served a Statement of Claim against the City pursuant to the Construction Lien Act seeking damages in excess of \$12,000 and punitive and other damages totaling over \$7,000. The City has filed a Statement of Defense and Counterclaim claiming damages in the amount of \$5,000. The City has also filed claims against other parties relating to this action totaling \$6,800. The trial on the issue of liability commenced January 2013 and is still on-going.
- b) During 2010, a claim was filed against the City seeking damages of \$2,000 in relation to development charge disputes. The matter is currently on-going and the next court date is scheduled for July, 2013.
- c) From time to time, the City may be involved in other claims in the normal course of business. Management assesses such claims and where considered likely to be material exposure and, where the amount of the claim is quantifiable, provisions for loss are made based on management's assessment of likely outcome. The City does not provide for claims that are considered unlikely to result in a significant loss, claims for which the outcome is not determinable or claims where the amount of loss cannot be reasonably estimated. Any settlements or awards under such claims are provided when reasonably determinable.

### 21. Commitments and guarantees

- a) The City has guaranteed a non-revolving facility for Guelph Community Sports which is supported by Council resolution authorizing provision of such guarantee in favour of Guelph Community Sports. The balance of the guaranteed facility is \$588 as at August 31, 2012.
- b) In February 2013, a settlement was reached regarding an appeal of the City's development charge by-law. The resulting settlement will require the City to refund development charges back to certain developers; the amount of which is not yet finalized. This refund will result in a decrease to deferred contributions in the year it is paid.
- c) The City has a financial commitment approximating \$3,150 resulting from the Ministry of Transportation's initiative to expand GO train service into Guelph; terms of payment have not yet been finalized.
- d) The City has commitments totaling \$2,050 (2011 - \$802) resulting from agreements entered into as part of the Heritage Redevelopment Grant Program. Grant expenditures will be recognized upon the applicant meeting all the eligibility criteria.
- e) The City has commitments totaling \$3,821 (2011 - \$3,527) resulting from agreements entered into as part of the Brownfield Tax Increment Based Grant Program. Grant expenditures will be recognized in the year of reassessment by MPAC and when all eligibility criteria have been met by the applicant.
- f) The City has commitments totaling \$1,507 (2011 - nil) resulting from agreements entered into as part of the Major Downtown Activation Grant Program. Grant expenditures will be recognized in the year of reassessment by MPAC and when all eligibility criteria have been met by the applicant.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

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### 21. Commitments and guarantees (continued)

- g) The City has commitments under a variety of leases and agreements of which the longest expires on June 18, 2088. The minimum lease payments over the next five years are as follows:

	\$
2013	888
2014	634
2015	477
2016	454
2017	431
	<hr/> 2,884

- h) Other obligations include:

MacDonald Stewart Arts Centre

The City has committed to operating grants for 2012 totalling \$179 (2011 - \$174).

Other community grants

The City has committed to providing various grants to organizations in the community totalling \$435 (2011 - \$312).

### 22. Local Immigration Partnership

Included in the consolidated statement of operations and accumulated surplus are the activities of the Local Immigration Partnership Program (LIPP) which is a federally funded program for the purpose of creating a more welcoming community for immigrants by focusing efforts on employment services, English language training, community integration/inclusion and community services/programs. During 2012, the City of Guelph received \$228 (2011 - \$243) of funding from Citizenship and Immigration Canada related to the operation this program.

### 23. Budget figures

Budgets are established to set tax rates or to finance projects which may be carried out over one or more years. Budget figures have been translated to reflect changes in public sector accounting standards on the consolidated statement of operations and accumulated surplus by adjusting for amortization of tangible capital assets, including the consolidated entities and excluding budgeted amounts for the debt principal repayment and reserve transfers. Budget figures have not been audited.

### 24. Segmented information

The City of Guelph is a diversified municipal government institution that provides a wide range of services to its citizens. For management reporting purposes, the City's operations and activities are organized and reported on in two groups: Operating Fund and Capital Fund. These funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Within the operating fund, the City's operations are further defined into the Tax Supported and User Pay/Enterprise categories and then segregated in to five service area pillars: Community & Social Services, Operations, Transit and Emergency Services, Planning & Building and Engineering & Environment, Corporate & Human Resources, Finance & Enterprise.

Although City services are provided internally by these defined service areas, for financial reporting, the City has chosen to remain consistent with the Ontario Financial Information Return (FIR) and the nine functional areas that it prescribes. This will allow comparability between our Schedule of Segment Disclosure (Schedules 1 and 2 attached) and several schedules on the FIR that require full segment disclosure of operating expenditures and limited disclosure of operating revenues.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2012

(\$000's)

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### 24. Segmented information (continued)

The services that have been separately disclosed in the segmented information are defined by the compositional requirements of the FIR as follows:

#### *General Government*

Governance (election management, Council, Council support, Office of the Mayor)

Corporate management (Office of the CAO, finance, corporate communications, legal, corporate properties and real estate and information technology)

#### *Protection services*

Police services, fire services, 911 service, court operations, building and structural inspection, parking enforcement, by-law enforcement and animal control

#### *Transportation services*

Roadways – including asphalt resurfacing and crack sealing, line painting, sweeping, traffic operations and maintenance of roadside areas, culverts and bridges.

Winter control, street lighting, parking and public transit

#### *Environmental services*

Water, Wastewater, storm sewers, and solid waste collection, disposal and recycling

#### *Health services*

Land ambulance operations and City's proportionate share of the Health Unit

#### *Social housing*

Social housing program costs

#### *Social and family services*

General assistance (Ontario Works) and childcare programs, contributions to Wellington Terrace, and The Elliot operations.

#### *Recreation and cultural services*

Parks, recreational facilities, recreational programs, libraries, museums, River Run Centre, Sleeman Centre and other cultural services

#### *Planning and development services*

Planning and zoning, Committee of Adjustment, tourism, economic development, and Downtown Guelph Business Association operations

### 25. Comparative figures

Certain 2011 comparative figures have been reclassified in order to present them in a form comparable to those for 2012.

# City of Guelph

Consolidated schedule of segment disclosure - Schedule 1  
year ended December 31, 2012

(Unaudited)

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Social Housing	Recreation & Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>										
Taxation	185,881	-	-	-	-	-	-	-	-	185,881
User charges	252	959	11,888	51,089	32	8,324	-	6,141	924	79,609
Contributed subdivision assets	20,744	-	-	-	-	-	-	-	-	20,744
Contributions	120	1,712	8,899	7,821	16,606	24,526	2,905	3,329	587	66,505
Other										
Investment income	4,086	-	-	55	14	-	-	-	15	4,170
Donations	-	38	-	-	-	35	-	527	-	600
Sales of equipment, publications	-	1	8	3,429	-	80	-	1,422	15	4,955
Recoveries	476	447	7,908	648	-	445	-	934	153	11,011
Licences and permits	65	2,687	-	59	-	-	-	-	-	2,811
Provincial offences act	-	3,813	-	-	-	-	-	-	-	3,813
Other fines	-	874	-	-	-	-	-	-	-	874
Gain (loss) on disposal of tangible capital assets	169	48	(202)	(59)	9	-	-	677	-	642
Loss from Government Business Enterprises	(1,618)	-	-	-	-	-	-	-	-	(1,618)
	210,175	10,579	28,501	63,042	16,661	33,410	2,905	13,030	1,694	379,997
<b>Expenses</b>										
Salaries, wages and employee benefits	12,579	58,286	26,427	17,541	18,012	8,160	-	19,239	3,365	163,609
Interest on net debt	1,046	488	252	1,117	5	610	-	675	372	4,565
Materials	1,599	1,949	20,907	10,512	1,162	1,990	23	4,381	540	43,063
Purchased services	5,325	2,943	3,600	9,991	905	1,003	492	2,875	1,435	28,569
Rents and financial expenses	1,983	139	962	3,928	688	617	-	1,339	42	9,698
External transfers	1,592	1,325	-	1,472	12	28,767	16,665	900	765	51,498
Internal charges	(5,435)	848	(5,620)	6,272	1,287	537	-	1,993	118	-
Amortization of tangible capital assets	3,351	2,999	11,546	15,138	340	2,089	20	5,249	460	41,192
	22,040	68,977	58,074	65,971	22,411	43,773	17,200	36,651	7,097	342,194
<b>Excess of revenues over expenses</b>										
(expenses over revenues)	188,135	(58,398)	(29,573)	(2,929)	(5,750)	(10,363)	(14,295)	(23,621)	(5,403)	37,803

# City of Guelph

## Consolidated schedule of segment disclosure - Schedule 2

year ended December 31, 2011

(Unaudited)

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Social Housing	Recreation & Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>										
Taxation	176,262	-	-	-	-	-	-	-	-	176,262
User charges	295	845	12,140	46,465	1	7,787	-	6,008	798	74,339
Contributed subdivision assets	9,901	-	-	-	-	-	-	-	-	9,901
Contributions	(94)	3,080	21,436	15,134	15,318	24,436	3,001	7,559	259	90,129
Other										
Investment income	2,502	-	-	47	14	-	-	-	4	2,567
Donations	-	23	23	-	-	33	-	494	5	578
Sales of equipment, publications	-	14	8	3,879	-	86	-	1,210	13	5,210
Recoveries	103	248	4,443	469	9	433	-	1,049	200	6,954
Licences and permits	265	2,400	-	77	-	-	-	-	-	2,742
Provincial offences act	-	3,652	-	-	-	-	-	-	-	3,652
Other fines	-	-	745	-	-	-	-	-	-	745
Gain (loss) on disposal of tangible capital assets	372	52	(519)	(6)	(29)	-	-	-	5,983	5,853
Income from Government Business Enterprises	617	-	-	-	-	-	-	-	-	617
	190,223	10,314	38,276	66,065	15,313	32,775	3,001	16,320	7,262	379,549
<b>Expenses</b>										
Salaries, wages and employee benefits	10,819	55,667	25,236	17,147	17,020	8,071	-	17,769	3,487	155,216
Interest on net debt	1,082	512	292	542	5	1,090	-	660	427	4,610
Materials	1,510	1,878	13,900	11,763	974	1,973	38	4,356	273	36,665
Purchased services	4,865	2,595	3,080	7,775	1,070	929	502	2,637	808	24,261
Rents and financial expenses	2,970	194	1,109	4,094	621	254	-	1,041	40	10,323
External transfers	1,949	1,246	-	1,482	10	26,895	16,730	486	358	49,156
Internal charges	(6,979)	1,273	(2,837)	5,089	1,334	42	1	1,934	143	-
Amortization of tangible capital assets	2,738	1,506	11,316	15,310	424	1,837	20	4,260	56	37,467
	18,954	64,871	52,096	63,202	21,458	41,091	17,291	33,143	5,592	317,698
<b>Excess of revenues over expenses (expenses over revenues)</b>	171,269	(54,557)	(13,820)	2,863	(6,145)	(8,316)	(14,290)	(16,823)	1,670	61,851

# City of Guelph

## Consolidated schedule of net debt - Schedule 3

December 31, 2012

('000's)

Bylaw	Project description	Term	Maturity date	Interest rates	2012	2011
					\$	\$
<b>Debentures:</b>						
17536	On behalf of the Elliott	10	15-Sep-14	2.75% to 5.20%	593	868
18105	New City Hall	25	28-Aug-31	5.237%	16,815	17,323
18105	New POA Court	25	28-Aug-31	5.237%	4,743	4,886
18622	Social Services Building Renovation	10	25-Sep-18	3.25% to 4.70%	1,753	2,004
18622	Police HQ Renovations	10	25-Sep-18	3.25% to 4.70%	814	931
18622	Road Projects - Gordon, Victoria, Cardigan, Clair	10	25-Sep-18	3.25% to 4.70%	3,443	3,937
18622	Bus Storage Area Expansion	10	25-Sep-18	3.25% to 4.70%	118	135
18622	Organic Waste Facility - Roof Repairs	10	25-Sep-18	3.25% to 4.70%	322	368
18898	Road Projects - Gordon, Victoria, Eramosa	10	25-Nov-19	.095 % to 4.60%	554	624
18898	South End Station	10	25-Nov-19	.095 % to 4.60%	4,851	5,467
18898	New City Hall	10	25-Nov-19	.095 % to 4.60%	1,674	1,887
18898	Land Purchase - Library	10	25-Nov-19	.095 % to 4.60%	619	697
18898	Public Drop Off Facility	10	25-Nov-19	.095 % to 4.60%	157	177
18898	Transit Terminal Road Upgrades	10	25-Nov-19	.095 % to 4.60%	1,358	1,531
18898	Watermain Projects - Laird, Arkell, Scout Camp	10	25-Nov-19	.095 % to 4.60%	4,631	5,219
18898	Waste Water Treatment Plant Facility Upgrade	10	25-Nov-19	.095 % to 4.60%	4,256	4,797
19294	Organic Waste Facility Composter Rebuild	10	9-Nov-21	1.25% to 3.70%	25,424	28,000
19294	Civic Museum Renovations	10	9-Nov-21	1.25% to 3.70%	5,176	5,700
19294	On behalf of the Elliott	10	9-Nov-21	1.25% to 3.70%	11,850	13,050
					89,151	97,601
<b>Other loans:</b>						
	The Elliott Line of Credit	Demand	NA	prime	800	580
	The Elliott Bankers Acceptance - SWAP	10	25-Jun-15	6.08%	2,454	2,573
	The Elliot Term Loan	5	31-Mar-15	prime	600	600
	Mortgage RBC - Sleeman Centre	10	1-May-17	3.04% (2011: 4.96%)	3,483	4,204
	CIBC Loan - Sleeman Centre - SWAP	18.8	01-Sep-25	6.38%	5,524	5,797
	RBC Interest only loan	Demand	31-Dec-12	3.70%	-	10,000
	TD Interest only loan - SWAP	5	31-Dec-17	2.105%	10,000	-
<b>Net Debt before the school boards</b>					<b>112,012</b>	<b>121,355</b>
15648	Public School Board	15	18-Dec-12	4.50% to 6.20%	-	451
15648	Separate School Board	15	18-Dec-12	4.50% to 6.20%	-	229
	Less: Receivable from School Boards				-	(680)
<b>Recoverable from School Boards</b>					<b>-</b>	<b>-</b>
<b>Total Net Debt</b>					<b>112,012</b>	<b>121,355</b>

# City of Guelph

## Consolidated schedule of reserves and reserve funds - Schedule 4

December 31, 2012

('000's)

Code	Description	2012	2011
		\$	\$
<b>Reserves:</b>			
For Employee Future Benefits:			
100	Sick Leave - Fire	3,593	3,531
101	Sick Leave - Police	3,558	3,297
102	Sick Leave - Library	328	894
103	Sick Leave - CUPE 241	222	2,724
330	WSIB	2,246	2,203
338	Land Ambulance Severance	440	345
212	Early Retiree Benefits	1,184	1,600
		11,571	14,594
For Stabilization and Contingency:			
131	Employee Benefit Stabilization	3,102	2,132
180	Tax Rate Stabilization	1,894	1,894
181	Water Rate Stabilization	2,114	2,114
182	Waste Water Rate Stabilization	2,342	2,242
198	Operating Contingency	902	902
191	Human Resource Contingency	1,041	1,238
		11,395	10,522
For Program Related:			
184	Insurance	1,593	1,328
119	Affordable Housing	637	653
122	Brownfield Strategy	205	512
206	Building Operating Maintenance	62	81
192	Heritage Redevelopment	950	908
193	Ontario Municipal Board	3,040	4,054
194	Downtown Improvements	207	360
195	Election Costs	441	314
196	Joint Job Evaluation Committee	329	330
345	Westminster Woods	35	35
208	Social Housing	200	300
197	Human Resource Negotiations	375	89
210	Information Technology Licences	320	210
211	POA Contingency	26	-
205	Community Investment Strategy	50	50
179	Strategic Priorities	2,413	1,100
		10,883	10,324
Consolidated Entities			
	Reserves - Downtown Guelph Business Association	17	66
	Reserves - Wellington-Dufferin-Guelph Public Health	185	187
<b>Total Reserves</b>		<b>34,051</b>	<b>35,693</b>

# City of Guelph

## Consolidated schedule of reserves and reserve funds - Schedule 4

December 31, 2012

('000's)

Code	Description	2012	2011
		\$	\$
<b>Reserve Funds:</b>			
111	Fire	1,503	356
113	Transit	118	219
115	Police	114	268
116	Waste Management	2,013	1,335
118	Computers	558	459
121	Play Equipment	295	345
124	Operations Fleet	2,161	3,215
120	POA Relocation	790	179
135	Museum Development	252	58
136	McCrae House Development	142	137
137	Moon-McKeigan	14	13
138	Library Bequests	196	174
150	Capital Taxation	1,644	2,520
151	Capital Parking	1,300	1,961
152	Capital Waterworks	28,768	22,469
153	Capital Wastewater	33,787	26,095
154	Capital Strategic Plan	15	-
155	Capital Landfill Compensation	126	134
156	Capital DC Exemption	2,009	3,158
157	Capital Library	849	828
158	Capital Police	2,916	2,556
159	Accessibility	514	505
160	Road Infrastructure	3,440	2,993
161	Public Transit Improvements	21	594
162	Capital Sleeman Centre	3	9
164	Capital Roads	972	1,396
165	Capital Stormwater	237	181
166	Capital Park Planning	75	84
167	Capital Policy Planning	245	60
168	Capital Economic Development	22	71
169	Capital Operations	445	551
170	Capital Recreation	-	103
171	Capital Culture	171	124
172	Capital Transit	1,496	555
173	Capital Fire	132	281
175	Capital Corporate Property	25	14
176	Capital Info Services	74	153
177	Capital Museum	-	41
178	Tree Donation	-	-
186	Capital Waste Management	695	493
189	Capital GSEC	42	31
190	Building Life Cycle	876	654
199	City Infrastructure Fund	-	2,494
200	Investing Ontario Act	1,123	2,154
201	ISF - City Share Water	-	958
202	ISF - City Share Waste Water	-	1,143
Carried forward to next page		90,178	82,121

# City of Guelph

## Consolidated schedule of reserves and reserve funds - Schedule 4

December 31, 2012

('000's)

Code	Description	2012	2011
		\$	\$
	Carried forward from previous page	90,178	82,121
203	RINC City Share	-	6
331	Road Widening	973	954
332	Industrial Land	1,757	4,254
340	Capital River Run	113	195
341	Locomotive 6167	1	1
350	Transportation Demand Management	21	21
351	Capital Renewal	14,359	14,093
352	Greenhouse Gas	687	527
353	Waterworks DC Exempt	2,469	1,698
354	Wastewater DC Exempt	2,491	1,543
355	Greening	57	81
356	Public Art	207	203
357	Brownfield Capital	347	-
Consolidated Entities			
	Reserve Funds - Wellington-Dufferin-Guelph Public Health	1,165	572
<b>Total Reserve Funds</b>		<b>114,825</b>	<b>106,269</b>
<b>Total Reserves and Reserve Funds</b>		<b>148,876</b>	<b>141,962</b>

# City of Guelph

## Guelph Public Library Board - Schedule 5

### Statement of Revenue and Expense

December 31, 2012

('000's)

	2012 Budget	2012 Actual	2011 Actual
<b>OPERATING FUND</b>			
Revenue			
Grant - Province of Ontario	\$ 168	\$ 168	\$ 126
Donations	58	90	6
Fees and service charges	310	307	389
Sundry revenue	7	7	53
	<u>543</u>	<u>572</u>	<u>574</u>
Expenses			
Administrative and office	1	10	7
Operating supplies	262	236	500
Repairs and maintenance	392	510	429
Interest on long-term debt	-	26	27
Consulting and professional fees	35	34	64
Communications	172	163	163
Amortization	-	730	280
Training	16	12	14
Salaries and benefits	5,433	5,996	5,278
Rental and leases	819	771	747
Furniture and equipment	23	24	41
Utilities and taxes	157	116	120
	<u>7,310</u>	<u>8,628</u>	<u>7,670</u>
Net operating deficit	<u>(6,767)</u>	<u>(8,056)</u>	<u>(7,096)</u>
<b>CAPITAL FUND</b>			
Developer contribution revenues	-	1	52
Less: Tangible capital asset acquisitions	(1,094)	(1,136)	(963)
Net capital deficit	<u>(1,094)</u>	<u>(1,135)</u>	<u>(911)</u>
Total combined net deficit	<u>(7,861)</u>	<u>(9,191)</u>	<u>(8,007)</u>
Less: net contributions (to)/from reserves	60	116	139
Less: debt principal repayments	(79)	(79)	(77)
	<u>(7,880)</u>	<u>(9,154)</u>	<u>(7,945)</u>
City of Guelph share of net deficit	7,880	9,154	7,945
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# City of Guelph

## Guelph Police Services Board - Schedule 6

### Statement of Revenue and Expense

December 31, 2012

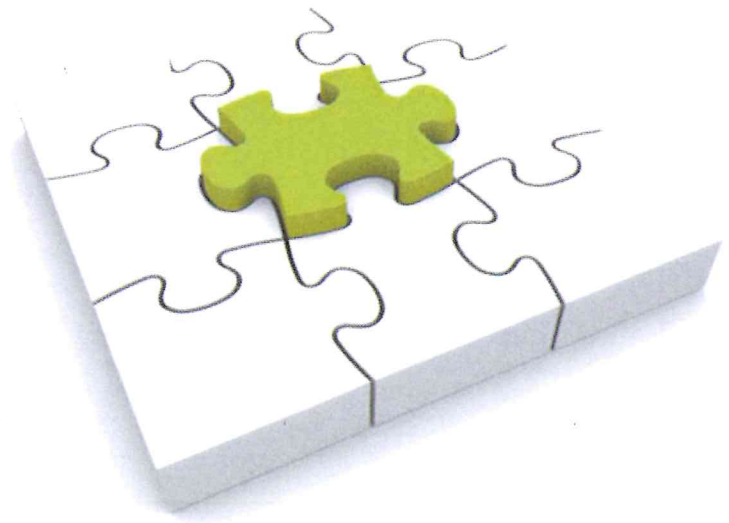
('000's)

	2012 Budget	2012 Actual	2011 Actual
<b>OPERATING FUND</b>			
Revenue			
Grant - Province of Ontario	\$ 1,190	\$ 1,351	\$ 1,170
Gain on sale of tangible capital assets	85	65	61
Other fees and recoveries	786	1,253	1,024
	<u>2,061</u>	<u>2,669</u>	<u>2,255</u>
Expenses			
Amortization	-	1,091	806
Personnel supplies	145	175	154
Professional consulting	935	963	775
Fleet	598	545	537
Repairs and maintenance	302	275	196
Corporate training and development	429	346	305
Rental and lease	115	85	136
Communication	216	203	183
Utilities, taxes and insurance	375	358	343
Banking and other fees	5	6	4
Equipment and furniture	114	128	67
Operating, admin and office supplies	265	232	260
Interest on long-term debt	-	132	142
Salaries and benefits	31,746	31,195	30,857
	<u>35,245</u>	<u>35,734</u>	<u>34,765</u>
Net operating deficit	<u>(33,184)</u>	<u>(33,065)</u>	<u>(32,510)</u>
<b>CAPITAL FUND</b>			
Revenue			
Developer contributions	-	-	448
Province of Ontario grants	-	(6)	173
Other revenues		13	13
	<u>-</u>	<u>7</u>	<u>634</u>
Expenses			
Tangible capital asset acquisitions	12,529	1,203	1,800
Net capital deficit	<u>(12,529)</u>	<u>(1,196)</u>	<u>(1,166)</u>
Total combined net deficit	<u>(45,713)</u>	<u>(34,261)</u>	<u>(33,676)</u>
Add: net contributions from reserves	1,218	570	1,217
Less: debt principal repayments	11,168	(399)	(406)
	<u>(33,327)</u>	<u>(34,090)</u>	<u>(32,865)</u>
City of Guelph share of net deficit	<u>(33,327)</u>	<u>(34,090)</u>	<u>(32,865)</u>
Fund balance, end of year	\$ -	\$ -	\$ -



# Year-end communication

## The City of Guelph



For the year ended December 31, 2012  
Presented to the Audit Committee  
June 12, 2013



Deloitte LLP  
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Kitchener ON N2P 2G5  
Canada

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June 12, 2013

To the Chair and members of the Audit Committee of the City of Guelph

Dear Audit Committee Members:

**Report on audited annual financial statements**

As agreed in our engagement letter dated November 14, 2012, we have performed an audit of the consolidated financial statements of the Corporation of the City of Guelph as of and for the year ended December 31, 2012, in accordance with Canadian generally accepted auditing standards ("GAAS") and expect to issue our audit report thereon dated June 24, 2013.

This report summarizes our findings during the audit. Our audit has been conducted in accordance with the Audit Plan that was presented to the Audit Committee members at the meeting on November 14, 2012.

**Use of our report**

This report is intended solely for the information and use of the Audit Committee, management and others within the City of Guelph and is not intended to be, and should not be, used by anyone other than these specified parties. Accordingly, we disclaim any responsibility to any other party who may rely on it.

We would like to express our appreciation for the cooperation we received from the officers and employees of the City of Guelph with whom we worked to discharge our responsibilities.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours very truly,

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants

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# Audit scope and findings

This report summarizes the main findings arising from our audit

Audit scope matters							
<b>Audit strategy and scope</b>	The audit planning and the preliminary risk assessment activities we conduct enable us to set the scope of our audit and to design procedures tailored to that scope. Refer to our audit plan communicated on November 14, 2012.						
<b>Materiality</b>	<p>Materiality is the magnitude of misstatements, including omissions, in the consolidated financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the financial statement users. Judgments about materiality are made in the light of surrounding circumstances, and are affected by our perception of the information needs of the financial statement users, and by the size or nature of a misstatement, or a combination of both. We are responsible for providing reasonable assurance that your consolidated financial statements as a whole are free from material misstatement.</p> <p>Canadian GAAS require that we determine performance materiality for purposes of assessing the risks of material misstatement of the consolidated financial statements and determining the nature, timing, and extent of our audit procedures. Planning the audit solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the consolidated financial statements to be materially misstated, and leaves no margin for possible undetected misstatements. Performance materiality is set at a lower level than materiality, so that if misstatements are detected, we may nevertheless be able to conclude with reasonable assurance that the uncorrected misstatements both in individually and in aggregate does not exceed materiality.</p> <p>Materiality levels are determined on the basis of consolidated results of operations. Our materiality for the year ending December 31, 2012 was \$6,000,000 (2011 - \$6,000,000).</p>						
<b>Audit risks</b>	<p>In accordance with our audit plan, our procedures focused on the following significant risks:</p> <ul style="list-style-type: none"> <li>• Accounts payable and accrued liabilities;</li> <li>• Actuarially determined liabilities;</li> <li>• Contingences;</li> <li>• Council and Senior Management expenses;</li> <li>• Estimates;</li> <li>• Payroll;</li> <li>• Reserves and reserve funds;</li> <li>• Revenue/deferred revenue;</li> <li>• Taxation revenue; and</li> <li>• Tangible capital asset disposals.</li> </ul> <p>We have summarized the results of our audit procedures for each of these risk areas in the following pages of this report.</p>						
<b>Group audit</b>	We are auditors of all entities within the group, with the exception of The Elliott and Guelph Hydro Inc. which are audited by KPMG. No restrictions have been placed on the scope of our audit. In performing the audit, we were given full and complete access to the accounting records, supporting documentation and other information requested.						
<b>Use of the work of experts</b>	<p>As planned, Deloitte and external experts assisted in the audit to the extent we considered necessary:</p> <table> <tr> <td><b>Deloitte IT specialists</b></td><td>Participated in evaluating internal controls and in using our computerized audit applications.</td></tr> <tr> <td><b>Deloitte Commodity Tax experts</b></td><td>Helped assess the adequacy of the City's accounting for commodity taxes and related balance sheet accounts.</td></tr> <tr> <td><b>External Actuarial experts</b></td><td>Helped assess the adequacy of the employee future benefit liability.</td></tr> </table>	<b>Deloitte IT specialists</b>	Participated in evaluating internal controls and in using our computerized audit applications.	<b>Deloitte Commodity Tax experts</b>	Helped assess the adequacy of the City's accounting for commodity taxes and related balance sheet accounts.	<b>External Actuarial experts</b>	Helped assess the adequacy of the employee future benefit liability.
<b>Deloitte IT specialists</b>	Participated in evaluating internal controls and in using our computerized audit applications.						
<b>Deloitte Commodity Tax experts</b>	Helped assess the adequacy of the City's accounting for commodity taxes and related balance sheet accounts.						
<b>External Actuarial experts</b>	Helped assess the adequacy of the employee future benefit liability.						

Audit scope matters	
<b>Significant difficulties encountered in performing the audit</b>	None noted.
<b>Audit results</b>	In accordance with Canadian GAAS, our audit is designed to enable us to express an opinion on the fairness of the presentation of the City of Guelph's annual consolidated financial statements prepared in accordance with Canadian public sector accounting standards.
<b>Status of our audit</b>	<p>We expect to be in a position to render our audit opinion dated June 24, 2013 on the consolidated financial statements of the City of Guelph following approval of the consolidated financial statements by Council and the completion of the following outstanding procedures:</p> <ul style="list-style-type: none"> <li>• Receipt of documentation from KPMG relating to the audit of Guelph Hydro Inc.;</li> <li>• Receipt of minor file documentation items;</li> <li>• Receipt of signed management representations letter;</li> <li>• Receipt of legal update to audit report date; and</li> <li>• Completion of the Engagement Quality Control review.</li> </ul>
<b>Fraud and illegal acts</b>	Based on the procedures we performed as recommended by CAS 240, <i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i> , we are not aware of any illegal acts or fraudulent events with respect to City of Guelph during the year.
<b>Significant events</b>	As part of our audit process, we did not identify any significant events that were not in the normal course of operations.
<b>Significant accounting policies</b>	<p>We believe management's selection of accounting policies to be appropriate under Canadian public sector accounting standards.</p> <p>City of Guelph's significant accounting policies are set forth in Note 1 to December 31, 2012 consolidated financial statements.</p>
<b>Management judgment and accounting estimates</b>	Significant accounting estimates are disclosed in Note 1 to the consolidated financial statements.
<b>Audit adjustments and uncorrected misstatements</b>	<p>In accordance with Canadian GAAS, we request that all misstatements be corrected.</p> <p>There were no audit adjustments and uncorrected misstatements noted in the current year.</p>
<b>Adjusted and unadjusted disclosure deficiencies</b>	<p>In accordance with Canadian GAAS, we request that all disclosure deficiencies be corrected.</p> <p>There were no disclosure deficiencies aggregated by us during the current engagement and pertaining to the latest period presented, as all disclosure deficiencies detected in our audit have been corrected by management.</p>
<b>Disagreements with management</b>	No disagreements with management.
<b>Consultation with other accountants</b>	There were no consultations with other accountants relating to accounting to auditing matters that relate to the December 31, 2012 consolidated financial statements.
<b>Legal and regulatory compliance</b>	Our limited procedures did not identify any areas of material non-compliance with the laws and regulations by the City of Guelph.
<b>Representations letter</b>	A draft version of the representations letter to be signed by management is included in Appendix 3.
<b>Conclusion</b>	<p>No restrictions have been placed on the scope of our audit. In performing the audit, we were given full and complete access to the accounting records, supporting documentation and other information requested.</p> <p>We intend to issue an unmodified audit report on the consolidated financial statements of the City of Guelph for the year ended December 31, 2012 once the outstanding items referred to above are satisfactorily completed and the consolidated financial statements are approved by Council.</p> <p>A draft version of our Independent Auditor's report is included in Appendix 1.</p>
Other matters	
<b>Independence</b>	<p>We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.</p> <p>As required under GAAS, we have reported all relationships and other relevant matters that, in our professional judgment, may reasonably be thought to bear on our independence and confirmed our independence to the Audit Committee for the year ended December 31, 2012 in Appendix 2.</p>

## Other matters

<b>Quality control</b>	Our firm's quality control process embraces each of the elements identified in the Canadian Institute of Chartered Accountants ("CICA") Handbook sections covering Canadian standards of quality control for firms that perform audits and reviews of financial statements and other assurance engagements.
<b>Communications</b>	As a part of our audit plan, we committed to communicate certain matters to the Audit Committee. A summary of our communications is provided in Appendix 4.

# Audit risks

Our audit plan identified certain areas that we refer to as significant audit risks. There have been no changes to these risks nor have any additional risks been identified since our previous communication. The results of our audit work on these risks are set out below:

## Risks

Areas of risk	Our audit response	Our conclusion
<b>Accounts payable and accrued liabilities</b>	<ul style="list-style-type: none"> <li>Tested disbursements subsequent to year-end to determine the reasonableness of accounts payable and accrued liabilities.</li> <li>Tested the supporting assumptions for accruals.</li> <li>Reviewed the outcome of prior year estimates and accruals.</li> </ul>	<ul style="list-style-type: none"> <li>Accounts payable and accrued liabilities are reasonable as at December 31, 2012 and are properly reported in the financial statements.</li> </ul>
<b>Actuarially determined liabilities</b>	<ul style="list-style-type: none"> <li>Reviewed actuary report, including related assumptions.</li> <li>Ensured appropriate accounting treatment has been applied.</li> <li>Reviewed related financial statement note disclosure for accuracy and completeness.</li> <li>Communicated with actuary regarding our reliance on their report for audit purposes.</li> </ul>	<ul style="list-style-type: none"> <li>Actuarially determined liabilities are reasonable as at December 31, 2012 and are properly reported in the financial statements.</li> </ul>
<b>Contingencies</b>	<ul style="list-style-type: none"> <li>We were in contact with the City's external law firms to obtain the status of any outstanding claims and we reviewed the evaluation of claims to ensure proper recognition.</li> </ul>	<ul style="list-style-type: none"> <li>Disclosure is complete and accurate and properly reported in the financial statements.</li> </ul>
<b>Council and senior management expenses</b>	<ul style="list-style-type: none"> <li>Reviewed a sample of expense reports and VISA statements for validity and proper approval.</li> </ul>	<ul style="list-style-type: none"> <li>Expenses tested were in line with the City's expense policies.</li> </ul>
<b>Estimates</b>	<ul style="list-style-type: none"> <li>Tested the supporting assumptions for estimates.</li> <li>Reviewed the outcome of prior year estimates and accruals.</li> </ul>	<ul style="list-style-type: none"> <li>Management estimates were determined to be reasonable for the year ending December 31, 2012.</li> </ul>
<b>Payroll</b>	<ul style="list-style-type: none"> <li>Focused detail testing on payroll expenditures and accruals.</li> <li>Substantive testing performed on variances.</li> </ul>	<ul style="list-style-type: none"> <li>Payroll expense is reasonable for the year ending December 31, 2012.</li> </ul>
<b>Reserves and reserve funds</b>	<ul style="list-style-type: none"> <li>Performed substantive testing on the continuity and material transactions to determine if transfers were in accordance with Council approvals and applicable legislative requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Reserve and Reserve Funds balances are reasonable as at December 31, 2012 and are properly reported in the financial statements.</li> </ul>

Areas of risk	Our audit response	Our conclusion
<b>Revenue/deferred revenue</b>	<ul style="list-style-type: none"> <li>Reviewed grants charges, contributions or other monies received during the year to determine if the amount should have been recorded as revenue or as deferred revenue.</li> </ul>	<ul style="list-style-type: none"> <li>Revenue and deferred revenue recorded in the consolidated financial statements is reasonable for the year ending December 31, 2012 and are properly reported in the financial statements.</li> </ul>
<b>Taxation revenue</b>	<ul style="list-style-type: none"> <li>Reviewed the City's calculation of taxation for municipal purposes. Received confirmation of assessment roll from the Municipal Property Assessment Corporation (MPAC).</li> <li>Ensured that Management's estimate of allowance for doubtful accounts is reasonable.</li> </ul>	<ul style="list-style-type: none"> <li>Taxation revenue is reasonable for the year ending December 31, 2012 and is properly reported in the financial statements.</li> </ul>
<b>Tangible capital asset disposals</b>	<ul style="list-style-type: none"> <li>Reviewed disposal schedule prepared by management for reasonability and tested selected transactions.</li> </ul>	<ul style="list-style-type: none"> <li>Reporting on tangible capital asset disposals is properly reported for the year ending December 31, 2012.</li> </ul>

# Internal control matters

We obtained an understanding of the internal controls relevant to our audit. We evaluated the design of these controls and determined whether they were implemented. We are not, however, required in a non-integrated audit to determine whether all relevant controls are operating effectively. Although not required by Canadian GAAS, we may decide that, for a particular engagement, it makes sense to rely on the effective operation of some controls to determine the planned substantive procedures we will perform. In such cases, we would go beyond evaluating the design of relevant controls and determining whether they have been implemented to also test whether the controls on which we intend to rely are operating effectively throughout the period of reliance.

In our audit of City of Guelph's consolidated financial statements, we planned to and were able to rely on internal controls in the following areas:

- Budget;
- Payroll; and
- Expenditures.

Canadian GAAS requires us to report to the Audit Committee any significant deficiencies that have come to our attention. We did not identify any significant deficiencies in internal controls during the audit. We have prepared a management letter, which will be provided separately.

# Appendix 1 – Draft version of our Auditor's report

## **Independent Auditor's Report**

To the Members of Council, Inhabitants and Ratepayers of the City of Guelph

We have audited the accompanying consolidated financial statements of the Corporation of the City of Guelph, 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 financial assets 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 Guelph as at December 31, 2012 and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

(To be signed Deloitte LLP)

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants  
June 24, 2013  
Kitchener, Ontario

# Appendix 2 – Independence letter



Deloitte LLP  
4210 King Street East  
Kitchener ON N2P 2G5  
Canada

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June 12, 2013

The Chair and Members of the Audit Committee  
City of Guelph

Dear Members of the Audit Committee:

We have been engaged to audit the consolidated financial statements of the City of Guelph (the “City”) for the year ending December 31, 2012.

Canadian generally accepted auditing standards (GAAS) require that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between the City, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. We are also required to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the appropriate provincial institute / ordre and applicable legislation, covering such matters as:

- (a) holding a financial interest, either directly or indirectly, in a client;
- (b) holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- (c) personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- (d) economic dependence on a client; and
- (e) provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since June 11, 2012, the date of our last letter.

City of Guelph  
June 12, 2013  
Page 2

Our firm has provided non-audit services to the City from June 11, 2012 to June 12, 2013. The provision of these services, in our professional judgement, does not impair our audit independence relationship.

GAAS requires that we confirm our independence to those charged with governance in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. We hereby confirm that we are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of June 12, 2013.

This report is intended solely for the use of the audit committee, Council, management, and others within the City and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter at our upcoming meeting on June 12, 2013.

Yours very truly,

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants

# Appendix 3 – Draft letter of representation

June 24, 2013

Deloitte LLP  
4210 King St E  
Kitchener ON N2P 2G5

Dear Sirs:

**Subject: Consolidated financial statements for the year ended December 31, 2012**

This representation letter is provided in connection with the audit by Deloitte LLP (“Deloitte” or “you”) of the consolidated financial statements of the City of Guelph (the “City” or “we” or “us”) for the year ended December 31, 2012, (the “Financial Statements”) for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the City in accordance with Canadian public sector accounting standards (“PSAS”).

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the Financial Statements would influence the decision of a reasonable person relying on the Financial Statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

## **Financial statements**

1. We have fulfilled our responsibilities as set out in the terms of the engagement letter between the City and Deloitte dated November 14, 2012 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the City as at December 31, 2012 and the results of its operations and cash flows for the year then ended in accordance with PSAS.
2. In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and adequacy of the disclosures related to estimates are in accordance with PSAS. The City has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

**Financial statements (continued)**

Significant assumptions used in making estimates are reasonable and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. The measurement methods, including the related assumptions and models, used in determining the estimates were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity.

There are no changes in management's method of determining significant estimates in the current year.

3. With regard to the fair value measurements and disclosures of certain assets, liabilities, we believe that:
  - a. The measurement methods, including the related assumptions and models, used in determining fair value were appropriate, reasonable and consistently applied in accordance with PSAS.
  - b. The completeness and adequacy of the disclosures related to fair values are in accordance with PSAS.
  - c. No events have occurred subsequent to December 31, 2012 that require adjustment to the fair value measurements and disclosures included in the Financial Statements.
  - d. They appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the City when relevant to the use of fair value measurements or disclosures.
4. All related party relationships and transactions (including associated amounts receivable and payable) have been appropriately accounted for and disclosed in the Financial Statements in accordance with the requirements of PSAS.
5. We have completed our review of events after December 31, 2012 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the financial statements that are impacted by subsequent events have been appropriately adjusted.
6. The Financial Statements are free of material errors and omissions.
7. Management has completed its assessment of the ability of the City to continue as a going concern and in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon the City's ability to continue as a going concern, which would require disclosure in the Financial Statements. In assessing whether the going concern assumption is appropriate, management took into account all available information about the future, which is at least, but is not limited to, twelve months from the balance sheet date, their plans for future action and the feasibility of these plans.
8. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.

**Information provided**

9. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and,
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

**Information provided (continued)**

10. All transactions have been recorded in the accounting records and are reflected in the Financial Statements.
11. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
12. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.
13. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the Financial Statements.
14. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's Financial Statements and all knowledge of concerns or allegations of potential errors in the selection of accounting policies or the recording of transactions affecting the City that have been communicated by employees, former employees, analysts, regulators, or others, whether written or oral.
15. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.
16. We have disclosed to you all communications from:
  - a. taxation authorities concerning assessments or reassessments that could have a material effect on the Financial Statements; and
  - b. regulatory agencies concerning noncompliance with or potential deficiencies in, financial reporting requirements. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
17. We have disclosed to you any change in the City's internal control over financial reporting that occurred during the current year that has materially affected, or is reasonably likely to materially affect, the City's internal control over financial reporting.
18. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions, transactions for no consideration and participation in a defined benefit plan that shares risks between group entities.

**Independence matters**

For purposes of paragraph 19, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, its member firms and the affiliates of Deloitte LLP, Deloitte Touche Tohmatsu Limited and its member firms.

19. The City has not caused Deloitte's independence to be impaired by hiring or promoting a former or current Deloitte partner or professional employee in an accounting role or financial reporting oversight role that would cause a violation of the Canadian independence rules or other applicable independence rules. Prior to the City having any substantive employment conversations with a former or current Deloitte engagement team member the City has held discussions with Deloitte and obtained approval from the Audit Committee.

**Work of management's experts**

20. We agree with the work of management's experts in evaluating the Employee Future Benefits and have adequately considered the competence and capabilities of the experts in determining amounts and disclosures used in the Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to management's experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the experts.

**Compliance with contractual agreements**

21. We have disclosed to you, and the City has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

**Title to assets**

22. The City has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.

**Plans or intentions affecting carrying value/classification of assets and liabilities**

23. We have disclosed to you all plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the Financial Statements.

**Liabilities and contingencies**

24. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.

**Loans and receivables**

25. The City is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowance is adequate to absorb currently estimated bad debts in the account balance.

**Environmental liabilities/contingencies**

26. We have considered the effect of environmental matters on the City and have disclosed to you all liabilities, provisions or contingencies arising from environmental matters. All liabilities, provisions, contingencies and commitments arising from environmental matters, and the effect of environmental matters on the carrying values of the relevant assets are recognized, measured and disclosed, as appropriate, in the Financial Statements.

**Employee future benefits**

27. Employee future benefit costs, assets, and obligations have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit and defined contribution plans as well as termination arrangements. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, liabilities and costs for financial accounting purposes are appropriate in the circumstances.
28. We have disclosed to you any intentions of terminating any of our pension plans, or taking any other action that could result in an effective termination or reportable event for any of the plans. We have disclosed to you any occurrences that could result in the termination of any of our pension or multi-employer plans to which we contribute.

**Various matters**

29. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:
- a. economic dependence on another party;
  - b. losses arising from sale and purchase commitments;
  - c. agreements to buy back assets previously sold;
  - d. provisions for future removal and site restoration costs;
  - e. financial instruments with significant individual or group concentration of credit risk, and related maximum credit risk exposure;
  - f. sales with recourse provisions;
  - g. sales incentives, including cash consideration provided to customers and vendor rebates;
  - h. arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements;
  - i. all impaired loans receivable;
  - j. loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.

**Investments**

30. The City does not hold any investments in Master Asset Vehicle notes (which replaced third party non-bank asset backed commercial paper).

**Long-lived assets**

31. With respect to the City's long-lived assets, we have recognized and recorded the fair value of all legal obligations associated with the retirement of those related assets.

Yours very truly,

**City of Guelph**

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# Appendix 4 – Communication requirements

In our audit plan, we committed to communicate certain items to the Audit Committee on a regular basis or as specified events occur. These items are summarized below.

Required communication	Comments
1. Our responsibilities under GAAS.	See our audit plan which was communicated on November 14, 2012.
2. Our audit strategy and scope, including our approach to auditing financial information of components of the group audit and our planned involvement in work performed by component auditors.	See our audit plan which was communicated on November 14, 2012.
3. Management judgment and accounting estimates.	Management judgments and accounting estimates are reasonable – see comments on page 2.
4. Financial statement adjustments.	There were no audit adjustments and no uncorrected misstatements.
5. Uncorrected misstatements and disclosure deficiencies.	There were no audit adjustments and no uncorrected misstatements.
6. Significant accounting policies.	See Note 1 to the 2012 consolidated financial statements.
7. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period.	No alternative significant accounting policies were noted.
8. Our views about significant qualitative aspects of City of Guelph's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.	Significant accounting practices – see page 2 of this report.
9. Our responsibility for other information in documents containing audited financial statements (e.g., MD&A), any procedures performed, and the results.	We will review the annual report when provided by management.
10. Disagreements with management.	None.
11. Our views about significant matters that were the subject of consultation with other accountants.	There were no consultations with other accountants relating to accounting or auditing matters affecting the December 31, 2012 consolidated financial statements.
12. Major issues discussed with management prior to our retention.	None.
13. Significant difficulties, if any, encountered during the audit.	None.
14. Material written communications between management and us.	Engagement letter dated November 14, 2012.
15. All relationships between City of Guelph and us that, in our professional judgment, may reasonably be thought to bear on independence.	See Independence letter – Appendix 2.
16. A statement that, in our judgment, our engagement team and others in our firm as appropriate, our firm itself and, when applicable, network firms have complied with relevant ethical requirements regarding independence.	See Independence letter – Appendix 2.
17. Illegal or possibly illegal acts.	No fraud, errors or illegal acts noted.
18. Fraud or possible fraud identified through the audit process.	None noted.

Required communication	Comments
19. Significant transactions inconsistent with normal course of business, including related party transactions.	None noted.
20. Non-compliance with laws and regulations that come to the auditor's attention.	None noted.
21. Limitations placed on our scope.	None.
22. Written representations the auditor is requesting.	Draft management's representations letter – Appendix 3.

# Appendix 5 – Deloitte resources a click away

At Deloitte, we are committed to excellence in the provision of professional services and advice, always focusing on client service. To this end, we have developed numerous resources, which contain relevant and timely information for our clients and are accessible by our clients. Included below is an overview of these resources. These resources are available through the Deloitte Portal ([www.deloitte.com/ca/portal](http://www.deloitte.com/ca/portal)).

Other resources		
Canadian resources	Audience	Description and frequency
<b>Centre for Corporate Governance</b> <a href="http://www.corpgov.deloitte.ca">www.corpgov.deloitte.ca</a>	<ul style="list-style-type: none"> <li>• Audit Committee members</li> <li>• Board members</li> <li>• CEO/CFO</li> <li>• Internal auditor</li> <li>• Legal counsel</li> </ul>	<p>Web site specifically designed to help board members with their responsibilities.</p> <p>It provides the latest information on regulatory and legislative developments, accounting and financial reporting, board roles and responsibilities, and best practices.</p>
<b>DeloitteLINK</b> <a href="http://www.deloitte.com/ca/DeloitteLINK">www.deloitte.com/ca/DeloitteLINK</a>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• V-P Finance</li> <li>• Controller</li> <li>• Financial reporting team</li> </ul>	<p>Weekly e-newsletter that helps the finance team to stay on top of standard-setting initiatives.</p>
<b>Deloitte Learning Academy</b> <a href="http://www.deloittelearningacademy.ca/">www.deloittelearningacademy.ca/</a>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• V-P Finance</li> <li>• Internal auditor</li> <li>• Controller</li> <li>• Financial reporting team</li> </ul>	<p>A range of courses targeted to accounting professionals which can be selected a la carte, bundled into a specific learning program, or delivered as a full start-to-finish suite. Our current offerings include International Financial Reporting Standards (IFRS); Accounting Standards for Private Enterprises (ASPE); and Public Sector Standards (PSAS).</p>
<b>Deloitte Update</b> <a href="http://www.deloitte.com/ca/update">www.deloitte.com/ca/update</a>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• V-P Finance</li> <li>• Controller</li> <li>• Financial reporting team</li> </ul>	<p>Learning webcasts offered throughout the year featuring Deloitte professionals discussing critical issues that affect your business.</p>
<b>Directors' Series</b> <a href="http://www.deloitte.com/ca/DirectorsSeries">www.deloitte.com/ca/DirectorsSeries</a>	<ul style="list-style-type: none"> <li>• Audit Committee members</li> <li>• CEO/CFO</li> <li>• Internal auditor</li> <li>• Legal counsel</li> </ul>	<p>Live satellite broadcasts to locations across the country conducted four or five times per year. They provide Canadian corporate directors with an opportunity to keep up with their learning requirements in a time of frequent change and new demands.</p>
<b>Integrity in the Spotlight</b>	<ul style="list-style-type: none"> <li>• Audit Committee members</li> <li>• CEO/CFO</li> <li>• Internal auditor</li> <li>• Legal counsel</li> </ul>	<p>Second edition of a book on Audit Committee effectiveness, co-authored by retired Deloitte partner Jim Goodfellow and Maureen Sabia, chair of Canadian Tire. The book is a useful tool for discussions with your Audit Committee.</p>

Other resources		
Canadian resources	Audience	Description and frequency
On the Agenda	<ul style="list-style-type: none"> <li>• Audit Committee members</li> <li>• CEO/CFO</li> <li>• Internal auditor</li> <li>• Legal counsel</li> </ul>	Bi-monthly e-newsletter that advises directors about recent developments affecting their responsibilities, including the points of view of Deloitte professionals.
Standard-Setting Activities Digest <a href="http://www.deloitte.com/ca/standards">www.deloitte.com/ca/standards</a>	<ul style="list-style-type: none"> <li>• CFO</li> <li>• V-P Finance</li> <li>• Controller</li> <li>• Financial reporting team</li> </ul>	Monthly online updates on recent developments in standard-setting from a comprehensive list of standard-setting organizations.

**[www.deloitte.ca](http://www.deloitte.ca)**

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Financial Statements of

# **THE ELLIOTT**

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Year ended March 31, 2012



**KPMG LLP**  
**Chartered Accountants**  
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Waterloo ON N2J 5A3  
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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees

We have audited the accompanying financial statements of The Elliott, which comprise the statement of financial position as at March 31, 2012, the statements of operations and changes in net assets and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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



Page 2

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Elliott as at March 31, 2012, and the results of its operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants, Licensed Public Accountants

June 26, 2012  
Waterloo, Canada

# THE ELLIOTT

## Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	2012	2011
<b>Assets</b>		
Current assets:		
Accounts receivable	\$ 188,742	\$ 118,924
Prepaid expenses	69,175	62,561
Inventories	12,318	-
Trust funds held for residents	1,438	1,301
	271,673	182,786
Buildings and equipment (note 3)	20,577,540	22,226,264
Equipment under capital leases	157,878	129,436
	\$ 21,007,091	\$ 22,538,486

## Liabilities, Deferred Contributions and Deficit

Current liabilities:		
Bank indebtedness	\$ 48,753	\$ 401,312
Operating line of credit (note 4)	800,000	580,000
Accounts payable and accrued liabilities	1,006,959	999,808
Deferred revenue	91,902	42,558
Trust funds held for residents	1,438	1,301
Current portion of long-term debt (note 5)	808,419	631,835
Current portion of obligations under capital leases (note 7)	55,256	39,552
	2,812,727	2,696,366
Long-term debt (note 5)	21,703,136	22,358,075
Obligations under capital leases (note 7)	106,281	94,173
Deferred capital contributions (note 6)	603,556	657,035
Fair value of interest rate swap contract	232,244	153,601
Net deficit	(4,450,853)	(3,420,764)
Commitments (note 8)		
	\$ 21,007,091	\$ 22,538,486

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_  
Trustee

\_\_\_\_\_  
Trustee

# THE ELLIOTT

## Statement of Operations and Changes in Deficit

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Revenue:		
Accommodation:		
Basic	\$ 7,214,417	\$ 6,948,079
Preferred	337,796	340,875
Suite re-leasing (note 9)	190,795	170,675
Subsidy - Ontario Ministry of Health and Long-Term Care	3,807,399	3,952,219
Community centre rental	77,095	31,228
Cable television fees	92,424	92,760
Other revenue	282,656	267,055
Donations	34,403	32,830
Amortization of deferred capital contributions (note 6)	53,479	67,999
	12,090,464	11,903,720
Expenses:		
Wages and salaries	6,103,437	6,184,853
Employee benefits	1,286,289	1,228,840
Supplies	272,117	275,545
Meals and nourishments	673,149	647,745
Repairs and replacements	529,483	624,128
Travel	3,860	3,547
Professional development	18,196	17,546
Computer and software	34,709	88,118
Utilities	572,865	574,298
Insurance	39,547	36,592
Telephone and communications	39,545	38,604
Medical director	22,959	22,246
Professional fees	22,105	47,841
Waste removal	19,517	17,505
Grounds maintenance and landscaping	26,940	24,847
Elevator maintenance	47,655	42,578
Office and general	18,648	18,004
Marketing and promotion	70,940	19,855
Municipal taxes	163,773	163,053
Cable television	88,209	88,171
Other	23,585	5,277
Interest	1,226,978	1,258,670
Accretion of deferred financing costs	3,481	3,481
Amortization of buildings and equipment	1,733,923	1,726,125
Fair value adjustment on interest rate swap	78,643	(12,549)
	13,120,553	13,144,920
Deficiency of revenue over expenses	(1,030,089)	(1,241,200)
Deficit, beginning of year	(3,420,764)	(2,179,564)
Deficit, end of year	\$ (4,450,853)	\$ (3,420,764)

See accompanying notes to financial statements.

# THE ELLIOTT

## Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (1,030,089)	\$ (1,241,200)
Items not involving cash:		
Amortization of buildings and equipment	1,733,923	1,728,309
Amortization of deferred capital contributions	(53,479)	(67,999)
Accretion of deferred financing costs	3,481	3,481
Gain on disposal of equipment	-	(2,184)
Change in fair value of interest rate swap	78,643	(12,549)
Change in non-cash working capital balances arising from operating activities:		
Accounts receivable	(69,818)	74,991
Inventories	(12,318)	-
Prepaid expenses	(6,614)	(2,693)
Accounts payable and accrued liabilities	7,151	170,052
Deferred revenue	49,344	37,594
	700,224	687,802
Financing:		
Increase (decrease) in operating line of credit	220,000	(1,170,000)
Repayments of long-term debt	(481,836)	(607,166)
Advance of long-term debt	-	750,000
Principal repayments on capital leases	(37,176)	(28,070)
	(299,012)	(1,055,236)
Investments:		
Purchase of buildings and equipment	(48,653)	(36,322)
Proceeds on disposal	-	2,184
	(48,653)	(34,138)
Decrease (increase) in bank indebtedness	352,559	(401,572)
Cash (bank indebtedness), beginning of year	(401,312)	260
Bank indebtedness, end of year	\$ (48,753)	\$ (401,312)

See accompanying notes to financial statements.

# THE ELLIOTT

## Notes to Financial Statements

Year ended March 31, 2012

---

The Elliott is incorporated under the laws of the Province of Ontario and its principal business activity is the provision of sheltered care and services for seniors.

### 1. Significant accounting policies:

#### (a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and they include the operations of:

Long-term care residence - reflects the activities associated with the provision of care in the full nursing arrangements of the long-term care facility.

Life lease suites - reflects the activities associated with the operation of the life lease suites.

Retirement suites - reflects the activities associated with the operation of the retirement facility.

#### (b) Revenue recognition:

The Elliott follows the deferral method of accounting for contributions which include donations and government grants.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of buildings and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate of the related buildings and equipment.

Revenue from suite re-leasing, preferred accommodation, interest, as well as income from parking and other ancillary operations, is recognized when the goods are sold or the service is provided.

#### (c) Inventory:

Inventories are measured at the lower of cost and net realizable value.

# THE ELLIOTT

Notes to Financial Statements, continued

Year ended March 31, 2012

---

## 1. Significant accounting policies (continued):

### (d) Buildings and equipment:

Purchased buildings and equipment are recorded at cost. Contributed buildings and equipment are recorded at fair value at the date of contribution. Amortization is recorded over the estimated useful lives of the assets on a straight-line basis at various useful lives between 5 and 40 years.

### (e) Financing costs:

Financing costs are netted against the related financial liability and accreted to expense using the effective interest rate method over the term of the liability.

### (f) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

### (g) Financial instruments:

The Elliott has classified cash, bank indebtedness, operating line of credit and its derivative instruments as held-for-trading which are measured at fair value with changes in the fair value reported in earnings.

Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities, which are measured at amortized cost.

### (h) Derivative financial instruments:

Derivative financial instruments are utilized by The Elliott in the management of its interest rate exposures. The Elliott's policy is not to utilize derivative financial instruments for trading or speculative purposes. The Elliott enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on one of its long-term debts. The swap agreement requires periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps.

# THE ELLIOTT

Notes to Financial Statements, continued

Year ended March 31, 2012

## 1. Significant accounting policies (continued):

### (i) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of buildings and equipment, accounts payable and accrued liabilities and valuation allowances for receivables. Actual results could differ from those estimates.

## 2. Future accounting standards:

The Accounting Standards Board (AcSB) and the Public Sector Accounting Board (PSAB) have issued new accounting standards for private not-for-profit organizations (other NPOs) and Government not-for-profit organizations (Government NPOs), respectively. Management has assessed that The Elliott is a Government NPO.

These standards are effective for fiscal years commencing on or after January 1, 2012. The Elliott is currently in the process of evaluating the potential impact of adopting these changes for the year ending March 31, 2013.

## 3. Buildings and equipment:

	2012		2011	
	Cost	Accumulated amortization	Net book value	Net book value
Buildings	\$ 34,571,394	\$ 14,286,958	\$ 20,284,436	\$ 21,867,185
Machinery and equipment	2,421,941	2,177,490	244,451	359,079
Vehicles	32,250	32,250	-	-
Construction in progress	48,653	-	48,653	-
	37,074,238	16,496,698	20,577,540	22,226,264
Equipment under capital leases	226,783	68,905	157,878	129,436
	\$ 37,301,021	\$ 16,565,603	\$ 20,735,418	\$ 22,355,700

# THE ELLIOTT

Notes to Financial Statements, continued

Year ended March 31, 2012

## 3. Buildings and equipment (continued):

The above buildings and equipment do not include those assets related to the life lease suites building and equipment other than the cost of the security system and common area renovations. The terms and conditions of suite-leasing transfer the responsibility and stewardship of the individual suites to the residents occupying the suites.

## 4. Operating line of credit:

The operating line of credit bears interest at bank prime.

## 5. Long-term debt:

	2012	2011
Mortgage held by the City of Guelph, bearing interest at 5.06%, payable in monthly installments of \$112,777 principal and interest, maturing December 25, 2037	\$ 19,458,060	\$ 19,816,896
Term loan, bearing interest at bank prime, payable in annual installments of \$150,000 plus interest, repayable in full by March 31, 2015	600,000	600,000
Banker's acceptance, with interest of 4.83% per annum fixed through a swap transaction, plus a stamping fee of 1.25% for a total of 6.08%, payable in installments of interest and principal, maturing June 25, 2015 with an option to refinance for an additional ten years	2,544,000	2,667,000
	22,602,060	23,083,896
Current portion of long-term debt	808,419	631,835
	21,793,641	22,452,061
Transaction costs	90,505	93,986
	\$ 21,703,136	\$ 22,358,075

# THE ELLIOTT

Notes to Financial Statements, continued

Year ended March 31, 2012

## 5. Long-term debt (continued):

Principal repayments are due as follows:

2013	\$	808,419
2014		684,966
2015		714,525
2016		2,567,149
2017		461,892
Thereafter		17,365,109
	\$	22,602,060

Interest expense on long-term debt for the year amounted to \$1,142,807 (2011 - \$1,169,574).

## 6. Deferred capital contributions:

Deferred contributions represent the unamortized amounts of donations and grants received for the purchase of buildings and equipment. The amortization of contributions is recorded as revenue in the statement of operations:

	2012	2011
Balance, beginning of year	\$ 657,035	\$ 725,034
Less amounts amortized to revenue during the year	(53,479)	(67,999)
	\$ 603,556	\$ 657,035

# THE ELLIOTT

Notes to Financial Statements, continued

Year ended March 31, 2012

## 7. Obligations under capital leases:

The Elliott has financed various equipment purchases by entering into a capital lease arrangement. Capital lease repayments are due as follows:

	2012	2011
2012	\$ -	\$ 39,552
2013	55,256	39,552
2014	55,256	39,552
2015	55,256	39,552
2016	55,256	-
2017	3,840	-
Total minimum lease payments	224,864	158,208
Less amount representing interest at 8.5%	63,327	24,483
Present value of net minimum capital lease payments	161,537	133,725
Current portion of obligations under capital leases	55,256	39,552
	\$ 106,281	\$ 94,173

Interest of \$13,427 (2011 - \$11,482) relating to the capital lease obligations has been included in interest expense.

## 8. Commitments:

The Elliott is committed to minimum annual leases payment under outstanding operating leases as follows:

2013	\$ 5,731
2014	5,731
2015	5,512
2016	1,831

# THE ELLIOTT

Notes to Financial Statements, continued

Year ended March 31, 2012

## 9. Suite re-leasing fees:

The Elliott provides a service coordinating the re-leasing of the life lease suites. A fee is charged for this service at 10% of the selling price of the re-leased units.

	2012	2011
Suite re-leasing revenue	\$ 2,000,050	\$ 1,713,600
Suite re-leasing costs	1,809,255	1,542,925
	\$ 190,795	\$ 170,675

## 10. Supplemental cash flow information:

	2012	2011
Cash paid for interest	\$ 1,189,426	\$ 1,220,942
Non-cash investing and financing activities:		
Acquisition of equipment through capital leases	64,988	161,795

## 11. Financial instruments:

### (a) Fair value:

The carrying values of accounts receivable, bank indebtedness, operating line of credit and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items.

The carrying value of the mortgage approximates the fair value as the terms and conditions of the borrowing arrangement are comparable to current market terms and conditions for similar items.

The fair value of the interest rate swap contracts is estimated by obtaining quotes from The Elliott's bank for the same or similar instruments.

# THE ELLIOTT

Notes to Financial Statements, continued

Year ended March 31, 2012

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## 11. Financial instruments (continued):

### (b) Associated risks:

#### (i) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes on The Elliott's cash flows, financial position and income.

The Elliott uses variable interest rate loans to partially fund its operations. To manage its exposure to fluctuating interest rates, The Elliott enters into interest rate swap contracts to fix its interest rates for specific periods. As at March 31, 2012, The Elliott has entered into an interest rate swap contract to fix its interest rates on \$2,544,000 (2011 - \$2,667,000) of its potential fluctuating rate loans. The Elliott's obligation as at March 31, 2012, with relation to this contract, is \$232,244 (2011 - \$153,601).

#### (ii) Credit risk:

Credit risk is the risk that counterparties fail to perform as contracted. The Elliott is exposed to credit risk through its collection of patient and resident receivables. The Elliott is not exposed to a concentration of credit risk from its accounts receivable due to the number and diversity of patient and resident accounts.

## 12. Net asset management:

The main objective of The Elliott when managing its net assets is to safeguard its ability to continue as a going concern, so that it can continue to provide sheltered care and services for seniors.

The Elliott sets the sufficiency of net assets to maintain the service needs of the community. It makes adjustments to its net assets, through appropriation to or from internally restricted funds, to respond to potential changes in economic or operating conditions.

In order to maintain a sufficient net asset structure, management looks forward to future needs and will make the necessary adjustments to its working capital to meet these needs.

The long-term debt agreement requires The Elliott to comply with certain financial and non-financial covenants. The Elliott is in compliance with each of these covenants.

AUDIT

# The Elliott

Audit Findings Report  
For the year ended March 31, 2012

**KPMG LLP**, Chartered Accountants, Licensed Public Accountants

[kpmg.ca](http://kpmg.ca)

Dear Trustees,

We have prepared this audit findings report to assist you with your review of the financial statements and the carrying out your Audit Committee responsibilities. We are here to help. We encourage you to ask us for more information on any of the matters covered in this report—and beyond.

***Audit quality***

The quality of an audit and the resulting financial statements are receiving an increased level of scrutiny around the world. Audit quality is at the core of everything we do at KPMG, and we believe that it is not just about providing the right audit opinion, but also the steps we take to provide that audit opinion. One component of our efforts in this area is the development and implementation of the KPMG Audit Quality Framework to help ensure that every partner and professional concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent audit opinion. We invite you to review “KPMG’s Audit Quality Framework”, summarized in the appendices of this report.

***Reaching out to audit committees***

KPMG’s Audit Committee Institute holds Audit Committee Roundtables across the country twice yearly. You are cordially invited to attend. For information and registration, please visit [www.kpmg.ca/auditcommittee/roundtables.html](http://www.kpmg.ca/auditcommittee/roundtables.html).

We appreciate the assistance of management and staff in conducting our audit. We hope this audit findings report is of assistance to you as you carry out your agenda, and we look forward to discussing our findings and answering your questions at the upcoming Audit Committee meeting.

Yours sincerely,

Thomas E. Mennill, CA  
Partner



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## Executive summary

### Overview

The purpose<sup>1</sup> of this Audit Findings Report is to assist you, as a member of the Audit Committee, in your review of the financial statements of The Elliott for the year ended March 31, 2012.

### Status

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures which include:

- obtaining legal confirmations from external counsel
- receipt of signed management representation letter
- completing our discussions with the Audit Committee
- obtaining evidence of the Board's approval of the financial statements.

Please refer to the Appendices for our draft audit report. We will update you on any significant matters arising from the completion of the audit, including completion of the above procedures. Our audit report will be dated upon completion of any remaining procedures.

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<sup>1</sup> This Audit Findings Report should not be used for any other purpose or by anyone other than the Audit Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



## Audit planning

### What changed from last year

We have set out below a summary of changes that have been taken into consideration in planning the audit for the current period:

#### Your organization

- Implementation of the new accounting system effective August 1, 2011.
- Discussions around the refinancing of long-term debt with the City of Guelph.

#### Regulatory environment

- New Canadian Not-for-Profit Corporations Act

#### Accounting and auditing standards

- There are no significant changes in accounting and auditing standard changes affecting the current year audit for The Elliott.
- Effective for the fiscal year beginning April 1, 2012, The Elliott will have to adopt the financial reporting framework under public sector accounting standards. As part of the adoption, The Elliott will need to assess the impact of adopting these new standards.

KPMG is available to provide support and assist management with the transition to the new accounting standards.

### Annual inquiries related to risks of fraud:

Professional standards require that we ask you questions in connection with your oversight of management's process for identifying and responding to the risks of fraud:

- What are your views about fraud risks in the entity?
- How do you provide effective oversight of programs and controls to prevent, detect and deter fraud, including oversight over internal controls management has established to mitigate fraud risks?
- Are you aware of, or have you identified any instances of, actual, suspected or alleged fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?

## **Scope of the audit**

The purpose of an audit is to enhance the degree of confidence of the users of the financial statements through the expression of an opinion on whether the financial statements fairly presents, in all material respects, the financial position, results of operations, and cash flows of The Elliott in accordance with Canadian generally accepted accounting principles (CICA Part V – Pre-changeover Accounting Standards).

In planning our audit, we have considered the level of audit work required to support our opinion, including each of the following matters:

### **Our responsibilities**

- Our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter included in the appendices to this report.

### **Materiality**

- We determine materiality in order to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements.
- For the current period, materiality of \$210,000 (2011 - \$226,000) has been determined.

## Financial reporting risks

As part of our audit planning, we identified significant financial reporting risks that, by their nature, require special audit consideration. By focusing on these risks, we are able to target our procedures and deliver a high quality audit that is both efficient and effective. The financial reporting risks identified during our audit planning are listed below:

Significant accounts and disclosures	Inherent risks			Planned audit approach			
	Relevant assertions	Risk of error	Risk of fraud	Selected controls		Substantive analytical procedures	Substantive tests of detail
				Evaluate design and implementation	Test of operating effectiveness		
Revenue & accounts receivable	Existence Accuracy	Low	Yes	Yes	No	Yes	Yes
Expenses & accruals	Completeness Accuracy	Low	No	Yes	No	No	Yes
Resident trust funds	Accuracy	Low	No	Yes	Yes	No	Yes



## Significant audit, accounting and reporting matters

### Matters to discuss

Included in this report are matters we have highlighted for discussion at the upcoming Audit Committee meeting. We look forward to discussing these matters and our findings with you.

### Other matters

We have highlighted below other significant matters that we would like to bring to your attention:

#### System Conversion

- During the year, The Elliott successfully implemented the Management Information System Solution, Microsoft Dynamics GP. With this implementation, The Elliott is fully compliant with the Ministry of Health and Long-term Care (MOHLTC) reporting requirements.
- This conversion involved moving their general ledger processing system from AccPac to Microsoft Dynamics Great Plains.
- The balances were transferred from AccPac to Microsoft Dynamics Great Plains as of the close on July 31, 2011. During August, both systems were run in parallel to ensure that there any issues were identified and addressed prior to going live with the new system on September 1, 2011.
- At the end of August, management completed reconciliations between AccPac and Great Plains to ensure that there were no issues.

#### KPMG comments

- KPMG reviewed management's system conversion process.
- Testing was completed to ensure that the data was accurately transferred and recorded in the Microsoft Dynamics Great Plains system at both July 31, 2011 and August 31, 2011.
- It was noted that the account numbers were changed slightly, as the new account numbers for LTC are now consistent with the account numbers used by the MOHLTC, which will allow The Elliott to transfer their data to the MOHLTC for reporting in a much more efficient fashion. KPMG verified that the accounts were appropriately mapped to be consistent with the prior year.

#### Misstatements

- No misstatements have been identified.

#### Significant deficiencies

- No significant deficiencies have been identified.

**Assessment of Going Concern**

- When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern.
- The Financial statements have been prepared on the assumption that the entity is a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations.
- The Elliott has incurred a \$1 million loss in the current year, which has increased the accumulated deficit to \$4.5 million at March 31, 2012.
- During the year, the positive cash flows from operations were partially offset by the negative cash flows from financing due to debt repayments. The Elliott did end the year with net positive cash flows of \$353,000.

**KPMG comments**

- KPMG's responsibility is to obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern.
- KPMG obtained management's representation of the ability of The Elliott to continue as a going concern.
- Based on our audit procedures performed we concur with management's assessment.
- The going concern assessment will continue to be monitored each year.

**Misstatements**

- No misstatements have been identified.

**Significant deficiencies**

- No significant deficiencies have been identified.



## Significant qualitative aspects of accounting practices

The following are the significant qualitative aspects of accounting practices that we plan to discuss with you:

<b>Significant accounting policies</b>	<ul style="list-style-type: none"> <li>• Significant accounting policies are disclosed in Note 1 of the financial statements.</li> <li>• No changes in accounting policies were made during 2012.</li> <li>• The Elliott will be required to adopt public sector accounting standards for the fiscal year ending March 31, 2013.</li> </ul>
<b>Significant accounting estimates</b>	<ul style="list-style-type: none"> <li>• Management's process for identification and making accounting estimates are consistent with prior year.</li> <li>• No significant estimates involved with the financial statements.</li> <li>• The potential impact of measurement uncertainty on the financial statements has been disclosed in the financial statements.</li> </ul>
<b>Significant disclosures</b>	<ul style="list-style-type: none"> <li>• No significant changes in disclosures from prior year were required under Canadian generally accepted accounting policies in the current year.</li> <li>• Management has included disclosures relating to future account pronouncements in Note 2 to the financial statements. There is no current period impact as these standards are effective for fiscal years commencing on or after January 1, 2012. The new standards will apply to The Elliott for the year ending March 31, 2013.</li> </ul>



## Misstatements

### Identification of misstatements

Misstatements identified during the audit have been categorized as follows:

- uncorrected misstatements, including disclosures
- corrected misstatements, including disclosures.

### Uncorrected misstatements

We have not identified misstatements that remain uncorrected as at March 31, 2012.

### Corrected misstatements

The corrected audit misstatements related to reclassification adjustments between current and long-term liabilities and are included in the letter of representation included in the appendices of this report.



## Control deficiencies

### Background and professional standards

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control. Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

### Identification

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.

### Definitions

Terminology	Definition
<b>Deficiency in internal control</b>	A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when: (a) a control necessary to meet the control objective is missing; or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
<b>Significant deficiency in internal control</b>	A significant deficiency in internal control is a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is less severe than a material weakness, yet is of sufficient importance to merit the attention of those charged with governance.



## Appendices

**Independence letter**

**Management representation letter**

**KPMG's Audit Quality Framework**

**Other current developments**

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# Independence letter



KPMG LLP  
Chartered Accountants  
115 King Street South  
2<sup>nd</sup> Floor  
Waterloo ON N2J 5A3

Telephone (519) 747-8800  
Fax (519) 747-8830  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## PRIVATE AND CONFIDENTIAL

Audit Committee  
**The Elliott**  
170 Melcalfe Street  
Guelph, ON N1E 4Y3

June 5, 2012

Dear Members:

Professional standards specify that we communicate to you in writing, at least annually, all relationships between The Elliott (the "Entity") (and its related entities) and our firm, that may reasonably be thought to bear on our independence.

In determining which relationships to report, we are required to consider relevant rules and related interpretations prescribed by the Institute of Chartered Accountants of Ontario and any applicable legislation or regulation, covering such matters as:

- a) provision of services in addition to the audit engagement
- b) other relationships such as:
  - holding a financial interest, either directly or indirectly, in a client
  - holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
  - personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
  - economic dependence on a client.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since our last letter dated June 22, 2011.

## PROVISION OF SERVICES

The following summarizes the professional services rendered by us to the Entity (and its related entities) up to the date of this letter:

Description of Service
<b>Audit</b> <ul style="list-style-type: none"><li>• Audit of the Entity's financial statements</li><li>• Audit of the 2010 Long-Term Care Report</li></ul>

## OTHER RELATIONSHIPS

We are not aware of any other relationships between our firm and the Entity (and its related entities) that may reasonably be thought to bear on our independence up to the date of this letter.

## CONFIRMATION OF INDEPENDENCE

We confirm that we are independent with respect to the Entity (and its related entities) within the meaning of the Rules of Professional Conduct/Code of Ethics of the Institute of Chartered Accountants of Ontario as of the date of this letter.

## OTHER MATTERS

This letter is confidential and intended solely for use by those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purposes.

KPMG shall have no responsibility for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the "K" and ends under the "P", with a small upward tick at the end.

Chartered Accountants, Licensed Public Accountants

TM/kh

# Management representation letter

KPMG LLP  
115 King Street South  
2<sup>nd</sup> Floor  
Waterloo, ON N2J 5A3

June 26, 2012

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of The Elliott ("the Entity") as at and for the period ended March 31, 2012.

We confirm that the representations we make in this letter are in accordance with the definitions as set out in Attachment I to this letter.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**GENERAL:**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 12, 2012, for:
  - a) the preparation and fair presentation of the financial statements
  - b) providing you with all relevant information and access
  - c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error
  - d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

**FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:**

- 3) We have disclosed to you:
  - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements.
- c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's financial statements, communicated by employees, former employees, or others.
- d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
- e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**COMMITMENTS & CONTINGENCIES:**

- 4) There are no:
  - a) other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation.
  - b) other environmental matters that may have an impact on the financial statements

**SUBSEQUENT EVENTS:**

- 5) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

**RELATED PARTIES:**

- 6) We have disclosed to you the identity of the Entity's related parties and all the related party relationships and transactions of which we are aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

**ESTIMATES:**

- 7) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

**NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:**

- 8) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

**MISSTATEMENTS:**

- 9) We approve the corrected misstatements identified by you during the audit described in Attachment II.

**ACCOUNTING POLICIES:**

- 10) The accounting policies selected and applied are appropriate in the circumstances.
- 11) There have been no changes in, or newly adopted, accounting policies that have not been disclosed to you and appropriately reflected in the financial statements.

**ASSETS & LIABILITIES – GENERAL:**

- 12) We have no knowledge of material unrecorded assets or liabilities or contingent assets or liabilities (such as claims related to patent infringements, unfulfilled contracts, etc., whose values depend on fulfillment of conditions regarded as uncertain or receivables sold or discounted, endorsements or guarantees, additional taxes for prior years, repurchase agreements, sales subject to renegotiation or price re-determination, etc.) that have not been disclosed to you.
- 13) We have no knowledge of shortages that have been discovered and not disclosed to you (such as shortages in inventory, cash, negotiable instruments, etc.).
- 14) We have no knowledge of arrangements with financial institutions involving restrictions on cash balances and lines of credit or similar arrangements and not disclosed to you.
- 15) We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.

**RECEIVABLES:**

- 16) Receivables reported in the financial statements represent valid claims against customers and other debtors for sales or other charges arising on or before the balance sheet date. Receivables have been appropriately reduced to their net realizable value.

**INVENTORIES:**

- 17) No inventory is stated at an amount in excess of net realizable value.

**ECONOMIC DEPENDENCE:**

- 18) We have no knowledge of economic dependence to be disclosed in the financial statements.

**REVENUES:**

- 19) All sales transactions entered into by the Entity are final and there are no side agreements (contractual or otherwise) with customers.

**FINANCIAL INSTRUMENTS, OFF-BALANCE-SHEET ACTIVITIES, HEDGING AND GUARANTEES:**

- 20) Guarantees, whether written or oral, under which the Entity is contingently liable, including guarantee contracts and indemnification agreements, have been recorded and/or disclosed in accordance with the relevant financial reporting framework.
- 21) The following information about financial instruments has been properly disclosed in the financial statements:
  - a) extent, nature, and terms of financial instruments, both recognized and unrecognized;
  - b) the amount of credit risk of financial instruments, both recognized and unrecognized, and information about the collateral supporting such financial instruments; and
  - c) significant concentrations of credit risk arising from all financial instruments, both recognized and unrecognized, and information about the collateral supporting such financial instruments.
- 22) All financial assets and liabilities outstanding as of the balance sheet date have been reviewed and correctly classified or designated as either: held-for-trading, held-to-maturity, loans and receivables or available-for-sale financial assets or other financial liabilities in accordance with the relevant financial reporting framework, and have been appropriately recorded at their fair value, amortized cost or cost based on their classification or designation.
- 23) All financial and non-financial derivative instruments, including both freestanding and embedded derivatives, have been appropriately identified and recorded at their fair value in accordance with the relevant financial reporting framework.

**GOING CONCERN:**

- 24) Our assessment that the Entity will continue as a going concern has taken into account all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date.

Yours very truly,

---

Mr. Trevor Lee, Chief Executive Officer

---

Ms. Diana Hillier, Director of Finance

cc: Audit Committee

## ATTACHMENT I – DEFINITIONS

### **MATERIALITY**

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

### **FRAUD & ERROR**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

### **RELATED PARTIES**

In accordance with the CICA Part V - Pre-Changeover Accounting Standards, Section 3840, *related party* is defined as:

- Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management and immediate family members.

In accordance with CICA Part V - Pre-Changeover Accounting Standards, Section 3840, a *related party transaction* is defined as:

- A related party transaction is a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

## Attachment II – Summary of Corrected Audit Misstatements Schedule

	Income effect	Financial position		
Description	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Equity (Decrease) Increase
Adjustment to correct allocation of long-term debt between current and long- term.				
Current portion			\$26,600	
Long-term portion			(\$26,600)	
Adjustment to correct allocation of capital lease obligation between current and long-term.				
Current portion			\$15,704	
Long-term portion			(\$15,704)	
<b>Total misstatements</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

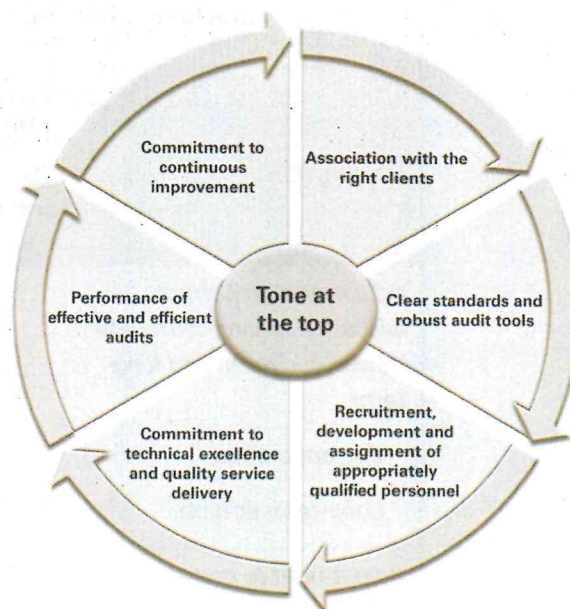
# KPMG's Audit Quality Framework

Audit quality, and the respective roles of the auditor and audit committee, is fundamental to the integrity of financial reporting in our capital markets.

This is why audit quality is at the core of everything we do at KPMG. And we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To help ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

The framework comprises seven key drivers of audit quality.



## The seven key drivers of audit quality

Driver	What it does	What it means to you
<b>Tone at the top</b>	<b>Audit quality is part of our culture and our values and therefore non-negotiable</b>  Allows the right behaviours to permeate across our entire organization and each of our engagements	<b>Assures you that:</b> <ul style="list-style-type: none"> <li>Our culture supports our promise to you of excellent client service and a high quality audit—consistently</li> <li>You're receiving an independent, transparent, audit opinion</li> <li>You're receiving an efficient and high quality audit that will help you maintain investor confidence in your financial statements.</li> </ul> <b>Provides you with:</b> <ul style="list-style-type: none"> <li>An engagement team handpicked for your business needs – a team with relevant professional and industry experience</li> <li>An audit engagement team whose qualifications evolve as your business grows and changes</li> </ul>
<b>Association with the right clients</b>	<b>Ethics above all</b>  Eliminates any potential independence and conflict-of-interest issues	
<b>Clear standards and robust audit tools</b>	<b>A solid rule book</b>  Rigorous internal policies and guidance that help ensure our work meets applicable professional standards, regulatory requirements, and KPMG's standards of quality	
<b>Recruitment, development and assignment of appropriately qualified personnel</b>	<b>People who add value</b>  Helps us attract and retain the best people and reinforces the importance of developing their talents  Assigns Partners' portfolios based on their specific skill sets	

Driver	What it does	What it means to you
<b>Commitment to technical excellence and quality service delivery</b>	<b>The right tools for the right job</b> Promotes technical excellence and quality service delivery through training and accreditation, developing business understanding and industry knowledge, investment in technical support, development of specialist networks, and effective consultation processes	<ul style="list-style-type: none"> <li>An audit opinion that continues to meet your needs as a participant in the capital markets</li> </ul> <b>Assists you with:</b> <ul style="list-style-type: none"> <li>Assessing the effectiveness and efficiency of the audit</li> <li>Performing your governance role with confidence.</li> </ul>
<b>Performance of effective and efficient audits</b>	<b>We understand that how an audit is conducted is as important as the final result.</b> A code of conduct, audit delivery tools, and internal policies and procedures that help ensure the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and our standards of quality	
<b>Commitment to continuous improvement</b>	<b>Comprehensive and effective monitoring</b> We solicit our clients regularly for feedback. Our robust internal quality review program ensures the work of each partner is reviewed every three years. Additionally, our procedures and a sample of our audits of listed clients are reviewed by the Canadian Public Accountability Board (CPAB), the independent regulator of the accountancy profession in Canada. The Public Accountability Oversight Board (PCAOB) in the US also conducts an annual inspection of a sample of our audits of SEC registrants. Finally, a sample of other audits and reviews is undertaken annually by the various provincial institutes in Canada. We consider the recommendations that come from these reviews and implement actions to strengthen our policies and procedures, as appropriate.	

## **The regulatory landscape is changing**

Uncertain economic forecasts and a changing regulatory environment define today's world; reliable financial information and high-quality audits have never been more essential.

We believe that high quality audits contribute directly to market confidence and we share your objectives of credible and transparent financial reporting.

Our Audit Quality Framework is particularly relevant to Audit Committees, and we see our role in being transparent to you as a key mechanism to support you in the execution of your responsibilities.

## **Our commitment to quality**

The independence, judgment and professional skepticism of your auditors add value to your financial statements, and we believe it is important to be transparent about the processes we follow to develop a KPMG audit report. We want you to have absolute confidence in us and in the quality of your audit.

Our own professional standards dictate technical requirements for reaching and communicating an audit opinion. And we live and abide by these requirements. We invest heavily in our quality, and the Audit Quality Framework helps ensure these investments are the right ones—that they help us continuously drive and maximize our quality improvements. But we feel it is also important that we communicate to you how we view and implement audit quality. The seven key drivers outlined here, combined with the commitment of each individual in KPMG, are meant to do just that.

KPMG member firms across the world use this audit quality framework to describe, focus on and enhance audit quality for the benefit of our clients and in support of the efficacy of our capital markets.

It is our hope that sharing our vision of what audit quality means is a significant step in building confidence in the value of our audits.

**Audit quality is fundamental to the way we work – it is non-negotiable.**

## Other current developments

### Overview of Accounting Standard Changes for Not-for-Profit Organizations

In December 2010, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("AcSB") and the Public Sector Accounting Board ("PSAB") released the accounting standards impacting the future financial reporting framework for not-for-profit organizations. These standards were released as a result of a joint, comprehensive standard setting process by both Boards. These standards are effective for years beginning on or after January 1, 2012. Organizations have an option to early adopt these new standards.

The PSAB is responsible for the accounting standards used by not-for-profit organizations that are controlled by a government (referred to as "government not-for-profit organizations"). The AcSB is responsible for the accounting standards used by not-for-profit organizations that are not under the control of a government (referred to as "other not-for-profit organizations"). Not-for-profit organizations will need to assess whether they are a government not-for-profit organization or another not-for-profit organization to ensure that they are reporting under the appropriate financial reporting framework.

### Government Not-For-Profit Organizations – Accounting Standard Options

#### Choice of:

- Public Sector Accounting (PSA) Handbook supplemented by standards unique to not-for-profit organizations (the 4200 series – the former 4400 series), or
- Public Sector Accounting Handbook

#### Transitional Guidance:

#### Handbook Section PS 2125 – First-time adoption by government organizations

- General approach is retrospective application at transition date unless exempted through either optional elections or mandatory exceptions.
- Estimates made at transition must be consistent with the historical estimates. Hindsight cannot be used.

#### Presentation and Disclosures

- The first financial statements prepared under the new accounting standards must contain:
  - A statement of financial position with three columns—current year, comparative year and the transition date (beginning of comparative year)
  - A note providing a reconciliation from the previously-reported amounts for opening net assets, excess of revenues over expenses and cash flows (if significant).
- Disclosure is required detailing any exemptions used

- The significant changes are summarized in the chart below:

Financial statement captions	Impact under PSA - GNPO
Buildings and Equipment	<p><u>On transition:</u> can elect to measure items of property, plant and equipment (PP&amp;E) at fair value on date of transition and use that as deemed cost going forward. The Elliott is able to make this election on any item or combination of items. This election is available only on the date of transition. The Elliott will be required to obtain appraisals to substantiate the fair value of assets for which the election is taken.</p> <p><u>After transition:</u> if election is taken, will result in a higher accounting value of PP&amp;E on the statement of financial position, with the offset to increase net assets. If the election is taken on depreciable assets (building, equipment), it will result in higher depreciation expense in future years.</p>
Employee future benefits	<p><u>Benefits that vest or accumulate:</u></p> <ul style="list-style-type: none"> <li>• Are recorded as a liability and expensed in the period in which employees render services to the government, assuming payment of benefits is probable and the amounts can be reasonably estimated.</li> </ul> <p>Examples are:</p> <ul style="list-style-type: none"> <li>– sick days that are paid out when the employee terminates</li> <li>– sabbaticals in which the leave is granted to provide unrestricted time off for past service.</li> </ul> <p><u>Benefits that accumulate but do not vest:</u></p> <ul style="list-style-type: none"> <li>• Normally paid only upon an illness or injury-related absence.</li> <li>• Such benefits are obligations and would be recognized by incorporating a probability of occurrence.</li> </ul> <p><u>Benefits that do not vest or accumulate:</u></p> <ul style="list-style-type: none"> <li>• The expected cost of providing the benefits is recognized immediately in the period when the event that obligates the government occurs.</li> </ul> <p>Examples include:</p> <ul style="list-style-type: none"> <li>– workers compensation claims and</li> <li>– maternity leave top up payments</li> </ul> <p><u>Joint defined benefit plans:</u></p> <ul style="list-style-type: none"> <li>• Account for the specific portion of the plan in accordance with the terms of the plan.</li> </ul>

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Financial statements of

**Wellington-Dufferin-Guelph  
Public Health**

December 31, 2012

# Wellington-Dufferin-Guelph Public Health

December 31, 2012

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## **Independent Auditor's Report**

To the Members of the Board of Health,  
Wellington-Dufferin-Guelph Public Health

We have audited the accompanying financial statements of Wellington-Dufferin-Guelph Public Health, which comprise the balance sheet as at December 31, 2012, and the statements of operations and surplus, cash flows and changes in net financial assets 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 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 financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Wellington-Dufferin-Guelph Public Health as at December 31, 2012, and the results of its operations, the changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

**Other Matter**

Without qualifying our opinion we draw attention to Schedule 4 of the financial statements. This schedule is unaudited and accordingly we do not express an opinion on this schedule.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants  
May 1, 2013

# Wellington-Dufferin-Guelph Public Health

## Statement of operations and surplus

### Total mandatory and related programs

year ended December 31, 2012

	Budget 2012 (Note 8)	Actual 2012	Actual 2011
	\$	\$	\$
<b>Municipal and provincial funding</b>			
Province of Ontario - MOHLTC	7,806,659	7,787,845	7,879,469
Province of Ontario - Public Health Division	5,592,676	5,592,676	5,483,015
City of Guelph	3,065,740	3,065,741	2,590,516
County of Wellington	2,272,174	2,272,174	1,839,155
County of Dufferin	1,444,696	1,444,696	1,177,507
One Time Grants - MOHLTC	431,512	2,133,317	518,881
	20,613,457	22,296,449	19,488,543
Other revenue			
Interest	5,000	30,667	30,186
<b>Total revenue (Schedule 2)</b>	<b>20,618,457</b>	<b>22,327,116</b>	<b>19,518,729</b>
<b>Expenses</b>			
Salaries and wages	12,013,677	11,581,511	11,256,077
Benefits	3,251,564	2,964,038	2,804,636
Staff and volunteer training and recognition	144,854	115,122	97,261
Board of Health	24,800	27,673	21,015
Travel	326,975	300,416	313,226
Building occupancy	1,121,504	1,096,153	2,003,965
Office expenses, printing and postage	135,915	139,307	131,921
Purchased program services	1,280,324	1,005,785	1,489,068
Program materials and supplies	518,582	799,769	831,806
Office equipment	44,412	61,920	55,142
Information and IT equipment	213,169	245,402	246,377
Communication costs	175,519	163,221	152,619
One time and capital projects	1,756,062	3,212,228	692,902
Amortization	-	679,634	632,468
Capital purchases (included in expenses above)	-	(2,965,824)	(2,274,191)
<b>Total net operating costs (Schedule 2)</b>	<b>21,007,357</b>	<b>19,426,355</b>	<b>18,454,292</b>
<b>Expenditure recoveries (Schedule 1)</b>	<b>(388,900)</b>	<b>(710,760)</b>	<b>(435,545)</b>
<b>Total net expenditures after expenditure recoveries (Schedule 2)</b>	<b>20,618,457</b>	<b>18,715,595</b>	<b>18,018,747</b>
Excess of revenue over expenses	-	3,611,521	1,499,982
Accumulated surplus, beginning of year	-	4,449,990	2,930,274
Net interest and transfers in reserves	-	20,081	19,734
<b>Accumulated surplus, end of year (Note 5)</b>	<b>-</b>	<b>8,081,592</b>	<b>4,449,990</b>

Approved by the Board of Health on May 1, 2013

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

The attached notes form part of these financial statements.

# Wellington-Dufferin-Guelph Public Health

## Statement of changes in net financial assets year ended December 31, 2012

	2012	2011
	\$	\$
<b>Excess of revenue over expenses</b>	<b>3,611,521</b>	<b>1,499,982</b>
Amortization of tangible capital assets	679,634	632,468
Change in prepaid expenses	(202,995)	(31,532)
Acquisition of tangible capital assets	(2,965,824)	(2,274,191)
Other (transfer to reserve)	20,081	19,734
Increase (decrease) in net financial assets	1,142,417	(153,539)
Net financial assets, beginning of year	1,549,749	1,703,288
<b>Net financial assets, end of year</b>	<b>2,692,166</b>	<b>1,549,749</b>

The attached notes form part of these financial statements.

# Wellington-Dufferin-Guelph Public Health

Balance sheet  
as at December 31, 2012

	2012	2011
	\$	\$
<b>Assets</b>		
Current assets		
Cash	3,714,171	4,194,670
Accounts receivable	467,951	279,891
Due from Province of Ontario	1,978,092	81,303
	<b>6,160,214</b>	<b>4,555,864</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	1,858,480	1,489,062
Employee benefits payable (Note 6)	1,203,984	1,213,187
Deferred revenue	323,033	165,509
Trust liability (Note 3)	23,216	126,450
Due to programs (Note 4)	59,335	11,907
	<b>3,468,048</b>	<b>3,006,115</b>
<b>Net financial assets</b>	<b>2,692,166</b>	<b>1,549,749</b>
<b>Non financial assets</b>		
Tangible capital assets (Schedule 3)	5,094,330	2,808,140
Prepaid expenses	295,096	92,101
	<b>5,389,426</b>	<b>2,900,241</b>
<b>Accumulated surplus (Note 5)</b>	<b>8,081,592</b>	<b>4,449,990</b>

Approved by the Board of Health on May 1, 2013

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

The attached notes form part of these financial statements.

# Wellington-Dufferin-Guelph Public Health

## Statement of cash flows year ended December 31, 2012

	2012	2011
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenditures	3,611,521	1,499,982
Non cash charges to operations		
Amortization	679,634	632,468
Net change in non-cash working capital items related to operations	(1,805,830)	632,021
	<b>2,485,325</b>	<b>2,764,471</b>
Acquisition of tangible capital assets	(2,965,824)	(2,274,191)
Net (decrease) increase in cash	(480,499)	490,280
Cash, beginning of year	4,194,670	3,704,390
<b>Cash, end of year</b>	<b>3,714,171</b>	<b>4,194,670</b>

The attached notes form part of these financial statements.

# Wellington-Dufferin-Guelph Public Health

## Notes to the financial statements

December 31, 2012

---

### 1. Description of business

The Board of Health for the Wellington-Dufferin-Guelph Health Unit ("Public Health") has been created by statute under the Health Protection and Promotion Act (HPPA) and is by statute an autonomous Board of Health. The Board of Health is comprised of municipal members representing each of the obligated municipalities of the County of Wellington (3), the County of Dufferin (2) and the City of Guelph (3) and 7 Provincial appointees. As stated in the agency's Mission statement, Public Health works to improve the health of communities and individuals in Wellington, Dufferin and Guelph through promotion, protection and prevention.

Public Health operates health programs in accordance with the mandatory and related programs as set out by the Province of Ontario. They also deliver several additional initiatives within Wellington, Dufferin and Guelph including; Healthy Babies Healthy Children, Preschool Speech and Language, Healthy Communities, Smoke Free Ontario and Canadian Prenatal Nutrition Program.

### 2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards, and reflect the following policies:

#### *Basis of accounting*

- a) The operations reported in the financial statements reflect only the programs funded by the Counties of Wellington and Dufferin, the City of Guelph and the Ontario Ministry of Health and Long Term Care. For programs funded by other entities, revenues and expenditures are netted and disclosed separately on the balance sheet. These programs include Smoke Free Ontario, Healthy Communities, CPNP, Preschool Speech and Language and Healthy Babies Healthy Children Program.
- b) The operations of Public Health general programs are funded by the Counties of Wellington and Dufferin, the City of Guelph and the Ontario Ministry of Health and Long Term Care. Each year the amount of expenditure is based upon budgeted approvals and is funded accordingly. Funding amounts not received at year-end are recorded as receivable. Funding amounts in excess of actual expenditures incurred during the year are recorded as payable or as deferred revenue depending on the terms of the funding agreement.

Revenue and expenses are reported on the accrual basis of accounting except as noted in these financial statements.

#### *Use of estimates*

The preparation of the financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant estimates used within these financial statements include accrued liabilities and employee benefits payable. Actual results could differ from these estimates.

#### *Revenue recognition*

Public Health recognizes revenue from municipal funding sources when persuasive evidence of an arrangement exists. Revenue generated through various programs is recognized when cash is received.

# Wellington-Dufferin-Guelph Public Health

## Notes to the financial statements

December 31, 2012

---

### 2. Significant accounting policies (continued)

#### *Tangible capital assets*

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

Buildings	30 years
Leasehold improvements	Term of lease
Equipment	5 years
Technology and communications	3 years
Furniture and fixtures	5 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

### 3. Trust liability

Public Health periodically receives funding advances from various sources for certain programs or portions of programs. Public Health does not run these programs and operates solely as a bank account for these programs.

	2012	2011
	\$	\$
County of Dufferin - SSILCC	-	82,062
Teen Dental - NCB (Wellington)	-	14,000
In motion	2,282	7,493
Growing Great Kids	2,306	3,620
F&CS - Nobody's Perfect	3,211	3,211
Infection Connection Workshop	3,145	3,145
Hearing (Wee Talk)	1,955	2,255
Reduce Tanning (Odette Cancer Centre)	1,611	2,180
CINOT Pilot	-	1,610
Children's Report Card	4,900	1,400
CCO (Nutrition & Phys. Act Prog)	1,397	1,397
SNAC	-	1,336
Teen Dental - NCB (Dufferin)	-	887
Due to Community Food Advisors	-	784
ASRTS	1,582	557
Mennonite Community Donations	715	400
Shirley's Garden	112	112
Staff Social Fund	-	1
	<b>23,216</b>	<b>126,450</b>

# Wellington-Dufferin-Guelph Public Health

## Notes to the financial statements

December 31, 2012

### 4. Due to programs

	2012	2011
	\$	\$
Due to CPNP	25,162	10,072
Due to Preschool Speech and Language	17,666	7,485
Due from Healthy Communities	-	(5,650)
Due from Poverty Elimination Task Force	(2,574)	-
Due to LDCP (Social Media Project)	19,081	-
	<b>59,335</b>	<b>11,907</b>

### 5. Accumulated surplus and reserves

Accumulated surplus consists of individual fund surplus and reserves as follows:

	2012	2011
	\$	\$
Surplus		
Invested in tangible capital assets	5,094,330	2,808,140
Reserves for capital improvements	2,987,262	1,641,850
	<b>8,081,592</b>	<b>4,449,990</b>

This reserve was established by the Board to offset the costs of future capital improvements.

	2012	2011
	\$	\$
Balance, beginning of year	1,641,850	1,763,857
Interest earned on reserve	20,081	19,734
Transfer and tangible capital asset reconciliation	1,325,331	(141,741)
Balance, end of year	<b>2,987,262</b>	<b>1,641,850</b>

The reserve for capital improvement is made up of three separate reserves. In 2007 the Board decided to divide the reserve for capital improvement as follows into 3 separate reserve funds: one for technology, one for facilities, and one for contingencies. In the current year the balances are: reserve fund - technology in the amount of \$270,712 (2011 - \$267,552), reserve fund - facilities in the amount of \$2,307,171 (2011 - \$969,699), and reserve for contingencies in the amount of \$409,379 (2011 - \$404,599).

### 6. Employee benefits payable

	2012	2011
	\$	\$
Sick leave benefits payable	41,106	55,939
Vacation time payable	1,111,456	1,105,502
Compensation time payable	51,422	51,746
	<b>1,203,984</b>	<b>1,213,187</b>

# Wellington-Dufferin-Guelph Public Health

## Notes to the financial statements

December 31, 2012

---

### 6. Employee benefits payable (continued)

#### *Sick leave benefits payable*

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment based on the salary in effect when they leave Public Health's employment. This plan applies to employees hired prior to January 1, 1982. The balance is reviewed at each year-end using new salary rates.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee upon termination, amounted to \$41,106 (2011 - \$55,939) at the end of the year.

#### *Vacation time payable*

The provisions of the employee's vacation plan allow the accumulation of vacation credits for use in future periods. The approximate value of the credits as at December 31, 2012 is \$1,111,456 (2011 - \$1,105,502).

#### *Compensation time payable*

Hours earned by employees that are not paid or taken are compensation time. Upon termination of employment, any hours of compensation time that an employee has earned, but not taken, is payable at their wage rate. The approximate value of the time as at December 31, 2012 is \$51,422 (2011 - \$51,746).

### 7. Pension agreements

Public Health makes contributions to the Ontario Municipal Employees' Retirement System ("OMERS"), which is a multi-employer plan, on behalf of approximately 181 (2011 - 174) members of its staff.

The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based upon length of service and rates of pay.

The amount contributed to OMERS for 2012 was \$1,159,173 (2011 - \$981,884).

### 8. Budget figures

The budgeted figures, which are presented for comparison purposes, are unaudited.

### 9. Commitments and contingencies

Public Health has leased premises under a variety of leases of which the longest expires on March 31, 2062. The minimum lease payments over the next five years are as follows:

	\$
2013	755,475
2014	466,960
2015	339,851
2016	357,337
2017	326,523
	<hr/> 2,246,146 <hr/>

In the normal course of business, Public Health is involved in various claims. Though the outcome of these various pending claims as at December 31, 2012 cannot be determined with certainty, Public Health believes that their outcome will have no significant adverse impact on its financial position, operating results or cash flows.

# Wellington-Dufferin-Guelph Public Health

## Notes to the financial statements

December 31, 2012

---

**10. Credit facility**

At December 31, 2012 Public Health has an unsecured line of credit of \$1,500,000 (2011- \$500,000) bearing interest at bank prime rate of 3.00% (2011 - 3.00%), of which all remained unused at year-end.

**11. Financing agreement**

On December 19, 2012, Public Health entered into a Financing Agreement with the three obligated municipalities to finance the cost of building two new facilities at Chancellors Way, Guelph, and Broadway, Orangeville. The Financing Agreement allows for quarterly advances of capital by the obligated municipalities to Public Health beginning in January 2013, until the completion of the new facilities. The total amount of the advance will not exceed \$24,400,000. Interest will be calculated annually, commencing on the 1<sup>st</sup> day of the month following the date of substantial completion of both facilities. The interest rate will be 3.34% per annum, and the term and amortization of the loan will be twenty years. Repayment will commence thirty days following certification by the project's architect of substantial completion of both facilities. The whole or any part of the capital financing under this agreement may be prepaid at any time or times without penalty or bonus.

**12. Comparative figures**

Certain comparative figures have been reclassified to conform to the current year's presentation.

# Wellington-Dufferin-Guelph Public Health

## Schedule of expenditure recoveries - Schedule 1 year ended December 31, 2012

	Budget 2012	Actual 2012	Actual 2011
	\$	\$	\$
Contraceptive sales	75,000	68,310	73,309
File searches	1,000	1,425	2,180
Food safety courses	14,000	7,913	11,977
Guelph sexuality conference	-	19,000	10,000
HPV vaccinations	22,950	29,597	23,367
Meningococcal immunizations	15,300	20,852	16,184
Other	1,650	4,323	8,160
Prenatal and breastfeeding fees	38,000	42,238	33,312
TB skin tests	4,000	5,719	5,300
Vaccines (Gardasil)	10,000	21,000	16,180
Travel clinic fees	158,500	351,698	171,395
Universal influenza immunizations	48,500	43,185	64,181
Infection Control Week	-	8,000	-
Panorama Funding	-	12,425	-
OLIS (e-health)	-	63,880	-
Healthy Smiles Ontario (County of Wellington funding)	-	11,195	-
	<b>388,900</b>	<b>710,760</b>	<b>435,545</b>

# Wellington-Dufferin-Guelph Public Health

Schedule of revenue and expenditures breakdown by programs - Schedule 2  
year ended December 31, 2012

Total mandatory and related programs (cost shared & 100% MOHLTC)																	
	Cost shared mandatory Actual	Cost shared one time Actual	Cost shared VBD Actual	Cost-shared CINOT expansion Actual	Cost shared Small drinking water systems Actual	100% Municipal Actual	100% Provincial One Time Actual	100% Needle exchange Actual	100% Enhanced food safety Actual	100% Healthy smiles Ontario Actual	100% Infection control Actual	100% Bed bugs Actual	100% Enhanced safe water Actual	100% Chief nursing officer Actual	100% Infection control nurse Actual	100% Public health nurses initiative Actual	Total mandatory and related programs Actual
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue																	
Shared funding: provincial																	
Province of Ontario - MOHLTC	6,181,378	-	148,919	52,226	40,600	-	-	17,252	40,273	549,082	333,349	26,498	21,559	116,699	86,569	173,441	7,787,845
Province of Ontario - Public Health Division	5,592,676	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,592,676
Grant - One Time - MOHLTC	-	2,102,247	-	-	-	-	31,070	-	-	-	-	-	-	-	-	-	2,133,317
Sub-total provincial funding	11,774,054	2,102,247	148,919	52,226	40,600	-	31,070	17,252	40,273	549,082	333,349	26,498	21,559	116,699	86,569	173,441	15,513,838
Shared funding: municipal																	
Grant - cost-shared - Guelph	1,773,958	316,739	22,436	10,708	6,117	935,783	-	-	-	-	-	-	-	-	-	-	3,065,741
Grant - cost-shared - Wellington	1,314,769	234,751	16,629	7,936	4,534	693,555	-	-	-	-	-	-	-	-	-	-	2,272,174
Grant - cost-shared - Dufferin	835,958	149,260	10,573	5,046	2,883	440,976	-	-	-	-	-	-	-	-	-	-	1,444,696
Sub-total municipal funding	3,924,685	700,750	49,638	23,690	13,534	2,070,314	-	-	-	-	-	-	-	-	-	-	6,782,611
Total cost-shared funding	15,698,739	2,802,997	198,557	75,916	54,134	2,070,314	31,070	17,252	40,273	549,082	333,349	26,498	21,559	116,699	86,569	173,441	22,296,449
General revenue																	
Interest income	30,667	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,667
Total revenue	15,729,406	2,802,997	198,557	75,916	54,134	2,070,314	31,070	17,252	40,273	549,082	333,349	26,498	21,559	116,699	86,569	173,441	22,327,116
Expenses																	
Employee costs																	
Employee salaries and wages	10,610,625	-	53,543	-	44,263	-	-	-	26,537	288,744	243,187	-	11,373	94,112	69,255	139,872	11,581,511
Employee benefits	2,707,759	-	13,386	-	9,871	-	-	-	6,634	83,005	67,070	-	2,843	22,587	17,314	33,569	2,964,038
Total salaries, wages and benefits	13,318,384	-	66,929	-	54,134	-	-	-	33,171	371,749	310,257	-	14,216	116,699	86,569	173,441	14,545,549
Operating costs																	
Staff training	107,612	-	1,575	-	-	-	-	-	-	-	3,310	-	2,625	-	-	-	115,122
Board / volunteer training and recognition	27,673	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,673
Travel	290,801	-	-	-	-	-	-	-	-	5,501	4,114	-	-	-	-	-	300,416
Building occupancy	1,095,653	-	-	-	-	-	-	-	-	500	-	-	-	-	-	-	1,096,153
Office expenses, printing, postage	127,811	-	38	-	-	-	-	-	7,077	1,505	19	-	2,857	-	-	-	139,307
Professional and purchased services	679,165	-	81,287	69,635	-	-	-	-	-	151,131	509	23,384	674	-	-	-	1,005,785
Program materials and supplies	731,348	-	4,000	-	-	-	-	17,252	25	29,032	13,811	3,114	1,187	-	-	-	799,769
Office equipment	61,059	-	-	-	-	-	-	-	-	861	-	-	-	-	-	-	61,920
Information and IT equipment	200,674	-	44,728	-	-	-	-	-	-	-	-	-	-	-	-	-	245,402
Communication costs	161,892	-	-	-	-	-	-	-	-	-	1,329	-	-	-	-	-	163,221
One-time and capital projects	378,165	2,802,993	-	-	-	-	31,070	-	-	-	-	-	-	-	-	-	3,212,228
Amortization	342,668	286,200	-	-	4,722	-	1,357	-	-	44,687	-	-	-	-	-	-	679,634
Capital purchases	(517,121)	(2,424,456)	-	-	-	-	(19,456)	-	-	(4,791)	-	-	-	-	-	-	(2,965,824)
Total net operating costs	3,687,400	664,737	131,628	69,635	4,722	-	12,971	17,252	7,102	228,426	23,092	26,498	7,343	-	-	-	4,880,806
Total expenditures	17,005,784	664,737	198,557	69,635	58,856	-	12,971	17,252	40,273	600,175	333,349	26,498	21,559	116,699	86,569	173,441	19,426,355
Expenditure recoveries	(699,565)	-	-	-	-	-	-	-	-	(11,195)	-	-	-	-	-	-	(710,760)
Total net expenditures after expenditure recoveries	16,306,219	664,737	198,557	69,635	58,856	-	12,971	17,252	40,273	588,980	333,349	26,498	21,559	116,699	86,569	173,441	18,715,595
Excess (deficiency) of revenue over expenditures for the year	(576,813)	2,138,260	-	6,281	(4,722)	2,070,314	18,099	-	-	(39,898)	-	-	-	-	-	-	3,611,521

The attached notes form part of these financial statements.

# Wellington-Dufferin-Guelph Public Health

## Schedule of tangible capital assets - Schedule 3

year ended December 31, 2012

	Land	Buildings	Leasehold improvements	Equipment	Technology and communication	Furniture and fixtures	Totals 2012	Totals 2011
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>								
Balance, beginning of year	1,004,153	420,764	176,296	408,343	2,346,602	245,920	4,602,078	2,327,887
Add: additions during the year		1,312,839	814,351	324,561	412,366	101,707	2,965,824	2,274,191
Balance, end of year	1,004,153	1,733,603	990,647	732,904	2,758,968	347,627	7,567,902	4,602,078
<b>Accumulated amortization</b>								
Balance, beginning of year	-	7,013	10,090	163,606	1,400,927	212,302	1,793,938	1,161,470
Add: additions during the year	-	-	132,404	82,105	434,710	30,415	679,634	632,468
Balance, end of year	-	7,013	142,494	245,711	1,835,637	242,717	2,473,572	1,793,938
<b>Net book value of tangible capital assets</b>	1,004,153	1,726,590	848,153	487,193	923,331	104,910	5,094,330	2,808,140

The attached notes form part of these financial statements.

# Wellington-Dufferin-Guelph Public Health

Schedule of one time funds - Schedule 4

year ended December 31, 2012

(Unaudited)

Description	Funding Period	Provincial funding	Actual spent 2011	Actual spent 2012	Provincial %	Provincial portion	Municipal %	Municipal portion	Transfer to 2013	Amount to return
		\$	\$	\$	%	\$	%	\$	\$	\$
<b>One time funding</b>										
Panorama Phase 1 Readiness	April 1, 2011 to March 31, 2012	3,884	3,884	-	100%	3,884	0%	-	-	-
Panorama Phase 2	April 1, 2012 to March 31, 2013	50,173	-	12,425	100%	12,425	0%	-	37,748	-
Bed Bugs	April 1, 2011 to March 31, 2012	91,231	64,733	26,498	100%	91,231	0%	-	-	-
Annual Guelph Sexuality Conference	January 1, 2012 to December 31, 2012	12,000	-	12,000	100%	12,000	0%	-	-	-
Integration of Pharmacists into 2012/2013 UIIP	January 1, 2012 to March 31, 2013	1,788	-	1,788	100%	1,788	0%	-	-	-
Purpose Built Vaccine Refrigerators	January 1, 2012 to March 31, 2013	30,827	-	29,282	100%	29,282	0%	-	-	1,545
PHIMS - Phase 2 (Total \$220,000)	January 1, 2011 to December 31, 2011	149,271	199,028	-	75%	149,271	25%	49,757	-	-
PHIMS - Phase 2	Approved carryover to March 31, 2012	70,729	-	86,974	75%	65,231	25%	21,744	-	5,499
ECMA (Total \$184,688)	January 1, 2011 to December 31, 2011	116,406	155,208	-	75%	116,406	25%	38,802	-	-
ECMA	Approved carryover to March 31, 2012	68,282	-	60,257	75%	45,193	25%	15,064	-	23,089
Architectural Fees for New Orangeville Facility	January 1, 2012 to December 31, 2012	292,500	-	116,461	75%	87,346	25%	29,115	-	205,154
Attendance Management System	January 1, 2012 to March 31, 2013	72,675	-	96,900	75%	72,675	25%	24,225	-	-
Guelph New Location	January 1, 2012 to March 31, 2013	974,403	-	1,041,982	75%	781,487	25%	260,496	192,917	-
Imperial Site Renovation	January 1, 2012 to March 31, 2013	90,750	-	118,168	75%	88,626	25%	29,542	2,124	-
New Orangeville Location	January 1, 2012 to March 31, 2013	310,463	-	359,828	75%	269,871	25%	89,957	40,592	-
Sheldale Site Renovation	January 1, 2012 to March 31, 2013	438,319	-	584,425	75%	438,319	25%	146,106	-	-
Woolwich Site Renovation	January 1, 2012 to March 31, 2013	253,500	-	338,000	75%	253,500	25%	84,500	-	-
<b>Public Health Awareness Initiatives</b>										
Infection Prevention and Control Week	January 1, 2012 to December 31, 2012	8,000	-	8,000	100%	8,000	0%	-	-	-
STI Week	January 1, 2012 to December 31, 2012	7,000	-	7,000	100%	7,000	0%	-	-	-
World TB Day	January 1, 2012 to December 31, 2012	2,000	-	1,319	100%	1,319	0%	-	-	681

Financial statements of

**Downtown Guelph  
Business Association**

December 31, 2012

# **Downtown Guelph Business Association**

December 31, 2012

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## **Independent Auditor's Report**

To the Members of  
Downtown Guelph Business Association

We have audited the accompanying financial statements of Downtown Guelph Business Association, which comprise the statement of financial position as at December 31, 2012, and the statements of operations, changes in net financial assets and of 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 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 financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Downtown Guelph Business Association 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**

Budget figures are provided for comparative purposes and have not been subject to audit procedures. Accordingly, we do not express any opinion on the budget figures.

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants  
DATE

DRAFT

# Downtown Guelph Business Association

## Statement of financial position as at December 31, 2012

	2012	2011
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	22,764	107,644
Investments (Note 6)	-	42,016
Accounts receivable	51,157	47,816
	<b>73,921</b>	<b>197,476</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	46,441	122,943
Unclaimed gift certificates	17,695	16,655
	<b>64,136</b>	<b>139,598</b>
<b>Net financial assets</b>	<b>9,785</b>	<b>57,878</b>
<b>Non-financial assets</b>		
Prepaid expenses	7,637	7,962
Tangible capital assets, net (Schedule A)	24,512	29,819
<b>Accumulated surplus (Note 5)</b>	<b>41,934</b>	<b>95,659</b>

Approved by the Board

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

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

# Downtown Guelph Business Association

Statement of operations  
year ended December 31, 2012

	Budget 2012	Actual 2012	Actual 2011
	\$	\$	\$
<b>Revenues</b>			
City of Guelph			
Tax levies	399,000	416,914	412,000
Carden Street promotion	-	-	164,950
Other	5,000	26,937	37,994
Co-op advertising revenue	-	34,394	
Grants & Sponsorships	-	136,800	74,667
Partner contribution	-	-	25,659
Events income	29,000	7,584	11,500
Interest and other income	-	15,302	3,645
	<b>433,000</b>	<b>637,931</b>	<b>730,415</b>
<b>Expenses</b>			
Wages and benefits	217,000	216,474	202,184
Bookkeeping services	4,000	5,734	4,550
Advertising	65,775	213,912	153,574
Carden Street promotion	-	-	164,935
Rink contribution	40,000	40,000	40,000
Revitalization	53,500	20,478	34,347
Rent	33,000	29,032	28,415
Special events	14,500	68,821	62,074
Consultant - planner	5,000	47,669	8,135
Member communication	2,000	2,208	3,570
Equipment rental	4,000	1,735	2,466
Telephone and fax	5,500	5,041	3,446
Training and development	4,500	7,017	1,770
Miscellaneous	3,700	5,461	1,868
Office supplies	4,000	6,688	2,558
Legal and professional	4,000	3,358	3,300
Office and administration	7,500	3,613	5,934
Postage	2,500	4,384	3,606
Office repairs and maintenance	2,000	2,354	3,212
Bank charges	500	238	542
Insurance	25	272	24
Amortization	-	7,167	3,499
	<b>473,000</b>	<b>691,656</b>	<b>734,009</b>
Annual deficit	(40,000)	(53,725)	(3,594)
Opening accumulated surplus	95,659	95,659	99,253
<b>Ending accumulated surplus</b>	<b>55,659</b>	<b>41,934</b>	<b>95,659</b>

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

# Downtown Guelph Business Association

## Statement of changes in net financial assets year ended December 31, 2012

	2012	2011
	\$	\$
<b>Annual deficit</b>	<b>(53,725)</b>	<b>(3,594)</b>
Use of prepaid expense	325	5,080
Acquisition of tangible capital assets	(1,860)	(33,318)
Amortization of tangible capital assets	7,167	3,499
Change in net financial assets	<b>(48,093)</b>	<b>(28,333)</b>
Net financial assets, beginning of year	<b>57,878</b>	<b>86,211</b>
<b>Net financial assets, end of year</b>	<b>9,785</b>	<b>57,878</b>

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

# Downtown Guelph Business Association

Statement of cash flows  
year ended December 31, 2012

	2012	2011
	\$	\$
<b>Operating activities</b>		
Annual deficit	(53,725)	(3,594)
Item not affecting cash - amortization	7,167	3,499
Changes in non-cash working capital components		
Accounts receivable	(3,341)	(27,959)
Prepaid expenses	325	5,080
Accounts payable and accrued liabilities	(76,502)	80,391
Gift certificates	1,040	1,000
	(125,036)	58,417
<b>Investing activities</b>		
Purchase of tangible capital assets	(1,860)	(33,318)
Decrease in investment	42,016	-
	40,156	(33,318)
Change in cash and cash equivalents	(84,880)	25,099
Cash and cash equivalents, beginning of year	107,644	82,545
<b>Cash and cash equivalents, end of year</b>	<b>22,764</b>	<b>107,644</b>

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

# Downtown Guelph Business Association

## Notes to the financial statements

December 31, 2012

---

### 1. Description of the business

The Downtown Guelph Business Association (the "Association") was created by the City of Guelph, to promote the downtown businesses to the public in order to allow the downtown area to thrive. The Association acts on behalf of its members, who are the various businesses that are located in the downtown area of Guelph.

### 2. Accounting policies

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, and reflect the following policies:

#### *Cash and cash equivalents*

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from the date of acquisition.

#### *Investments*

Investments are accounted for at cost.

#### *Tangible capital assets*

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

Furniture and fixtures	5 years
Computer equipment	3 years

One half of the annual amortization is applied to assets purchased within the year.

#### *Gift certificates*

The Association issues gift certificates throughout the community, which are recorded as a liability until redeemed.

#### *Gifts in kind*

Donated goods, services and facilities are not reported in these financial statements.

#### *Revenue recognition*

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

#### *Use of estimates*

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Significant estimates used within these financial statements include the liability for unclaimed gift certificates. Actual results could differ from those estimates and assumptions.

# Downtown Guelph Business Association

## Notes to the financial statements

December 31, 2012

### 3. Commitments

The Association is committed to payments for premises and certain office equipment, and other financial commitments over the next three years as follows:

	\$
2013	74,188
2014	78,688
2015	19,468
	<u>172,344</u>

### 4. Reserve for contingency

This reserve, which was established by the Association to offset future changes within the property tax allocation from the City of Guelph and to meet the Association's commitments, amounted to \$17,422 (2011 - \$65,840) at the end of the year.

### 5. Accumulated surplus

	2012	2011
	\$	\$
Consists of		
Reserve (Note 4)	17,422	65,840
Investment in tangible capital assets	24,512	29,819
	<u>41,934</u>	<u>95,659</u>

### 6. Investments

Excess cash not needed in the regular operations of the Association was invested in one year cashable guaranteed investment certificates (GIC's). The GIC's had an annual interest rate of 0.85% and 0.75% and matured on March 12, 2012 and October 19, 2012, respectively.

### 7. Financial instruments

#### *Credit risk*

The Association's principal financial assets are cash and cash equivalents, accounts receivable and investments, which are subject to credit risk. The carrying amount of financial assets on the balance sheet represents the Association's maximum credit exposure at the balance sheet date.

The Association's credit risk is primarily attributable to its receivables, as the investments consist of GIC's guaranteed by a chartered bank. The credit risk on receivables is limited as the amounts owing are from other city government entities.

#### *Fair value*

The fair value of cash and cash equivalents, accounts receivable, investments, and accounts payable and accrued liabilities is approximately equal to their carrying values due to their short-term maturity.

### 8. Comparative figures

Certain of the comparative figures have been reclassified to conform to current year presentation.

# Downtown Guelph Business Association






Schedule of tangible capital assets - Schedule A  
year ended December 31, 2012

































	Computer equipment	Furniture and fixtures	2012	2011
	\$	\$	\$	\$
<b>Cost</b>				
Beginning of year	2,512	30,807	33,319	-
Add: additions during the year	1,504	356	1,860	33,318
End of year			35,179	33,318
<b>Accumulated amortization</b>				
Beginning of year	419	3,081	3,500	-
Add: amortization during the year	988	6,179	7,167	3,499
End of year			10,667	3,499
<b>Net book value</b>			24,512	29,819

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

## 2012 Performance Measures Report Card

### Legend

 Positive: stay the course	 Caution: in the right range but may be moving in the wrong direction	 Negative: take corrective action	 Positive change	 Negative change
---	--	--	---	---

Financial Indicators	2012 finding	Change from 2011 to 2012	2011 finding
Financial Position per Capita			
Operating Surplus Ratio			
Receivables as % of taxes levied			
Net financial assets			
Net financial asset as % of own revenues			
Liquid assets to total reserves			
Debt to Total Reserve ratio			
Debt Outstanding per \$100k of Unweighted Tax Assessment			
Debt interest as a % of own source of revenues			
<u>Tax-based Reserves &amp; Reserve Funds</u>			
Operating reserves as % of own source of revenue			
Capital reserve contributions as % of asset value			
Capital reserve contributions to depreciation			
<u>Enterprise Reserve &amp; Reserve Funds</u>			
Operating reserves as % of own source of revenue			
Capital reserve contributions as % of asset value			
Capital reserve contributions to depreciation			

**Financial Position per Capita:** This term refers to the remaining assets in excess of all liabilities compared to net surplus on a per capita basis. Positive balances indicate the City's margin of safety it possesses to cover debt obligations and to have funds set aside for future sustainability. The City aims to be above the average per capita ratio as reported by the consulting firm BMA in the prior year. The City's ratio has increased the past 3 years while the BMA reported municipal average has declined; indicating the City has maintained a very balanced approach to managing liabilities over the long-term.

**Operating Surplus Ratio:** This ratio provides perspective on how much of the City's own source of revenues were left after normal operations that could be used to fund reserves, repay debt and invest in capital projects. There was a slight negative trend from 2011 but the City was still above the targeted 5% ratio.

**Receivables as % of taxes levied:** Uncollected property taxes as a percentage of total taxes charged is a strong indication of the strength of the local economy and the ability of the community to pay their annual tax billings. The City continues to be well ahead of the average reported by consulting firm BMA of 6% in 2011 showing the City has great economic health and strong internal controls over tax collection.

**Net financial assets:** This ratio is an indicator of the City's ability to repay liabilities at a point in time and is a useful trending tool. The positive trending in 2012 indicates that the City created financial assets at a faster pace than it entered into liabilities. Movement of this ratio depends on the balance of financial assets compared to liabilities; cash and investment holdings play a significant role in this ratio.

**Net financial asset as % of own revenues:** Similar to the ratio as described above, this indicator is annualized by comparing the net financial asset position to current revenue and provides an additional level of understanding useful for trending analysis and financial monitoring. In 2012, the negative trend on this ratio warns that the City's operating expenditures are increasing at a faster pace than net assets. The City should consider this when building the 2014 budget to ensure revenues continue to match expenditures and reliance on reserves to fund operating expenditures is diminished.

**Liquid assets to total reserves:** As reserves are a critical component of the City's long-term sustainability, there is an expectation that the amounts that are set aside in reserves are liquid and available for use when required. This ratio compares the cash and investment balances to the reserve and reserve fund balances and a ratio of less than 1 would suggest asset levels need to be monitored closely. The City is proud that it has met this target in 2012 and continues to have a balanced approach to managing the cash and investment position considering the City's current liabilities as well as its reserve and reserve funds.

**Debt to Total Reserve ratio:** This indicator provides a measure for financial prudence by comparing total debt to the total reserve balances. Generally, the benchmark suggested for this ratio is 1:1 or in other words, debt should not exceed total reserve and reserve fund balances. At the end of 2012, the City has met this standard and there was a significant strengthening of this ratio year over year. It should be noted that planned debt issuances are not included in this calculation even though they have been

approved in the capital budget. The positive result on this ratio is a strong indicator for assessing long-term sustainability and the ability to meet the City's debt obligations.

**Debt Outstanding per \$100,000 of Unweighted Tax Assessment:** This ratio shows total debt compared to the value of the unweighted tax assessment base and provides a fair basis to compare the City of Guelph debt to other municipalities. The target for this ratio is set at the average municipal rate as reported by BMA in the previous year. During 2012 the City is still outside this range, but has improved considerably over 2011 due to there being no debt issuance in 2012. It should be noted that this indicator does not reflect the City's ability to pay its debt obligations, but is merely a comparison to other municipalities on its debt load.

**Debt interest as a % of own source revenues:** This ratio indicates the extent to which the City's own source revenues are committed to debt charges and again is a useful tool when comparing to other municipalities. Debt charges continue to be less than 2% of own source of revenues and fall within a normal level compared to other municipalities.

**Operating reserves as % of own source of revenue:** This indicator analyzes the health of the operating reserves by focusing specifically on the stabilization and contingency reserves compared to own revenues. The benchmark changed in 2011 to be 5%-10% rather than the 8% – 10% based on a review of what other municipalities and the Government Finance Officers Association (GFOA) suggests. Additionally, the City believes that 5% is more affordable and provides sufficient funds for an emergency situation. In 2012, the City has split the presentation of these ratios to show the tax-based vs. enterprise ratios as this provides better information for planning purposes.

Tax Supported: During 2012, there was a slight betterment year over year on the tax-supported ratio although the balance is still approximately half of what is targeted. Given that it is still considerably under the target position and would not be sufficient to manage the impact of a significant emergency situation, staff are highlighting this as a ratio that needs attention and corrective action.

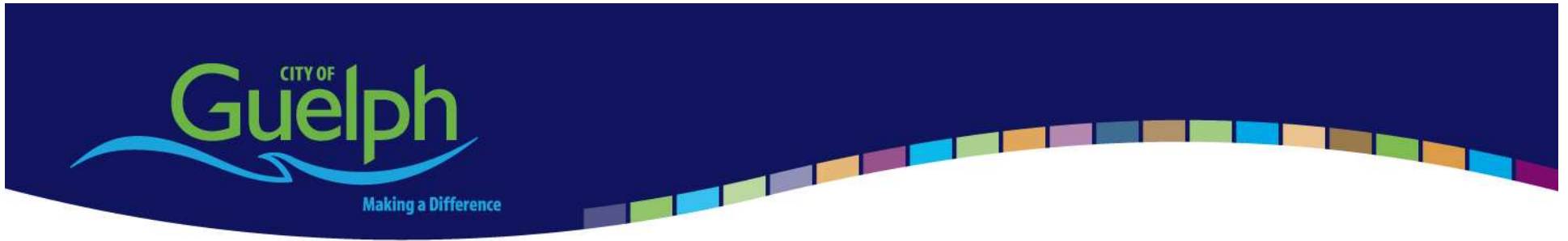
Enterprise: The enterprise contingency funds have met targeted levels in 2012 .

**Capital reserve fund contributions as % of asset value and % of depreciation:** These two ratios provide insight on the level of reserve funding for future capital purposes compared to the total value of depreciable assets and to the current rate of depreciation. As a rule, the City should be at a minimum funding the capital reserves at the same amount as the annual depreciation expense and as a benchmark capital reserve contributions should approximately 2 to 3% of total asset value. These target rates will prevent sudden tax rate spikes by spreading the cost of infrastructure replacement over many years and provides prudent contingency capital funds for significant unexpected infrastructure expenses.

Tax Supported: During 2012, the tax-supported capital contributions as a percentage of total assets and depreciation have declined year over year mostly due to the significant investment and capitalization of assets funded from government stimulus programs. The decline in contributions

compared to depreciation has pushed this target outside the benchmark range in 2012 and for this reason, a caution indicator has resulted.

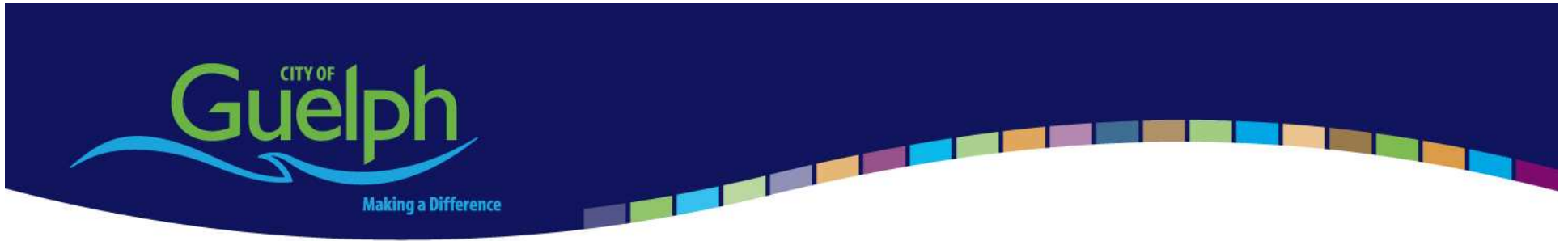
Enterprise: For both ratios, the City continues to be on target and in a healthy range for annual contributions for capital infrastructure.



# **2012 Unconsolidated Financial Statement Highlights**

**Presented to Audit Committee by Finance**

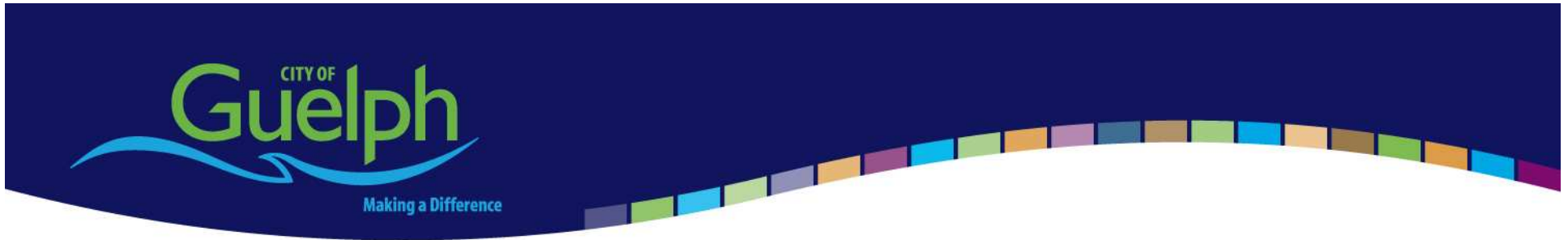
**June 12, 2013**



# Agenda

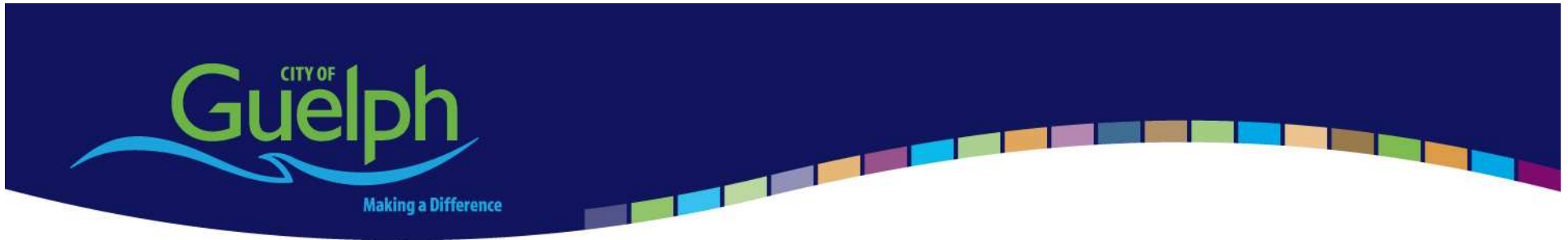
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1. Overview
2. Statement of Financial Position
3. Statement of Operations and Accumulated Surplus



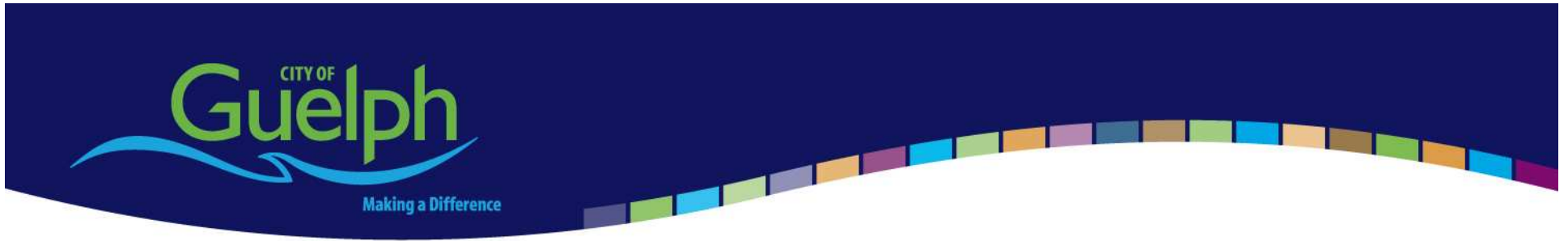
## Overview:

- These statements provide Council and the public a full picture of the financial position of the organization
- Provide a basis for many of the corporate financial ratios that the City monitors annually
- They include all the assets and liabilities of the City and provide explanations in the notes for more complex items



## PSAB Standards:

- These unconsolidated statements have been prepared in accordance with the Public Sector Accounting Board Standards (except they exclude the consolidated entities as required by the standards)
  - These statements are not audited
- Provides for **consistency** and **comparability** of reporting between all governments and their agencies
- Ensures **completeness** and **transparency** of financial information for all stakeholders



# Agenda

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1. General Concepts
- 2. Statement of Financial Position**
3. Statement of Operations and Accumulated Surplus

# Statement of Financial Position

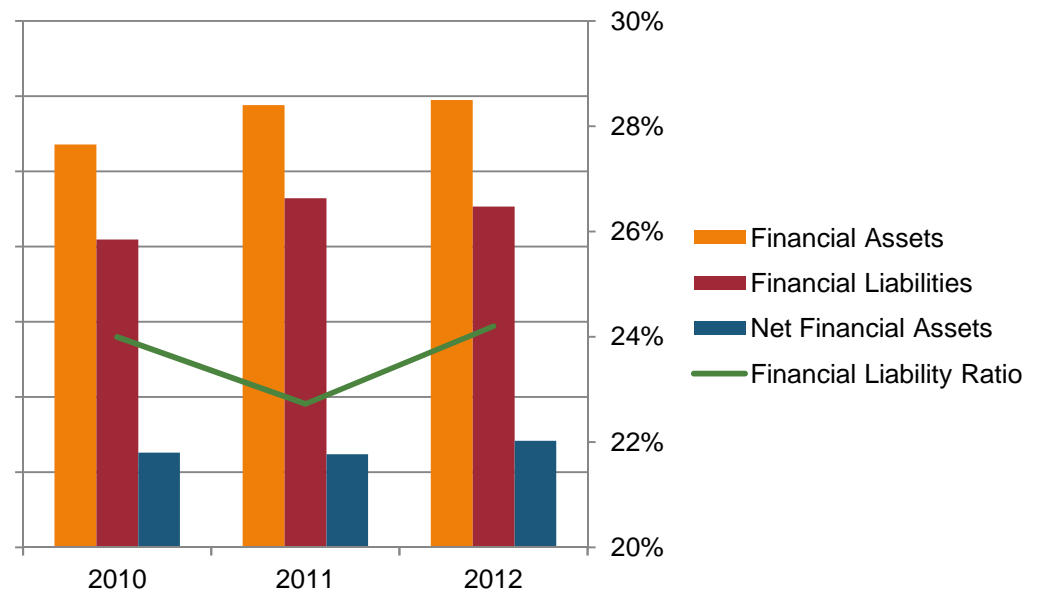
## Assets:

- Cash and investments
- Tangible capital assets

## Liabilities:

- Net debt
- Employee future benefits

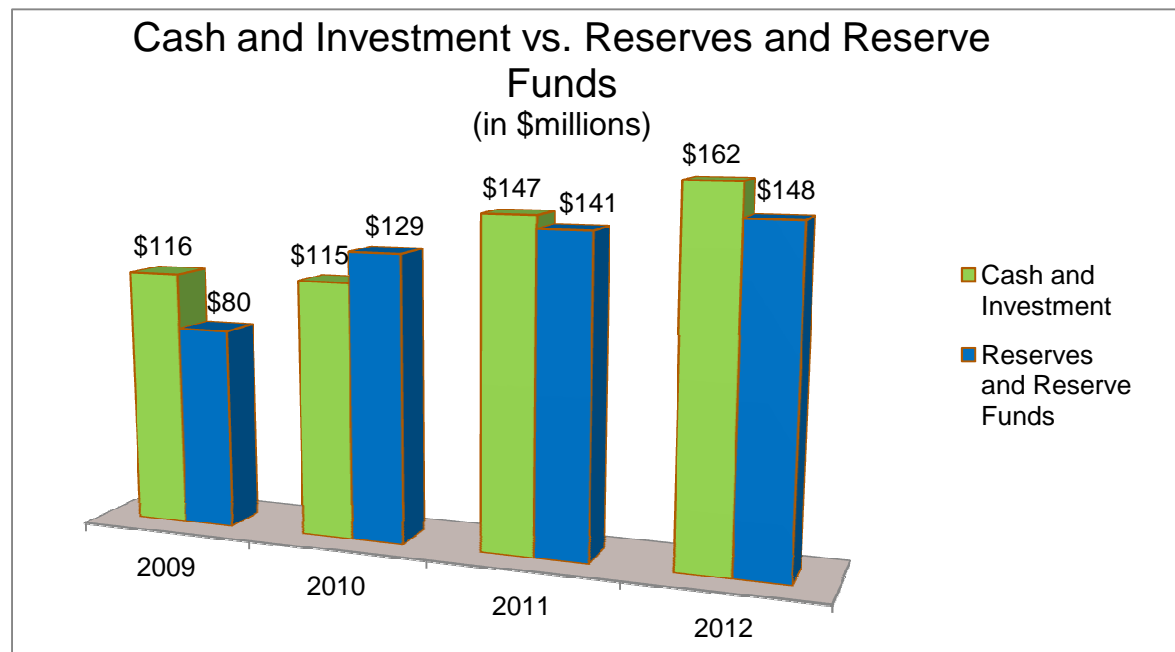
3 Year Net Financial Asset Trend  
(\$millions)



## Cash and Investments

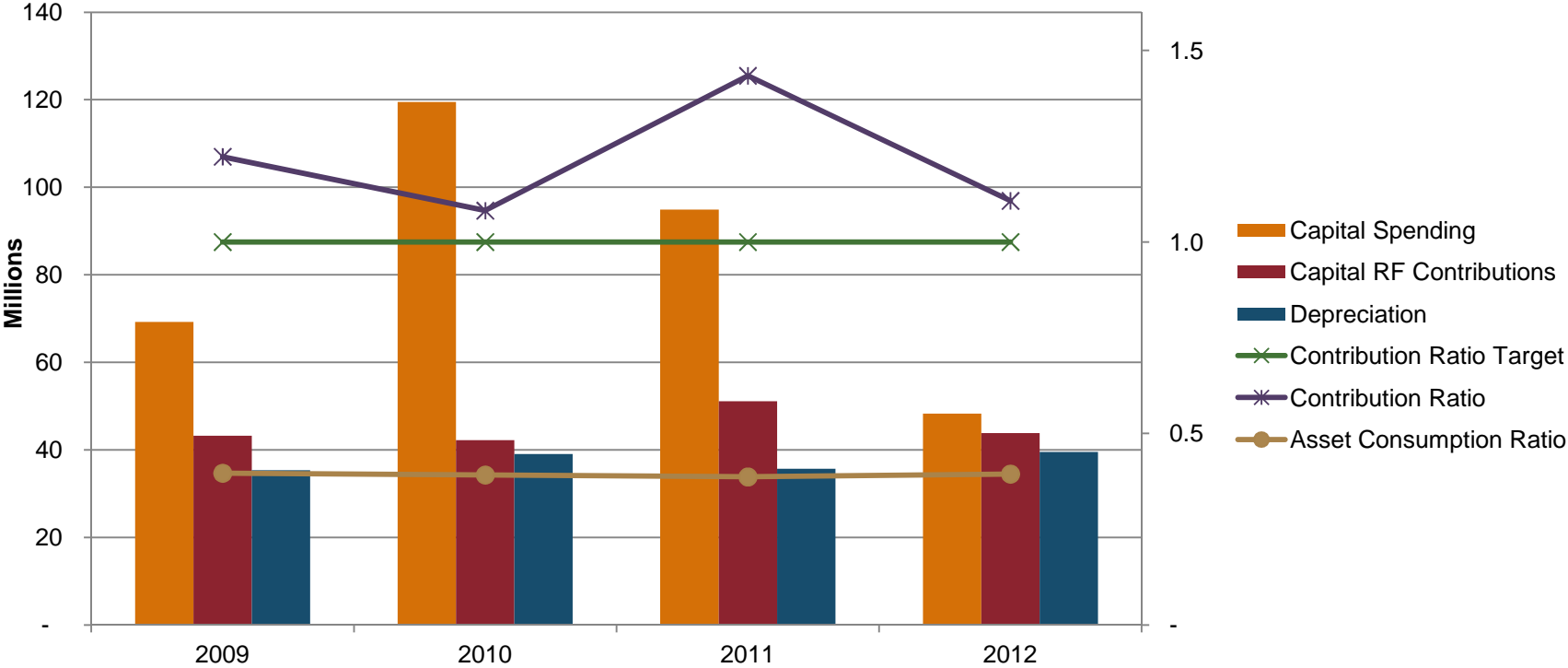
Ratio	Target	2012 City of Guelph Actual	Result
Cash + Investments vs. Reserves + Reserve Funds	1:1	1:1.1	●

- Debt issuance
- Capital spending levels
- Increased investment holdings






# Tangible Capital Assets

Tangible Capital Asset (TCA) Spending and Ratio Trending

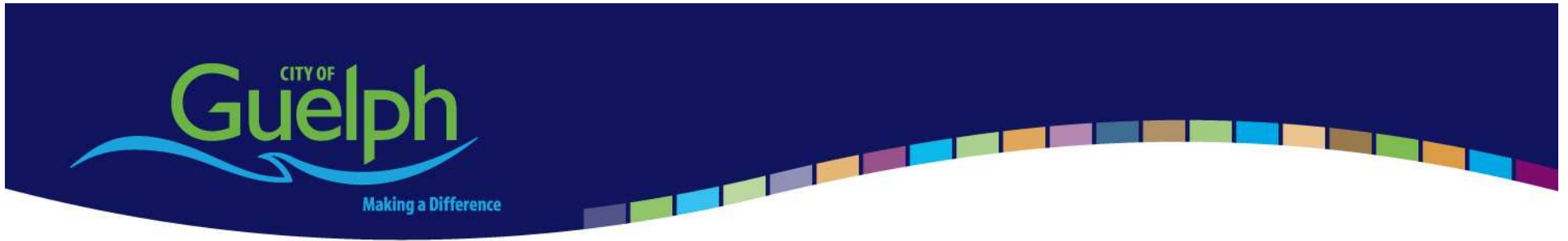


## Net debt ratios

Ratio	Target	2011 BMA Average	2012 City of Guelph Actual	Result
Debt to reserves / reserve funds	1:1	1.4	.75	
Debt per \$100,000 unweighted tax assessment	BMA Average	\$577	\$773	
Debt interest as a % of own revenues	BMA Average	1.5%	1.5%	

## Employee Future Benefits

Reserve	Target	2012 Target Balance	2012 Reserve Balance	Result
Sick leave	95% of the Sick Leave Liability	\$6,823,928	\$7,700,000	●
WSIB	50% of the WSIB Liability	\$1,933,449	\$2,246,000	●
Land Ambulance Severance	95% of the Severance Liability	\$842,649	\$440,000	●
Retiree Benefits	Minimum = \$2,000,000	\$2,000,000	\$1,184,000	●



# Agenda

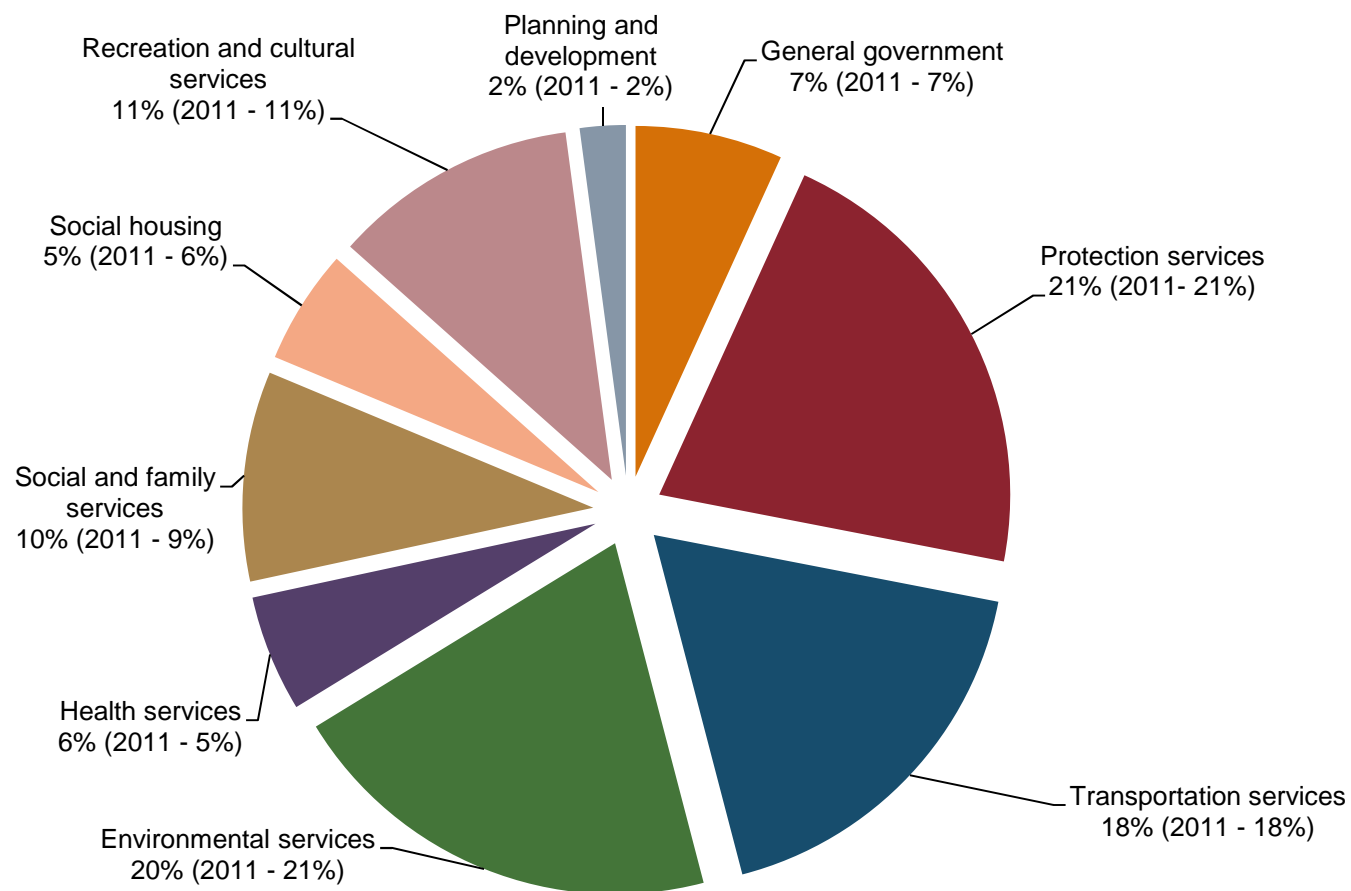
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1. General Concepts
2. Statement of Financial Position
- 3. Statement of Operations and Accumulated Surplus**

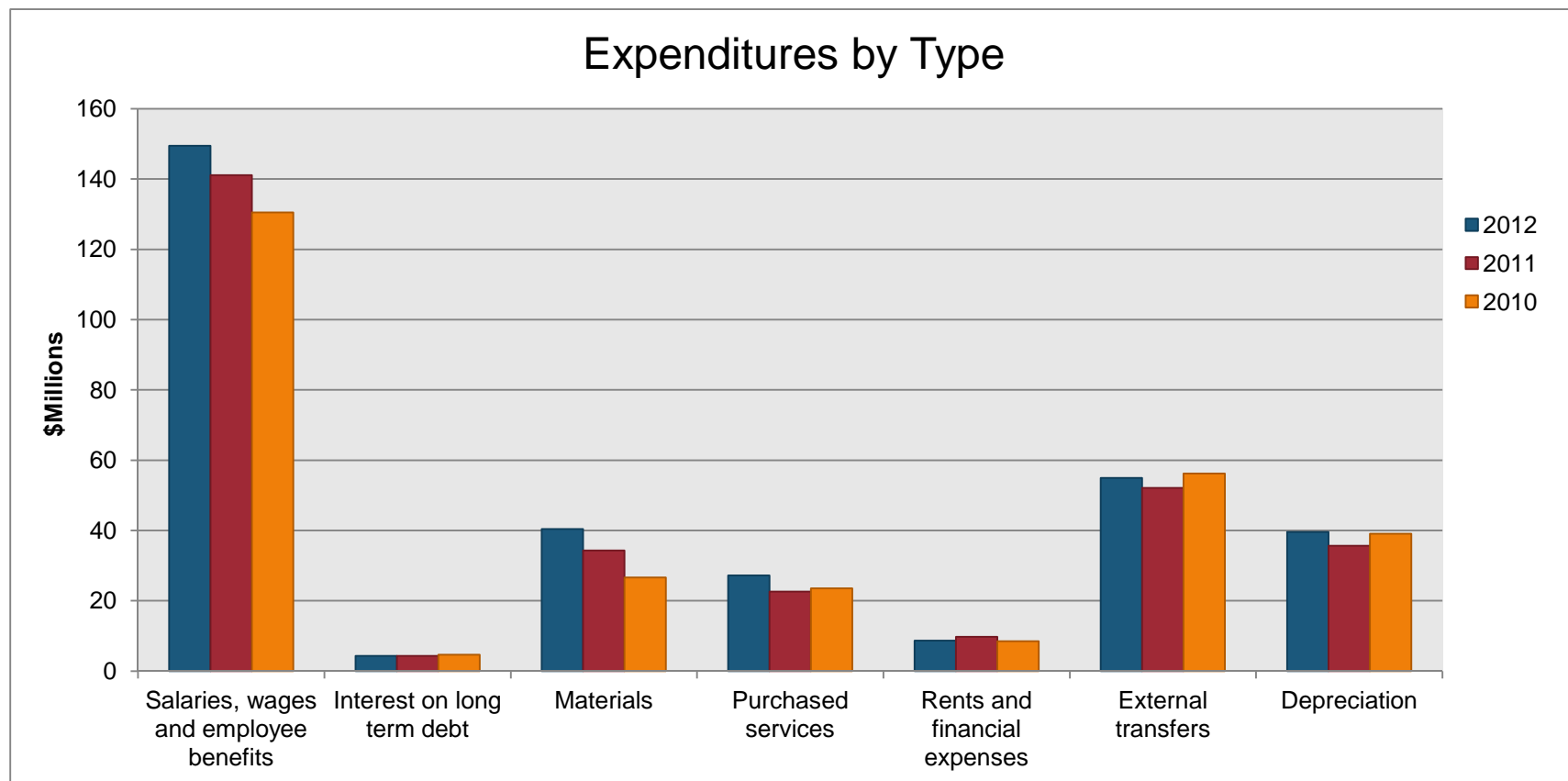
## Reconciliation of PSAB surplus to operating surplus

Ending Surplus - PSAB		\$ 36,737
Capital related items:		
Add: Amortization of tangible capital assets	39,563	
Less: Revenues related to tangible capital assets	(43,066)	
Less: Operating fund expenses capitalized	(1,040)	
Add: Capital fund expenses not capital in nature	16,326	
Add: Disposal of tangible capital assets	570	12,353
Debt related and other items:		
Less: Change in employee future benefits	(978)	
Less: Change in landfill post close liability	(650)	
Less: Gain on fair market value of SWAP Debt	(208)	
Add: Loss on Government Business Enterprises	1,618	
Add: The Elliot loan principal payment	752	
Add: Interest on debt funded by DC reserve funds	549	
Less: Repayment of debt principle (exluding DC funded)	(7,772)	(6,689)
Reserve related items:		
Less: Operating fund transfers to reserves	(47,767)	
Add: Operating fund transfers from reserves	9,505	(38,262)
		<u>\$ 4,139</u>
Ending Surplus - Tax supported		660
Ending Surplus - Enterprise		3,479
		<u>\$ 4,139</u>





## 2012 Expenses:



## 2012 Expenses:



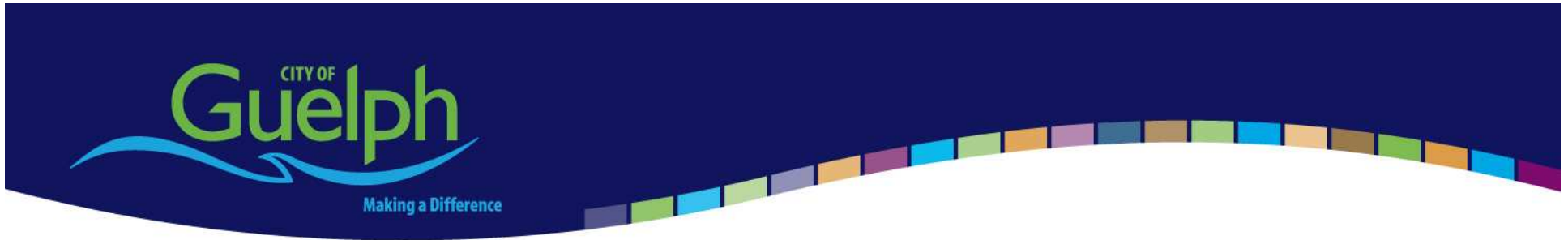
## Reserves and Reserve Funds

	Capital Contributions to Depreciation		Result	Capital Contributions to Net tangible capital asset value		Result
	Target	Actual		Target	Actual	
Tax Supported	1	.75		2%	3.9%	
Enterprise	1	2.5		2%	7.7%	

## Reserves and Reserve Funds

---

	<b>Operating contingency reserve balances 2012</b>	Target	<b>% of Own Source Revenue</b>	<b>Result</b>
<b>Tax Supported</b>	\$6,939,000	5%-10%	2.90%	●
<b>Enterprise</b>	\$4,456,000	5%-10%	8.35%	●



## Conclusion

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Overall the financial statements highlight that the City continues to be in a healthy stable position

- Ratios continue to be strong
- Cash and investment holdings continue to be at appropriate levels for financial stability
- Repaid \$9.4m of debt principal and renegotiated the terms of two loans to realize savings
- Capital spending has decreased substantially after 3 years of above average activity spurred by federal and provincial government stimulus initiatives; City is reflecting, assessing and planning for future

# STAFF REPORT



TO Audit Committee

SERVICE AREA Finance & Enterprise

DATE June 12, 2013

**SUBJECT 2012 Unconsolidated Financial Statements and City Financial Highlights**

REPORT NUMBER FIN-13-25

## EXECUTIVE SUMMARY

### PURPOSE OF REPORT

The purpose of this report is:

- a) To present the 2012 City of Guelph unconsolidated financial statements;
- b) To review the City of Guelph 2012 financial highlights; and
- c) To provide a reconciliation from the operating surplus to the financial statement surplus that is presented in accordance with Public Sector Accounting Standards

### KEY FINDINGS

The City's lower than expected capital spending in 2012 impacted the financial position of the City in a variety of ways including:

- Increased cash and investment holdings of \$8m
- Increased deferred contributions of \$15m and decreased accounts payable and accrued liabilities of \$13m
- Decreased contribution revenue earned (and increase in deferred contribution revenue) from Government of Canada, Province of Ontario and development charges totalling \$23m

The City repaid \$9.4m in debt principle and refinanced two term loans in order to obtain more favourable interest rates which saved the City approximately \$222k in annual interest costs.

The City continues to be in a stable and healthy financial position although certain operating reserve indicators have highlighted risk areas that will be addressed during the 2014 budget cycle.

### FINANCIAL IMPLICATIONS

These statements are for internal purposes only and are not audited. There are no financial implications resulting from this report. The identified savings relating to refinancing of debt in 2012 has been reflected in the 2013 and future year budgets.

# STAFF REPORT



## **ACTION REQUIRED**

THAT the Report FIN-13-25 entitled "2012 Unconsolidated Financial Statement and City financial highlights" be received.

## **RECOMMENDATION**

THAT the Report FIN-13-25 entitled "2012 Unconsolidated Financial Statement and City financial highlights" be received.

## **BACKGROUND**

Annually, City Council is required to review and approve the City of Guelph Audited Consolidated Financial Statements as required by the Municipal Act. Audit Committee has been presented with these statements as part of report FIN-13-23. Although not specifically required by the Municipal Act, Audit Committee has also requested City staff present unconsolidated financial statements as it would provide more comparative and relevant information for Council members.

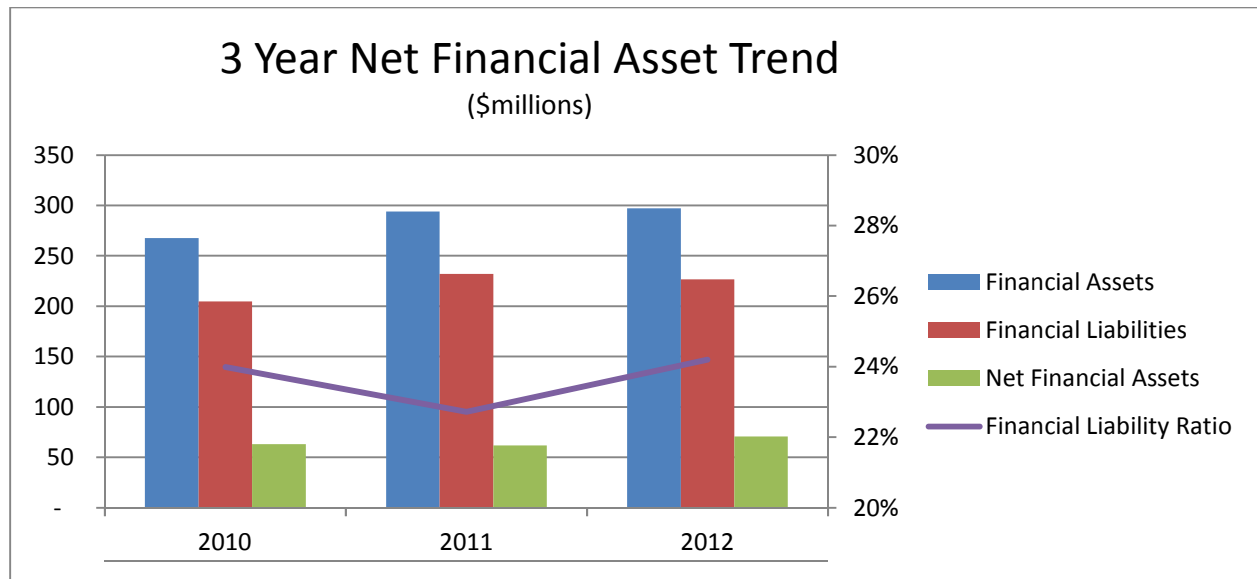
## **REPORT**

Throughout this report, please refer to Appendix A for references to the City's 2012 unconsolidated financial statements. These statements consist of only the City of Guelph's operations (including Guelph Police Services Board and Guelph Public Library Board) and have not been audited.

These financial statements have been prepared on the assumption that recommendations as proposed in FIN-13-26 "2012 Final Year End Variance Report" will be approved by Council as presented. These financial statements will change if those recommendations are amended.

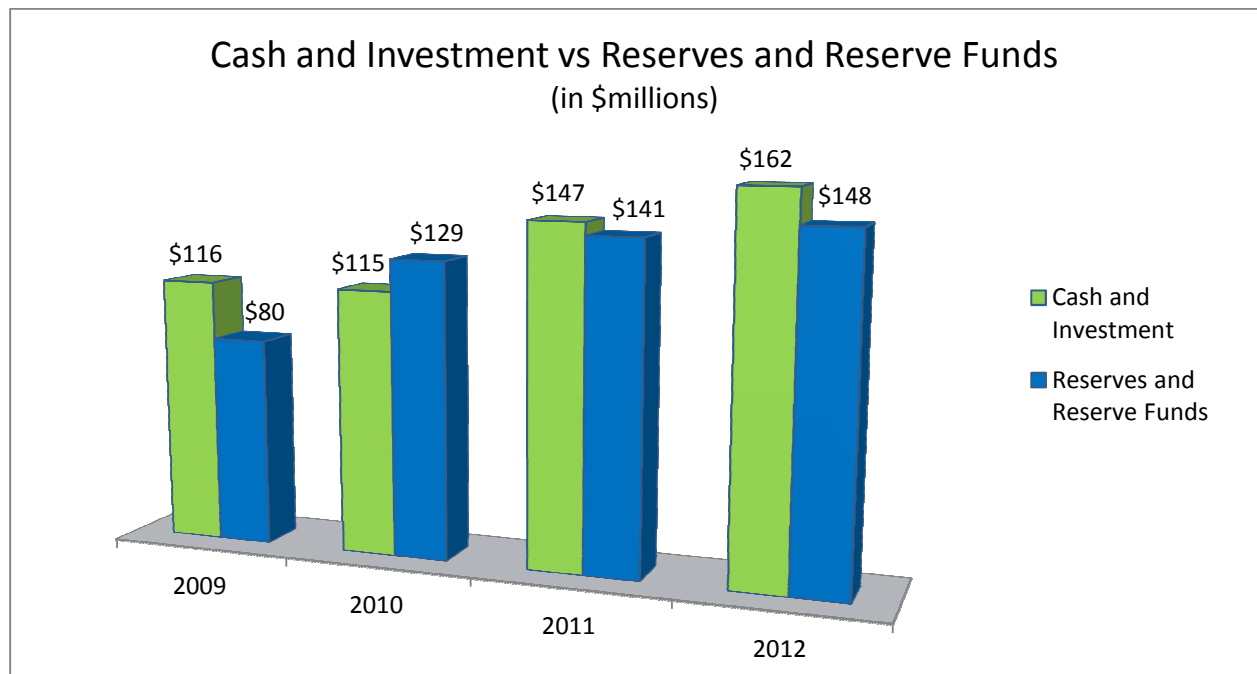
**Statement of Financial Position** – The Statement of Financial Position is a summary of the City's assets and liabilities as well as the ending accumulated surplus which includes the reserves and reserve funds.

The City's net financial liabilities ratio is a key indicator of its overall fiscal condition and shows the extent to which the City can meet its financial liabilities with current operating revenues. It is calculated as net assets as a percentage of operating revenues. In 2012, the City is in a net financial asset position of \$71m which is an increase of \$8m over 2011. As a percentage of operating revenues, the net asset trend over the past 3 years has been stable indicating the City is generating the appropriate amount of revenue to fund its financial liabilities.



#### Highlights:

- Increase of \$15m in cash and investment holdings– the target measure of cash and investment holdings is a 1:1 ratio with the City's reserve and reserve fund balances. In 2012 the City's cash and investment holdings actually surpassed this target by \$14m which is mostly the result of lower than expected capital spending. Additionally, the City implemented a new cash flow management modeling process in early 2011 that has proven to be successful in monitoring these levels compared to budgeted spending in the short and long-term.



# STAFF REPORT

- Decrease in taxes receivable by \$2.6m– the City continues to have a very favorable taxes receivable balance as a percentage of taxes levied. This ratio indicates the ability of the community to pay their taxes and can be a valuable indicator for revenue planning at the City. The 2011 BMA average for municipalities in the southwestern region was 6% and the City's 2012 position is very strong at 2.4% (2011 – 3.7%). Our low rate reflects the economic health of our City contributed in part to the low unemployment rate as well as increased staff resources dedicated to collection of arrears. Enhanced payment options implemented in 2012 have also contributed to the reduction in arrears.
- Reduction of net debt by \$9.4m – During 2012, the City has repaid \$9.4m in debt principle and incurred \$4.3m of interest on long-term debt. There were no new debt issues in 2012 although the City did refinance two long-term loans to earn a more favorable interest rate which resulted in a savings of approximately \$222k in annual interest costs. The City continues to have strong debt ratios including debt to total reserves, debt outstanding per \$100,000 of un-weighted assessment and debt interest as a % of own source revenue. It should be noted that these debt ratios are based on the City's actual debt balances and does not consider planned debt approved in the capital budget. The City is planning a debt issue in late 2013 or early 2014 to fund a number of capital projects and this will bring the City's ratio more in line with the BMA average.

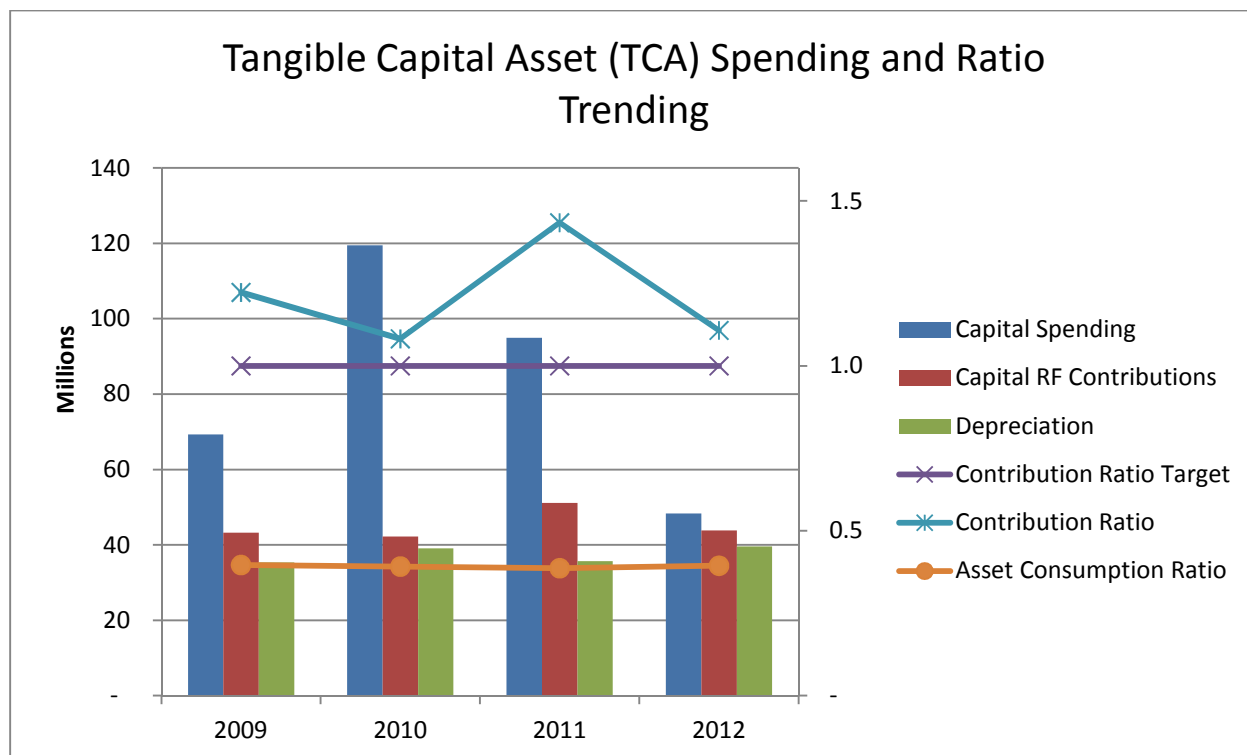
Ratio	Target	2011 BMA* Average	2012 City of Guelph Actual	Result
Debt to reserves / reserve funds	1:1	1.4	.75	
Debt per \$100,000 un- weighted tax assessment	BMA Average	\$577	\$773	
Debt interest as a % of own revenues	BMA Average	1.5%	1.5%	

\*BMA is a consulting firm that prepares an annual comparative analysis of municipal Financial Information Returns for a group of participating municipalities.

- Increase of \$28.9m in tangible capital assets – During 2012, the City spent \$48.3m on capital investment and picked up \$20.7m of contributed subdivision assets (2011 - \$94.9m of capital investment and \$9.9m of contributed subdivision assets). These additions were offset by depreciation expense of \$39.6m and net disposals of \$569k. Capital spending decreased by \$46.6m compared to 2011 which was due in part to a lower budget than

# STAFF REPORT

in 2011 but also the City was under spent compared to budget. After two years of significantly higher than average spending due to the Infrastructure Stimulus Funding Program and a number of large facility projects, 2012 has shown to be a regrouping year where City staff have focused on planning and preparing for future projects.



The contribution ratio compares the City's contributions to capital reserve funds compared to depreciation of the City's tangible capital assets. The target of 1:1 for this ratio ensures that the City is at a minimum contributing to replacement of tangible capital assets at the same rate that assets are aging. The City has been successful over the past four years to keeping this ratio on target but cautions that the decline that occurred from 2011 to 2012 does not continue through 2013 and 2014.

The asset consumption ratio shows the tangible capital asset depreciated value compared to their historical costs. This ratio seeks to highlight the aged condition of the City's assets and the potential replacement needs. Based on the 2011 BMA report, the average consumption ratio for the province is 32.4% compared to the City's 39.4% in 2012. The higher ratio indicates that the City's assets are of a greater age than average and continued focus on developing and maintaining a corporate-wide asset management plan should remain a high priority.

# STAFF REPORT

Overall, this Statement of Financial Position highlights that corporately The City of Guelph has maintained a strong fiscal position with the appropriate level of liquid assets to support its reserves and current liabilities.

## Statement of Operations and Accumulated Surplus

The Statement of Operations and Accumulated Surplus reflects, above all else, that the City ended in a net surplus position for 2012 of \$36.7m (2011 - \$62.1m). It also details the significant components of revenues and expenses and shows these components as compared to the approved council budget.

Due to these financial statements being prepared in accordance with the PSAB standards, the net surplus reported differs from the surplus reported by staff in report FIN-13-26 "2012 Final Year End Variance Report". It is important to emphasize that both surplus numbers are computed on the same underlying data; they are just presented in a different format based on the needs of cash-based operating and capital budgeting versus the needs of accrual-based financial reporting.

The following is the reconciliation between the ending PSAB surplus of \$36.7m to the ending 2012 tax supported and enterprise surplus of \$4.1m:

Ending Surplus - PSAB		\$ 36,737
Capital related items:		
Add: Amortization of tangible capital assets	39,563	
Less: Revenues related to tangible capital assets	(43,066)	
Less: Operating fund expenses capitalized	(1,040)	
Add: Capital fund expenses not capital in nature	16,326	
Add: Disposal of tangible capital assets	<u>570</u>	12,353
Debt related and other items:		
Less: Change in employee future benefits	(978)	
Less: Change in landfill post close liability	(650)	
Less: Gain on fair market value of SWAP Debt	(208)	
Add: Loss on Government Business Enterprises	1,618	
Add: The Elliot loan principal payment	752	
Add: Interest on debt funded by DC reserve funds	549	
Less: Repayment of debt principle (exluding DC funded)	<u>(7,772)</u>	(6,689)
Reserve related items:		
Less: Operating fund transfers to reserves	(47,767)	
Add: Operating fund transfers from reserves	<u>9,505</u>	(38,262)
		<u>\$ 4,139</u>
Ending Surplus - Tax supported		660
Ending Surplus - Enterprise		<u>3,479</u>
		<u>\$ 4,139</u>

# STAFF REPORT



Staff have recommended that the 2012 operating surplus to be transferred to the following reserves:

## Tax supported

OMB & Legal Reserve (193)	\$659,937
---------------------------	-----------

## Enterprise

Water Capital Reserve Fund (152)	1,040,578
Wastewater Stabilization Reserve (182)	100,000
Wastewater Capital Reserve Fund (153)	1,859,391
POA Capital Reserve Fund (120)	452,643
POA Contingency Reserve (211)	<u>26,351</u>
	\$3,478,963

<u>Total Surplus Allocation</u>	<u>\$4,138,900</u>
---------------------------------	--------------------

## Revenue

Tax revenue continues to be the largest source of income for the City followed by contribution revenues and user charges. Overall, total revenue actually slightly declined year over year due primarily to the reduction in capital spending.

**Tax revenue** – Net property tax revenues have increased by \$9.6m from 2011 which is due in part to the 2012 3.52% tax rate increase approved by Council in addition to the impact of supplementary taxes collected on new properties added to the roll.

**Contributed subdivision assets** – As new subdivisions are created in the City of Guelph, the City assumes the completed infrastructure assets that were built to support the new community. The developers pay to put this infrastructure in place and once the subdivisions are settled and in-use, the City records in the contributed asset as an increase to tangible capital assets and contributed revenue. In 2012, there were a number of subdivision projects and spending that had been completed and the assets were therefore recorded as part of the City's holdings.

**Contribution Revenue** - As shown on the Statement of Operations and Accumulated Surplus, contribution revenues consist of revenues from the Federal and Provincial Governments, other municipalities and developers. From 2011, contributions have decreased from 22% of total revenue to 15% mostly due to the completion of the Infrastructure Stimulus Funding. In total for 2011, \$13m is included in revenue relating to these grants compared to none in 2012. The

# STAFF REPORT

contribution revenues also includes developer and grant contributions that are restricted to fund approved capital project expenditures incurred during the year. Given the significant reduction in capital spending in 2012, there was a \$23m decline in revenues recognized related to this capital investment.

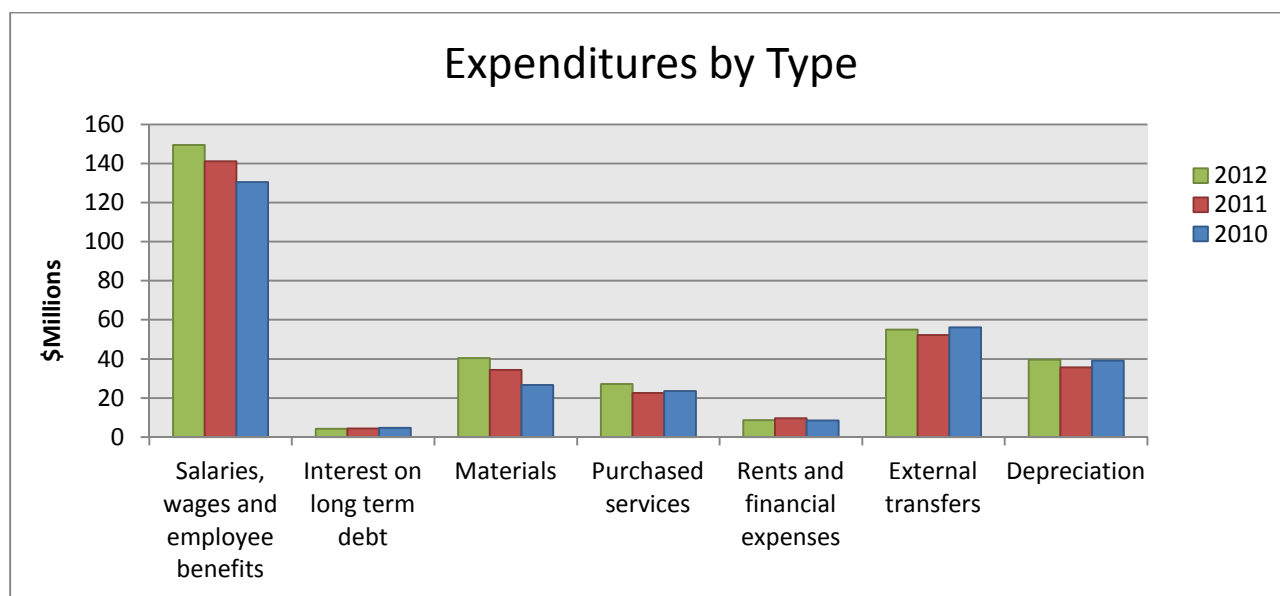
**User charges** – User charges revenues have increased by \$4.9m or 7% over the prior year. The main driver of this increase was from water and wastewater user fees which generated \$3.6m more revenue than in 2011, due both to increased rates and higher than average consumption.

**Other revenues** – Other revenues have not changed significantly year over year but highlights include:

- The increase in investment income is a result of an extra \$1.45m of dividend income from GMHI that is a result of a change in the timing of the dividend declaration and payment to the City.
- From time to time, the City incurs costs on behalf of third parties and recovery revenue is earned to reimburse the City for their costs. This work is usually one-time in nature and can fluctuate year to year. These revenues increased \$4m over 2012 but directly offset increases in expenditures recorded separately in the statements.
- Decrease in gain on disposal of tangible capital assets is the result of the 2011 sale of 79 acres of Hanlon Business Park land that netted a significant gain that did not reoccur in 2012.

## Expenses

City expenses by major type can be seen as follows:



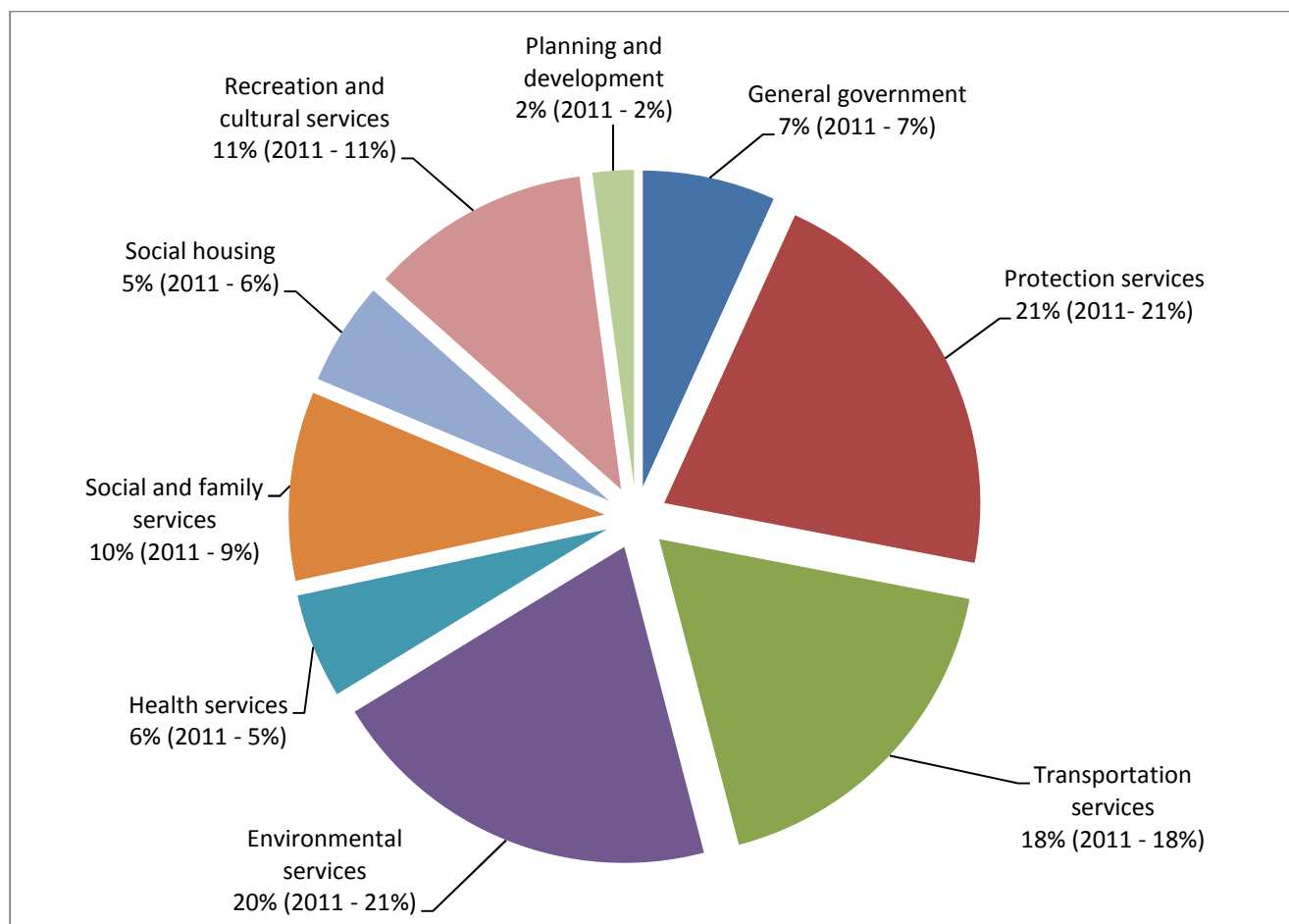
# STAFF REPORT



Year over year total expenditures have increased by \$24.6m, which is spread over all expenditure categories.

- Salaries, wages and benefits continue to be the most significant component of the City's operating costs and have increased by \$8.3m or 5.8% over the prior year. This is due to multiple reasons including increased wage rates of on average 2% as collectively bargained, increased cost of employee benefits (OMERS, medical and dental, accumulated sick leave and retiree benefits) and additional costs from the 8.93 approved FTE's hired during 2012. A milestone worth noting in 2012 is ratification of a new CUPE 241 and 1946 collective agreement which see's the elimination of the accumulated sick leave benefit. This will have positive implications for the City in future years.
- Material expenses increased by \$6.1m over 2011 but as discussed earlier, \$4m of this increase is directly offset by recovery revenues. The remaining increase is not isolated to any one particular category and is primarily the result of increased non-capital spending in capital projects that were expensed in 2012.
- Purchased services increased by \$4.5m over 2011 which can be attributed to increased repair and maintenance expenses, consulting fees and legal fees. Similar to the materials category above, this category also includes a number of capital project expenses that cannot be capitalized due to their nature including design fees, professional consulting on studies and investigations and legal fees.
- External transfers increased mostly due to transfers to the County of Wellington for 20% of the Wellington Terrace net operating cost. This on-going dispute was settled during 2012 and as a result the City's annual contribution increased from previous years.

The City's expenditures by functional area can be seen below. Compared to 2011 the City has been consistent in the amount of resources directed to each of these service areas. Any significant deviation year over year could indicate a shift in service priorities by Council.



For additional details on the revenues and expenses of the City please refer to Schedules 1 and 2 to the Financial Statements for a full breakdown by functional area. For more information on what services are included in each of the categories, refer to Note 23 to the financial statements.

## Accumulated Surplus





Accumulated Surplus is the excess of the City's total assets over their total liabilities. A full break down of the Accumulated Surplus can be found in Note 15 to the financial statements.

The most significant components of the accumulated surplus are the City's reserves and reserve funds. A complete breakdown of these reserves and reserve funds can be found in Schedule 4 to the financial statements. Compared to 2011, the City had a decrease in reserves of \$1.6m and an increase in capital reserve funds of \$8m; of the net \$6.4m increase, \$4.1m relates to the 2012 operating surplus.

# STAFF REPORT

In order to effectively manage the fiscal preparedness of the City, the following benchmarks are used to monitor reserve levels and reserve contributions. Any significant deviations from the targeted benchmarks are addressed through the next fiscal year's budget taking into consideration other City priorities.

- Capital Reserve Funds - the capital reserve fund contributions should at a minimum be equal to the current year amortization of tangible capital assets. Additionally, the contributions to capital reserves should be in the range of 2% – 3% of net tangible asset value.





	Capital Contributions to Depreciation		Result	Capital Contributions to Net tangible capital asset value		Result
	Target	Actual		Target	Actual	
<b>Tax Supported</b>	1	.75		2%	3.9%	
<b>Enterprise</b>	1	2.5		2%	7.7%	

Based on this analysis, the minimum funding requirements of these capital reserves were met on an aggregate level but when analyzed in further detail, the City's tax based capital reserve fund contributions did not meet targeted levels. The City's tax based contributions compared to depreciation expense were approximately \$6.6m lower than target indicating that the City is not providing for replacement of tax funded capital at the same rate assets are aging. Staff will consider these results into the 2014 budget process to address this shortfall.

It should be noted that the minimum target is based on historic cost and not replacement cost. The City is currently undergoing a collaborative review with a number of departments relating to capital asset management and determining the best practice for funding future replacement and addressing the City's infrastructure deficit. From this review better information on capital reserve targets will be available and how the City should best benchmark this funding.

# STAFF REPORT



- Employee Benefit Reserves – the employee benefit reserves consist of four components and the benchmarks have been determined based on the associated liability or need. The liabilities that these reserve benchmarks are based are detailed in note 10 to the financial statements and are actuarially determined.

Reserve	Target	2012 Target Balance	2012 Actual Balance	Result
Sick leave	95% of the Sick Leave Liability	\$6,823,928	\$7,700,000	
WSIB	50% of the WSIB Liability	\$1,933,449	\$2,246,000	
Land Ambulance Severance	95% of the Severance Liability	\$842,649	\$440,000	
Retiree Benefits	Minimum = \$2,000,000	\$2,000,000	\$1,184,000	

The City provides dental and health care benefits between the time an employee retires under OMERS or retires at a normal retirement age, up to the age of 65 for certain employee groups. The annual cost of this benefit approximates \$527k (excluding the police services board) and of this, only \$111k is provided for in the operating budget. The differential has historically been funded from the reserves which is not a sustainable practice. In 2012, the retiree benefit reserve was depleted by \$416k to fund these costs and if the City were to continue at this pace, the reserve will only last approximately two more years. Staff are highlighting this funding discrepancy as a priority consideration in the 2014 budget.

- Stabilization and Contingency Reserves – the benchmark for the operating contingency reserves is 5% - 10% of the City's operating revenues. City staff revised this benchmark in 2011 to be more consistent with what our government associations suggest, even though the City's formal policy still targets this indicator at 8-10%. This level would be sufficient to manage any impact of another economic decline, natural disaster or other significant unplanned expenditure.

# STAFF REPORT

	<b>Operating contingency reserve balances 2012</b>	<b>% of Own Source Revenue</b>	<b>Result</b>
<b>Tax Supported</b>	\$6,939,000	2.90%	
<b>Enterprise</b>	\$4,456,000	8.35%	

The City's tax based contingency reserves consist of \$6.9m, of which \$4.1m has been set aside for employee benefit and human resource matters. These tax based reserves would not be sufficient to manage the impact of a significant unplanned event and therefore staff will be reviewing and considering a long-term funding plan for these reserves as part of the 2014 budget process.

The enterprise rate based reserves meet the 5% -10% of operating revenues benchmark and are restricted to be used for emergencies within the enterprise business groups.

- Program Related Operating Reserves – while certain program related reserves such as the Insurance and Ontario Municipal Board have suggested funding targets, these reserves are funded based on an as needed basis through the budget process.

## Statement of Cash Flow

This statement provides a condensed summary of how cash was generated during the year and where it was subsequently spent. This statement's purpose is to reconcile the ending surplus as shown on the Statement of Operations and Accumulated Surplus back to the ending cash on hand at the end of the fiscal year (as shown on the Statement of Financial Position).

The first section highlights the cash earned from normal operations and starts with the net surplus of \$36.7m and adds/subtracts out items that were non-cash in nature. During 2012, the City generated \$56m in cash from operations (compared to \$90m in 2011).

# STAFF REPORT

In the next two sections, capital and investing activities and financing activities show how the City used its cash (or generated more cash) during the year. From a capital and investing perspective, the City spent \$48m on capital acquisitions, received \$1.2m in the sale of capital property and was in receipt of \$1.2m of principle repayments from loans to other entities. From a financing perspective, the City repaid net debt of \$9.4m and also received \$14.7m of externally restricted revenues that were not spent on capital during 2012.

Overall, the City's cash position increased by \$14.9m over 2011 and has invested the majority of this excess cash in early 2013. The City was not able to invest the excess cash by the end of the year for a variety of reasons including wanting to keep enough cash on hand to transition the refinancing of a term loan and also to ensure liquidity in case of significant capital invoices coming through in early 2013. The City manages its cash balances compared to budget and given the lower than expected capital spending, the City had excess cash reserves on hand at year end that were targeted for these expenses that did not materialize.

## **CORPORATE STRATEGIC PLAN**

2.1 – Build an adaptive environment for government innovation to ensure fiscal and service sustainability.

2.3 – Ensure accountability, transparency and engagement.

## **DEPARTMENTAL CONSULTATION**

None noted

## **COMMUNICATIONS**

No communications are required

## **ATTACHMENTS**

Appendix A: 2012 Unconsolidated Financial Statements

# STAFF REPORT

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Original Signed by:

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**Report Author:**

Tara Johnston  
Manager, Financial Reporting &  
Accounting

Original Signed by:

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**Reviewed By:**

Katrina Power  
General Manager, Finance  
519-822-1260 ext. 2289  
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Original Signed by:

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519-822-1260 ext. 5606  
[Al.Horsman@guelph.ca](mailto:Al.Horsman@guelph.ca)

Unconsolidated financial statements of

# **City of Guelph**

December 31, 2012

# City of Guelph

December 31, 2012

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# City of Guelph

## Unconsolidated statement of financial position as at December 31, 2012 ('000's)

	2012	2011
	\$	\$
<b>Financial assets</b>		
Cash	46,300	31,451
Investments (Note 4)	116,006	115,192
Taxes receivable	5,353	7,940
Accounts receivable	27,258	34,172
Loans and notes receivable	19,782	20,949
Investment in Guelph Junction Railway Inc. (Note 5)	6,225	5,950
Investment in Guelph Municipal Holdings Inc. (Note 6)	76,367	78,260
	<b>297,291</b>	<b>293,914</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	26,394	39,388
Accrued interest payable	742	794
Vacation and other employee benefits payable	5,124	5,015
Developer agreement deferred revenue (receivable)	1,911	(88)
Other deferred revenue	11,713	10,215
Deferred contributions (Note 7)	40,454	25,785
Employee future benefits (Note 9)	26,568	27,546
Net debt (Note 10)	108,158	117,602
Landfill post-closure liability (Note 12)	5,050	5,700
Other long-term liabilities (Note 13)	396	-
	<b>226,510</b>	<b>231,957</b>
<b>Net financial assets</b>	<b>70,781</b>	<b>61,957</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 14)	943,262	914,324
Inventory	1,955	2,162
Prepaid expenses	1,460	451
	<b>946,677</b>	<b>916,937</b>
Contingencies (Note 19)		
Commitments and guarantees (Note 20)		
<b>Accumulated surplus (Note 15)</b>	<b>1,017,458</b>	<b>978,894</b>

The accompanying notes are an integral part of this financial statement.

# City of Guelph

## Unconsolidated statement of operations and accumulated surplus year ended December 31, 2012 ('000's)

	2012 Budget (Note 22)	2012 Actual	2011 Actual
	\$	\$	\$
<b>Revenues</b>			
Taxation			
Property taxation (Note 3)	185,110	184,138	174,260
Property taxation - Downtown Guelph Business Association	424	424	412
Penalties and interest on taxes	1,413	1,319	1,590
	<b>186,947</b>	<b>185,881</b>	<b>176,262</b>
User charges	69,914	71,655	66,743
Contributed subdivision assets	-	20,744	9,901
Contributions			
Government of Canada	6,199	4,115	13,540
Province of Ontario	34,300	37,753	44,450
Municipal	2,745	3,037	3,346
Developers	16,760	9,930	16,556
Other	1,855	697	1,771
	<b>131,773</b>	<b>147,931</b>	<b>156,307</b>
Other			
Investment income	2,703	4,743	3,548
Donations	334	605	586
Sales of equipment, publications	3,926	4,955	5,210
Recoveries	2,582	10,668	6,619
Licences and permits	2,736	2,811	2,742
Provincial Offenses Act revenues	3,580	3,813	3,652
Other fines	960	874	745
Gain on disposal of tangible capital assets	4,193	642	5,853
Income (loss) from Government Business Enterprises	-	(1,618)	617
	<b>21,014</b>	<b>27,493</b>	<b>29,572</b>
<b>Total revenues</b>	<b>339,734</b>	<b>361,305</b>	<b>362,141</b>
<b>Expenses</b>			
General government	23,847	22,040	19,035
Protection services	68,999	68,977	64,871
Transportation services	49,443	58,083	52,114
Environmental services	63,861	65,971	63,202
Health services	16,218	17,436	15,948
Social and family services	30,948	31,348	28,945
Social housing	18,457	17,200	17,291
Recreation and cultural services	35,678	36,652	33,243
Planning and development	5,658	6,861	5,310
<b>Total expenses</b>	<b>313,109</b>	<b>324,568</b>	<b>299,959</b>
<b>Excess of revenues over expenses for the year</b>	<b>26,625</b>	<b>36,737</b>	<b>62,182</b>
<b>Accumulated surplus, beginning of year</b>	<b>978,894</b>	<b>978,894</b>	<b>915,206</b>
Adjustments (Note 2)	-	-	(978)
Add: Interest on / transfers to reserves and reserve funds	1,340	1,827	2,484
<b>Accumulated surplus, end of year</b>	<b>1,006,859</b>	<b>1,017,458</b>	<b>978,894</b>

The accompanying notes are an integral part of this financial statement.

# City of Guelph

## Unconsolidated statement of change in net financial assets year ended December 31, 2012 ('000's)

	2012 Budget (Note 22)	2012 Actual	2011 Actual
		\$	\$
<b>Excess of revenue over expenses for the year</b>	<b>26,625</b>	<b>36,737</b>	<b>62,182</b>
Amortization of tangible capital assets	44,000	39,563	35,664
Acquisition of tangible capital assets	(93,542)	(48,326)	(94,905)
(Gain) loss on disposal of tangible capital assets	4,193	(642)	(5,853)
Proceeds on disposal of tangible capital assets	-	1,211	10,067
Contributed subdivision assets	-	(20,744)	(9,901)
Adjustment in accumulated surplus (Note 2)			(978)
Interest on / transfers to reserves and reserve funds	1,340	1,827	2,484
Change in inventory	-	207	290
Change in prepaid expenses	-	(1,009)	(94)
Increase (decrease) in net financial assets for the year	(17,384)	8,824	(1,044)
Net financial assets, beginning of year	61,957	61,957	63,001
<b>Net financial assets, end of year</b>	<b>44,573</b>	<b>70,781</b>	<b>61,957</b>

The accompanying notes are an integral part of this financial statement.

# City of Guelph

## Unconsolidated statement of cash flows year ended December 31, 2012 ('000's)

	2012	2011
	\$	\$
<b>Operating activities</b>		
Excess of revenues over expenses for the year	36,737	62,182
Items not affecting cash:		
Amortization of tangible capital assets	39,563	35,664
Gain on disposal of tangible capital assets	(642)	(5,853)
Contributed subdivision assets	(20,744)	(9,901)
Allowance on asset backed investment	(369)	(155)
Loss (gain) on interest rate swap contracts	(208)	427
Loss (income) from Government Business Enterprises	1,618	(617)
Employee future benefit expenses	(978)	1,690
Landfill post-closure recovery	(650)	(300)
Interest on / transfers to reserves and reserve funds	1,827	2,484
Changes in non-cash working capital:		
Taxes receivable	2,587	(459)
Accounts receivable	6,914	5,208
Developer agreement receivable/deferred revenue	1,999	916
Inventory	207	290
Prepaid expenses	(1,009)	(94)
Accounts payable and accrued liabilities	(12,786)	(2,711)
Accrued interest payable	(52)	17
Vacation and other employee benefits payable	109	75
Other deferred revenue	1,498	891
Other long-term liabilities	396	-
Cash provided by operating	56,017	89,754
<b>Capital and investing activities</b>		
Acquisition of tangible capital assets	(48,326)	(94,905)
Proceeds from disposal of tangible capital assets	1,211	10,067
Change in loans and notes receivable	1,167	267
Net investment acquisitions	(445)	(41,944)
Cash used by capital and investing	(46,393)	(126,515)
<b>Financing activities</b>		
Proceeds from debt issuance	10,000	46,750
Repayment of debt principal	(19,444)	(21,991)
Net change in deferred contributions	14,669	1,513
Cash provided by financing	5,225	26,272
Increase (decrease) in cash for the year	14,849	(10,489)
Cash, beginning of year	31,451	41,940
<b>Cash, end of year</b>	<b>46,300</b>	<b>31,451</b>

The accompanying notes are an integral part of this financial statement.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

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### 1. Significant accounting policies

The unconsolidated financial statements of the Corporation of the City of Guelph (the "City") have been prepared by management in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the City are as follows:

#### *Reporting entity*

The unconsolidated financial statements reflect the financial assets, liabilities, operating revenues and expenses and changes in investment in tangible capital assets of the reporting entity. The reporting entity is comprised of those City functions or entities which have been determined to comprise a part of the aggregate City operations based upon control exercised by the City, except for the City's government businesses which are accounted for on the modified equity basis of accounting.

#### Modified equity basis entities

The investments in Guelph Municipal Holdings Inc. and Guelph Junction Railway Company are accounted for on a modified equity basis, consistent with the public sector accounting standards for the treatment of government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated. Under the modified equity basis of accounting, the carrying value of the investment in subsidiaries is adjusted to reflect the City's share of the net asset change of the investee.

#### *Basis of accounting*

#### Accrual basis of accounting

Revenue and expenses are reported on the accrual basis of accounting, except for revenues generated under the Provincial Offences Act which are accounted for on the cash basis. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that gave rise to the revenues; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services or the creation of an obligation to pay.

#### Taxes receivable 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 annually by the 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. A normal part of the assessment process is the issuance of supplementary assessment 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 tax billings are issued. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded as a reduction of tax revenue when the result of the appeal process is reasonably certain. The City is entitled to collect interest and penalties on overdue taxes and these revenues are recorded in the period the interest and penalties are levied. Tax revenue is recorded net of reductions including rebates. Taxes receivable are reported net of any expense or allowance for doubtful accounts.

#### Reserves and reserve funds

Certain amounts, as approved by City Council, are set aside in reserves and reserves funds for future operating and capital purposes. Reserve Funds are interest bearing and the current year earned interest is accounted for as an adjustment within accumulated surplus.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

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### 1. Significant accounting policies (continued)

#### *Basis of accounting (continued)*

#### Deferred revenue and deferred contributions

Deferred revenues and deferred contributions represent property taxes, user charges, fees, developer contributions and other grant revenues, which have been collected but for which the related services or expenditures have yet to be performed. These revenues have certain restrictions and will be recognized in the fiscal year the services or expenditures are performed.

#### Tangible capital assets

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

Land improvements	- 20 to 75 years
Buildings	- 10 to 75 years
Machinery and equipment	- 3 to 25 years
Vehicles	- 5 to 15 years
Sanitary sewers infrastructure	- 50 to 80 years
Storm sewer infrastructure	- 15 to 80 years
Transportation infrastructure	- 20 to 80 years
Waterworks infrastructure	- 5 to 80 years

The City has various capitalization thresholds, so that individual tangible capital assets of lesser value are expensed, unless the assets have significant value collectively (pooled assets). Examples of pools are desktop and laptop computers, police equipment, traffic signals, streetlights, and fire equipment.

- (ii) Land purchased for service delivery purposes is recorded as a tangible capital asset at cost. Any land cost premium incurred or discount received related to expropriation will be included as part of the asset to be constructed and amortized over its' useful life.
- (iii) Tangible capital assets received as contributions are recognized at their fair value at the date of receipt, and correspondingly recognized as contributed revenue in that period. Similarly, contributions of assets to a third party are recorded as an expense equal to the net book value of the tangible capital asset as of the date of transfer.
- (iv) Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of the asset are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

#### Employee future benefit obligations

The cost of future benefits earned by employees is actuarially determined using the projected benefit method prorated on service and assumptions of mortality and termination rates, retirement age and expected inflation rates.

Past service costs from plan amendments, if any, are deferred and amortized on a straight-line basis over the average remaining service life of active employees at the date of the amendment. Actuarial gains and losses on the accrued benefit obligation arise from differences between the actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net actuarial gains or losses over 10% of the benefit obligation is amortized over the average remaining service life of active employees.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

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### 1. Significant accounting policies (continued)

#### *Basis of accounting (continued)*

##### Government transfers

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing that the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

##### Investment income

Investment income earned on available funds and loans receivable are reported as revenue in the period earned. Investment income earned on deferred contributions is recorded as an increase to deferred contributions.

##### Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the unconsolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include valuation allowance for asset backed investments, valuation allowances for receivables, certain accrued liabilities and obligations related to employee future benefits and the carrying value of tangible capital assets. Actual results could differ from these estimates.

##### *Future accounting changes*

Effective for fiscal periods beginning on or after April 1, 2012, all governments will be required to adopt Public Sector Accounting Board Handbook ("PSAB") Section 3410 Government Transfers. This standard provides guidance to governments for the accounting and reporting of government transfers from both the transferring government and the recipient government in the financial statements.

Effective for fiscal periods beginning on or after April 1, 2014, all governments will be required to adopt PSAB Section 3260, Liability for Contaminated Sites. This standard provides guidance on how to account for and report a liability associated with the remediation of contaminated sites, defines which activities would be included in the liability for remediation, establishes when to recognize and how to measure a liability for remediation and provides guidance on financial statement presentation and disclosure.

Effective for fiscal periods beginning on or after April 1, 2015, all governments will be required to adopt PSAB Section 2601, Foreign Currency Translation, PSAB Section 3450 Financial Instruments and PSAB Section 1201 Financial Statement Presentation. This standard provides guidance on how to account for and report on financial instruments and related revenue and expenditures and also provides guidance on financial statement presentation and disclosure.

The City is currently in the process of evaluating the potential impact of adopting these standards.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

### 2. Restatement of 2011 comparative figures

During the 2012 year, it was determined that a certain reserve fund has external restrictions and should be recorded as deferred contributions.

The total impact of correcting this item in the 2011 comparative figures is as follows:

	As previously reported	Adjustment	2011 As restated
	\$	\$	\$
Deferred contributions	(24,500)	(1,285)	(25,785)
Licences and permits revenue	(3,049)	307	(2,742)
Accumulated surplus, beginning of year	(915,206)	978	(914,228)
Accumulated surplus, end of year	(980,179)	1,285	(978,894)

### 3. Taxation revenue

#### a) Taxation collected on behalf of school boards

The net taxation levies collected on behalf of the school boards are comprised of the following:

	2012	2011
	\$	\$
Taxation	60,879	61,644
Payments in lieu	2	2
	60,881	61,646
Requisitions	(60,881)	(61,646)
Net levy for the year	-	-

Included in accounts receivable are levies owed from the school boards totaling \$316 (2011 - accounts payable and accrued liabilities - \$307).

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

### 3. Taxation revenue (continued)

b) Taxation revenue by major tax class:

2012	Taxes - own purpose	Payments in lieu	Supplem- entary taxes	Rebates & Write- offs	2012 Total
	\$	\$	\$	\$	\$
Residential	113,358	13	2,858	(122)	116,107
Mult-Residential	12,933	-	-	(163)	12,770
Commercial	30,202	4,279	1,423	(948)	34,956
Industrial	19,030	131	256	(1,342)	18,075
Pipelines	500	-	16	-	516
Farmlands	12	-	-	10	22
Managed Forests	2	-	-	-	2
Other	24	1,666	-	-	1,690
<b>Total tax revenue</b>	<b>176,061</b>	<b>6,089</b>	<b>4,553</b>	<b>(2,565)</b>	<b>184,138</b>

2011	Taxes - own purpose	Payments in lieu	Supplem- entary taxes	Rebates & Write- offs	2011 Total
	\$	\$	\$	\$	\$
Residential	106,635	12	2,729	(276)	109,100
Mult-Residential	13,465	-	343	(294)	13,514
Commercial	27,727	4,007	1,069	(343)	32,460
Industrial	17,964	129	316	(1,319)	17,090
Pipelines	486	-	3	-	489
Farmlands	11	-	1	-	12
Managed Forests	2	-	-	-	2
Other	-	1,606	-	(13)	1,593
<b>Total tax revenue</b>	<b>166,290</b>	<b>5,754</b>	<b>4,461</b>	<b>(2,245)</b>	<b>174,260</b>

### 4. Investments

Investments are recorded at cost. The cost and market values are as follows:

	2012		2011	
	Market	Cost	Market	Cost
	\$	\$	\$	\$
Short-term investments	58,061	57,755	67,029	66,891
Long-term investments	59,482	58,251	48,735	48,301
	<b>117,543</b>	<b>116,006</b>	<b>115,764</b>	<b>115,192</b>

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

### 4. Investments (continued)

In 2009, a restructuring plan was implemented to convert frozen short-term asset-backed commercial paper to long-term notes of various classes with terms matching the maturity of the underlying assets. As a result of the exchange, the City recorded the new carrying value (increase of \$64) but recognized the highly speculative nature of any ultimate payment of principal at maturity by booking a provision for impairment. The impairment is recorded net of the cost of the long-term investments and is estimated to be 18% of the investment cost or \$373 (2011 - 18% or \$743).

### 5. Investment in Guelph Junction Railway Company

The following table provides condensed supplementary financial information for the Guelph Junction Railway Company (the "Railway") for the year ended December 31:

	2012	2011
	\$	\$
Financial position		
Current assets	1,028	1,591
Property, plant and equipment	8,166	6,855
Total assets	9,194	8,446
Current liabilities	759	843
Long-term debt	1,274	678
Deferred capital contributions	936	975
Total liabilities	2,969	2,496
Net assets	6,225	5,950
Results of operations		
Revenues	2,087	1,699
Operating expenses	1,812	1,471
Net income	275	228
Retained earnings, beginning of year	5,950	5,722
Retained earnings, end of year	6,225	5,950

#### *Related party transactions*

The City pays certain expenses and receives certain revenues on behalf of the Railway for which the Railway reimburses the City periodically through the year. During the year, these net expenses reimbursed to the City amounted to \$1,483 (2011 - \$339). Included in accounts receivable is an amount owing from the Railway of \$343 (2011 - \$287) related to the reimbursement of these current year net expenditures. Additional payments in 2012 of \$50 (2011 - \$50) were made to the City to repay the amount owing from prior years. The total amount owing to the City at year end is \$95 (2011 - \$145) and is included as part of loans and notes receivable.

The Railway also paid the City \$23 (2011 - \$22) in office rent and administration fees. These transactions were made in the normal course of business and have been recorded at the exchange amounts.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

### 6. Investment in Guelph Municipal Holding Inc.

The City of Guelph owns 100% of Guelph Municipal Holdings Inc. ("GMHI") which owns 100% of the shares of Guelph Hydro Inc ("GHI"), which in turn owns 100% of Guelph Hydro Electric Systems Inc. and 100% of Envida Community Energy Inc.. The following table provides condensed supplementary financial information for GMHI for the year ended December 31:

	2012	2011
	\$	\$
Financial position		
Current assets	50,057	61,966
Property, plant and equipment	130,798	125,185
Intangible assets	314	275
Deferred charges	40	40
Future income taxes	6,885	5,993
Total assets	188,094	193,459
Current liabilities	24,933	28,516
Customer deposits and deferred revenue	13,509	13,723
Long-term debt	65,237	65,350
Employee future benefits	8,048	7,610
Total liabilities	111,727	115,199
Total shareholder's equity	48,576	48,576
Net assets	27,791	29,684
Total investment	76,367	78,260
Results of operations		
Revenues	147,542	155,917
Cost of sales	119,872	127,385
Operating expenses	26,738	25,631
Income taxes	(125)	1,012
Total expenses	146,485	154,028
Net income	1,057	1,889
Retained earnings, beginning of year	29,684	29,295
Dividends	(2,950)	(1,500)
Retained earnings, end of year	27,791	29,684

#### *Related party transactions*

GHI pays certain expenses and receives certain revenues on behalf of the City related to customer water billings for which GHI remits to the City bi-monthly. During the year, these net revenues received amounted to \$44,478 (2011 - \$41,417). Amounts owing to the City related to these transactions total \$8,613 (2011 - \$8,106) and are included in accounts receivable.

Dividend income was received from the Company of \$2,950 (2011 - \$1,500) and is also reported as part of investment income. These transactions were made in the normal course of business and have been recorded at the exchange amounts.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

### 7. Deferred contributions

The following funds have statutory restrictions and as such are classified as deferred contributions:

	Beginning balance 2012	2012 Inflows	2012 Outflows	Ending balance 2012
	\$	\$	\$	\$
Development charges	17,008	19,619	9,070	27,557
Grants	6,961	10,107	6,413	10,655
Other	1,816	435	9	2,242
	25,785	30,161	15,492	40,454

The development charges are restricted for use to fund growth related capital expenditures in accordance with the Development Charges Act. The deferred grants include federal gas tax funds, provincial gas tax funds, infrastructure stimulus funds, federal public transit funds and Ontario bus replacement funds. Each of the grants has a specified set of restrictions that outlines how the funds can be utilized. The other deferred contributions include funds received for parkland dedication as restricted under the Planning Act and funds received in relation to the Ontario Building Code Act.

### 8. Pension agreement

The City makes contributions to the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer plan, on behalf of the 1,667 (2011 – 1,644) members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The multi-employer plan is valued on a current market basis for all plan assets.

The amount contributed to OMERS for 2012 is \$10,587 (2011 - \$8,983) for current service and is reported as an expense on the unconsolidated statement of operations and accumulated surplus.

As at December 31, 2012, the City has no obligation under the past service provisions of the OMERS agreement.

As at December 31, 2012 the OMERS plan is in a deficit position of \$9.9 billion (2011 - \$7.3 billion), which will be addressed through temporary contribution rate increases, benefit reductions, and investment returns.

### 9. Employee future benefits

Employee future benefits are current costs of the City to its employees and retirees for benefits earned but not taken as at December 31 and consist of the following:

	2012	2011
	\$	\$
Workplace Safety and Insurance ("WSIB")	3,867	3,549
Sick leave	8,288	10,222
Post retirement benefits	14,413	13,775
	26,568	27,546

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

### 9. Employee future benefits and other liabilities (continued)

#### a) Liability for Workplace Safety & Insurance ("WSIB")

The City is a Schedule II employer under the Workplace Safety and Insurance Act. As a Schedule II employer, the City assumes the liability for any award made under the Act. A comprehensive actuarial valuation of the future liability for WSIB benefits was conducted as at December 31, 2009 and has been extrapolated to estimate the liability for the 2010 through 2012 period. The next required valuation will be as of December 31, 2012.

The significant actuarial assumptions adopted in estimating the City's WSIB liabilities are as follows:

- Discount rate 5% (2009 - 5%)
- Expected future WSIB payments per lost time injury 52% (2009 - 61%)
- Health care inflation CPI plus 4% (2009 - CPI plus 4%)
- WSIB Administration Rate 22% (2009 - 25%)
- Lost time injury count 46 (2009 - 36)

Information about the City's WSIB liability is as follows:

	2012	2011
	\$	\$
Accrued benefit obligation, beginning of year	4,153	3,949
Current service cost	735	712
Interest	208	198
Benefits paid	(737)	(706)
Accrued benefit obligation, end of year	4,359	4,153
Unamortized net actuarial loss	(492)	(604)
	3,867	3,549

Information about the City's WSIB expenses recognized in the period are as follows:

	2012	2011
	\$	\$
Current period benefit cost	735	712
Amortization of net actuarial loss from December 31, 2009	15	15
Amortization of net actuarial loss from December 31, 2006	97	97
Interest expense	208	198
	1,055	1,022

A reserve in the amount of \$2,246 (2011 - \$2,203) has been accumulated to fund this liability.

#### b) Liability for sick leave

Under the sick leave benefit plan, unused sick leave can accumulate for certain employees and these employees may become entitled to a cash payment when they leave the City's employment.

A comprehensive actuarial valuation was completed as of December 31, 2010 and the next required valuation will be as of December 31, 2013.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

### 9. Employee future benefits and other liabilities (continued)

#### b) Liability for sick leave (continued)

The significant actuarial assumptions adopted in estimating the City's sick leave liabilities are as follows:

- Discount rate 4.75% (2009 - 5%)
- Inflation rate 2% (2009 - 2%)
- Future salaries 3.5% per year (2009 - 3.5%)

Information about the City's sick leave liability is as follows:

	2012	2011
	\$	\$
Accrued benefit obligation, beginning of year	12,401	9,353
Current service cost	982	919
Interest	591	561
Plan amendment	(2,777)	-
Net actuarial loss	-	2,403
Benefits paid	(894)	(835)
Accrued benefit obligation, end of year	10,303	12,401
Unamortized net actuarial loss	(2,015)	(2,179)
	8,288	10,222

During 2012, the CUPE 241 and 1946 collective bargaining unions ratified a new contract that eliminated the accumulated sick leave benefit. As a result, the City obtained an updated actuarial valuation for sick leave for these two plans as of December 31, 2012. This plan amendment resulted in a reduction to the sick leave obligation of \$2,777 in 2012.

Information about the City's sick leave expenditures recognized in the period are as follows:

	2012	2011
	\$	\$
Current period benefit cost	982	919
Amortization of net actuarial (gain) loss	164	168
Plan amendment	(2,777)	-
Interest expense	591	561
	(1,040)	1,648

There are currently reserves totaling \$7,701 (2011 - \$10,446) available to fund this liability.

#### c) Post retirement benefits

The City provides dental and health care benefits between the time an employee retires under OMERS, or retires at a normal retirement age, up to the age of 65.

The significant actuarial assumptions adopted in estimating the City's liabilities are as follows:

- Discount rate 4.75% (2009 - 5.0%)
- Consumer price index 2.0% (2009 - 2.0%)
- Prescription Drugs Trend Rate 7.67% reducing 4.0% per year to reach 4.0% per year starting in 2019 (2009 - no change)
- Dental and other Medical Trend Rates 4.0% (2009 - 4.0%)

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

### 9. Employee future benefits and other liabilities (continued)

#### c) Post retirement benefits

Information about the City's employee post retirement benefits are as follows:

	2012	2011
	\$	\$
Accrued benefit obligation, beginning of year	15,250	14,812
Current service cost	670	627
Interest	720	697
Benefits paid	(875)	(886)
Accrued benefit obligation, end of year	15,765	15,250
Unamortized net actuarial loss	(1,352)	(1,475)
	14,413	13,775

Information about the City's employee future benefit expenses recognized in the period are as follows:

	2012	2011
	\$	\$
Current period benefit cost	670	627
Amortization of net actuarial loss	123	123
Interest expense	720	697
	1,513	1,447

A comprehensive actuarial valuation was completed as of December 31, 2010 and the next required valuation will be as of December 31, 2013.

There are currently reserves totaling \$1,624 (2011 – \$1,945) available to fund this liability.

### 10. Net debt

a) The balance of the net debt reported on the statement of financial position is comprised of the following:

	2012	2011
	\$	\$
Total debt incurred by the City including those incurred on behalf of related organizations and outstanding at the end of the year amount to	108,158	118,282
Less: debt recoverable from school boards	-	(680)
Net debt at the end of the year	108,158	117,602

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

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### 10. Net debt (continued)

b) The net debt is comprised of the following components:

	2012	2011
	\$	\$
Demand loan - interest only at 3.7%, maturing in 2012	-	10,000
Debentures - repayable at rates ranging from 0.095% to 5.237% and maturing from 2014 through 2031	89,151	97,601
Long-term loans - repayable at rates ranging from 2.105% to 6.38% and maturing in 2017 and 2025	19,007	10,001
	<b>108,158</b>	<b>117,602</b>

During 2012, the City repaid the maturing demand loan of \$10,000 and concurrently entered into a floating rate five-year term facility of the same value which is fixed at 2.105% via an interest rate SWAP. The City also renegotiated a term loan that matured in 2012 for an additional 5 years at a rate of 3.04%.

During 2011, the City issued a \$46,750 debenture, repayable over 10 years at a coupon rate of 3.12%. This debenture was issued to fund \$33,700 of capital projects as well as to refinance a \$13,050 debenture that matured in 2011.

Included in accounts payable and accrued liabilities is \$1,584 (2011 - \$1,792) representing the fair market value of the interest rate swap facilities.

All net debt is payable in Canadian dollars. Refer to schedule 3 for further details.

c) The net debt is repayable in the following periods and will be funded through the following revenue sources:

	General taxation	User pay and other	Developer contributions	Total
	\$	\$	\$	\$
2013	6,342	1,654	1,708	9,704
2014	6,501	1,691	1,781	9,973
2015	6,711	1,423	1,817	9,951
2016	6,924	1,460	1,854	10,238
2017	16,540	1,483	1,926	19,949
Thereafter	34,799	9,474	4,070	48,343
	<b>77,817</b>	<b>17,185</b>	<b>13,156</b>	<b>108,158</b>

d) Total charges during the year for net debt are as follows:

	2012	2011
	\$	\$
Principal repayments	19,444	21,991
Interest	4,333	4,350
	<b>23,777</b>	<b>26,341</b>

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

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### 11. Financing Agreement

On December 19, 2012, the City, the County of Wellington and the County of Dufferin (the "obligated municipalities") entered into a Financing Agreement with the Wellington-Dufferin-Guelph Public Health ("Public Health") to finance the cost of building two new Public Health facilities at Chancellors Way, Guelph, and Broadway, Orangeville.

The Financing Agreement allows for quarterly advances of capital by the obligated municipalities to Public Health beginning in January 2013, until the completion of the new facilities. The total amount of the advances will not exceed \$24,400. Interest will be calculated annually, commencing on the 1st day of the month following the date of substantial completion of both facilities. The interest rate will be 3.34% per annum, and the term and amortization of the loan will be twenty years. Repayment to the obligated municipalities will commence thirty days following certification by the project's architect of substantial completion of both facilities. The whole or any part of the capital financing under this agreement may be prepaid at any time or times without penalty or bonus.

### 12. Landfill post-closure liability

The City owns one landfill site. This landfill site was closed in 2003. The liability for post-closure costs has been reported on the unconsolidated statement of financial position. The liability was calculated based upon the present value of estimated post-closure costs discounted to December 31, 2012 at a factor of 3.5% (2011 - 5.0%) per annum. Post-closure care is estimated to be required for 35 years from the date of site closure.

The estimated expenditures for post-closure care as at December 31, 2012 is \$5,050 (2011 - \$5,700).

There are no reserve funds established to fund this liability as at December 31, 2012, as the City is funding this cost annually through the budget process.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

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### 13. Other long-term liabilities

The City offers three tax-increment based grant ("TIBG") programs in the areas of Heritage Redevelopment, Brownfield Redevelopment and Downtown Development.

The tax-increment based grants are approved individually by Council and require annual reporting and property tax payment by the applicant into order for the City to pay a grant installment. The agreements have two identifiable phases: i) grant pre-approval and construction phase; ii) grant approval and payment phase.

In 2012, the City has two TIBG agreements that are in the grant payment phase:

a) TIBG Agreements

	<b>2012</b>
	<b>\$</b>
Heritage Redevelopment	<b>396</b>

b) The TIBG's are repayable in the following periods:

	<b>\$</b>
2013	<b>98</b>
2014	<b>98</b>
2015	<b>98</b>
2016	<b>98</b>
2017	<b>2</b>
Thereafter	<b>2</b>
	<b>396</b>

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

### 14. Tangible capital assets

				2012
Cost	Balance, beginning of year	Additions	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	67,900	4,756		72,656
Buildings	222,016	11,672	(416)	233,272
Machinery and equipment	107,231	17,923	(1,073)	124,081
Vehicles	56,258	7,640	(1,289)	62,609
Infrastructure				
Sanitary sewers & waste water	250,938	10,053	(2)	260,989
Storm water	169,823	11,175		180,998
Transportation	341,805	31,686		373,491
Waterworks	195,512	25,147		220,659
Assets under construction	79,544	(50,982)		28,562
	1,491,027	69,070	(2,780)	1,557,317
Accumulated amortization	Balance, beginning of year	Amortization	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	3,568	649		4,217
Buildings	48,589	8,554	(290)	56,853
Machinery and equipment	73,695	7,212	(844)	80,063
Vehicles	29,015	5,157	(1,075)	33,097
Infrastructure				
Sanitary sewers & waste water	120,396	4,196	(2)	124,590
Storm water	42,146	2,944		45,090
Transportation	179,459	6,819		186,278
Waterworks	79,835	4,032		83,867
	576,703	39,563	(2,211)	614,055
Net book value	Balance, beginning of year			Balance, end of year
	\$			\$
Land and land improvements	64,332			68,439
Buildings	173,427			176,419
Machinery and equipment	33,536			44,018
Vehicles	27,243			29,512
Infrastructure				
Sanitary sewers & waste water	130,542			136,399
Storm water	127,677			135,908
Transportation	162,346			187,213
Waterworks	115,677			136,792
Assets under construction	79,544			28,562
	914,324			943,262

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

### 14. Tangible capital assets (continued)

Cost				2011
	Balance, beginning of year	Additions	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	38,916	32,551	(3,567)	67,900
Buildings	158,419	63,632	(35)	222,016
Machinery and equipment	103,886	3,359	(14)	107,231
Vehicles	60,429	2,501	(6,672)	56,258
Infrastructure				
Sanitary sewers & waste water	246,379	4,559	-	250,938
Storm water	163,535	6,288	-	169,823
Transportation	312,695	29,110	-	341,805
Waterworks	183,466	12,046	-	195,512
Assets under construction	128,784	(49,240)	-	79,544
	1,396,509	104,806	(10,288)	1,491,027
Accumulated amortization				2011
	Balance, beginning of year	Amortization	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	3,287	283	(2)	3,568
Buildings	43,639	4,979	(29)	48,589
Machinery and equipment	66,980	6,723	(8)	73,695
Vehicles	29,568	5,482	(6,035)	29,015
Infrastructure				
Sanitary sewers & waste water	115,905	4,491		120,396
Storm water	39,519	2,627		42,146
Transportation	173,284	6,175		179,459
Waterworks	74,931	4,904		79,835
	547,113	35,664	(6,074)	576,703
Net book value				2011
	Balance, beginning of year			Balance, end of year
	\$			\$
Land and land improvements	35,629			64,332
Buildings	114,780			173,427
Machinery and equipment	36,906			33,536
Vehicles	30,861			27,243
Infrastructure				
Sanitary sewers & waste water	130,474			130,542
Storm water	124,016			127,677
Transportation	139,411			162,346
Waterworks	108,535			115,677
Assets under construction	128,784			79,544
	849,396			914,324

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

### 15. Accumulated surplus

The accumulated surplus is comprised of the following components:

	2012	2011
	\$	\$
Reserves set aside for specific purpose by Council:		
for employee future benefits	11,571	14,594
for stabilization and contingency	11,395	10,522
for program related purposes	10,883	10,324
<b>Total reserves - Schedule 4</b>	<b>33,849</b>	<b>35,440</b>
Reserve funds set aside for specific purpose by Council:		
for capital financing purposes - Schedule 4	113,660	105,697
<b>Total reserves and reserve funds</b>	<b>147,509</b>	<b>141,137</b>
Invested in tangible capital assets	943,262	914,324
Investment in Guelph Municipal Holdings Inc.	76,367	78,260
Investment in Guelph Junction Railway Company	6,225	5,950
Operating fund	(11,004)	(4,914)
Unfunded liabilities		
Net debt	(108,158)	(117,602)
Employee future benefits and related liabilities	(31,693)	(32,561)
Landfill post closure liability	(5,050)	(5,700)
<b>Total</b>	<b>869,949</b>	<b>837,757</b>
<b>Accumulated surplus</b>	<b>1,017,458</b>	<b>978,894</b>

In accordance with the City's policy for reserve funds, interest is earned on the average reserve fund balance for the year at the average internal rate of return earned during the year. In 2012, \$1,827 (2011 - \$2,484) of interest was earned by the reserve funds and is recorded as a decrease in investment income and an adjustment to the ending accumulated surplus.

### 16. Contributions to other entities

Contributions made to other entities during the year greater than \$100 are as follows:

	2012	2011
	\$	\$
Grand River Conservation Authority	1,429	1,395
Hospice Wellington	200	200
Guelph General Hospital	200	200
MacDonald Stewart Art Centre	160	175
Humane Society	611	459
Municipal Property Assessment Corporation	1,579	1,529
	<b>4,179</b>	<b>3,958</b>

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

### 17. Expenditures by type

The following is a summary of the current expenditures reported on the unconsolidated statement of operations and accumulated surplus by the type of expenditures:

	2012	2011
	\$	\$
Salaries, wages and employee benefits	149,427	141,104
Interest on net debt	4,333	4,350
Materials	40,408	34,303
Purchased services	27,241	22,660
Rents and financial expenses	8,629	9,719
External transfers	54,967	52,159
Amortization of tangible capital assets	39,563	35,664
	<b>324,568</b>	<b>299,959</b>

### 18. Shared service agreements

Certain programs as mandated by provincial legislation are managed by neighboring municipalities on behalf of the City and certain programs are also managed by the City on behalf of other municipalities.

The City's share of revenues and expenditures from social service programs managed by Wellington County are as follows:

	2012	2011
	\$	\$
Revenues		
Social housing	2,905	3,001
Child care	7,483	7,254
Social services	13,179	12,774
	<b>23,567</b>	<b>23,029</b>
Expenditures		
Social housing	16,207	16,817
Child care	9,934	9,371
Social services	17,661	17,219
	<b>43,802</b>	<b>43,407</b>
Net expenditures	<b>(20,235)</b>	<b>(20,378)</b>

The City's share of net expenditures for social housing is 83% (2011 - 86%), child care 76% (2011 - 78%) and social services 70% (2011 - 74%).

Additionally, the City paid the County \$1,164 (2011 - \$1,112) for the City's share of expenditures for the operation of Wellington Terrace, a long-term care facility.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

### 18. Shared service agreements (continued)

The City's share of revenues and expenditures from programs managed by the City are as follows:

	2012	2011
	\$	\$
Revenues		
Land Ambulance	4,059	3,504
Provincial Offences Act	1,942	1,878
	<b>6,001</b>	<b>5,382</b>
Expenditures		
Land Ambulance	8,362	7,813
Provincial Offences Act	1,203	1,048
	<b>9,565</b>	<b>8,861</b>
Net expenditures	<b>(3,564)</b>	<b>(3,479)</b>

The City's share of net expenditures for land ambulance is 61% (2011 - 61%) and Provincial Offences Act is 53% (2011 - 53%).

The Provincial Offences Act revenues are recorded on a cash basis due to regulatory restrictions. As at December 31, 2012 there are \$6,661 (2011 - \$6,872) of over-due fines receivable and of this amount \$324 (2011 - \$734) is considered uncollectable.

The City's share of the net expenditures for all the above programs, are included in the unconsolidated statement of operations and accumulated surplus.

### 19. Contingencies

- a) In 2008, Urbacon Buildings Group Corp. served a Statement of Claim against the City pursuant to the Construction Lien Act seeking damages in excess of \$12,000 and punitive and other damages totaling over \$7,000. The City has filed a Statement of Defense and Counterclaim claiming damages in the amount of \$5,000. The City has also filed claims against other parties relating to this action totaling \$6,800. The trial on the issue of liability commenced January 2013 and is still on-going.
- b) During 2010, a claim was filed against the City seeking damages of \$2,000 in relation to development charge disputes. The matter is currently on-going and the next court date is scheduled for July, 2013.
- c) From time to time, the City may be involved in other claims in the normal course of business. Management assesses such claims and where considered likely to be material exposure and, where the amount of the claim is quantifiable, provisions for loss are made based on management's assessment of likely outcome. The City does not provide for claims that are considered unlikely to result in a significant loss, claims for which the outcome is not determinable or claims where the amount of loss cannot be reasonably estimated. Any settlements or awards under such claims are provided when reasonably determinable.

### 20. Commitments and guarantees

- a) The City has guaranteed a non-revolving facility for Guelph Community Sports which is supported by Council resolution authorizing provision of such guarantee in favour of Guelph Community Sports. The balance of the guaranteed facility is \$588 as at August 31, 2012.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

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### 20. Commitments and guarantees (continued)

- b) In February 2013, a settlement was reached regarding an appeal of the City's development charge by-law. The resulting settlement will require the City to refund development charges back to certain developers; the amount of which is not yet finalized. This refund will result in a decrease to deferred contributions in the year it is paid.
- c) The City has a financial commitment approximating \$3,150 resulting from the Ministry of Transportation's initiative to expand GO train service into Guelph; terms of payment have not yet been finalized.
- d) The City has commitments under a variety of leases and agreements of which the longest expires on June 18, 2088. The minimum lease payments over the next five years are as follows:

	\$
2013	467
2014	338
2015	298
2016	290
2017	283
	<hr/> 1,676

- e) The City has commitments totaling \$2,050 (2011 - \$802) resulting from agreements entered into as part of the Heritage Redevelopment Grant Program. Grant expenditures will be recognized upon the applicant meeting all the eligibility criteria.
- f) The City has commitments totaling \$3,821 (2011 - \$3,527) resulting from agreements entered into as part of the Brownfield Tax Increment Based Grant Program. Grant expenditures will be recognized in the year of reassessment by MPAC and when all eligibility criteria have been met by the applicant.
- g) The City has commitments totaling \$1,507 (2011 - nil) resulting from agreements entered into as part of the Major Downtown Activation Grant Program. Grant expenditures will be recognized in the year of reassessment by MPAC and when all eligibility criteria have been met by the applicant.
- h) Other obligations include:

#### MacDonald Stewart Arts Centre

The City has committed to operating grants for 2012 totalling \$179 (2011 - \$174).

#### Other community grants

The City has committed to providing various grants to organizations in the community totalling \$435 (2011 - \$312).

### 21. Local Immigration Partnership

Included in the unconsolidated statement of operations and accumulated surplus are the activities of the Local Immigration Partnership Program (LIPP) which is a federally funded program for the purpose of creating a more welcoming community for immigrants by focusing efforts on employment services, English language training, community integration/inclusion and community services/programs. During 2012, the City of Guelph received \$228 (2011 - \$243) of funding from Citizenship and Immigration Canada related to the operation this program.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

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### 22. Budget figures

Budgets are established to set tax rates or to finance projects which may be carried out over one or more years. Budget figures have been translated to reflect changes in PSAB standards on the unconsolidated statement of operations and accumulated surplus by adjusting for amortization of tangible capital assets, including the consolidated entities and excluding budgeted amounts for the debt principal repayment and reserve transfers. Budget figures have not been audited.

### 23. Segmented information

The City of Guelph is a diversified municipal government institution that provides a wide range of services to its citizens. For management reporting purposes, the City's operations and activities are organized and reported on in two groups: Operating Fund and Capital Fund. These funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Within the operating fund, the City's operations are further defined into the Tax Supported and User Pay/Enterprise categories and then segregated into five service area pillars: Community & Social Services, Operations, Transit and Emergency Services, Planning & Building and Engineering & Environment, Corporate & Human Resources, Finance & Enterprise.

Although City services are provided internally by these defined service areas, for financial reporting, the City has chosen to remain consistent with the Ontario Financial Information Return (FIR) and the nine functional areas that it prescribes. This will allow comparability between our Schedule of Segment Disclosure (Schedules 1 and 2 attached) and several schedules on the FIR that already require full segment disclosure of operating expenditures and limited disclosure of current operating revenues.

The services that have been separately disclosed in the segmented information are defined by the compositional requirements of the FIR as follows:

#### *General Government*

Governance (election management, Council, Council support, Office of the Mayor)

Corporate management (Office of the CAO, finance, corporate communications, legal, corporate properties and real estate and information technology)

#### *Protection services*

Police services, fire services, 911 service, court operations, building and structural inspection, parking enforcement, by-law enforcement and animal control

#### *Transportation services*

Roadways – including asphalt resurfacing and crack sealing, line painting, sweeping, traffic operations and maintenance of roadside areas, culverts and bridges.

Winter control, street lighting, parking and public transit

#### *Environmental services*

Water, Wastewater, storm sewers, and solid waste collection, disposal and recycling

#### *Health services*

Land ambulance operations

#### *Social housing*

Social housing program costs

#### *Social and family services*

General assistance (Ontario Works) and childcare programs, and contributions to Wellington Terrace

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2012

(\$000's)

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### 23. Segmented information (continued)

#### *Recreation and cultural services*

Parks, recreational facilities, recreational programs, libraries, museums, River Run Centre, Sleeman Centre and other cultural services

#### *Planning and development services*

Planning and zoning, Committee of Adjustment, tourism and economic development

### 24. Comparative figures

Certain 2011 comparative figures have been reclassified in order to present them in a form comparable to those for 2012.

# City of Guelph

Unconsolidated schedule of segment disclosure - Schedule 1

year ended December 31, 2012

(Unaudited)

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Social Housing	Recreation & Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>										
Taxation	185,881	-	-	-	-	-	-	-	-	185,881
User charges	252	959	11,888	51,089	32	412	-	6,141	882	71,655
Contributed subdivision assets	20,744	-	-	-	-	-	-	-	-	20,744
Contributions	120	1,712	8,899	7,821	9,594	20,719	2,905	3,329	433	55,532
Other										
Investment income	4,086	-	-	55	-	602	-	-	-	4,743
Donations	-	38	-	-	-	-	-	567	-	605
Sales of equipment, publications	-	1	8	3,429	-	80	-	1,422	15	4,955
Recoveries	470	447	7,908	648	-	108	-	934	153	10,668
Licences and permits	65	2,687	-	59	-	-	-	-	-	2,811
Provincial offences act	-	3,813	-	-	-	-	-	-	-	3,813
Other fines	-	874	-	-	-	-	-	-	-	874
Gain (loss) on disposal of tangible capital assets	169	48	(202)	(59)	9	-	-	677	-	642
Loss from Government Business Enterprises	(1,618)	-	-	-	-	-	-	-	-	(1,618)
	210,169	10,579	28,501	63,042	9,635	21,921	2,905	13,070	1,483	361,305
<b>Expenses</b>										
Salaries, wages and employee benefits	12,579	58,286	26,427	17,541	11,437	770	-	19,239	3,148	149,427
Interest on net debt	1,046	488	252	1,117	5	378	-	675	372	4,333
Materials	1,599	1,949	20,907	10,512	574	164	23	4,381	299	40,408
Purchased services	5,325	2,943	3,609	9,991	423	303	492	2,875	1,280	27,241
Rents and financial expenses	1,983	139	962	3,928	193	73	-	1,340	11	8,629
External transfers	1,592	1,325	-	1,472	3,066	28,767	16,665	900	1,180	54,967
Internal charges	(5,435)	848	(5,620)	6,272	1,287	537	-	1,993	118	-
Amortization of tangible capital assets	3,351	2,999	11,546	15,138	451	356	20	5,249	453	39,563
	22,040	68,977	58,083	65,971	17,436	31,348	17,200	36,652	6,861	324,568
<b>Excess of revenues over expenses</b>										
(expenses over revenues)	188,129	(58,398)	(29,582)	(2,929)	(7,801)	(9,427)	(14,295)	(23,582)	(5,378)	36,737

# City of Guelph

Unconsolidated schedule of segment disclosure - Schedule 2  
year ended December 31, 2011

(Unaudited)

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Social Housing	Recreation & Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>										
Taxation	176,262	-	-	-	-	-	-	-	-	176,262
User charges	295	845	12,140	46,465	1	203	-	6,008	786	66,743
Contributed subdivision assets	9,901	-	-	-	-	-	-	-	-	9,901
Contributions	(95)	3,080	21,436	15,134	8,905	20,484	3,001	7,559	159	79,663
Other										
Investment income	2,502	-	-	47	-	999	-	-	-	3,548
Donations	-	23	23	-	-	-	-	535	5	586
Sales of equipment, publications	-	14	8	3,879	-	86	-	1,210	13	5,210
Recoveries	103	248	4,443	469	9	98	-	1,049	200	6,619
Licences and permits	265	2,400	-	77	-	-	-	-	-	2,742
Provincial offences act	-	3,652	-	-	-	-	-	-	-	3,652
Other fines	-	-	745	-	-	-	-	-	-	745
Gain (loss) on disposal of tangible capital assets	372	52	(519)	(6)	(29)	-	-	-	5,983	5,853
Income from Government Business Enterprises	617	-	-	-	-	-	-	-	-	617
	190,222	10,314	38,276	66,065	8,886	21,870	3,001	16,361	7,146	362,141
<b>Expenses</b>										
Salaries, wages and employee benefits	10,819	55,667	25,236	17,147	10,524	657	-	17,769	3,285	141,104
Interest on net debt	1,082	512	292	542	5	830	-	660	427	4,350
Materials	1,512	1,878	13,900	11,763	545	189	38	4,356	122	34,303
Purchased services	4,871	2,595	3,098	7,775	394	121	502	2,637	667	22,660
Rents and financial expenses	2,970	194	1,109	4,094	203	100	-	1,041	8	9,719
External transfers	2,024	1,246	-	1,482	2,591	26,895	16,730	586	605	52,159
Internal charges	(6,979)	1,273	(2,837)	5,089	1,334	42	1	1,934	143	-
Amortization of tangible capital assets	2,736	1,506	11,316	15,310	352	111	20	4,260	53	35,664
	19,035	64,871	52,114	63,202	15,948	28,945	17,291	33,243	5,310	299,959
<b>Excess of revenues over expenses (expenses over revenues)</b>	171,187	(54,557)	(13,838)	2,863	(7,062)	(7,075)	(14,290)	(16,882)	1,836	62,182

# City of Guelph

## Unconsolidated schedule of net debt - Schedule 3

December 31, 2012

('000's)

Bylaw	Project description	Term	Maturity date	Interest rates	2012	2011
					\$	\$
<b>Debentures:</b>						
17536	On behalf of the Elliott	10	15-Sep-14	2.75% to 5.20%	593	868
18105	New City Hall	25	28-Aug-31	5.237%	16,815	17,323
18105	New POA Court	25	28-Aug-31	5.237%	4,743	4,886
18622	Social Services Building Renovation	10	25-Sep-18	3.25% to 4.70%	1,753	2,004
18622	Police HQ Renovations	10	25-Sep-18	3.25% to 4.70%	814	931
18622	Road Projects - Gordon, Victoria, Cardigan, Clair	10	25-Sep-18	3.25% to 4.70%	3,443	3,937
18622	Bus Storage Area Expansion	10	25-Sep-18	3.25% to 4.70%	118	135
18622	Organic Waste Facility - Roof Repairs	10	25-Sep-18	3.25% to 4.70%	322	368
18898	Road Projects - Gordon, Victoria, Eramosa	10	25-Nov-19	.095 % to 4.60%	554	624
18898	South End Station	10	25-Nov-19	.095 % to 4.60%	4,851	5,467
18898	New City Hall	10	25-Nov-19	.095 % to 4.60%	1,674	1,887
18898	Land Purchase - Library	10	25-Nov-19	.095 % to 4.60%	619	697
18898	Public Drop Off Facility	10	25-Nov-19	.095 % to 4.60%	157	177
18898	Transit Terminal Road Upgrades	10	25-Nov-19	.095 % to 4.60%	1,358	1,531
18898	Watermain Projects - Laird, Arkell, Scout Camp	10	25-Nov-19	.095 % to 4.60%	4,631	5,219
18898	Waste Water Treatment Plant Facility Upgrade	10	25-Nov-19	.095 % to 4.60%	4,256	4,797
19294	Organic Waste Facility Composter Rebuild	10	9-Nov-21	1.25% to 3.70%	25,424	28,000
19294	Civic Museum Renovations	10	9-Nov-21	1.25% to 3.70%	5,176	5,700
19294	On behalf of the Elliott	10	9-Nov-21	1.25% to 3.70%	11,850	13,050
					89,151	97,601
<b>Other loans:</b>						
	Mortgage RBC - Sleeman Centre	10	01-May-17	3.04% (2011: 4.96%)	3,483	4,204
	CIBC Loan - Sleeman Centre - SWAP	18.8	01-Sep-25	6.38%	5,524	5,797
	RBC Interest only loan	Demand	31-Dec-12	3.70%	-	10,000
	TD Interest only loan	5	31-Dec-17	2.105%	10,000	-
<b>Net Debt before the school boards</b>					<b>108,158</b>	<b>117,602</b>
15648	Public School Board	15	18-Dec-12	4.50% to 6.20%	-	451
15648	Separate School Board	15	18-Dec-12	4.50% to 6.20%	-	229
	Less: Receivable from School Boards				-	(680)
<b>Recoverable from School Boards</b>					<b>-</b>	<b>-</b>
<b>Total Net Debt</b>					<b>108,158</b>	<b>117,602</b>

# City of Guelph

## Consolidated schedule of reserves and reserve funds - Schedule 4 December 31, 2012

('000's)

Code	Description	2012	2011
		\$	\$
<b>Reserves:</b>			
For Employee Future Benefits:			
100	Sick Leave - Fire	3,593	3,531
101	Sick Leave - Police	3,558	3,297
102	Sick Leave - Library	328	894
103	Sick Leave - CUPE 241	222	2,724
330	WSIB	2,246	2,203
338	Land Ambulance Severance	440	345
212	Early Retiree Benefits	1,184	1,600
		11,571	14,594
For Stabilization and Contingency:			
131	Employee Benefit Stabilization	3,102	2,132
180	Tax Rate Stabilization	1,894	1,894
181	Water Rate Stabilization	2,114	2,114
182	Waste Water Rate Stabilization	2,342	2,242
198	Operating Contingency	902	902
191	Human Resource Contingency	1,041	1,238
		11,395	10,522
For Program Related:			
184	Insurance	1,593	1,328
119	Affordable Housing	637	653
122	Brownfield Strategy	205	512
206	Building Operating Maintenance	62	81
192	Heritage Redevelopment	950	908
193	Ontario Municipal Board	3,040	4,054
194	Downtown Improvements	207	360
195	Election Costs	441	314
196	Joint Job Evaluation Committee	329	330
345	Westminster Woods	35	35
208	Social Housing	200	300
197	Human Resource Negotiations	375	89
210	Information Technology Licences	320	210
211	POA Contingency	26	-
205	Community Investment Strategy	50	50
179	Strategic Priorities	2,413	1,100
		10,883	10,324
<b>Total Reserves</b>		<b>33,849</b>	<b>35,440</b>

# City of Guelph

## Consolidated schedule of reserves and reserve funds - Schedule 4

December 31, 2012

('000's)

Code	Description	2012	2011
		\$	\$
<b>Reserve Funds:</b>			
111	Fire	1,503	356
113	Transit	118	219
115	Police	114	268
116	Waste Management	2,013	1,335
118	Computers	558	459
121	Play Equipment	295	345
124	Operations Fleet	2,161	3,215
120	POA Relocation	790	179
135	Museum Development	252	58
136	McCrae House Development	142	137
137	Moon-McKeigan	14	13
138	Library Bequests	196	174
150	Capital Taxation	1,644	2,520
151	Capital Parking	1,300	1,961
152	Capital Waterworks	28,768	22,469
153	Capital Wastewater	33,787	26,095
154	Capital Strategic Plan	15	-
155	Capital Landfill Compensation	126	134
156	Capital DC Exemption	2,009	3,158
157	Capital Library	849	828
158	Capital Police	2,916	2,556
159	Accessibility	514	505
160	Road Infrastructure	3,440	2,993
161	Public Transit Improvements	21	594
162	Capital Sleeman Centre	3	9
164	Capital Roads	972	1,396
165	Capital Stormwater	237	181
166	Capital Park Planning	75	84
167	Capital Policy Planning	245	60
168	Capital Economic Development	22	71
169	Capital Operations	445	551
170	Capital Recreation	-	103
171	Capital Culture	171	124
172	Capital Transit	1,496	555
173	Capital Fire	132	281
175	Capital Corporate Property	25	14
176	Capital Info Services	74	153
177	Capital Museum	-	41
178	Tree Donation	-	-
186	Capital Waste Management	695	493
189	Capital GSEC	42	31
190	Building Life Cycle	876	654
199	City Infrastructure Fund	-	2,494
200	Investing Ontario Act	1,123	2,154
201	ISF - City Share Water	-	958
202	ISF - City Share Waste Water	-	1,143
	Carried forward to next page	90,178	82,121

# City of Guelph

## Consolidated schedule of reserves and reserve funds - Schedule 4

December 31, 2012

('000's)

Code	Description	2012	2011
		\$	\$
	Carried forward from previous page	90,178	82,121
203	RINC City Share	-	6
331	Road Widening	973	954
332	Industrial Land	1,757	4,254
340	Capital River Run	113	195
341	Locomotive 6167	1	1
350	Transportation Demand Management	21	21
351	Capital Renewal	14,359	14,093
352	Greenhouse Gas	687	527
353	Waterworks DC Exempt	2,469	1,698
354	Wastewater DC Exempt	2,491	1,543
355	Greening	57	81
356	Public Art	207	203
357	Brownfield Capital	347	-
<b>Total Reserve Funds</b>		<b>113,660</b>	<b>105,697</b>
<b>Total Reserves and Reserve Funds</b>		<b>147,509</b>	<b>141,137</b>

# City of Guelph

## Guelph Public Library Board - Schedule 5

### Statement of Revenue and Expense

December 31, 2012

('000's)

	2012 Budget	2012 Actual	2011 Actual
<b>OPERATING FUND</b>			
Revenue			
Grant - Province of Ontario	\$ 168	\$ 168	\$ 126
Donations	58	90	6
Fees and service charges	310	307	389
Sundry revenue	7	7	53
	<u>543</u>	<u>572</u>	<u>574</u>
Expenses			
Administrative and office	1	10	7
Operating supplies	262	236	500
Repairs and maintenance	392	510	429
Interest on long-term debt	-	26	27
Consulting and professional fees	35	34	64
Communications	172	163	163
Amortization	-	730	280
Training	16	12	14
Salaries and benefits	5,433	5,996	5,278
Rental and leases	819	771	747
Furniture and equipment	23	24	41
Utilities and taxes	157	116	120
	<u>7,310</u>	<u>8,628</u>	<u>7,670</u>
Net operating deficit	<u>(6,767)</u>	<u>(8,056)</u>	<u>(7,096)</u>
<b>CAPITAL FUND</b>			
Developer contribution revenues	-	1	52
Less: Tangible capital asset acquisitions	(1,094)	(1,136)	(963)
Net capital deficit	<u>(1,094)</u>	<u>(1,135)</u>	<u>(911)</u>
Total combined net deficit	<u>(7,861)</u>	<u>(9,191)</u>	<u>(8,007)</u>
Less: net contributions (to)/from reserves	60	116	139
Less: debt principal repayments	(79)	(79)	(77)
	<u>(7,880)</u>	<u>(9,154)</u>	<u>(7,945)</u>
City of Guelph share of net deficit	7,880	9,154	7,945
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# City of Guelph

## Guelph Police Services Board - Schedule 6

### Statement of Revenue and Expense

December 31, 2012

('000's)

	2012 Budget	2012 Actual	2011 Actual
<b>OPERATING FUND</b>			
Revenue			
Grant - Province of Ontario	\$ 1,190	\$ 1,351	\$ 1,170
Gain on sale of tangible capital assets	85	65	61
Other fees and recoveries	786	1,253	1,024
	<u>2,061</u>	<u>2,669</u>	<u>2,255</u>
Expenses			
Amortization	-	1,091	806
Personnel supplies	145	175	154
Professional consulting	935	963	775
Fleet	598	545	537
Repairs and maintenance	302	275	196
Corporate training and development	429	346	305
Rental and lease	115	85	136
Communication	216	203	183
Utilities, taxes and insurance	375	358	343
Banking and other fees	5	6	4
Equipment and furniture	114	128	67
Operating, admin and office supplies	265	232	260
Interest on long-term debt	-	132	142
Salaries and benefits	31,746	31,195	30,857
	<u>35,245</u>	<u>35,734</u>	<u>34,765</u>
Net operating deficit	<u>(33,184)</u>	<u>(33,065)</u>	<u>(32,510)</u>
<b>CAPITAL FUND</b>			
Revenue			
Developer contributions	-	-	448
Province of Ontario grants	-	(6)	173
Other revenues		13	13
	<u>-</u>	<u>7</u>	<u>634</u>
Expenses			
Tangible capital asset acquisitions	12,529	1,203	1,800
Net capital deficit	<u>(12,529)</u>	<u>(1,196)</u>	<u>(1,166)</u>
Total combined net deficit	(45,713)	(34,261)	(33,676)
Add: net contributions from reserves	1,218	570	1,217
Less: debt principal repayments	11,168	(399)	(406)
	<u>(33,327)</u>	<u>(34,090)</u>	<u>(32,865)</u>
City of Guelph share of net deficit	<u>(33,327)</u>	<u>(34,090)</u>	<u>(32,865)</u>
Fund balance, end of year	\$ -	\$ -	\$ -