

# COMMITTEE AGENDA

TO **Audit Committee**

DATE June 11, 2012

LOCATION Council Chambers

TIME 6:30 p.m.

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## DISCLOSURE OF PECUNIARY INTEREST AND GENERAL NATURE THEREOF

### CONFIRMATION OF MINUTES – May 14, 2012

### PRESENTATIONS (Items with no accompanying report)

a)

### 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-7 2011 Draft Audited Consolidated Financial Statements and External Post-Audit Report	<ul style="list-style-type: none"><li>Evan McDade, Partner, Deloitte &amp; Touche</li></ul>	<ul style="list-style-type: none"><li>Trevor Lee, CEO, The Elliott</li></ul>	✓
AUD-8 2011 Unconsolidated Financial Statement Review	<ul style="list-style-type: none"><li>Tara Johnston, Senior Corporate Analyst, Financial Reporting</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. **Letter of Recommendation – 2011 Audit Results**  
S. 239 (2) (a) Security of the Property of the Municipality
2. **2011 Unconsolidated Financial Statements and City Financial Highlights**  
S. 239 (2) (a) Security of the Property of the Municipality
3. **Consultation with External Auditor**  
S. 239 (2) (a) Security of the Property of the Municipality

## **ADJOURNMENT**

**NEXT MEETING – To Be Determined**

**The Corporation of the City of Guelph  
Audit Committee  
Monday, May 14, 2012, 4:00 p.m.**

A meeting of the Audit Committee was held on Monday, May 14, 2012 in the Council Chambers at 4:00 p.m.

Present: Councillors Furfaro, Guthrie, Kovach (arrived at 4:06 p.m.), Wettstein and Mayor Farbridge

Also Present: Councillors Bell and Hofland

Staff Present: Ms. S. Aram, Acting City Treasurer; Ms. T. Johnston, Senior Financial Analyst, Financial Reporting; Mr. B. Labelle, City Clerk; and Ms. D. Black, Council Committee Co-ordinator

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

There was no disclosure of pecuniary interest.

1. Moved by Councillor Furfaro  
Seconded by Mayor Farbridge

THAT the minutes of the Audit Committee meeting held on April 11, 2012 be confirmed as recorded and without being read.

VOTING IN FAVOUR: Councillors Guthrie, Furfaro, Wettstein and Mayor Farbridge (4)

VOTING AGAINST: (0)

Carried

**Consent Agenda**

The following items were extracted from the Consent Agenda to be dealt with separately:

AUD-2012 A.5	Audit Committee Mandate and Charter Review
AUD-2012 A.6	2012 Audit Committee Workplan & Schedule

**Audit Committee Mandate and Charter Review**

Staff clarified that the Charter will be determined once the Internal Auditor has been hired.

2. Moved by Councillor Wettstein  
Seconded by Mayor Farbridge

THAT report FIN 12-19 "Audit Committee Mandate and Charter Review" be approved.

Ms. S. Aram

Distribution	Minutes
<p>May 14, 2012</p> <p>Ms. S. Aram</p>	<div data-bbox="492 170 1450 205"> <p><i>Audit Committee</i> <span style="float: right;"><i>Page 2</i></span></p> </div> <div data-bbox="492 239 1450 308"> <p>VOTING IN FAVOUR: Councillors Guthrie, Furfaro, Wettstein and Mayor Farbridge (4)</p> </div> <div data-bbox="492 344 833 380"> <p>VOTING AGAINST: (0)</p> </div> <div data-bbox="1260 422 1365 453"> <p style="text-align: right;">Carried</p> </div> <div data-bbox="492 489 1230 525"> <p><b>2012 Audit Committee Work Plan &amp; Schedule</b></p> </div> <div data-bbox="492 560 1273 596"> <p><i>Councillor Kovach arrived at the meeting (4:06 p.m.)</i></p> </div> <div data-bbox="492 632 1520 810"> <p>Staff clarified the role of the Audit Committee regarding the review of management and program performance, management reporting systems and progress results of the Internal Auditor work plan. It was noted that further clarification will be provided when the Internal Auditor is hired and has had an opportunity to assess the work plan.</p> </div> <div data-bbox="492 846 1401 984"> <p>3. Moved by Councillor Wettstein  Seconded by Councillor Kovach  THAT report FIN 12-06 "2012 Audit Committee Work Plan and Schedule" be approved.</p> </div> <div data-bbox="492 1022 1520 1092"> <p>VOTING IN FAVOUR: Councillors Guthrie, Furfaro, Kovach, Wettstein and Mayor Farbridge (5)</p> </div> <div data-bbox="492 1127 828 1163"> <p>VOTING AGAINST: (0)</p> </div> <div data-bbox="1260 1205 1365 1236"> <p style="text-align: right;">Carried</p> </div> <div data-bbox="492 1272 703 1308"> <p><b>Adjournment</b></p> </div> <div data-bbox="492 1344 1471 1451"> <p>4. Moved by Councillor Wettstein  Seconded by Mayor Farbridge  THAT the Audit Committee meeting of May 14, 2012 be adjourned.</p> </div> <div data-bbox="1260 1493 1365 1524"> <p style="text-align: right;">Carried</p> </div> <div data-bbox="492 1560 1019 1596"> <p>The meeting adjourned at 4:09 p.m.</p> </div> <div data-bbox="870 1791 1198 1843"> <p style="text-align: right;">.....  Chairperson</p> </div>

**AUDIT COMMITTEE  
CONSENT AGENDA**

**June 11, 2012**

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>
AUD-2012 A.8) <b>2011 DRAFT AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND EXTERNAL POST-AUDIT REPORT</b>  THAT the report FIN 12-28 dated June 11, 2012 entitled "2011 Draft Audited Consolidated Financial Statements and External Post-Audit Report" be received;  AND THAT the 2011 Draft Audited Consolidated Financial Statements be approved.	Approve
AUD-2012 A.7) <b>2011 UNCONSOLIDATED FINANCIAL STATEMENT REVIEW</b>  THAT the report FIN 12-27 dated June 11, 2012 entitled "2011 Unconsolidated Financial Statement Review " be received.	Receive

attach.

City of Guelph  
Year-end communication  
for the year ending December 31, 2011



**June 11, 2012**

# 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, 2011.

### Materiality

Materiality is the magnitude of misstatements, including omissions, in the 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 financial statements as a whole are free from material misstatement.

Materiality levels are determined on the basis of consolidated results of operations. Our materiality for the year ending December 31, 2011 was \$6,000,000 (2010 – \$5,800,000).

### Audit risks

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

- Accounts payable and accrued liabilities
- Actuarially determined liabilities
- Contingencies
- Council and senior management expenses
- Estimates
- Infrastructure stimulus fund

# Audit scope and findings (continued)

## Audit scope matters

### Audit risks (continued)

- Payroll
- Procurement process
- Reserves and reserve funds
- Revenue/deferred revenue
- Taxation revenue
- Tangible capital asset disposals

We have summarized the results of our audit procedures for each of these risk areas later on in the presentation.

### Group audit

We are auditors of all entities within the group with the exception of Guelph Hydro and The Elliott, where the audit work is completed 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.

### Use of the work of experts

As planned, Deloitte and external experts assisted in the audit to the extent we considered necessary:

#### IT specialists

Participated in evaluating internal controls and in using our computerized audit applications.

#### Commodity Tax experts

Helped assess the adequacy of the City's accounting for commodity taxes and related balance sheet accounts.

#### Actuarial experts

Helped assess the adequacy of the employee future benefit liability.

# Audit scope and findings (continued)

<b>Audit scope matters</b>	
<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 25, 2012 on the financial statements of the City of Guelph following approval of the 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 signed management representations letter</li> <li>• Receipt of actuarial confirmation</li> <li>• Receipt of legal update to audit report date</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.

# Audit scope and findings (continued)

<b>Audit scope matters</b>	
<b>Significant accounting policies</b>	<p>Alternative treatments for accounting policies and practices have been discussed with management during the current audit period.</p> <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, 2011 financial statements.</p>
<b>Management judgment and accounting estimates</b>	Significant accounting estimates are disclosed in Note 1 to the financial statements.
<b>Audit adjustments and uncorrected misstatements</b>	<p>In accordance with Canadian GAAS, we request that all misstatements be corrected.</p> <p>Audit adjustments and uncorrected misstatements are summarized in appendices attached to the management representation letter.</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, 2011 financial statements.

# Audit scope and findings (continued)

## Audit scope matters

### **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**

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.

We intend to issue an unmodified audit report on the financial statements of the City of Guelph for the year ended December 31, 2011 once the outstanding items referred to above are satisfactorily completed and the financial statements are approved by Council.

A draft version of our Auditor's report is included in Appendix 1.

# Audit scope and findings (continued)

## Other matters

### **Independence**

We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.

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, 2011 in Appendix 2.

### **Quality control**

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.

A detailed description of our Quality Control process is included in the appendices to our independence confirmation.

### **Communications**

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 and conclusions

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>• No material misstatements noted. Accounts payable and accrued liabilities are reasonable as at December 31, 2011.</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>• No material misstatements noted. Actuarially determined liabilities are reasonable as at December 31, 2011.</li> </ul>
<b>Contingencies</b>	<ul style="list-style-type: none"> <li>• We were in contact with the Municipality'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>• No material misstatements noted. Disclosure is complete and accurate.</li> </ul>
<b>Council and senior management expenses</b>	<ul style="list-style-type: none"> <li>• Reviewed a sample of expense reports 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>

# Audit risks and conclusions (continued)

Areas of risk	Our audit response	Our conclusion
<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, 2011.</li> </ul>
<b>Infrastructure stimulus fund</b>	<ul style="list-style-type: none"> <li>• Tested deferred revenue schedule to determine if monies received should be reported as revenue or deferred revenue.</li> <li>• Substantive testing performed on capital expenditures.</li> <li>• Perform compliance testing on procurement policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Funding spent on projects under ISF is in line with City of Guelph's procurement policy.</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>• No material misstatements noted. Payroll expense is reasonable for the year ending December 31, 2011.</li> </ul>
<b>Procurement process</b>	<ul style="list-style-type: none"> <li>• Performed compliance testing on procurement policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Expenses subject to testing for the 2011 fiscal year were reasonable and in line with the City's procurement policy.</li> </ul>

# Audit risks and conclusions (continued)

Areas of risk	Our audit response	Our conclusion
<b>Reserves and reserve funds</b>	<ul style="list-style-type: none"> <li>Reviewed approval of transfers to and from reserves and reserve funds.</li> </ul>	<ul style="list-style-type: none"> <li>No material misstatements noted. Reserve and Reserve Funds balance are reasonable as at December 31, 2011.</li> </ul>
<b>Revenue/deferred revenue</b>	<ul style="list-style-type: none"> <li>Reviewed the recording of grants, charges, contributions and other monies received.</li> </ul>	<ul style="list-style-type: none"> <li>No material misstatements noted.</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>No material misstatements noted. Taxation revenue is reasonable for the year ending December 31, 2011.</li> </ul>
<b>Tangible capital asset disposals</b>	<ul style="list-style-type: none"> <li>Reviewed new Finance policies and procedures related to disposals.</li> <li>Reviewed disposal schedule prepared by management for reasonability.</li> </ul>	<ul style="list-style-type: none"> <li>Reporting on tangible capital asset disposals has improved at the City for the year ending December 31, 2011. The Finance department has instituted a new procedure to enhance communication amongst City departments.</li> </ul>

# Communication requirements

Required communication	Comments
1. Our responsibilities under GAAS.	See our audit plan which was communicated on November 14, 2011.
2. Our audit strategy and scope, including 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, 2011.
3. Management judgment and accounting estimates.	No issues noted – 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 2011 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 noted
8. Our views about significant qualitative aspects of the 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.

# Communication requirements (continued)

Required communication	Comments
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, 2011 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 October 31, 2011.
15. All relationships between the 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.	To be discussed during in-camera session.

# Communication requirements (continued)

Required communication	Comments
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.

# COMMITTEE REPORT



TO **Audit Committee**

SERVICE AREA Finance and Enterprise  
DATE June 11, 2012

**SUBJECT 2011 Draft Audited Consolidated Financial Statements  
and External Post-Audit Report**

REPORT NUMBER FIN-12-28

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## SUMMARY

### Purpose of Report:

The purpose of this report is to:

- a) To present and review the 2011 Draft Audited Consolidated Financial Statements
- b) To review the City's consolidated entity's audited financial statements
- c) To review the City's external audit results as reported in Deloitte's 2011 Post-Audit Report

### Committee Action:

**THAT** the Report FIN-12-28 dated June 11, 2012 entitled "2011 Draft Audited Consolidated Financial Statements and External Post-Audit Report" be received; and

**THAT** the 2011 Draft Audited Consolidated Financial Statements be approved;

## RECOMMENDATION

**THAT** the Report FIN-12-28 dated June 11, 2012 entitled "2011 Draft Audited Consolidated Financial Statements and External Post-Audit Report" be received; and

**THAT** the 2011 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. Historically, the financial statement review was performed at Audit Committee on these Consolidated Financial Statements.

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During the presentation of the 2010 Audited Financial Statements in June 2011, Audit Committee members requested through resolution that starting for the 2011 financial year, the unconsolidated financial statements be presented in addition to the consolidated financial statements as it would provide more transparent and relevant information for Council members.

The unconsolidated statements exclude the operations of the The Elliot, The Guelph Downtown BIA and 46.2% of the Wellington-Dufferin-Guelph Public Health Unit.

Given this direction, staff have prepared three reports for the current year:

- 1) FIN-12-27 – Review of the City 2011 unconsolidated financial statements and financial position
- 2) FIN-12-28 – 2011 Audited Consolidated Financial Statements and External Post Audit Report
- 3) FIN-12-29 – Closed Meeting Report – Deloitte Letter of Recommendation – 2011 Audit Results

The first report on the unconsolidated financial statements provides a year end summary of only the City of Guelph operations.

The second and third reports for the audited consolidated financial statements are focused on the external audit results and financial items affecting the consolidated reporting entity.

The review and approval of the audited 2011 Consolidated Financial Statements and the review of Deloitte's Post-Audit Report satisfies the following Audit Committee responsibilities as found in the 2012 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
- 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

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- 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** to this report for references to the Draft Consolidated Financial Statements.

Overview of the 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 (including Guelph Public Library Board and Guelph Police Services Board), the following entities are also included:

- a) The Elliot – fully consolidated
- b) The Downtown Guelph Business Association ("The BIA") - fully consolidated
- c) Wellington-Dufferin-Guelph Public Health Unit ("The Health Unit")– 46.2% - proportionate consolidation
- d) Guelph Municipal Holdings Inc. ("GMHI")(which wholly owns Guelph Hydro Inc.) – modified equity basis
- e) 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 (46.2%) of the Health Unit's operations have been combined into the City's statements and all inter-organization transactions were 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 income statement. There are no inter-organizational eliminations.

Review of the Consolidated Entities' Financial Statements – In the preparation of the Consolidated Financial Statements, staff has reviewed in detail 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 (with the exception of GJR and GMHI as the City already has a formal process of presenting their financial results directly to Council).

- a) The Elliot - The Elliot is required to be consolidated into the City of Guelph financial statements due to their financial reliance on the City. The Elliot's financial statements are audited by KPMG LLP and have a year end date of

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March 31 (rather than the City's reporting date of December 31). The financial statements of this entity are included in **Appendix C**.

- The City issued debentures in 2001 and 2004 on behalf of the Elliot and currently have an outstanding balance of \$13.9M as at December 31, 2011. The City refinanced the 2001 debenture that matured this year through the debt issuance in late 2011. Additionally, the City guarantees other debt that the Elliot has with a financial institution totaling \$1.2M as at December 31, 2011.
  - During 2011, the Elliot also entered into a capital lease to finance the purchase of phone equipment totaling \$162k of which \$134k is showing as an obligation as at December 31, 2011.
  - In addition to these obligations, the Elliot also has a bankers acceptance interest rate swap type loan with an outstanding balance of \$2.57M.
  - The Elliot had a net deficit of \$1.2M (2010 – deficit of \$971k) that is shown on the City's Consolidated Statement of Operations and Accumulated Surplus
  - Upon review of the Elliot's external audit findings report as included in **Appendix D**, it was noted that KPMG identified Going Concern as a potential risk that they are monitoring annually due to the net liability position and the increased deficit year over year. This risk has not been considered significant enough to include in the notes to the financial statements at this time.
- b) The Health Unit - The Health Unit is audited by Deloitte and Touche and the City consolidates its 46.2% proportionate share of this entity. Please refer to Note 18 of the financial statements for a summary of this entity's financial statements. The complete financial statements of this entity are included in **Appendix E**. Highlights from these statements include:
- The Health Unit has reported a net surplus of \$1.5M in 2011 (2010 - \$1.4M)
  - During 2011, the Health Unit has spent \$2.27M on capital spending which is an increase over 2010 by \$1.2M
- c) The BIA – 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. The financial statements of this entity are included in **Appendix F**. Highlights from these statements include:
- The BIA has reported a net deficit of \$3,594 in 2011 (2010 – net deficit of \$7,835)
  - Reported revenues and expenditures were significantly higher than in 2010 due to the Carden Street promotion program that was managed through the BIA in 2011 on behalf of the City. Additionally there were grants, partner contributions and special events income reported in 2011 that were new over 2010 totaling \$111,826. This additional income was offset by increased wages, advertising and special event expenses.

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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 agreement. For this reason, their financial statements have not been included in the attached appendices although a summary of each of these entity's financial results can be found in Notes 6 and 7 to the consolidated financial statements. GJR's financial statements are audited by Deloitte and Touche and Guelph Hydro Inc. (100% owned by GMHI) is audited by KPMG LLP. Highlights relating to these two entities include:

- Adoption of International Financial Reporting Standards ("IFRS") by Government Business Enterprises (GBE's) – During 2011, the City's GBE's (GJR and GMHI) were required to adopt IFRS standards for the first time. This change in standards was a significant undertaking and required external consultation by both entities in order to become compliant. For GJR, the financial statement impact was minimal and focused more on note disclosure and presentation. For GMHI, this change was quite significant and required a full restatement of the previous year's results. The impact of this restatement was an increase to the 2010 Investment in GMHI of \$11.1M, an increase to 2010 net surplus of \$2M, and an increase in opening accumulated surplus of \$9.1M. More details can be found in Note 3 and Note 7 to the financial statements.
- Incorporation of GMHI – During 2011, the City incorporated a new company called Guelph Municipal Holdings Inc., of which the City owns 100% of its shares. As of December 31, 2011, the City rolled its shares of Guelph Hydro Inc. into GMHI at a value of \$66,753 which approximates fair value.

Other Financial Statement Highlights – Please refer to Report FIN-12-27 for a detailed analysis of the City of Guelph unconsolidated financial position for 2011. The following comments are focused on the consolidated financial position of the City for 2011 and any significant changes from 2010.

- a) Adoption of PSAB Section 3510 – Tax Revenue – The City adopted section 3510 during 2011 as described in Note 2 to the financial statements. This adoption resulted in a reclassification of tax appeal and rebate costs to be shown net of tax revenue rather than as an expenditure. Also, further note disclosure of taxation revenue by major class has been added in Note 4 of the financial statements.
- b) Subsequent event – Subsequent to year end, the City settled an outstanding dispute with the County of Wellington and this has been disclosed in Note 22 to the financial statements.

External Auditor Report – Please refer to **Appendix B** for the external audit results as prepared by Deloitte and Touche. 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-12-29 as they covered by the Municipal Act Section 239(a) – "Protection of City Property".

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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, these items are required to be completed as at the audit report date, which is the date Council approves the statements (expected to be June 25, 2012). These outstanding items include obtaining external legal confirmation 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 that have yet to be approved by Council. If Council does not approve these transfers as recommended in reports FIN-12-25, FIN-12-26 and FIN-12-32, the City of Guelph consolidated financial statements will change from the current presentation.

## **CORPORATE STRATEGIC PLAN**

5.3 Open, accountable and transparent conduct of municipal business

## **FINANCIAL IMPLICATIONS**

An unqualified opinion on the City's Consolidated Financial Statements will assist the City in obtaining a fair credit rating, are used to support grant funding from certain organizations and are used in making financial decisions.

## **DEPARTMENTAL CONSULTATION**

Many of the City's departments were consulted and asked to provide support for certain transactions throughout the financial statement audit. Most notably Human Resources and Information Technology were heavily involved in certain audit procedures performed by Deloitte.

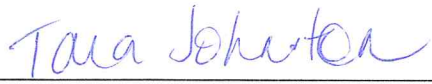
## **COMMUNICATIONS**

A copy of the 2011 Audited Consolidated Financial Statements along with the annual "Making A Difference" report will be available on the City's web site after approval by Council.

## **ATTACHMENTS**

Appendix A: 2011 Draft City of Guelph Consolidated Financial Statements  
Appendix B: 2011 External Audit Findings Report  
Appendix C: The Elliot 2011 Audited Financial Statements  
Appendix D: The Elliot 2011 Audit Findings Report  
Appendix E: Wellington-Dufferin-Guelph Public Health Unit 2011 Audited Financial Statements  
Appendix F: The Downtown Guelph Business Association 2011 Audited Financial Statements

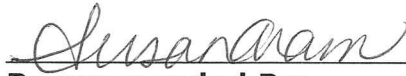
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Consolidated financial statements of

**City of Guelph**

December 31, 2011

# City of Guelph

December 31, 2011

## Table of contents

Independent Auditor's Report .....	1-2
Consolidated statement of financial position .....	3
Consolidated statement of operations and accumulated surplus .....	4
Consolidated statement of changes in net financial assets .....	5
Consolidated statement of cash flows .....	6
Notes to the consolidated financial statements .....	7-28
Schedule 1 - Consolidated schedule of segment disclosure - 2011 .....	29
Schedule 2 - Consolidated schedule of segment disclosure - 2010 .....	30
Schedule 3 - Consolidated schedule of net debt .....	31
Schedule 4 - Consolidated schedule of reserves and reserve funds .....	32-34
Schedule 5 - Guelph Public Library Board – Statement of Revenue and Expense .....	35
Schedule 6 - Guelph Police Services Board – Statement of Revenue and Expense .....	36

## 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 City of Guelph, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations and accumulated surplus, changes in net financial 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 City of Guelph as at December 31, 2011 and the results of its operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants  
Licensed Public Accountants  
DATE

DRAFT

# City of Guelph

Consolidated statement of financial position  
as at December 31, 2011  
('000's)

**DRAFT**

	2011	2010
	\$	\$
<b>Financial assets</b>		
Cash	33,096	43,727
Investments (Note 5)	115,234	73,135
Taxes receivable	7,940	7,481
Accounts receivable	34,505	39,941
Developer agreement receivables	88	1,004
Loans and notes receivable	1,315	1,312
Investment in Guelph Junction Railway Company (Note 6)	5,950	5,722
Investment in Guelph Municipal Holdings Inc. (Note 7)	78,260	77,871
	<b>276,388</b>	<b>250,193</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	41,543	43,507
Accrued interest payable	794	777
Vacation and other employee benefits payable	5,575	5,421
Other deferred revenue	11,069	10,336
Deferred contributions (Note 8)	24,500	23,294
Employee future benefits (Note 10)	27,546	25,856
Net debt (Note 11)	121,355	97,279
Obligation under capital lease (Note 12)	134	-
Landfill post-closure liability (Note 13)	5,700	6,000
	<b>238,216</b>	<b>212,470</b>
<b>Net financial assets</b>	<b>38,172</b>	<b>37,723</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 14)	937,545	873,419
Inventory	2,162	2,452
Prepaid expenses	565	481
	<b>940,272</b>	<b>876,352</b>
Contingencies (Note 20)		
Commitments and guarantees (Note 21)		
Subsequent event (Note 22)		
<b>Accumulated surplus (Note 15)</b>	<b>978,444</b>	<b>914,075</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, 2011  
('000's)

**DRAFT**

	2011 Budget (Note 24)	2011 Actual	2010 Actual
	\$	\$	\$
<b>Revenues</b>			
Taxation			
Property taxation (Note 4)	175,980	174,286	168,388
Property taxation - Downtown Guelph Business Association	412	412	412
Penalties and interest on taxes	1,428	1,590	1,480
	<b>177,820</b>	<b>176,288</b>	<b>170,280</b>
User charges	71,438	74,339	68,364
Contributed subdivision assets	-	9,901	-
Contributions			
Government of Canada	6,681	13,540	20,444
Province of Ontario	44,164	54,816	57,217
Municipal	3,065	3,346	7,319
Developers	13,688	16,556	17,873
Other	3,148	4,661	760
	<b>142,184</b>	<b>177,159</b>	<b>171,977</b>
Other			
Investment income	1,435	2,567	4,184
Donations	221	578	890
Sales of equipment, publications	3,358	5,210	4,073
Recoveries	2,833	4,164	4,728
Licences and permits	3,022	3,049	3,107
Provincial Offenses Act revenues	3,565	3,652	3,675
Other fines	800	745	752
Gain (loss) on disposal of tangible capital assets	5,149	5,853	(442)
Income from Government Business Enterprises	-	617	3,459
	<b>20,383</b>	<b>26,435</b>	<b>24,426</b>
<b>Total revenues</b>	<b>340,387</b>	<b>379,882</b>	<b>366,683</b>
<b>Expenses (Note 17)</b>			
General government	20,447	19,787	23,979
Protection services	62,497	62,882	58,286
Transportation services	50,458	53,800	49,759
Environmental services	59,924	63,266	59,961
Health services	21,545	21,174	18,623
Social and family services	41,377	40,213	44,014
Social housing	18,013	17,235	16,753
Recreation and cultural services	32,342	33,247	28,673
Planning and development	5,338	6,120	5,434
<b>Total expenses</b>	<b>311,941</b>	<b>317,724</b>	<b>305,482</b>
<b>Excess of revenues over expenses for the year</b>	<b>28,446</b>	<b>62,158</b>	<b>61,201</b>
<b>Accumulated surplus, beginning of year</b>	<b>914,075</b>	<b>914,075</b>	<b>843,307</b>
Adjustments (Note 3)			9,107
Add: Interest on / transfers to reserves and reserve funds	1,340	2,493	821
Less: Minority interest in Health Unit tangible capital assets		(282)	(361)
<b>Accumulated surplus, end of year</b>	<b>943,861</b>	<b>978,444</b>	<b>914,075</b>

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

# City of Guelph

Consolidated statement of changes in net financial assets  
year ended December 31, 2011  
('000's)

**DRAFT**

	2011 Budget (Note 24)	2011 Actual	2010 Actual
		\$	\$
<b>Excess of revenue over expenses for the year</b>	<b>28,446</b>	<b>62,158</b>	<b>61,201</b>
Amortization of tangible capital assets	39,062	37,467	40,811
Acquisition of tangible capital assets	(66,087)	(95,743)	(119,742)
(Gain) loss on disposal of tangible capital assets	-	(5,853)	442
Contributed subdivision assets	-	(9,901)	-
Proceeds on disposal of tangible capital assets	5,149	10,066	298
Obligation under capital lease	-	(162)	-
Minority interest in Health Unit tangible capital assets	-	(282)	(361)
Interest on / transfers to reserves and reserve funds	1,340	2,493	821
Change in inventory	-	290	237
Change in prepaid expenses	-	(84)	8
Increase (decrease) in net financial assets for the year	7,910	449	(16,285)
Net financial assets, beginning of year	37,723	37,723	54,008
<b>Net financial assets, end of year</b>	<b>45,633</b>	<b>38,172</b>	<b>37,723</b>

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

# City of Guelph

Consolidated statement of cash flows  
year ended December 31, 2011  
('000's)

# DRAFT

	2011	2010
	\$	\$
<b>Operating activities</b>		
Excess of revenues over expenses for the year	62,158	61,201
Items not affecting cash:		
Amortization of tangible capital assets	37,467	40,811
(Gain) loss on disposal of tangible capital assets	(5,853)	442
Contributed subdivision assets	(9,901)	-
Allowance on asset backed investment	(155)	565
Loss (gain) on interest rate swap contracts	414	(139)
Income from Government Business Enterprises	(617)	(3,459)
Employee future benefit expenses	1,690	2,406
Landfill post-closure recovery	(300)	(600)
Interest on / transfers to reserves and reserve funds	2,493	821
Changes in non-cash working capital:		
Taxes receivable	(459)	167
Accounts receivable	5,436	(18,869)
Developer agreement receivables	916	(546)
Inventory	290	237
Prepaid expenses	(84)	8
Accounts payable and accrued liabilities	(2,378)	12,430
Accrued interest payable	17	(64)
Vacation and other employee benefits payable	154	(216)
Other deferred revenue	733	1,449
Cash provided by operating	92,021	96,644
<b>Capital and investing activities</b>		
Acquisition of tangible capital assets	(95,743)	(119,742)
Minority interest in Health Unit tangible capital assets	(282)	(361)
Proceeds from disposal of tangible capital assets	10,066	298
Change in loans and notes receivable	(3)	29,046
Net investment acquisitions	(41,944)	(14,804)
Cash used by capital and investing	(127,906)	(105,563)
<b>Financing activities</b>		
Proceeds from debt issuance	47,500	379
Repayment of debt principal	(23,424)	(9,878)
Repayment of obligation under capital lease	(28)	-
Net change in deferred contributions	1,206	5,502
Cash provided (used) by financing	25,254	(3,997)
Decrease in cash for the year	(10,631)	(12,916)
Cash, beginning of year	43,727	56,643
<b>Cash, end of year</b>	<b>33,096</b>	<b>43,727</b>

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

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2011

(\$000's)

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### 1. Significant accounting policies

The consolidated financial statements 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, 2011.

#### 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 46.2% (2010 – 46.2%) based on population, as stated in agreement with the other participants.

#### Modified equity basis entities

The investments in Guelph Municipal Holdings Inc. (formerly Guelph Hydro 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. 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.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2011

(\$000's)

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### 1. Significant accounting policies (continued)

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

#### Taxes receivable and related revenues (continued)

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 reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are recorded as an adjustment within accumulated surplus.

#### Deferred revenue and deferred contributions

Deferred revenues and deferred contributions represent 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.
- (iv) Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of 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.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2011

(\$000's)

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### 1. Significant accounting policies (continued)

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

##### 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. Investment income earned on reserves and reserve funds are recorded as an increase in accumulated surplus.

##### 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.

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 consolidated financial statements

December 31, 2011

(\$000's)

### 2. Adoption of new accounting standards

The City has early adopted Public Sector Accounting Board Handbook ("PSAB") Section 3510, Tax Revenue for the December 31, 2011 financial statements that would otherwise be effective for fiscal periods beginning on or after April 1, 2012. This standard provides guidance to governments on the accounting and reporting of tax revenue in the financial statements.

The adoption of this standard had no impact on the 2011 opening accumulated surplus but did require \$2,503 of previously reported tax rebate and write-off expenditures in 2010 to be reclassified to be shown net of tax revenue collected. Additionally, expanded note disclosure has been added to note 4 of these financial statements.

### 3. Restatement of 2010 comparative figures

During the 2011 year, due to the adoption of International Financial Reporting Standards by the City's Government Business Enterprises, a retroactive adjustment to the City's Investment in Guelph Municipal Holdings Inc. was required to reflect these new reporting standards.

The total impact of correcting these items in the 2010 comparative figures is as follows:

	As previously reported	Adjustment	2010 As restated
	\$	\$	\$
Investment in Guelph Municipal Holdings Inc.	66,753	11,118	77,871
Income from Government Business Enterprises	(1,448)	(2,011)	(3,459)
Accumulated surplus, beginning of year	(843,307)	(9,107)	(852,414)
Accumulated surplus, end of year	(902,957)	(11,118)	(914,075)

### 4. 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:

	2011	2010
	\$	\$
Taxation	61,644	61,725
Payments in lieu	2	2
	61,646	61,727
Requisitions	(61,646)	(61,727)
Net levy for the year	-	-

Included in accounts payable and accrued liabilities are levies owing to the school board totaling \$307 (2010 accounts receivable - \$577).

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2011

(\$000's)

### 4. Taxation revenue (continued)

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

	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	(329)	32,474
Industrial	17,964	129	316	(1,320)	17,089
Pipelines	486	-	3	-	489
Farmlands	11	-	1	-	12
Managed Forests	2	-	-	-	2
Other	-	1,606	-	-	1,606
<b>Total tax revenue</b>	<b>166,290</b>	<b>5,754</b>	<b>4,461</b>	<b>(2,219)</b>	<b>174,286</b>

	Taxes - own purpose	Payments in lieu	Supplem- entary taxes	Rebates & Write- offs	2010 Total
	\$	\$	\$	\$	\$
Residential	103,164	14	2,456	(310)	105,324
Mult-Residential	14,330	-	-	(56)	14,274
Commercial	26,392	3,758	510	(490)	30,170
Industrial	17,456	177	585	(1,648)	16,570
Pipelines	484	-	4	-	488
Farmlands	8	-	-	1	9
Managed Forests	1	-	-	-	1
Other	-	1,552	-	-	1,552
<b>Total tax revenue</b>	<b>161,835</b>	<b>5,501</b>	<b>3,555</b>	<b>(2,503)</b>	<b>168,388</b>

### 5. Investments

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

	2011		2010	
	Market	Cost	Market	Cost
	\$	\$	\$	\$
Short-term investments	67,029	66,933	49,804	49,785
Long-term investments	48,735	48,301	24,182	23,350
	<b>115,764</b>	<b>115,234</b>	<b>73,986</b>	<b>73,135</b>

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2011

(\$000's)

### 5. 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 36% of the investment cost or \$743 (2010 - 49% or \$1,143).

### 6. 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:

	2011	2010
	\$	\$
Financial position		
Current assets	1,591	657
Property, plant and equipment	6,855	6,380
Total assets	8,446	7,037
Current liabilities	843	300
Long-term debt	678	-
Deferred capital contributions	975	1,015
Total liabilities	2,496	1,315
Net assets	5,950	5,722
Results of operations		
Revenues	1,699	1,503
Operating expenses	1,471	1,365
Net income	228	138
Retained earnings, beginning of year	5,722	5,584
Retained earnings, end of year	5,950	5,722

During 2011, the Railway was required to adopt International Financial Reporting Standards ("IFRS") with a date of transition of January 1, 2010. This transition did not result in any changes to the previously reported 2010 comparative figures.

#### *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. During the year, these net expenses reimbursed to the City amounted to \$339 (2010 - \$260). Included in accounts receivable is an amount owing from the Railway of \$287 related to the reimbursement of these current year net expenditures. Additional payments in 2011 of \$50 (2010 - \$116) were made to the City to repay the amount owing from prior years. The total amount owing to the City at year end is \$145 (2010 - \$195) and is included as part of loans and notes receivable.

The Railway also paid the City \$22 (2010 - \$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, 2011

(\$000's)

### 7. Investment in Guelph Municipal Holding Inc. (2010 – Guelph Hydro 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., Ecotricity Guelph Inc. and over 99% of Wellington Electric Distribution Company Inc. During 2011, GMHI was newly incorporated and the City transferred 100% of its shares of GHI into GMHI as at December 31, 2011 at a value of \$66,753, which approximates market. The following table provides condensed supplementary financial information for GMHI for the year ended December 31, 2011 and GHI for the year end December 31, 2010:

	2011	2010 Revised IFRS Reporting	2010 As Previously Reported
	\$	\$	\$
<b>Financial position</b>			
Current assets	61,966	69,833	73,069
Property, plant and equipment	125,185	104,725	101,591
Intangible assets	275	-	-
Deferred charges	40	31	-
Future income taxes	5,993	6,835	9,512
<b>Total assets</b>	<b>193,459</b>	<b>181,424</b>	<b>184,172</b>
Current liabilities	28,516	24,256	23,575
Customer deposits and deferred revenue	13,723	6,608	4,090
Long-term debt	65,350	65,462	65,462
Regulatory liabilities	-	-	15,315
Employee future benefits	7,610	7,227	8,977
<b>Total liabilities</b>	<b>115,199</b>	<b>103,553</b>	<b>117,419</b>
<b>Total shareholder's equity</b>	<b>48,576</b>	<b>48,576</b>	<b>48,576</b>
<b>Net assets</b>	<b>29,684</b>	<b>29,295</b>	<b>18,177</b>
<b>Total investment</b>	<b>78,260</b>	<b>77,871</b>	<b>66,753</b>
<b>Results of operations</b>			
Revenues	155,917	147,316	145,217
Cost of sales	127,385	118,131	117,710
Operating expenses	25,631	21,683	22,749
Income taxes	1,012	2,680	1,947
<b>Total expenses</b>	<b>154,028</b>	<b>142,494</b>	<b>142,406</b>
<b>Net income</b>	<b>1,889</b>	<b>4,822</b>	<b>2,811</b>
Retained earnings, beginning of year	29,295	16,866	16,866
Adjustment due to IFRS transition	-	9,107	-
Dividends	(1,500)	(1,500)	(1,500)
<b>Retained earnings, end of year</b>	<b>29,684</b>	<b>29,295</b>	<b>18,177</b>

During 2011, GMHI was required to adopt IFRS with a date of transition of January 1, 2010. This transition has resulted in the following adjustments to the City's 2010 comparative financial statements: an increase in Investment in GMHI by \$11,118, an increase to opening accumulated surplus of \$9,107 and an increase in income from Government Business Enterprises of \$2,011.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2011

(\$000's)

### 7. Investment in Guelph Municipal Holding Inc. (2010 – Guelph Hydro Inc.) (continued)

#### *Related party transactions*

GMHI pays certain expenses and receives certain revenues on behalf of the City related to customer water billings for which GMHI remits to the City bi-monthly. During the year, these net revenues received amounted to \$41,417 (2010 - \$36,914). Amounts owing to the City related to these transactions total \$8,106 (2010 - \$6,623) and are included in accounts receivable. During 2010, the Company repaid 100% of a loan owing to the City of \$30,000 and also paid interest on this loan totaling \$1,708, which was included in investment income.

Dividend income was received from the Company of \$1,500 (2010 - \$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.

### 8. Deferred contributions

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

	Beginning balance 2011	2011 Inflows	2011 Outflows	Ending balance 2011
	\$	\$	\$	\$
Development charges	16,845	16,076	15,913	17,008
Grants	6,113	23,422	22,574	6,961
Other	336	193	(2)	531
	23,294	39,691	38,485	24,500

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.

### 9. Pension agreement

The City makes contributions to the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer plan, on behalf of the 1,644 (2010 - 1,577) 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 2011 is \$8,983 (2010 - \$7,642) for current service and is reported as an expense on the Consolidated Statement of Operations and Accumulated Surplus.

As at December 31, 2011, the City has no obligation under the past service provisions of the OMERS agreement.

As at December 31, 2011 the OMERS plan is in a deficit position of \$7.3 billion (2010 - \$4.5 billion), which will be addressed through temporary contribution rate increases, benefit reductions, and investment returns.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2011

(\$000's)

### 10. Employee future benefits

Employee future benefits are future costs of the City to its employees and retirees for benefits earned but not taken as at December 31, 2011 and consist of the following:

	2011	2010
	\$	\$
Workplace Safety and Insurance ("WSIB")	3,549	3,233
Sick leave	10,222	9,409
Post retirement benefits	13,775	13,214
	<b>27,546</b>	<b>25,856</b>

#### 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:

	2011	2010
	\$	\$
Accrued benefit obligation, beginning of year	3,949	3,740
Current service cost	712	690
Interest	198	188
Benefits paid	(706)	(669)
Accrued benefit obligation, end of year	4,153	3,949
Unamortized net actuarial loss	(604)	(716)
	<b>3,549</b>	<b>3,233</b>

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

	2011	2010
	\$	\$
Current period benefit cost	712	690
Amortization of net actuarial loss from December 31, 2009	15	15
Amortization of net actuarial loss from December 31, 2006	97	96
Interest expense	198	188
	<b>1,022</b>	<b>989</b>

A reserve in the amount of \$2,203 (2010 - \$1,526) has been accumulated to fund this liability.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2011

(\$000's)

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

#### 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.

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:

	2011	2010
	\$	\$
Accrued benefit obligation, beginning of year	9,353	8,863
Current service cost	919	739
Interest	561	423
Net actuarial loss	2,403	-
Benefits paid	(835)	(672)
Accrued benefit obligation, end of year	12,401	9,353
Unamortized net actuarial gain (loss)	(2,179)	56
	10,222	9,409

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

	2011	2010
	\$	\$
Current period benefit cost	919	739
Amortization of net actuarial (gain) loss	168	(4)
Interest expense	561	423
	1,648	1,158

A reserve in the amount of \$10,446 (2010 - \$9,579) has been accumulated 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, 2011

(\$000's)

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

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

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

	2011	2010
	\$	\$
Accrued benefit obligation, beginning of year	14,812	13,335
Current service cost	627	584
Plan amendment	-	1,014
Interest	697	629
Benefits paid	(886)	(750)
Accrued benefit obligation, end of year	15,250	14,812
Unamortized net actuarial loss	(1,475)	(1,598)
	13,775	13,214

Since the prior valuation as at December 31, 2006, the operations of the Land Ambulance were transferred from the Province of Ontario to the City. This transfer of responsibility resulted in the City inheriting a group of employees with certain contractual obligations and the impact of this is reflected in the plan amendment in 2010 of \$1,014.

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

	2011	2010
	\$	\$
Current period benefit cost	627	584
Cost of plan amendment	-	1,014
Amortization of net actuarial loss	123	123
Interest expense	697	629
	1,447	2,350

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

There is currently a reserve of \$1,946 (2010 – \$260) set up to fund this liability.

### 11. Net debt

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

	2011	2010
	\$	\$
Total debt incurred by the City including those incurred on behalf of related organizations and outstanding at the end of the year amount to	122,035	99,009
Less: debt recoverable from school boards	(680)	(1,730)
Net debt at the end of the year	121,355	97,279

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2011

(\$000's)

### 11. Net debt (continued)

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

	2011	2010
	\$	\$
Operating line of credit - bearing interest at prime plus 0.25%	580	1,750
Demand loan - interest only at 3.7%, maturing in 2012	10,000	10,000
Debentures - repayable at rates ranging from 0.095% to 6.0% and maturing from 2014 through 2031	97,601	71,636
Long-term loans - repayable at rates ranging from prime to 6.38% and maturing from 2015 through 2025	10,601	11,207
Banker's acceptance, interest at 4.87% fixed through a swap transaction, repayable quarterly, maturing 2015 with option to refinance for an additional ten years, net of transaction costs	2,573	2,686
	<b>121,355</b>	<b>97,279</b>

During 2011, the City issued a \$46,750 debenture, repayable over 10 years at an average 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. Additionally during 2011, a consolidated entity of the City entered into a \$750 term loan with annual repayments of \$150 plus interest maturing in 2015.

Included in accounts payable and accrued liabilities is \$1,947 (2010 - \$1,532) representing the fair market value of the interest rate swap facilities.

All net debt is payable in Canadian dollars. See 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
	\$	\$	\$	\$
2012	8,729	2,452	1,672	12,853
2013	11,308	1,915	1,708	14,931
2014	8,881	1,961	1,781	12,623
2015	6,705	1,704	1,817	10,226
2016	6,934	1,605	1,853	10,392
Thereafter	41,413	12,920	5,997	60,330
	<b>83,970</b>	<b>22,557</b>	<b>14,828</b>	<b>121,355</b>

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

	2011	2010
	\$	\$
Principal repayments	23,424	9,878
Interest	4,610	4,665
	<b>28,034</b>	<b>14,543</b>

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2011

(\$000's)

### 12. Obligation under capital lease:

A consolidated entity of the City has financed certain equipment by entering into capital lease arrangement during 2011. The capital lease repayments are as follows:

	2011
	\$
2012	40
2013	40
2014	39
2015	39
Total minimum lease payments	158
Less amount representing interest at 8.5%	(24)
Present value of net minimum capital lease payments	134

### 13. 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, 2011 at a factor of 5.0% (2010 - 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, 2011 is \$5,700 (2010 - \$6,000).

There are no reserve funds established to fund this liability as at December 31, 2011 as the City is funding this cost annually through the budget process.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2011

(\$000's)

### 14. Tangible capital assets

	2011		
Cost	Balance, beginning of year	Additions	Balance, end of year
	\$	\$	\$
Land and land improvements	38,915	33,015	68,363
Buildings	192,993	63,894	256,853
Machinery and equipment	106,534	3,472	109,992
Assets under capital lease	-	162	162
Vehicles	60,462	2,502	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	1,529,280
Accumulated amortization	Balance, beginning of year	Amortization	Balance, end of year
	\$	\$	\$
Land and land improvements	3,287	283	3,568
Buildings	54,761	6,567	61,298
Machinery and equipment	69,055	6,906	75,953
Assets under capital lease	-	32	32
Vehicles	29,601	5,482	29,048
Infrastructure			
Sanitary sewers & waste water	104,060	4,491	108,551
Storm water	39,519	2,627	42,146
Transportation	173,284	6,175	179,459
Waterworks	86,776	4,904	91,680
	560,343	37,467	591,735
Net book value	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	142,318		142,386
Storm water	124,016		127,677
Transportation	139,411		162,346
Waterworks	96,690		103,832
Assets under construction	128,784		79,542
	873,419		937,545

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2011

(\$000's)

### 14. Tangible capital assets (continued)

				2010
Cost	Balance, beginning of year	Additions	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	37,625	1,290	-	38,915
Buildings	172,466	20,527	-	192,993
Machinery and equipment	92,532	14,462	(460)	106,534
Vehicles	60,517	3,223	(3,278)	60,462
Infrastructure				
Sanitary sewers & waste water	244,945	1,433	-	246,378
Storm water	162,892	643	-	163,535
Transportation	293,296	19,399	-	312,695
Waterworks	175,728	7,738	-	183,466
Assets under construction	77,757	51,027	-	128,784
	1,317,758	119,742	(3,738)	1,433,762
Accumulated amortization	Balance, beginning of year	Amortization	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	3,026	261	-	3,287
Buildings	48,681	6,080	-	54,761
Machinery and equipment	60,540	8,943	(428)	69,055
Vehicles	25,505	6,666	(2,570)	29,601
Infrastructure				
Sanitary sewers & waste water	99,773	4,287	-	104,060
Storm water	35,804	3,715	-	39,519
Transportation	167,522	5,762	-	173,284
Waterworks	81,679	5,097	-	86,776
	522,530	40,811	(2,998)	560,343
Net book value	Balance, beginning of year			Balance, end of year
	\$			\$
Land and land improvements	34,599			35,628
Buildings	123,785			138,232
Machinery and equipment	31,992			37,479
Vehicles	35,012			30,861
Infrastructure				
Sanitary sewers & waste water	145,172			142,318
Storm water	127,088			124,016
Transportation	125,774			139,411
Waterworks	94,049			96,690
Assets under construction	77,757			128,784
	795,228			873,419

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2011

(\$000's)

### 15. Accumulated surplus

The accumulated surplus is comprised of the following components:

	2011	2010
	\$	\$
Reserves set aside for specific purpose by Council:		
for employee future benefits	14,594	16,488
for stabilization and contingency	10,522	10,010
for program related purposes	11,609	6,536
Reserves set aside by The Elliott		
for building and equipment maintenance	-	220
Reserves set aside by Downtown Guelph Business Association		
for contingency	66	99
Reserves set aside by Wellington-Dufferin-Guelph Public Health		
for contingency	187	184
<b>Total reserves - Schedule 4</b>	<b>36,978</b>	<b>33,537</b>
Reserve funds set aside for specific purpose by Council:		
for capital financing purposes	105,697	95,685
Reserves set aside by The Elliott		
for capital financing purposes	-	237
Reserves set aside by Wellington-Dufferin-Guelph Public Health		
for capital financing purposes	572	627
<b>Total reserve funds - Schedule 4</b>	<b>106,269</b>	<b>96,549</b>
<b>Total reserves and reserve funds</b>	<b>143,247</b>	<b>130,086</b>
Invested in tangible capital assets	937,545	873,419
Investment in Guelph Municipal Holdings Inc.	78,260	77,871
Investment in Guelph Junction Railway Company	5,950	5,722
Operating fund	(26,248)	(38,467)
Unfunded liabilities		
Net debt & obligation under capital lease	(121,489)	(97,279)
Employee future benefits and related liabilities	(33,121)	(31,277)
Landfill post closure liability	(5,700)	(6,000)
<b>Total</b>	<b>835,197</b>	<b>783,989</b>
<b>Accumulated surplus</b>	<b>978,444</b>	<b>914,075</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 2011, \$2,493 (2010 - \$821) 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.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2011

(\$000's)

### 16. Contributions to other entities

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

	2011	2010
	\$	\$
Grand River Conservation Authority	1,395	1,356
Hospice Wellington	200	272
Guelph General Hospital	200	200
MacDonald Stewart Art Centre	175	175
Humane Society	459	414
Municipal Property Assessment Corporation	1,529	1,478
	<b>3,958</b>	<b>3,895</b>

### 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:

	2011	2010
	\$	\$
Salaries, wages and employee benefits	155,223	143,597
Interest on net debt	4,610	4,665
Materials	36,663	29,113
Contracted services	24,397	23,419
Rents and financial expenses	10,313	10,294
External transfers	49,051	53,583
Amortization of tangible capital assets	37,467	40,811
	<b>317,724</b>	<b>305,482</b>

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2011

(\$000's)

### 18. Government partnerships

The City's share of 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:

	2011	2010
	\$	\$
Assets	2,105	2,051
Liabilities	1,389	1,268
Net financial assets	716	783
Tangible capital assets	834	137
Prepaid expenses	43	28
Balance	877	165
Accumulated surplus	1,593	948
Revenues	9,018	8,047
Expenditures	8,101	7,241
Excess of revenue over expenses	917	806
Accumulated surplus, beginning of year	949	517
Transfer to reserves	9	(13)
Minority interest in tangible capital assets	(282)	(361)
Accumulated surplus, end of year	1,593	949

During the year, the City contributed \$2,591 (2010 - \$2,246) towards its share of the costs of the partnership.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2011

(\$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:

	2011	2010
	\$	\$
Revenues		
Social housing	3,001	2,944
Child care	7,254	7,255
Social services	12,774	12,419
	<u>23,029</u>	<u>22,618</u>
Expenditures		
Social housing	16,817	16,226
Child care	9,371	9,199
Social services	17,219	19,520
	<u>43,407</u>	<u>44,945</u>
Net expenditures	<u>(20,378)</u>	<u>(22,327)</u>

The City's share of net expenditures for social housing is 86% (2010 - 87%), child care 78% (2010 - 79%) and social services 74% (2010 - 74%).

Additionally, the City paid the County \$166 (2010 - \$166) 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:

	2011	2010
	\$	\$
Revenues		
Land Ambulance	3,504	3,214
Provincial offences act	1,878	1,913
	<u>5,382</u>	<u>5,127</u>
Expenditures		
Land Ambulance	7,813	6,591
Provincial offences act	1,048	973
	<u>8,861</u>	<u>7,564</u>
Net expenditures	<u>(3,479)</u>	<u>(2,437)</u>

The City's share of net expenditures for land ambulance is 61% (2010 - 61%) and provincial offences act is 53% (2010 - 54%).

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

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2011

(\$000's)

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### 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. A trial date has been set for January 2013.
- b) During 2010 charges were laid against the City under the Occupational Health and Safety Act relating to a 2009 incident. During 2011, two of the three charges have been withdrawn and the remaining maximum fine that could be imposed under this matter is \$625.
- c) During 2009 and 2010, there were various claims filed against the City in relation to development charge disputes. The City has filed a Statement of Defense in relation to these matters. The expected Hearing of Appeal is set for September 2012.
- d) During early 2012, the City has been notified of a potential claim totaling \$529 related to the construction of Guelph Civic Museum. No further details are known at this time.
- e) 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 City believes that this guarantee will not have any significant unfavorable impact on its financial position and consequently no provision has been made in the consolidated financial statements.
- b) 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:

	\$
2012	1,340
2013	939
2014	819
2015	676
2016	688
	<hr/> 4,462

- c) The City has commitments totaling \$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.
- d) The City has commitments totaling \$3,545 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.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2011

(\$000's)

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### 21. Commitments and guarantees (continued)

e) Other obligations include:

#### Hospice Wellington

The City has committed grants to Hospice Wellington through 2012 with an outstanding amount of \$200 (2010 - \$400) payable annually in instalments of \$200. This grant is to assist with capital renovation costs incurred to open their new location.

#### Guelph General Hospital

The City has committed grants to Guelph General Hospital through 2012 with an outstanding amount of \$200 (2010 - \$400) payable annually in instalments of \$200. This grant is to assist with the capital purchase of a new MRI machine.

#### MacDonald Stewart Arts Centre

The City has committed to operating grants for 2012 totalling \$174 (2010 - \$168). Additionally, in 2010 the City had committed to a capital grant of \$20 to MacDonald Stewart Arts Centre for soffit replacement that was one-time in nature and paid in 2011.

#### Other community grants

The City has committed to providing various grants to organizations in the community totalling \$312 (2010 - \$330).

### 22. Subsequent event

Subsequent to year end, the City and County of Wellington settled a dispute relating to the City's share of costs owing for the period of 2006 to 2010 in relation to the operation of Wellington Terrace. There was no financial impact on the 2011 financial position as the City had previously provided for these costs.

### 23. Local Immigration Partnership

Included in the 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 2011, the City of Guelph received \$243 (2010 - \$324) of funding from Citizenship and Immigration Canada related to the operation this program.

### 24. 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.

### 25. 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, Planning & Building and Engineering & Environment, Corporate & Human Resources, Finance & Enterprise.

# City of Guelph

## Notes to the consolidated financial statements

December 31, 2011

(\$000's)

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### 25. Segmented information (continued)

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.

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

### 26. Comparative figures

Certain 2010 comparative figures have been reclassified in order to present them in a form comparable to those for 2011.

# City of Guelph

Consolidated schedule of segment disclosure - Schedule 1  
year ended December 31, 2011  
(Unaudited)

DRAFT

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social & Family Services	Social Housing	Cultural Services	Recreation & Development	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>											
Taxation	176,288	-	-	-	-	-	-	-	-	-	176,288
User charges	296	845	12,140	48,465	1	7,787	-	6,008	797	-	74,339
Contributions	(94)	3,080	23,887	15,473	15,318	24,436	3,001	7,559	259	-	92,919
Contributed subdivision assets	9,901	-	-	-	-	-	-	-	-	-	9,901
Other											
Investment income	2,503	-	-	47	14	-	-	-	-	-	2,567
Donations	-	23	23	-	-	33	-	494	3	-	578
Sales of equipment, publications	-	14	8	3,879	-	86	-	1,218	5	-	5,210
Recoveries	103	243	1,997	130	9	433	-	1,049	200	-	4,164
Licences and permits	265	2,707	-	77	-	-	-	-	-	-	3,049
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
	190,251	10,616	38,281	66,065	15,313	32,775	3,001	16,328	7,252	-	379,982
<b>Expenses</b>											
Salaries, wages and employee benefits	11,060	54,162	26,732	17,164	16,778	7,972	-	17,868	3,487	-	155,223
Interest on net debt	2,170	254	292	542	5	260	-	660	427	-	4,610
Materials	1,511	1,835	13,937	11,767	974	2,006	-	4,361	272	-	36,663
Contracted services	4,338	2,563	3,110	7,776	1,070	946	484	2,639	1,471	-	24,397
Rents and financial expenses	2,970	193	1,077	4,117	621	254	-	1,041	40	-	10,313
External transfers	1,975	1,189	57	1,486	10	26,895	16,730	486	223	-	49,051
Internal charges	(6,975)	1,180	(2,764)	5,104	1,335	43	1	1,932	144	-	-
Amortization of tangible capital assets	2,738	1,506	11,316	15,310	424	1,837	20	4,260	56	-	37,467
	19,787	62,882	53,757	63,266	21,217	40,213	17,235	33,247	6,120	-	317,724
<b>Excess of revenues over expenses (expenses over revenues)</b>	170,464	(52,266)	(15,476)	2,799	(5,904)	(7,438)	(14,234)	(16,919)	1,132	-	62,158

# City of Guelph

## Consolidated schedule of segment disclosure - Schedule 2

year ended December 31, 2010

(Unaudited)

**DRAFT**

	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	170,280	-	-	-	-	-	-	-	-	170,280
User charges	274	804	10,746	42,141	1	8,019	-	5,743	636	68,364
Contributions	366	7,419	24,530	21,172	15,694	23,206	2,944	8,179	103	103,613
Other										
Investment income	4,125	-	-	47	7	-	-	-	5	4,184
Donations	-	17	-	2	-	7	-	864	-	890
Sales of equipment, publications	1	23	17	2,737	-	86	-	1,205	4	4,073
Recoveries	425	711	1,445	558	-	469	-	774	346	4,728
Licences and permits	260	2,819	-	28	-	-	-	-	-	3,107
Provincial offences act	-	3,675	-	-	-	-	-	-	-	3,675
Other fines	-	-	752	-	-	-	-	-	-	752
Gain (loss) on disposal of tangible capital assets	(13)	104	(505)	-	(28)	-	-	-	-	(442)
Income from Government Business Enterprises	3,459	-	-	-	-	-	-	-	-	3,459
	179,177	15,572	36,985	66,685	15,674	31,787	2,944	16,765	1,094	366,683
<b>Expenses</b>										
Salaries, wages and employee benefits	11,155	50,268	24,417	15,387	14,912	7,738	-	16,433	3,287	143,597
Interest on net debt	2,333	272	358	485	5	-	-	741	471	4,685
Materials	1,310	1,573	10,370	9,384	956	1,849	-	3,480	191	29,113
Contracted services	3,744	2,281	3,739	7,936	987	688	480	2,270	1,294	23,419
Rents and financial expenses	3,247	452	751	4,135	630	144	-	885	50	10,294
External transfers	2,010	1,212	68	1,356	260	31,884	16,272	470	51	53,583
Internal charges	(5,889)	1,158	(2,984)	5,216	655	3	1	1,750	90	-
Amortization of tangible capital assets	6,069	1,070	13,040	16,062	218	1,708	-	2,644	-	40,811
	23,979	58,286	49,759	59,961	18,623	44,014	16,753	28,673	5,434	305,482
<b>Excess of revenues over expenses</b>										
(expenses over revenues)	155,198	(42,714)	(12,774)	6,724	(2,949)	(12,227)	(13,809)	(11,908)	(4,340)	61,201

# City of Guelph

## Consolidated schedule of net debt - Schedule 3

December 31, 2011

('000's)

**DRAFT**

Bylaw	Project description	Term	Maturity date	Interest rates	2011	2010
					\$	\$
<b>Debentures:</b>						
18000	Road Projects - Gordon, Stone, Victoria, Ward 1, Clair	5	20-Apr-11	4.25% to 4.45%	-	889
18000	Centennial Pool Reconstruction	5	20-Apr-11	4.25% to 4.45%	-	53
18000	Bus Storage Area Expansion	5	20-Apr-11	4.25% to 4.45%	-	99
18000	Transfer Station & Public Drop Off Facility	5	20-Apr-11	4.25% to 4.45%	-	51
18000	East End Fire Station	5	20-Apr-11	4.25% to 4.45%	-	157
18000	Pride Upgrade	5	20-Apr-11	4.25% to 4.45%	-	16
16732	On behalf of the Elliott	10	15-Nov-11	3.10% to 5.95%	-	14,000
16751	Roads - Woolwich: Speedvale to Woodlawn	10	10-Dec-11	2.80% to 6.00%	-	378
16751	West End Community Centre	10	10-Dec-11	2.80% to 6.00%	-	65
16751	Hanlon West Business Park	10	10-Dec-11	2.80% to 6.00%	-	209
16751	Waste Water Treatment Plant Expansion 1	10	10-Dec-11	2.80% to 6.00%	-	839
17536	On behalf of the Elliott	10	15-Sep-14	2.75% to 5.20%	868	1,130
18622	Social Services Building Renovation	10	25-Sep-18	3.25% to 4.70%	2,004	2,249
18622	Police HQ Renovations	10	25-Sep-18	3.25% to 4.70%	931	1,045
18622	Road Projects - Gordon, Victoria, Cardigan, Clair	10	25-Sep-18	3.25% to 4.70%	3,937	4,417
18622	Bus Storage Area Expansion	10	25-Sep-18	3.25% to 4.70%	135	151
18622	Organic Waste Facility - Roof Repairs	10	25-Sep-18	3.25% to 4.70%	368	413
18105	New City Hall	25	28-Aug-31	5.237%	17,323	17,804
18105	New POA Court	25	28-Aug-31	5.237%	4,886	5,021
18898	Road Projects - Gordon, Victoria, Eramosa	10	25-Nov-19	.095 % to 4.60%	624	693
18898	South End Station	10	25-Nov-19	.095 % to 4.60%	5,467	6,071
18898	New City Hall	10	25-Nov-19	.095 % to 4.60%	1,887	2,095
18898	Land Purchase - Library	10	25-Nov-19	.095 % to 4.60%	697	774
18898	Public Drop Off Facility	10	25-Nov-19	.095 % to 4.60%	177	197
18898	Transit Terminal Road Upgrades	10	25-Nov-19	.095 % to 4.60%	1,531	1,700
18898	Watermain Projects - Laird, Arkell, Scout Camp	10	25-Nov-19	.095 % to 4.60%	5,219	5,795
18898	Waste Water Treatment Plant Facility Upgrade	10	25-Nov-19	.095 % to 4.60%	4,797	5,325
19294	Organic Waste Facility Composter Rebuild	10	9-Nov-21	1.25% to 3.70%	28,000	-
19294	Civic Museum Renovations	10	9-Nov-21	1.25% to 3.70%	5,700	-
19294	On behalf of the Elliott	10	9-Nov-21	1.25% to 3.70%	13,050	-
					<b>97,601</b>	<b>71,636</b>
<b>Other loans:</b>						
	The Elliott Line of Credit	Demand	NA	prime + 0.25%	580	1,750
	The Elliott Bankers Acceptance - SWAP	10	25-Jun-15	4.87%	2,573	2,686
	The Elliott Term Loan	5	31-Mar-15	prime	600	-
	Mortgage RBC - Sleeman Centre	10	01-May-17	4.96%	4,204	4,867
	Private Mortgages HCBP	10	28-Jun-11	7.50%	-	288
	CIBC Loan - Sleeman Centre - SWAP	18.8	01-Sep-25	6.38%	5,797	6,052
	RBC Interest only loan	Demand	31-Dec-12	3.70%	10,000	10,000
	<b>Net Debt before the school boards</b>				<b>121,355</b>	<b>97,279</b>
15316	Public School Board	15	01-Nov-11	3.375% to 6.95%	-	400
15648	Public School Board	15	18-Dec-12	4.50% to 6.20%	451	884
15648	Separate School Board	15	18-Dec-12	4.50% to 6.20%	229	446
	Less: Receivable from School Boards				(680)	(1,730)
					-	-
<b>Total Net Debt</b>					<b>121,355</b>	<b>97,279</b>

# City of Guelph

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

December 31, 2011

('000's)

Code	Description	2011	2010
		\$	\$
<b>Reserves:</b>			
For Employee Future Benefits:			
100	Sick Leave - Fire	3,531	3,371
101	Sick Leave - Police	3,297	3,339
102	Sick Leave - Library	894	852
103	Sick Leave - CUPE 241	2,724	2,017
209	Vacation Accrual Reserve	-	5,123
330	WSIB	2,203	1,526
338	Land Ambulance Severance	345	260
NEW	Early Retiree Benefits	1,600	-
		14,594	16,488
For Stabilization and Contingency:			
131	Employee Benefit Stabilization	2,132	2,726
180	Tax Rate Stabilization	1,894	1,671
181	Water Rate Stabilization	2,114	2,114
182	Waste Water Rate Stabilization	2,242	1,542
198	Operating Contingency	902	602
207	Human Resource Contingency	-	322
191	Salary Gapping / HR Contingency	1,238	1,033
		10,522	10,010
For Program Related:			
184	Insurance	1,328	1,080
119	Affordable Housing	653	581
122	Brownfield Strategy	512	546
188	Building Services	1,285	978
206	Building Operating Maintenance	81	100
192	Heritage Redevelopment	908	673
193	Ontario Municipal Board	4,054	681
194	Downtown Improvements	360	200
195	Election Costs	314	183
196	Joint Job Evaluation Committee	330	206
345	Westminster Woods	35	35
208	Social Housing	300	1,094
197	Human Resource Negotiations	89	59
210	Information Technology Licences	210	100
205	Community Investment Strategy	50	20
NEW	Strategic Priorities	1,100	-
		11,609	6,536
Total City Reserves		36,725	33,034
Consolidated Entities			
	Reserves - The Elliott	-	220
	Reserves - Downtown Guelph Business Association	66	99
	Reserves - Wellington-Dufferin-Guelph Public Health	187	184
<b>Total Reserves</b>		<b>36,978</b>	<b>33,537</b>

# City of Guelph

## Consolidated schedule of reserves and reserve funds - Schedule 4 December 31, 2011

('000's)

Code	Description	2011	2010
		\$	\$
<b>Reserve Funds:</b>			
111	Fire	356	624
113	Transit	219	686
115	Police	268	427
116	Waste Management	1,335	945
118	Computers	459	866
121	Play Equipment	345	397
124	Operations Fleet	3,215	2,594
150	Capital Taxation	2,520	697
151	Capital Parking	1,961	3,589
152	Capital Waterworks	22,469	16,385
153	Capital Wastewater	26,095	22,522
155	Capital Landfill Compensation	134	139
156	Capital DC Exemption	3,158	2,248
157	Capital Library	828	850
158	Capital Police	2,556	2,243
162	Capital Sleeman Centre	9	29
164	Capital Roads	1,396	1,063
165	Capital Stormwater	181	205
166	Capital Park Planning	84	51
167	Capital Policy Planning	60	38
168	Capital Economic Development	71	40
169	Capital Operations	551	363
170	Capital Recreation	103	99
171	Capital Culture	124	(13)
172	Capital Transit	555	275
173	Capital Fire	281	198
175	Capital Corporate Property	14	99
176	Capital Info Services	153	149
177	Capital Museum	41	40
186	Capital Waste Management	493	292
189	Capital GSEC	31	31
340	Capital River Run	195	158
120	POA Relocation	179	172
159	Accessibility	505	393
160	Road Infrastructure	2,993	2,312
161	Public Transit Improvements	594	801
200	Investing Ontario Act	2,154	4,122
201	ISF - City Share Water	958	1,010
202	ISF - City Share Waste Water	1,143	1,161
203	RINC City Share	6	734
331	Road Widening	954	930
190	Building Life Cycle	654	802
353	Waterworks DC Exempt	1,698	915
		<b>82,098</b>	<b>71,681</b>

# City of Guelph

## Consolidated schedule of reserves and reserve funds - Schedule 4 December 31, 2011

('000's)

Code	Description	2011	2010
		\$	\$
	Carryforward from previous page	82,098	71,681
354	Wastewater DC Exempt	1,543	764
352	Greenhouse Gas	527	408
341	Locomotive 6167	1	1
355	Greening	81	-
199	City Infrastructure Fund	2,494	6,142
332	Industrial Land	4,254	2,562
350	Transportation Demand Management	21	20
135	Museum Development	58	56
136	McCrae House Development	137	130
137	Moon-McKeigan	13	13
138	Library Bequests	174	170
356	Public Art	203	-
351	Hydro Note	14,093	13,738
		105,697	95,685
Consolidated Entities			
	Reserves - The Elliott	-	237
	Reserves - Wellington-Dufferin-Guelph Public Health	572	627
<hr/>			
<b>Total Reserve Funds</b>		<b>106,269</b>	<b>96,549</b>
<hr/>			
<b>Total Reserves and Reserve Funds</b>		<b>143,247</b>	<b>130,086</b>

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# City of Guelph

Guelph Public Library Board - Schedule 5

Statement of Revenue and Expense

December 31, 2011

('000's)

**DRAFT**

	2011 Budget	2011 Actual	2010 Actual
<b>OPERATING FUND</b>			
Revenue			
Grant - Province of Ontario	\$ 167	\$ 126	\$ 168
Donations	-	6	-
Fees and service charges	377	389	305
Sundry revenue	7	53	11
	<u>551</u>	<u>574</u>	<u>484</u>
Expenses			
Salaries and benefits	5,340	5,278	4,790
Administrative and office	1	1	2
Utilities and taxes	141	120	182
Operating supplies	274	500	112
Repairs and maintenance	344	429	420
Communications	160	163	166
Training	3	14	6
Consulting and professional fees	38	64	314
Rental and leases	813	747	635
Bank and other charges	-	6	6
Furniture and equipment	22	41	3
Interest on long-term debt	27	27	25
Amortization	-	280	917
	<u>7,163</u>	<u>7,670</u>	<u>7,578</u>
Net operating deficit	<u>(6,612)</u>	<u>(7,096)</u>	<u>(7,094)</u>
<b>CAPITAL FUND</b>			
Developer contribution revenues	-	52	323
Less: Tangible capital asset acquisitions	(1,161)	(963)	(1,306)
Net capital deficit	<u>(1,161)</u>	<u>(911)</u>	<u>(983)</u>
Total combined net deficit	<u>(7,773)</u>	<u>(8,007)</u>	<u>(8,077)</u>
Less: net contributions (to)/from reserves	-	139	(74)
Less: debt principal repayments	(77)	(77)	(76)
	<u>(7,850)</u>	<u>(7,945)</u>	<u>(8,227)</u>
City of Guelph share of net deficit	7,850	7,945	8,227
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, 2011

('000's)

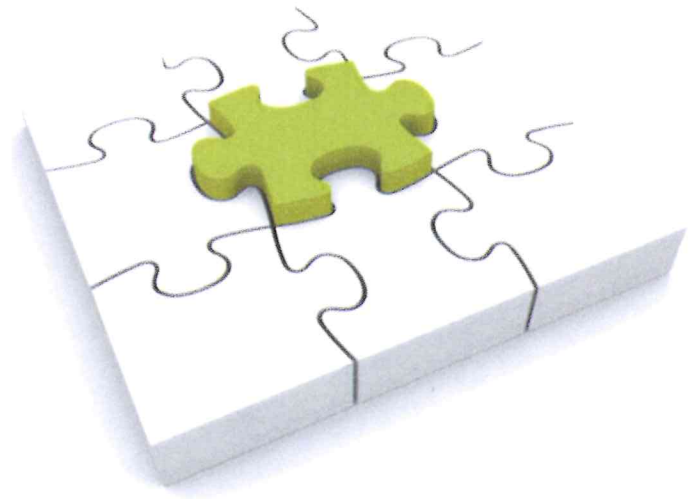
# DRAFT

	2011 Budget	2011 Actual	2010 Actual
<b>OPERATING FUND</b>			
Revenue			
Grant - Province of Ontario	\$ 1,055	\$ 1,170	\$ 1,148
- Government of Canada	-	-	-
Gain on sale of tangible capital assets	5	61	109
Other fees and recoveries	789	1,024	1,735
	<u>1,849</u>	<u>2,255</u>	<u>2,992</u>
Expenses			
Salaries and benefits	30,804	30,857	29,370
Operating, admin and office supplies	255	260	216
Banking and other fees	5	4	3
Personnel supplies	163	154	103
Communication	199	183	148
Utilities, taxes and insurance	318	343	363
Professional consulting	870	775	757
Repairs and maintenance	262	196	173
Rental and lease	105	136	152
Fleet	515	537	467
Equipment and furniture	63	67	102
Corporate training and development	429	305	353
Interest on long-term debt	142	142	149
Amortization	-	806	799
	<u>34,130</u>	<u>34,765</u>	<u>33,155</u>
Net operating deficit	<u>(32,281)</u>	<u>(32,510)</u>	<u>(30,163)</u>
<b>CAPITAL FUND</b>			
Revenue			
Developer contributions	-	448	1,132
Province of Ontario grants	-	173	-
Other revenues	60	13	47
	<u>60</u>	<u>634</u>	<u>1,179</u>
Expenses			
Tangible capital asset acquisitions	2,017	1,800	4,732
Net capital deficit	<u>(1,957)</u>	<u>(1,166)</u>	<u>(3,553)</u>
Total combined net deficit	<u>(34,238)</u>	<u>(33,676)</u>	<u>(33,716)</u>
Add: net contributions from reserves	335	1,217	279
Less: debt principal repayments	(406)	(406)	(398)
	<u>(34,309)</u>	<u>(32,865)</u>	<u>(33,835)</u>
City of Guelph share of net deficit	<u>(34,309)</u>	<u>(32,865)</u>	<u>(33,835)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



# Year-end communication

## City of Guelph



For the year ended December 31, 2011  
Presented to the Audit Committee  
June 11, 2012



Deloitte & Touche LLP  
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Suite 200  
Burlington ON L7P 5B1  
Canada

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June 11, 2012

**Private and confidential**

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

Dear Audit Committee Members:

**Report on audited annual financial statements**

As agreed in our engagement letter dated October 13, 2011, we have performed an audit of the consolidated financial statements of the City of Guelph as of and for the year ended December 31, 2011, in accordance with Canadian generally accepted auditing standards ("GAAS") and expect to issue our audit report thereon dated June 25, 2012.

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, 2011.

**Use of our report**

This report is intended solely for the information and use of the Audit Committee, management and others within 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,

*Deloitte & Touche LLP*

Chartered Accountants  
Licensed Public Accountants

# Table of contents

Audit scope and findings .....	1
Audit risks .....	4
Internal control matters .....	6
Appendix 1 – Draft version of our Auditor’s report.....	7
Appendix 2 – Independence letter .....	9
Appendix 3 – Draft letter of representation .....	11
Appendix 4 – Communication requirements .....	17
Appendix 5 – Standard-setting update as of April 9, 2012 .....	19
Appendix 6 – Deloitte resources a click away.....	24

# 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, 2011.	
<b>Materiality</b>	<p>Materiality is the magnitude of misstatements, including omissions, in the 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 financial statements as a whole are free from material misstatement.</p> <p>Materiality levels are determined on the basis of consolidated results of operations. Our materiality for the year ending December 31, 2011 was \$6,000,000 (2010 – \$5,800,000).</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>• Contingencies</li> <li>• Council and Senior Management expenses</li> <li>• Estimates</li> <li>• Infrastructure Stimulus Fund</li> <li>• Payroll</li> <li>• Procurement process</li> <li>• Reserves and reserve funds</li> <li>• Revenue/deferred revenue</li> <li>• Taxation revenue</li> <li>• Tangible capital asset disposals</li> </ul> <p>We have summarized the results of our audit procedures for each of these risk areas on page 7 and 8 of this report.</p>	
<b>Group audit</b>	We are auditors of all entities within the group, with the exception of The Elliott and Guleph Hydro 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>	<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.	

## Audit scope matters

<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 25, 2012 on the consolidated financial statements of the City of Guelph following approval of the 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 signed management representations letter;</li> <li>• Receipt of actuarial confirmation;</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>Alternative treatments for accounting policies and practices have been discussed with management during the current audit period.</p> <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, 2011 financial statements.</p>
<b>Management judgment and accounting estimates</b>	Significant accounting estimates are disclosed in Note 1 to the financial statements.
<b>Audit adjustments and uncorrected misstatements</b>	<p>In accordance with Canadian GAAS, we request that all misstatements be corrected.</p> <p>Audit adjustments and uncorrected misstatements are summarized in appendices attached to the management representation letter.</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, 2011 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, 2011 once the outstanding items referred to above are satisfactorily completed and the financial statements are approved by Council.</p> <p>A draft version of our 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, 2011 in Appendix 2.</p>
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## Other matters

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

## 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>• No material misstatements noted. Accounts payable and accrued liabilities are reasonable as at December 31, 2011.</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>• No material misstatements noted. Actuarially determined liabilities are reasonable as at December 31, 2011.</li> </ul>
<b>Contingencies</b>	<ul style="list-style-type: none"> <li>• We were in contact with the Municipality'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>• No material misstatements noted. Disclosure is complete and accurate.</li> </ul>
<b>Council and senior management expenses</b>	<ul style="list-style-type: none"> <li>• Reviewed a sample of expense reports 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, 2011.</li> </ul>
<b>Infrastructure stimulus fund</b>	<ul style="list-style-type: none"> <li>• Tested deferred revenue schedule to determine if monies received should be reported as revenue or deferred revenue.</li> <li>• Substantive testing performed on capital expenditures.</li> <li>• Perform compliance testing on procurement policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Funding spent on projects under ISF is in line with City of Guelph's procurement policy.</li> </ul>

Areas of risk	Our audit response	Our conclusion
<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>• No material misstatements noted. Payroll expense is reasonable for the year ending December 31, 2011.</li> </ul>
<b>Procurement process</b>	<ul style="list-style-type: none"> <li>• Performed compliance testing on procurement policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Expenses subject to testing for the 2011 fiscal year were reasonable and in line with the City's procurement policy.</li> </ul>
<b>Reserves and reserve funds</b>	<ul style="list-style-type: none"> <li>• Reviewed Approval of transfers to and from reserves and reserve funds.</li> </ul>	<ul style="list-style-type: none"> <li>• No material misstatements noted. Reserve and Reserve Funds balance are reasonable as at December 31, 2011.</li> </ul>
<b>Revenue/deferred revenue</b>	<ul style="list-style-type: none"> <li>• Reviewed the recording of grants, charges, contributions and other monies received.</li> </ul>	<ul style="list-style-type: none"> <li>• No material misstatements noted.</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>• No material misstatements noted. Taxation revenue is reasonable for the year ending December 31, 2011.</li> </ul>
<b>Tangible capital asset disposals</b>	<ul style="list-style-type: none"> <li>• Reviewed new Finance policies and procedures related to disposals.</li> <li>• Reviewed disposal schedule prepared by management for reasonability.</li> </ul>	<ul style="list-style-type: none"> <li>• Reporting on tangible capital asset disposals has improved at the City for the year ending December 31, 2011. The Finance department has instituted a new procedure to enhance communication amongst City departments.</li> </ul>

# Internal control matters

We obtained an understanding of the internal control 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 financial statements, we planned to and were able to rely on internal controls in the following areas:

- Budget
- Payroll
- Expenditures

Canadian GAAS requires us to report to the Audit Committee any significant deficiencies that have come to our attention. There are no significant deficiencies noted as a result of conducting our audit, and we did provide under separate cover two recommendations that were noted.

# 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 City of Guelph, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations and accumulated surplus, changes in 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 City of Guelph as at December 31, 2011 and the results of its operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

(To be signed Deloitte & Touche LLP)

Chartered Accountants  
Licensed Public Accountants  
June 25, 2012  
Kitchener, Ontario

# Appendix 2 – Independence letter



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

June 11, 2012

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www.deloitte.ca

## **Private and confidential**

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, 2011.

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 Company, 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 21, 2011, the date of our last letter.

Membre de / Member of Deloitte Touche Tohmatsu Limited

City of Guelph  
June 11, 2012  
Page 2

Our firm has provided non-audit services to the City from June 21, 2011 to June 11, 2012. 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 11, 2012.

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 11, 2012.

Yours very truly,

*Deloitte & Touche LLP*

Chartered Accountants  
Licensed Public Accountants

# Appendix 3 – Draft letter of representation

June 25, 2012

Deloitte & Touche LLP  
4210 King St E  
Kitchener ON N2P 2G5

Dear Sirs:

**Subject: Consolidated financial statements for the year ended December 31, 2011**

This representation letter is provided in connection with the audit by Deloitte & Touche 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, 2011, (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 October 13, 2011 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, 2010 and December 31, 2011 and the results of its operations and cash flows for the years 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, 2011 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, 2011 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 & Touche LLP and Deloitte Touche Tohmatsu Limited, its member firms and the affiliates of Deloitte & Touche 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.

Appendix A					
UNCORRECTED MISSTATEMENTS		Pre-Tax Correcting Entry			
		Balance Sheet			
		Assets	Liabilities	Retained Earnings Beg of Year	Income Statement
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
CURRENT YEAR MISSTATEMENTS					
Known Misstatements (CY)					
Cutoff error for revenue	(432,021)				432,021
Past disposal of buses expensed in the current year	1,041,160				(1,041,160)
<b>Total Known Misstatements (CY)</b>	609,139	0		0	(609,139)
Likely Misstatements (CY)					
Cutoff error for revenue	(77,121)				77,121
<b>Total Likely Misstatements (CY)</b>	(77,121)	0		0	77,121
<b>Total Known + Likely Current-Year Misstatements (CY)</b>	532,018	0		0	(532,018)
CARRYOVER EFFECT OF PRIOR YEAR MISSTATEMENTS					
Factual Misstatements (PY)					
Tangible Capital Asset Disposal Error			(442,126)		442,126
			(442,126)		442,126
<b>Total Factual and Likely Misstatements After Tax</b>	532,018	-	(442,126)	-	(89,892)

# 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, 2011.
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, 2011.
3. Management judgment and accounting estimates.	No issues noted - 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 2011 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, 2011 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 October 13, 2011
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.	To be discussed during in-camera session.
20. Non-compliance with laws and regulations that come to the auditor's attention.	None noted.

Required communication	Comments
21. Limitations placed on our scope.	None.
22. Written representations the auditor is requesting.	Draft management's representations letter – Appendix 3

# Appendix 5 – Standard-setting update as of April 9, 2012

## Public sector accounting standards

Final standards	Effective date
<b>Consequential Amendments Resulting from Section 3450, Financial Instruments</b> At their meeting on December 15-16, 2011, the Public Sector Accounting Board ("PSAB") approved these amendments to the PSA Handbook, including the withdrawal of Section PS 3030, <i>Temporary Investments</i> , and amendments to Section PS 3040, <i>Portfolio Investments</i> . In response to respondents' feedback, some clarifications to the amendments were made in finalizing the changes.	Fiscal years beginning on or after April 1, 2012 for government organizations, and April 1, 2015 for governments.
<b>Handbook Improvements</b> At their meeting on December 15-16, 2011, the PSAB approved a series of final "Handbook Improvement" changes clarifying various Sections of the Public Sector Accounting Handbook as a result of (i) the issue of new Section PS 3450, Financial Instruments, and (ii) recent changes to Canadian assurance standards that warrant more specific guidance on what constitutes the date of completion of financial statements.	Fiscal years beginning on or after April 1, 2012 for government organizations, and April 1, 2015 for governments.
<b>Introduction to Public Sector Accounting Standards - Government Not-for-Profit Organizations</b> The Introduction to Public Sector Accounting Standards was amended to require that, for purposes of their financial reporting, government not-for-profit organizations should adhere to the standards for not-for-profit organizations in the CICA Public Sector Accounting (PSA) Handbook or the standards in the CICA PSA Handbook without Sections PS 4200 to PS 4270.	January 1, 2012
<b>Introduction to Public Sector Accounting Standards – Government Business Enterprises</b> The introduction to Public Sector Accounting Standards was amended to confirm that, for purposes of their financial reporting, government business enterprises should adhere to the standards applicable to publicly accountable enterprises in the CICA Handbook – Accounting Part 1. The government business-type organization category of government organizations was eliminated and Appendix B was removed.	January 1, 2011
<b>Section PS 1201, Financial Statement Presentation</b> The new Section PS 1201 replaces existing Section PS 1200, <i>Financial Statement Presentation</i> , and includes a new statement of remeasurement gains and losses. The new statement will report: <ul style="list-style-type: none"> <li>unrealized gains and losses associated with financial instruments in the fair value category;</li> <li>exchange gains and losses associated with monetary assets and monetary liabilities denominated in a foreign currency that have not been settled;</li> <li>amounts reclassified to the statement of operations upon derecognition or settlement; and other comprehensive income reported when a public sector entity includes the results of its government business enterprises and government business partnerships in the summary financial statements.</li> </ul>	Government organizations: - April 1, 2012 Governments: - April 1, 2015
<b>Section PS 2100 (Revised), Disclosure of Accounting Policies</b> PSAS approved an amendment to Section PS 2100, <i>Disclosure of Accounting Policies</i> , to deal with recent changes to the source of accounting standards applied by various types of organizations in Canada.	January 1, 2011

Final standards	Effective date
<p><b>Section PS 2125, First-time Adoption of Public Sector Accounting Standards by Government Organizations</b></p> <p>This new Section establishes recognition, measurement, presentation and disclosure standards relating to adoption by a government organization of the CICA Public Sector Accounting Handbook for the first time.</p> <p>In July 2011, the PSAB Staff have prepared and issued a Summary Comparison as at June 30, 2011 between the PSAS Handbook and Part V of the CICA Handbook – Accounting. The purpose of the document to assist government organizations that are now required to follow the PSAB Handbook instead of following Part V of the CICA Handbook – Accounting.</p>	January 1, 2011
<p><b>Section PS 2601, Foreign Currency Translation</b></p> <p>The new Section PS 2601 replaces existing Section PS 2600, Foreign Currency Translation.</p> <p>Major changes from Section PS 2600 include:</p> <ul style="list-style-type: none"> <li>• elimination of deferral and amortization of unrealized gains and losses arising from foreign currency translation before settlement;</li> <li>• withdrawal of hedge accounting as it is unnecessary under the new treatment of unrealized gains and losses; and</li> <li>• separating realized and unrealized foreign exchange gains and losses and reporting them in different statements.</li> </ul>	<p>Government organizations: - April 1, 2012</p> <p>Governments: - April 1, 2015</p>
<p><b>Section PS 3260, Liability for Contaminated Sites</b></p> <p>This new Section establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments and those organizations applying the CICA Public Sector Accounting Handbook.</p>	April 1, 2014
<p><b>Section PS 3410 (Revised), Government Transfers</b></p> <p>PSAB approved a final standard to replace existing Section PS 3410, which establishes standards on how governments should account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective.</p>	April 1, 2012
<p><b>Section PS 3450, Financial Instruments</b></p> <p>This new accounting standard Section PS 3450 provides comprehensive guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives, by government organizations.</p>	<p>Government organizations: - April 1, 2012</p> <p>Governments: - April 1, 2015</p>
<p><b>Section PS 3510, Tax Revenue</b></p> <p>This new Section establishes recognition, measurement, presentation and disclosure standards relating to tax revenue reported in financial statements.</p>	April 1, 2012
<p><b>Section PS 3800, Government Assistance</b></p> <p>In June 2010, this Section has been withdrawn as a result of the adoption of IFRSs by certain government organizations. Section PS 3800 will remain in effect until the adoption of IFRSs for fiscal periods beginning on or after January 1, 2011, unless a government organization has elected early adoption.</p>	Withdrawn – January 1, 2011
<p><b>Section PS 4200 – PS 4270, Government Not-for-profit Organizations</b></p> <p>The PSAB approved the inclusion of the PS 4200 to PS 4270 series of standards into the PSA Handbook for use by government organizations applying the standards for not-for-profit organizations.</p>	January 1, 2012

Proposed Standards		Comment period ends
	<p><b>Characteristics of Public Sector Entities</b></p> <p>On August 25, 2011, in connection with the PSAB project, <i>Concepts Underlying Financial Performance</i> (see separate Project item for details) the PSAS's Conceptual Framework Task Force has issued their first Consultation Paper, entitled <i>Characteristics of Public Sector Entities</i>, for comment by October 15, 2011. The Consultation Paper provides an overview of the key characteristics of public sector entities identified by the Task Force and seeks input from stakeholders regarding (i) these characteristics and (ii) their accounting and reporting implications for general purpose financial statements.</p>	October 15, 2011
	<p><b>Financial Instruments – Transitional Provisions</b></p> <p>On January 10, 2012, the PSAB issued an ED that proposes to amend Section PS 2601, <i>Foreign Currency Translation</i>, and Section PS 3450, <i>Financial Instruments</i>, to provide additional transitional guidance to government organizations, including in particular in respect of accumulated unrealized gains and losses on self-sustaining foreign operations and related hedges and in respect of accumulated unrealized gains and losses on securities that were previously classified as available-for-sale.</p>	February 24, 2012
	<p><b>Financial Statements for Government Organizations (formerly Entity Level Financial Statements)</b></p> <p>The objective of this SOP is to obtain comments on the tentative conclusions of the PSAB prior to the issue of an exposure draft that will provide guidance for departmental, ministerial or other governmental entity level general purpose financial statements.</p>	September 28, 2009
NEW	<p><b>IPSASB - Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports</b></p> <p>On February 8, 2012 the PSAB has issued for comment the IPSASB's January 2012 Consultation Paper, <i>Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports</i>. The Consultation Paper explores concepts applicable to presentation of information in general purpose financial reports. Canadian stakeholders are encouraged to provide their views to IPSASB.</p>	May 31, 2012
	<p><b>IPSASB - Recommended Practice Guideline, Reporting on the Long-Term Sustainability of a Public Sector Entity's Finances</b></p> <p>On November 14, 2011, the IPSASB has issued an ED that proposes a new Recommended Practice Guideline (RPG), <i>Reporting on the Long-Term Sustainability of a Public Sector Entity's Finances</i>. The objective of this project is to provide guidance on how to present information on a public sector entity's long-term fiscal sustainability to supplement information in the general purpose financial statements and meet the objectives of financial reporting—accountability and decision-making.</p> <p>The PSAB encourages Canadian stakeholders to provide their views to the IPSASB on this ED.</p>	February 29, 2012
	<p><b>IPSASB – Reporting Service Performance Information</b></p> <p>On November 14, 2011, the IPSASB has issued a Consultation Paper (CP), <i>Reporting Service Performance Information</i>. The primary objective of this CP is to present a principles-based approach to developing a consistent framework for reporting service performance information of public sector entities, a framework that focuses on meeting the needs of intended users.</p> <p>The PSAB encourages Canadian stakeholders to provide their views to the IPSASB on this CP.</p>	April 14, 2012
	<p><b>Project Identification Survey (2011)</b></p> <p>The PSAB has issued its 2011 Project Identification Survey to seek stakeholder input into its future project selection process. The document includes an attached list of possible projects for the consideration of stakeholders.</p> <p>At its meeting on December 15-16, 2011, the PSAS approved its Work Plan for 2012-13, which takes into account the responses to the Project Identification Survey. The Work Plan will now be reviewed by the Accounting Standards Oversight Council. Extra time was added to each PSAS meeting in 2012 to accommodate the development of its 2013-2016 Strategic Plan. The Board agreed that a draft strategic plan would be published for comment once developed. The current strategic plan comes to an end on March 31, 2013.</p>	May 25, 2011
NEW	<p><b>PSAS – Use of Appropriations</b></p> <p>On February 27, 2012 the PSAB has issued for comment a Statement of Principles that seeks input on key principles and definitions that the Board expects to include in a future exposure draft regarding the use of appropriations.</p>	April 20, 2012

Proposed Standards		Comment period ends
	<p><b>Related Party Transactions – Definition and Disclosure</b></p> <p>On October 5, 2011, the PSAS has issued for comment an ITC, entitled <i>Related Party Transactions – Definition and Disclosure</i>, for comment by November 14, 2011. The ITC provides details of the key principles and definitions with respect to accounting for related party transactions that the Board expects to include in a future exposure draft - which is planned to be approved for issue by the PSAB in December 2011.</p> <p>On November 14, 2011, the PSAB advised that the deadline for comments on the ITC has been extended from November 14, 2011 to November 30, 2011.</p>	November 30, 2011
	<p><b>Related Party Transactions – Recognition and Measurement</b></p> <p>On October 5, 2011, the PSAB has issued for comment an Issues Paper, entitled <i>Related Party Transactions – Recognition and Measurement</i>, for comment by November 14, 2011. The Issues Paper seeks views on recognition and measurement of related party transactions as well as information on how these transactions are currently accounted for. The Board intends to issue an exposure draft in respect of accounting for related party transactions - which is planned to be approved for issue by the PSAB in December 2011.</p> <p>On November 14, 2011, the PSAB advised that the deadline for comments on the Issues Paper has been extended from November 14, 2011 to November 30, 2011.</p>	November 30, 2011
	<p><b>Update of Terminology</b></p> <p>On July 14, 2011, the PSAB has issued an ED that proposes to amend certain standards and guidelines to clarify their applicability to various public sector entities. The PSAB Plans to approve these changes to the PSAS Handbook in December 2011.</p> <p>At their meeting on December 15-16, 2011, the PSAB reviewed responses received.</p>	September 30, 2011
Projects		Last updated
	<p><b>Amalgamations and Restructuring</b></p> <p>The objective of this project is to issue an accounting standard that addresses the definition and classification of amalgamation and restructuring activities, the recognition criteria and accounting treatment of such transactions, the measurement basis of assets and liabilities involved and the disclosure requirements unique to amalgamation and restructuring activities.</p>	February 2011
	<p><b>Appropriations</b></p> <p>The objective of this project is to issue a new accounting standard that addresses recognition and disclosure of appropriations.</p> <p>At their meeting on December 15-16, 2011, the PSAB approved a SOP on the use of appropriations. The PSAB agreed that entities who receive their funding from transfers of assets would apply the principles in Section PS 3410, <i>Government Transfers</i>. As a further scope clarification, the SOP emphasizes that the standard only applies to those entities that are required to or have chosen to issue general purpose financial statements. The SOP is expected to be issued in February 2012.</p>	January 2012
	<p><b>Asset Retirement Obligations</b></p> <p>The objective of this project is to issue an accounting standard that addresses the reporting of legal obligations associated with the retirement of long-lived tangible capital assets currently in productive use. Recognition and measurement of the liability will be a major issue as will be accounting for the related expense. A SOP is planned to be issued in September 2012.</p>	January 2012
	<p><b>Assets</b></p> <p>The objective of this project is to issue one or more accounting standards to provide more detailed guidance with respect to accounting for assets, including contingent assets and contractual rights.</p> <p>As of November 2011, the PSAB now expects to approve a SOP in June 2012, an ED in March 2013 and a final Handbook material in September 2013.</p>	November 2011

Projects	Last updated
<p><b>Completeness of the PSAS Handbook</b></p> <p>The objective of this project is to identify the accounting topics currently covered in the CICA Handbook – Accounting that are not addressed in the PSAB Handbook and consider their relevance for governments and government organizations. PSAB also approved the recruitment of an advisory group that will assist staff in the identification and prioritizing of topics not covered in the PSAB Handbook of relevance to governments and government organizations.</p> <p>At its meeting on September 29-30, 2011, the PSAB asked staff to prepare four project proposals to be considered for the 2012-2013 fiscal year, namely standards projects on (i) asset retirement obligations; (ii) service concession arrangements; (iii) impairment of non-financial assets; and (iv) long term fiscal sustainability. The PSAB also requested staff to prepare an analysis to assess the various changes under development or issued by other standard setters with respect to defined benefit pension accounting and whether PSAS should consider changing its standards.</p>	October 2011
<p><b>Concepts Underlying Financial Performance</b></p> <p>The objective of this project is to review and amend, if necessary, the conceptual framework in Sections PS 1000, <i>Financial Statement Concepts</i>, and PS 1100, <i>Financial Statement Objectives</i>. This review could also affect Section PS 1201, <i>Financial Statement Presentation</i>.</p> <p>At their meeting on December 15-16, 2011, the PSAB received a presentation regarding the Task Force's August 2011 Consultation Paper detailing the 24 responses received, the Task Force's consideration of the issues raised and the proposed disposition. The Task Force noted that an issues analysis, responding to the major issues raised, will accompany a second Consultation Paper.</p> <p>PSAB provided feedback to the Task Force on next steps in the project. A revision to the timeline is proposed to accommodate additional issues raised in the responses. PSAB encouraged the Task Force to consider other methods of consulting with constituents as well as ways to shorten the proposed timeline, while recognizing that a conceptual framework project is a significant undertaking. Previously the PSAB had expected to approve a SOP in December 2012, an ED in December 2013 and a final Handbook material in December 2014.</p>	November 2011
<p><b>Related Party Transactions</b></p> <p>The objective of this project is to issue a new accounting standard that defines a related party in the context of government and government organizations, describes the disclosure required for related parties and related party transactions and addresses recognition and disclosure of appropriations.</p> <p>As of December 2011, the PSAB expects to issue a SOP in Q1/2012, an ED in Q3/2012 and final Handbook material in Q4/2012.</p>	June 2011
<p><b>Revenue</b></p> <p>The objective of this project is to address accounting and financial reporting issues related to revenue recognition.</p> <p>As of November 2011, the PSAB now expects to approve a SOP in March 2012, an ED in September 2012 and final Handbook material in March 2013</p>	November 2011
<p><b>Review of the Not-for-profit Standards in the PSAS Handbook</b></p> <p>The objective of this project is to review the not-for-profit standards, Sections PS 4200 to PS 4270, that were recently included into the PSAB Handbook for completeness and for any issues related to their integration with the rest of the PSAB Handbook,</p>	May 2011

# Appendix 6 – 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
Centre for Corporate Governance <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>
DeloitteLINK <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>	Weekly e-newsletter that helps the finance team to stay on top of standard-setting initiatives.
Deloitte Learning Academy <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>	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).
Deloitte Update <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>	Learning webcasts offered throughout the year featuring Deloitte professionals discussing critical issues that affect your business.
Directors' Series <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>	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.
Integrity in the Spotlight	<ul style="list-style-type: none"> <li>• Audit Committee members</li> <li>• CEO/CFO</li> <li>• Internal auditor</li> <li>• Legal counsel</li> </ul>	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.

Other resources		
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.

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Financial Statements of

**THE ELLIOTT**

Year ended March 31, 2011



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**Chartered Accountants**  
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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, 2011, the statements of operations and deficit 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.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Elliott as at March 31, 2011, and the results of its operations 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 28, 2011  
Waterloo, Canada

# THE ELLIOTT

## Statement of Financial Position

March 31, 2011, with comparative figures for 2010

	2011	2010
<b>Assets</b>		
Current assets:		
Cash	\$ -	\$ 260
Accounts receivable	118,924	193,915
Prepaid expenses	62,561	59,868
Trust funds held for residents	1,301	22,699
	182,786	276,742
Buildings and equipment (note 3)	22,226,264	23,885,892
Equipment under capital leases	129,436	-
	\$ 22,538,486	\$ 24,162,634

## Liabilities, Deferred Contributions and Net Assets (Deficit)

Current liabilities:		
Bank indebtedness	\$ 401,312	\$ -
Operating line of credit (note 4)	580,000	1,750,000
Accounts payable and accrued liabilities	999,808	829,756
Deferred revenue	42,558	4,964
Trust funds held for residents	1,301	22,699
Current portion of long-term debt	631,835	457,166
Current portion obligations under capital leases	39,552	-
	2,696,366	3,064,585
Long-term debt (note 5)	22,358,075	22,386,429
Deferred capital contributions (note 6)	657,035	725,034
Obligations under capital leases (note 7)	94,173	-
Fair value of interest rate swap contract	153,601	166,150
Net assets (deficit):		
Unrestricted	(3,420,764)	(2,636,360)
Internally restricted (note 8)	-	456,796
	(3,420,764)	(2,179,564)
Commitments (note 9)		
	\$ 22,538,486	\$ 24,162,634

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_  
Trustee

\_\_\_\_\_  
Trustee

# THE ELLIOTT

## Statement of Operations and Deficit

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Revenue:		
Accommodation:		
Basic	\$ 6,948,079	\$ 6,574,480
Preferred	340,875	313,374
Suite re-leasing (note 10)	170,675	178,295
Subsidy - Ontario Ministry of Health and Long-Term Care	3,952,219	3,261,820
Alternate level of care transitional revenue	-	629,800
Community centre rental	31,228	31,534
Cable television fees	92,760	89,886
Other revenue	267,055	217,493
Donations	32,830	6,537
Amortization of deferred capital contributions (note 6)	67,999	53,479
	11,903,720	11,356,698
Expenses:		
Wages and salaries	6,184,853	6,138,228
Employee benefits	1,228,840	1,096,670
Supplies	275,545	288,675
Meals and nourishments	647,745	606,514
Repairs and replacements	624,128	430,223
Travel	3,547	1,524
Professional development	17,546	17,263
Computer and software	88,118	32,608
Utilities	574,298	539,550
Insurance	36,592	35,686
Telephone and communications	38,604	20,826
Medical director	22,246	13,693
Professional fees	47,841	24,035
Waste removal	17,505	16,182
Grounds maintenance and landscaping	24,847	27,130
Elevator maintenance	42,578	38,110
Office and general	18,004	12,282
Marketing and promotion	19,855	13,972
Municipal taxes	163,053	160,874
Cable television	88,171	87,114
Other	5,277	17,735
Interest	1,258,670	1,262,019
Accretion of deferred financing costs	3,481	3,481
Amortization of buildings and equipment	1,726,125	1,708,343
Fair value adjustment on interest rate swap	(12,549)	(265,281)
	13,144,920	12,327,456
Deficiency of revenue over expenses	(1,241,200)	(970,758)
Deficit, beginning of year	(2,179,564)	(1,208,806)
Deficit, end of year	\$ (3,420,764)	\$ (2,179,564)

See accompanying notes to financial statements.

# THE ELLIOTT

## Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (1,241,200)	\$ (970,758)
Items not involving cash:		
Amortization of buildings and equipment	1,728,309	1,712,507
Amortization of deferred capital contributions	(67,999)	(53,479)
Accretion of deferred financing costs	3,481	3,481
Gain on disposal of equipment	(2,184)	(4,164)
Change in fair value of interest rate swap	(12,549)	(265,281)
Change in non-cash working capital balances arising from operating activities:		
Accounts receivable	74,991	(24,936)
Prepaid expenses	(2,693)	4,102
Accounts payable and accrued liabilities	170,052	(199,622)
Deferred revenue	37,594	1,955
	687,802	203,805
Financing:		
Increase (decrease) in operating line of credit	(1,170,000)	380,000
Repayments of long-term debt	(607,166)	(434,366)
Advance of long-term debt	750,000	-
Principal repayments on capital lease	(28,070)	-
Capital contributions received	-	14,521
	(1,055,236)	(39,845)
Investments:		
Purchase of buildings and equipment	(36,322)	(135,028)
Proceeds on disposal	2,184	4,164
	(34,138)	(130,864)
Decrease (increase) in bank indebtedness	(401,572)	33,096
Cash (bank indebtedness), beginning of year	260	(32,836)
Cash (bank indebtedness), end of year	\$ (401,312)	\$ 260

See accompanying notes to financial statements.

# THE ELLIOTT

## Notes to Financial Statements

Year ended March 31, 2011

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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) 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.

# THE ELLIOTT

Notes to Financial Statements, continued

Year ended March 31, 2011

---

## 1. Significant accounting policies (continued):

### (d) 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.

### (e) 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.

### (f) 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.

### (g) 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.

### (h) 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.

# THE ELLIOTT

Notes to Financial Statements, continued

Year ended March 31, 2011

## 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:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Buildings	\$ 34,571,394	\$ 12,704,209	\$ 21,867,185	\$ 23,449,934
Machinery and equipment	2,421,941	2,062,862	359,079	435,958
Vehicles	32,250	32,250	-	-
	37,025,585	14,799,321	22,226,264	23,885,892
Equipment under capital leases:				
Equipment under capital leases	161,795	32,359	129,436	-
	\$ 37,187,380	\$ 14,831,680	\$ 22,355,700	\$ 23,885,892

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 (2010 - bank prime plus 0.25%).

# THE ELLIOTT

Notes to Financial Statements, continued

Year ended March 31, 2011

## 5. Long-term debt:

	2011	2010
5.06% mortgage held by the City of Guelph, payable in monthly installments of \$112,777 principal and interest, maturing December 25, 2037	\$ 19,816,896	\$ 20,158,062
Term loan, bearing interest at bank prime, payable in annual installments of \$150,000 plus interest, repayable in full March 31, 2015	600,000	-
Banker's acceptance, with interest of 4.87% per annum fixed through a swap transaction, quarterly payments of interest and principal, maturing June 25, 2015 with an option to refinance for an additional ten years	2,667,000	2,783,000
	23,083,896	22,941,062
Current portion of long-term debt	631,835	457,166
	22,452,061	22,483,896
Transaction costs	93,986	97,467
	\$ 22,358,075	\$ 22,386,429

Principal repayments are due as follows:

2012	\$ 631,835
2013	658,419
2014	684,966
2015	714,525
2016	2,567,149
Thereafter	17,827,002
	\$ 23,083,896

Interest expense on long-term debt for the year amounted to \$1,169,574 (2010 - \$1,201,492).

# THE ELLIOTT

Notes to Financial Statements, continued

Year ended March 31, 2011

## 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:

	2011	2010
Balance, beginning of year	\$ 725,034	\$ 763,992
Less amounts amortized to revenue during the year	(67,999)	(53,479)
Capital contributions received	-	14,521
	\$ 657,035	\$ 725,034

## 7. Obligations under capital leases:

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

	2011
2012	\$ 39,552
2013	39,552
2014	39,552
2015	39,552
Total minimum lease payments	158,208
Less amount representing interest at 8.5%	24,483
Present value of net minimum capital lease payments	133,725
Current portion of obligations under capital lease	39,552
	\$ 94,173

Interest of \$11,482 relating to the capital lease obligations have been included in interest expense.

## 8. Internally restricted net assets:

In prior years the Board of Trustees had internally restricted \$456,796 of unrestricted net assets to fund buildings and equipment. In the current year the Board of Trustees unrestricted this amount.

# THE ELLIOTT

Notes to Financial Statements, continued

Year ended March 31, 2011

## 9. Commitments:

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

2012	\$	4,984
2013		3,903
2014		3,903
2015		3,683
2016		1,221

## 10. Suite re-leasing fees:

The Elliott provides a service of 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.

	2011	2010
Suite re-leasing revenue	\$ 1,713,600	\$ 1,789,800
Suite re-leasing costs	1,542,925	1,611,505
	\$ 170,675	\$ 178,295

## 11. Supplemental cash flow information:

	2011	2010
Cash paid for interest	\$ 1,209,460	\$ 1,236,119
Non-cash investing and financing activities:		
Acquisition of equipment through capital leases	161,795	-

# THE ELLIOTT

Notes to Financial Statements, continued

Year ended March 31, 2011

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## 12. 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.

### (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.

### (b) Associated risks (continued):

#### (i) Interest rate risk (continued):

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, 2011, The Elliott has entered into an interest rate swap contract to fix its interest rates on \$2,667,000 (2010 - \$2,783,000) of its potential fluctuating rate loans. The Elliott's obligation as at March 31, 2011, with relation to this contract, is \$153,601 (2010 - \$166,150).

#### (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.

# THE ELLIOTT

Notes to Financial Statements, continued

Year ended March 31, 2011

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## **13. 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.

## **14. Comparative figures:**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.



# The Elliott

## **Audit Findings Report to the Audit Committee**

For the period ended March 31, 2011 – June 22, 2011

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

AUDIT

## Contents

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<b>Executive Summary .....</b>	<b>3</b>
Overview and Status.....	3
Topics to Discuss.....	3
<b>Significant Audit, Accounting and Reporting Matters.....</b>	<b>4</b>
<b>Significant Qualitative Aspects of Accounting Practices .....</b>	<b>6</b>
<b>Misstatements.....</b>	<b>7</b>
Audit Misstatements – Identification .....	7
Corrected Audit Misstatements .....	7
<b>Control Deficiencies.....</b>	<b>8</b>
Background.....	8
Identification.....	8
<b>Appendices .....</b>	<b>9</b>
Appendix 1 – Independence Letter.....	9
Appendix 2 – Management Representation Letter.....	10
Appendix 3 – Definitions .....	11
Appendix 4 – KPMG's Audit Committee Resources.....	12

## Executive Summary

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### Overview and Status

The purpose<sup>1</sup> of this Audit Findings Report is to assist the Board of Trustees in your review of the financial statements of The Elliott.

We have completed the audit of the financial statements with the exception of the following remaining procedures:

- signed representation letter
- receipt of legal letters
- receipt of debt confirmation from the City of Guelph
- completing our discussions with the Audit Committee
- obtaining evidence of the Board of Trustees' approval of the financial statements.

We will update the Board of Trustees on any significant matters arising from the completion of the above procedures, as additional procedures or adjustments to the financial statements may be necessary.

Our audit report will be dated no earlier than the date on which we have obtained sufficient appropriate audit evidence on which to base our audit opinion on the financial statements, including evidence that:

- all the statements that comprise the financial statements, including the related notes, have been prepared
- the Board of Trustees has approved the financial statements.

### Topics to Discuss

Below are topics identified from the audit that we have highlighted for discussion at the Audit Committee meeting. We believe these topics need to be brought to your attention, and we look forward to discussing our findings with you:

- Significant Audit, Accounting and Reporting Matters
- Significant Qualitative Aspects of Accounting Practices
- Misstatements and Control Deficiencies

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<sup>1</sup> This Audit Findings Report should not be used for any other purpose. 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 any other purpose.

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## Significant Audit, Accounting and Reporting Matters

The following are the significant audit, accounting and reporting matters arising from the audit:

Significant Risks and Non-Routine Transactions	Results / Effect on the Audit	Misstatements and Control Deficiencies
<p><b>Going Concern</b></p> <ul style="list-style-type: none"> <li>The Elliott has incurred a loss of \$1.2M in the current year, which has increased over the prior year.</li> <li>During the year there were positive cash flows from operations but was offset by negative cash flows from financing due to large debt repayments.</li> </ul>	<ul style="list-style-type: none"> <li>KPMG obtained management's representation of the ability of the Elliott to continue as a going concern.</li> <li>Going concern assessment will continue to be monitored each year.</li> </ul>	<ul style="list-style-type: none"> <li>No misstatements or control deficiencies identified.</li> </ul>

## Audit Findings Report to the Audit Committee

<p><b>Refinancing of Debt</b></p> <ul style="list-style-type: none"> <li>• In June 2010 The Elliott refinanced its debt with RBC. RBC as part of this refinancing required the Corporation of the City of Guelph to Guarantee \$5,063,000.</li> <li>• The new financing arrangement reduced the previous interest rate from bank prime plus .25% to bank prime.</li> <li>• As part of the refinancing a non-revolving term loan was advanced.</li> <li>• The non-revolving term loan has a fixed repayment schedule.</li> </ul>	<ul style="list-style-type: none"> <li>• The banking agreement states that the Bank may in the event of default terminate or demand payment of the facilities – this is an adverse change clause.</li> <li>• Emerging Issues Committee Abstract - 122 <i>Balance Sheet Classification of Callable Debt Obligations and Debt Obligations Expected to be Refinanced</i> states” that if it is unlikely that the creditor historically has not demanded repayment of loans containing similar “Adverse Change” clauses and the debtor is in strong financial condition), absent any other violations, the debtor would classify the debt obligation in accordance with the repayment terms of the loan agreement”</li> <li>• The non-revolving term loan has been classified as long-term with the next fiscal year payments being classified as current debt.</li> </ul>	<ul style="list-style-type: none"> <li>• No misstatements or control deficiencies identified.</li> </ul>
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## Audit Findings Report to the Audit Committee

### Significant Qualitative Aspects of Accounting Practices

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The following are the significant qualitative aspects of accounting practices that we will discuss:

Significant Accounting Policies	<ul style="list-style-type: none"><li>• There were no significant changes in accounting policies during the year.</li></ul>
Significant Accounting Estimates	<ul style="list-style-type: none"><li>• There were no significant accounting estimates during the year.</li></ul>

## **Misstatements**

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### **Audit Misstatements – Identification**

- During the course of our audit we did not identify any uncorrected audit misstatements.

### **Corrected Audit Misstatements**

- During the course of the audit we did identify one corrected audit misstatements.
- Refer to Management's representation and the Summary of Corrected Audit Misstatements in Appendix 2.

## Control Deficiencies

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### Background

- In planning and performing our audit of the financial statements, we considered internal control 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 consideration of internal control was for the limited purpose described in the preceding paragraph 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 consider to be significant deficiencies in internal control.

## **Appendices**

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### **Appendix 1 – Independence Letter**



## PROVISION OF SERVICES

The following summarizes the professional services rendered by us to the Entity (and its related entities) for the period ended March 31, 2011.

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 2009 Long-Term Care Report.</li> </ul>
<b>All other</b> <ul style="list-style-type: none"> <li>Indirect tax services</li> </ul>

## OTHER RELATIONSHIPS

We are not aware of any relationships between our firm and the Entity (and its related entities) that may reasonably be thought to bear on our independence during the period from April 1, 2010 to June 22, 2011.

## CONFIRMATION OF INDEPENDENCE

Professional standards require that we confirm our independence to you in the context of the relevant ethical requirements regarding independence.

Accordingly, we hereby confirm that we are independent with respect to the Entity (and its related entities) within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of June 22, 2011.

## 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 for any other purpose.

Yours very truly,



Chartered Accountants, Licensed Public Accountants

/jfk

**Appendix 2 – Management Representation Letter**

KPMG LLP  
Chartered Accountants  
115 King Street South, 2nd floor  
Waterloo, Ontario N2J 5A3  
Canada

June 28, 2011

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, 2011.

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 April 6, 2011, 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 risks 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, analysts, regulators, 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.

Yours very truly,

THE ELLIOTT

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By: Mr. Trevor Lee, CEO

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By: 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 CICA Part V- Pre-Changeover Accounting Standards *related party* is defined as:

- 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 a *related party transaction* is defined as:

- 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.

### Summary of corrected audit misstatements

							Impact on financial statement captions - DR(CR)											
#	Account #	Account Name	Description / Identified During	Error Type	Amount	Income Effect DR, (CR)	Balance Sheet Effect					Cash Flow Effect			Statement of Comprehensive Income - Debit - (Credit)	Recorded by		
					DR (CR)	Income effect	Equity at period end	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Operating Activities	Investing Activities	Financing Activities				
1	215	Assets under capital lease	To record the capital lease related to the phone system.		\$ 161,795	\$ -	\$ -	\$ -	\$ 161,795	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
	640	Interest			\$ 11,482	\$ 11,482	\$ 11,482	\$ -	\$ -	\$ -	\$ -	\$ 11,482	\$ -	\$ -	\$ -			
	675	Amortization expense - lease			\$ 32,359	\$ 32,359	\$ 32,539	\$ -	\$ -	\$ -	\$ -	\$ (32,539)	\$ -	\$ -	\$ -			
	425	Obligations under capital lease			\$ (133,725)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (133,725)	\$ -	\$ -	\$ -	\$ -			
	216	Accumulated amortization - capital lease			\$ (32,359)	\$ -	\$ -	\$ -	\$ (32,359)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
	430	Lease payments			\$ (39,552)	\$ (39,552)	\$ (39,552)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (39,552)	\$ -			
Total income effect						\$ 4,289												

### Appendix 3 – 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 of sufficient importance to merit the attention of those charged with governance.

## **Appendix 4 – KPMG's Audit Committee Resources**

- *Focus on Financial Reporting – 2010 Annual Update*  
<http://www.kpmg.com/Ca/en/IssuesAndInsights/ArticlesPublications/Pages/FOCUS-ON-FINANCIAL-REPORTING-2010-ANNUAL-UPDATE.aspx>
- *Audit Committee Update*, Issue 2010-01, Audit Committee Institute  
<http://www.kpmg.ca/auditcommittee/update.html>
- *Audit Committee Roundtables* held each spring and fall, Audit Committee Institute  
<http://www.kpmg.ca/auditcommittee/roundtables.html>
- *Shaping the Canadian Audit Committee Agenda* (2006 edition), Audit Committee Institute  
<http://www.kpmg.ca/auditcommittee/shaping.html>
- *Accountability e-Lert* – periodic electronic newsletter. Subscribe at  
[www.kpmg.ca/accountability](http://www.kpmg.ca/accountability)
- Audit Committee Institute Web site – [www.kpmg.ca/auditcommittee](http://www.kpmg.ca/auditcommittee)

Financial statements of

**Wellington-Dufferin-Guelph  
Public Health**

December 31, 2011

# Wellington-Dufferin-Guelph Public Health

December 31, 2011

## Table of contents

Independent Auditor's Report .....	1-2
Statement of operations and surplus .....	3
Statement of changes in net financial assets .....	4
Balance sheet .....	5
Statement of cash flows .....	6
Notes to the financial statements .....	7-10
Schedule of expenditure recoveries - Schedule 1 .....	11
Schedule of revenue and expenditures breakdown by programs - Schedule 2 .....	12
Schedule of tangible capital assets - Schedule 3 .....	13

## 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, 2011, 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

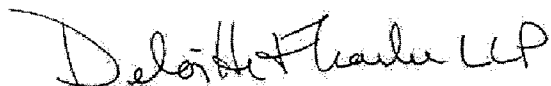
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

A handwritten signature in dark ink, appearing to read "Deloitte Haskins & Sells LLP". The signature is written in a cursive, flowing style.

Chartered Accountants  
Licensed Public Accountants  
May 2, 2012

# Wellington-Dufferin-Guelph Public Health

## Statement of operations and surplus

### Total mandatory and related programs year ended December 31, 2011

	Budget 2011 (Note 8)	Actual 2011	Actual 2010
	\$	\$	\$
<b>Municipal and provincial funding</b>			
Province of Ontario	13,515,562	13,362,484	11,430,857
City of Guelph	2,590,515	2,590,516	2,245,939
County of Wellington	1,839,155	1,839,155	1,595,952
County of Dufferin	1,177,506	1,177,507	1,020,881
Grant - 100% - MOHLTC	657,892	518,881	1,183,749
	19,780,630	19,488,543	17,477,378
Other revenue			
Interest	5,000	30,186	15,097
Miscellaneous (one-time)	-	-	1
	5,000	30,186	15,098
<b>Total revenue (Schedule 2)</b>	<b>19,785,630</b>	<b>19,518,729</b>	<b>17,492,476</b>
<b>Expenses</b>			
Salaries and wages	11,762,599	11,460,767	10,274,131
Benefits	3,033,941	2,599,946	2,419,498
Staff and volunteer training and recognition	143,229	97,261	106,894
Board of Health	20,300	21,015	22,456
Travel	328,327	313,226	284,198
Building occupancy	1,546,305	2,003,965	887,144
Office expenses, printing and postage	132,765	131,921	110,767
Purchased program services	1,196,997	1,489,068	1,068,038
Program materials and supplies	917,325	831,806	371,308
Equipment	236,581	301,519	137,690
Communication costs	170,519	152,619	146,698
One time and capital projects	657,892	692,902	1,241,252
Expenditure recoveries (Schedule 1)	(361,150)	(435,545)	(396,220)
Amortization	-	632,468	455,413
Capital purchases (included in expenses above)	-	(2,274,191)	(1,045,859)
<b>Total expenses (Schedule 2)</b>	<b>19,785,630</b>	<b>18,018,747</b>	<b>16,083,408</b>
Excess of revenue over expenses	-	1,499,982	1,409,068
Accumulated surplus, beginning of year	-	2,930,274	1,549,800
Net interest and transfers in reserves	-	19,734	(28,594)
<b>Accumulated surplus, end of year (Note 5)</b>	<b>-</b>	<b>4,449,990</b>	<b>2,930,274</b>

Approved by the Board of Directors on May 2, 2012

\_\_\_\_\_  
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, 2011

	2011	2010
	\$	\$
<b>Excess of revenue over expenses</b>	<b>1,499,982</b>	<b>1,409,068</b>
Amortization of tangible capital assets	632,468	455,413
Change in prepaid expenses	(31,532)	(46,021)
Acquisition of tangible capital assets	(2,274,191)	(1,045,859)
Other (transfer to reserve)	19,734	(28,594)
(Decrease) increase in net financial assets	(153,539)	744,007
Net financial assets, beginning of year	1,703,288	959,281
<b>Net financial assets, end of year</b>	<b>1,549,749</b>	<b>1,703,288</b>

The attached notes form part of these financial statements.

# Wellington-Dufferin-Guelph Public Health

Balance sheet  
as at December 31, 2011

	2011	2010
	\$	\$
<b>Assets</b>		
Current assets		
Cash	4,194,670	3,704,390
Accounts receivable	279,891	378,427
Due from Province of Ontario	81,303	376,133
	<b>4,555,864</b>	<b>4,458,950</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	1,489,062	1,117,219
Employee benefits payable (Note 6)	1,213,187	1,045,454
Deferred revenue	165,509	323,867
Trust liability (Note 3)	126,450	216,440
Due to programs (Note 4)	11,907	52,682
	<b>3,006,115</b>	<b>2,755,662</b>
<b>Net financial assets</b>	<b>1,549,749</b>	<b>1,703,288</b>
<b>Non financial assets</b>		
Tangible capital assets (Schedule 3)	2,808,140	1,166,417
Prepaid expenses	92,101	60,569
	<b>2,900,241</b>	<b>1,226,986</b>
<b>Accumulated surplus (Note 5)</b>	<b>4,449,990</b>	<b>2,930,274</b>

Approved by the Board of Directors on May 2, 2012

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

The attached notes form part of these financial statements.

# Wellington-Dufferin-Guelph Public Health

## Statement of cash flows year ended December 31, 2011

	2011	2010
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenditures	1,499,982	1,409,068
Non cash charges to operations		
Amortization	632,468	455,413
Net change in non-cash working capital items related to operations	632,021	239,827
	<b>2,764,471</b>	<b>2,104,308</b>
Acquisition of tangible capital assets	(2,274,191)	(1,045,859)
Net increase in cash and cash equivalents	490,280	1,058,449
Cash and cash equivalents, beginning of year	3,704,390	2,645,941
<b>Cash and cash equivalents, end of year</b>	<b>4,194,670</b>	<b>3,704,390</b>

The attached notes form part of these financial statements.

# Wellington-Dufferin-Guelph Public Health

## Notes to the financial statements

December 31, 2011

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### 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 5 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 Province of Ontario. 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 Province of Ontario. 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.

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. 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, 2011

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### 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
Building improvements	15 years
Equipment	5 years
Technology & 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.

	2011	2010
	\$	\$
County of Dufferin - SSILCC	82,062	134,799
Teen Dental - NCB (Wellington)	14,000	12,569
In motion	7,493	11,807
Growing Great Kids	3,620	8,566
F&CS - Nobody's Perfect	3,211	3,211
Infection Connection Workshop	3,145	4,001
Hearing (Wee Talk)	2,255	2,865
Reduce Tanning (Odette Cancer Centre)	2,180	3,030
CINOT Pilot	1,610	1,610
Children's Report Card	1,400	26,537
CCO (Nutrition & Phys. Act Prog)	1,397	1,397
SNAC	1,336	2,169
Teen Dental - NCB (Dufferin)	887	887
Due to Community Food Advisors	784	616
ASRTS	557	557
Mennonite Community Donations	400	-
Shirley's Garden	112	112
Staff Social Fund	1	1
Healthy Communities	-	4,704
The Comfortable Kitchen	-	752
Boys and Girls Club	-	(3,750)
	126,450	216,440

# Wellington-Dufferin-Guelph Public Health

## Notes to the financial statements

December 31, 2011

### 4. Due to programs

	2011	2010
	\$	\$
Due to CPNP	10,072	8,122
Due to Preschool Speech and Language	7,485	44,560
Due from Healthy Communities	(5,650)	-
	<u>11,907</u>	<u>52,682</u>

### 5. Accumulated surplus and reserves

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

	2011	2010
	\$	\$
Surplus		
Invested in tangible capital assets	2,808,140	1,166,417
Reserves for capital improvements	1,641,850	1,763,857
	<u>4,449,990</u>	<u>2,930,274</u>

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

	2011	2010
	\$	\$
Balance, beginning of year	1,763,857	973,829
Interest earned on reserve	19,734	6,158
Transfer from reserve for H1N1 surplus	-	(34,752)
Transfer and tangible capital asset reconciliation	(141,741)	818,622
Balance, end of year	<u>1,641,850</u>	<u>1,763,857</u>

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 \$267,552 (2010 - \$264,472), reserve fund - facilities in the amount of \$969,699 (2010 - \$1,099,444), and reserve for contingencies in the amount of \$404,599 (2010 - \$399,941).

### 6. Employee benefits payable

	2011	2010
	\$	\$
Sick leave benefits payable	55,939	59,360
Vacation time payable	1,105,502	941,239
Compensation time payable	51,746	44,855
	<u>1,213,187</u>	<u>1,045,454</u>

# Wellington-Dufferin-Guelph Public Health

## Notes to the financial statements

December 31, 2011

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### 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 \$55,939 (2010 - \$59,360) 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, 2011 is \$1,105,502 (2010 - \$941,239).

#### *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, 2011 is \$51,746 (2009 - \$44,855).

### 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 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 2011 was \$981,884 (2010 - \$827,120).

### 8. Budget figures

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

### 9. Lease commitments

Public Health has leased premises under a variety of leases of which the longest expires on April 30, 2061. The minimum lease payments over the next five years are as follows:

	\$
2012	559,045
2013	442,260
2014	384,806
2015	321,870
2016	347,242
	<u>2,055,223</u>

### 10. Credit facility

At December 31, 2011 Public Health has an unsecured line of credit of \$500,000, bearing interest at bank prime rate of 3.00% (2010 - 3.00%), of which all remained unused at year-end.

# Wellington-Dufferin-Guelph Public Health

## Schedule of expenditure recoveries - Schedule 1 year ended December 31, 2011

	Budget 2011	Actual 2011	Actual 2010
	\$	\$	\$
Contraceptive sales	87,000	73,309	81,078
File searches	1,000	2,180	975
Food safety courses	14,000	11,977	9,410
Guelph sexuality conference	-	10,000	10,000
HPV vaccinations	20,400	23,367	28,798
Meningococcal immunizations	15,300	16,184	27,676
Other	1,000	8,160	1,025
Prenatal and breastfeeding fees	38,450	33,312	37,860
TB skin tests	4,000	5,300	6,782
Vaccines (Gardasil)	10,000	16,180	10,500
Travel clinic fees	125,000	171,395	134,121
H1N1 immunizations	-	-	2,150
Universal influenza immunizations	45,000	64,181	45,845
	<b>361,150</b>	<b>435,545</b>	<b>396,220</b>

The attached notes form part of these financial statements.

**Wellington-Dufferin-Guelph Public Health**  
Schedule of revenue and expenditures breakdown by programs - Schedule 2  
year ended December 31, 2011

	Total mandatory and related programs (cost shared & 100% MOHLTC)																
	Cost shared mandatory programs	Cost shared one time	Cost shared	Cost shared VBD expansion	Cost-shared CINOT	100% Municipal	100% Needle exchange	100% Enhanced food safety	100% Healthy Ontario smiles	100% Infection control	100% Bed bugs	100% drinking water systems	Enhanced safe water	100% Chief nursing officer	100% Infection nurse	Public health nurses initiative	Total mandatory and related programs (cost shared & 100% MOHLTC)
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Revenue	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Shared funding: provincial																	
Grant - cost-shared - MOHLTC	6,060,175	-	-	-	-	-	22,454	70,478	810,224	333,349	64,733	83,000	35,783	29,175	84,872	66,627	7,660,870
Grant - cost-shared - VBD - MOHLTC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	148,919
Grant - cost-shared -	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CINOT expansion - MHPS	-	-	-	69,680	-	-	-	-	-	-	-	-	-	-	-	-	69,680
Grant - one-time C/S - MOHLTC	5,483,015	518,881	-	-	-	-	-	-	-	-	-	-	-	-	-	-	518,881
Grant - cost-shared - MHP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,483,015
Sub-total provincial funding	11,543,190	518,881	148,919	69,680	-	22,454	70,478	810,224	333,349	64,733	83,000	35,783	29,175	84,872	66,627	13,881,365	
Shared funding: municipal																	
Grant - cost-shared - GUELPH	1,771,652	-	22,934	17,325	772,605	-	-	-	-	-	-	-	-	-	-	-	2,590,516
Grant - cost-shared - WELLINGTON	1,262,057	-	16,282	12,300	548,516	-	-	-	-	-	-	-	-	-	-	-	1,839,155
Grant - cost-shared - DUFFERIN	808,024	-	10,424	7,875	351,184	-	-	-	-	-	-	-	-	-	-	-	1,177,507
Sub-total municipal funding	3,847,733	-	49,640	37,500	1,672,305	-	-	-	-	-	-	-	-	-	-	-	5,607,178
Total cost-shared funding	15,390,923	518,881	198,559	107,180	1,672,305	22,454	70,478	810,224	333,349	64,733	83,000	35,783	29,175	84,872	66,627	19,488,543	
General revenue																	
Interest income	30,186	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,186
Miscellaneous revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total general revenue	30,186	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,186
Total revenue	15,421,109	518,881	198,559	107,180	1,672,305	22,454	70,478	810,224	333,349	64,733	83,000	35,783	29,175	84,872	66,627	19,518,729	
Expenses																	
Employee costs																	
Employee salaries and wages	10,363,643	-	41,759	-	204,690	-	-	50,516	289,260	238,606	45,735	64,471	16,930	23,528	67,898	53,731	11,460,767
Employee benefits	2,358,276	-	10,440	-	-	-	-	12,083	86,778	66,809	11,434	14,377	4,232	5,647	16,974	12,896	2,599,946
Total salaries, wages and benefits	12,721,919	-	52,199	-	204,690	-	-	62,599	376,038	305,415	57,169	78,848	21,162	29,175	84,872	66,627	14,060,713
Operating costs																	
Staff training	85,095	-	1,717	-	-	-	-	-	300	7,977	-	-	2,272	-	-	-	97,261
Board / vol training and recognition	20,975	-	-	-	-	-	-	-	-	-	40	-	-	-	-	-	21,015
Travel	293,061	-	-	-	-	-	-	877	10,000	4,182	954	4,152	-	-	-	-	313,226
Building occupancy	846,732	-	-	-	-	-	-	-	250	-	-	-	4,412	-	-	-	2,003,965
Office expenses, printing, postage	127,053	-	43	-	1,152,571	-	-	-	269	149	1,984	-	-	-	-	-	131,921
Professional and purchased services	694,737	-	96,488	92,907	465,640	-	-	121,966	298,978	4,807	4,586	-	7,937	-	-	-	1,489,068
Program materials and supplies	505,939	-	-	-	-	-	-	659	-	3,776	-	-	-	-	-	-	831,806
Office equipment	55,142	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55,142
Information and IT equipment	186,166	-	48,112	-	-	-	-	6,343	-	5,756	-	-	-	-	-	-	246,377
Communication costs	151,232	-	-	-	-	-	-	-	-	1,387	-	-	-	-	-	-	152,619
Other operating (one-time)	518,881	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	692,902
Expenditure recoveries	(435,545)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(435,545)
Amortization	632,468	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	632,468
Capital purchases	(1,270,038)	-	-	-	(1,004,153)	-	-	-	-	-	-	-	-	-	-	-	(2,274,191)
Total net operating costs	2,067,038	518,881	146,360	92,907	614,058	22,454	7,879	434,186	27,934	7,564	4,152	14,621	-	-	-	-	3,958,034
Total net expenditures	14,788,957	518,881	198,559	92,907	818,748	22,454	70,478	810,224	333,349	64,733	83,000	35,783	29,175	84,872	66,627	18,018,747	

Page 12

# Wellington-Dufferin-Guelph Public Health

Schedule of tangible capital assets - Schedule 3  
year ended December 31, 2011

	Land	Building	Building improvements	Equipment	Technology & communication	Furniture and fixtures	Totals	Totals
	\$	\$	\$	\$	\$	\$	2011	2010
<b>Cost</b>							\$	\$
Balance, beginning of year	-	-	31,590	204,509	1,850,870	240,918	2,327,887	1,282,028
Add: additions during the year	1,004,153	420,764	144,706	203,834	495,732	5,002	2,274,191	1,045,859
Balance, end of year	1,004,153	420,764	176,296	408,343	2,346,602	245,920	4,602,078	2,327,887
<b>Accumulated amortization</b>								
Balance, beginning of year	-	-	3,159	99,739	861,089	197,483	1,158,311	706,057
Add: additions during the year	-	7,013	6,931	63,867	539,838	14,819	625,537	455,413
Balance, end of year	-	7,013	10,090	163,606	1,400,927	212,302	1,793,938	1,161,470
<b>Net book value of tangible capital assets</b>	1,004,153	413,751	166,206	244,737	945,675	33,618	2,808,140	1,166,417

The attached notes form part of these financial statements.

Financial statements of

**Downtown Guelph  
Business Association**

December 31, 2011

# Downtown Guelph Business Association

December 31, 2011

## Table of contents

Independent Auditor's Report .....	1-2
Statement of financial position .....	3
Statement of operations .....	4
Statement of changes in net financial assets .....	5
Statement of cash flows .....	6
Notes to the financial statements .....	7-9
Schedule of tangible capital assets – Schedule A .....	10

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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, 2011, 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, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## **Other matter**

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 Accountants  
Licensed Public Accountants  
DATE

DRAFT

# Downtown Guelph Business Association

## Statement of financial position as at December 31, 2011

	2011	2010
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	107,644	82,545
Investments (Note 6)	42,016	42,016
Accounts receivable	47,816	19,857
	<u>197,476</u>	<u>144,418</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	122,943	42,552
Unclaimed gift certificates	16,655	15,655
	<u>139,598</u>	<u>58,207</u>
Net financial assets	57,878	86,211
<b>Non-financial assets</b>		
Prepaid expenses	7,962	13,042
Tangible capital assets, net (Schedule A)	29,819	-
<b>Accumulated surplus (Note 5)</b>	<u>95,659</u>	<u>99,253</u>

Approved by the Board

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

# Downtown Guelph Business Association

Statement of operations  
year ended December 31, 2011

	Budget 2011 \$	Actual 2011 \$	Actual 2010 \$
<b>Revenues</b>			
City of Guelph			
Tax levies	427,000	412,000	398,391
Carden Street promotion	-	164,950	-
Other	29,000	37,994	1,381
Grants	141,650	74,667	-
Sponsorships	24,500	-	-
Partner contribution	2,950	25,659	-
Events income	-	11,500	-
Interest and other income	2,200	3,645	3,652
	<b>627,300</b>	<b>730,415</b>	<b>403,424</b>
<b>Expenses</b>			
Wages and benefits	239,508	202,184	166,204
Bookkeeping services	4,000	4,550	5,558
Advertising	114,096	130,060	62,463
Carden Street promotion	-	164,935	-
Rink contribution	50,617	40,000	40,000
Revitalization	46,000	20,574	11,021
Special projects	14,500	13,773	13,373
Rent	33,000	28,415	27,664
Special events	35,250	85,588	33,345
Consultant - planner	5,000	8,135	11,787
Member communication	7,000	3,570	7,637
Equipment rental	4,000	2,466	6,145
Telephone and fax	5,500	3,446	5,147
Training and development	4,000	1,770	3,612
Miscellaneous	3,700	1,868	3,588
Office supplies	4,000	2,558	3,148
Legal and professional	4,000	3,300	3,300
Office and administration	1,500	5,934	2,110
Postage	2,500	3,606	1,687
Office repairs and maintenance	3,000	3,212	2,150
Multi-use facility suite	-	-	1,042
Bank charges	100	542	255
Insurance	25	24	23
Amortization	-	3,499	-
	<b>581,296</b>	<b>734,009</b>	<b>411,259</b>
Annual surplus (deficit)	46,004	(3,594)	(7,835)
Opening accumulated surplus	99,253	99,253	107,088
<b>Ending accumulated surplus</b>	<b>145,257</b>	<b>95,659</b>	<b>99,253</b>

# Downtown Guelph Business Association

## Statement of changes in net financial assets year ended December 31, 2011

	2011	2010
	\$	\$
<b>Annual deficit</b>	<b>(3,594)</b>	<b>(7,835)</b>
Acquisition of prepaid expense	-	(6,375)
Use of prepaid expense	5,080	-
Acquisition of tangible capital assets	(33,318)	-
Amortization of tangible capital assets	3,499	-
Change in net financial assets	(28,333)	(14,210)
Net financial assets, beginning of year	86,211	100,421
<b>Net financial assets, end of year</b>	<b>57,878</b>	<b>86,211</b>

DRAFT

# Downtown Guelph Business Association

## Statement of cash flows

year ended December 31, 2011

	2011	2010
	\$	\$
<b>Operating activities</b>		
Annual deficit	(3,594)	(7,835)
Item not affecting cash - amortization	3,499	-
Changes in non-cash working capital components		
Accounts receivable	(27,959)	4,243
Prepaid expenses	5,080	(6,375)
Accounts payable and accrued liabilities	80,391	36,688
Gift certificates	1,000	6,740
	<u>58,417</u>	<u>33,461</u>
<b>Investing activities</b>		
Purchase of tangible capital assets	(33,318)	-
Decrease in investment	-	20,940
	<u>(33,318)</u>	<u>20,940</u>
Change in cash and cash equivalents	25,099	54,401
Cash and cash equivalents, beginning of year	82,545	28,144
<b>Cash and cash equivalents, end of year</b>	<b>107,644</b>	<b>82,545</b>

# Downtown Guelph Business Association

## Notes to the financial statements

December 31, 2011

---

### 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  
Computer equipment

5 years  
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 gift certificates. Actual results could differ from those estimates and assumptions.

# Downtown Guelph Business Association

## Notes to the financial statements

December 31, 2011

### 3. Commitments

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

	\$
2012	69,688
2013	74,188
2014	78,688
2015	19,468
	<u>242,032</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 (Note 3), amounted to \$65,840 (2010 - \$99,253) at the end of the year.

### 5. Accumulated surplus

	2011	2010
	\$	\$
Consists of		
Reserves (Note 4)	65,840	99,253
Investment in tangible capital assets	29,819	-
	<u>95,659</u>	<u>99,253</u>

### 6. Investments

Excess cash not needed in the regular operations of the Association has been invested in one year cashable guaranteed investment certificates (GIC's). The GIC's have an annual interest rate of 0.85% and 0.75% and are set to mature 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.

# Downtown Guelph Business Association

Notes to the financial statements

December 31, 2011

---

**7. Financial instruments (continued)**

*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.

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# Downtown Guelph Business Association

Schedule of tangible capital assets - Schedule A  
year ended December 31, 2011

	Computer equipment	Furniture and fixtures	2011	2010
	\$	\$	\$	\$
<b>Cost</b>				
Beginning of year	-	-	-	-
Add: additions during the year	2,512	30,806	33,318	-
End of year	2,512	30,806	33,318	-
<b>Accumulated amortization</b>				
Beginning of year	-	-	-	-
Add: amortization during the year	419	3,080	3,499	-
End of year	419	3,080	3,499	-
<b>Net book value</b>	<b>2,093</b>	<b>27,726</b>	<b>29,819</b>	<b>-</b>

# **2011 Unconsolidated Financial Statement Highlights**

**Presented to Audit Committee by Finance**

**June 11, 2012**

# Agenda

---

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

## **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 ratio's 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 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
4. Statement of Cash Flows

# Statement of Financial Position

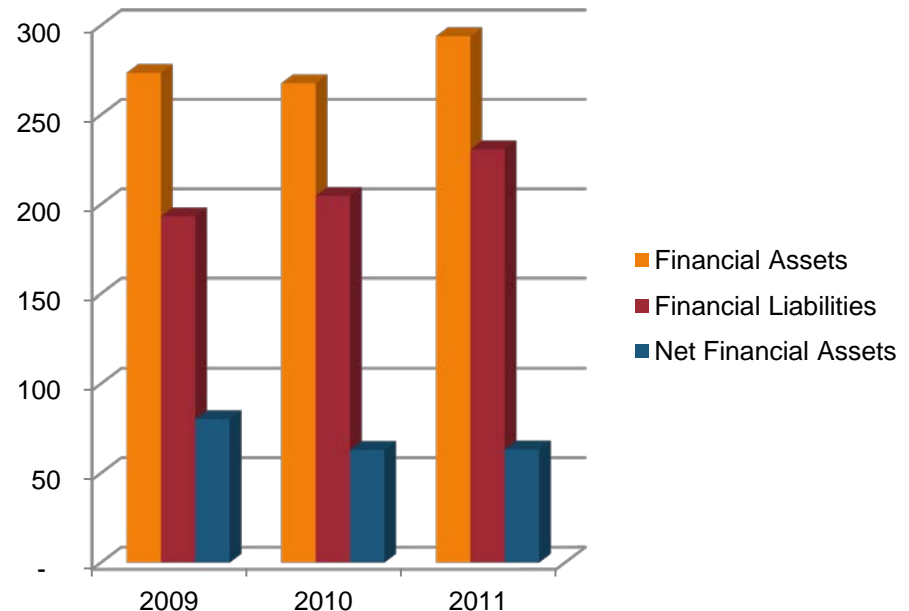
## Assets:

- Cash and investments
- Taxes receivable
- Tangible capital assets

## Liabilities:

- Net debt
- Employee future benefits

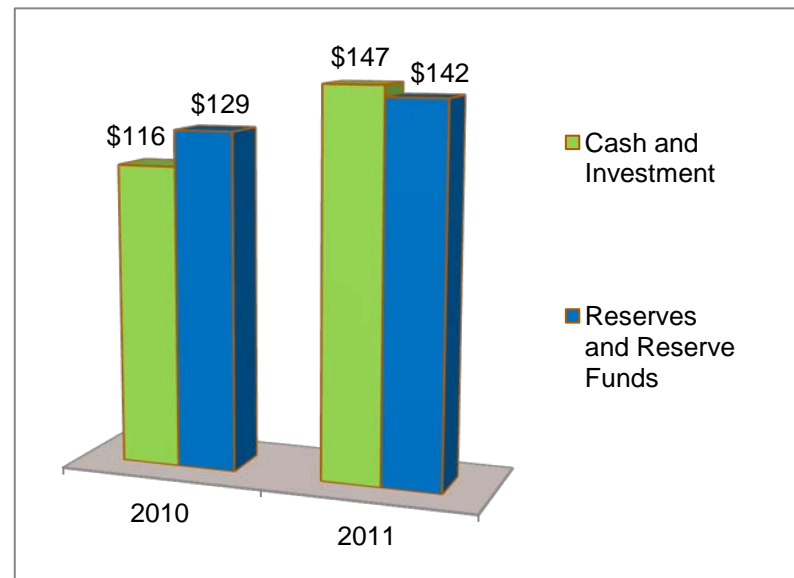
**3 Year Net Financial Asset  
Trend**  
(\$millions)



## Cash and Investments

Ratio	Target	2011 City of Guelph Actual	Result
Cash + Investments vs. Reserves + Reserve Funds	1:1	1.03	●

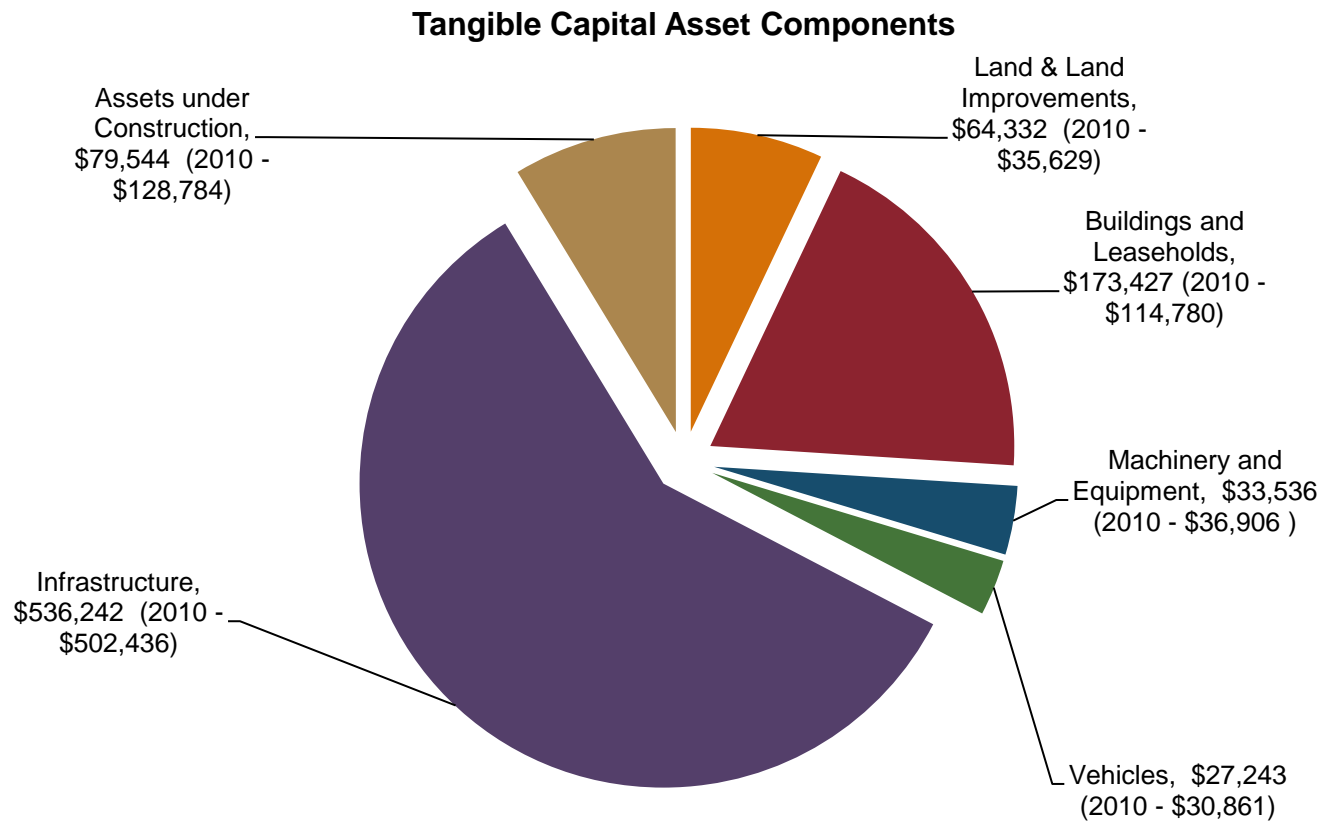
- Debt issuance
- Capital spending levels
- Increased investment holdings



## Taxes Receivable

Ratio	Target	BMA 2010 Average	2011 City of Guelph Actual	Result
Taxes receivable as a % of unweighted assessment	BMA Average	6%	3.4%	●

# Tangible Capital Assets



## **Tangible Capital Assets – (continued)**

### 2011 Capital Spending Summary




- ISF and RINC Projects - \$22.1M
- Organic Waste Facility - \$17.1M
- Roads and related infrastructure - \$14.5M
- Vehicles and equipment - \$11.8M
- Hanlon Business Park - \$6.4M
- Civic Museum - \$6.1M
- Civic Square and Downtown Realm - \$5.7M
- Parks and Trails - \$2.2M
- South End Emergency Services Station - \$1.1M
- Other - \$8.1M

## Net debt

### 2011 Significant Debt Transactions

- Issued a debenture in November 2011 totalling \$46,750 at a low interest rate of 3.12%
  - \$28M for the Organic Waste Facility
  - \$5.7M for the new Civic Museum
  - \$13.1M for refinancing a maturing debenture on behalf of The Elliot
- Total interest paid on debt for 2011 \$4.3M (2010 – \$4.6M)
- Paid down debt principal of \$8.9M (2010 – \$9.7M)

## Net debt ratios

Ratio	Target	2010 BMA Average	2011 City of Guelph Actual	Result
Debt to reserves / reserve funds	1:1	1.4	.8	
Debt per \$100,000 unweighted tax assessment	BMA Average	\$571	\$896	
Debt interest as a % of own revenues	BMA Average	1.6%	1.6%	

## Employee Future Benefits

Reserve	Target	2011 Target Balance	2011 Reserve Balance	Result
Sick leave	95% of the Sick Leave Liability	\$9,711,000	\$10,446,000	●
WSIB	50% of the WSIB Liability	\$1,774,500	\$2,203,000	●
Land Ambulance Severance	95% of the Severance Liability	\$747,500	\$345,500	●
Retiree Benefits	Minimum = \$2,000,000	\$2,000,000	\$1,600,000	●

# Agenda

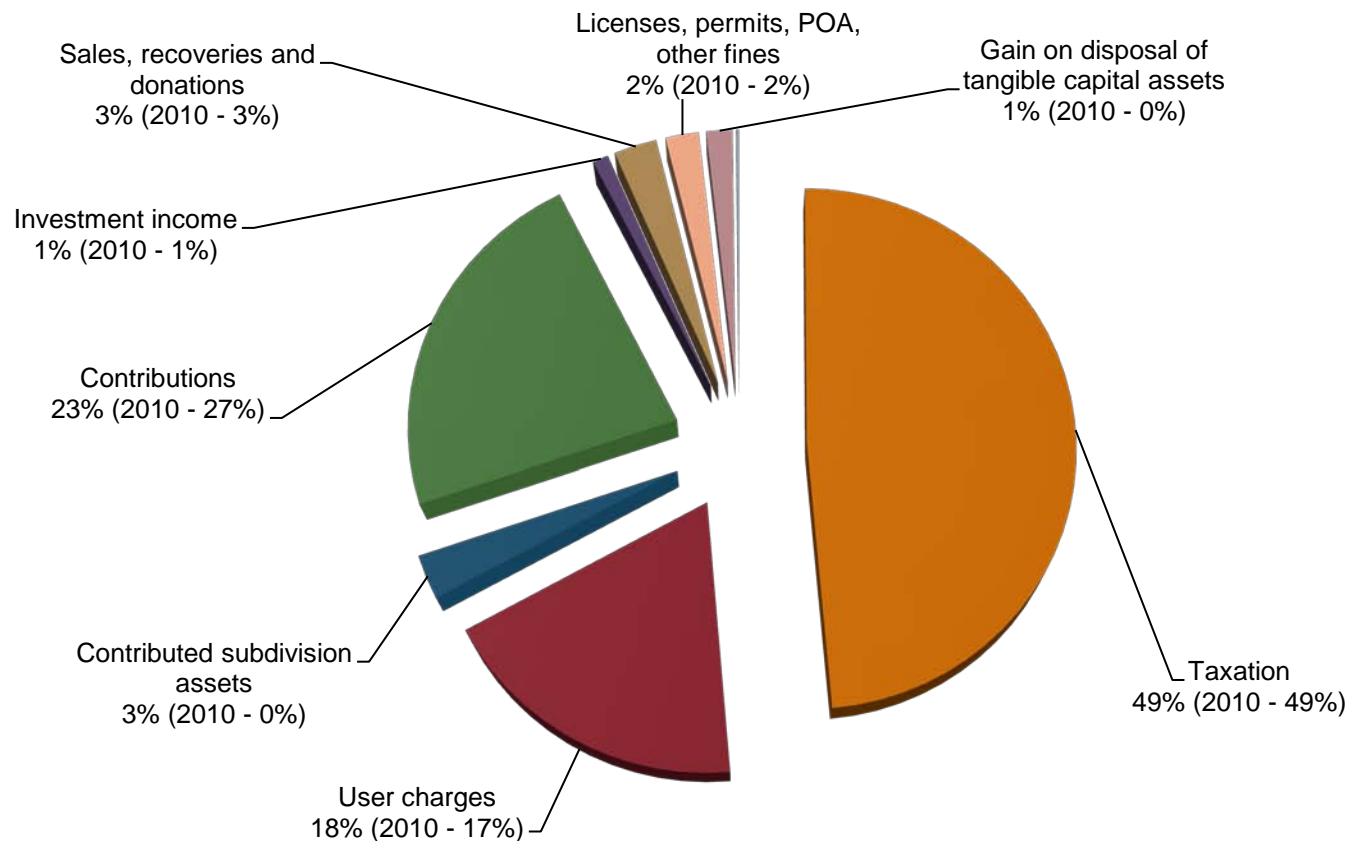
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1. General Concepts
2. Statement of Financial Position
- 3. Statement of Operations and Accumulated Surplus**
4. Statement of Cash Flows

## Reconciliation of PSAB surplus to operating surplus

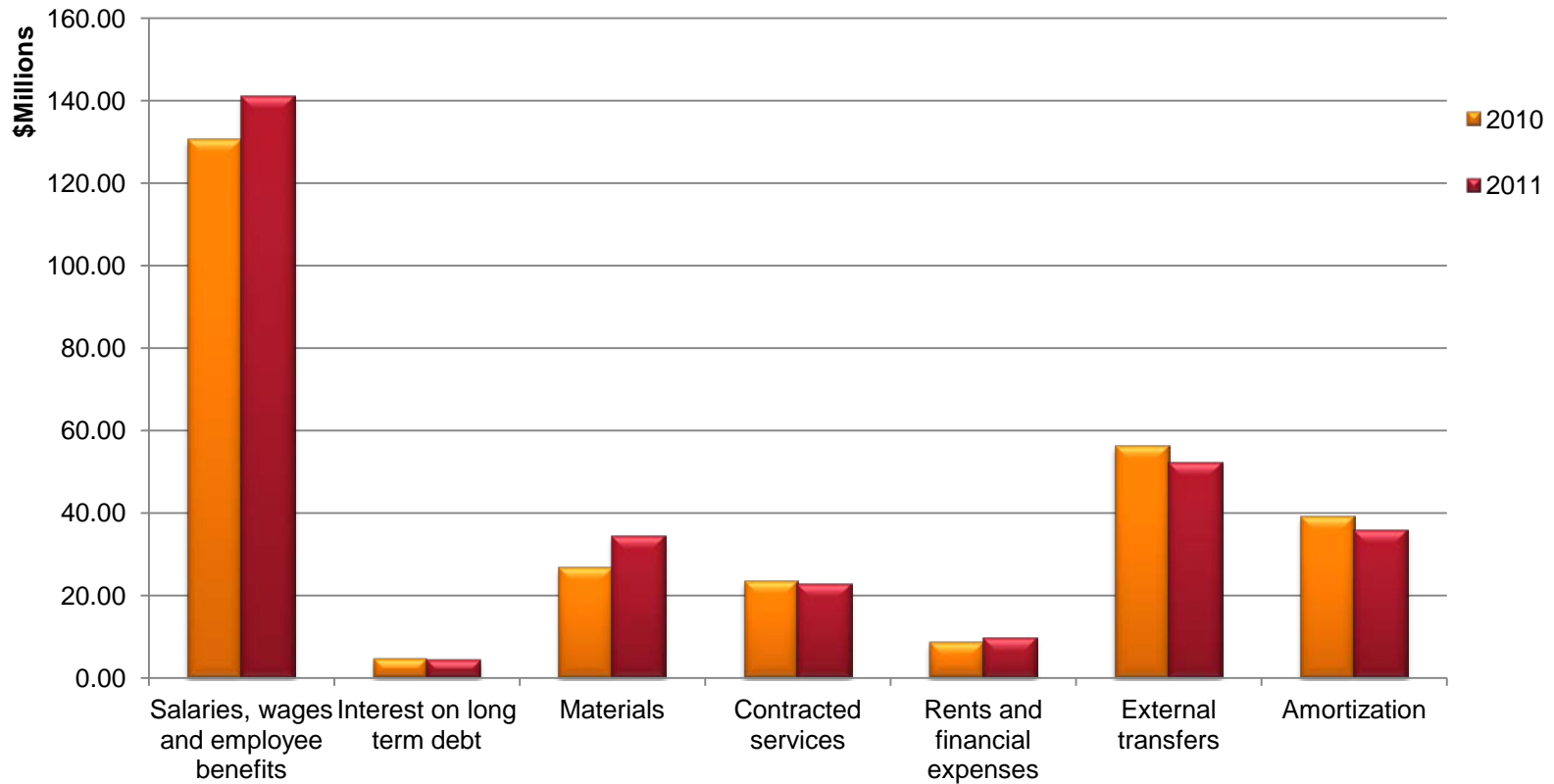
Ending Surplus - PSAB		\$ 62,489
Capital related items:		
Add: Amortization of tangible capital assets	35,664	
Less: Revenues related to tangible capital assets	(52,363)	
Add: Other items related to capital	<u>12,586</u>	(4,113)
Debt related and other items:		
Add: Items related to non-cash transactions	1,200	
Less: Items related to debt financing	<u>(6,314)</u>	(5,114)
Reserve related items:		
Less: Operating fund transfers to reserves	(51,507)	
Add: Operating fund transfers from reserves	<u>5,120</u>	(46,387)
		<u>\$ 6,875</u>
Ending Surplus - Tax supported		2,571
Ending Surplus - User pay		<u>4,304</u>
		<u>\$ 6,875</u>
Difference		-

## 2011 Revenues:

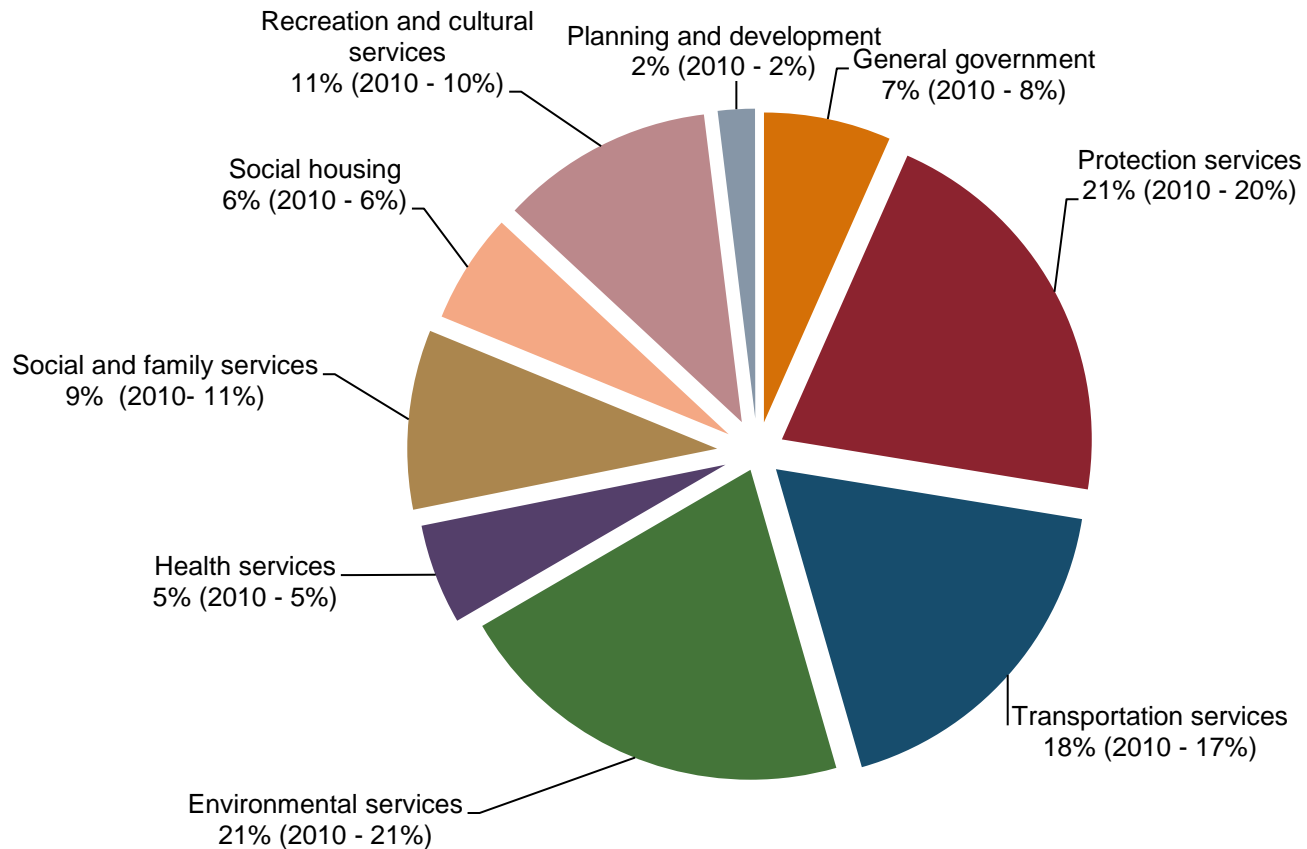


## 2011 Expenses:

### Expenditures by Type



## 2011 Expenses:



## Reserves and Reserve Funds

Ratio	Target	Result \$	Result
Capital reserve fund contributions vs depreciation expense	Minimum = 1:1	1.4	
Capital reserve fund contributions vs. net tangible capital asset value	2% - 3%	5.6%	
Operating reserves vs. total operating expenditures excluding amortization	5% - 10%	3.98%	

# Agenda

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

## Statement of Cash Flows

---

- Total cash generated from operations:  
\$90,061 (2010 - \$95,390)
- Total cash used in capital and investing  
activities: \$126,515 (2010 - \$105,563)
- Total cash generated by /(used in) financing  
activities: \$25,965 (2010 - \$(4,269))

## Conclusion

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Overall the financial statements highlight that 2011 was a successful year and we have strong financial ratios

- Paid down \$8.9m of debt principal (net of the debt issuance)
- Invested \$94.9m in tangible capital assets
- Increased the reserves by \$13.7m
- Invested \$41.9m of surplus funds to generate income

# COMMITTEE REPORT



TO **Audit Committee**

SERVICE AREA Finance and Enterprise  
DATE June 11, 2012

**SUBJECT 2011 Unconsolidated Financial Statement Review**  
REPORT NUMBER FIN-12-27

---

## SUMMARY

### Purpose of Report:

The purpose of this report is to:

- a) To present the 2011 City of Guelph unconsolidated financial statements; and
- b) To review the City of Guelph 2011 financial highlights including results of corporate benchmarks for debt and reserves; and
- c) To provide a reconciliation from the operating surplus to the financial statement surplus that is presented in accordance with PSAB standards

### Committee Action:

THAT the Report FIN-12-27 dated June 11, 2012 entitled "2011 Unconsolidated Financial Statement Review" be received.

## RECOMMENDATION

THAT the Report FIN-12-27 dated June 11, 2012 entitled "2011 Unconsolidated Financial Statement Review" 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. Historically, the financial statement review was performed at Audit Committee on these Consolidated Financial Statements.

During the presentation of the 2010 Audited Financial Statements in June 2011, Audit Committee members requested through resolution that starting for the 2011 financial year, the unconsolidated financial statements be presented in addition to the consolidated financial statements as it would provide more transparent and relevant information for Council members.

The unconsolidated statements exclude the operations of the The Elliot, The Guelph Downtown BIA and 46.2% of the Wellington-Dufferin-Guelph Public Health Unit.

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Given this direction, staff have prepared three reports for the current year:

- 1) FIN-12-27 – Review of the City 2011 unconsolidated financial statements and financial position
- 2) FIN-12-28 – 2011 Audited Consolidated Financial Statements and External Post Audit Report
- 3) FIN-12-29 – Closed Meeting Report – Deloitte Letter of Recommendation – 2011 Audit Results

The first report on the unconsolidated financial statements provides a year end summary of only the City of Guelph operations.

The second and third reports for the audited consolidated financial statements are focused on the external audit results and financial items affecting the consolidated reporting entity.

## REPORT

Throughout this report, please refer to Appendix A for references to the City's unconsolidated financial statements. These statements include 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-12-25 "2011 Year End Variance Report and Operating Surplus Allocation", FIN-12-26 "Employee Compensation Reserve Review", and FIN-12-32 "2011 Operating Reserve Review and Reallocation" are approved by Council as presented. These financial statements will change if those recommendations are amended.

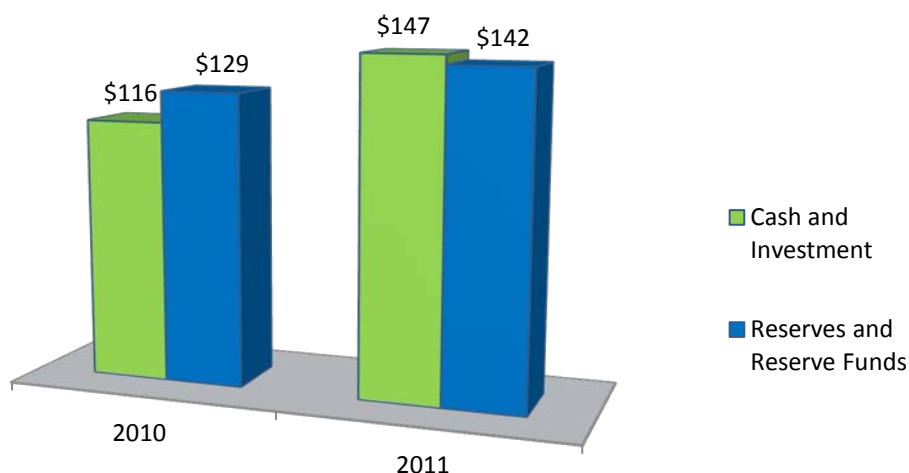
**Statement of Financial Position** – The Statement of Financial Position is a summary of the City's assets and liabilities as well as the ending accumulated surplus which includes the reserves and reserve funds.

The City's net financial position is a key indicator of its overall fiscal condition and the City's ability to pay its debts. It is calculated as the difference between the financial assets and the liabilities. In 2011, the City is in a net financial asset position of \$63m which is consistent with the prior year. This position is considered to be positive and financially stable as it shows that the City's assets are increasing at the same pace as its liabilities.

### Highlights:

- Increase of \$31.6m 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 2011 the City was successful in attaining a positive ratio on this indicator which is a noteworthy improvement over 2010. This improvement can be attributed to a new cash flow management modeling process that was implemented by finance during 2011 as well as an identified need to issue debt to replenish funds spent on capital in 2010.

Cash and Investment vs Reserves and Reserve Funds  
(in \$millions)



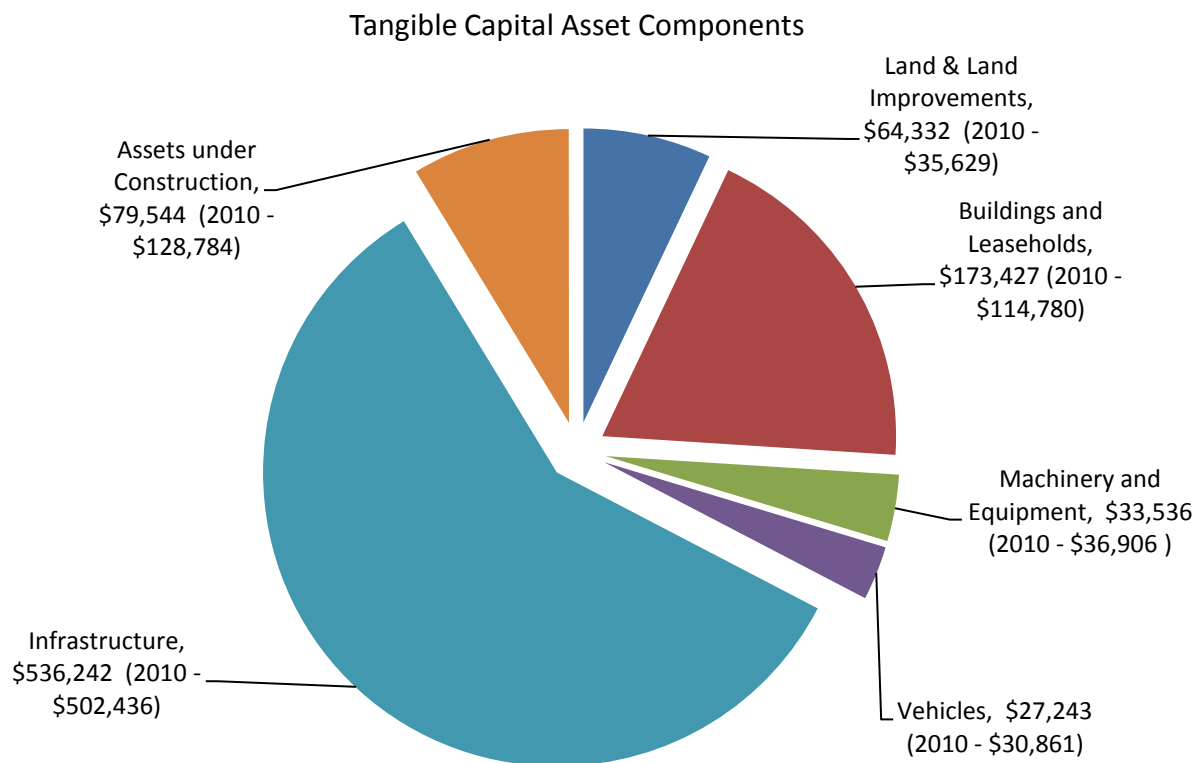
- Increase of \$24.7m in net debt – During 2011, the City issued a debenture totaling \$46.7m to fund the capital investment of the Organic Waste Facility and the Civic Museum as well as to refinance a debenture issued on behalf of The Elliot that matured in 2011. This was offset by debt principal repayments of \$21.9m. 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.

Ratio	Target	2010 BMA* Average	2011 City of Guelph Actual	Result
Debt to reserves / reserve funds	1:1	1.4	.8	●
Debt per \$100,000 un-weighted tax assessment	BMA Average	\$571	\$896	●
Debt interest as a % of own revenues	BMA Average	1.6%	1.6%	●

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

- Increase of \$64.9m in tangible capital assets – During 2011, the City spent \$94.9m on capital investment and picked up \$9.9m of contributed subdivision assets. These additions were offset by depreciation expense of \$35.6m and net disposals of \$4.3m. Capital spending decreased by \$24.1m compared to 2010 due to the Infrastructure Stimulus Funding Program

ending, as well as a number of major infrastructure projects including the Organic Waste Facility, Civic Museum and the Clair Road Emergency Services Station reaching completion. Even with this spending decline, capital investment was still above the average annual \$70m that would normally be expected.



- Taxes receivable – the City continues to have a very favorable taxes receivable balance as a percentage of unweighted. 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 2010 BMA average for municipalities in the southwestern region was 6% and the City's 2011 position is in a strong 3.4% position. Our low rate is a direct result of the daily efforts of our tax revenue department and is supported through a strong tax policy.

Overall, this Statement of Financial Position highlights that corporately we have maintained a strong fiscal position with the appropriate level of liquid assets to support our 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 2011 of \$62.5m (2010 - \$61.3m). 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-12-25 "2011 Year End Variance Report and Operating Surplus Allocation". 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 \$62.5m to the ending 2011 tax supported and user pay surplus' of \$6.875m:

Ending Surplus - PSAB		\$ 62,489
Capital related items:		
Add: Amortization of tangible capital assets	35,664	
Less: Revenues related to tangible capital assets	(52,363)	
Add: Other items related to capital	<u>12,586</u>	(4,113)
Debt related and other items:		
Add: Items related to non-cash transactions	1,200	
Less: Items related to debt financing	<u>(6,314)</u>	(5,114)
Reserve related items:		
Less: Operating fund transfers to reserves	(51,507)	
Add: Operating fund transfers from reserves	<u>5,120</u>	(46,387)
		<u>\$ 6,875</u>
Ending Surplus - Tax supported		2,571
Ending Surplus - User pay		<u>4,304</u>
		<u>\$ 6,875</u>
Difference		-

#### Final 2011 Tax Supported and User Pay Surplus - \$6.875m

The final operating surplus as compared to the approved Council budget for 2011 is detailed as follows (brackets indicate a favourable variance):

	<b>Total Annual Budget for Year 2011 (\$000)</b>	<b>Actual Expenditures to Dec 31, 2011 (\$000)</b>	<b>Actual Variance at Dec 31, 2011 (\$000)</b>	<b>Variance at Dec 31, 2011 (%)</b>
<b>Tax Supported</b>				
City Departments	\$ 88,000	\$ 87,383	\$ (617)	(0.7%)
General Revenues and Expenses	\$ (153,087)	\$ (152,760)	\$ 326	0.2%
Sub-Total City Departments and Financing	\$ (65,087)	\$ (65,377)	\$ (291)	(0.4%)
Local Boards	\$ 39,365	\$ 38,707	\$ (658)	(1.7%)
Grants, Outside Boards and Agencies	\$ 25,722	\$ 24,099	\$ (1,623)	(6.3%)
Total Local and External Boards	\$ 65,087	\$ 62,806	\$ (2,281)	(3.5%)
<b>Total Tax Supported</b>	<b>(0)</b>	<b>\$ (2,571)</b>	<b>\$ (2,571)</b>	<b>(1.7%)</b>
<b>User Pay</b>				
Water	\$ -	\$ (1,476)	\$ (1,476)	(7.7%)
Wastewater	\$ -	\$ (2,828)	\$ (2,828)	(12.7%)
<b>Total User Pay</b>	<b>\$ -</b>	<b>\$ (4,304)</b>	<b>\$ (4,304)</b>	<b>(10.5%)</b>
<b>Total City Surplus</b>	<b>\$ (0)</b>	<b>\$ (6,875)</b>	<b>\$ (6,875)</b>	<b>0.0%</b>

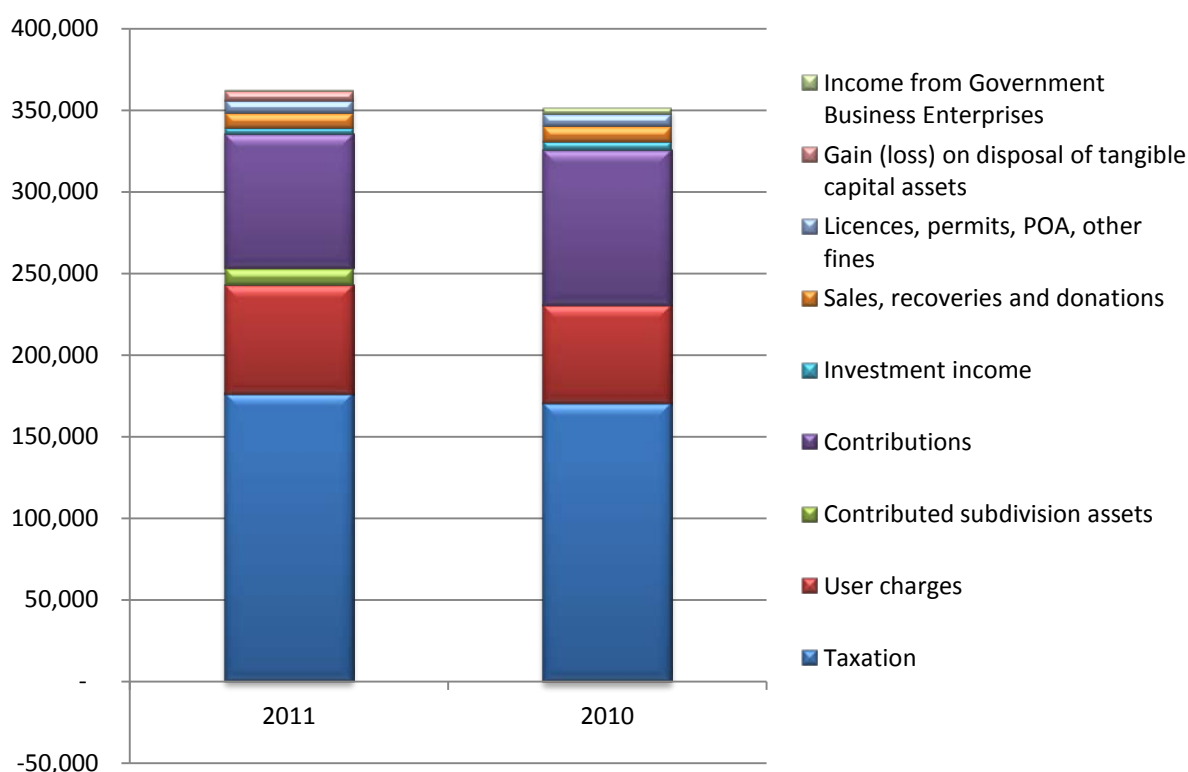
Overall, the City departments have delivered a surplus within 0.4% of the Council approved budget. Achieving a City Department variance of less than 1% of budget is an indication of strong financial management and effective mitigation of risks.

Water and wastewater's surplus of 10.5% is due to consumption levels being difficult to predict particularly on the non-residential side. This volatility can lead to large favourable and unfavourable variances in any given year. In addition, as part of the water and wastewater long-term financial plan, there is an identified need to address the capital infrastructure gap through the use of these surpluses.

Included in report FIN-12-25 "2011 Year End Variance Report and Operating Surplus Allocation" are staff's recommendations on how this surplus should be utilized and which reserves it should be directed.

### Revenue

The following chart shows the main sources of funding for City operations for both 2011 and 2010:



Tax revenue continues to be the largest source of income for the City followed by contribution revenues and user charges.

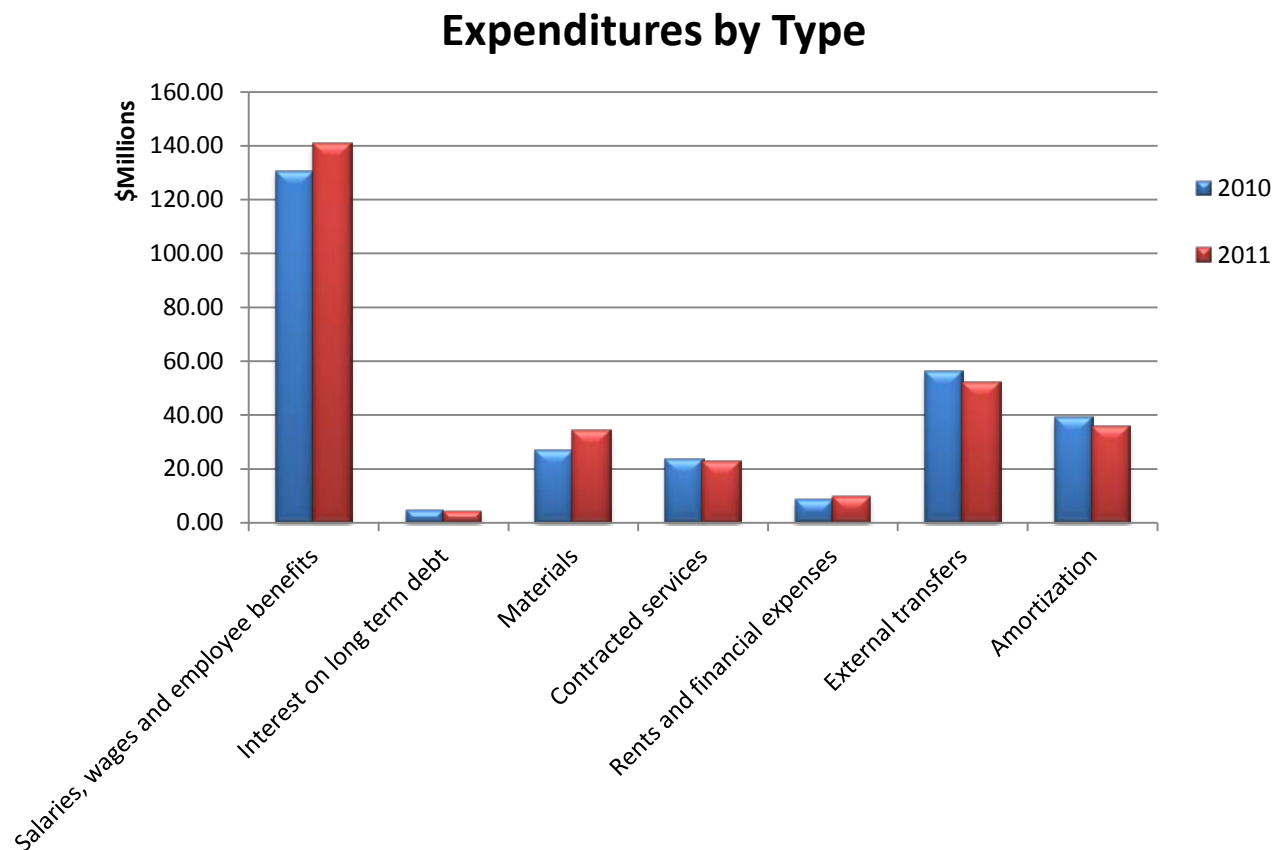
Contribution Revenue - As shown on the Statement of Operations and Accumulated Surplus, contribution revenues consist of revenues from the Federal and Provincial Governments, other municipalities and developers. From 2010, contributions have decreased from 27% of total revenue to 23% mostly due to the completion of the Infrastructure Stimulus Funding program that was created by upper levels of government in 2008/2009 to stimulate the economy during the downturn. In total for 2011, \$13m is included in revenue relating to these grants compared to \$27m in 2010. The contribution revenue also includes developer contributions that were used to fund growth related capital expenditures incurred during the year. These revenues decreased slightly from \$17m in 2010 to \$15.9m in 2011, which is again reflective of the completion of a number of significant capital projects that were started during 2010.

User charges – user charges revenues have increased by \$6.2m or 10% over the prior year. The main driver of this increase was from water and wastewater user fees which generated \$4.3m more revenue than in 2010, due both to increased rates and higher than average consumption.

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## Expenses

City expenses year over year by major type can be seen as follows:

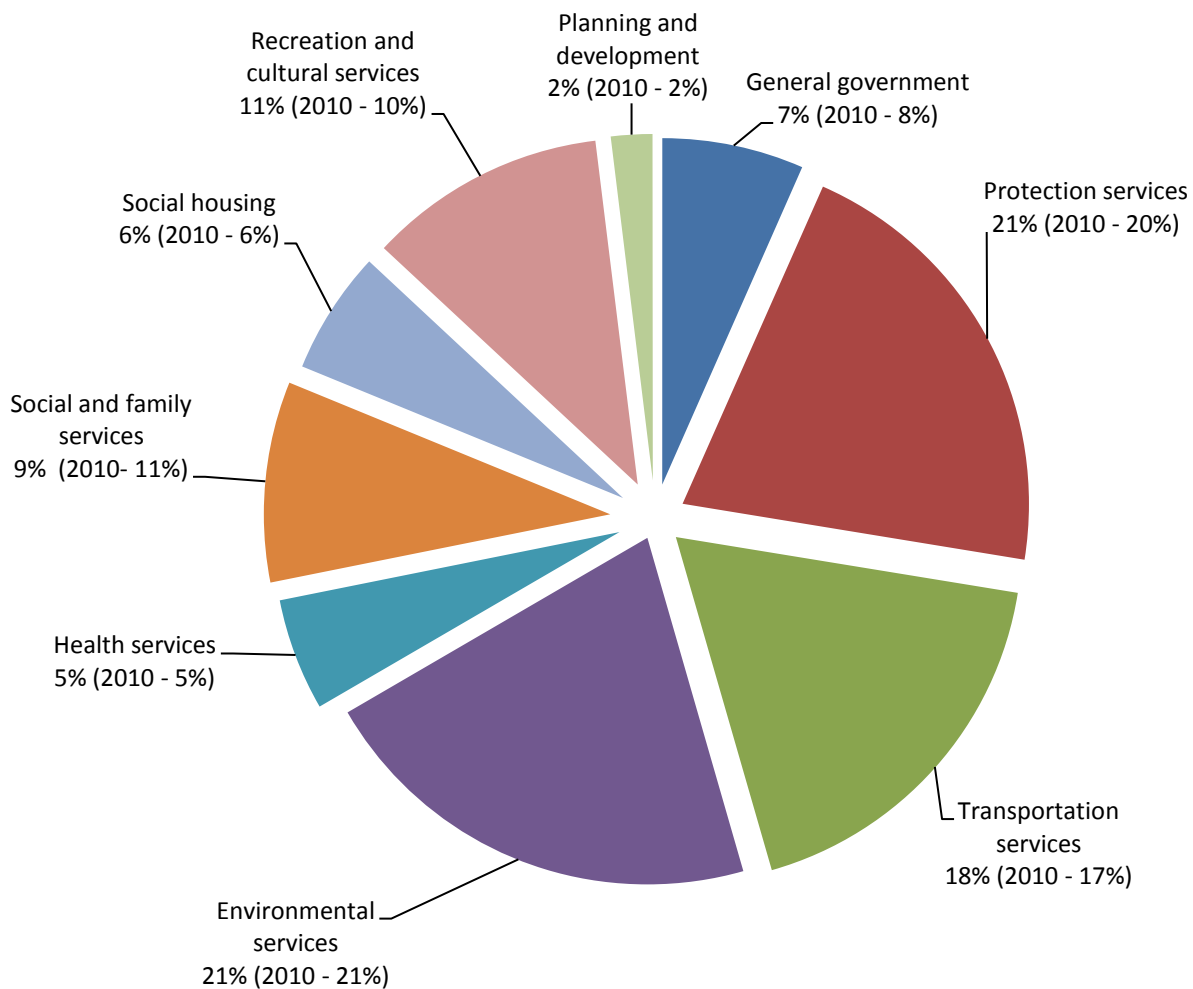


Year over year total expenditures have increased by \$10.7m, with the majority of this increase focused on salaries, wages and benefits. Salaries, wages and benefits continue to be the most significant component of the City's operating costs and have increased by \$10.5m over the prior year. This is due to multiple reasons including increased wages in accordance with the collective agreements, increased cost of employee benefits (OMERS, medical and dental, accumulated sick leave and retiree benefits) and additional FTE's hired during 2011.

The City's expenditures by functional area can be seen below. Compared to 2010 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.

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## Expenses (continued)



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 14 to the financial statements.

It should be noted that the reserves and reserve fund balances as presented in the financial statements (and below) include the recommendations from reports FIN-12-25, FIN-12-26 and FIN-12-32 that have not yet been approved by Council. If



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Council alters any of the recommendations, the financial statements and the below benchmark results will be affected.

The most significant components of the accumulated surplus are the City's reserves and reserve funds. A complete breakdown of these reserves can be found in Schedule 4 to the financial statements. Compared to 2010, the City increased their reserves by \$13.7m, of which \$6.875m related to the allocation of the 2011 year end surplus.

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 reserve fund contributions	Current year depreciation expense	Result	Net tangible capital asset value	Result
\$51,144,500	\$35,664,000		\$914,324,000 (5.6%)	

Based on this analysis, the minimum funding requirements of these capital reserves were met but 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.


- 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	2011 Target Balance	2011 Actual Balance	Result
Sick leave	95% of the Sick Leave Liability	\$9,711,000	\$10,446,000	

WSIB	50% of the WSIB Liability	\$1,774,500	\$2,203,000	
Land Ambulance Severance	95% of the Severance Liability	\$747,500	\$345,500	
Retiree Benefits	Minimum = \$2,000,000	\$2,000,000	\$1,600,000	

The above funding shortfalls are being addressed through the budget process taking into consideration the other priorities of the City.

- Stabilization and Contingency Reserves – the benchmark for the operating contingency reserves is 5% - 10% of the City's gross expenditures excluding amortization expense. This level would be sufficient to manage any impact of another economic decline, natural disaster or other significant unplanned expenditure.

Operating reserve balance 2011	Expenditures excluding amortization 2011	2011 Result	Result
\$10,522,000	\$264,321,000	3.98%	

The above funding shortfall is being addressed through the budget process taking into consideration the other priorities of the City.

- 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 \$62m and adds/subtracts out items that were non-cash in nature. During 2011, the City generated \$90m in cash from operations (compared to \$95m in 2010).

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In the next two sections, capital and investing activities and financing activities show how the City used its cash (or generated more cash) during 2011. From a capital and investing perspective, the City spent \$94.9m on capital acquisitions, received \$10.1m in the sale of capital property and invested \$41.9m of surplus funds. During 2011, the City sold 79 acres of the Hanlon Business Park that it has been developing since 2009 and this accounts for the majority of the \$10.1m sale figure. From a financing perspective, the City issued a debenture resulting in a cash influx of \$46.7m which was offset by debt principal payments of \$21.9m.

Overall, the City's cash position did drop from 2010 by \$10.5m but this is offset by the increase in the investment portfolio by \$41.9m, showing the City is effectively leveraging surplus funds for income generation.

## **CORPORATE STRATEGIC PLAN**

5.3 Open, accountable and transparent conduct of municipal business

## **FINANCIAL IMPLICATIONS**

None noted. These statements are for internal use only and are not audited.

## **DEPARTMENTAL CONSULTATION**

None noted.

## **COMMUNICATIONS**

None noted.

## **ATTACHMENTS**

Appendix A: 2011 Unconsolidated Financial Statements

Original Signed by:

Original Signed by:

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**Prepared By:**

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Unconsolidated financial statements of

# **City of Guelph**

December 31, 2011

# City of Guelph

December 31, 2011

## Table of contents

Unconsolidated statement of financial position .....	1
Unconsolidated statement of operations and accumulated surplus .....	2
Unconsolidated statement of changes in net financial assets.....	3
Unconsolidated statement of cash flows .....	4
Notes to the unconsolidated financial statements .....	5-25
Schedule 1 - Unconsolidated schedule of segment disclosure - 2011 .....	26
Schedule 2 - Unconsolidated schedule of segment disclosure - 2010.....	27
Schedule 3 - Unconsolidated schedule of net debt.....	28
Schedule 4 - Unconsolidated schedule of reserves and reserve funds .....	29-31
Schedule 5 - Guelph Public Library Board – Statement of Revenue and Expense .....	32
Schedule 6 - Guelph Police Services Board – Statement of Revenue and Expense .....	33

# City of Guelph

## Unconsolidated statement of financial position as at December 31, 2011 ('000's)

	2011	2010
	\$	\$
<b>Financial assets</b>		
Cash	31,451	41,940
Investments (Note 5)	115,192	73,093
Taxes receivable	7,940	7,481
Accounts receivable	34,172	39,380
Developer agreement receivables	88	1,004
Loans and notes receivable	20,949	21,216
Investment in Guelph Junction Railway Inc. (Note 6)	5,950	5,722
Investment in Guelph Municipal Holdings Inc. (Note 7)	78,260	77,871
	<b>294,002</b>	<b>267,707</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	39,388	41,672
Accrued interest payable	794	777
Vacation and other employee benefits payable	5,015	4,940
Other deferred revenue	10,215	9,324
Deferred contributions (Note 8)	24,500	23,294
Employee future benefits (Note 10)	27,546	25,856
Net debt (Note 11)	117,602	92,843
Landfill post-closure liability (Note 12)	5,700	6,000
	<b>230,760</b>	<b>204,706</b>
<b>Net financial assets</b>	<b>63,242</b>	<b>63,001</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 13)	914,324	849,396
Inventory	2,162	2,452
Prepaid expenses	451	357
	<b>916,937</b>	<b>852,205</b>
Contingencies (Note 18)		
Commitments and guarantees (Note 19)		
Subsequent event (Note 20)		
<b>Accumulated surplus (Note 14)</b>	<b>980,179</b>	<b>915,206</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, 2011 ('000's)

	2011 Budget (Note 22)	2011 Actual	2010 Actual
	\$	\$	\$
<b>Revenues</b>			
Taxation			
Property taxation (Note 4)	175,980	174,286	168,388
Property taxation - Downtown Guelph Business Association	412	412	412
Penalties and interest on taxes	1,428	1,590	1,480
	<b>177,820</b>	<b>176,288</b>	170,280
User charges	63,854	66,743	60,547
Contributed subdivision assets	-	9,901	-
Contributions			
Government of Canada	6,681	13,540	20,444
Province of Ontario	33,664	44,450	48,153
Municipal	3,065	3,346	7,328
Developers	13,688	16,556	17,873
Other	2,979	4,561	760
	<b>123,931</b>	<b>159,097</b>	155,105
Other			
Investment income	2,430	3,548	5,189
Donations	221	586	923
Sales of equipment, publications	3,358	5,210	4,073
Recoveries	2,498	3,829	4,434
Licences and permits	3,022	3,049	3,107
Provincial Offenses Act revenues	3,565	3,652	3,675
Other fines	800	745	752
Gain (loss) on disposal of tangible capital assets	5,149	5,853	(419)
Income from Government Business Enterprises	-	617	3,459
	<b>21,043</b>	<b>27,089</b>	25,193
<b>Total revenues</b>	<b>322,794</b>	<b>362,474</b>	<b>350,578</b>
<b>Expenses</b>			
General government	20,447	19,868	23,979
Protection services	62,497	62,882	58,285
Transportation services	50,458	53,818	49,759
Environmental services	59,924	63,266	59,961
Health services	14,995	15,664	13,628
Social and family services	29,231	28,067	32,703
Social housing	18,013	17,235	16,753
Recreation and cultural services	32,342	33,347	28,673
Planning and development	4,808	5,838	5,461
<b>Total expenses</b>	<b>292,715</b>	<b>299,985</b>	<b>289,202</b>
<b>Excess of revenues over expenses for the year</b>	<b>30,079</b>	<b>62,489</b>	<b>61,376</b>
<b>Accumulated surplus, beginning of year</b>	<b>915,206</b>	<b>915,206</b>	<b>843,889</b>
Adjustments (Note 3)	-	-	9,107
Add: Interest on / transfers to reserves and reserve funds	1,340	2,484	834
<b>Accumulated surplus, end of year</b>	<b>946,625</b>	<b>980,179</b>	<b>915,206</b>

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

# City of Guelph

## Unconsolidated statement of changes in net financial assets year ended December 31, 2011 ('000's)

	2011 Budget (Note 22)	2011 Actual	2010 Actual
		\$	\$
<b>Excess of revenue over expenses for the year</b>	<b>30,079</b>	<b>62,489</b>	<b>61,376</b>
Amortization of tangible capital assets	37,336	35,664	39,050
Acquisition of tangible capital assets	(66,087)	(94,905)	(119,493)
(Gain) loss on disposal of tangible capital assets	-	(5,853)	419
Proceeds on disposal of tangible capital assets	5,149	10,067	324
Contributed subdivision assets	-	(9,901)	-
Interest on / transfers to reserves and reserve funds	1,340	2,484	834
Change in inventory	-	290	237
Change in prepaid expenses	-	(94)	34
Increase (decrease) in net financial assets for the year	7,817	241	(17,219)
Net financial assets, beginning of year	63,001	63,001	80,220
<b>Net financial assets, end of year</b>	<b>70,818</b>	<b>63,242</b>	<b>63,001</b>

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

# City of Guelph

## Unconsolidated statement of cash flows year ended December 31, 2011 ('000's)

	2011	2010
	\$	\$
<b>Operating activities</b>		
Excess of revenues over expenses for the year	62,489	61,376
Items not affecting cash:		
Amortization of tangible capital assets	35,664	39,050
(Gain) loss on disposal of tangible capital assets	(5,853)	419
Contributed subdivision assets	(9,901)	-
Allowance on asset backed investment	(155)	565
Loss on interest rate swap contracts	427	127
Income from Government Business Enterprises	(617)	(3,459)
Employee future benefit expenses	1,690	2,374
Landfill post-closure recovery	(300)	(600)
Interest on / transfers to reserves and reserve funds	2,484	834
Changes in non-cash working capital:		
Taxes receivable	(459)	167
Accounts receivable	5,208	(18,967)
Developer agreement receivables	916	(546)
Inventory	290	237
Prepaid expenses	(94)	34
Accounts payable and accrued liabilities	(2,711)	12,652
Accrued interest payable	17	(64)
Vacation and other employee benefits payable	75	(152)
Other deferred revenue	891	1,343
Cash provided by operating	90,061	95,390
<b>Capital and investing activities</b>		
Acquisition of tangible capital assets	(94,905)	(119,493)
Proceeds from disposal of tangible capital assets	10,067	324
Change in loans and notes receivable	267	29,383
Net investment acquisitions	(41,944)	(14,826)
Cash used by capital and investing	(126,515)	(104,612)
<b>Financing activities</b>		
Proceeds from debt issuance	46,750	-
Repayment of debt principal	(21,991)	(9,771)
Net change in deferred contributions	1,206	5,502
Cash provided (used) by financing	25,965	(4,269)
Decrease in cash for the year	(10,489)	(13,491)
Cash, beginning of year	41,940	55,431
<b>Cash, end of year</b>	<b>31,451</b>	<b>41,940</b>

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

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2011

(\$000's)

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### 1. Significant accounting policies

The unconsolidated financial statements 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.

#### Modified equity basis entities

The investments in Guelph Municipal Holdings Inc. (previously Guelph Hydro Inc.) and Guelph Junction Railway Company are accounted for on a modified equity basis, consistent with the generally accepted accounting principles 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. 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. Transfers to and/or from reserves and reserve funds are recorded as an adjustment within accumulated surplus.

#### Deferred revenue and deferred contributions

Deferred revenues and deferred contributions represent 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.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2011

(\$000's)

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### 1. Significant accounting policies (continued)

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

##### 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 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.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2011

(\$000's)

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### 1. Significant accounting policies (continued)

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

##### 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. Investment income earned on reserves and reserve funds are recorded as an increase in accumulated surplus.

##### 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.

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. Adoption of new accounting standards

The City has early adopted Public Sector Accounting Board Handbook ("PSAB") Section 3510, Tax Revenue for the December 31, 2011 financial statements that would otherwise be effective for fiscal periods beginning on or after April 1, 2012. This standard provides guidance to governments on the accounting and reporting of tax revenue in the financial statements.

The adoption of this standard had no impact on the 2011 opening accumulated surplus but did require \$2,503 of previously reported tax rebate and write-off expenditures in 2010 to be reclassified to be shown net of tax revenue collected. Additionally, expanded note disclosure has been added to note 4 of these financial statements.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2011

(\$000's)

### 3. Restatement of 2010 comparative figures

During the 2011 year, due to the adoption of International Financial Reporting Standards by the City's Government Business Enterprises, a retroactive adjustment to the City's Investment in Guelph Municipal Holdings Inc. was required to reflect these new reporting standards.

The total impact of correcting these items in the 2010 comparative figures is as follows:

	As previously reported	Adjustment	2010 As restated
	\$	\$	\$
Investment in Guelph Municipal Holdings Inc.	66,753	11,118	77,871
Income from Government Business Enterprises	(1,448)	(2,011)	(3,459)
Accumulated surplus, beginning of year	(843,307)	(9,107)	(852,414)
Accumulated surplus, end of year	(902,957)	(11,118)	(914,075)

### 4. 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:

	2011	2010
	\$	\$
Taxation	61,644	61,725
Payments in lieu	2	2
	61,646	61,727
Requisitions	(61,646)	(61,727)
Net levy for the year	-	-

Included in accounts payable and accrued liabilities are levies owing to the school board totaling \$307 (2010 accounts receivable - \$577).

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2011

(\$000's)

### 4. Taxation revenue (continued)

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

	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	(329)	32,474
Industrial	17,964	129	316	(1,320)	17,089
Pipelines	486	-	3	-	489
Farmlands	11	-	1	-	12
Managed Forests	2	-	-	-	2
Other	-	1,606	-	-	1,606
<b>Total tax revenue</b>	<b>166,290</b>	<b>5,754</b>	<b>4,461</b>	<b>(2,219)</b>	<b>174,286</b>

	Taxes - own purpose	Payments in lieu	Supplem- entary taxes	Rebates & Write- offs	2010 Total
	\$	\$	\$	\$	\$
Residential	103,164	14	2,456	(310)	105,324
Mult-Residential	14,330	-	-	(56)	14,274
Commercial	26,392	3,758	510	(490)	30,170
Industrial	17,456	177	585	(1,648)	16,570
Pipelines	484	-	4	-	488
Farmlands	8	-	-	1	9
Managed Forests	1	-	-	-	1
Other	-	1,552	-	-	1,552
<b>Total tax revenue</b>	<b>161,835</b>	<b>5,501</b>	<b>3,555</b>	<b>(2,503)</b>	<b>168,388</b>

### 5. Investments

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

	2011		2010	
	Market	Cost	Market	Cost
	\$	\$	\$	\$
Short-term investments	67,029	66,891	49,804	49,743
Long-term investments	48,735	48,301	24,182	23,350
	<b>115,764</b>	<b>115,192</b>	<b>73,986</b>	<b>73,093</b>

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2011

(\$000's)

### 5. 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 36% of the investment cost or \$743 (2010 - 49% or \$1,143).

### 6. 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:

	2011	2010
	\$	\$
Financial position		
Current assets	1,591	657
Property, plant and equipment	6,855	6,380
Total assets	8,446	7,037
Current liabilities	843	300
Long-term debt	678	-
Deferred capital contributions	975	1,015
Total liabilities	2,496	1,315
Net assets	5,950	5,722
Results of operations		
Revenues	1,699	1,503
Operating expenses	1,471	1,365
Net income	228	138
Retained earnings, beginning of year	5,722	5,584
Retained earnings, end of year	5,950	5,722

During 2011, the Railway was required to adopt International Financial Reporting Standards (IFRS) with a date of transition of January 1, 2010. This transition did not result in any changes to the previously reported 2010 comparative figures.

#### *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. During the year, these net expenses reimbursed to the City amounted to \$339 (2010 - \$260). Included in accounts receivable is an amount owing from the Railway of \$287 related to the reimbursement of these current year net expenditures. Additional payments in 2011 of \$50 (2010 - \$116) were made to the City to repay the amount owing from prior years. The total amount owing to the City at year end is \$145 (2010 - \$195) and is included as part of loans and notes receivable.

The Railway also paid the City \$22 (2010 - \$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, 2011

(\$000's)

### 7. Investment in Guelph Municipal Holding Inc. (2010 – Guelph Hydro 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., Ecotricity Guelph Inc. and over 99% of Wellington Electric Distribution Company Inc. During 2011, GMHI was newly incorporated and the City rolled 100% of its shares of GHI into GMHI as at December 31, 2011 at a value of \$66,753 which approximates market. The following table provides condensed supplementary financial information for GMHI for the year ended December 31, 2011 and GHI for the year end December 31, 2010:

	2011	2010 Revised IFRS Reporting	2010 As Previously Reported
	\$	\$	\$
Financial position			
Current assets	61,966	69,833	73,069
Property, plant and equipment	125,185	104,725	101,591
Intangible assets	275	-	-
Deferred charges	40	31	-
Future income taxes	5,993	6,835	9,512
Total assets	193,459	181,424	184,172
Current liabilities	28,516	24,256	23,575
Customer deposits and deferred revenue	13,723	6,608	4,090
Long-term debt	65,350	65,462	65,462
Regulatory liabilities	-	-	15,315
Employee future benefits	7,610	7,227	8,977
Total liabilities	115,199	103,553	117,419
Total shareholder's equity	48,576	48,576	48,576
Net assets	29,684	29,295	18,177
Total investment	78,260	77,871	66,753
Results of operations			
Revenues	155,917	147,316	145,217
Cost of sales	127,385	118,131	117,710
Operating expenses	25,631	21,683	22,749
Income taxes	1,012	2,680	1,947
Total expenses	154,028	142,494	142,406
Net income	1,889	4,822	2,811
Retained earnings, beginning of year	29,295	16,866	16,866
Adjustment due to IFRS transition	-	9,107	-
Dividends	(1,500)	(1,500)	(1,500)
Retained earnings, end of year	29,684	29,295	18,177

During 2011, GMHI was required to adopt IFRS with a date of transition of January 1, 2010. This transition has resulted in the following adjustments to the City's 2010 comparative financial statements: an increase in Investment in GMHI by \$11,118, an increase to opening accumulated surplus of \$9,107 and an increase in income from Government Business Enterprises of \$2,011.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2011

(\$000's)

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### 7. Investment in Guelph Municipal Holding Inc. (2010 – Guelph Hydro Inc.) (continued)

#### *Related party transactions*

GMHI pays certain expenses and receives certain revenues on behalf of the City related to customer water billings for which GMHI remits to the City bi-monthly. During the year, these net revenues received amounted to \$41,417 (2010 - \$36,914). Amounts owing to the City related to these transactions total \$8,106 (2010 - \$6,623) and are included in accounts receivable. During 2010, the Company repaid 100% of a loan owing to the City of \$30,000 and also paid interest on this loan totaling \$1,708, which was included in investment income.

Dividend income was received from the Company of \$1,500 (2010 - \$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.

### 8. Deferred contributions

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

	Beginning balance 2011	2011 Inflows	2011 Outflows	Ending balance 2011
	\$	\$	\$	\$
Development charges	16,845	16,076	15,913	17,008
Grants	6,113	23,422	22,574	6,961
Other	336	193	(2)	531
	23,294	39,691	38,485	24,500

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.

### 9. Pension agreement

The City makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer plan, on behalf of the 1,644 (2010 - 1,577) 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 2011 is \$8,983 (2010 - \$7,642) for current service and is reported as an expense on the Consolidated Statement of Operations and Accumulated Surplus.

As at December 31, 2011, the City has no obligation under the past service provisions of the OMERS agreement.

As at December 31, 2011 the OMERS plan is in a deficit position of \$7.3 billion (2010 - \$4.5 billion), which will be addressed through temporary contribution rate increases, benefit reductions, and investment returns.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2011

(\$000's)

### 10. Employee future benefits

Employee future benefits are future costs of the City to its employees and retirees for benefits earned but not taken as at December 31, 2011 and consist of the following:

	2011	2010
	\$	\$
Workplace Safety and Insurance ("WSIB")	3,549	3,233
Sick leave	10,222	9,409
Post retirement benefits	13,775	13,214
	<b>27,546</b>	<b>25,856</b>

#### 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:

	2011	2010
	\$	\$
Accrued benefit obligation, beginning of year	3,949	3,740
Current service cost	712	690
Interest	198	188
Benefits paid	(706)	(669)
Accrued benefit obligation, end of year	4,153	3,949
Unamortized net actuarial loss	(604)	(716)
	<b>3,549</b>	<b>3,233</b>

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

	2011	2010
	\$	\$
Current period benefit cost	712	690
Amortization of net actuarial loss from December 31, 2009	15	15
Amortization of net actuarial loss from December 31, 2006	97	96
Interest expense	198	188
	<b>1,022</b>	<b>989</b>

A reserve in the amount of \$2,203 (2010 - \$1,526) has been accumulated to fund this liability.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2011

(\$000's)

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

#### 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.

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:

	2011	2010
	\$	\$
Accrued benefit obligation, beginning of year	9,353	8,863
Current service cost	919	739
Interest	561	423
Net actuarial loss	2,403	-
Benefits paid	(835)	(672)
Accrued benefit obligation, end of year	12,401	9,353
Unamortized net actuarial gain (loss)	(2,179)	56
	10,222	9,409

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

	2011	2010
	\$	\$
Current period benefit cost	919	739
Amortization of net actuarial (gain) loss	168	(4)
Interest expense	561	423
	1,648	1,158

A reserve in the amount of \$10,446 (2010 - \$9,579) has been accumulated 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, 2011

(\$000's)

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

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

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

	2011	2010
	\$	\$
Accrued benefit obligation, beginning of year	14,812	13,335
Current service cost	627	584
Plan amendment	-	1,014
Interest	697	629
Benefits paid	(886)	(750)
Accrued benefit obligation, end of year	15,250	14,812
Unamortized net actuarial loss	(1,475)	(1,598)
	13,775	13,214

Since the prior valuation as at December 31, 2006, the operations of the Land Ambulance were transferred from the Province of Ontario to the City. This transfer of responsibility resulted in the City inheriting a group of employees with certain contractual obligations and the impact of this is reflected in the plan amendment in 2010 of \$1,014.

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

	2011	2010
	\$	\$
Current period benefit cost	627	584
Cost of plan amendment	-	1,014
Amortization of net actuarial loss	123	123
Interest expense	697	629
	1,447	2,350

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

There is currently a reserve of \$1,946 (2010 – \$260) set up to fund this liability.

### 11. Net debt

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

	2011	2010
	\$	\$
Total debt incurred by the City including those incurred on behalf of related organizations and outstanding at the end of the year amount to	118,282	94,573
Less: debt recoverable from school boards	(680)	(1,730)
Net debt at the end of the year	117,602	92,843

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2011

(\$000's)

### 11. Net debt (continued)

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

	2011	2010
	\$	\$
Demand loan - interest only at 3.7%, maturing in 2012	10,000	10,000
Debentures - repayable at rates ranging from 0.095% to 6.0% and maturing from 2014 through 2031	97,601	71,636
Long-term loans - repayable at rates ranging from prime to 6.38% and maturing from 2015 through 2025	10,001	11,207
	<b>117,602</b>	<b>92,843</b>

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 \$1,792 (2010 - \$1,366) representing the fair market value of the interest rate swap facility.

All net debt is payable in Canadian dollars. See 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
	\$	\$	\$	\$
2012	8,729	1,618	1,672	12,019
2013	11,308	1,654	1,708	14,670
2014	8,881	1,691	1,781	12,353
2015	6,705	1,423	1,817	9,945
2016	6,934	1,460	1,853	10,247
Thereafter	41,413	10,958	5,997	58,368
	<b>83,970</b>	<b>18,804</b>	<b>14,828</b>	<b>117,602</b>

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

	2011	2010
	\$	\$
Principal repayments	21,991	9,771
Interest	4,350	4,665
	<b>26,341</b>	<b>14,436</b>

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2011

(\$000's)

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### 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, 2011 at a factor of 5.0% (2010 - 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, 2011 is \$5,700 (2010 - \$6,000).

There are no reserve funds established to fund this liability as at December 31, 2011, as the City is funding this cost annually through the budget process.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2011

(\$000's)

### 13. Tangible capital assets

				2011
Cost	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	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	104,060	4,491		108,551
Storm water	39,519	2,627		42,146
Transportation	173,284	6,175		179,459
Waterworks	86,776	4,904		91,680
	547,113	35,664	(6,074)	576,703
Net book value	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	142,319			142,387
Storm water	124,016			127,677
Transportation	139,411			162,346
Waterworks	96,690			103,832
Assets under construction	128,784			79,544
	849,396			914,324

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2011

(\$000's)

### 13. Tangible capital assets (continued)

				2010
Cost	Balance, beginning of year	Additions	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	37,626	1,290	-	38,916
Buildings	137,905	20,514	-	158,419
Machinery and equipment	90,120	14,226	(460)	103,886
Vehicles	60,484	3,223	(3,278)	60,429
Infrastructure				
Sanitary sewers & waste water	244,946	1,433	-	246,379
Storm water	162,892	643	-	163,535
Transportation	293,296	19,399	-	312,695
Waterworks	175,728	7,738	-	183,466
Assets under construction	77,757	51,027	-	128,784
	1,280,754	119,493	(3,738)	1,396,509
Accumulated amortization	Balance, beginning of year	Amortization	Disposals	Balance, end of year
	\$	\$	\$	\$
Land and land improvements	3,026	261	-	3,287
Buildings	39,144	4,495	-	43,639
Machinery and equipment	58,637	8,767	(424)	66,980
Vehicles	25,472	6,666	(2,570)	29,568
Infrastructure				
Sanitary sewers & waste water	99,773	4,287	-	104,060
Storm water	35,804	3,715	-	39,519
Transportation	167,522	5,762	-	173,284
Waterworks	81,679	5,097	-	86,776
	511,057	39,050	(2,994)	547,113
Net book value	Balance, beginning of year			Balance, end of year
	\$			\$
Land and land improvements	34,599			35,629
Buildings	123,785			114,780
Machinery and equipment	31,992			36,906
Vehicles	35,012			30,861
Infrastructure				
Sanitary sewers & waste water	145,172			142,319
Storm water	127,088			124,016
Transportation	125,774			139,411
Waterworks	94,049			96,690
Assets under construction	77,757			128,784
	795,228			849,396

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2011

(\$000's)

### 14. Accumulated surplus

The accumulated surplus is comprised of the following components:

	2011	2010
	\$	\$
Reserves set aside for specific purpose by Council:		
for employee future benefits	14,594	16,488
for stabilization and contingency	10,522	10,010
for program related purposes	11,609	6,536
<b>Total reserves - Schedule 4</b>	<b>36,725</b>	<b>33,034</b>
Reserve funds set aside for specific purpose by Council:		
for capital financing purposes - Schedule 4	105,697	95,685
<b>Total reserves and reserve funds</b>	<b>142,422</b>	<b>128,719</b>
Invested in tangible capital assets	914,324	849,396
Investment in Guelph Municipal Holdings Inc.	78,260	77,871
Investment in Guelph Junction Railway Company	5,950	5,722
Operating fund	(4,914)	(16,863)
Unfunded liabilities		
Net debt	(117,602)	(92,843)
Employee future benefits and related liabilities	(32,561)	(30,796)
Landfill post closure liability	(5,700)	(6,000)
<b>Total</b>	<b>837,757</b>	<b>786,487</b>
<b>Accumulated surplus</b>	<b>980,179</b>	<b>915,206</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 2011, \$2,484 (2010 - \$834) 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.

### 15. Contributions to other entities

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

	2011	2010
	\$	\$
Grand River Conservation Authority	1,395	1,356
Hospice Wellington	200	272
Guelph General Hospital	200	200
MacDonald Stewart Art Centre	175	175
Humane Society	459	414
Municipal Property Assessment Corporation	1,529	1,478
	<b>3,958</b>	<b>3,895</b>

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2011

(\$000's)

### 16. 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:

	2011	2010
	\$	\$
Salaries, wages and employee benefits	141,111	130,539
Interest on net debt	4,350	4,665
Materials	34,302	26,665
Contracted services	22,795	23,531
Rents and financial expenses	9,709	8,534
External transfers	52,054	56,218
Amortization of tangible capital assets	35,664	39,050
	<b>299,985</b>	<b>289,202</b>

### 17. 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:

	2011	2010
	\$	\$
Revenues		
Social housing	3,001	2,944
Child care	7,254	7,255
Social services	12,774	12,419
	<b>23,029</b>	<b>22,618</b>
Expenditures		
Social housing	16,817	16,226
Child care	9,371	9,199
Social services	17,219	19,520
	<b>43,407</b>	<b>44,945</b>
Net expenditures	<b>(20,378)</b>	<b>(22,327)</b>

The City's share of net expenditures for social housing is 86% (2010 - 87%), child care 78% (2010 - 79%) and social services 74% (2010 - 74%).

Additionally, the City paid the County \$166 (2010 - \$166) 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, 2011

(\$000's)

### 17. Shared service agreements (continued)

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

	2011	2010
	\$	\$
Revenues		
Land Ambulance	3,504	3,214
Provincial offences act	1,878	1,913
	5,382	5,127
Expenditures		
Land Ambulance	7,813	6,591
Provincial offences act	1,048	973
	8,861	7,564
Net expenditures	(3,479)	(2,437)

The City's share of net expenditures for land ambulance is 61% (2010 - 61%) and provincial offences act is 53% (2010 - 54%).

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

### 18. Contingencies

- 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. A trial date has been set for January 2013.
- During 2010 charges were laid against the City under the Occupational Health and Safety Act relating to a 2009 incident. During 2011, two of the three charges have been dropped and the remaining maximum fine that could be imposed under this matter is \$500.
- During 2009 and 2010, there were various Claims filed against the City in relation to development charge disputes. The City has filed a Statement of Defense in relation to these matters. The expected board hearing is in late 2012.
- During early 2012, the City has been notified of a potential claim totaling \$529 related to the construction of Guelph Civic Museum. No further details are known at this time.
- 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.

### 19. Commitments and guarantees

- 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 City believes that this guarantee will not have any significant unfavorable impact on its financial position and consequently no provision has been made in the consolidated financial statements.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2011

(\$000's)

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### 19. Commitments and guarantees (continued)

- b) 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:

	\$
2012	735
2013	452
2014	389
2015	348
2016	340
	<hr/> 2,264

- c) The City has commitments totaling \$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.
- d) The City has commitments totaling \$3,545 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.
- e) Other obligations include:

#### Hospice Wellington

The City has committed grants to Hospice Wellington through 2012 with an outstanding amount of \$200 (2010 - \$400) payable annually in instalments of \$200. This grant is to assist with capital renovation costs incurred to open their new location.

#### Guelph General Hospital

The City has committed grants to Guelph General Hospital through 2012 with an outstanding amount of \$200 (2010 - \$400) payable annually in instalments of \$200. This grant is to assist with the capital purchase of a new MRI machine.

#### MacDonald Stewart Arts Centre

The City has committed to operating grants for 2012 totalling \$174 (2010 - \$168). Additionally, in 2010 the City had committed to a capital grant of \$20 to MacDonald Stewart Arts Centre for soffit replacement that was one-time in nature and paid in 2011.

#### Other community grants

The City has committed to providing various grants to organizations in the community totalling \$312 (2010 - \$330).

### 20. Subsequent event

Subsequent to year end, the City and County of Wellington settled a dispute relating to the City's share of costs owing for the period of 2006 to 2010 in relation to the operation of Wellington Terrace. There was no financial impact on the 2011 financial position as the City had previously provided for these costs.

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2011

(\$000's)

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### 21. Local Immigration Partnership

Included in the 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 2011, the City of Guelph received \$243 (2010 - \$324) of funding from Citizenship and Immigration Canada related to the operation this program.

### 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 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.

### 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 in to five service area pillars: Community & Social Services, Operations & Transit, 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

# City of Guelph

## Notes to the unconsolidated financial statements

December 31, 2011

(\$000's)

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### 23. Segmented information (continued)

#### *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

#### *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 2010 comparative figures have been reclassified in order to present them in a form comparable to those for 2011.

# City of Guelph

Unconsolidated schedule of segment disclosure - Schedule 1

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	176,288	-	-	-	-	-	-	-	-	176,288
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	23,887	15,473	8,905	20,484	3,001	7,559	159	82,453
Other										
Investment income	3,501	-	-	47	-	-	-	-	-	3,548
Donations	-	23	23	-	-	-	-	535	5	586
Sales of equipment, publications	-	14	8	3,879	-	86	-	1,218	5	5,210
Recoveries	103	243	1,997	130	9	98	-	1,049	200	3,829
Licences and permits	265	2,707	-	77	-	-	-	-	-	3,049
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
	191,247	10,616	38,281	66,065	8,886	20,871	3,001	16,369	7,138	362,474
<b>Expenses</b>										
Salaries, wages and employee benefits	11,061	54,162	26,731	17,164	10,282	558	-	17,868	3,285	141,111
Interest on net debt	2,170	254	292	542	5	-	-	660	427	4,350
Materials	1,513	1,835	13,938	11,767	545	222	-	4,361	121	34,302
Contracted services	4,343	2,563	3,128	7,776	394	138	484	2,639	1,330	22,795
Rents and financial expenses	2,970	193	1,077	4,117	203	100	-	1,041	8	9,709
External transfers	2,050	1,189	57	1,486	2,591	26,895	16,730	586	470	52,054
Internal charges	(6,975)	1,180	(2,764)	5,104	1,335	43	1	1,932	144	-
Amortization of tangible capital assets	2,736	1,506	11,316	15,310	352	111	20	4,260	53	35,664
	19,868	62,882	53,775	63,266	15,707	28,067	17,235	33,347	5,838	299,985
<b>Excess of revenues over expenses (expenses over revenues)</b>	171,379	(52,266)	(15,494)	2,799	(6,821)	(7,196)	(14,234)	(16,978)	1,300	62,489

# City of Guelph

## Unconsolidated schedule of segment disclosure - Schedule 2

year ended December 31, 2010

(Unaudited)

	General Government	Protection Services	Transportation Services	Environmental Services	Health Services	Social and Family Services	Social Housing	Recreation and Cultural Services	Planning and Development	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>										
Taxation	170,280	-	-	-	-	-	-	-	-	170,280
User charges	274	804	10,746	42,141	1	202	-	5,743	636	60,547
Contributions	367	7,419	24,530	21,172	9,891	19,953	2,944	8,179	103	94,558
Other										
Investment income	5,142	-	-	47	-	-	-	-	-	5,189
Donations		17	-	2	-	-	-	904	0	923
Sales of equipment, publications	1	23	17	2,737	-	86	-	1,205	4	4,073
Recoveries	402	711	1,445	558	-	198	-	774	346	4,434
Licences and permits	260	2,819	-	28	-	-	-	-	-	3,107
Provincial offences act	-	3,675	-	-	-	-	-	-	-	3,675
Other fines	-	-	752	-	-	-	-	-	-	752
Gain (loss) on disposal of tangible capital assets	10	104	(505)	-	(28)	-	-	-	-	(419)
Income from Government Business Enterprises	3,459	-	-	-	-	-	-	-	-	3,459
	180,195	15,572	36,985	66,685	9,864	20,439	2,944	16,805	1,089	350,578
<b>Expenses</b>										
Salaries, wages and employee benefits	11,155	50,268	24,417	15,387	9,255	503	-	16,433	3,121	130,539
Interest on net debt	2,333	272	358	485	5	-	-	741	471	4,665
Materials	1,312	1,571	10,371	9,109	513	204	-	3,480	105	26,665
Contracted services	3,743	2,281	3,739	9,383	316	109	480	2,270	1,210	23,531
Rents and financial expenses	3,247	452	751	2,962	222	-	-	885	15	8,534
External transfers	2,010	1,212	68	1,357	2,496	31,884	16,272	470	449	56,218
Internal charges	(5,890)	1,159	(2,984)	5,216	655	3	1	1,750	90	-
Amortization of tangible capital assets	6,069	1,070	13,039	16,062	166	-	-	2,644	-	39,050
	23,979	58,285	49,759	59,961	13,628	32,703	16,753	28,673	5,461	289,202
<b>Excess of revenues over expenses (expenses over revenues)</b>	156,216	(42,713)	(12,774)	6,724	(3,764)	(12,264)	(13,809)	(11,868)	(4,372)	61,376

# City of Guelph

## Unconsolidated schedule of net debt - Schedule 3

December 31, 2011

('000's)

Bylaw	Project description	Term	Maturity date	Interest rates	2011	2010
					\$	\$
<b>Debentures:</b>						
18000	Road Projects - Gordon, Stone, Victoria, Ward 1, Clair	5	20-Apr-11	4.25% to 4.45%	-	889
18000	Centennial Pool Reconstruction	5	20-Apr-11	4.25% to 4.45%	-	53
18000	Bus Storage Area Expansion	5	20-Apr-11	4.25% to 4.45%	-	99
18000	Transfer Station & Public Drop Off Facility	5	20-Apr-11	4.25% to 4.45%	-	51
18000	East End Fire Station	5	20-Apr-11	4.25% to 4.45%	-	157
18000	Pride Upgrade	5	20-Apr-11	4.25% to 4.45%	-	16
16732	On behalf of the Elliott	10	15-Nov-11	3.10% to 5.95%	-	14,000
16751	Roads - Woolwich: Speedvale to Woodlawn	10	10-Dec-11	2.80% to 6.00%	-	378
16751	West End Community Centre	10	10-Dec-11	2.80% to 6.00%	-	65
16751	Hanlon West Business Park	10	10-Dec-11	2.80% to 6.00%	-	209
16751	Waste Water Treatment Plant Expansion 1	10	10-Dec-11	2.80% to 6.00%	-	839
17536	On behalf of the Elliott	10	15-Sep-14	2.75% to 5.20%	868	1,130
18622	Social Services Building Renovation	10	25-Sep-18	3.25% to 4.70%	2,004	2,249
18622	Police HQ Renovations	10	25-Sep-18	3.25% to 4.70%	931	1,045
18622	Road Projects - Gordon, Victoria, Cardigan, Clair	10	25-Sep-18	3.25% to 4.70%	3,937	4,417
18622	Bus Storage Area Expansion	10	25-Sep-18	3.25% to 4.70%	135	151
18622	Organic Waste Facility - Roof Repairs	10	25-Sep-18	3.25% to 4.70%	368	413
18105	New City Hall	25	28-Aug-31	5.237%	17,323	17,804
18105	New POA Court	25	28-Aug-31	5.237%	4,886	5,021
18898	Road Projects - Gordon, Victoria, Eramosa	10	25-Nov-19	.095 % to 4.60%	624	693
18898	South End Station	10	25-Nov-19	.095 % to 4.60%	5,467	6,071
18898	New City Hall	10	25-Nov-19	.095 % to 4.60%	1,887	2,095
18898	Land Purchase - Library	10	25-Nov-19	.095 % to 4.60%	697	774
18898	Public Drop Off Facility	10	25-Nov-19	.095 % to 4.60%	177	197
18898	Transit Terminal Road Upgrades	10	25-Nov-19	.095 % to 4.60%	1,531	1,700
18898	Watermain Projects - Laird, Arkell, Scout Camp	10	25-Nov-19	.095 % to 4.60%	5,219	5,795
18898	Waste Water Treatment Plant Facility Upgrade	10	25-Nov-19	.095 % to 4.60%	4,797	5,325
19294	Organic Waste Facility Composter Rebuild	10	9-Nov-21	1.25% to 3.70%	28,000	-
19294	Civic Museum Renovations	10	9-Nov-21	1.25% to 3.70%	5,700	-
19294	On behalf of the Elliott	10	9-Nov-21	1.25% to 3.70%	13,050	-
					97,601	71,636
<b>Other loans:</b>						
	Mortgage RBC - Sleeman Centre	10	01-May-17	4.96%	4,204	4,867
	Private Mortgages HCBP	10	28-Jun-11	7.50%	-	288
	CIBC Loan - Sleeman Centre - SWAP	18.8	01-Sep-25	6.38%	5,797	6,052
	RBC Interest only loan	Demand	31-Dec-12	3.70%	10,000	10,000
<b>Net Debt before the school boards</b>					<b>117,602</b>	<b>92,843</b>
15316	Public School Board	15	01-Nov-11	3.375% to 6.95%	-	400
15648	Public School Board	15	18-Dec-12	4.50% to 6.20%	451	884
15648	Separate School Board	15	18-Dec-12	4.50% to 6.20%	229	446
	Less: Receivable from School Boards				(680)	(1,730)
<b>Recoverable from School Boards</b>					<b>-</b>	<b>-</b>
<b>Total Net Debt</b>					<b>117,602</b>	<b>92,843</b>

# City of Guelph

## Unconsolidated schedule of reserves and reserve funds - Schedule 4 December 31, 2011

('000's)

Code	Description	2011	2010
		\$	\$
<b>Reserves:</b>			
For Employee Future Benefits:			
100	Sick Leave - Fire	3,531	3,371
101	Sick Leave - Police	3,297	3,339
102	Sick Leave - Library	894	852
103	Sick Leave - CUPE 241	2,724	2,017
209	Vacation Accrual Reserve	-	5,123
330	WSIB	2,203	1,526
338	Land Ambulance Severance	345	260
NEW	Early Retiree Benefits	1,600	-
		<b>14,594</b>	<b>16,488</b>
For Stabilization and Contingency:			
131	Employee Benefit Stabilization	2,132	2,726
180	Tax Rate Stabilization	1,894	1,671
181	Water Rate Stabilization	2,114	2,114
182	Waste Water Rate Stabilization	2,242	1,542
198	Operating Contingency	902	602
207	Human Resource Contingency	-	322
191	Salary Gapping / HR Contingency	1,238	1,033
		<b>10,522</b>	<b>10,010</b>
For Program Related:			
184	Insurance	1,328	1,080
119	Affordable Housing	653	581
122	Brownfield Strategy	512	546
188	Building Services	1,285	978
206	Building Operating Maintenance	81	100
192	Heritage Redevelopment	908	673
193	Ontario Municipal Board	4,054	681
194	Downtown Improvements	360	200
195	Election Costs	314	183
196	Joint Job Evaluation Committee	330	206
345	Westminster Woods	35	35
208	Social Housing	300	1,094
197	Human Resource Negotiations	89	59
210	Information Technology Licences	210	100
205	Community Investment Strategy	50	20
NEW	Strategic Priorities	1,100	-
		<b>11,609</b>	<b>6,536</b>
<b>Total Reserves</b>		<b>36,725</b>	<b>33,034</b>

# City of Guelph

## Unconsolidated schedule of reserves and reserve funds - Schedule 4 December 31, 2011

('000's)

Code	Description	2011	2010
		\$	\$
<b>Reserve Funds:</b>			
111	Fire	356	624
113	Transit	219	686
115	Police	268	427
116	Waste Management	1,335	945
118	Computers	459	866
121	Play Equipment	345	397
124	Operations Fleet	3,215	2,594
150	Capital Taxation	2,520	697
151	Capital Parking	1,961	3,589
152	Capital Waterworks	22,469	16,385
153	Capital Wastewater	26,095	22,522
155	Capital Landfill Compensation	134	139
156	Capital DC Exemption	3,158	2,248
157	Capital Library	828	850
158	Capital Police	2,556	2,243
162	Capital Sleeman Centre	9	29
164	Capital Roads	1,396	1,063
165	Capital Stormwater	181	205
166	Capital Park Planning	84	51
167	Capital Policy Planning	60	38
168	Capital Economic Development	71	40
169	Capital Operations	551	363
170	Capital Recreation	103	99
171	Capital Culture	124	(13)
172	Capital Transit	555	275
173	Capital Fire	281	198
175	Capital Corporate Property	14	99
176	Capital Info Services	153	149
177	Capital Museum	41	40
186	Capital Waste Management	493	292
189	Capital GSEC	31	31
340	Capital River Run	195	158
120	POA Relocation	179	172
159	Accessibility	505	393
160	Road Infrastructure	2,993	2,312
161	Public Transit Improvements	594	801
200	Investing Ontario Act	2,154	4,122
201	ISF - City Share Water	958	1,010
202	ISF - City Share Waste Water	1,143	1,161
203	RINC City Share	6	734
331	Road Widening	954	930
190	Building Life Cycle	654	802
353	Waterworks DC Exempt	1,698	915
		<b>82,098</b>	<b>71,681</b>

# City of Guelph

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

December 31, 2011

('000's)

<b>Code</b>	<b>Description</b>	<b>2011</b>	<b>2010</b>
		<b>\$</b>	<b>\$</b>
	Carryforward from prior	<b>82,098</b>	71,681
354	Wastewater DC Exempt	<b>1,543</b>	764
352	Greenhouse Gas	<b>527</b>	408
341	Locomotive 6167	<b>1</b>	1
355	Greening	<b>81</b>	-
199	City Infrastructure Fund	<b>2,494</b>	6,142
332	Industrial Land	<b>4,254</b>	2,562
350	Transportation Demand Management	<b>21</b>	20
135	Museum Development	<b>58</b>	56
136	McCrae House Development	<b>137</b>	130
137	Moon-McKeigan	<b>13</b>	13
138	Library Bequests	<b>174</b>	170
356	Public Art	<b>203</b>	-
351	Hydro Note	<b>14,093</b>	13,738
<b>Total Reserve Funds</b>		<b>105,697</b>	<b>95,685</b>
<b>Total Reserves and Reserve Funds</b>		<b>142,422</b>	<b>128,719</b>

# City of Guelph

## Guelph Public Library Board - Schedule 5

### Statement of Revenue and Expense

December 31, 2011

('000's)

	<b>2011 Budget</b>	<b>2011 Actual</b>	<b>2010 Actual</b>
<b>OPERATING FUND</b>			
Revenue			
Grant - Province of Ontario	\$ 167	\$ 126	\$ 168
Donations	-	6	-
Fees and service charges	377	389	305
Sundry revenue	7	53	11
	<u>551</u>	<u>574</u>	<u>484</u>
Expenses			
Salaries and benefits	5,340	5,278	4,790
Administrative and office	1	1	2
Utilities and taxes	141	120	182
Operating supplies	274	500	112
Repairs and maintenance	344	429	420
Communications	160	163	166
Training	3	14	6
Consulting and professional fees	38	64	314
Rental and leases	813	747	635
Bank and other charges	-	6	6
Furniture and equipment	22	41	3
Interest on long-term debt	27	27	25
Amortization	-	280	917
	<u>7,163</u>	<u>7,670</u>	<u>7,578</u>
Net operating deficit	(6,612)	(7,096)	(7,094)
<b>CAPITAL FUND</b>			
Developer contribution revenues	-	52	323
Less: Tangible capital asset acquisitions	(1,161)	(963)	(1,306)
Net capital deficit	<u>(1,161)</u>	<u>(911)</u>	<u>(983)</u>
Total combined net deficit	<u>(7,773)</u>	<u>(8,007)</u>	<u>(8,077)</u>
Less: net contributions (to)/from reserves	-	139	(74)
Less: debt principal repayments	(77)	(77)	(76)
	<u>(7,850)</u>	<u>(7,945)</u>	<u>(8,227)</u>
City of Guelph share of net deficit	7,850	7,945	8,227
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, 2011

('000's)

	2011 Budget	2011 Actual	2010 Actual
<b>OPERATING FUND</b>			
Revenue			
Grant - Province of Ontario	\$ 1,055	\$ 1,170	\$ 1,148
- Government of Canada	-	-	-
Gain on sale of tangible capital assets	5	61	109
Other fees and recoveries	789	1,024	1,735
	<u>1,849</u>	<u>2,255</u>	<u>2,992</u>
Expenses			
Salaries and benefits	30,804	30,857	29,370
Operating, admin and office supplies	255	260	216
Banking and other fees	5	4	3
Personnel supplies	163	154	103
Communication	199	183	148
Utilities, taxes and insurance	318	343	363
Professional consulting	870	775	757
Repairs and maintenance	262	196	173
Rental and lease	105	136	152
Fleet	515	537	467
Equipment and furniture	63	67	102
Corporate training and development	429	305	353
Interest on long-term debt	142	142	149
Amortization	-	806	799
	<u>34,130</u>	<u>34,765</u>	<u>33,155</u>
Net operating deficit	(32,281)	(32,510)	(30,163)
<b>CAPITAL FUND</b>			
Revenue			
Developer contributions	-	448	1,132
Province of Ontario grants	-	173	-
Other revenues	60	13	47
	<u>60</u>	<u>634</u>	<u>1,179</u>
Expenses			
Tangible capital asset acquisitions	2,017	1,800	4,732
Net capital deficit	<u>(1,957)</u>	<u>(1,166)</u>	<u>(3,553)</u>
Total combined net deficit	(34,238)	(33,676)	(33,716)
Add: net contributions from reserves	335	1,217	279
Less: debt principal repayments	(406)	(406)	(398)
	<u>(34,309)</u>	<u>(32,865)</u>	<u>(33,835)</u>
City of Guelph share of net deficit	<u>(34,309)</u>	<u>(32,865)</u>	<u>(33,835)</u>
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -