



Consolidated Financial Statements

The Corporation of the City of Elliot Lake

December 31, 2012

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Independent auditor's report

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To the Members of Council, Inhabitants and Ratepayers of
The Corporation of the City of Elliot Lake

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

Management's responsibility for the 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 auditors' 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 The Corporation of the City of Elliot Lake as at December 31, 2012, and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Sault Ste. Marie, Canada
May 13, 2013

Grant Thornton LLP
Chartered accountants
Licensed public accountants

The Corporation of the City of Elliot Lake

Consolidated Statement of Financial Position

As at December 31

2012

2011

Financial assets

Cash and cash equivalents (Note 2)	\$ 3,517,968	\$ 6,906,458
Portfolio investments (Note 3)	5,142,947	4,833,474
Taxes receivable	293,019	391,807
Accounts receivable (Note 4)	4,291,272	799,271
Inventory for resale	27,484	50,495
Land held for resale	842,625	-
Residential lots inventory for resale	323,642	175,174
Mortgage receivable (Note 5)	852,549	852,549
Loan receivable	<u>100,000</u>	<u>200,000</u>
	<u>15,391,506</u>	<u>14,209,228</u>

Liabilities

Temporary borrowing (Note 6)	2,163,200	-
Accounts payable and accrued expenses	2,688,206	1,100,554
Other liabilities	358,687	52,473
Deferred revenue (Note 7)	188,800	681,549
Long-term debt (Note 8)	1,073,097	1,206,147
Accrued sick leave (Note 9)	92,709	86,189
Accrued vacation pay	531,095	519,556
Accrued landfill closure and post-closure (Note 10)	2,620,500	2,541,280
Accrued retirement and post-employment benefits (Note 11)	<u>1,333,200</u>	<u>1,243,400</u>
	<u>11,049,494</u>	<u>7,431,148</u>

Net financial assets

4,342,012 6,778,080

Non-financial assets

Prepaid expenses	67,924	130,311
Supplies inventory	299,528	338,109
Tangible capital assets (Note 24)	<u>26,507,494</u>	<u>25,886,795</u>
	<u>26,874,946</u>	<u>26,355,215</u>

Accumulated surplus

\$ 31,216,958 \$ 33,133,295

Contingencies (Note 19)

On behalf of City Council

_____ Mayor _____ Councillor

See accompanying notes to the consolidated financial statements.

The Corporation of the City of Elliot Lake

Consolidated Statement of Accumulated Surplus

For the Year Ended December 31

2012

2011

Accumulated surplus

Consists of:

Reserves set aside for specific purposes by Council

Working capital	\$ (320,303)	\$ 438,967
Elections	<u>53,166</u>	<u>53,166</u>
	<u>(267,137)</u>	<u>492,133</u>

Reserve funds set aside for specific purposes by Council

Capital expenses	4,012,622	3,814,781
Cemetery capital development	86,700	82,934
Landfill closure and post closure	1,584,369	1,532,893
Sick leave	92,709	86,189
Economic development	169,237	172,514
Miner's Heritage	48,706	36,727
Civic centre theater improvements	20,898	20,219
Legislative requirements	352,568	341,113
MNR firefighting	<u>36,629</u>	<u>45,550</u>
	<u>6,404,438</u>	<u>6,132,920</u>
	<u>6,137,301</u>	<u>6,625,053</u>

Surpluses

Invested in tangible capital assets	26,507,494	25,886,795
Operating surplus	2,014,591	4,079,381
Unfunded		
Landfill closure and post closure liabilities	(1,036,131)	(1,008,387)
Long-term debt	(1,070,150)	(1,179,308)
Airport hangar loan	(2,947)	(26,839)
Retirement and post-employment benefit obligation	<u>(1,333,200)</u>	<u>(1,243,400)</u>
	<u>25,079,657</u>	<u>26,508,242</u>

Accumulated surplus	<u>\$ 31,216,958</u>	<u>\$ 33,133,295</u>
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See accompanying notes to the consolidated financial statements.

The Corporation of the City of Elliot Lake Consolidated Statement of Changes in Net Financial Assets

For the Year Ended December 31	Budget	2012	2011
Annual deficit	\$ (3,306,896)	\$ (1,916,337)	\$ (2,533,523)
Acquisition of tangible capital assets	(4,158,555)	(4,519,978)	(1,769,984)
Amortization of tangible capital assets	3,565,996	3,638,785	3,637,797
Loss on disposal of tangible capital assets	-	260,494	-
	(3,899,455)	(2,537,036)	(665,710)
Use (acquisition) of supplies inventory	-	38,581	(13,966)
Use (acquisition) of prepaid expenses	-	62,387	(17,629)
Decrease in net financial assets	(3,899,455)	(2,436,068)	(697,305)
Net financial assets			
Beginning of the year	6,778,080	6,778,080	7,475,385
End of the year	\$ 2,878,625	\$ 4,342,012	\$ 6,778,080

See accompanying notes to the consolidated financial statements.

The Corporation of the City of Elliot Lake

Consolidated Statement of Cash Flows

For the Year Ended December 31

2012

2011

Increase (decrease) in cash and cash equivalents

Operating transactions

Annual deficit	\$ (1,916,337)	\$ (2,533,523)
Non-cash items		
Amortization	3,638,785	3,637,797
Loss on disposal of tangible capital assets	260,494	-
Decrease (increase) in taxes receivable	98,788	(86,363)
(Increase) decrease in accounts receivable	(3,492,001)	660,336
Decrease (increase) in inventory for resale	23,011	(3,050)
Increase in land inventory for resale	(842,625)	-
Decrease (increase) in supplies inventory	38,581	(13,966)
Decrease (increase) in prepaid expenses	62,387	(17,629)
(Increase) decrease in residential lots inventory for resale	(148,468)	57,433
Decrease in loan receivable	100,000	-
Increase in accounts payable and accrued expenses	1,587,652	152,875
Increase (decrease) in other liabilities	306,214	(303,116)
(Decrease) increase in deferred revenue	(492,749)	391,042
Increase (decrease) in accrued sick leave	6,520	86,189
Increase in accrued vacation pay	11,539	46,552
Increase in accrued landfill closure and post-closure	79,220	1,511,185
Increase in accrued retirement and post-employment benefits	89,800	83,700
	<u>(589,189)</u>	<u>3,669,462</u>

Capital transactions

Purchase of tangible capital assets	<u>(4,519,978)</u>	<u>(1,769,984)</u>
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Investing transactions

Purchase of portfolio investments	<u>(309,473)</u>	<u>(160,463)</u>
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Financing transactions

Proceeds from temporary borrowing	2,163,200	-
Repayment of long-term debt	<u>(133,050)</u>	<u>(126,693)</u>
	<u>2,030,150</u>	<u>(126,693)</u>

Net (decrease) increase in cash and cash equivalents (3,388,490) 1,612,322

Cash and cash equivalents

Beginning of the year	<u>6,906,458</u>	<u>5,167,443</u>
End of the year	<u>\$ 3,517,968</u>	<u>\$ 6,906,458</u>

See accompanying notes to the consolidated financial statements.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

1. Significant accounting policies

The consolidated financial statements of The Corporation of the City of Elliot Lake (the City) are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and changes in accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the City and which are owned or controlled by the City. In addition to general government tax-supported operations, they include the following:

Elliot Lake Public Library Board
Elliot Lake Mining and Nuclear Museum
Elliot Lake Board of Commissioners of Police
Elliot Lake Residential Development Commission

Interdepartmental and organizational transactions and balances are eliminated.

The statements exclude trust assets that are administered for the benefit of external parties (Note 18).

(b) Basis of accounting

The City follows the accrual basis of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of goods or services and/or the creation of a legal obligation to pay.

(c) Cash and cash equivalents

Cash and cash equivalents are represented by cash on hand, cash on deposit in chartered banks and investments that mature within three months.

(d) Portfolio investments

Portfolio investments are valued at the lower of cost and market value. Interest income is reported as revenue in the period earned.

(e) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

1. Significant accounting policies (continued)

i) 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. Capital work in progress is not amortized until the asset is put in use.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. The cost, less residual value of the tangible capital assets, is amortized on a straight line basis over their estimated useful lives as follows:

Land improvements	20 years to indefinite
Buildings	10 to 40 years
Machinery and equipment	3 to 40 years
Vehicles	6 to 40 years
Library collection	10 years
Linear assets	8 to 40 years
Information technology	3 to 8 years
Parks infrastructure	5 to 40 years
Plants equipment	5 to 40 years

ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

iii) Leases

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

iv) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(f) Deferred revenue

Receipts that are restricted by legislation of senior governments or by agreement with external parties are deferred. When qualifying expenses are incurred deferred revenues are brought into revenue at equal amounts. Revenues received in advance of expenses that will be incurred in a later period are deferred until they are earned by being matched against those expenses. The City receives gas tax revenue from the Federal Government through the Association of Municipalities of Ontario. These funds, by their nature, are restricted in their use and, until applied to specific expenses are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

1. Significant accounting policies (continued)

(g) Accrued landfill closure and post-closure

The City accrues landfill closure and post-closure care requirements that have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five period using the best information available to management.

Future events may result in significant changes to the estimated total expenses, capacity used, or total capacity and the estimated liability and would be recognized prospectively, as change in estimate, when applicable.

(h) Accrued retirement and post-employment benefits

The City accrues its obligations for employee benefit plans. The cost of post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

(i) Reserves for future expenses

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operations and capital expenses. Reserve and reserve fund balances are included in accumulated surplus (deficit).

(j) Taxation

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 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. Realty taxes are billed based on the assessment rolls provided by MPAC. Taxation revenues are recorded at the time tax billings are issued.

A normal part of the assessment process is the issue of supplementary assessment rolls which provide updated information with respect to changes in property assessment.

Once a supplementary roll is received, the City determines the taxes applicable and renders supplementary tax billings. Assessments of the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the effect shared with the school boards, as appropriate.

(k) Government transfers

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

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

1. Significant accounting policies (continued)

(l) School board transactions

The taxation, other revenues, expenses, assets and liabilities with respect to operations of the school boards are not reflected in the accumulated surplus of these financial statements.

(m) Use of estimates

The preparation of financial statements, in accordance 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Residential lots inventory for resale

The land is purchased from the Crown and is further developed to bring the land ready for sale to residential builders. The Elliot Lake Residential Development Commission is responsible for the development and facilitation of the sale of the land to residential developers. Land inventory is carried at the lower of cost and fair market value.

2. Cash and cash equivalents

Unrestricted cash and temporary investments are comprised of:

Cash on hand	\$ 4,300	\$ 2,223
Cash held in banks	<u>(1,172,824)</u>	<u>1,570,638</u>
	<u>(1,168,524)</u>	<u>1,572,861</u>

Restricted cash and temporary investments are comprised of:

Cash held in banks	4,542,241	5,073,987
Investments	<u>144,251</u>	<u>259,610</u>
	<u>4,686,492</u>	<u>5,333,597</u>
	<u>\$ 3,517,968</u>	<u>\$ 6,906,458</u>

3. Portfolio investments

Corporate and provincial bonds	\$ 2,906,490	\$ 3,035,242
Strip and coupon bonds	1,815,632	1,383,231
Term deposits	<u>420,825</u>	<u>415,000</u>
	<u>\$ 5,142,947</u>	<u>\$ 4,833,473</u>

Corporate and provincial bonds carry an effective interest rate between 2.85% and 6.25% and mature between April 2014 and June 2023. Interest is receivable on an annual basis. Carrying value approximates market value.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

3. Portfolio investments (continued)

Strip and coupon bonds mature between November 2014 and December 2022. Interest is receivable on an annual basis. Carrying value approximates market value.

Term deposits carry an effective interest rate between 1.30% and 2.10% and mature between April 2013 and October 2015. Interest is receivable on an annual basis. Carrying value approximates market value.

4. Accounts receivable	<u>2012</u>	<u>2011</u>
Due from trust fund	\$ 7,949	\$ 7,919
Canada specific grants	522,782	169,345
Ontario specific grants	2,274,656	297,679
HST receivable	460,522	69,282
Accounts receivable general	254,956	158,208
Accounts receivable water	24,553	18,356
Other receivables	<u>817,149</u>	<u>155,881</u>
	4,362,567	876,670
Less allowance for doubtful accounts	<u>(71,295)</u>	<u>(77,399)</u>
	<u>\$ 4,291,272</u>	<u>\$ 799,271</u>

5. Mortgage receivable

The City holds a first mortgage on the property known as the ELNOS building. Commencing in 2007, subject to an agreement dated October 19, 2006, there are no annual payments required so long as the borrower remains the owner of the property. On the sale of the property, the City will be entitled to the principal amount of the mortgage plus interest at the rate of 2% calculated from the date of advance of the funds.

6. Temporary borrowing	<u>2012</u>	<u>2011</u>
Short-term loan	<u>\$ 2,163,200</u>	<u>\$ -</u>

The Ontario Infrastructure and Lands Corporation ("OILC") loan has no principal payment schedule with an expiration date of November 15, 2017. The loan requires monthly interest payments at a variable rate determined by the OILC.

7. Deferred revenue	<u>2012</u>	<u>2011</u>
Obligatory reserve fund – Federal Gas Tax	\$ -	\$ 604,684
Other deferred revenue	<u>188,800</u>	<u>76,865</u>
	<u>\$ 188,800</u>	<u>\$ 681,549</u>

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

8. Long-term debt	2012	2011
Long-term debt	\$ 1,070,150	\$ 1,179,308
Airport hangar loan	<u>2,947</u>	<u>26,839</u>
	<u>\$ 1,073,097</u>	<u>\$ 1,206,147</u>

The long-term debt consists of a bank loan amortized over ten years with a five year term fixed at 4.68%. Blended principal and interest payments of \$13,503 are due monthly, totalling \$162,029 per year.

The airport hangar loan is repayable in quarterly instalments of principal and interest of \$6,243 at an interest rate of 6%. The maturity date of the loan is February 25, 2013.

The City paid \$55,032 (2011: \$60,308) interest on long-term debt during the year.

Principal repayments due over the next 5 years are as follows:

2013	\$ 117,330
2014	119,853
2015	125,584
2016	131,506
2017	137,877
Thereafter	440,94

9. Accrued sick leave

The City, by way of a memorandum of agreement, provides sick leave employee benefits to certain employees, which can only be accessed upon request, termination or retirement. The liability represents the value required to cover the sick leave plan.

The City has established reserve funds to fully mitigate the future impact of this obligation. The balance of the Sick Leave Reserve Fund is \$92,709 (2011: \$86,189).

10. Accrued landfill closure and post-closure

The liability represents management's estimate of closure and post closure costs related to the City's landfill site. The liability represents the present value of the estimated expenditure required for closure and post-closure. The site has an estimated remaining capacity of 103,400 (2011: 128,600) cubic metres and an estimated remaining life of 3.5 years. Post closure care is estimated to require 25 years.

The City has established reserve funds to mitigate the future impact of this obligation. The balance of the Landfill Closure and Post-Closure Reserve Fund is \$1,584,369 (2011: \$1,532,893).

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

11. Accrued retirement and post-employment benefits

In addition to the contributions to the Ontario Municipal Employees Retirement Fund (OMERS), as described in Note 17, the City pays certain health, dental and life insurance benefits on behalf of retired employees.

Total benefit payments paid on behalf of retirees during the year were \$71,700 (2011: \$71,800). The plan is unfunded and requires no contributions from employees. The adjusted retirement benefit liability at December 31, 2012 is \$1,333,200 (2011: \$1,243,400).

As at January 1, 2011, an actuarial valuation of the City's obligation for retirement benefits other than pensions was done for accounting purposes using the "projected benefit method prorated on services". The accrued benefit obligation projected for December 31, 2012 is based on this valuation, adjusted for actual contributions made.

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical and dental inflation rates, salary increases, employee turnover and mortality.

The obligation at January 1, 2011 was based on membership data as at January 1, 2011.

The significant actuarial assumptions adopted in the City's accrued benefit obligation as of December 31, 2012 are as follows:

- Discount rate of 3.75%
- Expected return on plan assets 6%
- Extended health care trend 7.5% decreasing by 0.20% per year to a minimum of 4.5%.

The total expenses related to retirement benefits other than pensions include the following components:

	<u>2012</u>	<u>2011</u>
Current period benefit cost	\$ 95,600	\$ 92,200
Interest cost	50,300	47,700
Amortization of actuarial gain	15,600	15,600
Accrued Benefit Obligation	1,356,700	1,282,500

The retirement benefit expense is included in the Consolidated Statement of Operations as a component of program expenses.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

12. Taxation	<u>Budget</u>	<u>2012</u>	<u>2011</u>
Real property	\$ 9,447,874	\$ 9,472,572	\$ 8,827,188
From other governments			
Payments in lieu of taxes	<u>233,050</u>	<u>225,394</u>	<u>228,234</u>
	<u>\$ 9,680,924</u>	<u>\$ 9,697,966</u>	<u>\$ 9,055,422</u>
Residential	\$ 6,929,972	\$ 6,916,432	\$ 6,290,684
Multi-residential	1,178,928	1,178,928	1,098,796
Commercial and industrial	<u>1,572,024</u>	<u>1,602,606</u>	<u>1,665,942</u>
	<u>\$ 9,680,924</u>	<u>\$ 9,697,966</u>	<u>\$ 9,055,422</u>

13. Collections for school boards	<u>2012</u>	<u>2011</u>
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Total taxation, user charges and development charges received or receivable on behalf of the school boards were as follows:

English public	\$ 995,557	\$ 967,536
English separate	281,185	285,709
French public	16,540	16,354
French separate	<u>93,074</u>	<u>92,032</u>
	<u>\$ 1,386,356</u>	<u>\$ 1,361,631</u>

The City is required to levy and collect taxes on behalf of the school boards. These taxes are remitted to the school boards at the amounts levied. The taxes levied over (under) the amounts requisitioned are recorded as accounts payable (receivable).

14. User charges, licenses and fees	<u>Budget</u>	<u>2012</u>	<u>2011</u>
General government			
User fees, rentals and service charges	\$ 46,000	\$ 66,735	\$ 124,119
Licenses and permits	2,310	3,388	2,002
Protection to persons and property			
User fees, fines and service charges	70,233	119,711	112,120
Licences and permits	263,300	216,763	254,413
Transportation services			
User fees, rentals and service charges	507,950	640,619	649,592
Environmental services			
Direct water billings	3,266,996	3,249,589	3,092,910
User fees, rentals and service charges	7,000	6,743	6,143
Health services			
Cemetery fees and plot sales	66,920	53,096	57,391
Recreational and cultural services			
Licenses and permits	15,000	12,576	14,911
Program/facility fees, rentals and registrations	682,365	672,697	723,220
Planning and development			
Licenses and permits	<u>-</u>	<u>4,200</u>	<u>-</u>
	<u>\$ 4,928,074</u>	<u>\$ 5,046,117</u>	<u>\$ 5,036,821</u>

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

15. Grants	<u>Budget</u>	<u>2012</u>	<u>2011</u>
Government of Canada			
Transportation services	\$ 710,000	\$ 1,313,215	\$ 302,536
Recreational and cultural services	3,500	7,166	23,864
Planning and development	-	903,576	66,453
	<u>\$ 713,500</u>	<u>\$ 2,223,957</u>	<u>\$ 392,853</u>
Province of Ontario			
General government	\$ 5,349,400	\$ 6,253,257	\$ 5,897,200
Protection to persons and property	120,370	126,060	119,415
Transportation services	358,411	143,218	144,852
Environmental services	1,120	-	1,120
Recreational and cultural services	93,627	76,839	81,389
Planning and development	-	2,097,628	66,453
	<u>\$ 5,922,928</u>	<u>\$ 8,697,002</u>	<u>\$ 6,310,429</u>

16. Donations and other revenue	<u>Budget</u>	<u>2012</u>	<u>2011</u>
General government	\$ 59,400	\$ 82,900	\$ 206,786
Protection to persons and property	72,249	61,510	159,601
Transportation services	11,500	82,861	22,049
Environmental services	86,160	92,571	97,994
Health services	750	500	-
Recreational and cultural services	206,087	163,566	193,990
Planning and development	2,100	12,075	2,477
	<u>\$ 438,246</u>	<u>\$ 495,983</u>	<u>\$ 682,897</u>

17. Pension agreements

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

Commencing January 1, 2012, contribution rates ranged from 8.3% to 13.9% depending on the proposed retirement age and the level of earnings. As a result, \$454,279 (2011: \$452,789) was contributed to OMERS.

18. Trust funds

The Care and Maintenance Trust Fund administered by the City amounting to \$244,451 (2011: \$236,480) has not been included in the Consolidated Statement of Financial Position nor have these operations been included in the Consolidated Statement of Financial Activities.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

19. Contingencies

On June 23, 2012, a section of the upper deck of the Algo Centre Mall which served as a parking lot, collapsed. The collapse resulted in two fatalities and the permanent discontinued use of the Mall. The businesses located inside the Mall were forced to close indefinitely. There are three lawsuits currently against the City.

The City legal counsel has advised that the outcome of the appeal is not determinable at this time and the amount of a settlement or damages which may or may not be payable cannot be reasonably estimated.

20. Measurement uncertainty

Property tax billings are prepared by the City based on an assessment roll prepared by the Municipal Property Assessment Corporation ("MPAC"), an agency of the Ontario government. All assessed property values in the City were reviewed and new values established based on a common valuation date that was used by the City in computing the property tax bills. However, the property tax revenue and tax receivables of the City are subject to measurement uncertainty as a number of appeals submitted by taxpayers have yet to be heard. Any adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined and the effect shared with the school boards, as appropriate.

21. Financial instruments

Financial instruments of the City consist of cash and cash equivalents, portfolio investments, taxes receivable, accounts receivable, mortgage receivable, loan receivable, temporary borrowing, accounts payable and accrued expenses, and long term debt. The fair value of these financial instruments approximates carrying value as the instruments are either current in nature or bear interest at market rates.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

22. Budget figures

The budget, approved by Council for 2012, was prepared for the purpose of establishing the tax rates for fiscal 2012. The budget established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be incurred over a number of years and therefore may not be comparable with the current year's actual expenses.

The budget figures presented in the Consolidated Statement of Operations and the Statement of Changes in Net Financial Assets have been restated to be comparable with the Public Sector Accounting Standards. A reconciliation of the Council approved budget and the budget presented in these consolidated financial statements is presented below.

Adopted budget:

Budgeted annual surplus for the year (per By-law 12-09)	\$	-
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Adjustments to adopted consolidated budget:

Unexpended capital financing	(3,708,651)
Increase in reserves and reserve funds	(187,303)
Education portion of payments in lieu requisition	(3,501)
Amortization of tangible capital assets	(3,565,996)
Acquisition of tangible capital assets	<u>4,158,555</u>
Restated consolidated budgeted annual deficit	<u>\$(3,306,896)</u>

23. Comparative amounts

Certain prior year amounts have been reclassified to conform with current year consolidated financial statement presentation.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

24. Tangible capital assets

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Library collection	Linear assets	Information technology	Parks infrastructure	Plants equipment	Capital work in progress	2012 Total	2011 Total
Cost													
Balance, beginning of the year	2,810,740	10,019,523	14,873,238	3,075,117	8,913,793	580,302	46,995,635	59,035	2,661,157	13,987,806	2,557,169	106,533,515	104,882,748
Additions during the year	28,912	89,793	209,695	1,023,243	395,510	16,984	1,758,227	-	276,345	111,450	609,819	4,519,978	1,769,984
Disposals during the year	-	(51,332)	-	(26,349)	(458,150)	(597,286)	(378,331)	-	(166,245)	(32,930)	-	(1,710,623)	(119,217)
Transfers	-	-	195,199	132,907	-	-	1,971,909	-	257,154	-	(2,557,169)	-	-
Balance, end of year	2,839,652	10,057,984	15,278,132	4,204,918	8,851,153	-	50,347,440	59,035	3,028,411	14,066,326	609,819	109,342,870	106,533,515
Accumulated Amortization													
Balance, beginning of the year	-	7,403,881	13,425,734	1,883,489	6,163,141	333,782	38,984,312	29,712	2,001,868	10,420,801	-	80,646,720	77,128,140
Amortization during the year	-	605,481	271,515	143,897	536,668	24,325	1,572,088	17,600	113,498	353,713	-	3,638,785	3,637,797
Disposals during the year	-	(51,332)	-	(17,216)	(450,496)	(358,107)	(378,331)	-	(166,245)	(28,402)	-	(1,450,129)	(119,217)
Balance, end of year	-	7,958,030	13,697,249	2,010,170	6,249,313	-	40,178,069	47,312	1,949,121	10,746,112	-	82,835,376	80,646,720
Net book value	2,839,652	2,099,954	1,580,883	2,194,748	2,601,840	-	10,169,371	11,723	1,079,290	3,320,214	609,819	26,507,494	25,886,795

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

25. Segmented information

The City of Elliot Lake is a diversified municipal government institution that provides a wide range of services to its citizens, including fire, recreation, roads maintenance, public transit and water and sewer service. As well, the City provides funding to agencies for services related to health care, policing, care for the aged and social services. For management reporting purposes the City's operations and activities are organized and reported by department. The annual budget is distributed based on department activity and size.

City services are provided by departments and their activities are reported in the consolidated financial statements. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

General government

The general government segment is comprised of three categories: governance, corporate management and program support. These categories encompass the CAO's office, Mayor and Council, clerks and elections, administrative buildings, treasury financial, budgets and bill collection. Administrative services to other departments include the information technology and human resources departments.

Protection to persons and property

Protection to persons and property includes services provided by the City's fire department, building controls department for by-law enforcement and transfers to the Ontario Provincial Police for policing services. The fire department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention and detection or extinguishment of fires.

The City's building controls department ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-law for the protection of occupants. The department is responsible for the application and enforcement of zoning and other by-laws, the processing of building permit applications, and animal control.

Transportation services

The transportation department is responsible for providing local public transportation service. Public works is involved with the planning, development and maintenance of city roads and streets, transit operations, airport operations and street lighting.

Environmental services

The water and waste department consists of three distinct utilities: water, wastewater and solid waste disposal. The department provides drinking water to citizens of Elliot Lake, collecting and treating wastewater. In addition, the City provides collection, disposal and waste minimization programs and facilities, including recycling, for solid waste.

Health services, social and family services and social housing

Health services and social and family services includes external transfers to the Algoma Public Health Unit, expenses related to cemetery maintenance, transfer for funding related to welfare, child care, social housing, housing for the aged and social assistance, as well as transfer payments for ambulance services. The health services, social and family services and social housing expenditures include costs related to physician recruitment.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

25. Segmented information (continued)

Recreational and cultural services

The parks and recreation department provides public services that contribute to the health and well being of the City's residents through the provision of recreation and leisure services such as parks maintenance, arena and pool operation, civic centre operation, recreational programming and trail maintenance. The City contributes towards the information needs of its citizens through the provision of library services. The City also runs a mining museum to preserve the mining history of the area.

Planning and development

The planning and development department provides a diverse bundle of services. It manages urban development for business interests, environmental concerns, community development and waterfront planning. It facilitates economic development by providing services for the approval of all land development plans.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2012

25. Segmented information (continued)

	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social services and housing	Recreational and cultural services	Planning and development	2012 Total	2011 Total
Revenue										
Taxation	\$ 9,697,966	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,697,966	\$ 9,055,422
User charges, licenses and fees	70,123	336,474	640,619	3,256,332	53,096	-	685,273	4,200	5,046,117	5,036,821
Grants	6,253,257	126,060	1,456,433	-	-	-	84,005	3,001,204	10,920,959	6,703,282
Other	412,108	61,510	82,861	92,571	500	-	163,566	256,575	1,069,691	1,743,949
	16,433,454	524,044	2,179,913	3,348,903	53,596	-	932,844	3,261,979	26,734,733	22,539,474
Expenses										
Salaries, wages and employee benefits	2,027,221	1,679,202	1,471,088	1,256,272	15,629	-	1,267,766	95,806	7,812,984	7,834,057
Rents and financial expenses	13,464	-	-	-	-	-	89,295	218	102,977	150,362
Interest on long term debt	2,153	-	1,079	-	-	52,872	-	-	56,104	59,157
Operating materials and supplies	2,077,783	358,410	807,768	1,678,049	94,684	-	1,101,712	1,526,895	7,645,301	5,464,167
Contracted services	254,907	3,234,430	746,405	613,946	4,488	-	216,683	1,741,655	6,812,514	5,312,467
External transfers to others	138,790	-	-	-	1,061,121	1,382,494	-	-	2,582,405	2,488,297
Amortization	43,085	174,267	2,039,015	409,565	9,024	-	936,168	27,661	3,638,785	3,637,797
	4,557,403	5,446,309	5,065,355	3,957,832	1,184,946	1,435,366	3,611,624	3,392,235	28,651,070	24,946,304
Annual surplus (deficit)	\$ 11,876,051	\$ (4,922,265)	\$ (2,885,442)	\$ (608,929)	\$ (1,131,350)	\$ (1,435,366)	\$ (2,678,780)	\$ (130,256)	\$ (1,916,337)	\$ (2,406,830)