



Financial Statements

**Elliot Lake Residential Development Commission**

December 31, 2012

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Grant Thornton

# Independent Auditor's Report

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To the Members of the Board of Directors of the  
Elliot Lake Residential Development Commission  
Council, Inhabitants and Ratepayers of  
The Corporation of the City of Elliot Lake

We have audited the accompanying financial statements of the Elliot Lake Residential Development Commission, which comprise the statement of financial position as at December 31, 2012, the statements of operations, accumulated surplus 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 Organization'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 Organization'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 Elliot Residential Development Commission as at December 31, 2012, and its financial performance 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

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# Elliot Lake Residential Development Commission

## Statement of Financial Position

December 31	2012	2011
<b>Financial assets</b>		
Cash	\$ <u>2,722,921</u>	\$ <u>3,320,968</u>
<b>Liabilities</b>		
Accrued liabilities	-	2,250
Deposits	<u>5,000</u>	<u>10,000</u>
	<u>5,000</u>	<u>12,250</u>
<b>Accumulated surplus</b>	\$ <u>2,717,921</u>	\$ <u>3,308,718</u>

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On behalf of the Commission

  

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See accompanying notes to the financial statements.

## Elliot Lake Residential Development Commission

### Statement of Operations

Year Ended December 31	2012	2011
	Budget	Total
<b>Revenue</b>		
Land sale proceeds (Note 1 d)	\$ 506,900	\$ 182,700
		\$ 634,737
<b>Expenditures</b>		
Administration		
Professional fees	256,000	384,179
Administration	13,625	9,855
Salaries and honorariums	10,800	5,935
Travel	5,000	638
Marketing	19,300	6,494
Lot related expenditures		
Legal	5,400	9,194
Pre-development	10,000	386,273
Planning, survey and subdivision plan	1,500	2,586
Roads	15,900	-
Hydro services	42,550	10,432
Boat launches and parking	20,000	-
	<u>400,075</u>	<u>815,586</u>
<b>Other revenue</b>		
Interest	39,600	41,524
Other	-	565
	<u>39,600</u>	<u>42,089</u>
Annual (deficit) surplus	\$ 146,425	(590,797)
Opening accumulated surplus, as previously stated		3,493,892
Prior period adjustments (Note 2)		<u>(185,174)</u>
Opening accumulated surplus, as restated		3,308,718
Ending accumulated surplus		<u>\$ 2,717,921</u>
		<u>\$ 3,308,718</u>

See accompanying notes to the financial statements.

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## Elliot Lake Residential Development Commission Statement of Accumulated Surplus

Year Ended December 31

2012

2011

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### Consists of

#### Reserves set aside by the Board

Reserve for operations	<u>\$ 2,717,921</u>	<u>\$ 3,308,718</u>
<b>Accumulated surplus</b>	<b><u>\$ 2,717,921</u></b>	<b><u>\$ 3,308,718</u></b>

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See accompanying notes to the financial statements.

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## Elliot Lake Residential Development Commission

### Statement of Cash Flows

Year Ended December 31	2012	2011
<b>Cash flows from operating transactions</b>		
Annual (deficit) surplus	\$ (590,797)	\$ 342,540
<b>Non-cash charges to operations</b>		
Accrued liabilities	(2,250)	(150)
Deposits	<u>(5,000)</u>	<u>10,000</u>
Net (decrease) increase in cash	(598,047)	352,390
Cash, beginning of year	<u>3,320,968</u>	<u>2,968,578</u>
Cash, end of year	<u>\$ 2,722,921</u>	<u>\$ 3,320,968</u>

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See accompanying notes to the financial statements.

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# Elliot Lake Residential Development Commission

## Notes to the Financial Statements

December 31, 2012

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### 1. Significant accounting policies

The financial statements of the Elliot Lake Residential Development Commission (“the Commission”) 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 Commission are as follows:

#### a) Reporting entity

The financial statements reflect the assets, liabilities, revenue, and expenditures of the reporting entity.

#### b) Basis of accounting

The accrual basis of accounting is followed in the financial statement presentation which includes recognizing revenues in the period in which the transactions or events occurred that gave rise to the revenues. Expenditures are recognized in the period the goods and services are acquired and a liability is incurred.

#### c) Land sale proceeds and pre-development costs

The proceeds of sale of certain land owned by the City of Elliot Lake are designated for the use of the Commission. These proceeds reimburse the City and the Commission for the expenses related to pre-development and sale, with the remainder being retained for economic development upon completion of the project.

The land acquired for sale is the responsibility of the City of Elliot Lake. In addition, any costs incurred in the pre-development stage, prior to the acquisition of the land, are the responsibility of the City.

#### d) Revenue recognition

Land sale proceeds are recorded at the time of sale. Province of Ontario grants are recorded when the grant is received or receivable. Interest revenue is recorded on an accrual basis.

#### e) Reserves for future expenditures

Certain amounts, as approved by the City, are set aside in reserves for future operating expenditures.

#### f) 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 expenditures during the reporting period. Actual results could differ from those estimates.

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# Elliot Lake Residential Development Commission

## Notes to the Financial Statements

December 31, 2012

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### 1. Significant accounting policies (continued)

#### g) Budget figures

The operating budget approved by the Commission is reflected on the statement of operations. Budget figures have been restated to be comparable with the PSAB reporting format.

#### h) Cash and cash equivalents

Cash includes cash on hand and funds held on deposit at financial institutions.

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### 2. Prior period adjustments

In 2012, management became aware of an error in the recording of the accrual of expenses and recording of deposits for future land sales in prior year. Pre-development expenses were understated in 2011 by \$11,039 and therefore accumulated surplus was overstated by \$11,039.

Professional fee expenses were understated in 2011 by \$11,343 and therefore accumulated surplus was overstated by \$11,343.

Sale of land and assets revenue was overstated in 2011 by \$10,000 and deposits was understated by \$10,000.

Based on a review of the terms of the City of Elliot Lake Act, it was determined that ownership of land resides with the City and is not an asset of the Commission. A prior period adjustment was recorded to remove the land and related cost of land sales from the books of the Commission.

The correction of these errors has been presented by retrospectively restating the 2011 comparative figures and the impact is as follows:

	<u>Increase (decrease)</u>
Pre-development expenses	\$ 11,039
Professional fees expenses	11,343
Land sale proceeds	(10,000)
Deposits	10,000
Land Inventory	(174,174)
Cost of land sales	(175,815)
Opening accumulated surplus	(232,607)

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# Elliot Lake Residential Development Commission

## Notes to the Financial Statements

December 31, 2012

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### 3. Lot buybacks

Under the terms of the purchase and sale agreements for land sold by the Corporation of the City of Elliot Lake, the City has the option to purchase the land sold, at 80% of the initial sale price, should the purchaser not commence construction on the property within three years from the date of the initial purchase and for water access only properties, within five years from the date of the initial purchase. The City's management has estimated the potential repurchase requirements and has reserved an amount to fund these repurchases in the books of the Corporation of the City of Elliot Lake. As per the terms of the City of Elliot Lake Act, ownership of the land resides with the City, and therefore there is no land asset recorded in the books of the Commission.

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## Elliot Lake Residential Development Commission Schedule of Financial Activities – Dunlop Lake

December 31, 2012  
(Unaudited)

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	Budget	Actual
<b>Revenues</b>		
Land sale completed	\$ 127,800	\$ 132,800
<b>Expenditures</b>		
Road	15,000	-
Hydro services	32,300	3,770
Legal	1,400	3,400
Professional fees	-	357
Total expenditures	<u>48,700</u>	<u>7,527</u>
Excess of revenues over expenditures	<u>\$ 79,100</u>	<u>\$ 120,273</u>

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## Elliot Lake Residential Development Commission Schedule of Financial Activities – Quirke Lake

December 31, 2012  
(Unaudited)

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	Budget	Actual
<b>Revenues</b>		
Land sale completed	\$ 79,900	\$ -
<b>Expenditures</b>		
Hydro services	3,400	3,211
Legal	-	3,753
Professional fees	-	392
Total expenditures	<u>3,400</u>	<u>7,355</u>
Excess of expenditures over revenues	<u>\$ 76,500</u>	<u>\$ (7,355)</u>

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## Elliot Lake Residential Development Commission Schedule of Financial Activities – Popeye Lake

December 31, 2012  
(Unaudited)

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	Budget	Actual
<b>Revenues</b>		
Land sale completed	\$ 259,600	\$ 49,900
<b>Expenditures</b>		
Hydro	6,850	3,452
Legal	2,800	2,042
Boat launches	20,000	-
Professional fees	-	735
Total expenditures	29,650	6,228
Excess of revenue over expenditures	\$ 229,950	\$ 48,672

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