



Consolidated Financial Report

The Corporation of the City of Elliot Lake

December 31, 2010

Contents

	Page
Independent Auditors' Report	1
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Accumulated Surplus	5
Consolidated Statement of Changes in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8-20



Independent auditors' report

Grant Thornton LLP
5th Floor, Station Tower
421 Bay Street
Sault Ste. Marie, ON
P6A 1X3
T (705) 945-9700
F (705) 945-9705
www.GrantThornton.ca

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, 2010 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.

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 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, 2010, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Sault Ste. Marie, Ontario

A handwritten signature in black ink that reads "Grant Thornton LLP".

March 28, 2011

Chartered accountants

Licensed public accountants

The Corporation of the City of Elliot Lake

Consolidated Statement of Financial Position

As at December 31 2010 2009
(restated – Note 21)

Financial assets		
Cash (Note 2)	\$ 11,512,085	\$ 13,755,714
Taxes receivable	305,444	355,814
Accounts receivable (Note 3)	1,459,607	2,580,175
Inventory for resale	47,445	20,608
Residential lots inventory for resale	232,607	98,925
Mortgage receivable (Note 4)	852,549	852,549
Loan receivable	<u>200,000</u>	<u>200,000</u>
Total financial assets	<u>14,609,737</u>	<u>17,863,785</u>
Liabilities		
Accounts payable and accrued expenses	922,438	1,276,778
Other liabilities	380,830	438,160
Deferred revenue	102,234	93,308
Long-term debt (Note 5)	1,332,840	1,438,795
Accrued sick leave (Note 6)	104,673	112,466
Accrued vacation pay	473,004	461,832
Accrued landfill closure and post-closure (Note 7)	2,470,360	2,495,400
Accrued retirement and post employment benefits (Note 8)	<u>1,159,700</u>	<u>1,080,600</u>
Total liabilities	<u>6,946,079</u>	<u>7,397,339</u>
Net financial assets	<u>7,663,658</u>	<u>10,466,446</u>
Non-financial assets		
Prepaid expenses	112,682	115,910
Supplies inventory	324,143	308,815
Tangible capital assets (net)	<u>27,052,917</u>	<u>28,542,351</u>
Total non-financial assets	<u>27,489,742</u>	<u>28,967,076</u>
Accumulated surplus (deficit)	<u>\$ 35,153,400</u>	<u>\$ 39,433,522</u>

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 Operations

For the Year Ended December 31	Budget	2010	2009
	(unaudited)		(restated – Note 21)
Revenues			
Residential and farm taxation (Note 9)	\$ 8,485,291	\$ 8,343,056	\$ 10,606,034
User charges, licenses and fees (Note 11)	4,740,501	4,842,122	4,502,864
Grants			
Government of Canada (Note 12)	7,100	715,564	1,687,824
Province of Ontario (Note 12)	7,725,055	6,737,327	8,568,715
Other			
Investment income	280,775	216,550	197,116
Penalties and interest on taxes	75,000	58,984	58,296
Sale of land and assets	1,519,200	635,143	397,908
Donations and other (Note 13)	<u>463,806</u>	<u>694,568</u>	<u>643,227</u>
Total revenues	<u>23,296,728</u>	<u>22,243,314</u>	<u>26,661,984</u>
Expenditures			
General government	3,224,065	3,520,326	3,242,822
Protection to persons and property	4,902,575	5,117,169	4,711,690
Transportation services	4,171,040	5,174,209	5,228,404
Environmental services	6,496,754	3,672,922	3,981,000
Health services	1,392,503	1,481,917	1,444,214
Social and family services	1,259,829	1,259,652	1,776,845
Social housing	515,740	515,785	499,447
Recreational and cultural services	3,350,109	4,444,127	4,511,266
Planning and development	<u>2,245,839</u>	<u>1,337,329</u>	<u>1,972,061</u>
Total expenditures	<u>27,558,454</u>	<u>26,523,436</u>	<u>27,367,749</u>
Annual surplus (deficit)	<u>(4,261,726)</u>	<u>(4,280,122)</u>	<u>(705,765)</u>
Opening accumulated surplus, as reported		39,433,522	39,954,877
Prior period adjustment		-	<u>184,410</u>
Opening accumulated surplus, as restated		<u>39,433,522</u>	<u>40,139,287</u>
Ending accumulated surplus		<u>\$ 35,153,400</u>	<u>\$ 39,433,522</u>

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

2010

2009

(restated – Note 21)

Accumulated surplus (deficit)

Consists of:

Reserves set aside for specific purposes by Council

Working capital	\$ 378,967	\$ 578,967
Elections	<u>42,745</u>	<u>74,245</u>

Total reserves

<u>421,712</u>	<u>653,212</u>
----------------	----------------

Reserve funds set aside for specific purposes by Council

Capital expenditures	3,549,342	3,697,400
Cemetery capital development	68,211	37,206
Landfill closure and post closure	1,440,265	1,429,631
Sick leave	104,673	112,466
Economic development	170,902	138,699
Miner's Heritage	38,314	11,907
Civic centre theater improvements	19,613	18,997
Legislative requirements	392,949	366,292
MNR firefighting	<u>44,185</u>	<u>42,798</u>

Total reserve funds

<u>5,828,454</u>	<u>5,855,396</u>
------------------	------------------

Total reserves and reserve funds

<u>6,250,166</u>	<u>6,508,608</u>
------------------	------------------

Surpluses

Invested in tangible capital assets	27,052,917	28,542,351
Surpluses	5,372,952	7,967,727
Unfunded:		
Landfill closure and post closure liabilities	(1,030,095)	(1,065,769)
Long term care debt	(1,283,490)	(1,368,235)
Airport long term loan	(49,350)	(70,560)
Retirement and post employment benefit obligation	<u>(1,159,700)</u>	<u>(1,080,600)</u>

Total surpluses

<u>28,903,234</u>	<u>32,924,914</u>
-------------------	-------------------

Accumulated surplus (deficit)

<u>\$ 35,153,400</u>	<u>\$ 39,433,522</u>
----------------------	----------------------

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	2010	2009
		(restated – Note 21)
Annual surplus (deficit)	\$ (4,280,122)	\$ (705,765)
Acquisition of tangible capital assets	(2,166,912)	(4,977,397)
Amortization of tangible capital assets	<u>3,656,347</u>	<u>3,532,720</u>
	(2,790,687)	(2,150,442)
Consumption of (acquisition of) inventory, net	(15,328)	1,729
Use of (acquisition of) prepaid expenses, net	<u>3,227</u>	<u>(20,678)</u>
(Increase) decrease in net financial assets	(2,802,788)	(2,169,391)
Net financial assets at the beginning of year	<u>10,466,446</u>	<u>12,635,837</u>
Net financial assets / (net debt) at the end of year	<u>\$ 7,663,658</u>	<u>\$ 10,466,446</u>

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

2010

2009

(restated – Note 21)

Cash flows from operating transactions		
Annual surplus (Deficit)	\$ (4,280,122)	\$ (705,765)
Prior period adjustment	-	184,410
Non-cash charges to operations		
Amortization	3,656,347	3,532,720
Decrease in taxes receivable	50,370	(26,959)
Decrease (increase) in accounts receivable	1,120,568	(2,004,199)
Decrease (increase) in inventory for resale	(26,837)	32,046
Decrease (increase) in own use inventory	(15,328)	1,729
Decrease (increase) in prepaids	3,227	(20,678)
Increase in lot inventory	(133,682)	(17,920)
Decrease in accounts payable and accrued liabilities	(354,340)	(363,210)
Increase (decrease) in other liabilities	(57,330)	223,721
Increase (decrease) in deferred revenue	8,926	(825)
Increase (decrease) in accrued sick leave	(7,793)	5,527
Increase (decrease) in accrued vacation pay	11,172	24,273
Increase in accrued landfill closure and post-closure	(25,040)	65,106
Increase in accrued post-employment benefits	<u>79,100</u>	<u>70,300</u>
Cash provided by operating transactions	<u>29,238</u>	<u>1,000,276</u>
Capital transactions		
Purchase of tangible capital assets	<u>(2,166,912)</u>	<u>(4,977,397)</u>
Cash used in capital transactions	<u>(2,166,912)</u>	<u>(4,977,397)</u>
Investing transactions		
Increase in mortgage receivable	-	(100,000)
Decrease in annuity	<u>-</u>	<u>107,631</u>
Cash used in investing transactions	<u>-</u>	<u>7,631</u>
Financing transactions		
Repayment of long term debt	(105,955)	(94,285)
Proceeds from long term debt	<u>-</u>	<u>-</u>
Cash used in financing transactions	<u>(105,955)</u>	<u>(94,285)</u>
Net change in cash	(2,243,629)	(4,063,775)
Cash, beginning of year	<u>13,755,714</u>	<u>17,819,489</u>
Cash, end of year	<u>\$ 11,512,085</u>	<u>\$ 13,755,714</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, 2010

1. Significant accounting policies

The consolidated financial statements of The Corporation of the City of Elliot Lake (the Municipality) 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 Municipality are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in fund balances and in financial position 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 Municipality and which are owned or controlled by the Municipality. 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 15).

(b) Basis of accounting

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

(c) Fund accounting

Funds within the consolidated financial statements consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(d) Cash

Cash is represented by cash on hand and on deposit in chartered banks.

(e) Temporary investments and annuity

Temporary investments and annuity are valued at the lower of cost and market value.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

1. Significant accounting policies (continued)

(f) 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 (Debt) for the year.

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	15 to 40 years
Machinery and equipment	3 to 40 years
Vehicles	6 to 40 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.

(g) Deferred revenue

Receipts that are restricted by legislation of senior governments or by agreement with external parties are deferred. When qualifying expenditures are incurred deferred revenues are brought into revenue at equal amounts. Revenues received in advance of expenditures that will be incurred in a later period are deferred until they are earned by being matched against those expenditures.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

1. Significant accounting policies (continued)

(h) Accrued landfill closure and post-closure

The Municipality 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 expenditure, capacity used, or total capacity and the estimated liability and would be recognized prospectively, as change in estimate, when applicable.

(i) Accrued retirement and post-employment benefits

The Municipality 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.

(j) Reserves for future expenditures

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

(k) Taxation

Property tax billings are prepared by the Municipality 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 Municipality 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 Municipality 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.

(l) Grants

Grants are recognized in the financial statements as revenues in the period in which events giving rise to the grants 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, 2010

1. Significant accounting policies (continued)

(m) School board transactions

The taxation, other revenues, expenditures, assets and liabilities with respect to operations of the school boards are not reflected in the municipal fund balances of these financial statements.

(n) 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.

2. Cash and temporary investments

Unrestricted cash and temporary investments are comprised of:

Cash on hand	\$ 6,117	\$ 4,200
Cash held in banks	<u>1,110,950</u>	<u>1,143,095</u>
	<u>1,117,067</u>	<u>1,147,295</u>

Restricted cash and temporary investments are comprised of:

Cash held in banks	5,457,632	7,816,727
Temporary investments (market value 2010: \$5,362,437; 2009: \$5,056,011)	<u>4,937,386</u>	<u>4,791,692</u>
	<u>10,395,018</u>	<u>12,608,419</u>
Total cash	<u>\$ 11,512,085</u>	<u>\$ 13,755,714</u>

3. Accounts receivable

Due from trust fund	\$ 7,547	\$ 6,378
Canada specific grants	442,052	795,331
Ontario specific grants	561,136	1,375,127
GST / HST receivable	199,565	150,610
Accounts receivable general	145,728	185,984
Accounts receivable water	23,838	10,810
Other receivables	<u>81,232</u>	<u>61,703</u>
	1,461,098	2,585,943
Less allowance for doubtful accounts	<u>(1,491)</u>	<u>(5,768)</u>
	<u>\$ 1,459,607</u>	<u>\$ 2,580,175</u>

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

4. 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.

5. Long-term debt

	<u>2010</u>	<u>2009</u>
Long-term care debt	\$ 1,283,490	\$ 1,368,235
Airport hanger loan	<u>49,350</u>	<u>70,560</u>
	<u>\$ 1,332,840</u>	<u>\$ 1,438,795</u>

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

The airport hanger 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 November 25, 2012.

The Municipality paid \$81,856 (2009: \$93,043) interest on long-term debt during the year.

Principal repayments due on these two loans over the next 5 years are as follows:

2011	\$ 126,693
2012	133,050
2013	117,330
2014	119,853
2015	125,584

6. Sick leave

The Municipality, 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 of the expenditures required to cover the sick leave plan.

The Municipality has established reserve funds to fully mitigate the future impact of this obligation. The balance of the Sick Leave Reserve Fund is \$104,673 (2009: \$112,466).

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

7. Landfill closure and post-closure

The liability represents management's estimate of closure and post closure costs related to the Municipality'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 149,900 (2009: 171,200) cubic metres and an estimated remaining life of 6.1 years. Post closure care is estimated to require 25 years.

The Municipality has established reserve funds to mitigate the future impact of this obligation. The balance of the Landfill Closure and Post-Closure Reserve Fund is \$1,440,265 (2009: \$1,429,631).

8. Accrued retirement and post-employment benefits

In addition to the contributions to the Ontario Municipal Employees Retirement Fund (OMERS), as described in Note 14, the Municipality 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 \$73,382 (2009: \$93,918). The plan is unfunded and requires no contributions from employees. The adjusted retirement benefit liability at December 31, 2010 is \$1,159,700 (2009: \$1,080,600).

As at January 1, 2008, an actuarial valuation of the Municipality'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, 2010 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 discount rate used to determine the accrued benefit obligation is 5.50%.

The obligation at January 1, 2008 was based on membership data as at January 1, 2008.

The Fiscal 2010 expense was also determined using a discount rate of 5.50%.

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

	<u>2010</u>	<u>2009</u>
Current period benefit cost	\$ 92,500	\$ 95,200
Interest cost	73,600	71,000
Amortization gain	29,900	31,300

The retirement benefit expenditure/expense is included in the Statement of Financial Activities as a component of program expenditures.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

9. Taxation	Budget (unaudited)	<u>2010</u>	<u>2009</u>
Real property	\$ 8,154,101	\$ 8,109,521	\$ 10,313,240
From other governments			
Payments in lieu of taxes	<u>331,190</u>	<u>233,535</u>	<u>292,794</u>
	<u>\$ 8,485,291</u>	<u>\$ 8,343,056</u>	<u>\$ 10,606,034</u>
Residential	\$ 5,871,111	\$ 5,778,475	\$ 7,406,470
Multi-residential	1,043,206	1,043,206	1,405,388
Commercial and industrial	<u>1,570,974</u>	<u>1,521,375</u>	<u>1,794,176</u>
Net taxes available for municipal purposes	<u>\$ 8,485,291</u>	<u>\$ 8,343,056</u>	<u>\$ 10,606,034</u>

10. Collections for school boards	<u>2010</u>	<u>2009</u>
-----------------------------------	-------------	-------------

Total taxation, user charges and development charges received or receivable on behalf of the school boards were as follows:

English public	\$ 897,364	\$ 927,956
English separate	268,219	290,583
French public	15,389	15,434
French separate	<u>84,920</u>	<u>87,613</u>
	<u>\$ 1,265,892</u>	<u>\$ 1,321,586</u>

The Municipality 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).

11. User charges, licenses and fees	Budget (unaudited)	<u>2010</u>	<u>2009</u>
General government			
User fees and service charges	\$ 72,400	\$ 37,894	\$ 39,335
Licenses and permits	2,695	2,772	3,234
Protection			
User fees, fines and service charges	43,834	63,302	73,853
Licences and permits	251,931	260,801	266,045
Transportation user fees and service charges	558,236	708,073	484,143
Direct water billings	3,007,815	3,011,546	2,911,421
Environmental service charges	-	8,250	7,050
Cemetery fees and plot sales	100,095	99,206	73,012
Recreation program/facility fees, rentals and registrations	<u>703,495</u>	<u>650,278</u>	<u>644,771</u>
Total user charges, licenses and fees	<u>\$ 4,740,501</u>	<u>\$ 4,842,122</u>	<u>\$ 4,502,864</u>

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

12. Grants	Budget (unaudited)	2010	2009
Government of Canada			
Transportation	\$ -	\$ 711,024	\$ 776,976
Environmental	1,900	1,120	906,573
Recreation and culture	2,500	3,420	4,275
Planning and Development	2,700	-	-
Total Government of Canada grants	<u>\$ 7,100</u>	<u>\$ 715,564</u>	<u>\$ 1,687,824</u>
Province of Ontario			
General government	\$ 6,381,600	\$ 6,375,700	\$ 6,674,800
Protection	109,400	110,519	109,882
Transportation	1,025,514	146,091	289,442
Environmental	-	-	905,504
Recreation and culture	137,421	105,017	172,760
Planning and development	71,120	-	416,327
Total Province of Ontario grants	<u>\$ 7,725,055</u>	<u>\$ 6,737,327</u>	<u>\$ 8,568,715</u>

13. Donations and other revenue	Budget (unaudited)	2010	2009
General government	\$ 58,595	\$ 274,698	\$ 75,072
Protection to persons and property	117,504	31,295	252,423
Transportation	4,400	65,035	23,393
Environmental services	49,575	100,366	52,619
Health services	-	1,600	80
Recreation and culture	151,372	185,919	176,150
Planning and development	82,360	35,655	63,490
Total other revenue	<u>\$ 463,806</u>	<u>\$ 694,568</u>	<u>\$ 643,227</u>

14. Pension agreements

The Municipality 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, 2010 contribution rates ranged from 6.4% to 9.7% depending on the proposed retirement age and the level of earnings. As a result, \$405,931 (2009: \$387,181) was contributed to OMERS.

15. Trust funds

The Care and Maintenance Trust Fund administered by the Municipality amounting to \$229,037 (2009: \$216,059) 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, 2010

16. Measurement uncertainty

Property tax billings are prepared by the Municipality 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 Municipality were reviewed and new values established based on a common valuation date that was used by the Municipality in computing the property tax bills. However, the property tax revenue and tax receivables of the Municipality 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.

17. Financial instruments

Financial instruments of the Municipality consist of cash and temporary investments, taxes receivable, accounts receivable, mortgage receivable, accounts payable and accrued liabilities, and long term debt. The book value of these financial instruments approximates carrying value as the instruments are either current in nature or bear interest at market rates.

18. Credit risk

The Municipality has taxes receivable and accounts receivable that potentially expose it to a concentration of credit risk. The Municipality performs ongoing credit evaluation of accounts and maintains allowances for potential credit losses.

19. Tangible capital assets

2010

2009

The following classifies the tangible capital assets by object:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 2,810,740	\$ -	\$ 2,810,740	\$ 2,810,740
Land improvements	10,019,523	6,801,953	3,217,570	2,906,698
Buildings	14,749,985	13,164,682	1,585,303	1,636,084
Machinery and equipment	3,153,502	1,753,313	1,400,189	1,422,458
Vehicles	8,889,840	5,750,710	3,139,130	3,616,097
Linear assets	46,476,723	37,372,001	9,104,722	9,776,797
Information technology	71,634	29,372	42,262	13,431
Parks Infrastructure	2,553,954	1,900,795	653,159	754,075
Plants equipment	13,987,806	10,071,567	3,916,239	4,265,473
Capital work in progress	1,183,603	-	1,183,603	1,340,498
	<u>\$ 103,897,310</u>	<u>\$ 76,844,393</u>	<u>\$ 27,052,917</u>	<u>\$ 28,542,351</u>

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

19. Tangible capital assets (continued) 2010 2009

The following classifies the tangible capital assets by department:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
General government	\$ 4,715,292	\$ 2,203,880	\$ 2,511,412	\$ 2,496,809
Protective services	2,598,718	1,677,182	921,536	1,094,546
Transportation	51,769,137	39,650,629	12,118,508	13,524,986
Environmental	27,651,597	22,905,351	4,746,246	4,557,932
Health	286,855	65,108	221,747	230,746
Recreation and culture	16,875,711	10,342,243	6,533,468	3,027,418
Planning and development	-	-	-	3,609,914
	<u>\$ 103,897,310</u>	<u>\$ 76,844,393</u>	<u>\$ 27,052,917</u>	<u>\$ 28,542,351</u>

There was \$2,166,912 of capital asset additions in the year and amortization expense of \$3,656,347. Fully amortized assets with a cost and accumulated amortization value of \$324,940 were disposed of in the year and results in a gain on disposal of \$46,654 which is included in the consolidated statement of operations in the transportation services expenditure category.

20. 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 Government's operations and activities are organized and reported by department. The annual budget is distributed based on department activity and size. The City maintains reserve funds, operating funds and capital funds for their respective purposes.

City services are provided by departments and their activities are reported in 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 IT and HR departments.

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

20. Segmented information (continued)

Protection to Persons and Property

Protection 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

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 and Social Services

Health and Social Services includes external transfers to the Algoma Public Health Unit, expenditures 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 and social services expenditure include costs related to physician recruitment.

Recreation and Culture

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, 2010

20. Segmented Information (continued)

	General Government	Protection	Transportation	Environmental	Health	Social Services and Housing	Recreation/ Culture	Planning/ Development	2010 Total	2009 Total (restated)
Revenue										
Taxation	\$(4,070,580)	\$ 4,182,991	\$ 2,479,645	\$ 420,038	\$ 1,299,370	\$ 1,775,569	\$ 1,883,680	\$ 372,343	\$ 8,343,056	\$ 10,606,034
User charges, licenses and fees	40,666	324,103	708,073	3,019,796	99,206	-	650,278	-	4,842,122	4,502,864
Grants – Provincial	6,375,700	110,519	146,091	-	-	-	105,017	-	6,737,327	8,568,715
Grants – Federal	-	-	711,024	1,120	-	-	3,420	-	715,564	1,687,824
Sale of land and assets	-	-	-	-	-	-	-	635,143	635,143	397,908
Other	550,232	31,295	65,035	100,366	1,600	-	185,919	35,655	970,102	898,639
Total Revenue	2,896,018	4,648,908	4,109,868	3,541,320	1,400,176	1,775,569	2,828,314	1,043,141	22,243,314	26,661,984
Expenses										
Salaries, wages and employee benefits	2,140,859	1,729,657	1,342,250	1,218,443	28,754	-	1,717,774	100,908	8,278,645	8,739,696
Rents and financial expenses	8,716	-	3,762	-	-	-	148,883	-	161,361	145,733
Long term debt	-	-	-	-	-	162,274	-	-	162,274	162,355
Operating materials and supplies	1,023,866	202,076	836,596	1,618,933	405,645	-	1,497,144	593,292	6,177,552	6,451,434
Contracted services	301,183	3,012,427	814,267	467,039	56,922	-	197,530	643,129	5,492,497	5,500,661
External transfers to others	-	-	-	-	981,597	1,613,163	-	-	2,594,760	2,835,150
Amortization	45,702	173,009	2,177,334	368,507	8,999	-	882,796	-	3,656,347	3,532,720
Total Expenses	3,520,326	5,117,169	5,174,209	3,672,922	1,481,917	1,775,437	4,444,127	1,337,329	26,523,436	27,367,749
Net Surplus (Deficit)	\$(624,308)	\$(468,261)	\$(1,064,341)	\$(131,602)	\$(81,741)	\$ 132	\$(1,615,813)	\$(294,188)	\$(4,280,122)	\$(705,765)

The Corporation of the City of Elliot Lake

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

21. Prior period adjustment

(a) Accrued liabilities

The accrued liabilities of the Municipality were found to be incorrect in the year. Amounts that had been accrued in prior years were not reversed when the amounts were paid. As a result, the accrued liabilities were overstated.

The opening accumulated surplus for 2009 and the accrued charges liability, included in accounts payable and accrued liabilities on the balance sheet, were reduced by \$184,410 for adjustments related to amounts accrued in 2008 or earlier.

In addition, the 2009 protection to persons and property expenditure was decreased by \$115,228 and the accrued liability further reduced by the same amount.

(b) Contract holdback

In 2009 the financial statements reflected an expense for contracted services in the transportation department and a liability for a holdback that related to 2010 for \$44,516. An adjustment was recorded in the prior year comparative figures to reduce the holdback liability and decrease the transportation expense. These adjustments are reflected in the revised figures in the 2009 comparative column. The expense and holdback were properly reflected in the 2010 figures.

22. Budget reconciliation

The City of Elliot Lake prepared its budget for 2010 on the cash basis of accounting in order to determine the amount of taxation to levy to finance the operations of the City. In its budget, the City includes certain items as revenues for budgeting purposes that do not meet the definition of revenue under Public Sector Accounting Standards, such as transfers from reserves and prior year unexpended capital and surplus balances. The following reconciles the budgeted surplus (deficit) per the 2010 budget with the budget column on the consolidated statement of operations:

Budgeted surplus	\$	-
Less revenue from transfers from reserves		(601,910)
Add transfer to operations from reserves		323,500
Less revenue from net transfers of unexpended capital		(3,744,687)
Less revenue from capital levy		(200,000)
Add other reconciling items		23,444
Add prior year net deficit budgeted in expense		(62,073)
		<u>\$ (4,261,726)</u>

23. Comparative amounts

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