

THE CORPORATION OF THE TOWN OF GEORGINA

Notes to the Consolidated Financial Statements

December 31, 2006

The Town of Georgina is a municipality in the Province of Ontario, Canada. It conducts its operations guided by the provisions of Provincial Statutes such as the Municipal Act, Municipal Affairs Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Town of Georgina (the "Town") are the representation of management prepared in accordance with Canadian generally accepted accounting principles for local government as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

Significant accounting policies adopted by the Town are as follows:

(a) *Basis of consolidation*

Reporting Entity

- (i) These consolidated financial statements reflect the assets, liabilities, revenues and expenditures and fund balances of the operating fund, capital fund, reserve funds and reserves and include the activities of all Committees of Council and the following boards, which are accountable for the administration of their financial affairs and resources to the Town, and which are under the control of Council, including the following:

Belhaven Community Hall Board
Egypt Community Hall Board
Pefferlaw Lions Community Hall Board
Port Bolster Community Hall Board
Udora Community Hall Board
Georgina Public Library Board
Briar Hill Cemetery Board
Cooke's Cemetery Board
Georgina Waterworks
Georgina Water Pollution Control

All material inter-entity transactions and balances are eliminated on consolidation.

- (ii) Accounting for Region and School Board Transactions

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

- (iii) Trust Funds

Trust funds and their related operations administered by the municipality are not consolidated, but are reported separately on the "Trust Funds Statement of Continuity" and the "Trust Fund Statement of Financial Position".

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1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Reserves and Reserve Fund

Certain amounts, as approved by the Town Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfer to/from reserves and reserve funds are an adjustment to the respective fund when approved.

(v) Schedules of Operating, Capital and Reserves and Reserve Funds

The schedules of Operating, Capital, and Reserves and Reserve Funds have been prepared in accordance with Canadian generally accepted accounting principles for local governments. These schedules have been included to provide additional information relevant to the understanding of the financial activities of the Town.

(b) *Basis of accounting*

(i) Accrual Accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Capital Assets

The historical cost and accumulated amortization for capital assets are not recorded for municipal purposes. Capital assets are reported as an expenditure on the Consolidated Statement of Financial Activities in the year of acquisition.

(iii) Amounts to be Recovered

Amount to be recovered in future years represents the outstanding principal portion of unmatured long-term liabilities for municipal expenditures and other liabilities which will be financed in future years.

(iv) Deferred Revenue

Deferred revenue represents user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed. The Town receives Development Charges and subdivider contributions under the authority of provincial legislation and Town by-laws. These funds by their nature, are restricted in their use, until applied to specific capital works, and are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expended. More detailed information is disclosed in Note 9.

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1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Employee Future Benefits

Employee future benefits represent accrued vacation pay and retirees benefits for all eligible Town employees. The present value of the cost of providing the employees with future benefits programs is recognized as employees earn entitlements through service.

(vi) Accounting for Property Capping Provisions from the Ontario Fair Assessment System

These financial statements reflect the net effect of the mandatory capping provisions on commercial and industrial properties. The related net amount was recovered from the Region as the capping program is administered on a Region wide basis. There is no related impact on the Consolidated Statement of Financial Activities.

(vii) Subdivision Infrastructure

Subdivision streets, lighting, sidewalks, drainage and other infrastructure are required to be provided by subdivision developers. Upon completion they are turned over to the municipality. The municipality is not involved in the construction and does not budget for either the contributions from the developer or the capital expenditure.

(viii) Local Improvements

The municipality records capital expenditures funded by local improvement agreements as they are incurred. Revenues are recognized over the term of the local improvement agreements as they are collected.

(ix) Investment Income

Investment income earned on surplus operating funds, capital funds, and reserves are reported as revenue in the period earned. Investment income earned on development charges (obligatory reserve funds) is added to the fund balance and forms part of the deferred revenue balance.

(c) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

(d) *Budget figures*

The approved operating and capital budgets for 2006 are reflected on the Consolidated Schedule of Operating Fund Activities and Fund Balance, the Consolidated Schedule of Capital Fund Activities and Fund Balance and the Consolidated Statement of Financial Activities. The budgets established for the capital fund operations are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable to the current year actual amounts. As well, the municipality does not budget for activity within Reserves and Reserve Funds, with the exception being those transactions which affect either the operating or capital funds.

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2. OPERATIONS OF SCHOOL BOARD AND THE REGION OF YORK

Further to note 1 (a) (ii), the taxation and other revenues of the school boards and the Region of York are comprised of the following:

	<u>School Boards</u>	<u>Region of York</u>
Taxation, user charges and grants in lieu	\$ 13,430,172	\$ 22,729,073

3. TRUST FUNDS

Trust funds administered by the municipality amounting to \$343,380 (2005 - \$326,442) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities.

4. CASH AND TEMPORARY INVESTMENTS

This represents a consolidation of cash and temporary investments from the operating fund and the reserve funds (including those funds set aside in respect of deferred revenue as detailed in note 9). The composition is as follows:

	<u>2006</u>	<u>2005</u>
Operating Fund	\$ 6,296,040	\$ 6,615,544
Reserve Funds	4,031,743	3,401,987
	\$ 10,327,783	\$ 10,017,531

5. PENSION AGREEMENTS

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

Contributions to OMERS are made at rates ranging from 6% to 9.8% (2005 – 6% to 9.8%). Contribution rates are dependent on proposed retirement age and the level of earnings.

The amount contributed to OMERS for 2006 was \$789,661 (2005 - \$679,476) for current service and is included as an expenditure on the "Consolidated Statement of Financial Activities."

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6. NET LONG-TERM LIABILITIES

- (a) The balance of net long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	<u>2006</u>	<u>2005</u>
Total long-term liabilities, net of accumulated sinking fund assets, incurred by the municipality and outstanding at the end of the year amounted to	\$20,173,374	\$ 5,628,626
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges for tile drainage loans have been assumed by individuals. At the end of the year, the outstanding principal amount of this liability is	(45,658)	(53,011)
Net long-term liabilities, end of year	\$20,127,716	\$ 5,575,615

- (b) The net long term liabilities, reported in note (a) of this note, are payable at various interest rates ranging from 5.25% to 12% as follows:

	<u>2007 to 2011</u>	<u>2012 to 2016</u>	<u>2017 Onward</u>
(i) From general Municipal revenues	\$ 3,148,000	\$ 649,000	\$ -
(ii) From Benefiting Landowners	3,047,680	3,436,770	9,846,266
	\$ 6,195,680	\$ 4,085,770	\$ 9,846,266

The long term liabilities have been incurred to finance various capital projects.

- (c) Approval of either the Ontario Municipal Board or The Municipal Council for those projects after January 1, 1993 has been obtained for the long term liabilities reported in (a) and issued in the name of the Municipality. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.
- (d) The Municipality is contingently liable for long-term liabilities with respect to tile drainage loans. The total amount outstanding as at December 31, 2006 is \$45,658 (2005 - \$53,011) and is not recorded on the Consolidated Statement of Financial Position.

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7. CHARGES FOR NET LONG TERM LIABILITIES

Total charges for the year for net long-term liabilities which are reported on the Consolidated Statement of Financial Activities are as follows:

	<u>2006</u>	<u>2005</u>
Principal, net of sinking fund interest	\$ 1,447,900	\$ 1,347,195
Interest	546,363	451,452
	<u>\$ 1,994,263</u>	<u>\$ 1,798,647</u>

8. MUNICIPAL FUND BALANCES AT THE END OF THE YEAR

The fund balances on the Consolidated Statement of Financial Activities totaling \$11,184,949 (2005 - \$-11,815,149) at the end of the year are comprised of the following:

(a) Operating fund balance:

	<u>2006</u>	<u>2005</u>
Reduction in general area taxation - Town	\$ 606,278	\$ 332,057
	<u>\$ 606,278</u>	<u>\$ 332,057</u>

(b) Capital fund balance:

	<u>2006</u>	<u>2005</u>
Acquisition of tangible capital assets to be:		
Recovered through reserves and reserve funds	\$ (2,424,294)	\$ -
Financed from the proceeds of long-term liabilities	-	(23,868,670)
Funds available for the acquisition of tangible capital assets	<u>2,640,809</u>	<u>3,266,473</u>
	<u>\$ 216,515</u>	<u>\$(20,602,197)</u>

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8. MUNICIPAL FUND BALANCE AT THE END OF THE YEAR (continued)

(c) Reserves and reserve fund:

	<u>2006</u>	<u>2005</u>
Reserves and reserve fund for specific purposes		
For working capital	\$ 694,116	\$ 694,116
For contingencies	1,211,825	642,483
For insurance claims	308,444	384,796
For current purposes	1,256,587	1,084,045
For capital purposes	6,891,183	5,649,551
Total reserves and reserve fund	\$10,362,155	\$ 8,454,991

9. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

Continuity of deferred revenue is as follows:

	<u>2006</u>	<u>2005</u>
Balance, beginning of year	\$ 3,245,825	\$ 3,031,702
Developer contributions collected	763,593	904,460
Other contributions	114,709	76,626
	4,124,127	4,012,788
Less amounts recognized as revenue		
For capital operations	152,100	766,963
Balance, end of year	\$ 3,972,027	\$ 3,245,825

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9. DEFERRED REVENUE – OBLIGATORY RESERVE FUNDS (continued)

A requirement of PSAB is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts how these funds may be used and under certain circumstances these funds may be refunded. The balances in obligatory reserve funds of the Town are summarized below:

	<u>2006</u>	<u>2005</u>
Development charges	\$ 3,653,926	\$ 3,129,154
Parkland	<u>208,959</u>	<u>(4,423)</u>
Total	<u>\$ 3,862,885</u>	<u>\$ 3,124,731</u>
Other deferred revenue	<u>109,142</u>	<u>121,094</u>
	<u>\$ 3,972,027</u>	<u>\$ 3,245,825</u>

10. AMOUNTS TO BE RECOVERED

Amounts to be recovered are comprised of the following:

	<u>2006</u>	<u>2005</u>
Long-term liabilities	\$ 20,127,716	\$ 5,575,615
Employee future benefits payable	<u>2,001,867</u>	<u>1,908,745</u>
	<u>\$ 22,129,583</u>	<u>\$ 7,484,360</u>

11. CONTINGENCIES

The Town of Georgina is subject to a number of legal proceedings. Although, the amount of its exposure with respect to these matters cannot be determined, the Corporation's management believes that the ultimate disposition of these matters will not have a material impact on its consolidated financial position. No amount has been recorded in these financial statements related to any liability which may arise relative to these legal proceedings.

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12. EMPLOYEE FUTURE BENEFITS

Under the provisions of certain employee benefits plans, an employee who has achieved the appropriate factor as determined by Ontario Municipal Employee Retirement System (OMERS), is eligible for a retirement pension from OMERS, and is under the age of 65 will be provided with Extended Health coverage (drug, vision and dental plan). The Town contributes 100% of the insurance premium obligated under this plan.

The estimated liability of employee future benefits is based on an actuarial update conducted as at December 31, 2006. The value of this benefit liability is estimated at \$916,859 (2005 - \$852,411) and is reported on the consolidated statement of financial position along with accrued vacation liability disclosed in paragraph (b).

(a) *Health and dental costs*

The main assumptions employed for the valuations are as follows:

The present value as at December 31, 2006, of the post employment benefit liability was determined using a discount rate of 6.00%.

Health and dental costs were assumed to increase at a weighted average increase of 3.0% in 2006 and thereafter.

The accrued benefits liability as at December 31, 2006 is as follows:

	<u>2006</u>	<u>2005</u>
Accrued benefits liability, beginning of the year	\$ 852,411	\$ 793,688
Current period interest and benefit cost	76,762	70,230
Benefits paid for the period	<u>(12,314)</u>	<u>(11,507)</u>
Accrued benefits liability, end of the year	<u>\$ 916,859</u>	<u>\$ 852,411</u>

(b) Accrued vacation liability as at December 31, 2006	1,085,008	1,056,334
	<u>2,001,867</u>	<u>1,908,745</u>

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13. CLASSIFICATION OF EXPENDITURES BY OBJECT

The consolidated statement of financial activities presents the expenditures by function; the following classified those same expenditures by object:

	<u>2006</u>	<u>2005</u>
Salaries, wages and employee benefits	\$ 15,575,659	\$ 14,680,169
Operating materials and supplies	2,610,082	2,687,974
Contracted services	6,038,099	5,749,829
Rents and financial expenses	335,969	91,032
External transfers to others	176,188	120,006
Debt service	546,363	451,452
Tangible capital assets	6,119,174	23,040,483
Total expenditures by object	\$ 31,401,534	\$ 46,820,945

14. INSURANCE COVERAGE

The Municipality is self insured for insurance claims up to \$5,000 for any individual claim and for any number of claims arising out of a single occurrence.

The Municipality has made reserve provisions for self insurance for claims under \$5,000 which as at December 31, 2006 amounted to \$308,444 (2005 – \$384,796). These are reported on the “Consolidated Statement of Financial Activities” under Reserve Funds.

Claim costs during the year was \$nil (2005 - \$nil).

The Corporation of the Town of Georgina is a member of the Ontario Municipal Insurance Exchange which became a licensed group for liability insurance coverage of October 1, 1996. Contributions have been made to the fund for claims in excess of \$5,000 and under \$50,000,000. These contributions have been reported as expenditures on the “Consolidated Statements of Financial Activities”. The contribution for the year was \$297,935 (2005- \$236,884).

15. COMMITMENTS

The Town has entered into lease agreements for office and related equipment. The estimated payments under these agreements are as follows:

2007	97,166
2008	94,298
2009	63,196
2010	43,118
2011	10,253
	\$ 308,030

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The Canadian Actors Equity Association is the beneficiary of a standby letter of credit in the amount of \$77,000. The standby letter of credit provides for security for payment of the liabilities of the Lake Simcoe Arts Foundation (Red Barn Theatre) to the beneficiary. The standby letter of credit expired in March 2007.