

Consolidated Financial Statements

**THE CORPORATION OF  
THE TOWN OF COBOURG**

Year ended December 31, 2010

# THE CORPORATION OF THE TOWN OF COBOURG

Consolidated Financial Statements

Year ended December 31, 2010

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# THE CORPORATION OF THE TOWN OF COBOURG

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File No. ....

## Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Corporation of the Town of Cobourg (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Canadian generally accepted accounting principles. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The audit committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Town. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.

Stephen Peacock  
Chief Administrative Officer

Ian Davey  
Treasurer



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**Chartered Accountants**  
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## **INDEPENDENT AUDITORS' REPORT**

To the Members of Council, Inhabitants and Ratepayers of The Corporation of The Town of Cobourg

We have audited the accompanying consolidated financial statements of The Corporation of The Town of Cobourg, which comprise the consolidated statement of financial position as at December 31, 2010, the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of The Town of Cobourg as at December 31, 2010, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

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Chartered Accountants, Licensed Public Accountants

January 28, 2013

Kingston, Canada

# THE CORPORATION OF THE TOWN OF COBOURG

## Consolidated Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	2010	2009
<b>Financial Assets:</b>		
Cash and cash equivalents	\$ 8,119,774	\$ 5,672,356
Taxes receivable	3,336,638	3,322,686
Receivables - grant	5,179,967	1,105,452
Receivables - other	4,725,358	2,402,928
Other financial assets	285,407	243,720
Note receivable from Town of Cobourg Holdings Inc. (note 4(c))	7,000,000	7,000,000
Investment in Town of Cobourg Holdings Inc. (note 4)	9,502,747	9,524,155
	<u>38,149,891</u>	<u>29,271,297</u>
<b>Liabilities:</b>		
Bank indebtedness	–	801,709
Demand loan (note 3)	8,000,000	–
Accounts payable and accrued liabilities	11,646,226	7,103,262
Deferred revenue	885,700	229,487
Deferred revenue - obligatory reserve funds (note 6)	6,635,447	6,064,049
Employee future benefit liability (note 7(d))	2,321,979	2,221,932
Mortgage payable (note 8)	8,119,273	9,014,697
Promissory note payable to Town of Cobourg Holdings Inc. (note 4(d))	855,000	–
Net long-term liabilities (note 9)	12,185,963	13,332,949
	<u>50,649,588</u>	<u>38,768,085</u>
Total net debt	(12,499,697)	(9,496,788)
<b>Non-financial assets:</b>		
Tangible capital assets (note 14)	164,324,481	142,269,332
Other assets	1,203,026	864,615
	<u>165,527,507</u>	<u>143,133,947</u>
Accumulated surplus (note 10)	<u>\$ 153,027,810</u>	<u>\$ 133,637,159</u>

Commitments (note 13)

Contingent liabilities (note 16)

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE TOWN OF COBOURG

## Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2010, with comparative figures for 2009

	Budget 2010	Actual 2010	Actual 2009
	(Unaudited, note 15)		
Revenue:			
Taxation:			
Property taxation	\$ 17,891,421	\$ 18,392,624	\$ 17,412,687
Payments in lieu of taxation	107,300	263,963	139,411
User charges	9,841,378	9,418,262	9,347,222
Development charges	–	331,815	934,532
Grants:			
Province of Ontario	384,600	8,474,600	4,026,007
Government of Canada	558,992	8,632,583	1,717,454
Other municipalities	–	341,330	315,528
Other:			
Rental income	4,858,414	4,790,875	4,798,011
Penalty and interest	450,000	777,114	252,345
Other income	–	1,237,340	1,012,398
Donations	–	–	59,997
Interest income – Town of Cobourg Holdings Inc. (note 4(c))	507,500	507,500	507,500
Interest and dividend income	1,300,000	681,347	632,556
Sale of industrial land	50,000	–	–
Net equity increase (decrease) in investment in Town of Cobourg Holdings Inc. (note 4)	–	(21,408)	699,783
<b>Total revenue</b>	<b>35,949,605</b>	<b>53,827,945</b>	<b>41,855,431</b>
Expenses (note 11):			
General government	4,915,620	3,323,873	3,130,812
Protection to persons and property	8,789,774	9,003,104	8,483,679
Transportation services	4,994,447	4,974,887	4,894,708
Environmental services	7,914,809	8,381,179	7,231,361
Recreation and cultural services	4,590,323	4,675,638	4,974,089
Social and family services	42,000	251,568	341,041
Planning and development	803,796	765,229	1,044,799
Industrial property	2,566,636	3,061,816	3,068,661
<b>Total expenses</b>	<b>34,617,405</b>	<b>34,437,294</b>	<b>33,169,150</b>
Annual surplus	1,332,200	19,390,651	8,686,281
Accumulated surplus, beginning of year	–	133,637,159	124,950,878
<b>Accumulated surplus, end of year (note 10)</b>	<b>\$ 1,332,200</b>	<b>\$ 153,027,810</b>	<b>\$ 133,637,159</b>

# THE CORPORATION OF THE TOWN OF COBOURG

## Consolidated Statement of Change in Net Debt

Year ended December 31, 2010, with comparative figures for 2009

	Actual 2010	Actual 2009
Annual surplus	\$ 19,390,651	\$ 8,686,281
Acquisition of tangible capital assets	(26,430,271)	(14,350,577)
Amortization and adjustments of tangible capital assets	4,331,158	4,734,280
Loss on disposal of tangible capital assets	43,964	73,926
Acquisition of other assets	(338,411)	(16,698)
	(3,002,909)	(872,788)
Net debt, beginning of year	(9,496,788)	(8,624,000)
Net debt, end of year	\$ (12,499,697)	\$ (9,496,788)

See accompanying notes to consolidated financial statements.



# THE CORPORATION OF THE TOWN OF COBOURG

## Consolidated Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Operations:		
Annual surplus	\$ 19,390,651	\$ 8,686,281
Items not involving cash:		
Amortization of tangible capital assets	4,331,158	4,734,280
Increase in employee future benefit liability	100,047	567,383
Changes in non-cash working capital balances:		
Increase in taxes receivable	(13,952)	(894,064)
Increase in receivables - grant	(4,074,515)	(981,631)
Decrease (increase) in receivables – other	(2,322,430)	298,563
Increase in other financial assets	(41,687)	(243,720)
Increase in other assets	(338,411)	(16,698)
Increase in accounts payable and accrued liabilities	4,542,962	1,303,107
Increase in deferred revenue	656,213	120,042
Increase (decrease) in deferred revenue - obligatory reserve funds	571,400	(549,131)
Net change in cash from operations	22,801,436	13,024,412
Capital activities:		
Cash used to acquire capital assets	(26,430,271)	(14,350,577)
Loss on disposal of tangible capital assets	43,964	73,926
Net change in cash from capital activities	(26,386,307)	(14,276,651)
Investment activities:		
Decrease (increase) in investment in Town of Cobourg Holdings Inc.	21,408	(699,783)
Financing activities:		
Repayment of mortgage payable	(895,424)	(851,542)
Increase (decrease) in bank indebtedness	(801,709)	801,709
Issuance of new debt	1,000,000	2,375,000
Repayment of long-term liabilities	(2,146,986)	(1,929,270)
Proceeds from demand loan	8,000,000	–
Proceeds from promissory note	899,800	–
Repayment of promissory note	(44,800)	–
Net change in cash from financing activities	6,010,881	395,897
Increase (decrease) in cash and cash equivalents	2,447,418	(1,556,125)
Cash and cash equivalents, beginning of year	5,672,356	7,228,481
Cash and cash equivalents, end of year	\$ 8,119,774	\$ 5,672,356
Supplemental cash flow information:		
Cash paid for interest	\$ 1,078,978	\$ 1,139,457
Cash received from interest	588,846	554,445

The Corporation considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

See accompanying notes to consolidated financial statements.

# THE CORPORATION OF THE TOWN OF COBOURG

## Notes to Consolidated Financial Statements

Year ended December 31, 2010

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### 1. Significant accounting policies:

The consolidated financial statements of The Corporation of the Town of Cobourg (“the Town”) are the representations of management. They have been prepared in accordance with Canadian generally accepted accounting principles. Significant aspects of the accounting policies adopted by the Corporation are as follows:

(a) Reporting entity:

(i) Basis of consolidation:

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances of the current, capital and reserves of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards which are owned or controlled by the Town.

Interdepartmental and interorganizational transactions and balances between these organizations are eliminated. These consolidated financial statements include:

Downtown Business Improvement Area

Library Board

Waterworks of the Town of Cobourg

These financial statements also include the assets, liabilities, revenue and expenses of the industrial property, which is 100% owned by the Town.

(ii) Investment in Town of Cobourg Holdings Inc.:

Town of Cobourg Holdings Inc. (“TCHI”) and its subsidiaries are accounted for on a modified equity basis, consistent with Canadian generally accepted accounting principles for government business enterprises. Under the modified equity basis of accounting, the business enterprise’s accounting principles are not adjusted to conform to those of the Corporation, and inter-organizational transactions and balances are not eliminated. The Town recognizes its equity interest in the annual income or loss of TCHI in its Consolidated Statement of Operations with a corresponding increase or decrease in its investment asset account. Any dividends that the Town may receive from TCHI will be reflected as reductions in the investment asset account.

(iii) Accounting for school board and County transactions:

The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards, and the County of Northumberland are not reflected in the municipal fund balances of these financial statements. Overlevies (underlevies) are reported on the Consolidated Statement of Financial Position.

# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

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## 1. Significant accounting policies (continued):

### (b) Basis of accounting:

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

The consolidated statement of financial position reflects all of the financial assets and liabilities of the municipality. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Municipal position represents the financial position of the Town, and is the difference between its assets and liabilities. This provides information about the Town's overall future revenue requirements and its ability to finance activities and meet its obligations.

### (c) Deferred revenue – obligatory reserve funds:

The Town receives restricted contributions under the authority of federal and provincial legislation and Town by-laws. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expected.

### (d) Employee future benefits:

The Town 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.

Actuarial gains (losses), which can arise from changes in actuarial assumptions used to determine the accrued benefit obligation, are amortized over the average remaining service life of the related employee groups, which is estimated to be 12 years.

### (e) Deferred revenue:

The Town receives contributions pursuant to legislation, regulations or agreement that may only be used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

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## 1. Significant accounting policies (continued):

### (f) Investments:

Short-term investments are recorded at cost plus accrued interest and amortization of purchase premiums and discounts. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

### (g) Workplace safety and insurance compensation:

The Town bears the cost of certain insurance and pension benefits awarded under workplace safety and insurance legislation and accrues the actuarially determined cost of these obligations.

Actuarial gains (losses), which can arise from changes in actuarial assumptions used to determine the accrued obligation, are amortized over the mean term of the liabilities which is estimated to be 10 years.

### (h) Government transfers:

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

### (i) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes.

Due to the inherent uncertainty in making estimates, actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

### (j) Land held for resale:

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvement to prepare the land for sale or servicing.

# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

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## 1. Significant accounting policies (continued):

### (k) 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 extending beyond the current year and are not intended for sale in the ordinary course of operations.

### (i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight line basis over their estimated useful lives as follows:

Asset		Years
Land improvements	Straight-line	20 to 80
Buildings and building improvements	Straight-line	15 to 95
Roads, sewer, water infrastructure	Straight-line	20 to 80
Vehicles	Straight-line	6 to 20
Machinery and equipment	Straight-line	3 to 30
Books and periodicals	Straight-line	7
Industrial property	Declining balance	5%

Annual amortization is charged for months in use. Assets under construction are not amortized until the asset is available for productive use.

### (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) Natural resources:

Natural resources that have not been purchased are not recognized as assets in the financial statements.

### (iv) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

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## 1. Significant accounting policies (continued):

(k) Non-financial assets (continued):

(v) Inventories of supplies:

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

(vi) Interest capitalization:

The Town does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

## 2. Operations of school boards and the County of Northumberland:

Requisitions were made by the school boards and the County of Northumberland requiring the Town to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	School Boards		County of Northumberland	
	2010	2009	2010	2009
Amounts requisitioned and collected	\$ 8,959,278	\$ 8,913,687	\$ 9,947,585	\$ 9,876,453

## 3. Demand loan:

In 2010, the Town entered into a temporary financing agreement with Infrastructure Ontario for up to \$10,183,334 in construction advances. As at December 31, 2010, \$8,000,000 had been advanced to the Town and was outstanding.

## 4. Investment in Town of Cobourg Holdings Inc.:

In compliance with provincial legislation enacted to restructure the electricity industry in Ontario, Council approved the incorporation of the electricity distribution business of the former Public Utilities Commission - Electric Department of Cobourg (the "Commission") in April 2000. Through its 99.9% interest in Town of Cobourg Holdings Inc. ("TCHI"), the Corporation retains its interest in the electricity business conducted by TCHI.

# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

## 4. Investment in Town of Cobourg Holdings Inc. (continued):

As part of electricity restructuring, incorporated distribution utilities have been allowed to take on commercial debt structures and have the ability to earn a regulated commercial rate of return. Effective May 1, 2000, the electricity distribution business formerly conducted by the Commission was transferred to TCHI. The Corporation's financial statements as a result of this transaction are comprised of the following:

	2010	2009
9,999,999 common shares of TCHI	\$ 7,002,145	\$ 7,002,145
Retained earnings, beginning of year	2,522,010	2,407,227
Pro-rata share of net income during the year	578,592	714,783
Dividend	(600,000)	(600,000)
<b>Total investment in Town of Cobourg Holdings Inc.</b>	<b>\$ 9,502,747</b>	<b>\$ 9,524,155</b>

The following tables provide condensed supplementary financial information with respect to the Corporation's investment in TCHI as at December 31, 2010 and December 31, 2009 and its operations for both years:

### (a) Financial position:

	2010	2009
Current assets	\$ 10,361,958	\$ 8,249,474
Capital assets	11,396,854	11,327,970
Other assets	2,721,373	2,796,895
<b>Total assets</b>	<b>24,480,185</b>	<b>22,374,339</b>
Current liabilities	3,228,816	3,723,965
Long-term liabilities	11,748,622	9,126,219
<b>Total liabilities</b>	<b>14,977,438</b>	<b>12,850,184</b>
<b>Net assets</b>	<b>\$ 9,502,747</b>	<b>\$ 9,524,155</b>

### (b) Results of operations:

	2010	2009
Revenues	\$ 26,564,161	\$ 24,631,376
Expenses	25,985,569	23,916,593
<b>Net income for the period</b>	<b>\$ 578,592</b>	<b>\$ 714,783</b>

# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

#### 4. Investment in Town of Cobourg Holdings Inc. (continued):

- (c) The note receivable bears interest at 7.25% per annum. The Town does not intend to demand repayment from TCHI until replacement term financing is in place. Interest earned on this note amounted to \$507,500 (2009 - \$507,500). Fair value of the note receivable is indeterminable as it is a non-arms length loan.
- (d) The promissory note payable bears interest at 5.4% and is due in annual repayments of \$45,000 plus interest with the total balance due on January 1, 2029. Interest paid in 2010 was \$Nil (2009 - \$Nil).

#### 5. Industrial property:

Non-financial assets of the Industrial property represent the unamortized cost of the land and buildings purchased by the Town of Cobourg and rented out.

	Cost	Accumulated Amortization	2010	2009
Land	\$ 3,125,000	\$ -	\$ 3,125,000	\$ 3,125,000
Buildings	17,311,814	4,656,730	12,655,084	13,075,260
	\$ 20,436,814	\$ 4,656,730	\$ 15,780,084	\$ 16,200,260

Cost and accumulated amortization at December 31, 2009 amounted to \$20,230,853 and \$4,030,593 respectively.

#### (a) Financial position:

Included in the consolidated statement of financial position are the following assets and liabilities pertaining to the industrial property operations:

	2010	2009
Cash	\$ 2,118,236	\$ 1,566,474
Accounts receivable	494,765	587,131
Prepaid expenses	15,055	13,249
Industrial property	15,780,083	16,200,261
Total assets	18,408,139	18,367,115
Accounts payable and accrued liabilities	547,735	490,346
Mortgage payable	8,119,272	9,014,697
Total liabilities	8,667,007	9,505,043
Net equity in industrial property	\$ 9,741,132	\$ 8,862,072



# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

## 5. Industrial property (continued):

### (b) Results of operations and change in net equity:

The following table provides condensed financial information for the industrial property operations:

	2010	2009
Gross rental income	\$ 3,518,815	\$ 3,505,605
Operating expenses	(1,681,183)	(1,708,619)
Operating expenses recovery	1,272,061	1,292,406
Administrative expenses	(289,058)	(216,681)
Interest on long-term debt	(465,437)	(514,618)
Amortization	(626,138)	(628,743)
<b>Net income for the period</b>	<b>\$ 1,729,060</b>	<b>\$ 1,729,350</b>
Equity, beginning of the year	\$ 7,862,072	\$ 6,682,722
Net income for the period	1,729,060	1,729,350
Transfer to reserves	(850,000)	(550,000)
Capital reserve	1,000,000	1,000,000
<b>Equity, end of year</b>	<b>\$ 9,741,132</b>	<b>\$ 8,862,072</b>

The industrial property is managed by an independent management company under a year-to-year contract. Rental income is recognized on a straight-line basis over the term of the tenants' respective lease agreements.

# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

## 6. Deferred revenue – obligatory reserve funds:

A requirement of the public sector accounting standards of the Canadian Institute of Chartered Accountants is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial and municipal legislation restricts how these funds may be used. The balances in the obligatory reserve funds of the Town are summarized below:

	2010	2009
Balance, beginning of year	\$ 6,064,049	\$ 6,613,180
Recreational land	20,350	26,831
Federal grant - gasoline tax	560,382	557,971
Provincial grant - gasoline tax transit	183,909	190,228
Development contributions	1,055,249	1,501,026
Building code	6,404	20,323
Sub-divider contributions	11,476	30,242
Investment income	9,052	34,033
Utilization - capital	(1,047,424)	(2,619,593)
Utilization - operating	(228,000)	(290,192)
<b>Balance, end of year</b>	<b>\$ 6,635,447</b>	<b>\$ 6,064,049</b>
Analyzed as follows:		
Sub-divider contributions	\$ 123,986	\$ 112,511
Recreational land	260,311	421,213
Development charges	5,460,223	4,586,102
Gasoline tax:		
Provincial	1,078	4,134
Federal	572,064	728,710
Provincial - Investing in Ontario	105,829	105,829
Building code	111,956	105,550
	<b>\$ 6,635,447</b>	<b>\$ 6,064,049</b>

# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

## 7. Employee future benefit liability:

(a) Extended health care and dental benefits:

(i) The Corporation of the Town of Cobourg:

The Town provides extended health care and dental benefits to its employees. An independent actuarial study of the post-retirement and post-employment benefits was undertaken at December 2011.

At December 31, 2010, the Town's accrued benefit obligation relating to post-retirement and post-employment benefit plans is \$1,656,524 (2009 - \$1,644,181).

The significant actuarial assumptions adopted in estimating the Town's accrued benefit obligation are as follows:

Discount rate	4.75% per annum
Inflation rate	2.0% per annum
Salary escalation	3.0% per annum
Dental benefits escalation	4.0% per annum
Health benefits escalation	6.67% in 2011 reducing by .33% per year to 4.0% in 2020
Expected average remaining service life	12 years

Information with respect to the Town's post-retirement and post-employment obligations is as follows:

	2010	2009
Accrued benefit liability, January 1	\$ 1,738,744	\$ 1,684,639
Service cost	58,023	54,176
Benefits paid for the period	(74,391)	(70,149)
Interest cost	81,800	78,675
Amortization of actuarial gain	(8,597)	(8,597)
Accrued benefit liability, December 31	\$ 1,795,579	\$ 1,738,744

The accrued benefit liability at December 31, 2010, includes the following components:

	2010	2009
Accrued benefit obligation	\$ 1,656,524	\$ 1,644,181
Unamortized actuarial gain	139,055	94,563
Accrued benefit liability, end of year	\$ 1,795,579	\$ 1,738,744

# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

## 7. Employee future benefit liability (continued):

(a) Extended health care and dental benefits (continued):

(ii) Waterworks of the Town of Cobourg:

The Waterworks of the Town of Cobourg (the "Waterworks") provides extended health, dental and life insurance benefits for retired employees. An independent actuarial valuation was undertaken as at December 14, 2009.

At December 31, 2010, the accrued benefit liability relating to post-retirement benefit plans is \$308,465 (2009 - \$293,584).

The significant actuarial assumptions adopted in estimating the Waterwork's accrued benefit obligation are as follows:

---

Discount rate	5.0% per annum
Inflation rate	2.0% per annum
Salary escalation	3.3% per annum
Dental benefits escalation	5.0% per annum

---

Information with respect to the Waterworks' post-retirement and post-employment obligations is as follows:

---

	2010	2009
Accrued benefit liability, January 1	\$ 293,584	\$ 279,000
Service cost	8,463	8,060
Benefits paid for the period	(8,676)	(8,800)
Interest cost	15,094	15,410
Actuarial gain	-	(86)
Accrued benefit liability, December 31	\$ 308,465	\$ 293,584

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(b) Workplace safety and insurance:

In common with other Schedule 2 employers, the Town funded its obligations to the Workplace Safety and Insurance Board on a "pay-as-you-go" basis for employees under Schedule 2. An independent actuarial study of the Workplace Safety and Insurance Board liabilities was completed December 2011.

Effective March 31, 2010, the Town is included in Workplace Safety and Insurance Board Schedule 1 and therefore has no additional liability for Workplace Safety and Insurance Board claims on or after that date.

# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

## 7. Employee future benefit liability (continued):

### (b) Workplace safety and insurance (continued):

At December 31, 2010, the Town's accrued benefit obligation relating to future payments on Workplace Safety and Insurance Board claims is \$129,993 (2009 - \$84,780).

Information with respect to the Town's Workplace Safety and Insurance Board future payments is as follows:

	2010	2009
Accrued benefit, beginning of year	\$ 189,604	\$ 209,003
Service cost	15,218	14,682
Benefits paid for the period	(20,909)	(25,267)
Interest cost	6,146	4,289
Amortization of actuarial gain	(13,103)	(13,103)
Plan amendments during the year	40,979	-
Accrued benefit liability, end of year	\$ 217,935	\$ 189,604

The accrued benefit liability at December 31, 2010, includes the following components:

	2010	2009
Accrued benefit obligation, beginning of year	\$ 129,993	\$ 84,780
Unamortized actuarial gain	87,942	104,824
Accrued benefit liability, end of year	\$ 217,935	\$ 189,604

### (c) Liability for vacation credits:

Compensated vacation expense is accrued for employees as entitlement to these payments is earned in accordance with the Town's benefit plans for vacation time. Vacation credits earned as at December 31, 2010 amount to \$360,367 (2009 - \$518,092).

# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

## 7. Employee future benefit liability (continued):

(d) Employee future benefit liability:

	2010	2009
Employee future benefit liability is comprised of:		
Health and dental benefits - Town	\$ 1,795,579	\$ 1,738,744
Workplace safety and insurance	217,935	189,604
	2,013,514	1,928,348
Health, dental and life insurance benefits - Waterworks	308,465	293,584
	\$ 2,321,979	\$ 2,221,932

## 8. Mortgage payable on industrial property:

	2010	2009
Royal Bank of Canada: 5.45%, due on March 4, 2013, blended monthly payments of principal and interest in the amount of \$114,021, secured by industrial property	\$ 8,119,273	\$ 9,014,697

Principal payments for the next five years and thereafter are as follows:

2011	\$ 945,865
2012	998,722
2013	1,054,533
2014	1,117,455
2015	1,175,685
Thereafter	2,827,013
	\$ 8,119,273

## 9. Net long-term liabilities:

(a) The balance of the net long-term liabilities reported on the "Consolidated Statement of Financial Position" is made up of the following:

	2010	2009
Total long-term liabilities incurred by the municipality and outstanding at the end of the year	\$ 12,185,963	\$ 13,332,949

# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

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## 9. Net long-term liabilities (continued):

- (b) Of the net long-term liabilities reported in (a) of this note, principal payments are payable from general municipal revenues as follows:

2011	\$ 2,236,971
2012	2,291,622
2013	2,233,111
2014	2,003,910
2015	1,266,063
Thereafter	2,154,286
	<hr/>
	\$ 12,185,963

- (c) Approval of the Ontario Municipal Board or by-law as required has been obtained for the long-term liabilities in note 9(a) issued in the name of the Town.
- (d) Total interest on long-term liabilities that are reported on the Consolidated Statement of Operations amounted to \$620,835 (2009 - \$660,764). The long-term liabilities bear interest at rates ranging from 3.47% to 6.76% with term renewals to take place in 2011 through 2020.

# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

## 10. Accumulated surplus:

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

	2010	2009
<b>Surplus:</b>		
Operations	\$ 1,191,481	\$ 500,551
Waterworks	3,228,587	3,869,992
Downtown Business Improvement Area	39,573	39,883
Town of Cobourg Public Library Board	23,514	556,564
Unfinanced capital	(12,691,485)	(8,447,199)
Invested in tangible capital assets	164,324,481	142,269,332
Long-term debt	(12,185,963)	(13,332,949)
Promissory note payable to Town of Cobourg Holdings Inc.	(855,000)	–
Mortgage	(8,119,273)	(9,014,697)
<b>Unfunded:</b>		
Employee benefits	(2,373,881)	(2,497,238)
Investment in Town of Cobourg Holdings Inc.	9,502,747	9,524,155
Note receivable from Town of Cobourg Holdings Inc.	7,000,000	7,000,000
<b>Total surplus</b>	<b>149,084,781</b>	<b>130,468,394</b>
<b>Reserves:</b>		
Contingencies	26,440	26,440
Parking	37,549	(7,234)
<b>Current:</b>		
Health services	4,207	4,207
Recreation and cultural services	114,976	–
Library	25,215	26,735
Other	11,290	11,290
<b>Capital:</b>		
General government	890,109	609,519
Protection services	798,680	1,052,389
Transportation services	383,921	182,411
Environmental services	1,126,448	840,079
Recreation and cultural services	142,792	43,417
Planning and development	381,402	379,512
<b>Total reserves</b>	<b>3,943,029</b>	<b>3,168,765</b>
<b>Total accumulated surplus</b>	<b>\$ 153,027,810</b>	<b>\$ 133,637,159</b>



# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

## 11. Classification of expenditures by object:

The Consolidated Statement of Operations presents the expenditures by function, whereas the following classifies those same expenditures by object:

	2010	2009
Salary, wages and employee benefits	\$ 15,250,144	\$ 14,438,777
Operating materials and supplies	5,415,528	4,892,520
Contracted services	7,253,145	6,934,778
Rents and financial expenses	539,727	608,203
External transfers to other	982,794	812,924
Interest on long-term debt	620,834	657,752
Amortization and adjustments	4,331,158	4,824,196
Loss on disposal of tangible capital assets	43,964	-
	<u>\$ 34,437,294</u>	<u>\$ 33,169,150</u>

## 12. Pension agreements:

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

For the year ended December 31, 2010, the amount contributed for and included as current service pension costs expenditure on the Consolidated Statement of Operations is \$833,214 (2009 - \$781,564).

## 13. Commitments:

(a) The Corporation has entered into a contract for construction of the Cobourg Community Centre with a budget of \$27.4 million to be funded by fundraising donations federal grant, provincial grant and municipal contribution. Project costs of \$20,387,977 were incurred as of December 31, 2010.

(b) Lease commitments at December 31, 2010 for equipment under lease obligations are as follows:

2011	\$	42,444
2012		43,262
2013		39,597
2014		26,726
2015		14,425
		<u>\$ 166,454</u>

# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

## 14. Tangible capital assets:

Cost	Balance at December 31, 2009	Additions	Disposals/ transfers/ write-offs	Balance at December 31, 2010
Land	\$ 14,890,067	\$ 152,968	\$ –	\$ 15,043,035
Land improvements	9,079,870	222,656	–	9,302,526
Buildings	30,729,803	658,242	47,903	31,340,142
Machinery and equipment	7,415,359	435,330	141,510	7,709,179
Vehicles	8,810,148	674,819	360,609	9,124,358
Roads infrastructure	25,787,268	1,976,401	81,200	27,682,469
Sewer infrastructure	69,073,861	6,336,398	9,596	75,400,663
Water infrastructure	28,048,185	1,335,772	–	29,383,957
Books and periodicals	1,119,654	145,860	150,079	1,115,435
Construction-in-progress	9,637,405	22,421,334	7,927,572	24,131,167
	<b>\$ 204,591,620</b>	<b>\$ 34,359,780</b>	<b>\$ 8,718,469</b>	<b>\$ 230,232,931</b>

Accumulated amortization	Balance at December 31, 2009	Amortization and expense adjustments	Disposals/ transfers/ write-offs	Balance at December 31, 2010
Land improvements	\$ 2,487,779	\$ (334,894)	\$ –	\$ 2,152,885
Buildings	9,070,887	909,883	46,344	9,934,426
Machinery and equipment	3,807,973	422,200	141,510	4,088,663
Vehicles	3,595,075	594,335	320,541	3,868,869
Roads infrastructure	9,496,445	675,650	76,924	10,095,171
Sewer infrastructure	22,128,746	1,223,666	9,596	23,342,816
Water infrastructure	11,108,103	700,993	–	11,809,096
Books and periodicals	627,278	139,325	150,079	616,524
	<b>\$ 62,322,286</b>	<b>\$ 4,331,158</b>	<b>\$ 744,994</b>	<b>\$ 65,908,450</b>

	Net book value December 31, 2009	Net book value December 31, 2010
Land	\$ 14,890,067	\$ 15,043,035
Land improvements	6,592,091	7,149,641
Buildings	21,658,916	21,405,716
Machinery and equipment	3,607,386	3,620,516
Vehicles	5,215,073	5,255,489
Roads infrastructure	16,290,823	17,587,298
Sewer infrastructure	46,945,115	52,057,847
Water infrastructure	16,940,082	17,574,861
Books and periodicals	492,376	498,911
Construction-in-progress	9,637,405	24,131,167
	<b>\$ 142,269,334</b>	<b>\$ 164,324,481</b>

# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

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## 14. Tangible capital assets (continued):

(a) Construction-in-progress:

Construction-in-progress having a value of \$24,131,167 (2009 - \$9,637,405) has not been amortized. Amortization of this asset will commence when the asset is put into service.

(b) Tangible capital assets disclosed at nominal value:

Where an estimate of fair value could not be made, the tangible asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(c) Write-down of tangible capital assets

The write-down of tangible capital assets during the year \$Nil (2009 - \$Nil).

# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

## 15. Budget figures:

Budget figures have not been audited and are presented for information purposes only. Budget figures reported on the Consolidated Statement of Operations are based on the 2011 municipal and utility operating budgets as approved by Council on March 15, 2010, and include subsequent council approved amendments.

Approved budget figures also include council approved budget estimates for Public Sector Accounting Board (PSAB) reporting requirements. The chart below reconciles the approved City operating budgets and PSAB budget estimates to the total consolidated budget figures as reported on the Consolidated Statement of Operations.

	Budget 2010
Total revenue as reported on the statement of operations:	
Operating budget	\$ 24,254,122
Water budget	3,242,000
Wastewater budget	3,595,069
Northam Industrial Park budget	4,858,414
	35,949,605
Total expenses as reported on the statement of operations:	
Operating budget	25,185,042
Water budget	4,156,000
Wastewater budget	2,709,727
Northam Industrial Park budget	2,566,636
	34,617,405
Annual operating surplus	1,332,200
Total budgeted surplus on statements	1,332,200
Budget not reported on statements:	
Net transfer to reserves	930,920
Operating transfer from reserves – water	914,000
Operating transfer to reserves – wastewater	(885,342)
Operating transfer to reserves – Northam Industrial Park	(2,291,778)
Total budgeted deficit not reported on statements	\$ (1,332,200)

# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

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## 16. Contingent liabilities:

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims at December 31, 2010, management believes that the Corporation has valid defenses and appropriate and adequate insurance coverages in place. In the event any claims are successful, the amount of any potential liability is not determinable, therefore no amount has been accrued in the financial statements.

## 17. Comparative figures:

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

## 18. Segmented information:

The Town is a municipal government institution that provides a range of services to its citizens, including police, fire, transportation, recreational and environmental. For management reporting purposes the Town's operations and activities are organized and reported by department. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

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

- (a) Administration: Includes administration, corporate services and governance of the Town. Administration as a segment includes human resource management, support to Council for policy development, by-law development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting, monitoring and overall budget status as well as frontline reception and customer service.
- (b) Protection Services: Includes policing, fire protection, conservation authority, protective inspection and control and emergency measures. The mandate of the police services is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Fire protection includes inspection, extinguishing and suppression services; emergency medical first response; and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

# THE CORPORATION OF THE TOWN OF COBOURG

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2010

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## 18. Segmented information (continued):

- (c) Transportation Services: This department provides the winter and summer maintenance, the repair and the construction of the municipal roads system including bridges and culverts.
- (d) Environmental Services: Includes the management and maintenance of the wastewater plant and sanitary sewer distribution services.
- (e) Water Services: Includes the management and maintenance of water treatment and distribution.
- (f) Industrial property: Includes the management and maintenance of the Industrial Park.
- (g) Health and Social Services: Provides resources to assist with community physician recruitment and retention and assistance with one specific housing project.
- (h) Parks, Recreation and Culture: Provides services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure programs and facilities including community halls, libraries, parks, recreation fields, arena and marina.
- (i) Planning and Development: Manages development for business interests, environmental concerns, heritage matters, local neighbourhoods and community development. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of the zoning by-law and official plan, and the provision of geomatics services.

For each segment separately reported, the segment revenue and expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. These municipal services are funded primarily by property tax revenue.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

# THE CORPORATION OF THE TOWN OF COBOURG

## Consolidated Schedule of Segment Information

Year ended December 31, 2010

	Administration	Protection Services	Transporation Services	Environmental Services	Industrial Property
<b>Revenue:</b>					
Taxation	\$ —	\$ —	\$ —	\$ —	\$ —
Payments in lieu of taxation	—	—	—	—	—
User fees and service charges	24,302	470,472	298,931	3,636,085	—
Federal grants	—	—	1,763,156	564,093	—
Government of Ontario Grants	353,600	(6,434)	1,227,007	564,093	—
Other municipalities	—	—	—	—	—
Rent, license, permits	489,197	—	—	—	4,790,875
Penalties and interest	—	—	—	—	—
Other	—	—	—	—	—
Investment income	861,158	—	—	—	—
Development charges	331,815	—	—	—	—
	2,060,072	464,038	3,289,094	4,764,271	4,790,875
<b>Expenses:</b>					
Salaries, wages and employee benefits	1,521,162	7,820,118	1,616,364	1,132,667	—
Long-term debt charges (interest)	14,095	56,977	261,379	207,916	—
Materials	490,700	292,277	949,981	2,130,211	—
Contracted services	306,720	311,193	1,198,926	270,647	2,435,680
Rents and financial expenses	521,767	—	—	—	—
External transfers	300,000	193,239	(20,000)	—	—
Amortization and adjustments	169,429	289,233	964,340	1,276,372	626,136
Loss on disposal of tangible capital assets	—	40,067	3,897	—	—
	3,323,873	9,003,104	4,974,887	5,017,813	3,061,816
Excess of revenue over expenses (expenses over revenue)	(1,263,801)	(8,539,066)	(1,685,793)	(253,542)	1,729,059
<b>Funded through:</b>					
Taxation					
Payments in lieu of taxation					
Penalties and interest					
Other					
	\$ (1,263,801)	\$ (8,539,066)	\$ (1,685,793)	\$ (253,542)	\$ 1,729,059

# THE CORPORATION OF THE TOWN OF COBOURG

Consolidated Schedule of Segment Information, continued

Year ended December 31, 2010

	Water Services	Health and Social Services	Parks Recreation and Culture	Planning and Development	Total
<b>Revenue:</b>					
Taxation	\$ —	\$ —	\$ —	\$ —	\$ —
Payments in lieu of taxation	—	—	—	—	—
User fees and service charges	3,045,113	—	1,872,534	70,825	9,418,262
Federal grants	—	—	6,305,334	—	8,632,583
Government of Ontario grants	—	—	6,336,334	—	8,474,600
Other municipalities	—	—	331,330	10,000	341,330
Rent, license, permits	—	—	—	—	5,280,072
Penalties and interest	—	—	—	—	—
Other	—	—	—	—	—
Investment income	—	—	—	—	861,158
Development charges	—	—	—	—	331,815
	3,045,113	—	14,845,532	80,825	33,339,820
<b>Expenses:</b>					
Salaries, wages and employee benefits	—	62,200	2,365,661	731,972	15,250,144
Long-term debt charges (interest)	—	—	80,467	—	620,834
Materials	—	—	1,530,295	22,064	5,415,528
Contracted services	2,399,341	97,035	217,935	15,668	7,253,145
Rents and financial expenses	—	—	22,435	(4,475)	539,727
External transfers	—	92,333	417,222	—	982,794
Amortization and adjustments	964,025	—	41,623	—	4,331,158
Loss on disposal of tangible capital assets	—	—	—	—	43,964
	3,363,366	251,568	4,675,638	765,229	34,437,294
Excess of revenue over expenses (expenses over revenue)	(318,253)	(251,568)	10,169,894	(684,404)	(1,097,474)
<b>Funded through:</b>					
Taxation					18,392,624
Payments in lieu of taxation					263,963
Penalties and interest					777,114
Other					1,054,424
					20,488,125
Excess of revenue over expenses (expenses over revenue)	\$ (318,253)	\$ (251,568)	\$ 10,169,894	\$ (684,404)	\$ 19,390,651