

**Corporation of the
Municipality of East Ferris**

Financial Report

December 31, 2012

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Municipality of East Ferris**

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Management Report

Independent Auditor's Report

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Management Report

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Corporation of the Municipality of East Ferris (the "Municipality") are the responsibility of the Municipality's management and have been prepared in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, as described in Note 2 to the consolidated financial statements.

The preparation of consolidated 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 Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, 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. Council 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 Collins Barrow, Sudbury - Nipissing LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

Chief Administrative Officer

Treasurer

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Municipality of East Ferris

We have audited the accompanying consolidated financial statements of the Corporation of the Municipality of East Ferris which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of operations and accumulated surplus, cash flows, and changes in net (debt) financial assets for the year then ended and 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 Public Sector Accounting Standards, 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.

Auditor's 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 the auditor's 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, the auditor considers internal control relevant to the Municipality's preparation 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 Municipality'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.

Independent Auditor's Report (Continued)

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Municipality of East Ferris as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Collins Barrow, Sudbury - Nipissing LLP

North Bay, Ontario
July 9, 2013

CHARTERED PROFESSIONAL ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

Corporation of the Municipality of East Ferris
Consolidated Statement of Financial Position
December 31, 2012

	<u>2012</u>	<u>2011</u>
Financial Assets		
Cash and cash equivalents (note 4)	\$ 2,160,999	\$ 2,283,758
Taxes receivable	404,471	300,870
Accounts receivable (note 5)	<u>573,498</u>	<u>473,633</u>
	<u>3,138,968</u>	<u>3,058,261</u>
Liabilities		
Accounts payable and accrued liabilities (note 6)	580,214	465,185
Other current liabilities	274,359	111,900
Deferred revenues (note 7)	380,207	111,679
Municipal debt (note 8)	1,200,000	-
Employee future benefits payable (note 9)	321,648	326,242
Landfill closure and post-closure (note 10)	<u>1,681,027</u>	<u>1,529,306</u>
	<u>4,437,455</u>	<u>2,544,312</u>
Net (Debt) Financial Assets	<u>(1,298,487)</u>	<u>513,949</u>
Non-Financial Assets		
Tangible capital assets (note 11)	17,567,862	16,629,637
Prepaid expenses	83,583	89,166
Inventory	<u>43,314</u>	<u>81,751</u>
	<u>17,694,759</u>	<u>16,800,554</u>
Accumulated Surplus (note 12)	<u>\$ 16,396,272</u>	<u>\$ 17,314,503</u>
Contingencies (note 13)		
Commitments (note 14)		

The accompanying notes are an integral part of these financial statements.

Corporation of the Municipality of East Ferris
Consolidated Statement of Operations and Accumulated Surplus
For The Year Ended December 31, 2012

	<u>2012</u>		<u>2011</u>
	<u>Budget</u> <small>(see note 18)</small>	<u>Actual</u>	<u>Actual</u>
Revenues			
Net taxation	\$ 3,631,020	\$ 3,622,291	\$ 3,452,588
User charges	481,789	420,376	404,086
Government transfers (note 15)	1,290,849	1,330,322	1,332,785
Other	<u>229,135</u>	<u>269,982</u>	<u>307,846</u>
Total revenues	<u>5,632,793</u>	<u>5,642,971</u>	<u>5,497,305</u>
Expenses			
General government	994,185	1,049,609	1,059,259
Protection services	664,040	707,012	623,686
Transportation services	1,033,545	1,699,509	1,716,825
Environmental services	267,942	412,928	277,284
Health services	189,600	189,715	185,818
Social and family services	1,314,546	1,314,710	1,258,473
Recreation and cultural services	725,353	962,183	949,416
Planning and development	<u>267,194</u>	<u>225,536</u>	<u>212,474</u>
Total expenses	<u>5,456,405</u>	<u>6,561,202</u>	<u>6,283,235</u>
Excess (deficiency) of revenues over expenses before other item	176,388	(918,231)	(785,930)
Other item			
Government transfers related to capital (note 15)	<u>373,753</u>	<u>-</u>	<u>1,445,279</u>
Excess (deficiency) of revenues over expenses	550,141	(918,231)	659,349
Accumulated surplus, beginning of year	<u>17,314,503</u>	<u>17,314,503</u>	<u>16,655,154</u>
Accumulated surplus, end of year	<u><u>\$ 17,864,644</u></u>	<u><u>\$ 16,396,272</u></u>	<u><u>\$ 17,314,503</u></u>

The accompanying notes are an integral part of these financial statements.

Corporation of the Municipality of East Ferris
Consolidated Statement of Cash Flows
For The Year Ended December 31, 2012

	<u>2012</u>	<u>2011</u>
Operating transactions		
Excess (deficiency) of revenues over expenses	\$ (918,231)	\$ 659,349
Cash provided by (used for)		
Non-cash items:		
Amortization of tangible capital assets	825,132	806,104
Employee future benefits payable	(4,594)	69,904
Landfill closure and post-closure	151,721	36,704
Loss on disposal of tangible capital assets	23,813	-
Change in non-cash working capital balances		
Increase in taxes receivable	(103,601)	(62,018)
(Increase) decrease in accounts receivable	(99,865)	828,400
Increase (decrease) in accounts payable and accrued liabilities	115,029	(1,132,238)
Increase in other current liabilities	162,459	57,323
Increase (decrease) in deferred revenues	268,528	(175,826)
Decrease (increase) in prepaid expenses	5,583	(30,198)
Decrease (increase) in inventory	38,437	(4,245)
Cash provided by operating transactions	<u>464,411</u>	<u>1,053,259</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(1,787,170)</u>	<u>(1,647,857)</u>
Cash applied to capital transactions	<u>(1,787,170)</u>	<u>(1,647,857)</u>
Financing transactions		
Municipal debt issued	<u>1,200,000</u>	<u>-</u>
Cash provided by financing transactions	<u>1,200,000</u>	<u>-</u>
Decrease in cash and cash equivalents	(122,759)	(594,598)
Cash and cash equivalents, beginning of year	<u>2,283,758</u>	<u>2,878,356</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,160,999</u></u>	<u><u>\$ 2,283,758</u></u>

The accompanying notes are an integral part of these financial statements.

Corporation of the Municipality of East Ferris
Consolidated Statement of Changes in Net (Debt) Financial Assets
For The Year Ended December 31, 2012

	<u>2012</u> Budget	<u>2012</u> Actual	<u>2011</u> Actual
Excess (deficiency) of revenues over expenses	\$ 550,141	\$ (918,231)	\$ 659,349
Amortization of tangible capital assets	-	825,132	806,104
Loss on disposal of tangible capital assets	-	23,813	-
Acquisition of tangible capital assets	-	(1,787,170)	(1,647,857)
Decrease (increase) in prepaid expenses	-	5,583	(30,198)
Decrease (increase) in inventory	-	38,437	(4,245)
	<u>550,141</u>	<u>(1,812,436)</u>	<u>(216,847)</u>
(Increase) decrease in net debt			
	<u>550,141</u>	<u>(1,812,436)</u>	<u>(216,847)</u>
Net financial assets, beginning of year	<u>513,949</u>	<u>513,949</u>	<u>730,796</u>
Net (debt) financial assets, end of year	<u>\$ 1,064,090</u>	<u>\$ (1,298,487)</u>	<u>\$ 513,949</u>

The accompanying notes are an integral part of these financial statements.

Corporation of the Municipality of East Ferris

Notes to the Consolidated Financial Statements

December 31, 2012

1. Status of the Municipality of East Ferris

The Corporation of the Municipality of East Ferris (“the Municipality”) is a municipality that was created on May 21, 1921 pursuant to the Act respecting the Division of the Township of Ferris, in the District of Nipissing. On September 28, 2010, Council passed a By-law to formally change the name of the Corporation of the Township of East Ferris to the Corporation of the Municipality of East Ferris effective January 1, 2011. The Municipality provides municipal services such as police, fire, ambulance, public works, urban planning, parks and recreation, library and other general government operations.

2. Accounting Policies

These consolidated financial statements of the Municipality are the representation of management prepared in accordance with accounting policies recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic consolidated financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgements. The significant accounting policies are summarized as follows:

(a) Basis of Consolidation

- (i) The consolidated financial statements include the financial assets, liabilities, non-financial assets, accumulated surplus, revenues and expenses of the Municipality and include the activities of all committees of Council and of the Bibliothèque East Ferris Public Library.

All interfund assets and liabilities and revenues and expenses have been eliminated.

- (ii) Non-Consolidated Entities

The following joint local boards are not consolidated:

North Bay Parry Sound District Health Unit
 District of Nipissing Social Services Administration Board
 East Nipissing District Home for the Aged

- (iii) Accounting for School Board Transactions

The Municipality is required to collect and remit education support levies in respect of residential and other properties on behalf of the area school boards. The Municipality has no jurisdiction or control over the school boards operations. Therefore, taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the accumulated surplus of these consolidated financial statements.

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2012

2. Accounting Policies (Continued)

(b) Basis of Accounting

(i) Accrual Basis

The accrual basis of accounting recognizes revenues as they become available and measurable; expenses 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) Cash Equivalents

The Municipality classifies all investments with maturities of three months or less or those investments that can be readily convertible to be cash equivalents. Cash equivalents are stated at cost.

(iii) Landfill Closure and Post-Closure

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to operations as the landfill site's capacity is used.

(iv) Deferred Revenue

Deferred revenue represent government transfers, contributions and other amounts that are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

(v) Employee Future Benefits

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer contributory defined benefit program with contributions expensed as incurred. The costs of other retirement benefits are determined using the projected benefit method prorated on services and management's best estimate of retirement ages of employees and health benefits costs. The liabilities are discounted using current interest rates on long-term bonds.

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2012

2. Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(vi) Segmented Information

The Municipality reports its segmented information on functional areas and programs in its consolidated financial statements similar to reporting reflected as part of the Ontario Financial Information Return. These functional areas represent segments for the Municipality:

General Government

General government is comprised of Council, administration, and Ontario Property Assessment.

Protection Services

Protection is comprised of police, fire and other protective services.

Transportation Services

Transportation services are responsible for road maintenance, culverts, bridges, winter control and streetlights.

Environmental Services

Environmental services include waste and recycling services.

Health Services

Health services include public health services and cemetery services.

Social and Family Services

Social and family services include social assistance, long-term care, paramedic services, social housing and child care services.

Recreation and Cultural Services

Recreation and cultural services include parks and recreation, recreation facilities, culture and libraries.

Planning and Development

Planning and development manages development for residential and business interests as well as services related to the Municipality's economic development programs.

(vii) 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. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net (Debt) Financial Assets for the year.

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2012

2. Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(viii) 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. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	15 to 30 years
Roads and bridges	10 to 60 years
Buildings	25 to 75 years
Machinery and equipment	5 to 25 years
Vehicles	10 to 25 years
Computer hardware and software	4 to 10 years

No amortization is recorded in the year of acquisition.

Assets under construction are not amortized until the asset is available for productive use.

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

(ix) Taxation

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC) and in accordance with the provisions of the Municipal Act, 2001. The Municipal Council establishes the tax rates annually, incorporating amounts to be raised for local services, and amounts the Municipality is required to collect on behalf of the School Boards. From time to time, property assessments are adjusted by MPAC through the reconsideration process or by the Assessment Review Board through the appeal process. Additional assessments, referred to as supplementary and omitted assessment can also be issued by MPAC in accordance with the Assessment Act. These adjustments and additional assessments are processed by the Municipality upon receipt and recognized in the fiscal year they are determined. All property taxes are secured by the land and pose no significant collection risk.

(x) Government Transfers

Government transfers are recognized in the consolidated financial statements as revenues in the period in which 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.

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2012

2. Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

(xi) Estimates

The preparation of consolidated financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions. These estimates and assumptions are based on management's best information and judgment and may differ significantly from actual results.

(xii) Reserves

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

3. Measurement Uncertainty

Certain items recognized in the consolidated financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the municipality's best information and judgment.

- The amounts recorded for landfill closure and post-closure care depend on estimates of usage, remaining life and capacity. The provision for future closure and post-closure costs also depends on estimates of such costs.
- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates.
- The amounts recorded for retirement benefits are based on estimates of retirement ages of employees and health benefit costs.

4. Cash and Cash Equivalents

	<u>2012</u>	<u>2011</u>
Cash	\$ 1,249,239	\$ 1,183,758
Guaranteed Investment Certificates maturing between January and August 2013, bearing interest at rates between 1% and 1.35%	<u>911,760</u>	<u>1,100,000</u>
	<u>\$ 2,160,999</u>	<u>\$ 2,283,758</u>

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2012

5. Accounts Receivable

	<u>2012</u>	<u>2011</u>
Province of Ontario	\$ 12,505	\$ 112,631
Government of Canada	226,055	233,353
Other Municipalities	-	46,416
Other	<u>334,938</u>	<u>81,233</u>
	<u>\$ 573,498</u>	<u>\$ 473,633</u>

6. Accounts Payable and Accrued Liabilities

	<u>2012</u>	<u>2011</u>
Province of Ontario	\$ 1,200	\$ 22,906
School Boards	343,101	-
Government of Canada	-	79,750
Other Municipalities	960	13,478
Trade payables and accrued liabilities	<u>234,953</u>	<u>349,051</u>
	<u>\$ 580,214</u>	<u>\$ 465,185</u>

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2012

7. Deferred Revenues

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 111,679	\$ 287,505
Revenues received during the year	273,983	274,230
Revenues recognized during the year	<u>(5,455)</u>	<u>(450,056)</u>
Balance, year end	<u>\$ 380,207</u>	<u>\$ 111,679</u>

Deferred revenues, set aside for specific purposes, is comprised of the following:

Federal Gas Tax	\$ 375,894	\$ 101,911
Other	<u>4,313</u>	<u>9,768</u>
	<u>\$ 380,207</u>	<u>\$ 111,679</u>

8. Municipal Debt

	<u>2012</u>	<u>2011</u>
Debenture loan, repayable in monthly instalments of \$10,000 plus interest at a rate of 2.58%, maturing December 19, 2022	<u>\$ 1,200,000</u>	<u>\$ -</u>

Principal instalments required to be paid over the next five years are as follows:

2013	\$ 120,000
2014	120,000
2015	120,000
2016	120,000
2017	120,000
Thereafter	<u>600,000</u>
Total	<u>\$ 1,200,000</u>

9. Employee Future Benefits Payable

The Municipality provides certain employee benefits which will require funding in future periods, as follows:

	<u>2012</u>	<u>2011</u>
Vacation pay	\$ 105,774	\$ 104,789
Retirement allowance	<u>215,874</u>	<u>221,453</u>
	<u>\$ 321,648</u>	<u>\$ 326,242</u>

Corporation of the Municipality of East Ferris

Notes to the Consolidated Financial Statements

December 31, 2012

9. Employee Future Benefits Payable (Continued)

The vacation pay liability is accrued using the actual rate of pay at year end and the retirement allowance is accrued using a discount rate of 2.58% (2011 - 3.75%).

10. Landfill Closure and Post-Closure

Under environmental law, there is a requirement for closure and post-closure maintenance of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage. The reported liability is based on estimates and assumptions with respect to events extending over an extended period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The current landfill site is expected to reach capacity in approximately 2024. The main components of the landfill closure plan are final capping using selected specific layers of earthen materials based on an engineered cap design and implementation of a drainage management plan. The post-closure maintenance requirements will involve cap maintenance, installation of monitoring wells, groundwater monitoring, inspections and annual reports.

The estimated liability for this maintenance is the present value of future cash flows associated with closure and post-closure costs discounted using the Municipality's estimated average borrowing rate of 3.14% (2011 - 3.75%). The change in liability is recorded based on the capacity of the landfill used to date. The recorded liability is \$1,681,027 (2011 - \$1,529,306) based on a total estimated liability in the future of \$2,054,588 (2011 - \$1,969,759), leaving an amount of \$373,561 (2011 - \$440,453) to be recognized over the remaining expected life of the landfill site. The liability is currently unfunded and is expected to be funded through budget allocations to a landfill reserve over the remaining life of the landfill.

The estimated remaining capacity of the site is approximately 82% (2011 - 43%) of its estimated capacity or 41,978 (2011 - 24,338) tonnes, and its remaining life is approximately 6 years. Post-closure care is estimated to continue for a period of approximately 25 years.

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2012

11. Tangible Capital Assets

	Cost			Accumulated Amortization			Net Book Value			
	Balance, beginning of year	Additions	Disposals	Balance, beginning of year	Amortization	Disposals	Balance, end of year	December 31, 2012	December 31, 2011	
Land	\$ 711,609	\$ -	\$ -	\$ 711,609	\$ -	\$ -	\$ -	\$ 711,609	\$ 711,609	
Land improvements	607,991	-	-	607,991	143,697	31,613	175,310	432,681	464,294	
Roads and bridges	10,013,379	1,266,020	-	11,279,399	3,074,495	545,321	3,619,816	7,659,583	6,938,884	
Buildings	9,102,411	324,752	(23,813)	9,403,350	1,560,437	130,624	1,691,061	7,712,289	7,541,974	
Machinery and equipment	719,983	11,705	-	731,688	398,629	50,675	449,304	282,384	321,354	
Vehicles	1,103,340	178,080	(88,500)	1,192,920	451,818	66,899	(88,500)	762,703	651,522	
Computer hardware and software	-	6,613	-	6,613	-	-	-	6,613	-	
	<u>\$ 22,258,713</u>	<u>\$ 1,787,170</u>	<u>\$ (112,313)</u>	<u>\$ 23,933,570</u>	<u>\$ 5,629,076</u>	<u>\$ 825,132</u>	<u>\$ (88,500)</u>	<u>\$ 6,365,708</u>	<u>\$ 17,567,862</u>	<u>\$ 16,629,637</u>

Included in the above roads and bridges additions is construction-in-progress in the amount of \$41,796. The amortization of these additions will commence upon completion of the projects in accordance with the established amortization policy.

Corporation of the Municipality of East Ferris
Notes to the Consolidated Financial Statements
December 31, 2012

12. Accumulated Surplus

	<u>2012</u>	<u>2011</u>
Surplus		
Invested in tangible capital assets	\$ 17,567,862	\$ 16,629,637
General (see note (a) below)	-	(1,099,632)
Bibliothèque East Ferris Public Library	15,398	7,024
Unfunded		
Municipal debt	(1,200,000)	-
Landfill closure and post-closure	(1,681,027)	(1,529,306)
Employee future benefits	<u>(321,648)</u>	<u>(326,242)</u>
Total surplus	<u>14,380,585</u>	<u>13,681,481</u>
Reserves		
Special purpose reserves		
Vacation pay	105,774	104,789
Retirement allowances	215,874	221,453
Future capital expenditures	<u>1,694,039</u>	<u>3,306,780</u>
Total reserves	<u>2,015,687</u>	<u>3,633,022</u>
Accumulated Surplus	<u>\$ 16,396,272</u>	<u>\$ 17,314,503</u>

(a) General Deficit:

The general deficit of \$- (2011 - \$(1,099,632)) at the end of the year is comprised of the following:

	<u>2012</u>	<u>2011</u>
Opening balance	\$ (1,099,632)	\$ (944,191)
Excess (deficiency) of revenue over expenses	(918,231)	659,349
Transfer to reserves	1,617,335	(69,904)
Net change in tangible capital assets	(938,225)	(841,753)
Increase in unfunded liabilities	1,347,127	106,608
Bibliothèque East Ferris Public Library deficit	<u>(8,374)</u>	<u>(9,741)</u>
Closing balance	<u>\$ -</u>	<u>\$ (1,099,632)</u>

Corporation of the Municipality of East Ferris

Notes to the Consolidated Financial Statements

December 31, 2012

13. Contingencies

Union Grievance

The Municipality is disputing a grievance placed through its employees' unions which may have to be settled by arbitration. It is not possible, at this time, to determine the amount, if any, of any settlement that may result from any arbitration process. Any retroactive settlement will be charged to operations in the period in which the amount is determined to be payable.

Legal Matters

The Municipality is involved in certain legal matters and litigations, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved.

Council is of the opinion that it is unlikely that any liability, to the extent not provided by insurance or otherwise, would be material in relation to the Municipality's consolidated financial position.

14. Commitments

During 2004, the Municipality passed a resolution committing to pay \$75,000 per year for 10 years for the North Bay Regional Health Centre Hospital capital project. A formal agreement has been executed and payments commenced in May 2008. In May 2011, this resolution was revised and the remaining payments of \$ 525,000 will be paid over the next 10 years. The remaining balance of the commitment as at December 31, 2012 is \$420,000 (2011 - \$472,500).

Under the terms of operating leases for equipment, the Municipality is committed to make minimum lease payments as follows:

2013	\$	9,282
2014		<u>6,500</u>
	\$	<u><u>15,782</u></u>

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15. Government Transfers

The following government transfers have been included in revenues:

	<u>2012</u>	<u>2011</u>
Current Transfers:		
Federal	\$ 24,590	\$ 21,286
Provincial	<u>1,305,732</u>	<u>1,311,499</u>
	<u>1,330,322</u>	<u>1,332,785</u>
Capital Transfers:		
Federal	-	442,615
Provincial	<u>-</u>	<u>1,002,664</u>
	<u>-</u>	<u>1,445,279</u>
	<u><u>\$ 1,330,322</u></u>	<u><u>\$ 2,778,064</u></u>

16. Operations of School Boards

Further to note 2(a)(iii), the taxation, other revenues, and expenses of the school boards are comprised of the following:

	<u>2012</u>	<u>2011</u>
Taxation and user charges	\$ 1,237,709	\$ 1,197,434
Grants	<u>-</u>	<u>111</u>
Total amounts received or receivable	1,237,709	1,197,545
Requisitions	<u>1,237,709</u>	<u>1,197,545</u>
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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17. Pension Agreements

The Municipality makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 15 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. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 428,947 active and retired members and approximately 968 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan ('the Plan') by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. On December 31, 2012, the estimated accrued pension obligation for all members of the Plan was \$69,122 million (2011 - \$64,548 million). The Plan had an actuarial value of net assets at that date of \$59,198 million (2011 - \$57,258 million) indicating an actuarial deficit of \$9,924 million (2011 - \$7,290 million). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Municipality does not recognize any share of the OMERS pension surplus or deficit.

The amount contributed to OMERS for 2012 was \$107,845 (2011 - \$74,321) for current services and is included as an expense on the Consolidated Statement of Operations.

On January 1, 2012 the yearly maximum pension earnings increased to \$50,100 from \$48,300 in 2011. The contributions are calculated at a rate of 8.3% (2011 - 7.4%) for amounts up to the yearly maximum pension earning stated above and at a rate of 12.8% (2011 - 10.7%) for amounts above the yearly maximum pension earnings.

18. Budget Figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by Council. The budget approved by Council is developed in accordance with the provincially mandated funding model for municipalities and is used to manage program spending within the guidelines of the funding model. Given differences between the funding model and generally accepted accounting principles for local governments established by the Public Sector Accounting Board, the budget figures presented have been adjusted to conform with this basis of accounting that is used to prepare the consolidated financial statements. The budget figures are unaudited.

19. Comparative Figures

The presentation of certain accounts of the previous year has been changed to conform with the presentation adopted for the current year.

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20. Segmented Information

	<u>General Government</u>	<u>Protection Services</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Health Services</u>	<u>Social and Family Services</u>	<u>Recreation and Cultural Services</u>	<u>Planning and Development</u>	<u>Other</u>	<u>2012 Total</u>	<u>2011 Total</u>
Revenues											
Net taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,622,291	\$ 3,622,291	\$ 3,452,588
User charges	3,879	166,392	-	54,693	-	-	175,637	19,775	-	420,376	404,086
Government transfers	-	6,900	-	-	-	28,286	42,846	24,590	1,227,700	1,330,322	1,332,785
Other	-	-	-	-	-	-	-	-	269,982	269,982	307,846
	<u>3,879</u>	<u>173,292</u>	<u>-</u>	<u>54,693</u>	<u>-</u>	<u>28,286</u>	<u>218,483</u>	<u>44,365</u>	<u>5,119,973</u>	<u>5,642,971</u>	<u>5,497,305</u>
Expenses											
Salary, wages and employee benefits	592,364	241,760	437,450	-	-	-	408,406	118,788	-	1,798,768	1,694,695
Materials, contracted services, rents, and financial expenses	444,250	373,793	676,391	412,928	-	-	374,096	106,748	-	2,388,206	2,296,053
Transfers to other governments and the public	-	44,671	-	-	189,715	1,314,710	-	-	-	1,549,096	1,486,383
Amortization	12,995	46,788	585,668	-	-	-	179,681	-	-	825,132	806,104
	<u>1,049,609</u>	<u>707,012</u>	<u>1,699,509</u>	<u>412,928</u>	<u>189,715</u>	<u>1,314,710</u>	<u>962,183</u>	<u>225,536</u>	<u>-</u>	<u>6,561,202</u>	<u>6,283,235</u>
Excess of revenues over expenses (expenses over revenues) before other item	<u>(1,045,730)</u>	<u>(533,720)</u>	<u>(1,699,509)</u>	<u>(358,235)</u>	<u>(189,715)</u>	<u>(1,286,424)</u>	<u>(743,700)</u>	<u>(181,171)</u>	<u>5,119,973</u>	<u>(918,231)</u>	<u>(785,930)</u>
Other item											
Government transfers related to capital	-	-	-	-	-	-	-	-	-	-	1,445,279
Excess of revenues over expenses (expenses over revenues)	<u>\$ (1,045,730)</u>	<u>\$ (533,720)</u>	<u>\$ (1,699,509)</u>	<u>\$ (358,235)</u>	<u>\$ (189,715)</u>	<u>\$ (1,286,424)</u>	<u>\$ (743,700)</u>	<u>\$ (181,171)</u>	<u>\$ 5,119,973</u>	<u>\$ (918,231)</u>	<u>\$ 659,349</u>