

**The Corporation of the
Town of Ingersoll
Consolidated Financial Statements
For the year ended December 31, 2010**

The Corporation of the Town of Ingersoll
Consolidated Financial Statements
For the year ended December 31, 2010

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Independent Auditors' Report

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

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

Management's Responsibility for the 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 established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants, 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 the auditors' 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 entity'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 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, these consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the Town of Ingersoll as at December 31, 2010 and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

"BDO Canada LLP"

Chartered Accountants, Licenced Public Accountants

Stratford, Ontario

August 9, 2011

**The Corporation of the Town of Ingersoll
Consolidated Statement of Financial Position**

| December 31 | 2010 | 2009 |
|---|----------------------|----------------------|
| Financial assets | | |
| Cash and cash equivalents | \$ - | \$ 3,139,472 |
| Taxes receivable | 747,147 | 766,722 |
| Accounts receivable | 5,290,666 | 1,539,237 |
| Investment in government business enterprise (Note 1) | 9,620,503 | 9,937,374 |
| | <u>15,658,316</u> | <u>15,382,805</u> |
| Liabilities | | |
| Bank indebtedness (Note 2) | 1,254,563 | - |
| Accounts payable and accrued liabilities | 2,343,722 | 1,532,708 |
| Employee benefits liability (Note 3) | 566,578 | 417,051 |
| Deferred revenue (Note 4) | 1,446,776 | 1,304,799 |
| Net long-term debt (Note 5) | 4,670,273 | 3,592,319 |
| | <u>10,281,912</u> | <u>6,846,877</u> |
| Net financial assets | <u>5,376,404</u> | <u>8,535,928</u> |
| Non-financial assets | | |
| Tangible capital assets (Note 6) | 61,328,103 | 54,993,000 |
| Prepaid expenses and inventories of supplies | 125,302 | 140,599 |
| | <u>61,453,405</u> | <u>55,133,599</u> |
| Accumulated surplus (Note 7) | <u>\$ 66,829,809</u> | <u>\$ 63,669,527</u> |

Contingent liabilities (Note 12)

_____ Treasurer

_____ Mayor

The Corporation of the Town of Ingersoll
Consolidated Statement of Operations

| For the year ended December 31 | Budget 2010 | 2010 | 2009 |
|--|----------------------|----------------------|----------------------|
| | (Note 15) | | |
| Revenue | | | |
| Taxation | \$ 9,040,992 | \$ 8,939,448 | \$ 8,624,169 |
| Government grants - Federal (Note 8) | 1,975,437 | 3,144,067 | 854,455 |
| Government grants - Provincial (Note 9) | 2,691,890 | 3,996,173 | 2,553,725 |
| Municipal grants | 795,256 | 439,185 | 516,698 |
| User fees and service charges | 1,266,148 | 1,002,479 | 1,049,545 |
| Income (loss) from government business enterprises (Note 1) | - | (316,871) | (206,850) |
| Other (Note 10) | 1,550,451 | 1,471,779 | 3,003,550 |
| | <u>17,320,174</u> | <u>18,676,260</u> | <u>16,395,292</u> |
| Expenses | | | |
| General government | 1,994,713 | 2,378,132 | 1,775,142 |
| Protection services | 3,657,270 | 4,007,820 | 3,643,681 |
| Transportation services | 2,621,241 | 4,229,539 | 2,882,033 |
| Environmental services | 222,747 | 463,463 | 428,745 |
| Health services | 110,137 | 109,172 | 122,954 |
| Recreation and cultural services | 3,475,221 | 3,917,735 | 3,941,363 |
| Planning and development | 416,871 | 410,117 | 367,006 |
| | <u>12,498,200</u> | <u>15,515,978</u> | <u>13,160,924</u> |
| Annual surplus | <u>4,821,974</u> | <u>3,160,282</u> | <u>3,234,368</u> |
| Accumulated surplus, beginning of year as previously stated | 63,669,527 | 64,018,226 | 60,783,858 |
| Prior period adjustment (Note 16) | - | (348,699) | (348,699) |
| Accumulated surplus, beginning of year, restated | <u>63,669,527</u> | <u>63,669,527</u> | <u>60,435,159</u> |
| Accumulated surplus, end of year | <u>\$ 68,491,501</u> | <u>\$ 66,829,809</u> | <u>\$ 63,669,527</u> |

**The Corporation of the Town of Ingersoll
Consolidated Statement of Change in Net Financial Assets**

| <u>For the year ended December 31</u> | <u>Budget 2010</u> | <u>2010</u> | <u>2009</u> |
|--|------------------------|---------------------|---------------------|
| | (Note 15) | | |
| Annual surplus | \$ 4,821,974 | \$ 3,160,282 | \$ 3,234,368 |
| Acquisition of tangible capital assets | (6,151,294) | (8,765,977) | (7,656,245) |
| Amortization of tangible capital assets | - | 2,164,156 | 2,109,491 |
| Loss on disposal of tangible capital assets | - | 257,251 | 7,080 |
| Proceeds on sale of tangible capital assets | - | 9,467 | 60,000 |
| | <u>(1,329,320)</u> | <u>(3,174,821)</u> | <u>(2,245,306)</u> |
| Consumption (acquisition) of prepaid expenses and inventory of supplies | - | 15,297 | (32,517) |
| | - | 15,297 | (32,517) |
| Net change in net financial assets | (1,329,320) | (3,159,524) | (2,277,823) |
| Net financial assets, beginning of year | 8,535,928 | 8,535,928 | 10,813,751 |
| Net financial assets, end of year | <u>\$ 7,206,608</u> | <u>\$ 5,376,404</u> | <u>\$ 8,535,928</u> |

The Corporation of the Town of Ingersoll
Consolidated Statement of Cash Flows

| For the year ended December 31 | 2010 | 2009 |
|---|--------------------|---------------------|
| Operating transactions | | |
| Annual surplus | \$ 3,160,282 | \$ 3,234,368 |
| Items not involving cash | | |
| Change in net equity - ERTH corporation | 316,870 | 206,850 |
| Amortization | 2,164,156 | 2,109,491 |
| Loss on disposal of tangible capital assets | 257,251 | 7,080 |
| Changes in non-cash operating balances | | |
| Taxes receivable | 19,575 | (16,843) |
| Accounts receivable | (3,751,429) | (273,293) |
| Prepaid expenses and inventories of supplies | 15,297 | (32,517) |
| Accounts payable and accrued liabilities | 811,015 | 546,527 |
| Employee Benefits Plan liability | 149,527 | (48,068) |
| Deferred revenue | 141,977 | (410,421) |
| | 3,284,521 | 5,323,174 |
| Capital transactions | | |
| Acquisition of tangible capital assets | (8,765,977) | (7,656,245) |
| Proceeds on sale of tangible capital assets | 9,467 | 60,000 |
| | (8,756,510) | (7,596,245) |
| Financing transactions | | |
| Increase in bank indebtedness | 1,254,563 | - |
| Proceeds from issuance of long-term debt | 1,422,830 | 2,377,495 |
| Repayment of long-term debt | (344,876) | (198,425) |
| | 2,332,517 | 2,179,070 |
| Net change in cash and cash equivalents | (3,139,472) | (94,001) |
| Cash and cash equivalents, beginning of year | 3,139,472 | 3,233,473 |
| Cash and cash equivalents, end of year | \$ - | \$ 3,139,472 |

The Corporation of the Town of Ingersoll Summary of Significant Accounting Policies

December 31, 2010

Management's Responsibility for the Financial Statements

The consolidated financial statements of the Corporation of the Town of Ingersoll are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The Corporation of the Town of Ingersoll is a municipality in the Province of Ontario and operates under the provisions of the Community Charter. The Corporation of the Town of Ingersoll provides municipal services such as fire, public works, planning, parks, recreation and other general government services.

Basis of Consolidation

The consolidated statements reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the Corporation of the Town of Ingersoll.

A government partnership exists where the municipality has shared control over the board or entity. The municipality's pro-rata share of the assets, liabilities, revenues and expenses are reflected in the financial statements using the proportionate consolidation method. The following entity has been [proportionately] consolidated:

| | |
|--------------------------------|-------|
| Ingersoll Rural Cemetery Board | 87.5% |
|--------------------------------|-------|

All inter-entity transactions and balances have been eliminated.

The investment in a government business enterprise is accounted for using the modified equity basis of accounting. Under this method, the government business enterprise's accounting policies, which follow Canadian generally accepted accounting principles for publicly accountable enterprises, are not adjusted to conform with Public Sector Accounting Standards and inter-entity transactions and balances are not eliminated. The following government business enterprise is reflected in the consolidated financial statements:

ERTH Corporation

Cash and Cash Equivalents

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

The Corporation of the Town of Ingersoll Summary of Significant Accounting Policies

December 31, 2010

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing the year subsequent when the asset is available for productive use as follows:

| | |
|-----------------------------------|-----------------|
| Land improvements | 20 to 25 years |
| Facilities | 25 to 100 years |
| Infrastructure | 11 to 80 years |
| Vehicles, machinery and equipment | 5 to 20 years |

County and School Board

The Corporation of the Town of Ingersoll collects taxation revenue on behalf of the school boards and the County of Oxford. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of entities are not reflected in these financial statements.

Trust Funds

Trust funds held in trust by the Corporation of the Town of Ingersoll, and their related operations, are not included in these financial statements. The financial activity and position of the trust funds are reported separately.

Retirement Benefits and Other Employee Benefit Plans

The Corporation of the Town of Ingersoll's contributions due during the period to its multi-employer defined benefit plan are expensed as incurred. The costs of other retirement benefits that accumulate over the period of service provided by employees are determined using the projected benefit method prorated on services based on management's best estimate.

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

Government Transfers

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

The Corporation of the Town of Ingersoll
Summary of Significant Accounting Policies

December 31, 2010

| | |
|----------------------------|--|
| Revenue Recognition | <p>Taxes are recognized as revenue in the year they are levied.</p> <p>Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.</p> <p>Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.</p> <p>Sales of services and other revenue are recognized on an accrual basis.</p> |
| Use of Estimates | <p>The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.</p> |

The Corporation of the Town of Ingersoll
Notes to Consolidated Financial Statements

December 31, 2010

1. Investment in Government Business Enterprise

ERTH Corporation is a corporation incorporated under the laws of the Province of Ontario. The Corporation of the Town of Ingersoll owns 37.51% (2009 - 42.32%) of the outstanding shares. The investment in ERTH Corporation is comprised of the following:

| | 2010 | 2009 |
|--|--------------|--------------|
| Promissory note receivable | \$ 4,543,500 | \$ 4,543,500 |
| Class A shares | 1 | 1 |
| Class B shares | 4,543,499 | 4,543,499 |
| Share of equity earnings (2009 not restated) | 533,503 | 850,374 |
| | 9,620,503 | 9,937,374 |

The promissory note receivable from ERTH Corporation is unsecured and bears interest at 7.25% (2009 - 7.25%). The term of the note is undefined but no principal repayments are expected within the next twelve months. Interest received in the year and included in other income of the current fund is \$329,404 (2009 - \$329,404).

During the year, ERTH issued 551,912 new Class B shares to the Town of Ingersoll as an adjustment in the merger with West Perth Power Inc and Clinton Power Corporation

The following summarizes the financial position and operations of ERTH Corporation which have been reported in these financial statements using the modified equity method:

| | 2010 | 2009 |
|-----------------------------|---------------|---------------|
| | | Restated |
| Financial position | | |
| Current | \$ 21,785,104 | \$ 14,432,803 |
| Capital | 27,354,756 | 25,150,724 |
| Regulatory and other assets | 17,024,885 | 15,034,096 |
| Total assets | \$ 66,164,745 | \$ 54,617,623 |
| Current | \$ 20,944,019 | \$ 11,339,860 |
| Other | 4,872,983 | 2,216,183 |
| Long-term debt | 28,190,046 | 28,797,746 |
| Total liabilities | \$ 54,007,048 | \$ 42,353,789 |
| Net assets | | |
| Equity | \$ 12,157,697 | \$ 12,263,834 |
| Total net assets | \$ 12,157,697 | \$ 12,263,834 |
| Results of operations | | |
| Revenue | \$ 63,424,488 | \$ 49,866,524 |
| Expenses | 63,530,627 | 50,543,021 |
| Net income for the year | \$ (106,139) | \$ (676,497) |

The Corporation of the Town of Ingersoll
Notes to Consolidated Financial Statements

December 31, 2010

2. Bank Indebtedness

Bank indebtedness of \$1,254,563 (2009 - \$NIL) is secured by a general security agreement covering certain assets of the municipality. The maximum authorized amount is \$5,938,356, bears interest at the prime bank rate and is renegotiable each year in January for the subsequent year.

3. Employee Benefits Liability

| | Accrued vacation payable | Sick leave benefits | Post employee benefits | Total 2010 | Total 2009 |
|----------------------------|--------------------------------|------------------------|------------------------------|----------------|---------------|
| Employee benefit liability | 20,000 | 95,132 | 451,446 | 566,578 | 417,051 |

Post Employment Benefits

The Corporation of the Town of Ingersoll provides life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age.

Sick Leave Benefits

The Corporation of the Town of Ingersoll provides paid sick leave that can be carried forward up to a maximum defined by the employee group and may become entitled to cash payment when they leave the Town's employment. The Town has established a reserve to provide for past service liability in the amount of \$76,084 (2009 - \$75,518)

Pension Agreements

The Corporation of the Town of Ingersoll makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of all permanent, full-time members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement to be received by the employees based on length of service and rates of pay. The Corporation of the Town of Ingersoll paid \$257,178 (2009 - \$241,743) for employer contributions.

The Corporation of the Town of Ingersoll
Notes to Consolidated Financial Statements

December 31, 2010

4. Deferred Revenue

| | Opening balance | Contributions received | Externally restricted investment income | Revenue recognized | Ending balance |
|-------------------------|---------------------|---------------------------|--|-----------------------|---------------------|
| Dedicated gas tax | \$ 396,928 | 361,882 | 1,709 | (286,766) | \$ 473,753 |
| Development charges | 460,030 | 85,493 | 2,897 | (39,850) | 508,570 |
| Recreational land | 74,852 | 795 | 567 | - | 76,214 |
| Other restricted grants | 295,085 | 56,177 | 2,321 | (18,000) | 335,583 |
| Other | 77,904 | - | - | (25,248) | 52,656 |
| | <u>\$ 1,304,799</u> | <u>504,347</u> | <u>7,494</u> | <u>(369,864)</u> | <u>\$ 1,446,776</u> |

Federal gas tax

Gas tax revenue is provided by the Government of Canada. The use of the funding is established by a funding agreement between the Corporation of the Town of Ingersoll and the Government of Canada. Gas tax funding may be used towards designated environmentally sustainable municipal infrastructure and capacity building projects as specified in the funding agreements.

The Corporation of the Town of Ingersoll
Notes to Consolidated Financial Statements

December 31, 2010

5. Net Long-term Debt

Net long term debt reported on the statement of financial position is comprised of the following:

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|---------------------|
| Long term liabilities issued by the County of Oxford for which the Town has assumed responsibility for repayment | <u>\$ 4,670,273</u> | <u>\$ 3,592,319</u> |

Principal repayments relating to net long term debt of \$4,670,273 outstanding are due as follows:

| | <u>Principal Repayments</u> |
|------------|---------------------------------|
| 2011 | \$ 425,748 |
| 2012 | 441,492 |
| 2013 | 331,588 |
| 2014 | 341,053 |
| 2015 | 350,900 |
| Thereafter | <u>2,779,492</u> |
| | <u>\$ 4,670,273</u> |

The above long-term liabilities have maturity dates and interest rates ranging from 2012 to 2025 and 3.99% and 5.65% respectively.

The Corporation of the Town of Ingersoll
Notes to Consolidated Financial Statements

December 31, 2010

6. Tangible Capital Assets

| | 2010 | | | | | |
|---|--------------|-------------------|---------------|-------------------------|----------------|---------------|
| | Land | Land Improvements | Facilities | Machinery and Equipment | Infrastructure | Total |
| Cost, beginning of year | \$ 3,872,870 | \$ 3,907,753 | \$ 14,687,337 | \$ 5,382,215 | \$ 55,018,030 | \$ 82,868,205 |
| Additions | | 26,778 | 677,657 | 292,249 | 7,769,293 | 8,765,977 |
| Disposals | (157,500) | (58,160) | - | (160,051) | (318,396) | (694,107) |
| Cost, end of year | \$ 3,715,370 | \$ 3,876,371 | \$ 15,364,994 | \$ 5,514,413 | \$ 62,468,927 | \$ 90,940,075 |
| Accumulated amortization, beginning of year | - | 2,115,939 | 4,157,541 | 2,395,111 | 19,206,614 | 27,875,205 |
| Amortization | - | 135,464 | 333,536 | 400,568 | 1,294,588 | 2,164,156 |
| Disposals | - | (55,039) | - | (125,562) | (246,788) | (427,389) |
| Write-downs | - | - | - | - | - | - |
| Accumulated amortization, end of year | - | 2,196,364 | 4,491,077 | 2,670,117 | 20,254,414 | 29,611,972 |
| Net carrying amount, end of year | \$ 3,715,370 | \$ 1,680,007 | \$ 10,873,917 | \$ 2,844,296 | \$ 42,214,513 | \$ 61,328,103 |

The net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from service) is \$7,837,633 (2009 - \$2,302,993). During the year contributed (nature of capital assets) capital assets of \$Nil (2009 - \$1,953,519) were recognized in the financial statements. The Corporation of the Town of Ingersoll holds various historical treasures pertaining to the cheese factory museum. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

The Corporation of the Town of Ingersoll
Notes to Consolidated Financial Statements

December 31, 2010

6. Tangible Capital Assets (continued)

| | | | | | | 2009 | |
|---|--------------|-------------------|---------------|--------------|-----------------------------------|----------------|----------|
| | Land | Land improvements | Land | Facilities | Vehicles, Machinery and Equipment | Infrastructure | Total |
| Cost, beginning of year | \$ 3,872,870 | \$ 3,800,684 | \$ 14,654,962 | \$ 4,973,865 | \$ 48,714,081 | \$ 76,016,462 | |
| Additions | | 117,628 | 32,375 | 884,470 | 6,621,771 | 7,656,244 | |
| Disposals | | (10,559) | - | (476,120) | (317,822) | (804,501) | |
| Cost, end of year | \$ 3,872,870 | \$ 3,907,753 | \$ 14,687,337 | \$ 5,382,215 | \$ 55,018,030 | \$ 82,868,205 | Restated |
| Accumulated amortization, beginning of year | \$ - | \$ 1,974,782 | \$ 3,831,504 | \$ 2,413,915 | \$ 18,302,714 | \$ 26,522,915 | |
| Amortization | | 151,716 | 326,037 | 441,714 | 1,190,024 | 2,109,491 | |
| Disposals | | (10,559) | - | (460,518) | (286,124) | (757,201) | |
| Accumulated amortization, end of year | \$ - | \$ 2,115,939 | \$ 4,157,541 | \$ 2,395,111 | \$ 19,206,614 | \$ 27,875,205 | |
| Net carrying amount, end of year | \$ 3,872,870 | \$ 1,791,814 | \$ 10,529,796 | \$ 2,987,104 | \$ 35,811,416 | \$ 54,993,000 | |

The Corporation of the Town of Ingersoll
Notes to Consolidated Financial Statements

December 31, 2010

7. Accumulated Surplus

The Corporation of the Town of Ingersoll segregates its accumulated surplus in the following categories:

| | 2010 | 2009 |
|---------------------------------------|----------------------|----------------------|
| | | Restated |
| Investment in tangible capital assets | \$ 61,328,103 | \$ 54,993,000 |
| Current Funds | (5,175,734) | (2,450,320) |
| Reserve Funds | | |
| Working funds | 192,278 | 192,278 |
| Current purposes | 570,892 | 469,673 |
| Capital purposes | 694,865 | 780,326 |
| Industrial development | 89,395 | 88,729 |
| Investment in government business | 9,620,503 | 9,937,374 |
| Unfunded | (490,493) | (341,533) |
| | \$ 66,829,809 | \$ 63,669,527 |

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserve funds represent funds set aside by bylaw or council resolution for specific purposes.

8. Government Transfers - Federal

| | Budget 2010 | 2010 | 2009 |
|---------------------------------|---------------------|---------------------|-------------------|
| | (Note 15) | | |
| Federal Transfers | | | |
| Operating | | | |
| Unconditional | \$ 54,457 | \$ 52,619 | \$ 50,441 |
| Federal gas tax revenue | - | 675 | 675 |
| Capital | | | |
| Infrastructure stimulus funding | 1,422,830 | 2,584,242 | 492,793 |
| Federal gas tax revenue | 360,738 | 286,091 | 310,546 |
| Other capital funding | 137,412 | 220,440 | - |
| | \$ 1,975,437 | \$ 3,144,067 | \$ 854,455 |

The Corporation of the Town of Ingersoll
Notes to Consolidated Financial Statements

December 31, 2010

9. Government Transfers - Provincial

| | Budget 2010 | 2010 | 2009 |
|------------------------------------|---------------------|---------------------|---------------------|
| | (Note 15) | | |
| Provincial Transfers | | | |
| Operating | | | |
| Ontario municipal partnership fund | \$ 1,092,400 | \$ 1,092,400 | \$ 1,365,400 |
| Unconditional | 137,160 | 131,092 | 163,448 |
| Capital | | | |
| Infrastructure stimulus funding | 1,422,830 | 2,558,741 | 492,793 |
| Paratransit fund | 10,800 | 18,000 | 22,094 |
| Other capital funding | 28,700 | 195,940 | 509,990 |
| | \$ 2,691,890 | \$ 3,996,173 | \$ 2,553,725 |

10. Other Income

| | Budget 2010 | 2010 | 2009 |
|--|---------------------|---------------------|---------------------|
| | (Note 15) | | |
| Penalties and interest on taxation | \$ 150,000 | \$ 150,797 | \$ 153,601 |
| Other fines and penalties | 16,400 | 19,242 | 15,542 |
| Investment income | 70,901 | 47,247 | 55,168 |
| Licences, permits and rents | 299,392 | 436,163 | 311,522 |
| Donations | 102,450 | 166,853 | 2,030,249 |
| Sales of publications, equipment, etc. | 39,181 | 42,458 | 35,133 |
| Government business enterprises | 429,400 | 333,990 | 324,817 |
| Other | 442,727 | 275,029 | 77,518 |
| | \$ 1,550,451 | \$ 1,471,779 | \$ 3,003,550 |

The Corporation of the Town of Ingersoll
Notes to Consolidated Financial Statements

December 31, 2010

11. Expenses by Object

| | Budget 2010 | 2010 | 2009 |
|---------------------------------------|----------------------|----------------------|----------------------|
| | (Note 15) | | |
| Salaries, wages and employee benefits | \$ 5,781,622 | \$ 6,050,490 | \$ 5,447,309 |
| Materials | 3,534,178 | 3,174,297 | 2,695,268 |
| Contracted services | 2,886,209 | 3,319,413 | 2,719,236 |
| Rent and financial expenses | 32,700 | 34,127 | 38,817 |
| Interest on long-term debt | 153,171 | 153,171 | 68,926 |
| Contributions to others | 110,320 | 363,074 | 81,877 |
| Amortization | - | 2,164,155 | 2,109,491 |
| Loss on disposal of capital assets | - | 257,251 | - |
| | \$ 12,498,200 | \$ 15,515,978 | \$ 13,160,924 |

12. Contingent Liabilities

A significant ratepayer of the Municipality currently has appealed to the Assessment Review Board (ARB) with respect to the taxation years between 2001 to 2008. This same ratepayer has also filed vacancy rebate applications for its property. These appeals could potentially result in a reduction of taxes in the amount of \$9,073,000 which would be distributed between the Town, the County and School Boards. As there is considerable uncertainty surrounding both the hearing process and the potential settlement of reduction in taxation revenue an amount is not determinable at this time. The effect on taxation of the settlement of these appeals will be recorded in the fiscal year in which they can be determined.

13. Operations of School Boards and the County of Oxford

During the year, the following taxation revenue was raised and remitted to the school boards and the County of Oxford:

| | 2010 | 2009 |
|------------------|----------------------|----------------------|
| School boards | \$ 5,450,703 | \$ 5,745,289 |
| County of Oxford | 5,758,324 | 5,683,995 |
| | \$ 11,209,027 | \$ 11,429,284 |

The Corporation of the Town of Ingersoll
Notes to Consolidated Financial Statements

December 31, 2010

14. Funds Held in Trust

The trust funds administered by the municipality amounting to \$219,219 (2009 - \$212,234) have not been included in the consolidated financial statements. Certain assets have been conveyed or assigned to the Corporation of the Town of Ingersoll to be administered as directed by agreement or statute. The Corporation of the Town of Ingersoll holds the assets for the benefit of and stand in fiduciary relationship to the beneficiaries. The following trust funds and assets are excluded from the Corporation of the Town of Ingersoll's financial statements:

| | 2010 | 2009 |
|-------------------------------|------------|------------|
| Carroll | \$ 5,000 | \$ 5,000 |
| Cemetery Care and Maintenance | 210,619 | 203,634 |
| W.J. Bickerton | 3,600 | 3,600 |
| | \$ 219,219 | \$ 212,234 |

15. Budget

The Financial Plan (Budget) By-Law adopted by Council on April 26, 2010 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Financial Plan adopted by Council on April 26, 2010 with adjustments as follows:

| | 2010 |
|--|--------------|
| Financial Plan (Budget) Bylaw surplus for the year | \$ - |
| Add: | |
| Capital expenditures | 6,151,294 |
| Budgeted transfers to accumulated surplus | 872,044 |
| Principal payments on debt | 344,876 |
| Less: | |
| Budgeted transfers from accumulated surplus | (1,123,410) |
| Budgeted debenture proceeds | (1,422,830) |
| Budget surplus per statement of operations | \$ 4,821,974 |

The Corporation of the Town of Ingersoll
Notes to Consolidated Financial Statements

December 31, 2010

16. Prior Period Adjustment

During the year, The Corporation of the Town of Ingersoll determined that capital asset costs and accumulated amortization as of December 31, 2008 included assets that did not follow the tangible capital asset policy of the Municipality. The adjustment has been reported retrospectively as follows:

| | |
|--|---------------------------|
| Decrease in tangible capital asset costs - January 1, 2009 | \$655,956 |
| Decrease in tangible capital asset accumulated amortization - January 1, 2009 | <u>(307,257)</u> |
| Net decrease in net tangible capital assets and accumulated surplus - January 1, 2009 | <u><u>\$(348,669)</u></u> |

17. Subsequent Event

The municipality has been involved with an Ontario Municipal Board Hearing with respect to lands owned by the claimant. An offer has been approved and accepted by the municipality's council, subsequent to December 31, 2010 for \$1,700,000 inclusive of the Town's previous payments to the claimant of \$940,000. The remaining expense will be recognized in the year of payment.

The Corporation of the Town of Ingersoll
Notes to Consolidated Financial Statements

December 31, 2010

18. Segmented Information

The Corporation of the Town of Ingersoll is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

General Government

This category relates to the revenues and expenses of the operations of the Municipality itself and cannot be directly attributed to specific segment.

Protection to Persons and Property

Protection is comprised of police services, fire protection and protective inspection. The police services work to ensure the safety and protection of the citizens and their property. The fire department is responsible to provide fire suppression service, fire prevention programs, training and education. Protective inspection provides services related to the enforcement of building and construction codes.

Transportation

Transportation is responsible for providing the Municipality's transit services.

Environmental

Environmental services provide waste disposal services for the Municipality's citizens.

Health

Health services relate to maintaining the Municipality's cemeteries.

Recreation and Cultural Services

This service area provides services meant to improve the health and development of the Municipality's citizens through recreational programs, youth centres and library services.

Planning and Development

This service area is responsible for the economic development of the Municipality and its merchants.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers have been measured on the basis of the actual cost of services provided. Taxation and grants attributable to a number of segments have been allocated to those segments based on the current fund expenses for the year.

The Corporation of the Town of Ingersoll
Notes to Consolidated Financial Statements

December 31, 2010

18. Segmented Information (continued)

| For the year ended December 31 | General government | Protection to persons and property | Transportation | Environmental | Health services | Recreation and cultural services | Planning and development | 2010 Total |
|---|--------------------|---------------------------------------|------------------|----------------|-----------------|-------------------------------------|-----------------------------|-------------------|
| Revenue | | | | | | | | |
| Taxation | \$ 1,439,421 | \$ 2,639,151 | \$ 1,808,377 | \$ 160,738 | \$ 78,395 | \$ 2,512,544 | \$ 300,822 | \$ 8,939,448 |
| Grants | 203,285 | 440,408 | 5,798,034 | 110,645 | - | 990,293 | 36,760 | 7,579,425 |
| User fees and service charges | 17,704 | 59,912 | 62,019 | 3,184 | 27,709 | 799,810 | 32,140 | 1,002,478 |
| Other | 507,852 | 330,530 | 18,572 | 3,236 | 5,499 | 230,993 | 41,107 | 1,137,789 |
| | <u>2,168,262</u> | <u>3,470,001</u> | <u>7,687,002</u> | <u>277,803</u> | <u>111,603</u> | <u>4,533,640</u> | <u>410,829</u> | <u>18,659,140</u> |
| Expenses | | | | | | | | |
| Salaries and wages | 1,165,762 | 1,155,300 | 1,059,583 | 13,797 | 77,709 | 2,237,232 | 191,851 | 5,901,234 |
| Goods and services | 856,118 | 2,735,101 | 1,793,135 | 185,396 | 30,137 | 1,222,014 | 218,266 | 7,040,167 |
| Interest | - | - | 115,238 | - | - | 37,933 | - | 153,171 |
| Amortization | 159,275 | 112,094 | 1,259,045 | 235,220 | 1,326 | 397,195 | - | 2,164,155 |
| Loss (gain) on disposal | 196,977 | 5,325 | 2,538 | 29,050 | - | 23,361 | - | 257,251 |
| | <u>2,378,132</u> | <u>4,007,820</u> | <u>4,229,539</u> | <u>463,463</u> | <u>109,172</u> | <u>3,917,735</u> | <u>410,117</u> | <u>15,515,978</u> |
| Net revenues from ERTH Corporation | 17,120 | - | - | - | - | - | - | 17,120 |
| Net surplus (deficit) | \$ (192,750) | \$ (537,819) | \$ 3,457,463 | \$ (185,660) | \$ 2,431 | \$ 615,905 | \$ 712 | \$ 3,160,282 |

The Corporation of the Town of Ingersoll
Notes to Consolidated Financial Statements

December 31, 2010

18. Segmented Information (continued)

| For the year ended December 31 | General government | Protection to persons and property | Transportation | Environmental | Health services | Recreation and cultural services | Planning and development | 2009 Total |
|---------------------------------------|--------------------|---------------------------------------|------------------|----------------|-----------------|-------------------------------------|-----------------------------|-------------------|
| Revenue | | | | | | | | |
| Taxation | \$ 1,276,983 | \$ 2,567,400 | \$ 1,711,539 | \$ 153,115 | \$ 78,555 | \$ 2,617,806 | \$ 218,771 | \$ 8,624,169 |
| Grants | 190,365 | 1,031,101 | 2,117,666 | 112,801 | - | 455,469 | 17,477 | 3,924,879 |
| User fees and service charges | 29,307 | 63,255 | 45,937 | 3,691 | 23,672 | 853,568 | 30,115 | 1,049,545 |
| Other | 248,047 | 189,975 | 1,940,978 | 1,652 | 5,687 | 209,490 | 82,903 | 2,678,732 |
| | <u>1,744,702</u> | <u>3,851,731</u> | <u>5,816,120</u> | <u>271,259</u> | <u>107,914</u> | <u>4,136,333</u> | <u>349,266</u> | <u>16,277,325</u> |
| Expenses | | | | | | | | |
| Salaries and wages | 1,083,860 | 953,060 | 986,929 | 15,457 | - | 2,253,410 | 154,593 | 5,447,309 |
| Goods and services | 506,010 | 2,572,039 | 710,440 | 188,811 | 121,628 | 1,223,857 | 212,413 | 5,535,198 |
| Interest | - | - | - | - | - | 68,926 | - | 68,926 |
| Amortization | 185,272 | 118,582 | 1,184,664 | 224,477 | 1,326 | 395,170 | - | 2,109,491 |
| | <u>1,775,142</u> | <u>3,643,681</u> | <u>2,882,033</u> | <u>428,745</u> | <u>122,954</u> | <u>3,941,363</u> | <u>367,006</u> | <u>13,160,924</u> |
| Net revenues from ERTH Corporation | 117,967 | - | - | - | - | - | - | 117,967 |
| Net surplus (deficit) | \$ 87,527 | \$ 208,050 | \$ 2,934,087 | \$ (157,486) | \$ (15,040) | \$ 194,970 | \$ (17,740) | \$ 3,234,368 |