

The Corporation of the Town of Ingersoll

Consolidated Financial Report *December 31, 2007*

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AUDITOR'S REPORT

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

I have audited the consolidated statement of financial position of The Corporation of the Town of Ingersoll as at December 31, 2007 and the consolidated statements of financial activities and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2007 and the results of its operations and its cash flow for the year then ended, in accordance with the Canadian generally accepted accounting principles.



Licensed Public Accountant

Dorchester, Ontario

August 8, 2008

The Corporation of the Town of Ingersoll

Consolidated Statement of Financial Position December 31, 2007

| | 2007 \$ | 2006 \$ |
|---|--------------------------|--------------------------|
| Financial assets | | |
| Cash | 499,788 | 583,716 |
| Taxes receivable | 696,308 | 602,797 |
| Accounts receivable | <u>2,410,903</u> | <u>2,033,905</u> |
| | 3,606,999 | 3,220,418 |
| Investment in Municipal Electrical Utility | <u>10,098,834</u> | <u>9,772,922</u> |
| | <u>13,705,833</u> | <u>12,993,340</u> |
| | | |
| Liabilities | | |
| Temporary borrowings | 1,483,486 | - |
| Accounts payable | 1,018,853 | 664,321 |
| Deferred revenue | 864,521 | 577,020 |
| Employee benefits | 437,000 | 454,900 |
| Long term liabilities | <u>536,000</u> | <u>628,000</u> |
| | 4,339,860 | 2,324,241 |
| | | |
| Municipal position | | |
| Fund balances | (732,861) | 896,177 |
| Equity in Erie Thames Power Corporation | <u>10,098,834</u> | <u>9,772,922</u> |
| | <u>9,365,973</u> | <u>10,669,099</u> |
| | <u>13,705,833</u> | <u>12,993,340</u> |

The Corporation of the Town of Ingersoll

Consolidated Statement of Financial Activities Year ended December 31, 2007

| | 2007 \$ | 2006 \$ |
|--|--------------------------|--------------------------|
| Revenues | | |
| Net taxation | 7,589,593 | 7,272,839 |
| User charges | 1,102,883 | 1,075,070 |
| Government grants | 2,185,829 | 2,727,881 |
| Gas tax subsidy earned | - | 193,920 |
| Sale of land and other assets | 181,511 | 48,572 |
| Investment income | 148,861 | 185,919 |
| Penalties and interest on taxes | 116,142 | 96,024 |
| Development levies earned | - | 48,555 |
| Other | 376,499 | 399,344 |
| Erie Thames Power Corporation: | | |
| Change in net equity | 325,912 | 38,979 |
| Interest and dividends | <u>558,379</u> | <u>442,987</u> |
| | 12,585,609 | 12,530,090 |
| Expenditures | | |
| General government | 1,458,034 | 1,232,872 |
| Protection to persons and property | 3,304,552 | 2,714,979 |
| Transportation services | 4,171,957 | 3,764,196 |
| Environmental services | 166,059 | 154,465 |
| Health services | 99,684 | 92,519 |
| Recreation and cultural services | 4,338,204 | 3,658,367 |
| Planning and development | <u>350,245</u> | <u>407,474</u> |
| | <u>13,888,735</u> | <u>12,024,872</u> |
| Net revenue | (1,303,126) | 505,218 |
| Municipal position, beginning of year | <u>10,669,099</u> | <u>10,163,881</u> |
| Municipal position, end of year | <u>9,365,973</u> | <u>10,669,099</u> |

The Corporation of the Town of Ingersoll

Consolidated Statement of Cash Flow December 31, 2007

| | 2007 \$ | 2006 \$ |
|--|-------------------------|-----------------------|
| Operations | | |
| Net revenue | (1,303,126) | 505,218 |
| Items not requiring outlay of cash: | | |
| Change in net equity - Erie Thames Power Corporation | <u>(325,912)</u> | <u>(38,979)</u> |
| | (1,629,038) | 466,239 |
| Change in taxes receivable | (93,511) | (144,265) |
| Change in accounts receivable | (376,998) | (996,968) |
| Change in accounts payable | 354,532 | (384,407) |
| Change in deferred revenue | 287,501 | (4,585) |
| Change in employee benefits | <u>(17,900)</u> | <u>71,308</u> |
| | (1,475,414) | (992,678) |
| Financing | | |
| Repayment of long term liabilities | <u>(92,000)</u> | <u>(89,000)</u> |
| | (92,000) | (89,000) |
| Increase (decrease) in cash | (1,567,414) | (1,081,678) |
| Cash, beginning of year | <u>583,716</u> | <u>1,665,394</u> |
| Cash, end of year | <u>(983,698)</u> | <u>583,716</u> |
| Comprised of: | | |
| Cash | 499,788 | 583,716 |
| Temporary borrowings | <u>(1,483,486)</u> | <u>-</u> |
| | <u>(983,698)</u> | <u>583,716</u> |

The Corporation of the Town of Ingersoll

Notes to the Consolidated Financial Statements December 31, 2007

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

1. Significant accounting policies

The consolidated financial statements of The Corporation of the Town of Ingersoll (the "Town") are prepared by management in accordance with Canadian generally accepted accounting principles prescribed for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant accounting policies are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Town and which are owned or controlled by the Town. Inter-departmental and inter-organizational transactions and balances between these organizations have been eliminated. These financial statements include the Ingersoll Board of Management.

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 expenditures are reflected in the financial statements using the proportional consolidation method. The municipality's proportional interest of the Ingersoll Rural Cemetery Board is reflected in the consolidated financial statements.

Government business enterprises are separate legal entities that do not rely on the municipality for funding. Investments in government business enterprises are accounted for using the modified equity method. Erie Thames Services Corporation is reflected in the consolidated financial statements on this basis.

Basis of accounting

Revenues and expenditures are reported using the accrual basis of accounting. This basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Fund accounting

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

Deferred revenue

Revenue restricted by legislation, regulation or agreement and not available for general municipal purposes is reported as deferred revenue on the *Consolidated Statement of Financial Position*. This revenue is reported on the *Consolidated Statement of Financial Activities* in the year in which it is used for the specified purpose.

Reserves and reserve funds

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

Government grants

Government grants are recognized in the financial statements as revenues in the period in which events giving rise to the grant occurs, providing the grant is authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

County and Education taxes

The Town collects taxation revenues on behalf of local school boards and the County of Oxford. The taxation, other revenues, expenditures, assets and liabilities with respect to the operations of the school boards and the County of Oxford are not reflected in these financial statements.

During the year, the Town collected and remitted taxation revenue of \$6,133,820 (2006 - \$6,108,236) for the local school boards and \$5,508,707 (2006 - \$5,361,880) for The County of Oxford.

Trust funds

Trust funds administered by the Town are presented in a separate financial statement of trust fund balances and operations. As such balances are held in trust by the Town for the benefit of others, they are not presented as part of the Town's financial position or financial activities.

Trust funds amounted to \$201,624 (2006 - \$192,664) at the end of the year.

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 of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Investment in Erie Thames Power Corporation

The Town's investment in Erie Thames Power Corporation is comprised of:

| | 2007 | 2006 |
|---------------------|--------------------------|-------------------------|
| | \$ | \$ |
| Share of net assets | 1,011,833 | 646,942 |
| Note receivable | 4,543,500 | 4,543,500 |
| Share capital | <u>4,543,501</u> | <u>4,543,501</u> |
| | <u>10,098,834</u> | <u>9,733,943</u> |

The term of the note receivable is undefined and no principal repayments are expected within the next twelve months. The rate of interest is set by Erie Thames Board of Directors and is currently 7.25%.

The following summarizes consolidated financial information of Erie Thames Power Corporation

| | 2007 | 2006 |
|-----------------------------------|--------------------------|--------------------------|
| | \$ | \$ |
| Financial position | | |
| Assets: | | |
| Current assets | 12,311,698 | 9,345,968 |
| Capital assets | 25,407,537 | 22,534,209 |
| Deferred charges and other assets | <u>6,774,466</u> | <u>5,246,569</u> |
| | 44,493,701 | 37,126,746 |
| Liabilities: | | |
| Current liabilities | 12,218,878 | 8,502,085 |
| Other liabilities | 778,229 | 677,635 |
| Long term debt | <u>18,312,036</u> | <u>15,590,732</u> |
| | <u>31,309,143</u> | <u>24,770,452</u> |
| Net assets | <u>13,184,558</u> | <u>12,356,294</u> |
| Results of operations: | | |
| Revenues | 20,194,389 | 13,281,155 |
| Expenses | <u>18,887,540</u> | <u>12,920,587</u> |
| Net income | <u>1,306,849</u> | <u>360,568</u> |

During the year, the Town received interest payments of \$330,955 and dividends of \$227,175. All other transactions between Erie Thames Power Corporation and the Town were in the normal course of business and measured at the exchange value (the amount of consideration established and agreed to by the related parties), which value approximates the arm's length equivalent value.

3. Long term liabilities

(a) Long term liabilities reported on the *Consolidated Statement of Financial Position* is comprised as follows:

| | 2007 | 2006 |
|--|----------------|----------------|
| | \$ | \$ |
| Long term liabilities issued by the County of Oxford for which the Town has assumed responsibility for repayment | <u>536,000</u> | <u>628,000</u> |

(b) Of the long term liabilities reported in (a) of this note, the minimum principal repayments required are estimated as follows:

| | |
|------|-----------|
| 2008 | \$ 97,000 |
| 2009 | 101,000 |
| 2010 | 107,000 |
| 2011 | 112,000 |
| 2012 | 119,000 |

(c) Long term liabilities issued on or before December 31, 1992 have received approval of the Ontario Municipal Board; long term liabilities issued after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

(d) Interest expense on long term liabilities amounted to \$32,840 (2006 - \$36,712).

4. Employee benefits payable

Employee benefits payable is comprised of:

| | 2007 \$ | 2006 \$ |
|--------------------------|-----------------------|-----------------------|
| Accrued vacation pay | 20,000 | 20,000 |
| Sick leave | 84,300 | 82,500 |
| Post employment benefits | <u>332,700</u> | <u>352,400</u> |
| | <u>437,000</u> | <u>454,900</u> |

Under the sick leave benefit plan, certain employees may accumulate unused sick leave and become entitled to a cash payment when they leave the Town's employ.

The liability for these accumulated benefits, to the extent they have been vested and could be taken in cash by an employee on termination, amounted to \$80,800 (2006 - \$82,400) at the end of the year.

The Town has established a reserve to provide for this past service liability in the amount of \$70,600 (2006 - \$70,600).

Post employment benefits are provided to qualifying employees who retire before the age of 65 for extended health, dental care and life insurance.

5. Fund balances

The Town's fund balances are comprised of the following:

| | 2007 \$ | 2006 \$ |
|---|-------------------------|-----------------------|
| Revenue fund (for general reduction in taxation or user charges): | | |
| Town | 352,484 | - |
| Cemetery | <u>15,482</u> | <u>11,017</u> |
| | 367,966 | 11,017 |
| Capital fund | (1,445,941) | 66,031 |
| Reserves and reserve funds | <u>1,318,114</u> | <u>1,902,029</u> |
| | 240,139 | 1,979,077 |
| Amounts to be recovered | <u>(973,000)</u> | <u>(1,082,900)</u> |
| | <u>(732,861)</u> | <u>896,177</u> |

6. Amounts to be recovered

Amounts to be recovered is comprised of:

| | 2007 | 2006 |
|--|-----------------------|-------------------------|
| | \$ | \$ |
| From reserves and reserve funds on hand: | | |
| Vested sick leave | 70,626 | 70,626 |
| From future revenues: | | |
| Vested sick leave | 13,674 | 11,774 |
| Long term liabilities | 536,000 | 628,000 |
| Accrued vacation pay | 20,000 | 20,000 |
| Post employment benefits | <u>332,700</u> | <u>352,500</u> |
| | <u>902,374</u> | <u>1,012,274</u> |
| | <u>973,000</u> | <u>1,082,900</u> |

7. Pension agreements

The Town makes contributions to the Ontario Municipal Employees Retirement System (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 benefit to be received by the employees based on the length of service and rates of pay.

8. Public Sector Salary Disclosure Act

In accordance with the provisions of the Public Sector Salary Disclosure Act, 1996, no employee of the Town was paid \$100,000 or more.

9. Deferred revenue

Obligatory reserve funds have been reported as deferred revenue. The use of these funds is restricted by provincial legislation and under certain circumstances these funds may become refundable. These amounts will be recognized as revenues in the fiscal year in which the services are performed. The balance of obligatory reserve funds reported on the *Consolidated Statement of Financial Position* is comprised as follows:

| | 2007 | 2006 |
|---------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| Obligatory reserve funds: | | |
| Development charges | 436,572 | 350,136 |
| Recreational land | 73,625 | 72,300 |
| Dedicated Gas Tax | <u>324,105</u> | <u>123,052</u> |
| | 834,302 | 545,488 |
| Other | <u>30,219</u> | <u>31,532</u> |
| | <u>864,521</u> | <u>577,020</u> |

10. Comparative figures

The comparative figures presented in the financial statements have been reclassified to conform to the current year's presentation.

The Corporation of the Town of Ingersoll

Schedule of Revenue Fund Operations Year ended December 31, 2007

| | 2007 | 2006 |
|--|-----------------------|----------------------|
| | \$ | \$ |
| Revenues | | |
| Net taxation | 7,589,593 | 7,272,839 |
| User charges | 1,102,883 | 1,075,070 |
| Government grants | 2,030,973 | 1,775,539 |
| Sale of land and other assets | 49,386 | 44,972 |
| Investment income | 148,770 | 179,866 |
| Penalties and interest on taxes | 116,142 | 96,024 |
| Other | 242,181 | 200,264 |
| Interest and dividends - Erie Thames Power Corporation | <u>558,379</u> | <u>442,987</u> |
| | 11,838,307 | 11,087,561 |
| Expenditures | | |
| General government | 1,349,797 | 1,229,848 |
| Protection to persons and property | 3,117,532 | 2,664,316 |
| Transportation services | 1,967,050 | 1,642,159 |
| Environmental services | 166,059 | 154,465 |
| Health services | 99,684 | 92,519 |
| Recreation and cultural services | 3,264,285 | 2,835,608 |
| Planning and development | <u>316,981</u> | <u>308,908</u> |
| | 10,281,388 | 8,927,823 |
| Net revenue | 1,556,919 | 2,159,738 |
| Financing and transfers | | |
| Debt principal repayments | (92,000) | (89,000) |
| Employee benefits | (17,900) | 71,308 |
| Transfers from (to) reserves and reserve funds | 448,421 | (503,311) |
| Transfers from (to) capital operations | <u>(1,538,490)</u> | <u>(1,637,243)</u> |
| | (1,199,969) | (2,158,246) |
| Change in revenue fund balance | 356,950 | 1,492 |
| Revenue fund balance, beginning of year | <u>11,016</u> | <u>9,524</u> |
| Revenue fund balance, end of year | <u>367,966</u> | <u>11,016</u> |

The Corporation of the Town of Ingersoll

Schedule of Capital Fund Operations Year ended December 31, 2007

| | 2007 \$ | 2006 \$ |
|---|---------------------------|----------------------|
| Revenues | | |
| Government grants | 154,856 | 952,342 |
| Sale of capital assets | 132,125 | 3,600 |
| Development levies earned | - | 48,555 |
| Donations and contributions from others | 133,218 | 181,534 |
| Gas tax subsidy earned | - | 193,920 |
| | <u>420,199</u> | <u>1,379,951</u> |
| Expenditures | | |
| General government | 108,236 | 3,024 |
| Protection to persons and property | 187,020 | 50,664 |
| Transportation services | 2,204,907 | 2,122,037 |
| Recreation and cultural services | 1,073,919 | 822,759 |
| Planning and development | 33,264 | 98,566 |
| | <u>3,607,346</u> | <u>3,097,050</u> |
| Net expenditure | (3,187,147) | (1,717,099) |
| Financing and transfers | | |
| Transfers from revenue fund | 1,538,490 | 1,637,243 |
| Transfers from reserves and reserve funds | 136,685 | 944,435 |
| | <u>1,675,175</u> | <u>2,581,678</u> |
| Change in capital fund balance | (1,511,972) | 864,579 |
| Capital fund balance, beginning of year | 66,031 | (798,548) |
| Capital fund balance, end of year | <u>(1,445,941)</u> | <u>66,031</u> |

The Corporation of the Town of Ingersoll

Schedule of Reserves and Reserve Funds Year ended December 31, 2007

| | 2007 \$ | 2006 \$ |
|--|-------------------------|-------------------------|
| Revenues | | |
| Investment income | 91 | 6,053 |
| Other | <u>1,100</u> | <u>17,546</u> |
| | 1,191 | 23,599 |
| Net transfers from (to) other funds | | |
| Transfers from revenue fund | (448,421) | 503,311 |
| Transfers to capital fund | <u>(136,685)</u> | <u>(944,435)</u> |
| | <u>(585,106)</u> | <u>(441,124)</u> |
| Change in reserves and reserve funds balance | (583,915) | (417,525) |
| Reserves and reserve funds balance, beginning of year | <u>1,902,029</u> | <u>2,319,554</u> |
| Reserves and reserve funds balance, end of year | <u>1,318,114</u> | <u>1,902,029</u> |
| Reserves and reserve fund balance comprised as follows: | | |
| Reserves set aside for specific purposes by Council: | | |
| Working funds | 192,278 | 192,278 |
| General government | 91,695 | 1,063,742 |
| Protection to persons and property | 310,915 | 256,115 |
| Transportation services | 300,984 | 142,186 |
| Health service | 34,324 | 34,324 |
| Recreation and cultural services | <u>185,098</u> | <u>109,383</u> |
| | 1,115,294 | 1,798,028 |
| Reserve funds set aside for specific purposes by Council: | | |
| Sick leave | 70,626 | 70,626 |
| Industrial development | <u>132,194</u> | <u>33,375</u> |
| | <u>202,820</u> | <u>104,001</u> |
| Total reserves and reserve funds | <u>1,318,114</u> | <u>1,902,029</u> |