

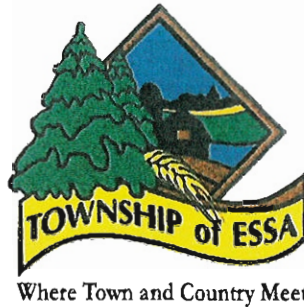
CORPORATION OF THE TOWNSHIP OF ESSA
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

CORPORATION OF THE TOWNSHIP OF ESSA
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Corporation of the Township of Essa
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CORPORATION OF THE TOWNSHIP OF ESSA

For The Year Ended December 31, 2012

MANAGEMENT REPORT

The accompanying consolidated financial statements of the Corporation of the Township of Essa are the responsibility of management and have been approved by Council.

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

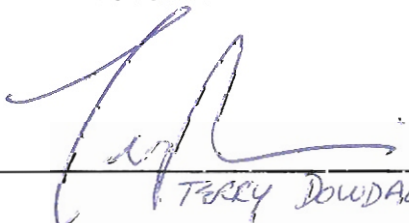
The Township maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Township's assets are appropriately accounted for and adequately safeguarded.

The Township's Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving financial statements.

Council reviews and approves the Township's financial statements for issuance to the members of Council, inhabitants and ratepayers of the Corporation of the Township of Essa. Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the financial statements and the independent auditors' report.

The consolidated financial statements have been audited by Collins Barrow Kawarthas LLP in accordance with Canadian generally accepted auditing standards on behalf of the Township. Collins Barrow Kawarthas LLP has full and free access to Council.

Mayor



TERRY DOWDALL

Date

July 3, 2013

Treasurer



Julie Barnes

Date

July 3, 2013

INDEPENDENT AUDITORS' REPORT**To the Members of Council, Inhabitants and Ratepayers of the Corporation of the Township of Essa***Report on the Financial Statements*

We have audited the accompanying consolidated financial statements of the Corporation of the Township of Essa and its local boards, which comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statements of operations and accumulated surplus, change 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 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 controls as management determines are necessary to enable the preparation of 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the 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 controls. 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 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 Township of Essa and its local boards as at December 31, 2012 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

*Collins Barrow Kawarthas LLP*Chartered Accountants
Licensed Public AccountantsPeterborough, Ontario
July 3, 2013

CORPORATION OF THE TOWNSHIP OF ESSA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2012

	2012	2011
	\$	\$
FINANCIAL ASSETS		
Cash	15,535,772	15,481,325
Investments (note 3)	3,012,155	-
Taxes receivable	2,324,785	2,080,221
Accounts receivable	2,050,228	2,804,381
Long term receivables (note 4)	105,367	148,554
TOTAL FINANCIAL ASSETS	23,028,307	20,514,481
LIABILITIES		
Accounts payable and accrued liabilities	2,649,796	2,873,171
Deferred revenue - obligatory reserve fund (note 8)	7,638,049	4,952,105
Deferred revenue - other	350,969	400,788
Long term debt (note 9)	7,873,006	8,398,823
Employee future benefits payable (note 5)	648,680	565,617
TOTAL LIABILITIES	19,160,500	17,190,504
NET FINANCIAL ASSETS	3,867,807	3,323,977
NON-FINANCIAL ASSETS		
Tangible capital assets (note 7)	103,973,370	101,693,025
Prepaid expenses	4,270	28,133
TOTAL NON-FINANCIAL ASSETS	103,977,640	101,721,158
ACCUMULATED SURPLUS (note 10)	107,845,447	105,045,135

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF ESSA

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended December 31, 2012

	Budget 2012 \$	Actual 2012 \$	Actual 2011 \$
REVENUES			
Property taxation	7,838,855	7,698,189	7,265,916
User charges	3,559,266	4,125,702	4,145,280
Government of Canada	7,233	88,943	515,309
Province of Ontario	1,801,021	1,880,679	2,462,328
Other municipalities	505,630	559,491	168,667
Penalties and interest on taxes	280,000	293,558	281,668
Investment income	134,895	240,612	245,584
Donations	38,324	51,645	42,293
Contributed capital assets	-	-	1,335,457
Developer contributions earned	1,850,904	1,673,109	4,986,211
Federal gas tax earned	-	749,576	499,628
Willoughby Road and Bridge developer contributions	1,162,600	1,426,224	-
Willoughby Road and Bridge charges earned	-	-	1,687,954
TOTAL REVENUES	17,178,728	18,787,728	23,636,295
EXPENSES			
General government	1,282,339	1,271,702	1,305,104
Protection services	4,492,140	4,109,471	3,942,316
Transportation services	3,576,610	3,544,981	3,276,557
Environmental services	4,327,253	4,484,183	4,120,966
Recreation and cultural services	2,257,530	2,221,998	2,209,417
Planning and development	354,308	355,081	280,320
TOTAL EXPENSES	16,290,180	15,987,416	15,134,680
ANNUAL SURPLUS	888,548	2,800,312	8,501,615
ACCUMULATED SURPLUS - beginning of year	105,045,135	105,045,135	96,543,520
ACCUMULATED SURPLUS - end of year	105,933,683	107,845,447	105,045,135

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF ESSA

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS For the Year Ended December 31, 2012

	Budget 2012 \$	Actual 2012 \$	Actual 2011 \$
ANNUAL SURPLUS	888,548	2,800,312	8,501,615
Amortization of tangible capital assets	2,928,050	3,189,297	2,928,049
Acquisition of tangible capital assets	(4,904,944)	(5,615,060)	(9,618,760)
Loss (gain) on disposal of tangible capital assets	-	(31,603)	123,304
Proceeds on sale of tangible capital assets	-	177,021	30,248
Contributed capital assets	-	-	(1,335,457)
(Increase)/decrease in prepaid expenses	-	23,863	(24,331)
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	(1,088,346)	543,830	604,668
NET FINANCIAL ASSETS - beginning of year	3,323,977	3,323,977	2,719,309
NET FINANCIAL ASSETS - end of year	2,235,631	3,867,807	3,323,977

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF ESSA

CONSOLIDATED STATEMENT OF CASH FLOWS For the Year Ended December 31, 2012

	2012	2011
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus	2,800,312	8,501,615
(Increase)/decrease in investments	(3,012,155)	2,007,989
(Increase)/decrease in taxes receivable	(244,564)	72,190
(Increase)/decrease in accounts receivable	754,153	(826,223)
Decrease in long term receivables	43,187	40,871
(Increase)/decrease in prepaid expenses	23,863	(24,331)
Decrease in accounts payable and accrued liabilities	(223,375)	(458,564)
Increase/(decrease) in deferred revenue - obligatory reserve fund	2,685,944	(2,643,841)
Increase/(decrease) in deferred revenue - other	(49,819)	11,506
Non-cash charges to operations		
Amortization of tangible capital assets	3,189,297	2,928,049
Loss/(gain) on disposal of tangible capital assets	(31,603)	123,304
Contributed capital assets	-	(1,335,457)
Increase in employee future benefits payable	83,063	51,389
Net increase in cash from operating transactions	6,018,303	8,448,497
CAPITAL		
Acquisition of tangible capital assets	(5,615,060)	(9,618,760)
Proceeds on disposal of tangible capital assets	177,021	30,248
Net decrease in cash from capital transactions	(5,438,039)	(9,588,512)
FINANCING		
Debt principal repayments	(525,817)	(509,590)
INCREASE/(DECREASE) IN CASH	54,447	(1,649,605)
CASH - beginning of year	15,481,325	17,130,930
CASH - end of year	15,535,772	15,481,325

The accompanying notes are an integral part of these financial statements

CORPORATION OF THE TOWNSHIP OF ESSA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

The Township of Essa is a lower tier 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

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies are as follows:

(a) Reporting Entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus 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 Township and which are owned and controlled by the Township. These financial statements include:

- Essa Public Library Board
- Angus Business Improvement Area Board

All interfund assets and liabilities and revenues and expenses are eliminated.

(b) 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, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Land improvements	15 to 30 years
Buildings	25 to 60 years
Equipment	8 to 50 years
Vehicles	10 to 25 years
Roads and bridges	7 to 75 years
Water and sanitary systems	20 to 80 years
Storm sewers	20 to 80 years

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

Tangible capital assets categorized as assets under construction are not amortized until they are put into service.

(c) Recognition of Revenues and Expenses

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

CORPORATION OF THE TOWNSHIP OF ESSA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES, *continued*

(d) Non-financial Assets

Tangible capital and other non-financial assets are accounted for as assets by the Township because they can be used to provide municipal services in future periods. These assets do not normally provide resources to discharge the liabilities of the Township unless they are sold.

(e) 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/or from reserves and reserve funds are an adjustment to the respective fund when approved.

(f) Deferred Revenue

Deferred revenue represents grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(g) Taxation

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC) and in accordance with the provisions of the Municipal Act, 2001. The Township Council establishes the tax rates annually, incorporating amounts to be raised for local services, and amounts the Township is required to collect on behalf of the County and 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 Township 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.

(h) Government Funding

Government funding is recognized in the financial statements as revenues 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 amounts can be made.

(i) Financial Instruments

The Township's financial instruments consist of cash, investments, taxes receivable, accounts receivable, long term receivables, accounts payable and accrued and long term debt. Unless otherwise noted, it is management's opinion that the carrying value of the financial instruments approximates their fair values and that the Township does not have any significant concentration of interest, currency or credit risk.

CORPORATION OF THE TOWNSHIP OF ESSA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(j) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions on such areas as employee future benefits. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period and are based on the Township's best information and judgment. Actual results could differ from these estimates.

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Township's best information and judgment. Such amounts are not expected to change materially in the near term.

- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.
- The values of employee future benefit obligations and the amount of employee future benefits charged to earnings depend on certain economic assumptions.

2. OPERATIONS OF SCHOOL BOARDS AND THE COUNTY OF SIMCOE

During 2012, requisitions were made by the County of Simcoe and School Boards requiring the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are as follows:

	School Boards \$	County \$
Amounts requisitioned and remitted	4,507,107	5,548,203

These amounts have not been included in the Consolidated Statement of Operations and Accumulated Surplus.

3. SHORT TERM INVESTMENTS

Investments consist of cash and government bonds invested with Scotia McLeod. The bonds have various maturity dates from 2014 to 2022 with interest rates ranging from 2.364% to 3.15% per annum. The investments are recorded at cost which approximates market value.

CORPORATION OF THE TOWNSHIP OF ESSA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

4. LONG TERM RECEIVABLES

Long term receivables consist of the following:

	2012	2011
	\$	\$
Note receivable, repayable in blended annual payments of \$38,057, including principal and interest at 5.5%, secured by a mortgage on real estate, matures in 2015.	79,211	111,155
Amount receivable from sewer users, repayable in blended annual payments of \$13,237, including principal and interest at 6%, matures in 2014.	26,156	37,399
	<u>105,367</u>	<u>148,554</u>

5. EMPLOYEE FUTURE BENEFITS PAYABLE

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

	2012	2011
	\$	\$
Extended health care benefits	469,479	398,834
Vacation pay entitlement	179,201	166,783
	<u>648,680</u>	<u>565,617</u>

6. EXPENSES BY OBJECT

The expenses for the year reported on the Consolidated Statement of Operations and Accumulated Surplus by object are as follows:

	Budget 2012	Actual 2012	Actual 2011
	\$	\$	\$
Salaries and benefits	3,951,461	3,668,234	3,688,109
Interest charges	308,163	308,163	324,390
Materials	3,491,534	3,043,196	3,126,941
Contracted services	5,443,457	5,643,769	4,761,613
Rents and financial	21,420	17,789	31,708
External transfers	146,095	148,571	150,566
Amortization	2,928,050	3,189,297	2,928,049
Loss (gain) on disposal of tangible capital assets	-	(31,603)	123,304
	<u>16,290,180</u>	<u>15,987,416</u>	<u>15,134,680</u>

CORPORATION OF THE TOWNSHIP OF ESSA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

7. TANGIBLE CAPITAL ASSETS

The net book value of the Township's tangible capital assets are:

	2012	2011
	\$	\$
General		
Land	17,635,969	17,663,740
Land improvements	1,591,994	1,632,426
Buildings	17,881,851	14,278,889
Equipment	13,002,240	12,737,941
Vehicles	1,962,056	2,006,896
Infrastructure		
Roads and bridges	21,105,050	15,541,046
Water and sanitary systems	21,420,756	21,641,594
Storm sewers	7,918,924	7,365,566
	102,518,840	92,868,098
Assets under construction	1,454,530	8,824,927
	103,973,370	101,693,025

For additional information, see the Consolidated Schedule of Tangible Capital Assets.

During the year there were no write-downs of assets (2011 - \$Nil) and no interest capitalized (2011 - \$Nil).

Land is further broken down between general capital assets \$5,779,909 (2011 - \$6,581,129) and infrastructure (linear) assets \$11,856,060 (2011 - \$11,082,611).

Land improvements is further broken down between general capital assets \$1,318,722 (2011 - \$1,345,845) and infrastructure (linear) assets \$273,272 (2011 - \$286,581).

	2012	2011
	\$	\$
General government	1,398,323	1,412,162
Protection services	1,421,780	1,389,396
Transportation services	34,329,705	32,829,376
Environmental services	53,103,319	52,166,487
Recreation and cultural services	13,720,243	13,895,604
	103,973,370	101,693,025

CORPORATION OF THE TOWNSHIP OF ESSA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

8. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation and external agreements restrict how these funds may be used and under certain circumstances these funds may possibly be refunded. The balances in the obligatory reserve funds of the Township are summarized below:

	2012	2011
	\$	\$
Development charges	7,418,087	4,542,375
Parkland	25,450	25,134
Willoughby Road and Bridge	35,401	-
Federal gas tax	159,111	384,596
	<u>7,638,049</u>	<u>4,952,105</u>

The continuity of deferred revenue - obligatory reserve funds is as follows:

	2012	2011
	\$	\$
Balance - beginning of year	4,952,105	7,595,946
Add amounts received:		
Development charges received	4,469,559	3,722,005
Federal gas tax received	517,624	517,624
Willoughby Road and Bridge charges received	35,200	178,200
Interest	86,246	112,123
	<u>5,108,629</u>	<u>4,529,952</u>
Less transfer to operations:		
Development charges earned	1,673,109	4,986,211
Federal gas tax earned	749,576	499,628
Willoughby Road and Bridge charges earned	-	1,687,954
	<u>2,422,685</u>	<u>7,173,793</u>
Balance - end of year	<u>7,638,049</u>	<u>4,952,105</u>

CORPORATION OF THE TOWNSHIP OF ESSA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

9. LONG TERM DEBT

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

	2012	2011
	\$	\$
Ontario Municipal Economic Infrastructure Financing Authority Debenture, matures December 2, 2019, repayable in blended semiannual payments of \$167,252, bears interest at 2.62% per annum.	2,126,695	2,400,096
Ontario Strategic Infrastructure Financing Authority Debenture, matures February 2, 2031, repayable in blended semiannual payments of \$173,452, bears interest at 4.78% per annum.	4,228,765	4,368,508
Ontario Infrastructure Projects Corporation Debenture, matures May 1, 2024, repayable in blended semiannual payments of \$76,284, bears interest at 2.49% per annum.	1,517,546	1,630,219
	<u>7,873,006</u>	<u>8,398,823</u>

- (b) The long term debt in (a) issued in the name of the Township have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing. The long term debt principal and interest payments for water will be recovered from a combination of water user charges and water development charges. The long term debt principal and interest payments for sewer will be recovered from sewer development charges.

- (c) Interest paid during the year on long term debt amounted to \$308,163 (2011 - \$324,390).

- (d) The long term debt reported in (a) of this note is repayable as follows:

	Principal	Interest	Total
	\$	\$	\$
2013	542,609	291,371	833,980
2014	559,990	273,990	833,980
2015	577,980	256,000	833,980
2016	596,605	237,375	833,980
2017	615,889	218,091	833,980
	<u>2,893,073</u>	<u>1,276,827</u>	<u>4,169,900</u>
2018 to 2022	2,356,631	809,754	3,166,385
2023 and subsequent years	2,623,302	554,257	3,177,559
	<u>7,873,006</u>	<u>2,640,838</u>	<u>10,513,844</u>

CORPORATION OF THE TOWNSHIP OF ESSA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

10. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2012	2011
	\$	\$
Surplus/(Deficit)		
Township	398,602	738,387
Waterworks	96,142	516,140
Sewer	143,734	405,776
Unfunded employee future benefits	(648,680)	(565,617)
Library	46,887	25,450
	<u>36,685</u>	<u>1,120,136</u>
Invested In Capital Assets		
Tangible capital assets - net book value	103,973,370	101,693,025
Long term debt	(7,873,006)	(8,398,823)
Unfunded capital	(888,723)	(337,987)
	<u>95,211,641</u>	<u>92,956,215</u>
Surplus	<u>95,248,326</u>	<u>94,076,351</u>
Reserves		
Working funds	1,673,321	934,935
Contingencies	37,372	37,372
Acquisition of capital assets	9,316,719	8,955,500
Operations	1,382,938	863,245
Total Reserves	<u>12,410,350</u>	<u>10,791,052</u>
Reserve Funds		
Water and sewer services	145,838	144,027
Angus Business Improvement Area	37,955	33,688
Library	2,978	17
Total Reserve Funds	<u>186,771</u>	<u>177,732</u>
	<u>107,845,447</u>	<u>105,045,135</u>

The unfunded capital balance will be funded in subsequent years through revenues collected from development charges to which these water system expansion projects relate.

CORPORATION OF THE TOWNSHIP OF ESSA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

11. PENSION AGREEMENTS

The Township 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.

Contributions required on account of current service in 2012 were \$212,795 (2011 - \$181,757).

12. BUDGET FIGURES

The budget, approved by the Township, for 2012 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Assets. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. Budget figures are not subject to audit.

13. CREDIT FACILITY AGREEMENT

The Township has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$2,000,000 via an operating loan. Any balance borrowed will accrue interest at the bank's prime lending rate less .75% per annum. Council authorized the temporary borrowing limit by By-law 2012-01. At December 31, 2012 there was a balance outstanding of \$Nil (2011 - \$Nil).

14. CONTINGENT LIABILITIES

The Township, in the course of its operations, has been named in several lawsuits the outcome of which is indeterminable at this time. No amounts in connection with these items have been reflected in these financial statements.

15. SEGMENTED INFORMATION

The Township of Essa is a municipal government organization that provides a range of services to its residents. Township services are reported by function and their activities are separately disclosed in the segmented information.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, payments-in-lieu of taxes and certain unconditional government transfers are apportioned based on each segment's net requirements.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedule of Segment Disclosure.

General Government

General government consists of the activities of Council and general financial and administrative management of the Township and its programs and services.

CORPORATION OF THE TOWNSHIP OF ESSA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2012

15. SEGMENTED INFORMATION, continued

Protection Services

Protection services include police, fire, conservation authority and protective inspection and control.

Transportation Services

The activities of the transportation function include construction and maintenance of the Township's roads and bridges, winter control and street lighting.

Water and Sewer

This function is responsible for providing water and sewer services to certain areas of the Township.

Other Environmental Services

This function is responsible for providing waste disposal and recycling services to ratepayers.

Recreation and Cultural Services

The recreation and cultural services function provides parks, indoor and outdoor recreational facilities and programs and library services.

Planning and Development

The planning and development services function manages commercial, industrial and residential development within the Township.

16. COMPARATIVE FIGURES

Certain comparative figures were restated, where required, to conform with the current year presentation.

17. COMMITMENT

The Township, along with two neighbouring municipalities, in November 2007 negotiated a five-year renewal of a joint policing contract with the Minister of Community Safety and Correctional Services of Ontario for the provision of police services by the Ontario Provincial Police (OPP). The term of this contract runs from April 1, 2008 until March 31, 2013 with the cost determined annually through a budget process. The new contract includes provision for an annual increase in the complement of the Nottawasaga OPP for each year of the contract. Either party to the agreement may terminate the contract upon one year's written notice. During the year ended December 31, 2012, the Township's total expenditure under the existing OPP contract was \$2,786,787 (2011 - \$2,524,311).

Subsequent to year end, this contract was renewed on April 1, 2013 until March 31, 2018. The Township's cost for the first contract year (April 1, 2013 to March 31, 2014) is approximately \$3.1 M (30% of the overall contract cost). This amount is expected to increase by approximately 1-2% each year for the next five years.

CORPORATION OF THE TOWNSHIP OF ESSA

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2012

	General				Infrastructure				Totals	
	Land \$	Land improvements \$	Buildings \$	Equipment \$	Vehicles \$	Roads and bridges \$	Water and sanitary systems \$	Storm sewers \$		Assets Under Construction \$
COST										
Balance, beginning of year	17,663,740	2,222,635	21,957,573	19,594,498	4,310,678	44,299,468	25,658,289	9,057,909	8,824,927	153,589,717
Add: additions during the year	-	-	-	203,173	258,786	-	-	-	5,153,101	5,615,060
Less: disposals during the year	82,095	10,300	76,320	77,592	-	385,861	-	-	-	632,168
Internal transfers	54,324	42,785	4,287,099	823,557	-	6,468,043	106,090	741,600	(12,523,498)	-
Balance, end of year	17,635,969	2,255,120	26,168,352	20,543,636	4,569,464	50,381,650	25,764,379	9,799,509	1,454,530	158,572,609
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	590,209	7,678,684	6,856,557	2,303,782	28,758,422	4,016,695	1,692,343	-	51,896,692
Add: additions during the year	-	74,634	629,398	762,431	303,626	904,038	326,928	188,242	-	3,189,297
Less: disposals during the year	-	1,717	21,581	77,592	-	385,860	-	-	-	486,750
Balance, end of year	-	663,126	8,286,501	7,541,396	2,607,408	29,276,600	4,343,623	1,880,585	-	54,599,239
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	17,635,969	1,591,994	17,881,851	13,002,240	1,962,056	21,105,050	21,420,756	7,918,924	1,454,530	103,973,370

CORPORATION OF THE TOWNSHIP OF ESSA

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE For the Year Ended December 31, 2012

	General Government \$	Protection Services \$	Transportation Services \$	Water and Sewer \$	Environmental Services \$	Other Recreation and Cultural Services \$	Planning and Development \$	Consolidated \$
Revenues								
Property taxation	865,369	2,781,605	1,448,087	-	1,320,117	1,077,155	205,856	7,698,189
User charges	80,660	481,643	100,966	2,590,133	-	658,641	213,659	4,125,702
Government transfers - operating	210,175	985,397	344,526	6,199	-	303,784	48,977	1,899,058
Government transfers - capital	-	-	-	-	-	70,564	-	70,564
Other municipalities	-	160,809	-	-	-	-	398,682	559,491
Penalties and interest on taxes	293,558	-	-	-	-	-	-	293,558
Investment income	239,203	-	-	-	-	1,409	-	240,612
Donations	-	-	-	-	-	51,645	-	51,645
Developer contributions earned	337,987	73,824	141,796	1,079,118	-	40,384	-	1,673,109
Federal gas tax earned	-	-	749,576	-	-	-	-	749,576
Willoughby Road and Bridge developer contributions	-	-	1,426,224	-	-	-	-	1,426,224
Total revenues	2,026,952	4,483,278	4,211,175	3,675,450	1,320,117	2,203,582	867,174	18,787,728
Expenses								
Salaries and benefits	890,626	733,260	666,222	130,412	-	1,003,405	244,309	3,668,234
Interest charges	-	-	-	308,163	-	-	-	308,163
Materials	272,961	277,695	1,185,986	574,758	-	622,177	109,619	3,043,196
Contracted services	87,022	2,819,235	460,652	842,098	1,320,117	113,492	1,153	5,643,769
Rents and financial	17,582	-	-	207	-	-	-	17,789
External transfers	21,276	127,295	-	-	-	-	-	148,571
Amortization	13,838	151,986	1,232,121	1,308,428	-	482,924	-	3,189,297
Loss (gain) on disposal of tangible capital assets	(31,603)	-	-	-	-	-	-	(31,603)
Total expenses	1,271,702	4,109,471	3,544,981	3,164,066	1,320,117	2,221,998	355,081	15,987,416
Net surplus/(deficit)	755,250	373,807	666,194	511,384	-	(18,416)	512,093	2,800,312

CORPORATION OF THE TOWNSHIP OF ESSA

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the Year Ended December 31, 2011

	General Government \$	Protection Services \$	Transportation Services \$	Water and Sewer \$	Other Environmental Services \$	Recreation and Cultural Services \$	Planning and Development \$	Consolidated \$
Revenues								
Property taxation	-	2,932,955	3,017,525	-	1,020,270	-	295,166	7,265,916
User charges	77,220	461,768	519,437	2,433,530	-	603,419	49,906	4,145,280
Government transfers - operating	817,686	1,127,445	-	-	-	55,936	-	2,001,067
Government transfers - capital	-	-	-	-	-	976,570	-	976,570
Other municipalities	-	168,667	-	-	-	-	-	168,667
Penalties and interest on taxes	281,668	-	-	-	-	-	-	281,668
Investment income	245,584	-	-	-	-	-	-	245,584
Donations	-	-	-	-	-	42,293	-	42,293
Contributed capital assets	-	-	1,268,277	-	-	67,180	-	1,335,457
Developer contributions earned	-	19,559	953,878	3,626,233	-	386,541	-	4,986,211
Federal gas tax earned	-	-	499,628	-	-	-	-	499,628
Willoughby Road and Bridge charges earned	-	-	1,687,954	-	-	-	-	1,687,954
Total revenues	1,422,158	4,710,394	7,946,699	6,059,763	1,020,270	2,131,939	345,072	23,636,295
Expenses								
Salaries and benefits	833,799	755,124	876,811	92,384	-	910,760	219,231	3,688,109
Interest charges	-	-	-	324,390	-	-	-	324,390
Materials	260,205	324,335	1,263,853	571,846	-	649,195	57,507	3,126,941
Contracted services	152,167	2,567,234	71,139	835,505	1,020,270	111,716	3,582	4,761,613
Rents and financial	19,373	11,567	-	770	-	(2)	-	31,708
External transfers	24,947	124,619	-	-	-	1,000	-	150,566
Amortization	14,613	159,437	1,068,754	1,275,801	-	409,444	-	2,928,049
Loss (gain) on disposal of tangible capital assets	-	-	(4,000)	-	-	127,304	-	123,304
Total expenses	1,305,104	3,942,316	3,276,557	3,100,696	1,020,270	2,209,417	280,320	15,134,680
Net surplus/(deficit)	117,054	768,078	4,670,142	2,959,067	-	(77,478)	64,752	8,501,615