

# Corporation of the City of Quinte West

## Consolidated Financial Statements

For the year ended December 31, 2010

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## Independent Auditor's Report

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To the Members of Council of the  
Corporation of the City of Quinte West

We have audited the accompanying consolidated financial statements of the Corporation of the City of Quinte West, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and notes to consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 auditor's 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 control 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 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 financial statements.

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

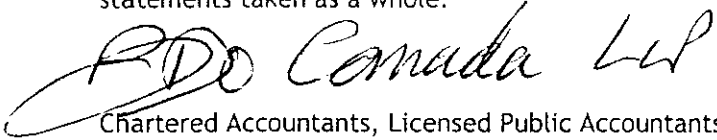
### **Opinion**

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



**Other Matters**

The financial statements of the Corporation of the City of Quinte West for the year ended December 31, 2009 were audited by another auditor who expressed an unmodified opinion on April 22, 2010. As part of our audit of the 2010 financial statements we also audited the adjustments described in Note 1 that were applied to amend the 2009 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2009 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2009 financial statements taken as a whole.

A handwritten signature in cursive script that reads "BDO Canada LLP". The signature is written in black ink and is positioned above the printed name of the firm.

Chartered Accountants, Licensed Public Accountants

Lindsay, Ontario  
May 9, 2011

**Corporation of the City of Quinte West  
Consolidated Statement of Financial Position**

December 31	2010	2009
		Restated (see Note 1)
<b>Financial assets</b>		
Cash and cash equivalents (Note 5)	\$ 18,999,453	\$ 18,772,404
Taxes receivable	2,701,618	3,407,394
Accounts receivable (Note 6)	9,049,730	6,141,363
Land held for resale	3,021,123	3,067,218
	<b>33,771,924</b>	<b>31,388,379</b>
 <b>Liabilities</b>		
Accounts payable and accrued expenses	8,213,676	6,811,022
Deferred revenue (Note 7)	2,613,430	3,908,352
Landfill liability (Note 8)	550,684	509,930
Long-term debt (Note 10)	19,038,334	13,856,235
Employee future benefits (Note 9)	3,254,041	3,291,792
	<b>33,670,165</b>	<b>28,377,331</b>
 <b>Net financial assets (Page 6)</b>	<b>101,759</b>	<b>3,011,048</b>
 <b>Contingencies and Commitments (Note 12)</b>		
 <b>Non-financial assets</b>		
Tangible capital assets (Note 15)	344,564,396	360,319,821
Inventory	177,023	183,280
Prepaid expenses	135,830	135,147
	<b>344,877,249</b>	<b>360,638,248</b>
 <b>Accumulated surplus (Note 11)</b>	<b>\$ 344,979,008</b>	<b>\$ 363,649,296</b>

On behalf of Council

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Mayor/Councillor

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Mayor/Councillor

**Corporation of the City of Quinte West  
Consolidated Statement of Operations**

For the year ended December 31	Budget 2010  (Note 14)	Actual 2010	Actual 2009  Restated (see Note 1)
<b>Revenues</b>			
Taxation levied for own purposes (Note 3)	\$ 33,331,531	\$ 34,171,181	\$ 32,665,090
Taxation from other governments	5,321,085	5,202,299	5,354,602
User charges	10,664,955	10,715,907	9,961,828
Grants	10,667,274	14,762,566	13,888,406
<b>Other</b>			
Developer contributions	500,000	705,703	334,587
Other	1,910,024	2,501,792	2,442,278
Loss on disposition of assets	-	(542,255)	(256,336)
	<u>62,394,869</u>	<u>67,517,193</u>	<u>64,390,455</u>
<b>Expenses</b>			
General government	7,337,778	6,994,425	5,626,131
Protection to persons and property	13,255,101	12,936,820	12,495,123
Transportation services	37,515,833	35,748,362	37,068,492
Environmental services	12,290,505	12,694,437	11,985,232
Health services	2,731,170	2,768,819	2,811,021
Social services	8,132,000	8,036,311	9,743,926
Recreational and cultural services	5,462,011	5,634,170	5,454,107
Planning and development	1,569,786	1,374,137	1,198,305
	<u>88,294,184</u>	<u>86,187,481</u>	<u>86,382,337</u>
<b>Annual deficit</b>	<u>(25,899,315)</u>	<u>(18,670,288)</u>	<u>(21,991,882)</u>
<b>Accumulated surplus, beginning of year</b>	363,649,296	363,649,296	381,092,732
<b>Prior period adjustment (Note 1)</b>	-	-	4,548,446
<b>Accumulated surplus, beginning of year</b>	<u>363,649,296</u>	<u>363,649,296</u>	<u>385,641,178</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 337,749,981</u>	<u>\$ 344,979,008</u>	<u>\$ 363,649,296</u>

The accompanying summary of significant accounting policies and notes are an integral part of this financial statement.

**Corporation of the City of Quinte West  
Consolidated Statement of Change in Net Financial Assets**

For the year ended December 31	Budget 2010 (Note 14)	Actual 2010	Actual 2009 Restated (see Note 1)
Annual deficit	\$ (25,899,315)	\$ (18,670,288)	\$ (21,991,882)
Acquisition of tangible capital assets	(15,165,308)	(17,690,454)	(21,368,335)
Amortization of tangible capital assets	34,387,702	32,903,624	33,608,372
Loss on sale of tangible capital assets	-	542,255	256,336
	<u>(6,676,921)</u>	<u>(2,914,863)</u>	<u>(9,495,509)</u>
Transfer of construction in progress to Acquisition inventory of supplies	-	(177,023)	(183,280)
Use/consumption of inventory of supplies	-	183,280	234,197
Acquisition of prepaid expenses	-	(135,830)	(135,147)
Use/consumption of prepaid expenses	-	135,147	128,588
	<u>-</u>	<u>5,574</u>	<u>44,358</u>
<b>Net change in net financial assets</b>	<u><b>(6,676,921)</b></u>	<u><b>(2,909,289)</b></u>	<u><b>(9,451,151)</b></u>
Net financial assets, beginning of year	3,011,048	3,011,048	11,089,730
Prior period adjustment (Note 1)	-	-	1,372,469
Net financial assets, beginning of year	<u>3,011,048</u>	<u>3,011,048</u>	<u>12,462,199</u>
<b>Net financial assets, end of year</b>	<u><b>\$ (3,665,873)</b></u>	<u><b>\$ 101,759</b></u>	<u><b>\$ 3,011,048</b></u>

The accompanying summary of significant accounting policies and notes are an integral part of this financial statement.

**Corporation of the City of Quinte West  
Consolidated Statement of Cash Flows**

For the year ended December 31	Actual 2010	Actual 2009 Restated (see Note 1)
<b>Cash flows from operating activities</b>		
Annual deficit (Page 5)	\$ (18,670,288)	\$ (21,991,882)
Items not involving cash		
Amortization	32,903,624	33,608,372
Loss on disposal of tangible capital assets	542,255	256,336
	<u>14,775,591</u>	<u>11,872,826</u>
<b>Uses</b>		
Increase in accounts receivable	(2,908,370)	(2,561,943)
Decrease in deferred revenue	(1,294,922)	-
Increase in inventory	(683)	(6,559)
<b>Sources</b>		
Decrease in taxes receivable	705,776	161,466
Decrease in land held for resale	46,095	-
Increase in accounts payable and accrued expenses	1,402,656	514,015
Increase in deferred revenue	-	582,139
Increase in landfill liability	40,754	39,298
Decrease in prepaid expenses	6,257	50,917
	<u>12,773,154</u>	<u>10,652,159</u>
<b>Cash flows from capital transactions</b>		
Acquisition of tangible capital assets	(17,690,454)	(21,368,335)
<b>Cash flows from financing activities</b>		
Municipal debt incurred	6,715,000	8,500,000
Debt principal repayments	(1,532,900)	(1,011,105)
Decrease in employee future amounts payable	(37,751)	(41,145)
	<u>5,144,349</u>	<u>7,447,750</u>
<b>Net change in cash and cash equivalents</b>	<b>227,049</b>	<b>(3,268,426)</b>
<b>Opening cash and cash equivalents</b>	<b>18,772,404</b>	<b>22,040,830</b>
<b>Closing cash and cash equivalents (Note 5)</b>	<b>\$ 18,999,453</b>	<b>\$ 18,772,404</b>

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## Corporation of the City of Quinte West Summary of Significant Accounting Policies

December 31, 2010

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**Management  
Responsibility**

These consolidated financial statements are the responsibility of the municipality's management prepared in accordance with accounting policies and standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

**Basis of Accounting**

The focus of these financial statements is on the financial position of the municipality and the changes thereto. The consolidated statement of financial position includes all the financial assets and liabilities of the municipality as well as non-financial assets. Financial assets are those assets which could provide resources to discharge existing liabilities or finance future operations. Net financial assets form a part of the financial position and is the difference between financial assets and liabilities. This provides information about the municipality's overall future revenue requirements and its ability to finance activities and meet its obligations. Non-financial assets are normally used to deliver services. Their value lies with their service potential rather than their ability to generate future cash inflows. They form part of the financial position as they provide resources that the government can employ in the future to meet its objectives. The accumulated surplus is made up of the combination of net financial assets and non-financial assets.

**Use of Estimates and  
Measurement Uncertainty**

Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates, assumptions and approximations. Included in the financial statements are estimates for post-employment benefits and landfill liabilities.

Management uses estimates based on assumptions and calculations contained in actuarial reports, modified as necessary for the passage of time. Actual results can differ from the estimates due to uncertainty. The actuarial reports and calculations are reviewed and updated periodically at which time estimates can be adjusted.

Management uses estimates based on assumptions and calculations contained in engineering reports, modified as necessary for the passage of time to determine the landfill liability. Actual results can differ from the estimates due to uncertainty. The engineering reports and calculations are reviewed and updated periodically at which time estimates can be adjusted.

Management has made estimates related to tangible capital assets both in determining fair market value of contributed assets and in the amortization policies as set out in these policies.

**Revenue Recognition**

Revenue is reported on the accrual basis of accounting. Revenues are recognized as follows:

- a) Tax revenue is recognized in the calendar year to which the tax assessment applies if the assessment is known.
- b) Fines and donations are recognized when collected.
- c) Subdivider contributions and fees for services are recognized over the period of service or when required expenditures occur if applicable.

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## Corporation of the City of Quinte West Summary of Significant Accounting Policies

December 31, 2010

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**Basis of Consolidation** These consolidated financial statements reflect the assets, liabilities, revenues and expenses of all committees of Council and the following local boards and municipal enterprises which are under the control of Council:

Quinte West Public Library Board  
Trenton Downtown Business Improvement Area  
Mount Evergreen Cemetery

All interfund and inter-entity assets, liabilities, revenues and expenses have been eliminated.

Trust funds and their related operations administered by the city are not consolidated, but are disclosed separately in Note 2.

The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in the balances of these consolidated financial statements, but are disclosed separately in Note 3.

**Tangible Capital Assets** Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly related 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 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 once the asset is available for production or use as follows:

Land Improvements	15-50 years
Buildings	15-95 years
Equipment	3-20 years
Furniture, Fixtures & Equipment	3-20 years
Computer Hardware & Software	3-5 years
Vehicles & Rolling Equipment	10-20 years
Road Network	10-50 years
Water & Sewer Network	2-80 years

**Deferred Revenue** Under PSAB accounting principles, obligatory reserve funds and any other externally restricted financing amounts must be reported as deferred revenue. Only the amount earned by qualifying expenditures in the current year is reflected as revenue in the Consolidated Statement of Operations.

**Cash and Cash Equivalents** Cash and cash equivalents consist of bank balances and investments in money market instruments with maturities of three months or less, and is net of any temporary borrowings for current purposes. Composition of the balance and restricted amounts are disclosed in Note 5.

## Corporation of the City of Quinte West Notes to Consolidated Financial Statements

December 31, 2010

### 1. Restatement of Prior Period

In the prior year land for resale and land assets were recognized at a nominal value. Generally Accepted Accounting Principles require contributed assets to be recognized at fair value as of the date of contribution. In 2010 fair value was obtained and the 2009 comparative figures have been restated to correct this measurement. This has resulted in an increase in land held for resale and tangible capital assets in 2009.

During the year it was determined that the landfill closure and post-closure liability was understated. The City of Quinte West has retroactively restated the balance. This has resulted in an increase to the landfill liability and an increase in environmental services expense in 2009.

There was a sales tax obligation payable in the Mount Evergreen Cemetery financial statements which was incorrect as the cemetery was not registered to collect sales tax. As this payable was material to the cemetery statements, a retroactive adjustment has been made. This has resulted in a decrease to accounts payable and an increase in health services expense in 2009.

	2009
<u>Statement of Financial Position</u>	
Increase in land held for resale in 2009	\$ 1,836,069
Increase in tangible capital assets in 2009	3,175,977
Increase in landfill liability in 2009	(509,930)
Decrease in accounts payable in 2009	7,290
	\$ 4,509,406
<u>Statement of Operations</u>	
Increase in expenses	
Environmental services in 2009	39,298
Health services in 2009	(258)
	(39,040)
<b>Increase in 2009 opening accumulated surplus</b>	<b>\$ 4,548,446</b>
<u>Statement of Change in Net Financial Assets</u>	
Decrease in accounts payable in 2008	\$ 7,032
Increase in landfill liability in 2008	(470,632)
Increase in land held for resale in 2008	1,836,069
	\$ 1,372,469

**Corporation of the City of Quinte West  
Notes to Consolidated Financial Statements**

December 31, 2010

**2. Trust Funds**

Trust funds administered by the municipality amounting to \$327,752 (2009 - restated \$338,594) have not been included in the Consolidated Statement of Financial Position nor have operations been included in the Consolidated Statement of Operations. Separate schedules of the trust funds have been prepared. A summary of the balances is as follows:

	<u>2010</u>	<u>2009</u>
Mount Evergreen Cemetery	\$ 273,115	\$ 267,438
Longwell Cemetery	8,062	8,588
Mount Zion Cemetery	8,285	13,026
Mount Carmel Cemetery	35,877	40,155
MacVicar Trust	2,374	2,353
Pepsico Quaker Action Centre	39	7,034
	<u>\$ 327,752</u>	<u>\$ 338,594</u>

**3. Taxation Raised on Behalf of Others**

The following amounts raised on behalf of others are not included in these financial statements.

	<u>2010</u>	<u>2009</u>
School Boards	<u>\$ 12,295,455</u>	<u>\$ 11,909,208</u>

**4. Restricted Assets**

	<u>2010</u>	<u>2009</u>
Cash (Note 5)	\$ 4,575,290	\$ 6,040,863
Short-term investments (Note 5)	1,034,416	36,663
	<u>\$ 5,609,706</u>	<u>\$ 6,077,526</u>
<b>Consists of:</b>		
Obligatory funds in deferred revenue (Note 7)	\$ 2,089,887	\$ 1,620,626
Reserve funds - capital	3,519,819	4,456,900
	<u>\$ 5,609,706</u>	<u>\$ 6,077,526</u>

**Corporation of the City of Quinte West  
Notes to Consolidated Financial Statements**

December 31, 2010

**5. Cash and Cash Equivalents**

	<u>2010</u>	<u>2009</u>
<b>Unrestricted</b>		
Unrestricted net cash	\$ 13,389,747	\$ 12,419,944
Unrestricted General Fund GIC	-	274,935
	<u>13,389,747</u>	<u>12,694,879</u>
 <b>Restricted</b>		
Restricted cash	4,575,290	6,040,863
Restricted Money Market and Bond Funds (Market value - \$1,030,823)	1,018,916	-
Restricted REID Fund GIC	15,500	15,500
Restricted Library GIC	-	21,163
	<u>5,609,706</u>	<u>6,077,526</u>
	<u>\$ 18,999,453</u>	<u>\$ 18,772,404</u>

Virtually all of the cash is on deposit at one financial institution (TD Canada Trust).

The restricted money market and bond funds are invested in the "ONE" Public Sector Group of Funds. The restricted REID Fund GIC is invested with TD Waterhouse and interest earned on these funds is restricted to the purchase of historical books in the library.

**6. Accounts Receivable**

	<u>2010</u>	<u>2009</u>
<b>Unrestricted</b>		
Canada	\$ 2,865,987	\$ 2,109,296
Ontario	4,488,815	1,880,857
Municipal	69,923	13,856
Other	1,625,005	2,137,354
	<u>9,049,730</u>	<u>6,141,363</u>

**Corporation of the City of Quinte West  
Notes to Consolidated Financial Statements**

December 31, 2010

**7. Deferred Revenue**

	2010	2009
<b>Obligatory Reserve Funds</b>		
Parkland (Planning Act)	\$ 94,270	\$ 57,165
Development Charges Act	1,995,617	1,563,461
	<u>2,089,887</u>	<u>1,620,626</u>
<b>Other deferred revenue</b>	523,543	2,287,726
	<u>\$ 2,613,430</u>	<u>\$ 3,908,352</u>

The net change during the year in the restricted deferred revenue balances is made up as follows:

	Development Charges	Parkland	Total
Opening obligatory funds	\$ 1,563,461	\$ 57,165	\$ 1,620,626
Restricted funds received	432,692	36,380	469,072
Interest earned	29,464	725	30,189
Revenue recognized	(30,000)	-	(30,000)
	<u>\$ 1,995,617</u>	<u>\$ 94,270</u>	<u>\$ 2,089,887</u>

**8. Landfill Site Closing and Post Closing Costs**

The consolidated statement of financial position reflects a liability for anticipated future costs related to the closing and monitoring of the existing landfill site. The waste site closure and post closure cost liability has been estimated at December 31, 2010 to be \$550,684 (2009 - \$509,930). This liability represents the estimated total expenditures for closure and post closure care. This liability was updated by Cambium Environmental, an engineering firm hired by the City who have experience with landfill construction, closure and on-going monitoring work and related processes. For purposes of the above calculation, the landfill has an estimated remaining life span of 24 years and remaining capacity of 80,600 cubic meters. Once closed, the site will be monitored for an estimated period of 25 years with the estimated cost of \$21,462 per year. A discount rate has been used that is equal to the rate available to the City on long-term borrowing. The estimated present value of total closure and post closure costs is \$926,893 and the estimated portion related to remaining available capacity is \$376,209. As at December 31, 2010, the landfill closure and post closure costs have not been fully financed, however a reserve has been set up for \$146,487.

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## Corporation of the City of Quinte West Notes to Consolidated Financial Statements

December 31, 2010

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### 9. Employee Future Amounts Payable

The city provides certain employee amounts which will require funding in future periods.

#### a. Vacation Payable

Vacation pay owing at December 31, 2010 of \$290,835 (2009 - \$254,504) has been fully funded from operations and included in accounts payable in these financial statements.

#### b. Pension Agreement

The municipality is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The municipality has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The municipality records as pension expense the current service cost, amortization of the past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

OMERS provides pension services to more than 409,746 active and retired members and approximately 931 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial value of the Plan was conducted at December 31, 2010. The results of this valuation disclosed total actuarial liabilities of \$60,035 million in respect of benefits accrued for service with actuarial assets at that date of \$55,568 million indicating an actuarial deficit of \$4,467 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the municipality does not recognize any share of the OMERS pension surplus or deficit. The amount contributed to OMERS for 2010 were \$774,412 (2009 - \$778,890).

**Corporation of the City of Quinte West  
Notes to Consolidated Financial Statements**

December 31, 2010

9. Employee Future Amounts Payable (Cont'd)

c. Post Employment Benefits

Under the provisions of certain employee benefit plans, an employee who, has achieved the 90 factor as determined by Ontario Municipal Employee Retirement System (OMERS), is eligible for a retirement pension from OMERS, and is under the age of 65 will be provided with Extended Health coverage.

Regular firefighters receive health benefits until death, Water and Sewer retirees with life insurance benefits also receive coverage until death. For all other groups, health benefits are terminated on the members 65th birthday. The plan requires no contribution from employees. Total benefit payments to retirees during the year were \$81,751 (2009 - \$76,153).

Actuarial valuations for accounting purposes will be performed triennially using the projected benefit method prorated on services. The last actuarial valuation was completed as at December 31, 2010. The accrued benefit obligation of \$3,254,041 shown for December 31, 2010 is based on that valuation. Actual experienced cost increases and discount rate adjustments have resulted in a net gain of \$785,247 which will be recognized over the estimated average remaining service life of the employee group.

The post-employment benefit liability at December 31, 2010 includes the following components:

	2010	2009
Actuarially determined accrued benefit obligation	\$ 2,468,794	\$ 2,017,327
Unamortized actuarial gains (losses)	785,247	1,274,465
<b>Amount to be recovered from future revenue</b>	<b>\$ 3,254,041</b>	<b>\$ 3,291,792</b>

The actuarial valuation and extrapolation were based on a number of assumptions about future events, such as wage and salary increases, and employee turnover and mortality. The assumptions used reflect the municipality's best estimates. The main actuarial assumptions employed for the extrapolation are as follows:

Expected inflation rate	2%
Discount rate	4.75%
Medical cost increases - first year	6.67%
- decreasing over 8 years to	4%
Expected rate of dental cost increase	4%
Expected rate of travel cost increase	4%
Estimated average remaining service life of the employee group	11 years

The post-employment benefit expense is reported as a component of current expenditures on the statement of financial activities. Composition of the amount is as follows:

	2010	2009
Current year benefit cost	\$ 70,852	\$ 66,155
Amortization of actuarial (gains) losses	(127,447)	(127,447)
Interest on post-employment benefit liability	100,594	96,301
<b>Total expense related to post-employment benefits</b>	<b>\$ 43,999</b>	<b>\$ 35,009</b>

**Corporation of the City of Quinte West  
Notes to Consolidated Financial Statements**

**December 31, 2010**

**10. Municipal Debt**

	2010	2009
Total long-term liabilities incurred for capital purposes by the City including those incurred on behalf of public works, Municipal Enterprise and individuals outstanding at year end	19,160,546	13,877,457
Of the long-term liabilities shown above, the responsibility for payment of principal and interest for tile drainage and shoreline property assistance loans assumed by individuals	(122,212)	(21,222)
<b>Net municipal debt</b>	<b>\$ 19,038,334</b>	<b>\$ 13,856,235</b>

a. The interest rates charged on debt range from 2.80% to 4.83%. The requirement for future repayments over the next five years and beyond are summarized as follows:

Years	2011	2012	2013	2014	2015+	Total
Principal	\$ 2,023,554	\$ 2,072,110	\$ 2,194,864	\$ 2,273,214	\$10,474,592	\$19,038,334
Interest	814,461	765,905	643,151	551,875	5,684,374	8,459,766
Total payment	\$ 2,838,015	\$ 2,838,015	\$ 2,838,015	\$ 2,825,089	\$16,158,966	\$27,498,100

b. The long-term liabilities issued in the city's name have been approved by by-law as required and the annual principal and interest payments required are within the annual debt repayment limit prescribed by the Ministry of Municipal Housing and Affairs.

c. The City of Quinte West is contingently liable for long-term liabilities with respect to tile drainage and shoreline property assistance loans. The total amount outstanding as at December 31, 2010 is \$122,212 (2009 - \$21,222) and is not recorded on the "Consolidated Statement of Financial Position."

**11. Accumulated Surplus**

	2010	2009
Total reserve and reserve funds	\$ 20,094,970	\$ 19,342,127
Capital fund	-	(1,800,000)
Land held for resale	3,021,123	3,067,218
Surplus attributable to net capital assets (Note 15)	344,564,396	360,319,821
Municipal debt to be recovered in future (Note 10)	(19,038,334)	(13,856,235)
Employee benefits payable to be recovered in future (Note 9)	(3,254,041)	(3,291,792)
Landfill liability to be recovered in future (Note 8)	(550,684)	(509,930)
Operating surplus	141,578	378,087
	<b>\$ 344,979,008</b>	<b>\$ 363,649,296</b>

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## Corporation of the City of Quinte West Notes to Consolidated Financial Statements

December 31, 2010

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### 12. Contingencies and Commitments

#### a. Credit Facility Agreement

The municipality has a revolving credit facility agreement with its main financial institution. The amount available at any time is limited to \$5 million through an operating line of credit. Any balance borrowed will bear interest at prime less .5% per annum on prime based loans, prime less .25% per annum on bankers acceptances and 1% per annum on letters of credit. Council authorized the temporary borrowing limit for 2010 in By-Law 10-13, and there was a balance owing as at December 31, 2010 of NIL, (2009 - NIL).

#### b. Other Contingencies

In the normal course of its operations, the city is subject to various litigations and claims. The ultimate outcome of these claims cannot be determined at this time. However, the city's management believes that the ultimate disposition of these matters will not have a material adverse effect on its financial position.

#### c. Legal Matters

The municipality has been named in litigation matters, the outcome of which are undeterminable and accordingly, no provision has been provided for them in these financial statements. Should any loss result from these claims, not covered by insurance, such loss would be charged to operations in the year of resolution.

#### d. Spending Commitments

The City has assumed and entered into certain agreements for collection, disposal and recycling of garbage.

The City has entered into a commitment with Hastings County to support the capital construction of the Hastings Manor in Belleville with an additional contribution of \$181,000 annually for twenty years, commencing in 2004, for a total estimated capital commitment of \$3,620,000.

The City has entered into a commitment with the Kingston Hospital Foundation to contribute a total of \$500,000 over 10 years commencing in 2008.

The City has entered into a commitment with the National Air Force Museum of Canada to contribute a total of \$500,000 over 10 years commencing in 2008.

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### 13. Comparative Figures

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

**Corporation of the City of Quinte West  
Notes to Consolidated Financial Statements**

December 31, 2010

**14. Budget Amounts**

The 2010 Budget adopted by Council on April 19, 2010 was not prepared on a basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures treated all tangible capital expenditures as expenses. As a result, the budget figures presented in the Statements of Operations and Change in Net Financial Assets represent the budget adopted by Council on April 19, 2010 with adjustments as follows:

	2010 budget adopted by Council	Non TCA expenditures from capital	2010 budget presented in statements
<b>Revenue</b>			
Taxation levied for own purposes	\$ 33,331,531	\$ -	\$ 33,331,531
Taxation from other governments	5,321,085	-	5,321,085
User charges	10,664,955	-	10,664,955
Grants	10,667,274	-	10,667,274
Other	2,410,024	-	2,410,024
	<u>62,394,869</u>	-	<u>62,394,869</u>
<b>Expenditures</b>			
General government	7,167,778	170,000	7,337,778
Protection to persons and property	13,224,151	30,950	13,255,101
Transportation services	37,475,833	40,000	37,515,833
Environmental services	12,290,505	-	12,290,505
Health services	2,731,170	-	2,731,170
Social and family	8,132,000	-	8,132,000
Recreation and cultural services	5,432,011	30,000	5,462,011
Planning and development	1,569,786	-	1,569,786
	<u>88,023,234</u>	<u>270,950</u>	<u>88,294,184</u>
Annual deficit	(25,628,365)	(270,950)	<u>\$ (25,899,315)</u>
Capital expenditures	(15,165,308)	270,950	
Transfers from (to)reserve/reserve funds	1,373,107	-	
Debt proceeds	6,341,667	-	
Debt repayment	(1,583,353)	-	
Budgeted use of prior year surplus	(34,662,252)	<u>\$ -</u>	
General levy surplus	31,810,701		
Area rating surplus	262,294		
Water and sewer surplus	2,577,000		
Library surplus	12,257		
	<u>\$ -</u>		

Corporation of the City of Quinte West  
Notes to Consolidated Financial Statements

December 31, 2010

15. Tangible Capital Assets

	General Assets						Infrastructure Assets					2010
	Land	Land Improvements	Buildings	Equipment	Furniture, Fixtures & Equipment	Computer Hardware & Software	Land	Buildings	Vehicles & Rolling Equipment	Road Network	Water & Sewer Network	
Cost, beginning of year	\$ 5,941,396	\$ 5,799,357	\$ 36,134,170	\$ 6,657,548	\$ 1,231,770	\$ 582,114	\$ 119,416	\$ 39,780,871	\$ 11,820,746	\$ 624,826,524	\$ 101,788,222	\$ 834,682,134
Additions	150,000	163,537	69,081	764,757	130,272	239,029	-	3,041,479	2,418,412	7,428,473	3,285,414	17,690,454
Disposals	-	-	(11,476)	-	(111,628)	-	-	(209,975)	(405,536)	(2,259,210)	(217,986)	(3,215,811)
Cost, end of year	\$ 6,091,396	\$ 5,962,894	\$ 36,191,775	\$ 7,422,305	\$ 1,250,414	\$ 821,143	\$ 119,416	\$ 42,612,375	\$ 13,833,622	\$ 629,995,787	\$ 104,855,650	\$ 849,156,777
Accumulated Amortization, beginning of year	\$ -	\$ 2,020,230	\$ 9,445,812	\$ 3,469,393	\$ 815,752	\$ 361,285	\$ -	\$ 21,214,144	\$ 5,812,184	\$ 395,023,373	\$ 36,200,140	\$ 474,362,313
Amortization	-	222,215	874,232	487,234	125,629	184,694	-	929,739	743,796	27,783,696	1,552,389	32,903,624
Disposals	-	-	(11,137)	-	(111,628)	-	-	(176,588)	(377,504)	(1,904,968)	(91,731)	(2,673,556)
Accumulated Amortization, end of year	\$ -	\$ 2,242,445	\$ 10,308,907	\$ 3,956,627	\$ 829,753	\$ 545,979	\$ -	\$ 21,967,295	\$ 6,178,476	\$ 420,902,101	\$ 37,660,798	\$ 504,592,381
Net book value, beginning of year	\$ 5,941,396	\$ 3,779,127	\$ 26,688,358	\$ 3,188,155	\$ 416,018	\$ 220,829	\$ 119,416	\$ 18,566,727	\$ 6,008,562	\$ 229,803,151	\$ 65,588,082	\$ 360,319,821
Net book value, end of year	\$ 6,091,396	\$ 3,720,449	\$ 25,882,868	\$ 3,465,678	\$ 420,661	\$ 275,164	\$ 119,416	\$ 20,645,080	\$ 7,655,146	\$ 209,093,686	\$ 67,194,852	\$ 344,564,396

Corporation of the City of Quinte West  
Notes to Consolidated Financial Statements

December 31, 2010

15. Tangible Capital Assets (Cont'd)

	General Assets						Infrastructure Assets					2009
	Land	Land Improvements	Buildings	Equipment	Furniture, Fixtures & Equipment	Computer Hardware & Software	Land	Buildings	Vehicles & Rolling Equipment	Road Network	Water & Sewer Network	
Cost, beginning of year	\$ 5,941,396	\$ 5,534,347	\$ 23,021,985	\$ 5,867,406	\$ 1,276,211	\$ 647,976	\$ 119,416	\$ 38,513,547	\$ 11,561,701	\$ 624,423,167	\$ 99,747,249	\$ 816,654,401
Additions	-	265,010	13,127,095	790,142	120,159	249,033	-	1,267,324	624,817	2,786,994	2,137,761	21,368,335
Disposals	-	-	(14,910)	-	(164,600)	(314,895)	-	-	(365,772)	(2,383,637)	(96,788)	(3,340,602)
Cost, end of year	\$ 5,941,396	\$ 5,799,357	\$ 36,134,170	\$ 6,657,548	\$ 1,231,770	\$ 582,114	\$ 119,416	\$ 39,780,871	\$ 11,820,746	\$ 624,826,524	\$ 101,788,222	\$ 834,682,134
Accumulated Amortization, beginning of year	\$ -	\$ 1,800,371	\$ 8,731,668	\$ 3,051,988	\$ 858,443	\$ 485,293	\$ -	\$ 20,344,985	\$ 5,517,936	\$ 368,337,045	\$ 34,710,478	\$ 443,838,207
Amortization	-	219,859	729,054	417,405	121,909	190,887	-	869,159	660,020	28,852,682	1,547,397	33,608,372
Disposals	-	-	(14,910)	-	(164,600)	(314,895)	-	-	(365,772)	(2,166,354)	(57,735)	(3,084,266)
Accumulated Amortization, end of year	\$ -	\$ 2,020,230	\$ 9,445,812	\$ 3,469,393	\$ 815,752	\$ 361,285	\$ -	\$ 21,214,144	\$ 5,812,184	\$ 395,023,373	\$ 36,200,140	\$ 474,362,313
Net book value, beginning of year	\$ 5,941,396	\$ 3,733,976	\$ 14,290,317	\$ 2,815,418	\$ 417,768	\$ 162,683	\$ 119,416	\$ 18,168,562	\$ 6,043,765	\$ 256,086,122	\$ 65,036,771	\$ 372,816,194
Net book value, end of year	\$ 5,941,396	\$ 3,779,127	\$ 26,688,358	\$ 3,188,155	\$ 416,018	\$ 220,829	\$ 119,416	\$ 18,566,727	\$ 6,008,562	\$ 229,803,151	\$ 65,588,082	\$ 360,319,821

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## Corporation of the City of Quinte West Notes to Consolidated Financial Statements

December 31, 2010

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### 15. Tangible Capital Assets (Cont'd)

The net book value of tangible capital assets not being amortized because they are under construction is \$4,256,824 (2009 - \$9,587,967).

Assets contributed to the City in 2010, consisting of Land, Road Network and Water & Sewer Network, had a fair market value of \$705,703. They have been capitalized at their fair value.

The Municipality holds various works of art and historical treasures pertaining to the heritage and history of the Corporation of the City of Quinte West. 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.

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### 16. Segmented Information

The Corporation of the City of Quinte West is a municipal government institution that provides a wide range of services to its citizens. City services are reported by function and their activities are separately disclosed in the segmented information.

For each reported segment, revenues and expenditures 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 unconditional government transfers are apportioned based on each segment's net budget requirements.

The nature of the segments and the activities they encompass are as follows:

#### **General Government**

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

#### **Protection to Persons and Property**

Protection includes fire, police and emergency control and protective inspection.

#### **Transportation Services**

The activities of the Transportation services department include the construction and maintenance of the City's roads and bridges, winter control, street lighting and transit services.

#### **Environmental Services**

The environmental services department looks after the City's water and wastewater operations as well as garbage collection and disposal.

#### **Health Services**

This service is provided through the local health unit and also encompasses costs associated with operating abandoned cemeteries within the City.

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**Corporation of the City of Quinte West  
Notes to Consolidated Financial Statements**

**December 31, 2010**

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**17. Segmented Information (Cont'd)**

**Social and Family Services**

These services are provided to the City of Quinte West through the County of Hastings who is the central service provider for the area.

**Recreational and Cultural Services**

The parks, recreation and culture function provides indoor and outdoor recreational facilities and programs, as well as maintaining our heritage and library services.

**Planning and Development**

This department manages the residential and commercial development within the City.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Corporation of the City of Quinte West  
Notes to Consolidated Financial Statements

December 31, 2010

17. Segmented Information (Cont'd)

For the year ended December 31	General government	Protection to persons and property	Transportation services	Environmental Services	Health services	Social and family services	Recreational and cultural services	Planning and Development	2010 Total
<b>Revenue</b>									
Taxation and user charges	\$ 3,440,665	\$ 6,769,171	\$ 16,225,822	\$ 9,396,380	\$ 1,281,782	\$ 3,617,488	\$ 3,341,766	\$ 814,014	\$ 44,887,088
Taxation from other governments	473,819	890,081	2,459,565	167,540	186,852	552,916	376,982	94,544	5,202,299
Government grants	495,551	1,051,762	7,555,626	4,119,773	195,422	578,275	667,276	98,881	14,762,566
Developer contributions	353,835			351,868					705,703
Other	943,404	224,841	614,428	577,002	24,334	56,140	52,043	9,600	2,501,792
Gain (loss) on disposition of assets	(382,615)			(159,640)					(542,255)
	<u>5,324,659</u>	<u>8,935,855</u>	<u>26,855,441</u>	<u>14,452,923</u>	<u>1,688,390</u>	<u>4,804,819</u>	<u>4,438,067</u>	<u>1,017,039</u>	<u>67,517,193</u>
<b>Expenses</b>									
Salaries and benefits	3,099,455	3,050,679	3,491,580	2,908,921	-	-	2,538,140	810,343	15,899,118
Materials, supplies and services	1,684,182	425,869	2,709,165	3,342,619	53,030	-	997,864	184,034	9,396,763
Contracted services	1,304,516	9,016,706	1,065,262	3,797,852	-	-	482,266	327,538	15,994,140
Interest and financial expenses	417,094	-	142,270	-	-	-	472,661	-	1,032,025
Amortization expense	374,467	408,566	28,340,085	2,645,045	-	-	1,083,239	52,222	32,903,624
Transfers to other entities	114,710	35,000	-	-	2,715,789	8,036,311	60,000	-	10,961,810
	<u>6,994,424</u>	<u>12,936,820</u>	<u>35,748,362</u>	<u>12,694,437</u>	<u>2,768,819</u>	<u>8,036,311</u>	<u>5,634,170</u>	<u>1,374,137</u>	<u>86,187,480</u>
<b>Annual deficit</b>	<b>\$ (1,669,765)</b>	<b>\$ (4,000,965)</b>	<b>\$ (8,892,921)</b>	<b>\$ 1,758,486</b>	<b>\$ (1,080,429)</b>	<b>\$ (3,231,492)</b>	<b>\$ (1,196,103)</b>	<b>\$ (357,098)</b>	<b>\$ (18,670,287)</b>

Corporation of the City of Quinte West  
Notes to Consolidated Financial Statements

December 31, 2010

17. Segmented Information (Cont'd)

For the year ended December 31	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Recreation and Cultural services	Planning and development	2009 Total
<b>Revenue</b>									
Taxation and user charges	\$ 2,738,763	\$ 5,906,298	\$ 15,994,095	\$ 8,652,704	\$ 1,227,127	\$ 4,133,495	\$ 3,236,510	\$ 737,926	\$ 42,626,918
Taxation from other governments	395,187	872,233	2,587,599	167,419	192,849	680,183	375,483	83,649	5,354,602
Government grants	342,772	874,690	9,836,078	1,468,760	167,271	589,968	536,313	72,554	13,888,406
Developer contributions	-	-	-	71,645	-	-	262,942	-	334,587
Other	580,470	169,187	535,494	838,003	24,381	67,902	218,491	8,350	2,442,278
Gain (loss) on disposition of assets	(256,336)	-	-	-	-	-	-	-	(256,336)
	<u>3,800,856</u>	<u>7,822,408</u>	<u>28,953,266</u>	<u>11,198,531</u>	<u>1,611,628</u>	<u>5,471,548</u>	<u>4,629,739</u>	<u>902,479</u>	<u>64,390,455</u>
<b>Expenses</b>									
Salaries and benefits	2,948,066	3,134,549	3,111,799	2,927,151	-	-	3,248,784	799,405	16,169,754
Materials, supplies and services	436,541	569,337	3,012,071	2,882,257	48,373	-	947,568	182,880	8,079,027
Contracted services	1,318,248	8,394,482	1,483,048	3,627,509	-	-	433,982	213,190	15,470,459
Interest and financial expenses	91,293	-	121,628	-	-	-	92,947	-	305,868
Amortization expense	599,700	386,755	29,339,946	2,548,315	-	-	730,826	2,830	33,608,372
Transfers to other entities	232,283	10,000	-	-	2,762,648	9,743,926	-	-	12,748,857
	<u>5,626,131</u>	<u>12,495,123</u>	<u>37,068,492</u>	<u>11,985,232</u>	<u>2,811,021</u>	<u>9,743,926</u>	<u>5,454,107</u>	<u>1,198,305</u>	<u>86,382,337</u>
<b>Annual deficit</b>	\$ (1,825,275)	\$ (4,672,715)	\$ (8,115,226)	\$ (786,701)	\$ (1,199,393)	\$ (4,272,378)	\$ (824,368)	\$ (295,826)	\$ (21,991,882)