



Consolidated Financial Statements

The Corporation of the Township of King

December 31, 2011

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Independent auditor's report

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To the Members of Council, Inhabitants and Ratepayers of **The Corporation of the Township of King**

We have audited the accompanying consolidated financial statements of The **Corporation of the Township of King**, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations and accumulated surplus, cash flows and change in net debt 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 financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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 consolidated 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 Township'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 Township'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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Corporation of the Township of King as at December 31, 2011, and its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matter

Without modifying our report we draw attention to the budget figures which are provided for comparative purposes only. They have not been subject to audit procedures. Accordingly, we do not express an opinion on the budget figures.

Grant Thornton LLP

Markham, Canada
June 11, 2012

Chartered Accountants
Licensed Public Accountants

THE CORPORATION OF THE TOWNSHIP OF KING
Consolidated Statement of Financial Position

December 31

2011

2010

		(Restated - Note 2)
Financial assets		
Cash	\$ 16,704,597	\$ 9,480,503
Taxes receivable	6,257,046	5,235,570
User charges receivable	633,401	562,063
Accounts receivable	<u>3,695,948</u>	<u>5,107,742</u>
	<u>27,290,992</u>	<u>20,385,878</u>
Liabilities		
Accounts payable and accrued liabilities	8,519,104	11,513,531
Accrued interest on long term debt	244,663	1,226,793
Developer and other deposits	3,015,678	3,371,951
Deferred revenue - obligatory reserve funds (Note 5)	13,968,590	4,027,010
Employee future benefits and other liabilities (Note 6)	1,566,221	1,309,880
Solid waste landfill closure and post closure (Note 8)	1,741,092	1,615,188
Long term debt (Note 9)	<u>25,075,676</u>	<u>23,343,396</u>
	<u>54,131,024</u>	<u>46,407,749</u>
Net debt (Page 6)	<u>(26,840,032)</u>	<u>(26,021,871)</u>
Non-financial assets		
Prepaid expenses	58,962	71,732
Tangible capital assets (Note 11)	<u>146,924,735</u>	<u>141,537,762</u>
	<u>146,983,697</u>	<u>141,609,494</u>
Accumulated Surplus (Note 10)	<u>\$ 120,143,665</u>	<u>\$ 115,587,623</u>

Commitments (Note 14)

Approved by

See accompanying notes to the consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF KING
Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31	Budget 2011	Actual 2011	Actual 2010
	(Unaudited - Note 3)		(Restated - Note 2)
Revenues			
Property taxation	\$ 20,232,593	\$ 16,502,102	\$ 15,105,493
Taxation from other governments	215,000	233,211	218,725
User charges	8,372,081	7,661,711	5,689,517
Government grants (Note 12)	3,280,790	5,449,392	6,478,329
Contributions from developers	2,816,252	1,595,973	2,527,657
Investment income	41,689	93,441	47,455
Penalties and interest on taxes and water billings	712,597	816,398	743,366
Local area charges	-	1,849,104	1,897,282
Environmental services	105,973	168,301	76,978
Provincial offences administration	-	34,260	76,214
Lease revenue	169,523	133,490	132,709
Donations	500	-	26,000
Other	1,325,100	1,061,581	363,577
	<u>37,272,098</u>	<u>35,598,964</u>	<u>33,383,302</u>
Expenditures			
General government	4,801,486	4,898,953	4,239,161
Protection to persons and property	4,075,458	4,074,783	3,909,819
Transportation services	8,679,124	8,818,891	7,402,342
Environmental services	4,556,535	4,066,980	3,744,412
Recreational and cultural services	5,748,735	5,906,716	5,296,772
Planning and development	1,624,481	3,276,599	4,887,603
	<u>29,485,819</u>	<u>31,042,922</u>	<u>29,480,109</u>
Annual surplus	<u>7,786,279</u>	<u>4,556,042</u>	<u>3,903,193</u>
Accumulated surplus, beginning of year, as previously reported	-	112,488,671	111,684,430
Prior period adjustment (Note 2)	-	3,098,952	-
Restated accumulated surplus, beginning of year	<u>115,587,623</u>	<u>115,587,623</u>	<u>111,684,430</u>
Accumulated surplus, end of year	<u>\$ 123,373,902</u>	<u>\$ 120,143,665</u>	<u>\$ 115,587,623</u>

See accompanying notes to the consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF KING
Consolidated Statement of Cash Flows

Year ended December 31

2011

2010

(Restated -
Note 2)

Increase (decrease) in cash

Operating activities

Annual surplus	\$ 4,556,042	\$ 3,903,193
Amortization expense	4,519,679	4,535,523
Loss (gain) on sale of tangible capital assets	28,509	(22,056)
Contributed tangible capital assets	(5,016)	(5,757)
Changes in non-cash items		
Taxes receivable	(1,021,476)	(107,082)
User charges receivable	(71,338)	(87,729)
Accounts receivable	1,411,794	(3,965,020)
Prepaid expenses	12,770	(25,061)
Accounts payable and accrued liabilities	(2,994,427)	628,815
Accrued interest on long term debt	(982,130)	1,082,724
Developer and other deposits	(356,273)	814,564
Deferred revenue - obligatory reserve funds	9,941,580	877,131
Employee benefits and other liabilities	256,341	97,617
Solid waste landfill closure and post closure liability	125,904	62,611
Cash provided by operating activities	<u>15,421,959</u>	<u>7,789,473</u>

Financing activities

Proceeds from debt issue	6,000,000	-
Interest on sinking funds	(50,080)	(10,503)
Long term debt repayment and sinking fund contributions	(4,217,640)	-
Cash provided by (used in) financing activities	<u>1,732,280</u>	<u>(10,503)</u>

Capital activities

Purchase of tangible capital assets	(9,932,941)	(12,016,918)
Proceeds from sale of tangible capital assets	2,796	36,531
Cash used in capital activities	<u>(9,930,145)</u>	<u>(11,980,387)</u>

Net increase (decrease) in cash

7,224,094 (4,201,417)

Cash, beginning of year

9,480,503 13,681,920

Cash, end of year

\$ 16,704,597 \$ 9,480,503

Supplementary information:

Interest paid	\$ <u>2,202,779</u>	\$ <u>-</u>
Interest received	\$ <u>88,906</u>	\$ <u>35,766</u>

See accompanying notes to the consolidated financial statements.

THE CORPORATION OF THE TOWNSHIP OF KING
Consolidated Statement of Change in Net Debt

Year ended December 31

2011

2010

(Restated -
Note 2)

Annual surplus	\$ <u>4,556,042</u>	\$ <u>3,903,193</u>
Acquisition of tangible capital assets	(9,932,941)	(12,016,918)
Contributed tangible capital assets	(5,016)	(5,757)
Amortization of tangible capital assets	4,519,679	4,535,523
Proceeds from sale of tangible capital assets	2,796	36,531
Loss (gain) on sale of tangible capital assets	<u>28,509</u>	<u>(22,056)</u>
	<u>(5,386,973)</u>	<u>(7,472,677)</u>
Change in prepaid expenses	<u>12,770</u>	<u>(25,061)</u>
Increase in net debt	(818,161)	(3,594,545)
Net debt, beginning of year	<u>(26,021,871)</u>	<u>(22,427,326)</u>
Net debt, end of year	\$ <u>(26,840,032)</u>	\$ <u>(26,021,871)</u>

See accompanying notes to the consolidated financial statements.

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2011

Nature of operations

The Corporation of the Township of King (the "Township") is a lower-tier municipality located in the Regional Municipality of York, 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 legislations.

1. Summary of significant accounting policies

Basis of presentation

The consolidated financial statements of the Township are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA").

Reporting entity

The consolidated statements reflect the assets, liabilities, revenues, expenditures and fund balances and include the activities of all committees of Council and the following boards and water system which are accountable for the administration of their financial affairs and resources to Council and are controlled by the Township:

The King Township Public Library Board

All inter-entity transactions and balances are eliminated on consolidation.

The taxation, other revenues, expenditures, assets and liabilities with respect to school boards and the Region of York are not reflected in the Township's consolidated financial statements except to record any resulting receivable or payable with the Township at year-end.

Accrual accounting

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual 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.

Reserves and reserve funds

Certain amounts, as approved by the Township's Council, are set aside in reserves and reserve funds for future operating and capital purposes.

Government transfers

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

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2011

1. Summary of significant accounting policies (continued)

Deferred revenue

Deferred revenues represent user charges and fees which have been collected but for which the related services have yet to be performed. These accounts will be recognized as revenues in the fiscal year the services are performed. The Township receives development charge contributions and payments in lieu of parkland under the authority of provincial legislation and Township by-laws. These funds, by their nature, are restricted in their use and, until applied to applicable capital works, are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period they are expected.

Investment income

Investment income earned is reported as revenue in the period earned. Investment income earned on development charges and parkland obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue – obligatory reserve fund balances.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributed to acquisition, construction, development or betterment of the asset. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt. The cost, less residual value of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

	<u>Useful life - years</u>
Machinery and equipment	3 - 10
Vehicles	2 - 25
Facilities	20 - 45
Land improvements	15 - 50
Transportation infrastructure	15 - 75
Environmental infrastructure	80 - 100

Assets under construction are not amortized until the asset is available for productive use. No amortization is charged in the year of acquisition.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue. Tangible capital assets conveyed from developers are recorded at the estimated engineering value at time of registration.

(iii) Interest capitalization

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2011

1. Summary of significant accounting policies (continued)

Employee future benefits

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care and dental costs. Vacation entitlements are accrued for as entitlements are earned. Sick leave benefits are accrued where they are vested and subject to payout when an employee leaves the Township's employ.

Solid waste landfill closure and post closure liability

Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. The estimated liability of these expenditures is recognized as the landfill site's capacity is used.

Subdivision infrastructure

Subdivision streets, lighting, sidewalks, drainage and other infrastructure are required to be provided by subdivision developers. Upon completion they are turned over to the municipality. The municipality is not involved in the construction and does not budget for either the contributions from the developer or the capital expenditure.

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that 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 revenues and expenditures during the year. Actual results could differ from those estimates.

2. Prior period adjustment

The Town has restated certain financial assets and revenues for 2010 as a result of a significant grant which was not originally recognized in 2010 revenue.

The effect of the changes is as follows:

	<u>2010</u>
Financial assets	
Accounts receivable, previously reported	\$ 2,008,790
Prior period adjustment	<u>3,098,952</u>
Restated	\$ <u>5,107,742</u>
Revenues	
Government grants, previously reported	\$ 3,379,377
Prior period adjustment	<u>3,098,952</u>
Restated	\$ <u>6,478,329</u>
Annual surplus	
Previously reported	\$ 804,241
Prior period adjustment	<u>3,098,952</u>
Restated	\$ <u>3,903,193</u>

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2011

3. Budget reconciliation

The authority of Council is required before moneys can be spent by the Municipality. Approvals are given in the form of an annually approved budget. The budget approved by the Council differs from the budget in the Consolidated Statement of Operations as the approved budget has been adjusted to account for the material changes due to PSAB reporting requirements.

	(Unaudited)	
	<u>Revenue</u>	<u>Expenses</u>
Council approved budget:		
Operating	\$ 29,597,510	\$ 24,966,140
Capital	<u>12,808,175</u>	<u>21,211,510</u>
Total Council approved budget	42,405,685	46,177,650
Less: Debenture proceeds included in capital budget	(5,133,587)	-
Less: Tangible capital assets capitalized	-	(21,211,510)
Add: Amortization expense	<u>-</u>	<u>4,519,679</u>
Adjusted budget per Consolidated Statement of Operations	<u>\$ 37,272,098</u>	<u>\$ 29,485,819</u>

4. Operations of district school boards and the Region of York

During 2011, requisitions were made by the district school boards and Region of York, requiring the Township to collect property taxes and payments in lieu of property taxes on their behalf. The amounts collected and remitted are summarized below:

	District School <u>Boards</u>	Region of <u>York</u>
Property taxes	\$ 12,152,487	\$ 20,631,397
Taxation from other governments	<u>-</u>	<u>62,560</u>
Amounts requisitioned and remitted	<u>\$ 12,152,487</u>	<u>\$ 20,693,957</u>

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2011

5. Deferred revenue – obligatory reserve funds

A requirement of PSAB is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as provincial legislation restricts 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:

	<u>2011</u>	<u>2010</u>
Development charges, opening balance	\$ 3,673,677	\$ 2,545,014
Add: Developer contributions	8,410,743	2,754,381
Interest earned	51,600	16,379
Deduct: Amounts used for eligible capital projects	<u>(1,219,763)</u>	<u>(1,642,097)</u>
Development charges, ending balance	<u>10,916,257</u>	<u>3,673,677</u>
Parkland reserve, opening balance	353,333	604,865
Add: Developer contributions	2,764,748	48,550
Interest earned	10,462	2,478
Deduct: Amounts used for eligible capital projects	<u>(76,210)</u>	<u>(302,560)</u>
	<u>3,052,333</u>	<u>353,333</u>
Total deferred revenue – obligatory reserve funds	\$ <u>13,968,590</u>	\$ <u>4,027,010</u>

6. Employee future benefits and other liabilities

The Township provides certain employee benefits that will require funding in future periods. Under the Township's sick leave plan, unused sick leave can accumulate and employees with five years of active service are entitled to a maximum benefit of 50% of the employee's annual salary at the date of retirement, termination or death. The Township also pays certain health, dental and life insurance benefits on behalf of its retired employees.

The Township recognizes the cost of its post retirement non-pension benefit costs and sick leave obligations in the period in which the employee rendered the services.

	<u>2011</u>	<u>2010</u>
Accrued post-retirement non-pension benefits	\$ 475,880	\$ 340,717
Vested sick leave benefits	717,501	610,334
Vacation pay	<u>372,840</u>	<u>358,829</u>
	<u>\$ 1,566,221</u>	<u>\$ 1,309,880</u>

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2011

6. Employee future benefits and other liabilities (continued)

The actuarial results for each of the plans as at December 31, 2011 are as follows:

	Post Non-Pension Benefits	Vested Sick Leave Benefits	Total <u>2011</u>	Total <u>2010</u>
Accrued benefit liability, beginning of year	\$ 340,717	\$ 610,334	\$ 951,051	\$ 923,879
Current service cost	46,736	64,418	111,154	(15,733)
Interest cost	18,362	27,596	45,958	42,905
Actuarial loss	<u>70,065</u>	<u>15,153</u>	<u>85,218</u>	<u>-</u>
Accrued benefit liability, end of year	<u>\$ 475,880</u>	<u>\$ 717,501</u>	<u>\$ 1,193,381</u>	<u>\$ 951,051</u>

Actuarial evaluations for accounting purposes are performed every three years using the projected benefit method prorated on services. The most recent actuarial report was prepared at December 31, 2011, at which date there was no unamortized actuarial losses. The average remaining service period of the active employees covered by the benefit plan is thirteen years for 2011.

The assumptions used in the December 31, 2011 actuarial valuation were:

General inflation

Future general inflation levels were assumed to be 2.0%.

Interest (discount) rate

The present value of the post employment benefit liability was determined using a discount rate of 4.0%.

Health costs

Health costs were assumed to increase at a rate of 8.0% for 2011, decreasing to 7.63% in 2012 and then decreasing over the next 6 years to a rate of 5.38%, and remain at 5.0% thereafter.

Dental costs

Dental costs were assumed to increase at a rate of 5.0% for 2011 and remain at 5.0% thereafter.

7. Pension agreement

The Township makes contributions to the Ontario Municipal Retirement System ("OMERS"), which is a multi-employer pension plan, on behalf of all permanent, full-time members of its staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by eligible employees based on the length of credited service and the average earnings.

Contributions in 2011 ranged from 7.4% to 14.1% (2010 – 6.4% to 13.1%) depending on level of earnings. The 2011 operating expense for OMERS was \$593,925 (2010 - \$512,569).

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2011

8. Solid waste landfill closure and post closure

The Township has one landfill that is closed and another that is expected to reach capacity in 2019. At December 31, 2011, the remaining capacity for waste in the active landfill is 8,631 m³ and this amount is reviewed every three years in conjunction with the valuation of the future liability. Closure costs have been estimated at \$1,135,000, at the time of estimated closure. Post closure costs include regular inspection of the cover layer and annual ground water and surface water monitoring. Post closure costs have been estimated at \$64,000 per year until 2044.

The estimated total expenditures represent the sum of the discounted future cash flows for closure and post closure activities discounted at the Township's average long term borrowing rate of 5%.

The reported liability is based on estimates and assumptions with respect to events extending over a twenty-five year period using the best information available to management. The most recent valuation was prepared on December 31, 2008 and has been updated by the Township based on changes to capacity and usage. Future events may result in significant changes to the estimated total expenditures and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

A reserve of \$570,000 (2010 - \$570,000) is established to finance the future landfill closure and post closure costs.

9. Long term debt

The long term debt incurred by the Township and outstanding at the end of the year consists of the following:

<u>By-law</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2011</u>	<u>2010</u>
98-105	Construction of sewage works in the Schomberg Industrial Subdivision	3.1% to 5.9%	2011	\$ -	\$ 157,985
99-159	Purchase of lands and premises for municipal purposes	3.1% to 5.9%	2011	-	553,914
2005-41	Construction of a water delivery system in the community of Ansnorveldt	3.1% to 4.1%	2015	136,000	197,000
2006-106	Construction of sewage works in the community of King City	4.4% to 4.6%	2017	11,084,000	12,445,000
2008-76	Construction of roads and road Repairs in the Township	5.0%	2019	10,000,000	10,000,000
2011-01	Construction of sewage works in the community of Nobleton	3.8%	2026	6,000,000	-
Total value of sinking fund assets, including amounts earned to retire the outstanding long-term debt				<u>(2,144,324)</u>	<u>(10,503)</u>
				\$ 25,075,676	\$ 23,343,396

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2011

9. Long term debt (continued)

Principal repayments, including sinking fund payments, for each of the next five years and thereafter are as follows:

2012	\$ 2,175,540
2013	2,176,540
2014	2,178,540
2015	2,179,540
2016	2,143,540
Thereafter	<u>14,221,976</u>
	<u>\$ 25,075,676</u>

The long term debt issued in the name of the Township, has been approved by by-law. The annual principal and interest payments required to service these debts are within the annual debt repayment limited prescribed by the Ministry of Municipal Affairs and Housing.

The Township anticipates future earnings of sinking funds of \$1,698,040 to retire the debt at the end of its term. The sinking fund asset is held with the Region of York. Interest expense on long term debt in 2011 amounted to \$1,037,904 (2010 - \$1,089,052).

The Township is contingently liable for the tile drainage loans as at December 31, 2011 of \$38,473 (2010 - \$42,140). As the responsibility for payment of principal and interest charges for tile drainage loans have been assumed by individuals, it is not recorded on the consolidated statement of financial position.

The Township of King passed By-law 2011-01, that approved \$22.5 million be acquired in debentures through the Region of York with Ontario Infrastructure and Lands Corporation. These debentures will fund the Nobleton Sanitary Sewer and Concurrent Works Project which has a total budgeted project cost of \$27.9 million. The debentures will be received over the period of 2011 to 2014, with the first payment of \$6 million received during 2011. The repayment period will be 10 - 15 years, depending on the terms of the debenture issued.

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2011

10. Accumulated surplus

	<u>2011</u>	<u>2010</u> (Restated - Note 2)
Accumulated surplus is comprised of the following:		
Reserves set aside for specific purposes by Council		
Acquisition of capital assets	\$ 2,800,229	\$ 1,597,494
Recreation and culture programs and facilities	150,375	110,762
Working capital	1,832,625	1,832,625
Sick leave	397,226	397,226
Personnel matters	345,000	345,000
Planning matters	128,350	158,524
Heritage preservation	34,971	35,069
Environmental matters	570,000	570,000
Election expenditures	33,108	4,115
Current operations	160,610	682,047
King City sewer capital costs	<u>20,133</u>	<u>20,133</u>
	<u>6,472,627</u>	<u>5,752,995</u>
Reserve funds set aside for specific purpose by Council		
Acquisition of capital assets	193,574	3,113,044
Gas Tax	442,923	327,604
Repayment of water and sewer debentures	(3,858,970)	(2,808,768)
Water system capital expenditures	<u>1,866,851</u>	<u>1,866,851</u>
	<u>(1,355,622)</u>	<u>2,498,731</u>
Total reserves and reserve funds	<u>5,117,005</u>	<u>8,251,726</u>
Surpluses		
Invested in tangible capital assets	146,924,735	141,537,762
Less: Lease Obligation Library	(10,425)	(25,038)
Less: amount financed by long term debt and Interest on long term debt	(25,075,676)	(23,343,396)
	(244,663)	(1,226,793)
General	(3,263,824)	(6,685,122)
Water	-	-
Library	3,826	3,552
Unfunded		
Employee benefits and post-employment liabilities	(1,566,221)	(1,309,880)
Solid waste landfill and post-closure liabilities	<u>(1,741,092)</u>	<u>(1,615,188)</u>
Total surpluses	<u>115,026,660</u>	<u>107,335,897</u>
Accumulated surplus	<u>\$ 120,143,665</u>	<u>\$ 115,587,623</u>

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2011

11. Tangible capital assets

Cost	Balance as at December 31, <u>2010</u>		Disposals/ Transfers	Balance as at December 31, <u>2011</u>	
		Additions			
Land	\$ 21,178,459	\$ -	\$ -	\$ 21,178,459	
Land improvements	4,744,354	-	-	4,744,354	
Facilities	16,076,362	14,457,827	-	30,534,189	
Vehicles	10,816,460	26,841	-	10,843,301	
Machinery and equipment	1,305,097	154,172	(212,943)	1,246,326	
Transportation infrastructure	98,398,081	1,437,972	(81,551)	99,754,502	
Environmental infrastructure	<u>28,286,868</u>	<u>367,241</u>	<u>(21,444)</u>	<u>28,632,665</u>	
	180,805,681	16,444,053	(315,938)	196,933,796	
Assets under construction	<u>39,294,064</u>	<u>3,778,050</u>	<u>(10,284,146)</u>	<u>32,787,968</u>	
	\$ <u>220,099,745</u>	\$ <u>20,222,103</u>	\$ <u>(10,600,084)</u>	\$ <u>229,721,764</u>	
Accumulated amortization	Balance as at December 31, <u>2010</u>	Amortization	Disposals	Balance as at December 31, <u>2011</u>	
Land improvements	\$ 2,577,709	\$ 158,355	\$ -	\$ 2,736,064	
Facilities	7,917,713	330,327	-	8,248,040	
Vehicles	5,560,714	698,817	-	6,259,531	
Machinery and equipment	618,714	211,271	(212,943)	617,042	
Transportation infrastructure	55,063,869	2,789,752	(60,968)	57,792,653	
Environmental infrastructure	<u>6,823,264</u>	<u>331,157</u>	<u>(10,722)</u>	<u>7,143,699</u>	
	\$ <u>78,561,983</u>	\$ <u>4,519,679</u>	\$ <u>(284,633)</u>	\$ <u>82,797,029</u>	
Net book value		Balance as at December 31, <u>2010</u>		Balance as at December 31, <u>2011</u>	
Land		\$ 21,178,459		\$ 21,178,459	
Land improvements		2,166,645		2,008,290	
Facilities		8,158,649		12,140,298	
Vehicles		5,255,746		4,583,770	
Machinery and equipment		686,383		629,284	
Transportation infrastructure		43,334,212		41,823,554	
Environmental infrastructure		<u>21,463,604</u>		<u>21,488,966</u>	
		102,243,698		103,852,621	
Assets under construction		<u>39,294,064</u>		<u>43,072,114</u>	
		\$ <u>141,537,762</u>		\$ <u>146,924,735</u>	

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2011

11. Tangible capital assets (continued)

Cost	Balance as at December 31, <u>2009</u>		Disposals/ Transfers	Balance as at December 31, <u>2010</u>	
		<u>Additions</u>			
Land	\$ 21,178,459	\$ -	\$ -	\$ 21,178,459	
Land improvements	4,611,077	177,136	(43,859)	4,744,354	
Facilities	15,746,429	329,933	-	16,076,362	
Vehicles	10,634,435	205,339	(23,314)	10,816,460	
Machinery and equipment	1,349,939	142,175	(187,017)	1,305,097	
Transportation infrastructure	98,144,017	254,064	-	98,398,081	
Environmental infrastructure	<u>28,286,868</u>	<u>-</u>	<u>-</u>	<u>28,286,868</u>	
	179,951,224	1,108,647	(254,190)	180,805,681	
Assets under construction	<u>28,382,854</u>	<u>10,916,572</u>	<u>(5,362)</u>	<u>39,294,064</u>	
	\$ <u>208,334,078</u>	\$ <u>12,025,219</u>	\$ <u>(259,552)</u>	\$ <u>220,099,745</u>	

Accumulated amortization	Balance as at December 31, <u>2009</u>		Disposals	Balance as at December 31, <u>2010</u>	
		<u>Amortization</u>			
Land improvements	\$ 2,452,882	\$ 168,686	\$ (43,859)	\$ 2,577,709	
Facilities	7,580,532	337,181	-	7,917,713	
Vehicles	4,896,858	675,513	(11,657)	5,560,714	
Machinery and equipment	594,497	211,234	(187,017)	618,714	
Transportation infrastructure	52,252,117	2,811,752	-	55,063,869	
Environmental infrastructure	<u>6,492,107</u>	<u>331,157</u>	<u>-</u>	<u>6,823,264</u>	
	\$ <u>74,268,993</u>	\$ <u>4,535,523</u>	\$ <u>(242,533)</u>	\$ <u>78,561,983</u>	

a) Assets under construction

Assets under construction and other capital work in progress having cost of \$32,787,968 (2010 - \$39,294,064) have not been amortized. Amortization of these assets will commence when the assets are put into service.

b) Contributed tangible capital assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$5,016 (2010 - \$5,757).

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2011

12. Grant revenue

Grant revenue is comprised of the following types of grants:

	<u>2011</u>	<u>2010</u> (Restated - Note 2)
Federal grant	\$ 2,397,203	\$ 3,296,771
Provincial grant	2,268,720	3,181,558
Upper tier cost sharing agreement	<u>783,469</u>	<u>-</u>
	<u>\$ 5,449,392</u>	<u>\$ 6,478,329</u>

13. Insurance coverage

The Township is self insured for insurance claims up to \$5,000 for any individual claim and for any number of claims arising out of a single occurrence. The Township has not made any provisions for self insurance claims under \$5,000 in the reserves or reserve funds. Claim costs during the year amounted to \$46,194 (2010 - \$28,655).

The Township is a member of the Ontario Municipal Insurance Exchange, which is a licensed group for liability insurance coverage. Contributions have been made to the fund for claims in excess of \$5,000 and under \$50,000,000. These contributions have been reported as expenditures on the "Consolidated Statement of Operations". The contribution for the year was \$362,383 (2010 - \$302,127).

14. Commitments

At December 31, 2011, the Township is committed to capital projects in respect of the Nobleton Sanitary sewer (Phase 1) project which totals approximately \$6.8 million, of which only \$3.3 million has been incurred. The remaining \$3.5 million is expected to be spent in 2012 and 2013.

The Township has a credit facility agreement dated September 21, 2010 with a Canadian chartered bank to borrow up to \$5,000,000 in the form of unsecured letters of credit and bankers acceptances, and up to \$3,000,000 in a demand instalment loan for capital projects. At year-end, no amounts were drawn on the credit facility.

15. Segmented information

The Township provides a wide range of services to its citizens. For management reporting purposes the Township's operations and activities are organized and reported by services they supply. Township services are provided by departments and their activities are reported. The following departments have been separately disclosed in the segmented information, along with a description of their services.

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. The Consolidated Schedule of Segment Disclosure follows the notes to the financial statements.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and the amounts that are allocated on a reasonable basis. Taxation revenue is allocated to the general government as there is no appropriate basis of allocation to other segments.

The Corporation of the Township of King

Notes to the Consolidated Financial Statements

December 31, 2011

15. Segmented information (continued)

Governance & Corporate Support

The Township Council, the Office of the CAO, Finance, Clerks and other support staff and services are included here.

Fire & Emergency Services

King Fire and Emergency Services provides fire services to the residents of King. They are responsible to provide fire suppression service, fire prevention programs, training and education related to prevention, detection or extinguishment of fires.

Bylaw & Building Services

The Township ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-law for the protection of occupants. It facilitates economic development by providing services for the approval of building permit applications.

Environmental Services

The Township provides drinking water to its citizens and collects wastewater. The solid waste and recycling program includes curbside collection of recyclables, organics, yard waste and garbage.

The Public Works department is responsible for the cleanliness, safety and maintenance of the Townships paved and unpaved roads, bridges and sidewalks.

Roads & Related Services

This includes the safety and maintenance of the Township's paved roads, sidewalks, street lights, trees, and traffic control devices.

Planning & Drainage Services

The Township creates plans for King's future. It manages urban development for business interests, environmental concerns, heritage matters, local neighborhoods through Township planning, community development, and parks planning.

Parks & Facilities

The Township provides public services that contribute to neighborhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs. It also hosts community special events throughout the year.

The Township maintains numerous recreation facilities, as well as indoor community space for booking and community use. It also maintains parks and playgrounds, open spaces and trail systems.

Public Library Services

The provision of library services contributes towards the information needs of the Township's citizens. The library also provides programs to local residents.

**The Corporation of the Town of King
Consolidated Schedule of Segment Disclosure
Year ended December 31**

	Consolidated		Governance & Corporate Support		Fire & Emergency Services	
	2011	2010 (Restated - Note 2)	2011	2010	2011	2010
Revenues						
Taxation	\$ 16,735,313	\$ 15,324,218	\$ -	\$ -	\$ -	\$ -
User charges	7,661,711	5,689,517	203,830	196,516	146,989	240,934
Grants	5,449,392	6,478,329	1,129,747	474,718	-	-
Others	5,752,548	5,891,238	1,607,757	2,053,176	-	-
	<u>35,598,964</u>	<u>33,383,302</u>	<u>2,941,334</u>	<u>2,724,410</u>	<u>146,989</u>	<u>240,934</u>
Expenditures						
Salaries, wages and benefits	11,559,559	10,724,010	2,189,877	2,234,541	1,557,760	1,552,581
Amortization	4,519,679	4,535,522	107,599	111,404	470,741	470,741
Materials and Supplies	8,166,589	6,492,751	1,957,929	1,297,443	719,648	663,362
Contracted Services	5,576,447	6,638,774	630,090	729,059	-	-
Interest on long term debt	1,220,648	1,089,052	13,895	32,411	-	-
	<u>31,042,922</u>	<u>29,480,109</u>	<u>4,899,390</u>	<u>4,404,858</u>	<u>2,748,149</u>	<u>2,686,684</u>
Net revenues / (expenditures)	\$ 4,556,042	\$ 3,903,193	\$ (1,958,056)	\$ (1,680,448)	\$ (2,601,160)	\$ (2,445,750)

**The Corporation of the Town of King
Consolidated Schedule of Segment Disclosure
Year ended December 31**

	Bylaw & Building Services		Environmental Services		Roads & Related Services	
	2011	2010	2011	2010	2011	2010
Revenues						
Taxation	\$ -	\$ -	\$ 1,009,660	\$ 1,006,005	\$ -	\$ -
User charges	1,254,232	1,333,026	2,509,380	2,036,898	1,522,378	168,179
Grants	-	-	-	-	157,170	674,304
Others	34,260	76,214	2,630,677	2,594,857	-	-
	<u>1,288,492</u>	<u>1,409,240</u>	<u>6,149,717</u>	<u>5,637,760</u>	<u>1,679,548</u>	<u>842,483</u>
Expenditures						
Salaries, wages and benefits	1,020,235	879,065	595,877	464,181	2,248,032	1,900,685
Amortization	-	-	342,677	342,677	3,019,708	3,017,690
Materials and supplies	107,407	94,702	1,758,085	1,549,182	1,908,759	1,432,272
Contracted services	200,934	250,898	894,591	833,614	1,169,930	553,580
Interest on long term debt	-	-	731,861	556,641	474,892	500,000
	<u>1,328,576</u>	<u>1,224,665</u>	<u>4,323,091</u>	<u>3,746,295</u>	<u>8,821,321</u>	<u>7,404,227</u>
Net revenues / (expenditures)	\$ (40,084)	\$ 184,575	\$ 1,826,626	\$ 1,891,465	\$ (7,141,773)	\$ (6,561,744)

**The Corporation of the Town of King
Consolidated Schedule of Segment Disclosure
Year ended December 31**

	Planning & Development, Drainage		Parks & Facilities		Public Library Services	
	2011	2010	2011	2010 (Restated - Note 2)	2011	2010
Revenues						
Taxation	\$ -	\$ -	\$ -	\$ -	\$ 1,145,221	\$ 1,113,623
User charges	526,251	194,864	1,798,379	1,739,435	42,075	41,629
Grants	-	-	4,095,998	5,260,822	66,477	68,485
Others	-	-	677,697	437,296	27,031	23,926
	<u>526,251</u>	<u>194,864</u>	<u>6,572,074</u>	<u>7,437,553</u>	<u>1,280,804</u>	<u>1,247,663</u>
Expenditures						
Salaries, wages and benefits	668,132	647,758	2,681,372	2,324,628	853,171	885,571
Amortization	-	-	407,404	425,302	171,550	167,708
Materials and supplies	22,087	25,584	1,519,982	1,316,882	259,598	210,288
Contracted services	2,586,380	4,214,260	94,522	57,363	-	-
Interest on long term debt	-	-	-	-	-	-
Others	-	-	1,145,221	1,113,623	-	-
	<u>3,276,599</u>	<u>4,887,602</u>	<u>5,848,501</u>	<u>5,237,798</u>	<u>1,284,319</u>	<u>1,263,567</u>
Net revenues / (expenditures)	\$ (2,750,348)	\$ (4,692,738)	\$ 723,573	\$ 2,199,755	\$ (3,515)	\$ (15,904)

**The Corporation of the Town of King
Consolidated Schedule of Segment Disclosure
Year ended December 31**

	Tax Revenue		Eliminations	
	2011	2010	2011	2010
Revenues				
Taxation	\$ 15,725,653	\$ 14,318,213	\$ (1,145,221)	\$ (1,113,623)
User charges	-	-	(341,803)	(261,964)
Grants	-	-	-	-
Others	775,126	705,769	-	-
	<u>16,500,779</u>	<u>15,023,982</u>	<u>(1,487,024)</u>	<u>(1,375,587)</u>
Expenditures				
Salaries, wages and benefits	-	-	(254,897)	(165,000)
Amortization	-	-	-	-
Materials and supplies	-	-	(86,906)	(96,964)
Contracted services	-	-	-	-
Interest on long term debt	-	-	-	-
Others	-	-	(1,145,221)	(1,113,623)
	<u>-</u>	<u>-</u>	<u>(1,487,024)</u>	<u>(1,375,587)</u>
Net revenues / (expenditures)	\$ <u>16,500,779</u>	\$ <u>15,023,982</u>	\$ <u>-</u>	\$ <u>-</u>