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## AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of  
The Regional Municipality of Peel

We have audited the consolidated statement of financial position of The Regional Municipality of Peel (the "Region") as at December 31, 2009 and the consolidated statements of operations, change in net financial assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the Region's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Region as at December 31, 2009 and the results of its operations, change in net financial assets and statement of cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

March 26, 2010

# The Regional Municipality of Peel

## Consolidated Statement of Financial Position

As at December 31 (All dollars in \$000)

	2009	2008 (Restated – Note 2)
<b>FINANCIAL ASSETS</b>		
Cash and short-term investments (Note 3)	\$ 227,020	\$ 296,166
Accounts receivable		
Federal and provincial governments	23,077	17,351
Other municipalities	34,148	29,816
Wastewater and water billings	34,830	31,943
Investment income	10,666	11,418
Sundry	22,923	15,670
Long-term loan receivable (Note 4)	440	-
Long-term investments (Note 3)	965,148	1,123,357
	<b>1,318,252</b>	<b>1,525,721</b>
Recoverable gross long-term debt from area municipalities	19,189	20,540
	<b>1,337,441</b>	<b>1,546,261</b>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities		
Trade accounts payable	269,764	208,794
Provincial government	28,469	16,002
Other municipalities	7,288	8,636
Deferred revenue – general	29,168	16,621
Deferred revenue – development charges	-	35,123
Landfill closure and post closure liability (Note 6)	23,362	19,835
Employee benefits and other liabilities (Note 7)	62,114	58,083
	<b>420,165</b>	<b>363,094</b>
<b>Net long-term liabilities (Notes 8 and 9)</b>		
Gross long-term liabilities incurred by the Region; assumed and recoverable from area municipalities	19,189	20,540
Mortgages payable on income – producing properties	338,868	355,036
	<b>358,057</b>	<b>375,576</b>
<b>Net Financial Assets</b>	<b>559,219</b>	<b>807,591</b>
<b>NON – FINANCIAL ASSETS</b>		
Tangible capital assets (Note 13)	7,888,200	7,487,963
Prepaid expenses	14,931	12,369
Inventory	4,728	3,685
	<b>\$ 7,907,859</b>	<b>\$ 7,504,017</b>
<b>Accumulated Surplus (Note 10)</b>	<b>\$ 8,467,078</b>	<b>\$ 8,311,608</b>

The accompanying notes are an integral part of these consolidated financial statements.

# The Regional Municipality of Peel

## *Consolidated Statement of Operations*

For the year ended December 31 (All dollars in \$000)

	2009 Budget (Unaudited – Note 12)	2009 Actual	2008 Actual (Restated – Note 2)
<b>REVENUES</b>			
Levies on area municipalities	\$ 771,528	\$ 765,913	\$ 730,870
Direct charges on ratepayers	235,281	213,342	205,953
Contributions – other governments	445,697	425,684	401,209
Contributions – developers	312,573	83,337	170,440
Investment income	60,830	63,222	64,196
Fees, service charges and other	154,214	137,784	147,759
<b>Total Revenues</b>	1,980,123	1,689,282	1,720,427
<b>EXPENSES</b>			
General Government	54,544	48,031	37,848
Protection to Persons and Property	384,480	371,551	347,927
Transportation Services	90,347	84,661	71,607
GO Transit	12,029	12,029	17,523
Gas Tax Transferred to Area Municipalities	25,393	25,391	9,789
Environmental Services	367,839	360,358	342,446
Health Services	61,223	63,914	60,611
Social and Family Services	326,147	358,748	320,223
Social Housing	150,610	149,941	140,859
GTA Pooling	40,500	40,496	50,612
Planning and Development	3,612	3,315	3,275
Assessment / Other	18,694	15,377	14,865
<b>Total Expenses</b>	1,535,418	1,533,812	1,417,585
<b>Annual Surplus</b>		155,470	302,842
<b>Accumulated Surplus, beginning of year</b>		8,311,608	8,008,766
<b>Accumulated Surplus, end of year (Note 10)</b>		\$ 8,467,078	\$ 8,311,608

The accompanying notes are an integral part of these consolidated financial statements.

# The Regional Municipality of Peel

## Consolidated Statement of Change in Net Financial Assets

For the year ended December 31 (All dollars in \$000)

	2009 Actual	2008 Actual
Annual Surplus	\$ 155,470	\$ 302,842
Acquisition of tangible capital assets	(561,358)	(355,585)
Amortization of tangible capital assets	157,777	152,290
Loss on sale of tangible capital assets	999	860
Proceeds on sale of tangible capital assets	2,345	1,296
	(244,767)	101,703
Acquisition of inventories of supplies	(11,088)	(11,912)
Acquisition of prepaid expenses	(55,215)	(37,994)
Consumption of inventories of supplies	10,045	11,680
Use of prepaid expenses	52,653	35,581
Change in net financial assets	(248,372)	\$ 99,058
Net financial assets beginning of year	807,591	708,533
Net financial assets end of year	\$ 559,219	\$ 807,591

*The accompanying notes are an integral part of these consolidated financial statements.*

# The Regional Municipality of Peel

## Consolidated Statement of Cash Flows

For the year ended December 31 (All dollars in \$000)

	2009 Actual	2008 Actual (Restated – Note 2)
<b>Operating Activities</b>		
Annual Surplus	\$ 155,470	\$ 302,842
Items not involving cash:		
Amortization of tangible capital assets	157,777	152,290
Loss on sale of tangible capital assets	999	860
Change in employee benefits and other liabilities	4,031	4,035
Change in landfill liabilities	3,527	(2,453)
Change in non-cash assets and liabilities:		
Accounts receivable	(19,446)	(10,093)
Accounts payable and accrued liabilities	72,089	33,411
Deferred revenue – general	12,547	(2,266)
Deferred revenue – development charges	(35,123)	(73,886)
Inventory	(1,043)	(2,413)
Prepaid expenses	(2,562)	(232)
Net change in cash from operating activities	348,266	402,095
<b>Capital Activities</b>		
Proceeds on sale of tangible capital assets	2,345	1,296
Cash used to acquire tangible capital assets	(561,358)	(355,585)
Net change in cash from capital activities	(559,013)	(354,289)
<b>Investing Activities</b>		
Proceeds from disposals and redemptions of investments	270,516	171,175
Portfolio investments	(112,307)	(229,489)
Increase in long-term loan receivable	(440)	-
Investments	157,769	(58,314)
<b>Financing Activities</b>		
Mortgages repaid	(16,168)	(15,338)
Net change in cash from financing activities	(16,168)	(15,338)
Net change in cash	(69,146)	(25,846)
Cash and short-term investments, beginning of year	296,166	322,012
Cash and short-term investments, end of year	227,020	296,166
Cash paid for interest	\$ 18,691	\$ 19,891
Cash received from interest	61,652	70,046

The accompanying notes are an integral part of these consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2009 (All dollars in \$000)

The Regional Municipality of Peel (“Region”) is an upper-tier municipality in the Province of Ontario (“Province”), Canada. The provisions of provincial statutes such as the *Municipal Act*, *Municipal Affairs Act* and related legislation guide its operations.

### 1. Accounting Policies

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

The focus of PSAB financial statements is on the financial position of the Region and the changes thereto. The consolidated statement of financial position reports the financial assets and liabilities, and the non-financial assets of the Region. Financial assets are those assets that could provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position and is the difference between assets and liabilities. This provides information about the Region’s overall future revenue requirements and its ability to finance activities and meet its obligations.

Significant aspects of the accounting policies adopted by the Region are as follows:

#### a) Basis of Statement Presentation

The financial statements reflect the financial activities of all entities that are accountable to and controlled by the Region including:

- Peel Police Services Board
- Peel Housing Corporation

All inter-departmental and inter-organizational transactions are eliminated on consolidation. Also included are the Regional contributions to the local conservation authorities, and the funding thereof. The Region is required, by legislation, to reimburse the Province and the Municipal Property Assessment Corporation for the cost of services provided, that are not administered or controlled by the Region. These services include:

- Greater Toronto Area Pooling (Toronto Tax)
- Assessment Services
- Social Housing (non-profit)

The costs of these services are included in the financial statements. The following programs are fully funded by the Province and excluded from the financial statements:

- Healthy Babies, Healthy Children
- Case Management
- Infectious Disease Control
- Smoke Free Ontario
- Passport Initiative
- Small Drinking Water Systems

Funds held in trust by the Region for residents of Peel Manor and Sheridan Villa Senior Citizens' Residences, the Tall Pines and Malton Village Long Term Care Centres, and the Vera M. Davis Community Care Centre in the amount of \$177 (2008 – \$203), are not included in the financial statements. The financial activity and position of the trust funds are reported separately in the trust funds financial statements.

The Region maintains a separate fund for the purpose of providing for periodic repayments on debt to be retired by means of debt retirement funds. The financial activity and position of this fund are disclosed separately in the debt retirement funds financial statements.

## **b) Basis of Accounting**

### **i) Accrual Method of Accounting**

The Region follows the accrual method of accounting. The accrual basis of accounting recognizes revenue in the period in which the transactions or events occurred that gave rise to the revenues. Expenditures are the cost of goods or services acquired in the period whether or not payment has been made or invoices received.

### **ii) Cash and Short-term Investments**

Cash and short term investments include short term highly liquid investments with a term to maturity of 90 days or less at acquisition.

### **iii) Long-term Investments**

Investment income earned on surplus current fund, capital fund, reserves and reserve funds (other than development charges) are reported as revenue in the period earned. Investment income on unspent development charges is added to deferred revenue – development charges.

Long-term investments are carried at cost. Discounts or premiums are amortized on a straight-line basis over the term of the investment.

**iv) 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 beyond the current year and are not intended for the sale in the ordinary course of operations.

i) Tangible Capital Assets:

Tangible capital assets are recorded at cost which included amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible assets, excluding land and landfill sites, are amortized on a straight line basis over their estimated use lives as follows:

Assets	Useful Life – Years
Land improvements	5 – 99
Buildings	20 – 100
Building improvements	8 – 100
Leasehold improvements	2 – 40
Equipment and furnishings	3 – 80
Linear	15 – 90
Linear improvements	50
Structures	20 – 60
Vehicles	3

Landfill sites are amortized using the units of production method based upon capacity used during the year.

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is in service.

ii) Contributions of Tangible Capital Assets:

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

iii) Interest Capitalization:

The Region does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

iv) Natural Resources:

Natural resources that have not been purchased are not recognized as assets in the financial statements.

v) Methods Used for Determining the Costs:

The financial information recorded includes the actual or estimated historical cost of tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The Region applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. The Canada-wide Consumer Price Index was used to deflate the replacement or reproduction cost to estimate historical cost in the year of acquisition.

**v) Deferred Revenue – Development Charges**

Development charges, collected under the authority of Sections 33 to 35 of the *Development Charges Act, 1997*, are reported as deferred revenue in the consolidated statement of financial position in accordance with PSAB. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal period in which the funds are expended on qualifying capital projects.

**vi) Use of Estimates**

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 and approximations.

**vii) Government Transfers**

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

**viii) Pension and Employee Benefits**

The Region accounts for its participation in the Ontario Municipal Employee Retirement System (OMERS), a multi-employer public sector pension fund, as a defined benefit plan.

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 Region's employment.

Other post-employment benefits and compensated absences are accrued in accordance with the projected benefit method, pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. Actuarial valuations, where necessary for accounting purposes, are performed triennially. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. Unamortized actuarial gains/losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups. Unamortized actuarial gains/losses for event-triggered liabilities, such as those determined as claims related to WSIB, are recognized when determined.

Costs related to prior-period employee services arising out of plan amendments are recognized in the period in which the plan is amended.

Where applicable, the Region has set aside Reserves intended to fund these obligations, either in full or in part. These Reserves were created under municipal by-law and do not meet the definition of a plan asset under CICA PS 3250 *Retirement Benefits*. Therefore, for the purposes of these financial statements, the plans are considered unfunded.

#### **ix) Foreign Currency Translation**

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at the year-end date. Revenue and expenses are translated at the exchange rate prevailing on the transaction date. Realized and unrealized exchange gains and losses are included in the consolidated statement of operations.

## **2. Change in Accounting Policies**

The Region has implemented sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets of PSAB. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. Tangible capital assets were formerly expensed as acquired.

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

Year ended December 31, 2008

(All dollars in \$000)

<b>Accumulated surplus:</b>	
Capital fund balance	\$ (13,816)
Reserves and reserve funds	1,227,134
Investment in social housing	19,968
Amounts to be recovered	(409,641)
Accumulated surplus, as previously reported	823,645
Net book value of tangible capital assets recorded	7,487,963
<b>Accumulated surplus, as restated</b>	<b>\$ 8,311,608</b>
<b>Annual surplus:</b>	
Net revenues, as previously reported	\$ 99,058
Assets capitalized but previously expensed	355,585
Amortization expense not previously recorded	(152,290)
Loss on disposal of assets	(860)
Proceeds on disposal reported as revenue	(1,296)
Change in non-financial assets previously reported as expense	2,645
<b>Annual surplus, as restated</b>	<b>\$ 302,842</b>

### 3. Investments

Cash and short-term investments have a market value of \$234,766 (2008 – \$299,730) at the end of the year. Long-term investments have a market value of \$1,001,057 (2008 – \$1,173,066), at the end of the year.

Included in investment balances are securities held and managed on behalf of the United Way of Peel Region for \$2,906 (2008 – \$3,416) and the Credit Valley Conservation for \$2,362 (2008 – \$2,266). The balances are offset by liabilities reported in the statement of financial position that are supported by a note payable to the United Way of Peel Region and by a memorandum of understanding with the Credit Valley Conservation.

### 4. Long-term Loan Receivable

The Region has entered an agreement to grant a non-interest bearing loan to Supportive Housing in Peel, an Ontario not for profit organization. The forgivable loan has a term of 20 years and is to be used for the construction of affordable housing in Peel.

## **5. Local Service Realignment Costs**

In 2009, accounts payable and accrued liabilities – Provincial Government include an obligation due to the Province for Local Service Realignment costs for social assistance attributed to Greater Toronto Area (“GTA”) Pooling of nil (2008 – nil).

Annual Local Service Realignment costs of \$40,496 (2008 – \$50,613) have been included as expenses in the consolidated statement of operations based on billings from an interim agreement with the Province for Social Housing payments.

## **6. Landfill Closure and Post Closure Liability**

*The Ontario Environmental and Protection Act* sets out regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance.

The Region has one active and 20 inactive landfill sites. The Caledon site is still in operation and has an estimated remaining life of 2.0 years, which represents 10 per cent of its total capacity. For the site that is still open, the estimated liability is recognized as the landfill site capacity is used. For inactive sites, the estimated liability for these expenditures is recognized immediately.

The estimated liability of \$23,362 (2008 – \$19,835) included in the financial statements represents the sum of the discounted future cash flows for closure and post-closure care activities discounted at the Region’s long-term borrowing rate of 2.3 per cent.

As at December 31, the Region maintained a reserve of \$24,697 (2008 – \$24,973) which will be used to fund expected future costs.

## 7. Employee Benefits and Other Liabilities

Employee benefits and other liabilities included in the financial statements are summarized below:

(All dollars in \$000)	2009	2008
Retiree Benefits Peel Police Services Board	\$ 36,092	\$ 33,414
Retiree Benefits Peel Region	5,436	4,998
Workplace Safety and Insurance Board	15,656	14,808
Development charges – credits	3,680	3,680
Other	1,250	1,183
<b>Total</b>	<b>\$ 62,114</b>	<b>\$ 58,083</b>

### a) Retiree Benefits

The liability for retiree benefits is the result of a 2009 actuarial update on the Region's and Peel Police Services Board's share of costs associated with extending the coverage for health, dental and life insurance benefits to qualifying employees. Benefit coverage, except for life insurance coverage, ceases at the age of 65. The Police Health Spending Account was amended in 2007 to increase the annual non-indexed amount to \$3,000 and also to extend the period to 10 years from age 65 to age 75 for active employees retiring after January 1, 2007.

The following significant actuarial assumptions adopted in the valuation were based on management's best estimates.

- Future discount rate 5.0 per cent per year
- Future inflation rates 2.0 per cent per year
- Future salaries Escalate at 3.0 per cent per year
- Future dental premium rates Escalate at 2.0 to 4.0 per cent per year
- Future health care premium rates:
  - Police Escalate at 3.5 per cent for 2009 (half year), 6.667 per cent for 2010 reducing to 4.0 per cent per year over 12 years; 4.0 per cent per year thereafter
  - Region of Peel Escalate at 6.85 per cent per year reducing to 4.0 per cent per year over 12 years; 3.0 per cent per year thereafter

The following are the actuarial results for the accrued benefit liability reported in the financial statements:

(All dollars in \$000)

<b>Accrued Benefit Obligation</b>	<b>2009</b>	<b>2008</b>
Balance at January 1	\$ 38,412	\$ 35,610
Add: Benefit service cost	1,986	1,871
Add: Interest accrued	2,110	1,825
Add: Benefit improvement	-	-
Deduct: Benefit payments	(1,200)	(914)
Add: Unamortized loss, beginning of year	399	419
Deduct: Unamortized loss, end of year	(179)	(399)
<b>Balance at December 31</b>	<b>\$ 41,528</b>	<b>\$ 38,412</b>

The actuarial loss is the result of assumptions used in 2008 year-end valuations that varied from assumptions used in prior valuations. These assumptions pertained to the distribution of covered employees, discount rate, escalation of health care rates, projected mortality rates and benefit coverage. The actuarial loss will be amortized over the expected average remaining service life of employees.

#### b) Workplace Safety and Insurance Board (WSIB)

The Region is a Schedule II employer under the *Workplace Safety and Insurance Act*, and therefore, self insures the entire risk of their own WSIB claims and is responsible for reimbursing the WSIB for all costs relating to its workers' claims.

The liability reported in the consolidated statement of financial position is the result of an actuarial valuation that estimated potential liabilities of the Region under the provisions of the *Workplace Safety and Insurance Act*.

The results of the actuarial valuation are as follows:

(All dollars in \$000)

<b>WSIB liability</b>	<b>2009</b>	<b>2008</b>
Accrued Benefit Obligation at January 1	\$ 14,939	\$ 13,656
Add: Estimated cost of claims (service cost)	2,797	3,111
Add: Interest accrued	749	833
Deduct: Expected benefits paid	(2,712)	(2,661)
Accrued Benefit Obligation at December 31	15,773	14,939
Deduct: Unamortized actuarial loss	(117)	(131)
<b>Liability at December 31</b>	<b>\$ 15,656</b>	<b>\$ 14,808</b>

**c) Development Charges Act – Credits**

This obligation is for lot levies received by the Region prior to 1989. Section 14 of the *Development Charges Act, 1989*, stipulates that current and former owners of land who paid a lot levy are entitled to a credit for these payments. The *Development Charges Act, 1997*, required owners and former owners to apply for such credits by October of 1999. The Region's obligation is the total of credit claims applied for, within the prescribed period.

**8. Net Long-term Liabilities**

Under the terms of *The Regional Municipality of Peel Act, 2005*, Regional Council has approved the issuing of debentures to finance its own capital expenditures and those of the area municipalities within the annual debt repayment limit prescribed by the Ministry. Debentures issued for such purposes are direct, joint and several obligations of the Region and area municipalities.

**9. Charges for Net Long-term Liabilities**

**a) Incurred by the Region of Peel**

In 1995, a debt retirement fund was established in the sinking fund to provide for the orderly retirement of gross long-term liabilities. Effective in 2006, the debt retirement fund has provided for all gross long-term liabilities incurred on behalf of the Region of Peel.

There were no interest charges (2008 – nil) reported in the consolidated statement of operations.

**b) Incurred by Peel Housing Corporation (PHC)**

(All dollars in \$000)

Mortgages payable	\$ 337,868
Note payable	1,000
<b>Total</b>	<b>\$ 338,868</b>

Mortgages of \$337,868 (2008 – \$354,036) on these properties are secured by a first charge on specific assets of PHC with amortization periods ranging from 20 to 50 years and interest rates ranging from 3.09 per cent to 12.10 per cent.

A note payable in the amount of \$1,000 is due to the tenants association of Twin Pines (PHC) and was contributed by its members. A contribution is repayable to a member of the tenants association on termination of membership with the

association. Interest is payable at the lesser of \$5 or 1 per cent of the principal balance outstanding per annum.

Estimated future principal repayments are as follows:

(All dollars in \$000)

2010	\$ 16,772
2011	17,789
2012	19,096
2013	19,910
2014	20,710
Subsequent to 2014	244,591
<b>Total</b>	<b>\$ 338,868</b>

Interest charges in the amount of \$17,776 (2008 – \$18,723) are reported in the consolidated statement of operations.

## 10. Accumulated Surplus

The accumulated surplus consists of the following balances:

<b>Surplus</b>	<b>2009</b>	<b>2008</b>
Investment in tangible capital assets and social housing	\$ 7,564,861	\$ 7,152,895
Reserves and reserve funds	1,214,678	1,227,134
Capital fund	(254,262)	(13,816)
Less: unfunded liabilities		
Retiree benefits – Peel Regional Police	(18,537)	(18,537)
Retiree benefits – Region of Peel	(2,858)	(2,858)
Workplace Safety and Insurance Board	(8,512)	(8,512)
Landfill closure costs	(23,362)	(19,835)
Other	(4,930)	(4,863)
<b>Total surplus</b>	<b>\$ 8,467,078</b>	<b>\$ 8,311,608</b>

**a) Accumulated Surplus**

The Region has a surplus management strategy which permits year-end transfers to and from reserves to manage the level of surplus carried forward into the next fiscal year. Such transfers are made to ensure that future commitments of the Region can be met without incurring debt and are based on management's planning of infrastructure replacement, property tax rate and user rate stabilization, potential exposure to program funding shortfalls and contingent liabilities. The allocation of these transfers and their purpose is disclosed annually to Regional Council following completion of the year-end audit. The financial statements include the transfers made to reserves under the surplus management strategy.

**b) Reserves and Reserve Funds**

Reserves and reserve funds are established by Regional Council as appropriate, and are included in the accumulated surplus position of the Region.

**11. Pension Agreements**

The Region, on behalf of 7,101 eligible employees, is a participant in OMERS. OMERS is a defined benefit pension plan, fully funded by equal contributions from participating employers and employees, and by the investment earnings of the OMERS Fund. OMERS pensions are calculated using a defined benefit formula, taking into account length of service and average annual wage (based upon the highest 60 consecutive months of earnings), that is designed to integrate with the pension payable from the Canada Pension Plan.

During the year the Region's contribution to OMERS for current service was \$34,941 (2008 – \$32,681).

**12. Budget Process**

The Regional Council completes a review of its operating and capital budgets each year. The approved operating budget for 2009 is reported in the consolidated statement of operations and includes an adjustment for the change in non-financial assets. The adjustment enhances comparability between budget and actual results as PSAB requirements stipulate that actual results include the expensing of the change in non-financial in the current year.

Budgets established for the capital fund and reserves and reserve funds are set on a project-oriented basis, the costs of which may be carried out over one or more fiscal years.

Also included in the budget accounts in the consolidated statement of operations are the budget accounts for PHC adjusted for inter-company transactions.

**13. Tangible Capital Assets****2008**

(All dollars in \$000)				
<b>Cost</b>	Balance at			Balance at
	December 31, 2007	Additions	Disposals	December 31, 2008
Land	\$ 996,905	\$ 17,543	\$ (1,015)	\$ 1,013,433
Land Improvements	32,176	-	-	32,176
Buildings & Building Improvements	1,355,215	15,129	(445)	1,369,899
Leasehold Improvements	13,929	1,464	-	15,393
Linear & Linear Improvements	4,785,225	48,110	-	4,833,335
Structures	145,873	1,046	-	146,919
Vehicles	48,294	10,603	(4,971)	53,926
Equipment & Furnishings	946,548	15,789	(3,397)	958,940
Construction Work in Progress	878,406	245,901	-	1,124,307
<b>Total</b>	<b>\$ 9,202,571</b>	<b>\$ 355,585</b>	<b>\$ (9,828)</b>	<b>\$ 9,548,328</b>

<b>Accumulated Amortization</b>	Balance at			Balance at
	December 31, 2007	Disposals	Amortization expense	December 31, 2008
Land	\$ -	\$ -	\$ -	\$ -
Land Improvements	4,804	-	947	5,751
Buildings & Building Improvements	313,433	(64)	26,825	340,194
Leasehold Improvements	4,668	-	1,029	5,697
Linear & Linear Improvements	1,237,697	-	74,588	1,312,285
Structures	53,285	-	3,942	57,227
Vehicles	24,392	(4,274)	6,345	26,463
Equipment & Furnishings	277,468	(3,334)	38,614	312,748
<b>Total</b>	<b>\$ 1,915,747</b>	<b>\$ (7,672)</b>	<b>\$ 152,290</b>	<b>\$ 2,060,365</b>

	Net Book Value December 31, 2007	Net Book Value December 31, 2008
Land	\$ 996,905	\$ 1,013,433
Land Improvements	27,372	26,425
Buildings & Building Improvements	1,041,782	1,029,705
Leasehold Improvements	9,261	9,696
Linear & Linear Improvements	3,547,528	3,521,050
Structures	92,588	89,692
Vehicles	23,902	27,463
Equipment & Furnishings	669,080	646,192
Construction Work in Progress	878,406	1,124,307
<b>Total</b>	<b>\$ 7,286,824</b>	<b>\$ 7,487,963</b>

**13. Tangible Capital Assets (continued)****2009**

(All dollars in \$000)				
<b>Cost</b>	Balance at			Balance at
	December 31, 2008	Additions	Disposals	December 31, 2009
Land	\$ 1,013,433	\$ 4,901	\$ (1,299)	\$ 1,017,035
Land Improvements	32,176	3,446	-	35,622
Buildings & Building Improvements	1,369,899	118,439	(223)	1,488,115
Leasehold Improvements	15,393	341	-	15,734
Linear & Linear Improvements	4,833,335	184,184	-	5,017,519
Structures	146,919	16,651	-	163,570
Vehicles	53,926	7,219	(5,043)	56,102
Equipment & Furnishings	958,940	62,229	(3,146)	1,018,023
Construction Work in Progress	1,124,307	163,948	-	1,288,255
<b>Total</b>	<b>\$ 9,548,328</b>	<b>\$ 561,358</b>	<b>\$ (9,711)</b>	<b>\$ 10,099,975</b>

<b>Accumulated Amortization</b>	Balance at			Balance at
	December 31, 2008	Disposals	Amortization expense	December 31, 2009
Land	\$ -	\$ -	\$ -	\$ -
Land Improvements	5,751	-	1,008	6,759
Buildings & Building Improvements	340,194	(35)	28,789	368,948
Leasehold Improvements	5,697	-	976	6,673
Linear & Linear Improvements	1,312,285	-	76,043	1,388,328
Structures	57,227	-	3,986	61,213
Vehicles	26,463	(4,231)	6,836	29,068
Equipment & Furnishings	312,748	(2,101)	40,139	350,786
<b>Total</b>	<b>\$ 2,060,365</b>	<b>\$ (6,367)</b>	<b>\$ 157,777</b>	<b>\$ 2,211,775</b>

	Net Book Value December 31, 2008	Net Book Value December 31, 2009
Land	\$ 1,013,433	\$ 1,017,035
Land Improvements	26,425	28,863
Buildings & Building Improvements	1,029,705	1,119,167
Leasehold Improvements	9,696	9,061
Linear & Linear Improvements	3,521,050	3,629,191
Structures	89,692	102,357
Vehicles	27,463	27,034
Equipment & Furnishings	646,192	667,237
Construction Work in Progress	1,124,307	1,288,255
<b>Total</b>	<b>\$ 7,487,963</b>	<b>\$ 7,888,200</b>

- a) Assets under construction having a value of \$1,288,255 (2008 – \$1,124,307) have not been amortized. Amortization of these assets will commence when the asset is put into service.
- b) The Region manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Region sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.
- c) The write-down of tangible capital assets during the year was \$978 (2008 – nil) in the statement of operations.

#### 14. Regional Expenses

The consolidated statement of operations reports expenses for the Region by functions or by business programs. The following is a summary of expenses by object.

(All dollars in \$000)	2009	2008
Salary and wages	\$ 549,890	\$ 513,922
Services and rents	312,156	291,948
Grants and transfer payments	330,303	294,482
Materials and supplies	75,163	63,949
Amortization	157,777	152,290
Other operational expenses	89,538	81,058
Debt charges	18,985	19,936
<b>Total</b>	<b>\$ 1,533,812</b>	<b>\$ 1,417,585</b>

#### 15. Contractual Obligations and Contingent Liabilities

- a) As at December 31, 2009 outstanding contractual obligations for capital works amounted to approximately \$520,823 (2008 – \$455,309). Regional Council has authorized the financing of these obligations.
- b) As at December 31, 2009 the Region has been named as defendant or co-defendant in a number of outstanding legal actions. No provision has been made for any claims that are expected to be covered by insurance or where the consequences are undeterminable. A provision of \$8,024 (2008 – \$6,968) has been made for those claims not expected to be covered by insurance.

- c) Under the terms of various operating lease agreements, future minimum payments are as follows:

(All dollars in \$000)	
2010	\$ 6,993
2011	3,861
2012	3,159
2013	2,300
2014	1,608
Subsequent to 2014	1,005
<b>Total</b>	<b>18,926</b>

- d) Under a 10-year service agreement, effective January 1, 2010, the Region has contracted the operations of the South Peel wastewater and water treatment systems to the Ontario Clean Water Agency (“OCWA”).

Included in the consolidated statement of operations are the 2009 charges from OCWA totaling \$21,995 (2008 – \$19,398). The consolidated statement of financial position reflects only the capital assets of the wastewater and water treatment facilities and the service charges due to or from OCWA.

- e) The Peel Regional Police provide policing services to the Greater Toronto Airports Authority (GTAA). Under a service agreement, the GTAA provides funding to fully offset any costs incurred by the Peel Regional Police. In 2009, the Peel Regional Police received \$14,925 (2008 – \$14,959) from the GTAA.
- f) Under a \$557,000 contract approved by the Region in 2005 and amended in 2009, Waste Management of Canada Corporation, effective 2010, will provide 22.5 years of waste disposal capacity at current market rates and 6 years of waste collection services for Peel residents.
- g) The Region has issued letters of credit for \$2,896 (2008 – \$2,853) in order to meet the credit requirements and conditions of certain agreements related to capital projects.

## 16. *Municipal Act, 2001*

As part of its planned implementation of Current Value Assessment (“CVA”), the Province has mandated a transitional phase that requires municipalities to cap assessment-related tax increases on portions of properties in the commercial, industrial and multi-residential property classes. These assessment-related tax adjustments will be capped using a number of Council-adopted parameters designed to maximize the number of properties moving to full CVA-based taxation. The legislation provides that the costs of capping can be funded through the reduction of previously indicated assessment-related property tax decreases.

While the area municipalities have the jurisdiction responsibility for managing the tax collection system, the Region is responsible for acting as the “banker” in order to balance out the overall impact of the capping initiative on a broader Regional basis. Implementation may cause some year-to-year variances, although they are not expected to be material in nature. Regional Council has provided general direction that any such assessment variance may be funded through the use of general corporate reserves set aside for this purpose.

## **17. Comparative Figures**

Certain 2008 comparative figures have been reclassified to conform to the presentation adopted in the current year.

## **18. Segmented Information**

The Region of Peel is a diversified municipal government institution providing a wide range of services to its residents that include General Government, Protection to Persons and Property, Transportation, Environmental, Health and Regional Planning Services. The Region also controls and administers Peel Housing Corporation, a non-profit housing company.

For management reporting purposes the Region’s operations and activities are reported by Program Services. Program Services were created for the purpose of recording specific activities to attain certain objectives in accordance with regulations, restrictions or limitations. Regional services are provided by divisions and their activities are reported in the Program Services. Divisions disclosed in the Segmented Information, along with the services they provide are as follows:

### **General Government**

General Government is comprised of divisions under Employee and Business Services, Corporate Services and the Executive Office, Council, the Office of the Chief Information Officer (CIO) and the Office of the Strategic Innovation & Policy. These divisions provide direct support to the various citizen-facing Regional services, as well as Council and Committee. These divisions also supply financial and administrative leadership for the Regional Corporation. Regional planning provides planning policy & research and development planning services which respond to the growth and change experienced in Peel.

Also included are corporate expenses and revenues that are not directly attributable to any individual service, but do impact the overall tax requirement.

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

Protection to Property and Persons consists of Police, Ambulance and the Conservation authorities. Police Services partners with the community to maintain

social order and contribute to a safe environment in which to live, work and visit. The mandate of Ambulance Services is to decrease suffering, improve and promote community safety. Funding is provided to support the operating costs, special projects and land purchases for three Conservation authorities in the Region.

### **Transportation Services**

Transportation Services is responsible for Roads and TransHelp services. The mandate of the Roads division is to provide safe, reliable and secure roads while respecting the environment. TransHelp provides transit services to Peel residents unable to utilize conventional modes of transportation.

### **Environmental Services**

Environmental Services is responsible for Water, Wastewater and Waste Management Services. The Water Program sustainably delivers high quality drinking water, and the related support services, in an efficient and reliable manner. The mandate of Wastewater is to manage, collect and treat municipal wastewater. Waste Management provides environmentally sustainable waste management services to residents and small businesses while maximizing recovery of valuable resources.

### **Health Services**

Health Services are mandated by the *Ontario Health Protection and Promotion Act* and other legislation. Public Health provides programs and services in six key areas: communicable disease control and prevention, clinical services, enforcement, youth and adult illness prevention, early childhood development and health surveillance.

### **Social and Family Services**

Children's Services plans, manages and coordinates a Region-wide early learning and child care system. Long Term Care operates five long-term care facilities for seniors. The Ontario Works and Ontario Disability Support Programs deliver a range of programs providing employment and financial assistance to residents in need.

### **Social Housing**

Social Housing is responsible for administering social housing providers, the rent supplement programs and managing a social housing waiting list.

Peel Housing Corporation is a non-profit housing company providing over 16,000 residents with affordable rental units.

### **Other**

GTA Pooling is the funding of social housing and general assistance across the GTA. Assessment Services is the funding to the Municipal Property Assessment Corporation, which administers province-wide property assessment services for municipalities. This segment also includes the Federal Gas Tax Revenue that is transferred to lower-tier municipalities.

