

Consolidated financial statements of

**The Regional Municipality of Peel**

December 31, 2010

# The Regional Municipality of Peel

December 31, 2010

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## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of the Regional Municipality of Peel, 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 of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 financial position of the Regional Municipality of Peel as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Other Matter**

The consolidated financial statements of the prior period, which are included for comparative purposes, were audited by a predecessor auditor who issued an unmodified opinion dated March 26, 2010.

*Deloitte & Touche LLP*

Chartered Accountants  
Licensed Public Accountants  
April 21, 2011

# The Regional Municipality of Peel

## Consolidated statement of financial position

as at December 31, 2010

(In thousands of dollars)

	2010	2009 (Restated - Note 2)
	\$	\$
<b>Financial assets</b>		
Cash and short-term investments (Note 3)	385,798	227,020
Accounts receivable		
Federal and provincial governments	57,033	23,077
Other municipalities	101,925	34,148
Wastewater and water billings	35,505	34,830
Accrued interest	7,625	10,666
Sundry	26,314	22,923
Long-term loan receivable (Note 4)	6,874	440
Long-term investments (Note 3)	770,826	965,148
Recoverable gross long-term debt from area municipalities (Note 8)	22,901	19,189
	<b>1,414,801</b>	<b>1,337,441</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities		
Trade accounts payable	343,501	269,764
Provincial government	36,924	28,469
Other municipalities	4,203	7,288
Deferred revenue	49,120	40,187
Landfill closure and post closure liability (Note 6)	19,345	23,362
Employee benefits and post-employment liabilities (Note 7)	61,525	57,184
Other liabilities	4,880	4,930
Long-term debt (Note 8)	323,613	19,189
Mortgages payable on income - producing properties (Note 8)	321,814	338,868
	<b>1,164,925</b>	<b>789,241</b>
<b>Net financial assets</b>	<b>249,876</b>	<b>548,200</b>
Non-financial assets		
Tangible capital assets (Note 12)	8,575,512	7,888,200
Prepaid expenses	16,053	14,931
Inventory	4,708	4,728
	<b>8,596,273</b>	<b>7,907,859</b>
<b>Accumulated surplus (Note 9)</b>	<b>8,846,149</b>	<b>8,456,059</b>

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

# The Regional Municipality of Peel

## Consolidated statement of operations year ended December 31, 2010

(In thousands of dollars)

	2010 Budget (Unaudited - Note 11)	2010	2009 (Restated - Note 2)
	\$	\$	\$
<b>Revenues</b>			
Levies on area municipalities	800,388	806,025	765,913
Direct charges on ratepayers	237,769	228,537	213,342
Contributions - other governments	710,412	593,570	421,523
Contributions - developers	405,285	91,804	83,337
Contributed capital assets	-	116,342	-
Investment income	62,668	47,912	62,829
Fees, service charges and other	124,847	149,037	137,784
<b>Total revenues</b>	<b>2,341,369</b>	<b>2,033,227</b>	<b>1,684,728</b>
<b>Expenses (Note 13)</b>			
General government	48,495	44,070	48,031
Protection to persons and property	403,194	407,917	371,551
Transportation services	95,931	89,197	84,661
GO Transit	8,343	8,344	12,029
Gas tax transferred to area municipalities	25,393	29,523	25,391
Environmental services	393,167	383,251	360,358
Health services	67,480	68,425	63,914
Social and family services	381,868	377,561	358,748
Social housing	186,509	185,026	149,941
GTA Pooling	30,406	30,372	40,496
Planning and development	4,453	3,709	3,315
Assessment/other	15,742	15,742	15,377
<b>Total expenses</b>	<b>1,660,981</b>	<b>1,643,137</b>	<b>1,533,812</b>
Annual surplus	680,388	390,090	150,916
Accumulated surplus, beginning of year	8,456,059	8,456,059	8,305,143
<b>Accumulated surplus, end of year (Note 9)</b>	<b>9,136,447</b>	<b>8,846,149</b>	<b>8,456,059</b>

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

### year ended December 31, 2010

(In thousands of dollars)

	2010 Budget (Unaudited - Note 11)	2010	2009 (Restated - Note 2)
	\$	\$	\$
<b>Annual surplus</b>	<b>680,388</b>	<b>390,090</b>	150,916
Acquisition of tangible capital assets	<b>(740,000)</b>	<b>(741,978)</b>	(561,358)
Amortization of tangible capital assets	<b>170,000</b>	<b>169,926</b>	157,777
Contributed tangible assets	<b>(116,000)</b>	<b>(116,342)</b>	-
Loss on sale of tangible capital assets	-	<b>189</b>	999
Proceeds on sale of tangible capital assets	-	<b>893</b>	2,345
	<b>(5,612)</b>	<b>(297,222)</b>	(249,321)
Acquisition of inventories of supplies	-	<b>(7,873)</b>	(11,088)
Acquisition of prepaid expenses	-	<b>(5,181)</b>	(55,215)
Consumption of inventories of supplies	-	<b>7,893</b>	10,045
Use of prepaid expenses	-	<b>4,059</b>	52,653
Change in net financial assets	<b>(5,612)</b>	<b>(298,324)</b>	(252,926)
Net financial assets, beginning of year	<b>253,630</b>	<b>548,200</b>	801,126
<b>Net financial assets, end of year</b>	<b>248,018</b>	<b>249,876</b>	548,200

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

# The Regional Municipality of Peel

## Consolidated statement of cash flows

year ended December 31, 2010

(In thousands of dollars)

	2010	2009 (Restated - Note 2)
	\$	\$
<b>Operating activities</b>		
Annual surplus	390,090	150,916
Items not involving cash		
Amortization of tangible capital assets	169,926	157,777
Loss on sale of tangible capital assets	189	999
Contributed tangible capital assets	(116,342)	-
Change in employee benefits and post employment liabilities	4,341	3,964
Change in landfill closure and post-closure liability	(4,017)	3,527
Change in non-cash assets and liabilities		
Accounts receivable	(102,758)	(19,446)
Accounts payable and accrued liabilities	79,107	72,089
Deferred revenue - general	8,933	17,101
Deferred revenue - development charges	-	(35,123)
Other liabilities	(50)	67
Recoverable gross long-term debt from area municipalities	(3,712)	1,351
Inventory	20	(1,043)
Prepaid expenses	(1,122)	(2,562)
Net change in cash and short-term investments from operating activities	424,605	349,617
<b>Capital activities</b>		
Proceeds on sale of tangible capital assets	893	2,345
Cash used to acquire tangible capital assets	(741,978)	(561,358)
Net change in cash and short-term investments from capital activities	(741,085)	(559,013)
<b>Investing activities</b>		
Proceeds from disposals and redemptions of investments	227,526	270,516
Acquisition of investments	(33,204)	(112,307)
Increase in long-term loan receivable	(6,434)	(440)
Net change in cash and short-term investments from investing activities	187,888	157,769
<b>Financing activities</b>		
Proceeds on debt issuance	305,859	-
Repayment of long-term debt	(1,435)	(1,351)
Repayment of mortgages payable	(17,054)	(16,168)
Net change in cash and short-term investments from financing activities	287,370	(17,519)
Net change in cash and short-term investments	158,778	(69,146)
Cash and short-term investments, beginning of year	227,020	296,166
<b>Cash and short-term investments, end of year</b>	<b>385,798</b>	<b>227,020</b>
Cash paid for interest	25,118	18,691
Cash received from interest	49,195	61,652

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

# The Regional Municipality of Peel

## Notes to the consolidated financial statements

December 31, 2010

(In thousands of dollars)

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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. Significant 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 these financial statements is on the financial position of the Region and the changes thereto. The consolidated statement of financial position includes all the financial assets and liabilities of the Region 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.

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 which include:

- 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 Municipal Property Assessment Corporation for the cost of Assessment Services that are not administered or controlled by the Region.

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 \$161 (2009 – \$173), 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. Expenses 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.

# The Regional Municipality of Peel

## Notes to the consolidated financial statements

December 31, 2010

(In thousands of dollars)

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### 1. Significant accounting policies (continued)

#### b) Basis of accounting (continued)

##### iii) *Investment income*

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.

Temporary investments are carried at the lower of cost and market value. Portfolio investments are carried at cost, unless there are impairments in value at which time they are written down to recognize the loss in value. Discounts or premiums are amortized using the effective interest method.

##### 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 current year and are not intended for the sale in the ordinary course of operations.

##### (a) *Tangible capital assets*

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

<u>Assets</u>	<u>Useful life - years</u>
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.

##### (b) *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.

##### (c) *Interest capitalization*

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

##### (d) *Natural resources*

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

# The Regional Municipality of Peel

## Notes to the consolidated financial statements

December 31, 2010

(In thousands of dollars)

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### 1. Significant accounting policies (continued)

#### b) Basis of accounting (continued)

##### 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) *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.

##### vii) *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 were discontinued in 1986. The remaining balance is adjusted for contract increases 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.

##### viii) *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.

##### ix) *Use of estimates*

The preparation of the periodic financial statements in conformity 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 amount of revenues and expenses during the period. Significant estimates relate to accounts receivable, accrued liabilities, landfill closure and post closure liability, employee benefits and post-employment liabilities and expenses. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

# The Regional Municipality of Peel

## Notes to the consolidated financial statements

December 31, 2010

(In thousands of dollars)

### 2. Restatement of prior period

In prior years, the Region reported reserve balances for the Federal and Provincial Gas Tax as a component of accumulated surplus. Since the use of these resources is restricted by an agreement with an external party and can only be used for a specific purpose, the Region has retroactively restated these amounts to be reported in the balances for deferred revenue for 2009. This change has resulted in the following revisions to amounts reported for the prior year:

Statement of financial position	2009		
	Previously reported	Effect of correction	Restated
	\$	\$	\$
Financial assets	1,337,441	-	1,337,441
Liabilities	778,222	11,019	789,241
Net financial assets	559,219	(11,019)	548,200
Non-financial assets	7,907,859	-	7,907,859
Accumulated surplus	8,467,078	(11,019)	8,456,059

Statement of operations	2009		
	Previously reported	Effect of correction	Restated
	\$	\$	\$
Revenues	1,689,282	(4,554)	1,684,728
Expenses	1,533,812	-	1,533,812
Annual surplus	155,470	(4,554)	150,916
Accumulated surplus, beginning of year	8,311,608	(6,465)	8,305,143
Accumulated surplus, end of year	8,467,078	(11,019)	8,456,059

### 3. Investments

Cash and short-term investments have a market value of \$391,833 (2009 - \$234,766) at the end of the year. Long-term investments have a market value of \$808,314 (2009 - \$1,001,057) 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 \$3,050 (2009 - \$2,906) and the Credit Valley Conservation for \$2,461 (2009 - \$2,362). The balances are offset by liabilities reported in the consolidated 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.

# The Regional Municipality of Peel

## Notes to the consolidated financial statements

December 31, 2010

(In thousands of dollars)

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#### 4. Long-term loan receivable

The balance for long-term receivable includes the following:

- a) A 30-year memorandum of understanding at 5.196 percent with the Credit Valley Conservation (CVC) to be used to finance the renovation of their head office facility.
- b) A 20-year loan agreement at 5.12 percent with Abbeyfield Houses of Caledon to used finance the construction of affordable housing for senior citizens.

	2010	2009
	\$	\$
CVC - memorandum of understanding	6,590	440
Abbeyfield Houses of Caledon - loan agreement	284	-
<b>Total</b>	<b>6,874</b>	<b>440</b>

#### 5. Local service realignment costs

Annual Local Service Realignment costs of \$30,372 (2009 – \$40,496) for social assistance attributed to Greater Toronto Area Pooling 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 and general assistance.

#### 6. Landfill closure and post closure liability

*The Environmental 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 1 year, 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 \$19,345 (2009 - \$23,362) 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 5.0 per cent.

As at December 31, the Region maintained a reserve of \$24,243 (2009 - \$24,697) which will be used to fund expected future costs.

# The Regional Municipality of Peel

## Notes to the consolidated financial statements

December 31, 2010

(In thousands of dollars)

### 7. Employee benefits and post-employment liabilities

Employee benefits and post-employment liabilities reported on the consolidated statement of financial position consist of the following:

	2010	2009
	\$	\$
Retiree benefits Peel Police Services Board	38,837	36,092
Retiree benefits Peel Region	5,904	5,436
Workplace Safety and Insurance Board	16,784	15,656
<b>Total</b>	<b>61,525</b>	<b>57,184</b>

#### a) Retirement benefits

The liability for retirement benefits is the result of a 2009 actuarial update for 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 last full actuarial valuation was complete as of January 1, 2009.

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

• Future discount rates	5.0% per year
• Future inflation rate	2.0% per year
• Future salaries	Escalate at 3.0% per year
• Future dental premium rates	Escalate at 4% per year
• Future health care premium rates	
Police	Escalate at 6.7% for 2010 Reducing to 4% per year over 12 years; 4 % per year thereafter
Region of Peel	Escalate at 6.8% per year Reducing to 4.0% per year over 12 years; 3.0% per year thereafter

# The Regional Municipality of Peel

## Notes to the consolidated financial statements

December 31, 2010

(In thousands of dollars)

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### 7. Employee benefits and post-employment liabilities (continued)

#### a) Retirement benefits (continued)

The following are the actuarial results for the accrued benefit liability reported on the consolidated statement of financial position:

Retirement benefits liability	2010	2009
	\$	\$
Accrued benefit obligation at January 1	44,712	41,817
Add benefit service cost	2,130	1,986
Add interest accrued	2,254	2,110
Deduct benefit payments	(1,392)	(1,201)
Accrued benefit obligation at December 31	47,704	44,712
Deduct unamortized actuarial loss	(2,963)	(3,184)
<b>Liability at December 31</b>	<b>44,741</b>	<b>41,528</b>

Retirement benefits expense	2010	2009
	\$	\$
Current period benefit cost	2,130	1,986
Amortization interest on accrued benefit obligation	2,254	2,110
Actuarial losses	221	221
<b>Total</b>	<b>4,605</b>	<b>4,317</b>

The actuarial loss is the result of assumptions used in 2009 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 Regional Municipality of Peel

## Notes to the consolidated financial statements

December 31, 2010

(In thousands of dollars)

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### 7. Employee benefits and post-employment liabilities (continued)

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

The results of the actuarial valuation are as follows:

WSIB liability

	2010	2009
	\$	\$
Accrued benefit obligation at January 1	15,773	14,939
Add estimated cost of claims (service cost)	3,224	2,797
Add interest accrued	797	749
Deduct expected benefits paid	(2,908)	(2,712)
Accrued benefit obligation at December 31	16,886	15,773
Deduct unamortized actuarial loss	(102)	(117)
<b>Liability at December 31</b>	<b>16,784</b>	<b>15,656</b>

WSIB benefits expense

	2010	2009
	\$	\$
Current period benefit cost	3,224	2,797
Interest on accrued benefit obligation	797	749
Amortization of actuarial losses	15	15
<b>Total</b>	<b>4,036</b>	<b>3,561</b>

### 8. Long-term debt

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.

In 2010 the Region issued \$310 million in debenture debt of which \$256.7 million is attributed to ensuring the sustainability of its capital program and to provide appropriate levels of cash flow for the expansion of utility infrastructure required to accommodate growth. Long-term debt financing of the growth related capital plan was necessary due to a difference in timing between investment in infrastructure and collection of development charge revenue. The repayment of the debentures will be financed by development charge revenue projected to be collected over the useful lives of the assets included in the capital plan.

# The Regional Municipality of Peel

## Notes to the consolidated financial statements

December 31, 2010

(In thousands of dollars)

### 8. Long-term debt (continued)

#### a) Net long-term debt

The total for long-term liabilities reported in the consolidated statement of financial position consists of the following:

	2010	2009
	\$	\$
Total long-term liabilities incurred by the Region including amount incurred on behalf of area municipalities	<b>323,613</b>	19,189
Mortgage payable by Peel Housing Corporation	<b>320,814</b>	337,868
Note payable	<b>1,000</b>	1,000
Total outstanding	<b>645,427</b>	358,057
Less recoverable from area municipalities	<b>22,901</b>	19,189
<b>Net long-term debt at December 31</b>	<b>622,526</b>	338,868

Serial and sinking fund debentures issued by the Region mature between June 2011 and June 2040 and have interest rates ranging between 1.7 percent and 6.55 percent.

Mortgages of \$320,814 (2009- \$337,868) on Peel Housing Corporation 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.

In 1995, a debt retirement fund was established to provide for the orderly retirement of gross long-term liabilities. Scheduled contributions to retire the debt issued by the Region in 2010 will commence in June 2011.

#### b) Future principal repayments

Estimated future principal repayments for the Region including sinking fund conditions and PHC are as follows:

	Peel Housing	Region of Peel	Total
2011	18,051	6,286	24,337
2012	19,271	6,286	25,557
2013	20,237	6,286	26,523
2014	21,177	6,286	27,463
2015	22,161	6,286	28,447
Subsequent to 2015	220,917	5,067	225,984
Net sinking fund debt repayable	-	264,215	264,215
<b>Total</b>	<b>321,814</b>	<b>300,712</b>	<b>622,526</b>

Total interest charges in the amount of \$24,590 (2009 - \$18,985) are reported in the consolidated statement of operations. The charges consist of \$16,747 (2009 - \$17,776) for interest on PHC mortgages and \$7,843 (2009 - nil) for debenture debt.

# The Regional Municipality of Peel

## Notes to the consolidated financial statements

December 31, 2010

(In thousands of dollars)

### 9. Accumulated surplus

The accumulated surplus consists of the following balances:

	2010	2009
	\$	\$
Investment in tangible capital assets and social housing	8,263,231	7,564,861
Reserves and reserve funds	1,206,363	1,203,659
Capital fund	(565,067)	(254,262)
Current fund	(4,246)	-
	<b>8,900,281</b>	8,514,258
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 cost	(19,345)	(23,362)
Other	(4,880)	(4,930)
	<b>(54,132)</b>	<b>(58,199)</b>
<b>Total surplus</b>	<b>8,846,149</b>	<b>8,456,059</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 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.

### 10. Pension agreements

The Region, on behalf of 7,190 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 \$38,377 (2009 - \$34,941).

# The Regional Municipality of Peel

Notes to the consolidated financial statements

December 31, 2010

(In thousands of dollars)

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## 11. Budget process

The Regional Council completes a review of its operating and capital budgets each year. The capital budget is set on a project-oriented basis, the costs of which may be carried over one or more fiscal years.

The operating budget approved by Regional Council for 2010 included in the financial statements has been adjusted for the following.

- a) An amount for amortization expense has been included based on management's best estimate at the beginning of the year. Amortization expense was not included in the original budget approved by Council.
- b) Amounts approved in the capital budget not recognized as tangible capital assets are included in the statement of operations and accumulated surplus under the appropriate functional category.

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

# The Regional Municipality of Peel

## Notes to the consolidated financial statements

December 31, 2010

(In thousands of dollars)

### 12. Tangible capital assets

(In thousands of dollars)

Cost	Balance at	Additions	Disposals	Balance at
	December 31, 2009			December 31, 2010
	\$	\$	\$	\$
Land	1,017,035	34,286	(349)	1,050,972
Land improvements	35,622	-	-	35,622
Buildings and building improvements	1,488,115	144,207	-	1,632,322
Leasehold improvements	15,734	-	-	15,734
Linear and linear improvements	5,017,519	258,705	-	5,276,224
Structures	163,570	13,370	-	176,940
Vehicles	56,102	11,395	(4,590)	62,907
Equipment and furnishings	1,018,023	96,393	(1,225)	1,113,191
Construction work in progress	1,288,255	299,964	-	1,588,219
<b>Total</b>	<b>10,099,975</b>	<b>858,320</b>	<b>(6,164)</b>	<b>10,952,131</b>

Accumulated amortization	Balance at	Disposals	Amortization	Balance at
	December 31, 2009		expense	December 31, 2010
	\$	\$	\$	\$
Land	-	-	-	-
Land improvements	6,759	-	1,112	7,871
Buildings and building improvements	368,948	-	30,737	399,685
Leasehold improvements	6,673	-	912	7,585
Linear and linear improvements	1,388,328	-	82,843	1,471,171
Structures	61,213	-	4,432	65,645
Vehicles	29,068	(3,914)	7,140	32,294
Equipment and furnishings	350,786	(1,168)	42,750	392,368
<b>Total</b>	<b>2,211,775</b>	<b>(5,082)</b>	<b>169,926</b>	<b>2,376,619</b>

	Net book value December 31, 2010
	\$
Land	1,050,972
Land improvements	27,751
Buildings and building improvements	1,232,637
Leasehold improvements	8,149
Linear and linear improvements	3,805,053
Structures	111,295
Vehicles	30,613
Equipment and furnishings	720,823
Construction work in progress	1,588,219
<b>Total</b>	<b>8,575,512</b>

# The Regional Municipality of Peel

## Notes to the consolidated financial statements

December 31, 2010

(In thousands of dollars)

### 12. Tangible capital assets (continued)

Cost	Balance at	Additions	Disposals	Balance at
	December 31, 2008			December 31, 2009
	\$	\$	\$	\$
Land	1,013,433	4,901	(1,299)	1,017,035
Land improvements	32,176	3,446	-	35,622
Buildings and building improvements	1,369,899	118,439	(223)	1,488,115
Leasehold improvements	15,393	341	-	15,734
Linear and 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 and 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>

Accumulated amortization	Balance at	Disposals	Amortization	Balance at
	December 31, 2008		expense	December 31, 2009
	\$	\$	\$	\$
Land	-	-	-	-
Land improvements	5,751	-	1,008	6,759
Buildings and building improvements	340,194	(35)	28,789	368,948
Leasehold improvements	5,697	-	976	6,673
Linear and 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 and 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, 2009
	\$
Land	1,017,035
Land improvements	28,863
Buildings and building improvements	1,119,167
Leasehold improvements	9,061
Linear and linear improvements	3,629,191
Structures	102,357
Vehicles	27,034
Equipment and furnishings	667,237
Construction work in progress	1,288,255
<b>Total</b>	<b>7,888,200</b>

# The Regional Municipality of Peel

## Notes to the consolidated financial statements

December 31, 2010

(In thousands of dollars)

### 12. Tangible capital assets (continued)

- a) Assets under construction having a value of \$1,588,219 (2009 - \$1,288,255) 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 nil (2009 - \$978) in the consolidated statement of operations.

### 13. Expenses by object

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.

	2010	2009
	\$	\$
Salary and wages	598,841	549,890
Services and rents	298,845	312,156
Grants and transfer payments	335,580	330,303
Materials and supplies	83,331	75,163
Amortization	169,926	157,777
Other operational expenses	132,024	89,538
Debt charges	24,590	18,985
<b>Total</b>	<b>1,643,137</b>	<b>1,533,812</b>

### 14. Contractual obligations and contingent liabilities

- a) As at December 31, 2010 outstanding contractual obligations for capital works amounted to approximately \$430,833 (2009 - \$520,823). Regional Council has authorized the financing of these obligations.
- b) As at December 31, 2010 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 \$7,988 (2009 - \$8,024) 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:

	\$
2011	5,167
2012	3,671
2013	2,830
2014	1,891
2015	1,068
Subsequent to 2015	122
<b>Total</b>	<b>14,749</b>

# The Regional Municipality of Peel

## Notes to the consolidated financial statements

December 31, 2010

(In thousands of dollars)

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### 14. Contractual obligations and contingent liabilities (continued)

- 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 2010 charges from OCWA totalling \$22,614 (2009 – \$21,995). 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 2010, the Peel Regional Police received \$15,758 (2009 - \$14,925) 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 \$3,177 (2009 - \$2,896) in order to meet the credit requirements and conditions of certain agreements related to capital projects.

### 15. 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.

### 16. 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:

# The Regional Municipality of Peel

## Notes to the consolidated financial statements

December 31, 2010

(In thousands of dollars)

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### 16. Segmented information (continued)

#### *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 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 Services, Paramedic Services 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 Paramedic 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.

# The Regional Municipality of Peel

## Notes to the consolidated financial statements

December 31, 2010

(In thousands of dollars)

### 16. Segmented information (continued)

#### Segmented information

	General Government		Protection to property and persons		Transportation services		Environmental services		Health services		Social & Family services		Housing		Other		Total		
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Operations</b>																			
<b>Revenue</b>																			
Levies on area municipalities	806,025	765,913	-	-	-	-	-	-	-	-	-	-	-	-	-	-	806,025	765,913	
Direct charges on ratepayers	-	-	-	-	-	-	228,537	213,342	-	-	-	-	-	-	-	-	228,537	213,342	
Contributions																			
- other governments	13,494	11,478	47,732	32,983	16,098	11,991	161,896	61,625	43,194	42,163	226,838	197,190	54,794	38,702	29,524	25,391	593,570	421,523	
Contributions - developers	98	430	5,197	4,031	69,565	58,082	15,963	20,677	65	117	-	-	916	-	-	-	91,804	83,337	
Contributed capital assets	-	-	-	-	2,604	-	112,821	-	-	-	-	-	917	-	-	-	-	116,342	-
Investment income	13,072	13,834	7,273	6,564	4,862	5,310	15,072	28,207	985	1,002	3,315	3,859	3,333	4,053	-	-	47,912	62,829	
Fees and service charges	28,995	27,102	24,696	22,840	5,025	4,300	19,710	16,592	867	2,034	19,366	17,782	50,378	47,134	-	-	149,037	137,784	
	861,684	818,757	84,898	66,418	98,154	79,683	553,999	340,443	45,111	45,316	249,519	218,831	110,338	89,889	29,524	25,391	2,033,227	1,684,728	
<b>Expenses</b>																			
Salaries and wages	51,973	61,712	327,757	298,705	30,847	28,390	44,107	39,720	47,553	43,743	119,802	97,180	6,685	7,637	-	-	628,724	577,087	
Services and rents	11,600	20,562	27,864	25,367	14,393	14,176	114,191	126,252	13,454	16,133	53,810	50,169	47,787	44,234	15,746	15,263	298,845	312,156	
Materials and supplies	46,052	43,035	12,376	10,708	4,640	5,064	13,817	9,769	962	957	5,473	5,607	11	23	-	-	83,331	75,163	
Grants and transfer payments	22,018	17,990	28,093	26,592	525	499	-	-	-	-	180,084	175,572	44,969	43,767	59,891	65,883	335,580	330,303	
Debt charges	1,269	-	-	-	-	-	6,574	-	-	-	-	1,209	16,747	17,776	-	-	24,590	18,985	
Intra government transfers	(99,908)	(108,920)	(6,568)	(6,851)	(19,803)	(18,066)	75,340	75,361	4,096	2,451	12,358	23,699	4,602	5,011	-	118	(29,883)	(27,197)	
Amortization	9,098	8,718	11,206	10,441	33,379	28,580	101,851	96,298	290	223	2,336	2,361	11,766	11,156	-	-	169,926	157,777	
Other operating expenses	5,677	8,249	7,189	6,589	33,560	38,047	27,371	12,958	2,070	407	3,698	2,951	52,459	20,337	-	-	132,024	89,538	
	47,779	51,346	407,917	371,551	97,541	96,690	383,251	360,358	68,425	63,914	377,561	358,748	185,026	149,941	75,637	81,264	1,643,137	1,533,812	
<b>Net revenue (expenses)</b>	<b>813,905</b>	<b>767,411</b>	<b>(323,019)</b>	<b>(305,133)</b>	<b>613</b>	<b>(17,007)</b>	<b>170,748</b>	<b>(19,915)</b>	<b>(23,314)</b>	<b>(18,598)</b>	<b>(128,042)</b>	<b>(139,917)</b>	<b>(74,688)</b>	<b>(60,052)</b>	<b>(46,113)</b>	<b>(55,873)</b>	<b>390,090</b>	<b>150,916</b>	